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Societies peg bond rates to rescue clients

By DEREK SMITH
City Editor

MAJOR building societies have handed their wealthier clients a handsome New Year present by refusing to increase their bond rates.

It could mean up to R5 000 savings for holders of substantial bonds hit by the freak backlash from recent radical changes in the South African home-financing system.

These owners faced an increase in repayments at a time when all other rates — including savings deposits and mortgage bonds — were on the way down.

The story goes back more than three years, to the time when South African building societies had a simple system of charging a set rate on bonds to all-comers.

Then the system changed in October, 1975, putting a greater burden on borrowers of larger amounts and owners of more expensive homes. The scale at that stage started at 10,5% and went up to 12%.

But most societies then pegged the rates of current borrowers at 10,5%, 10,75% or 11%.

From January 1 this year, long-standing clients of the building societies have faced yet another system, which has discarded the value of the property as a criterion for establishing the interest rate on the bond. Instead, it has become a simple case of "the bigger the bond, the bigger the interest rate".

The borrowers whose rates were pegged in 1975 faced consequent increases of between 0,5% and 1%, depending on whether the loan balance was between R30 000 and R40 000 or over R40 000.

But the larger societies at least have decided to maintain the status quo, allowing the borrowers to continue paying at the same rate and then introducing the lower rates as their outstanding amounts fall below the R40 000 or R30 000 marks.

The savings could be substantial. A homeowner with a R40 000 bond balance, for example, will have to pay R88 567 over the next 17 years instead of R93 939 — a saving of more than R5 000.

The Big Two societies — the United and the SA Permanent — have both introduced the concession. But whether all building societies adopt the policy remains to be seen.

Concession for homeowners

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JOHANNESBURG — Several major building societies have handed their clients a handsome new year present by refusing to increase their bond rates.

It could mean up to R5 000 for thousands of homeowners caught up in the freak backlash created by recent far-reaching changes in the South African home financing system.

These owners faced an increase in repayments at a time when all other rates — including savings deposits and mortgage bonds — were on the way down.

When the loan system was changed in October, 1975, it put a great burden on borrowers of bigger amounts and owners of more expensive homes. The scale started at 10,5 per cent and went up to 12 per cent, but most societies pegged the rates of existing borrowers at 10,5 per cent, 10,75 per cent or 11 per cent.

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The older borrowers whose rates were pegged in 1975 faced consequent increases of between 0,5 per cent and one per cent depending on whether the loan balance was between R30 000 and R40 000 or whether it was over R40 000.

However, the two largest societies have decided to maintain the status quo allowing the borrowers to continue paying at the same rate and then introduce the lower rates as the outstanding amounts fall below the R40 000 or R30 000 marks.

The savings could be substantial. A homeowner with a R40 000 bond balance, for example, will save more than R5 000. — DDC.

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Groeifondse vaar skitterend in 1978

Deur DAVID MEADES

DIE groeifondsbeweging het een van sy beste jare in 'n baie lang tyd agter die rug. Behalwe dat die waarde van groeifondseenhede in 1978 gemiddeld met byna 25 persent gestyg het, het feitlik al die fondse oor die jaar 'n stewige groei in hul dividenduitbetalings getoon.

Die totale beweging kon 1978 afsluit met altesame R381 miljoen se bates, wat 19 persent meer as 1977 is. Terselfdertyd is die beweging op die oomblik baie likwied.

Op 31 Desember het die elf fondse altesame R26 miljoen in kontant gehad, wat hulle in 'n baie goeie posisie plaas om vanjaar beleggingsgeleenthede te benut. Hul kontantreserwes het aan die einde van 1977 sowat R16 miljoen beloop.

Daar was egter in 1978 groot druk op die kontantbronne van die groeifondse gewees en die beweging het 'n netto uitvloei van R14,7 miljoen getoon.

Die grootste deel hiervan het in die September-kwartaal uitgevloei, toe daar 'n netto uitvloei van nie minder nie as R8,2 miljoen was.

Hierdie toestand het in die afgelope kwartaal ingrypend verbeter. Die beweging het in totaal eenhede ter waarde van R6,9 miljoen verkoop, terwyl R11,3 miljoen se eenhede teruggekoop is, vir 'n netto uitvloei van R4,5 miljoen.

Maar die nuwe groeifonds van Standard Bank het ook in hierdie kwartaal met sy bedrywighede begin en 'n invloei van R1,5 miljoen gehad. As dit in berekening gebring word, het die beweging dus in die afgelope kwartaal net R3 miljoen verloor, wat minder is as die uitvloei van R3,3 miljoen in die Desember-kwartaal verlede jaar.

Die beweging het besluit om voortaan nie meer die in- of uitvloei van die individuele fondse bekend te maak nie en net by syfers vir die beweging te hou.

Maar wat die individuele fondse betref, het Ou Mutual in 1978 daarin geslaag om sy voorsprong teenoor NGF te vergroot. Ou Mutual het NGF in September verlede jaar in bates verbygesteek. Nou staan Ou Mutual se bates op R83,4 miljoen, teenoor NGF se R74,2 miljoen.

Aan die einde van verlede jaar was die ooreenstemmende syfers vir dié twee fondse R69,5 miljoen en R68,4 miljoen, wat onderskeidelik toenames van 20 en 8,5 persent verteenwoordig. NGF het egter tradisioneel die grootste uitvloei, wat waarskynlik die rede was waarom hy so 'n klein styging in sy bates getoon het.

Standard Bank se groeifonds kon die sterkste groei in bates toon, nl. 44,1 persent tot R9,8 miljoen. Die twee Nedbank-fondse, UAL en Syfrets, het albei ook baie goed gevaar. Syfrets het sy bates met 36,5 persent tot R11,6 miljoen opgestoot, terwyl UAL syne met 24,5 persent tot R36,1 miljoen verhoog het.

	Totale bates (Rm.) 1978	1977	Kontant (Rm.)
Ou Mutual	83,4	69,5	2,6
NGF	74,2	68,4	5,6
Sage	54,0	47,8	2,8
UAL	36,1	29,0	3,9
Sanlam	29,9	23,6	1,9
Guardbank	29,6	23,3	2,1
Trustgroei	25,8	22,5	2,7
Sats	22,3	18,1	2,7
Syfrets	11,6	8,5	1,0
Standard	9,8	6,8	1,8
Santam	4,9	4,6	0,5
Totaal	322,1	380,9	26,1

Waarde

Guardbank kon sy bates met 27 persent tot R29,6 miljoen verhoog, Sanlamtrust syne met 26,7 persent tot R29,9 miljoen en Sats syne met 23,3 persent tot R22,3 miljoen.

Sage se bates het met 13 persent tot R54 miljoen toegeneem en Trustgroei kon effens beter vaar met 'n styging van 14,7 persent tot R25,8 miljoen.

Wat die vertoning in die waarde van die fondse se eenhede betref, het die beweging gemiddeld 'n styging van 24,8 persent in 1978 getoon, wat baie goed is. Daar was trouens net een fonds wat oor die jaar nie 'n toename van 20 persent kon haal nie — Trustgroei wat met 19,8 persent dit net-net nie gemaak het nie.

Guardbank was weer eens die topfonds met 'n styging van 29 persent in die waarde van sy eenhede. Kort agter hom was Ou Mutual, wat 'n styging van 28,3 persent getoon het. Daarna kom Syfrets met 26,1 persent, UAL met 25,5 persent, Sanlam met 25 persent en die res almal tussen 20 en 24,2 persent.

Wat die afgelope twee jaar betref, toon die beweging 'n gemiddelde toename van byna 43 persent en Guardbank is weer voor met 'n toename van byna 60 persent.

RAPPORT SE GROEIFONDSOPSOMMINGSLYS SOOS OP 29 DESEMBER 1978

In die volgorde koopprys, verkoopprys, persentasie-beweging die afgelope jaar, die afgelope twee jaar, die afgelope drie jaar en die ontstaandatum:

SAGE	205,08	189,57	22,3+	39,7+	38,7+	28/05/65
NGF	116,57	108,26	20,5+	48,6+	34,9+	15/10/65
SATS	83,98	77,96	24,2+	42,7+	27,5+	03/08/66
O. MUTUAL	186,90	173,76	28,3+	53,0+	48,4+	01/10/66
UAL	197,69	185,66	25,5+	43,5+	36,3+	03/04/67
SANLAM	192,23	178,46	25,0+	45,5+	32,6+	29/06/67
TRUST-BNK	57,73	53,66	19,8+	26,5+	17,4+	21/03/69
SANTAM	84,33	78,64	22,0+	31,0+	11,9+	21/07/69
SYFRETS	58,61	54,98	26,1+	44,5+	22,1+	21/10/69
GUARD-BNK	169,11	158,16	29,0+	58,4+	52,3+	02/01/70
STAND-BNK	123,86	117,24	23,3+	36,8+	24,6+	22/04/73
GR. FONDS-INDEKS		193,08	24,8+	42,96	32,3+	02/01/67

CREDIT CARDS

Poised for take-off

Whatever happens to the rest of the economy, credit card growth is poised for take-off in 1979. Collin Gregor, chief manager of Barclaycard, market leader with an estimated 60% share of the total credit card market, expects Barclaycard holders will spend between R320m and R330m in 1979, roughly 25% up on 1978 sales of R265m. "Barclaycard has been in operation for 10 years in SA and at this stage accounts for between 5% and 6% of total consumer spending in this country."

Gregor estimates that purchases on Barclaycard in the three month festive-buying period (November to January 1979) will top R90m, up 67% from R53,9m in the comparable period of 1977-78.

Total card expenditure — Barclay, Standard, American Express and Diners — now accounts for between 8% and 9% of total retail expenditure. Gregor reckons this will increase by 2% to 3% in 1979.

Randle Carter, GM of the Standard Bank card division, is equally confident about the Standard Bank card outlook for the year.

Carter expects card membership will rise from 250 000 to over 300 000 by the end of the year. "We're now looking to a 27% market share," he claims. Standard card holders spent roughly R120m in 1978 and Carter expects this to increase by 60% over the next 12 months.

"Credit cards are regarded as the new money. Bad debt for SB cards is well below the US figure of 1,2%." He estimates that 70% of card holders are active users and that the average amount spent per month varies between R130 and R150. (Barclaycard holders spend, on average, R156 per month, says Gregor.)

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THE RAND

Waiting for De Kock

It should have come as no surprise to learn that the foreign reserves ended the year with a thud. They usually do. Large interest and dividend payments go out during December and the oil companies settle their overseas accounts as the year draws to a close. Indeed, it is hard to recall a December when there was not some sort of scare over the reserves.

This time, however, the loss was huge: the Reserve Bank's kitty of foreign exchange shrank by the equivalent of R210m — from R575m at the end of November to R365m at the end of December. While care should be taken not to read too much into a single month's figures, it is clear that some powerful forces were at work.

One of them would have been the growing gap between overseas and local interest rates (see *Economy & Finance*); another, the devaluation talk that is today so audible in the market. A spokesman for the Reserve Bank claimed he was not at all worried about the situation: the current account was still in surplus and, despite a continuing outflow of capital, the basic trend of the net foreign reserves was still upwards. Once the difficult first couple of weeks of January were passed, the reserves would start gently rising again, he predicted.

The real question

It would be odd if they did not. A country whose economy is stagnating should have no need to draw on its foreign balances; indeed, it should be building them up rapidly for use in its next growth phase. The real question is: what will happen to the reserves if the rate of growth improves?

On the one hand, there would be a greater influx of imports while some exports would be switched to the local market. So the current surplus would shrink and pretty quickly turn into a deficit. On the other, better profit prospects would help to staunch the outflow of capital and attract an inflow of foreign funds. So the capital deficit would shrink and perhaps even turn into a surplus.

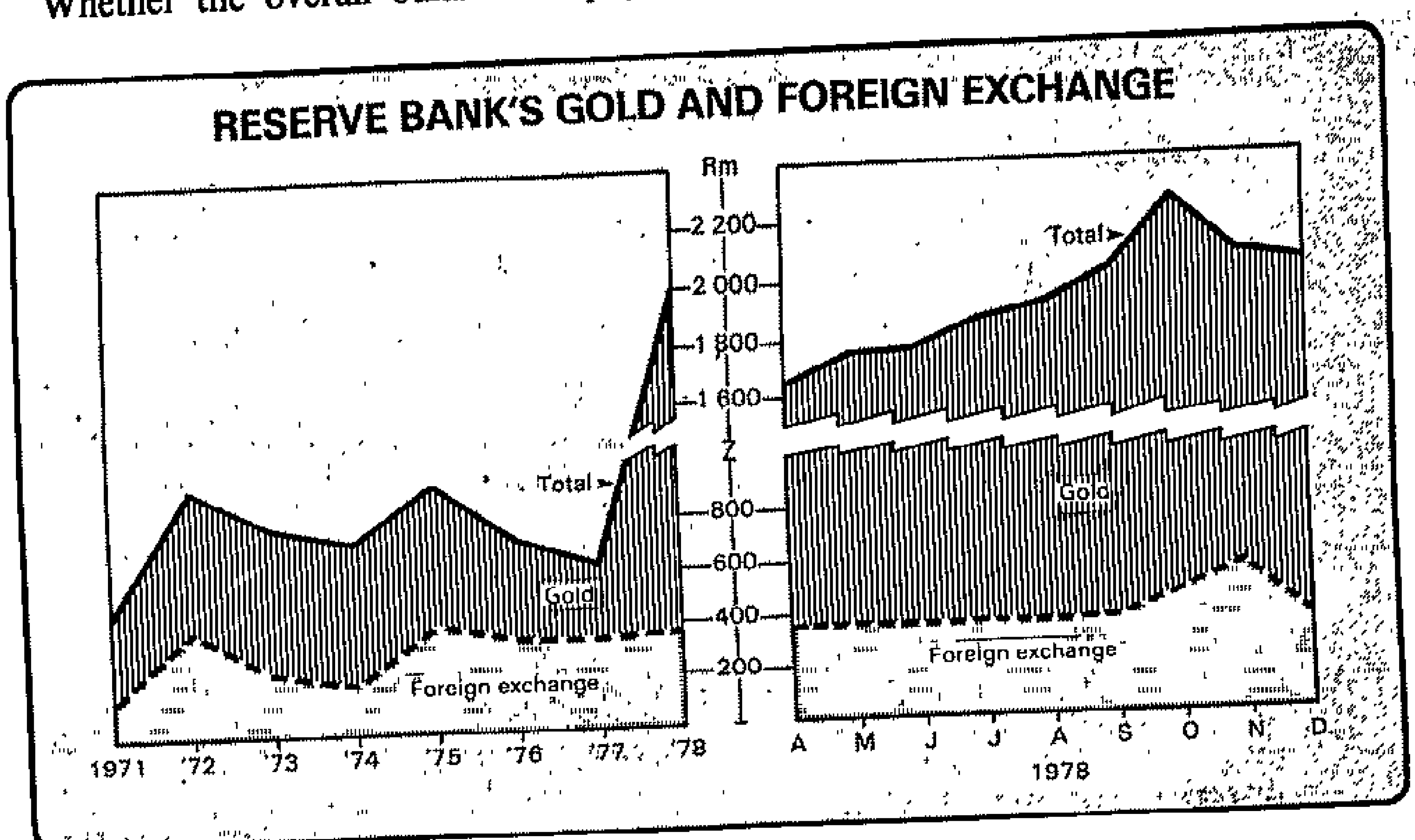
Whether the overall balance of payments would strengthen or weaken is hard to say. The important thing, however, is to ensure that mechanisms exist — and economic policies are pursued — that will help the balance of payments adjust to a higher rate of growth; in other words, that will *stop* the overall balance of payments from weakening and the reserves from plunging if the rate of growth accelerates.

That, one hopes, is what the De Kock report is all about. The report has been lying on Finance Minister Owen Horwood's desk for six weeks now, despite the minister's earlier indication that he would "take decisions on the commission's report and implement them before the end of the year." That the report's publication, and the government's reaction to it, should have been delayed for so long is astonishing in the light of the uncertainty that has been created.

Horwood has proved that he is very good at switching balance of payments deficits into surpluses, provided economic growth can be given a miss. His task now is to show that he can nudge the growth rate back to a respectable level without causing the overall balance of payments to switch back into deficit.

Impossible? Not if demand is increased and the exchange rate is allowed to take the strain of any tension on the balance of payments. Of course, it would be silly to expect miracles: only harder work, more risk-taking, and greater efficiency (where are the Wiehahn and Riekert reports?) can boost the pace of economic development. But business conditions are still very slack, and it would help if the government would stop soaking up quite so much spending power through taxation.

The danger then would be that the



INTEREST RATES

New Year spurt

A squeeze in the money market is forcing up short-term interest rates. Discount houses are currently indebted to the Reserve Bank to the tune of some R400m, and their call rates have hardened from 7,3% three weeks ago to 7,5% this week. 90-day acceptances have also jumped 20 to 30 points to around 7,9%. Some market sources reckon that short-term interest rates could continue hardening until April.

Seasonal factors alone do not explain the current tightening of the market. While the usual Christmas note outflow and December tax payments (including diamond mines) are partly responsible, there are other big leaks in the liquidity pool.

Switching and speculation

Main cause of the liquidity drain is last month's R210m plunge in the Reserve Bank's holdings of foreign exchange. Money market men ascribe the drop partly to substantial switching from overseas to domestic sources of trade finance (see previous note). Moreover, notes another expert, speculation against the rand, by traders delaying export payments, has prompted a further net outflow of funds.

Another factor is that the return flow of notes after Christmas was particularly slow this year. "At least half the notes have not come back," says one market leader. Heavier gst payments, as a result of Christmas sales, could also drain liquidity. Interest rate adjustments have been slow, however. Interbank MD Martin van den Berg, insists, that officially quoted market rates "certainly don't reflect the real liquidity position." The reason he says, is that many market operators expect liquidity to pick up again soon.

Adds Van den Berg: "I'm not convinced that rates will fall back to their early December levels." With the market looking ahead to the crunch at the end of February, when provisional and gold mining taxes fall due, the turning point in short-term rates may already have been reached.

Other money market men, however, expect easier liquidity before the February crunch. Maturing Treasury bills held by the Reserve Bank should pump between R150m and R200m into the market during February. Another R50m held by the non-banking sector and as excess liquid assets by the banks is not expected to be renewed.

Government is not likely to look for additional funds beyond its R376m conversion requirements in February. If this is the case, a rate of around 7,85%, or even lower, on its three-year issue, is likely. Van den Berg reckons the Treasury may offer conversions only into longer term stock.

But much will depend on which way Pretoria wants to see rates move. If overseas interest rates continue their upward spiral, the Reserve Bank may encourage an earlier tightening in the money market by selling securities and soaking up cash. Market nervousness will then probably underpin the higher trend.

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DIAGONAL STREET

New Year confidence

Although the holiday season has not really finished, trading in Diagonal Street is picking up. Turnover this week surpassed expectations after the oil and Iran strike news, although it was not as high as in the same period in 1978.

Daily trade averaged R4,8m from an average 1,8m shares, with most activity in the industrials market, where daily trade was listed at about 1m shares.

Local buyers, mainly institutions, and small foreign interest pushed most quality stocks higher while special situations provided the features.

Top price gains of the week were Triomf and Landchem. There have been no recent announcements from Triomf to generate this interest, but the huge price gains are attributed to the more favourable outlook for phosphoric acid. Over the week Triomf gained 55c to 230c in quiet trade while Landchem jumped 65c to 100c in more active dealing. Most of this trade has been for private investors as the shares are rarely the focus of institutional interest.

Another share high in the list of gains was Scotts, which is starting to move off the bottom after last year's shake-out. The share closed at 150c, after touching 165c on Monday. Tedelex also moved higher on recovery recommendations to close at 92c (82c).

Banks were active with prices firmer and some two-way trade for these shares with the UK. On Wednesday a parcel of Nedbank was offered out of the UK, possibly part of a switch into coppers or De Beers.

The only industrial sector to come under the whip was motors, which dipped about 6% in the wake of the Iranian oil strike and subsequent embargo threats to SA. Toyota and McCarthy were particularly weak at 185c and 75c respectively.

Although industrials notched up higher turnover this week, metals and diamonds provided more sustained appreciation. Coppers in particular advanced strongly as the LME price peaked at over £790 a ton in the wake of news that the US General Services Administration may increase its holdings.

Copper supply threats

Continuing transport and skilled labour problems in Zambia and political and economic uncertainty in Zaire also improved sentiment. This week the major factor pushing the LME and Comex prices to a 1978-79 peak was news of reduced stocks of the metal, a shortage of good quality material, and the narrowing contango.

Messina and Palamin did particularly well on the copper price, with both shares advancing appreciably in London and Johannesburg. Brokers said most interest appeared to be local and some SA orders were filled in London, which saw Messina and Palamin up more than 10p some days.

CSO diamond sales figures prompted active interest in De Beers on Tuesday and Wednesday when the price rose 15c to 885c, closing the week 10c down. But the fact that the share has not reacted downwards with publication of the figures could point to further improvement over the next few months.

Optimistic platinum supply demand forecasts from US and European commodity traders helped lift platinum shares 7%. The best improvement came from Lydenburg, which appreciated 14% to 168c. One US commodity trader estimated that, if the USSR does not sell large amounts of the metal, demand could outstrip supply by 150 000 oz this year. His target is a free market metal at $400 and the producer quote of $350 before the year-end.

Golds ended the week marginally higher with the JSE Actuaries index up one point at 252,6. Bullion dipped to fix at $220,70 on Wednesday afternoon ahead of a statement by President Carter on the US economy later in the week. The news of the pending statement helped strengthen the dollar after the Iranian shambles and its implications for the US economy clobbered it earlier in the week.

Securities rand magnet

Quarterly gold reports from GFSA had little effect on the market. Of the GFSA mines which reported on Wednesday (see *Fox*) only Venters firmed, putting on 5c to 320c.

Most brokers are still bullish over gold, but until President Carter's announcement is out of the way they foresee no activity. The securities rand, currently standing at 63,75c US, partly on devaluation fears, for a 44,6% discount, should entice foreigners back to Diagonal Street, which so far has shown remarkable resilience to local political influences.

Bullishness for gold is offset by growing consensus that coals are due for a reaction and that the current slowdown in prices is the start. The shares responded well to the oil news, but brokers reckon it was overdone as the sector cannot hope to benefit in the immediate future.

Des Kilalea

MUTUAL FUNDS

Beating the indices

Unit trusts are outperforming the market. In the quarter to end-December the market value of all funds rose from R366,6m to R381,2m, up 4%. During the same period the *RDM* 100 rose only 1,8%, the *RDM* gold index fell back 0,7%, while the ESE unit trust index put on 2,6%.

After the quarter to end-September, when the funds were hit by the worst spate of withdrawals in five years, withdrawals have settled down to a more normal quarterly level at R11,3m (R17m).

	Mutual	UAL	Syfrets	Guardbank	Sage	Standard	Standard Extra Income	Sanlam	NGF	Sats	Trust	Santam
Size of fund (Rm)	83,4	36,1	11,5	30,2	53,0	9,7	1,7	29,9	74,9	22,3	25,7	4,9
Previous quarter (Rm)	79,5	30,4	10,6	27,2	51,2	9,2	—	28,6	74,2	21,8	25,4	4,9
Cash & liquid assets (Rm)	8,4	3,9	1,2	3,1	2,8	2,0	0,3	2,6	8,9	2,3	3,1	1,2
Previous quarter (Rm)	5,1	3,6	0,9	2,4	2,8	1,1	—	1,7	7,3	1,9	4,1	1,2
Portfolio mix												
Mining shares %	31	40	28	35	38	33	—	26	39	44	36	17
Previous quarter %	30	39	28	32	42	38	—	26	37	43	37	17
Industrial shares %†	59	49	62	55	*53	46	82	65	49	46	48	57
Previous quarter %	59	50	63	59	*53	49	—	68	53	48	51	58
Cash & liquid assets %	10	11	10	10	9	21	18	9	12	10	16	26
Previous quarter %	11	11	9	9	5	13	—	6	10	9	12	25
Repurchase price cum div (c)‡	180,0	189,5	56,7	162,2	193,7	120,6	101,0	184,1	111,9	80,4	55,4	81,5
Previous quarter (c)	167,8	178,9	53,8	151,7	185,5	115,8	§100,0	175,7	104,9	76,2	53,0	77,0
% Growth over quarter	7,3	5,9	5,3	6,9	4,4	4,1	1,0	4,8	6,7	5,5	4,5	5,9

**Includes 13% (12%) of foreign investments; †Industrial shares include debentures, convertibles and prefs; ‡Includes dividends received in the December quarter; §Fund launched in November.*

As with the September quarter, the main reason for the heavier outflow was the exit of stale bulls. They have been in since 1969, and only in the last few months have they seen the chance of breaking even or making a small profit.

Unit trusts are a neglected sector of the market. Since the collapse of the 1969 boom investors seems to have fought shy of this form of investment and total funds have steadily dropped from their peak of R800m in 1969 to the current R381m. Yet since December 1976 unit trust performance has been good. The ESE unit trust index is up 45% compared with a 46% increase in the *RDM* 100 and a 48% increase in the gold index.

Cash inflows for the quarter were R6,9m (R8,8m). This amount fluctuates quite substantially from quarter to quarter, often depending on dividend reinvestment, and cannot be interpreted solely as an indication of public sentiment. But over the year there has been a total cash outflow of R14,7m compared to R7,2m for the previous year.

The most noticeable feature of the funds' quarterly reports is that most increased their liquid assets, seemingly at the expense of industrials. The average industrial equity stake has come down from 53,2% to 51,5%, although in rand terms it is up from R195,2m to R196,2m. Total liquid assets are up from R34m to R39,6m, which represents 10,4% (9,2%) of the portfolios' value. There has been a

DE KOCK COMMISSION

A hard rumour (58)

FM 19/1/79

The most popular guessing game in financial circles these days is to predict the recommendations of the De Kock commission on monetary and exchange rate policy, whose report landed on Finance Minister Owen Horwood's desk over a month ago. A decision on the report is expected "within a week or two," the *FM* learnt reliably this week. One rumour is especially strong. In the words of one who is "90% sure of my facts," it goes like this:

- The commission has recommended a two-tier exchange rate for the rand be established, comprising a "financial" rand, which would cover all capital transactions, and a "commercial" rand.
- The commercial rand's exchange rate would be pegged to a basket of five currencies, the US dollar, pound sterling, D-mark, Swiss franc and Japanese yen.
- The level of the financial rand would be determined by market forces, meaning it would depreciate sharply whenever a scare prompted a mass flight of foreign investors. The proceeds of sales of financial rands could be used more freely than those of securities rands (which can only be invested in certain fixed interest securities).
- Public corporations would pay 2% a year (at present, usually 1%) for forward cover on their foreign borrowings.
- Commercial banks (and thus private traders) would pay more market-related rates for forward cover on the rand/dollar leg of their transactions. These rates would probably be determined by interest rates ruling overseas and in SA.
- Big changes would be made in SA's gold sales policy, giving the Chamber of Mines an influential role in these sales. Talk is that the Chamber has already started setting up a department to handle its new responsibilities.

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HP AND LEASING

Handcuffing the banks

Those contemplating small HP and lease deals should think twice before signing just yet. The *FM* learns that, proposed amendments to the Limitation & Disclosure of Finance Charges Act could lower the interest rate ceiling on all HP and lease agreements involving goods valued at less than R250 000.

The proposed changes are coming under heavy fire from the Association of General Banks & Finance Houses, which is urging Pretoria to stop interfering with market forces. Not only is the association upset by this extension of interest rate control, it also objects to the method by which the ceiling will be fixed. While it accepts the recommendation of the Committee of Inquiry into the Usury Act, published in 1967, that "a strong case exists for meaningful legislation to protect the man-in-the-street," it is adamant that the committee did not propose interest rate control on transactions between commercial and industrial companies.

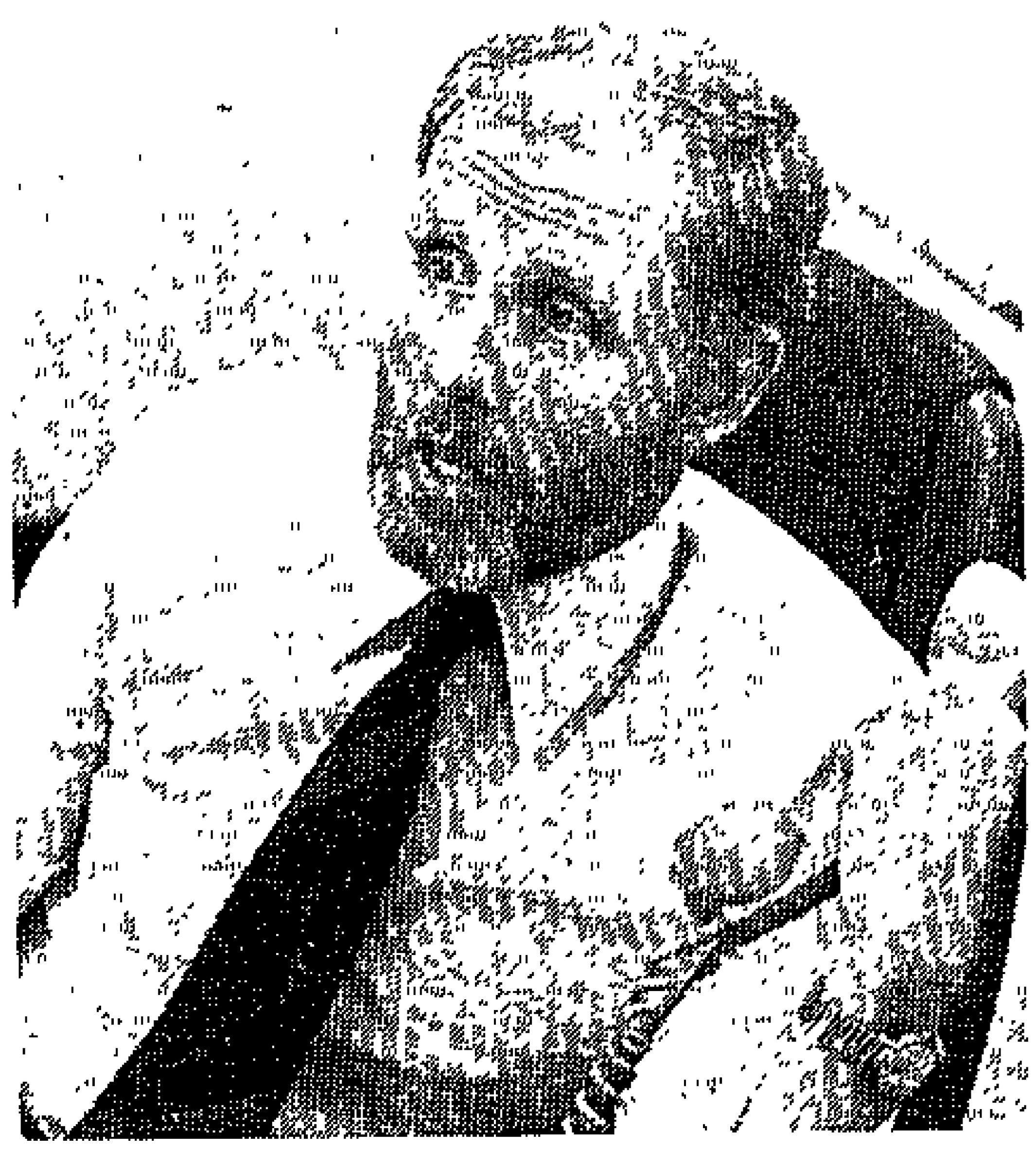
In objecting to the arbitrary R250 000 ceiling, the association argues that this figure is far too high to protect the man-in-the-street, or the small businessman, most of whose deals are for smaller amounts. Even R50 000, which is a possible alternative on certain deals, is considered too high. The association also points out that a large proportion of small leasing and HP deals is done by big corporations who do not need extra protection. An official of the Registrar of Financial Institutions' office points out, however, that the bill does allow the Minister of Finance to reduce the figure.

The association also rejects any suggestions that the rate ceiling should be linked to the three-year government stock rate (which the association argues is subject to government control) or Escom stock rates. Controls over leasing and HP rates were initially recommended by the Franzsen committee in 1977, which argued that "market-related guidelines" should be set out and which the authorities could alter from time to time.

Prime overdraft rate, the association suggests, is a "more suitable barometer" since this "responds more accurately and effectively to the supply and demand for money."

The Registrar also intends to define HP lending on home improvements (including tennis courts and swimming pools) as a normal money lending operation, and therefore subject to a maximum charge of 14%. Stannic MD Ken Gager argues that in practice the cost to the borrower will be almost the same as before, because the banks will simply raise the commission they charge the contractor for discounting the contract, and the contractor will raise his price. Gager adds that the banks are entitled to charge more than the building societies because they bear greater risks.

The *FM* learns that a revised draft bill has recently been circulated. A spokesman in the Registrar's office describes it as "an attempt to find a mutual solution and accommodate every objection raised by the association." He adds that the proposed controls were initiated by the Franzsen committee and laid before both houses of Parliament in 1978.



Finance Houses' Reekie . . . calling for free enterprise

Nonetheless, widespread dissatisfaction remains. "We object outright to the principle of control," says the association's director, Andrew Reekie. He concedes, however, that since the authorities seem determined to enforce the principle of effective interest rate control on HP and leasing, it is now only "a question of agreeing on the mechanics." The Registrar's spokesman adds that negotiations with the association are progressing "satisfactorily."

BUILDING SOCIETIES 58

Their cup runneth over

FM 19/1/79

Building societies have had a bumper year. Judging by recent inflows to their coffers and the poor state of consumer demand, many people are finding saving more attractive than spending. During the first eight months of the current financial year — April to November — inflows almost doubled to R666m, from R386m in 1977.

The biggest increases were in August and September. Inflows last July totalled R84,7m, but in August surged to R106m. September's inflow was a further 115% higher at R215,7m. Though the September leap was exaggerated by capitalisation of dividends and a delay between the announcement of lower interest rates on shares and their introduction, the higher trend has continued.

Inflows in October and November dropped back to R65,8m and R71,3m respectively, but those figures were still well up on the same two months in 1977 (R47,2m and R47,8m).

December's figures have not yet been released, and January and February are traditionally lean months, but Association of Building Societies director David Alston sees the satisfactory trend continuing at least until Senator Horwood unwraps his unpredictable budget package at the end of March.

What is the money being used for? Alston reckons the societies' current loan commitments are double those of a year ago. He adds that the uptick in the stock market will probably discourage institutional investment in the societies over the next few months. Moreover, the 99-year-leasehold scheme for blacks will probably provide a new lending channel later this year.

business will be written; at least, Guarantee's Dr Shlomo Peer was frank in telling his brokers what he wanted from them.

Some new endowment plans were introduced to fill gaps in the range, but the highlight of the launch was the "new and unique" Topaz Ideal Plan. As with most insurance claims, the word "unique" is abused, but the Ideal is certainly a novel, and potentially effective, marketing tool.

Basically, Ideal is a three-way plan providing, first, life cover up to a maturity date; then, a maturity payment; and finally, cost-free life cover after maturity in an amount equal to, or exceeding, the maturity benefit.

FM 19/1/79

(58)

PROTEA HOLDINGS

A hardy species

Despite the conglomerates' fall from grace in recent years, Protea Holdings' managing director, Aidan Beard, continues to believe in diversity. The rationale is that no one sector should dominate group business and that a broad profit base will cushion the wide fluctuations frequently encountered in "single market" firms.

Detractors of this ideology maintain that, because of the spread, diversified groups cannot out-perform the economy. Beard counters that Protea strives to balance its investment over basic growth industries and prefers not to become over-exposed in high-risk areas. As such, it hopes to beat the economic indices. Should the economy recover strongly, the multiplier effect becomes a quantum jump, he says.

Protea still has about 80 operating companies covering its six main categories of endeavour: chemical, electrical and electronics, instrumentation and laboratory, medical, metals and engineering, and protective clothing. Of these, electrical is, at 29%, now the largest contributor to turnover (R52m in the year to June 30 1978) but accounts for only 8% of trading profit. The next largest contributor to turnover is chemicals at 20% (R36m). It is, however, the most profitable sector, precipitating 24% of trading profit. Next in line is metals and engineering, gearing 8% of turnover into 20% of trading profit. In total, group turnover amounted to R178,2m and profit R14,2m for the 1978 financial year.

While the RDM Industrial Index has risen by 40% over the past 12 months, Protea Holdings has jumped 74% from its 1978 low of 96c. This sharp re-rating stems from MD Aidan Beard's ability to persuade investors that Protea's fall from favour in 1976 was overdone. This report analyses what Beard has done to Protea in the past three years, and how he's plotting its future growth.

With so many operating companies, and given the fact that Protea is predominantly a trading group with roughly 77% of assets in stocks and debtors, management has had to adopt decentralised control of day-to-day operations. Beard emphasises that this has led over the years to strong, independent management at subsidiary level, with control of performance and standards held at the holding company or corporate level. It is here where basic strategies and tactics are evolved and specific targets set. For example, one corporate objective is to achieve a return on ordinary shareholders' funds of at least 20%.

By and large it has succeeded. In 1977-78 return was 19,7%. And for the five years since 1974, the arithmetic average is 20,9%. But there was a spell during 1976 and 1977 when Protea did appear to be running out of steam.

By 1975, earnings per share had reached a record high of 30,5c. But they dropped back to 26,5c in 1976 and

DIAGONAL STREET

Fm 19/1/79

(58)

A flying start

cts of the set works dealt with equally:

The Treasury's announcement that it would not renew R376m in gilts maturing at end-February sparked a rush of institutional buying that pushed the *RDM* 100 to a nine-year high. Not since the great crash of 1969 had it seen the

of the theme?

294,8 level reached on Tuesday.

Rumours that the R15m City of Cape Town loan scheduled for February might be withdrawn and a $5 rise in the gold price on Tuesday and Wednesday, especially after the successful US auction, added fuel to the fire.

Six of the JSE's more influential analysts made forecasts for 1979 this week. One expects a second half decline which would see the *RDM* 100 back to 270 by the year-end, but the other five forecast the year-end *RDM* 100 between 320 and 360 at the end 1979.

s with this course? Have you any suggestions
an be alleviated?

Unlike one chartist, whose recent forecasts have been spot on and who now forecasts $260 by August, none of the fundamentalists foresee much excitement in golds this year. Most seemed to expect present levels to be held. But, they said, institutional liquidity, softer interest rates and an expansionary Budget would ensure strength in industrials. Reports of a good Christmas and January from retailers already suggest better profits

Gold, platinum, silver shoot ahead

By NEIL BEHRMANN

LONDON. — Even though the dollar only weakened slightly, gold, platinum and silver soared ahead because of political uncertainties in Iran and the Middle East.

Copper was also in demand because of the sharp decline of London metal exchange warehouse stocks. Bullion and metals dealers note that international political events are currently the major influence on metals markets, either through worries over future supplies or as the ultimate hedge against potential conflict in vulnerable countries.

James Sinclair, head of a New york commodities firm, for instance, notes that "as their anxiety level rises, Arab money men may be seeking more portable, durable assets than paper money."

"Surprisingly as it may seem", he says, "the exile of the Shah has increased the anxiety level in the Middle East rather than calmed the stormy seas."

Flashpoint

In a detailed economic review of the metals markets (Rayner-Harwill, £30), the consulting subsidiary of commodities firm JH Rayner believes that the metals markets could be affected by a major political disturbance in 1979.

"The deteriorating Central African situation must provide one flashpoint and Iran's problem, aggravated by its common border with Russia, also runs deep. "Either could create serious market problems, leading to a run-up on commodity prices."

Rayner-Harwill maintains that gold's relationship to the dollar has, in many respects, been overstated. The market still regards the metal as the ideal store of value and therefore the obvious currency hedge.

The firm cautions, however, that more gold will be available in 1979 than ever before and this will be in the region of 2 200 tons.

As far as copper is concerned the firm believes that the price could ease if political disruptions are absent. But a serious military situation in Central Africa could create peaks above £900 for three months' copper.

Rayner-Harwill also maintain that the United States could purchase up to 250 000 tons of copper for the US strategic stockpile — especially if large copper exporting countries become politically vulnerable.

The lead market is also expected to remain tight, but prices could weaken mid-year when battery demand slackens.

For platinum, the firm foresees the Russians returning to the market, Inco, the nickel and platinum producer, resuming at a higher level of production and a difficult time in the car industry.

The US could also review its stockpile policy. Platinum will be influenced by gold with a probable range of $280 to $350 with short-lived peaks above this range. Silver will be volatile, but on a rising trend.

The same will apply to tin. Rayner-Harwill maintains that the price could once again reach £8 00 but by the second half of the year it expects the price to settle around £6 00 with £5 00 per ton being the absolute downside limit.

Unit trusts

Buyers, sellers, yield

Old Mutual: 203,06 (——), 188,77 (——), 4,83 (——).

NGF: 125,61 (124,92), 116,67 (116,04), 5,73 (5,76).

Sage: 221,47 (220,47), 204,66 (203,74), 5,28 (5,31).

UAL Unit Trust: 212,90 (212,59), 199,96 (199,68), 5,34 (5,35)

Sats: 90,96 (90,56), 84,45 (84,10), 5,83 (5,85).

Sanlamtrust: 208 82 (207 92), 193,89 (103,07), 5,60 (5,63).

Trust: 62,47 (62,24), 58,08 (57,87), 6,08 (6,11).

Santam: 89,80 (89,55), 83,72 (83,50), 6,36 (6,38).

Syfrets: 62,56 (61,98), 58,68 (58,14), 6,84 (6,90)

Guardbank: 182,59 (181,91), 170,83 (170,19), 5,91 (5,93).

Standard: 135 61 (134,88) 128,16 (127,45), 6,00 (6,03).

Standard (Income): 103,06 (102,87), 100,33 (100,15), 10,19 (10,21). — Sapa

Unless otherwise stated, all financial news in this issue was compiled by Paul Dold and sub-edited by E V Honeyman

Europe's reaction to De Kock report

CT 26/11/79

By NEIL BEHRMANN

LONDON. — The overall view of bankers, stockbrokers and industrialists in London and the continent is that the most significant part of the De Kock package is that the broadening of the securities' rands market will enable foreign investors to invest in South Africa at a substantial discount.

They cautioned, however, that the political situation in southern Africa remained the most important factor and no technical changes in the exchange rate nor even large discounts would encourage the large scale long-term situation unless there is a turn for the better.

An executive of a mining house with large interests in South Africa said: "The new measures aim at restoring confidence. But they will only work if that confidence is restored."

The executive, who visits South Africa regularly and who is politically conservative, believes that the new financial rand could attract funds for projects with a payback of around five to seven years.

Financial rand

For instance, a light manufacturing industrialist could be interested in an exciting project at the huge financial rand discount. However, if the financial rand improves, there is the possibility that foreign companies would take advantage of the opportunity to withdraw funds previously invested in South Africa.

With the Iranian crisis's effect on oil supplies to South Africa the deteriorating situation in Rhodesia, and the basic inability of the Nationalist Government to bring about concrete changes in South Africa, however, long-term investors — ten years and above — would still be wary about setting up an operation in South Africa.

A foreign exchange manager of a large bank said that South African borrowers would still find it easier to get short-term rather than long-term money.

"It is really long-term money which South Africa needs," he added. He said the measures were an attempt to make the rand a stable currency. This was essential since a lot of money had been borrowed in the harder currencies — German marks and Swiss francs.

If dollar rises...

Brokers and arbitrageurs do not believe that changes in the securities rands market will change drastically on the birth of the financial rand. Several companies had already received permission to invest in South Africa via the securities rand market, while others had also repatriated the funds the same way.

Mr Jerry Wawryk, arbitrage manager of Joseph Sebag, said that if the dollar rises, then it is likely that there will be a de facto devaluation of the rand and the rate will be nearer one to one rather than 1,15 to the rand.

Other arbitrageurs noted that the financial rand was likely to stabilize rather than rise dramatically. There were too many sellers around at higher levels, added James Mahon of Galloway and Pearson.

A Swiss banker said that South African securities would still be dependent on the political risk factor and did not foresee a substantial investment in the short run.

Mr Albert Lovelace, securities analyst, pointed out that a big increase in investment by way of the securities rands market would not alter the balance of payments.

The rand itself will ultimately be determined by the performance of the balance of payments which in turn depends to a large extent on foreign capital inflows.

"South Africa needs a rising price of gold to offset the much higher oil price," he said. Following the announcement of the De Kock package, the financial rand tumbled from its high of 70 to 71 achieved towards the close on Wednesday to 67.

Gold shares eased and there were extensive orders from Johannesburg. The financial rand discount is currently at a discount of 42 percent to the commercial rand rate compared with Wednesday's discount of 39 percent.

86½
217½
135
175
3 5/16
0 5/16
68
45½
132
287½
110
690

DE KOCK REPORT/HORWOOD [illegible]

In a nutshell

The De Kock commission [illegible] sweeping changes [illegible] SA's [illegible] exchange market and exchange rate regime. But businessmen will find [illegible] new when the stock market and the banks [illegible] on Friday.

The rand's official exchange rate [illegible] US dollar will remain at pre[illegible] for the time [illegible] though [illegible] noted [illegible] be kept

[illegible] 1979,

unchanged for long periods at a time as in the past, but will be adjusted more frequently to changing circumstances." For a start, the Reserve Bank will no longer prescribe buying and selling rates to the banks for their business with the public.

To compensate banks for declining profits on their forex transactions as a result of increased competition, they will be allowed to levy "moderate" charges on deals involving exchange control clearances.

Further reports in Economy & Finance *and in* Fox

The cost of forward cover will be adjusted immediately to take account of interest rate differentials between the US and SA. Surprisingly, exporters will lose out, and importers will gain (see *Economy & Finance*). The Reserve Bank will in future grant limited forward cover to all private sector firms borrowing abroad, while public corporations will have to pay more for their cover.

The transformation of securities rand into financial rand "will proceed gradually," according to Horwood. Details of investments which will be allowed into SA through the new system will be discussed between government and the banks.

South Africans' use of the financial rand (for emigration and travel allowances) will be delayed for "administrative reasons."

Though the minister stressed that government has accepted the De Kock proposals, action at this stage falls far short of the recommendations.

In its interim report the commission proposes "as a matter of some urgency, a major reform of SA's foreign exchange practices and policies." It stresses, however, that it is not proposing any specific exchange rate for the rand.

The commission distinguishes between short-term and long-term solutions. Eventually, it hopes to see a single exchange rate. The rand would "find its own level," subject to some intervention by the Reserve Bank. There would be no exchange control over non-residents and only limited control over residents' foreign exchange transactions.

This system cannot be introduced yet, but, says the commission, "can best be attained through an evolutionary process of reform." Current circumstances in SA and the existing tight exchange control measures make it "essential to retain fairly comprehensive exchange control, at least in the short term."

For the time being, the commission suggests a two-tier exchange rate, comprising a "commercial" rand and a "financial" rand. The main features of the proposed system would be:

- The commercial rand would have an undefined "managed, market-determined" rate. The Reserve Bank would no longer prescribe the rand's buying and selling rates, but these would "largely be determined by supply and demand in the market, subject only to Reserve Bank intervention in the form of purchases and sales of foreign exchange, mainly dollars."
- A more market-related exchange rate would give the banks greater freedom in related spheres. They would, for instance, be allowed to maintain "open positions" in foreign currencies, subject to limits prescribed by the Reserve Bank. The Reserve Bank would continue to market South Africa's gold bullion and sell the dollar proceeds to those requiring them, but foreign exchange receipts from Krugerrand and diamond sales, as well as from loans raised by public corporation and local authorities, would be channelled through the banks. (Horwood said on Wednesday that the Reserve Bank will "examine the practicability" of this recommendation.)

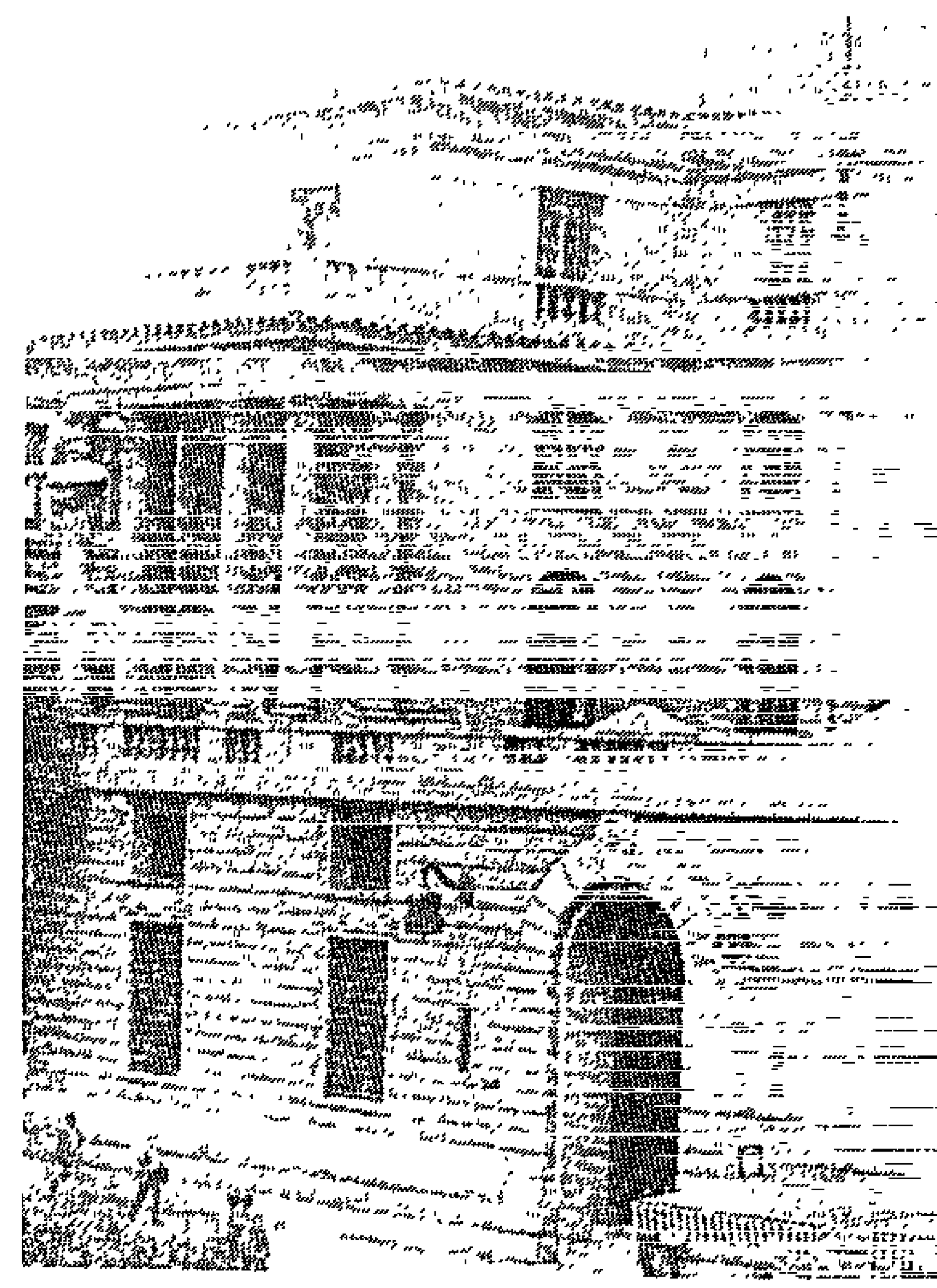
However, the foreign exchange market must be "impersonal, truly competitive and free from monopolistic exploitation." Pointing out that the two biggest banks have the lion's share of foreign exchange business and that relatively large amounts of foreign exchange are earned by one or two big exporters, the commission urges that the authorities "keep the situation under close surveillance."

- The financial rand would float freely, although the Reserve Bank might occasionally intervene to prevent sharp declines in the financial rate. But the commission envisages that the Bank would "only rarely" intervene in the financial rand market, in contrast to "its constant operation in, and close surveillance of, the commercial rand market."
- The financial rand is basically a broadening of the present securities rand system, and aims to encourage foreign investment in SA. Non residents would be allowed to use financial rand (which would normally be quoted at a discount to the commercial rand rate) for investments in all types of assets, and not only in listed securities as is the case with securities rand. This proposal applies only to equity investment however, and not to loans. The commercial rand rate would apply to all borrowed capital.
- The proposed financial rand market would also gradually be opened to SA residents, though transfers above a certain amount would still require exchange control approval.

Outgoing transactions which would have to be settled at the financial rand rate of exchange: disinvestment in all real and financial assets and residents' capital transfers, including emigrants' funds and travellers' cheques above the approved travel allowances.

- The commission urges the gradual establishment of a free market in forward exchange. Initially, this market would be largely administered by the Reserve Bank, although forward margins would be determined on a progressively more market-related basis.

As a first step, the Reserve Bank would cease its present practice of quoting fixed charges for traders' forward exchange cover. The Bank would quote the same premium or discount, as the case may be, on forward currency bought from exporters as on that sold to importers. Foreign exchange dealers would also be encouraged to cover forward foreign liabilities by holding spot foreign assets, within limits set by the Reserve Bank. These limits would be gradually eased.



Reserve Bank . . . loosening the apron strings?

- The Reserve Bank should grant forward cover on all foreign loans negotiated by private companies. However, this would cover only the rand-dollar leg of the loan, and would be for a period of one year at a time. Likewise, forward cover on public corporations' foreign borrowings would be granted only on the rand-dollar exchange risk. Any further risk would have to be covered by the borrowers themselves on international forward exchange markets.

Financial Mail

FM 26/1/79

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DE KOCK REPORT

A great opportunity

If the De Kock Commission's interim report is fully, or even largely, implemented, exchange rate policy in SA will enter a new era. Question: will the report in fact be implemented — or will it be allowed to gather dust, as so many other commission reports have done?

On the face if it, there is every reason to be hopeful this time. In the first place, the government has accepted the report. That's a major hurdle over. In the second place, Minister Horwood has insisted that the process of change start immediately. Thus, when the market re-opens on Friday, a more logical price will be charged for forward exchange cover; non-residents will be allowed to make direct investments in factories with cheap securities rand instead of dear ordinary rand — subject to Reserve Bank approval; private sector borrowers will be allowed to buy forward dollars, thus protecting themselves from a rand devaluation; the Bank will loosen its controls on local borrowing by foreign-owned firms; and the banks will have a little more freedom to make or lose money by dealing in foreign exchange for their own account. These may not sound like earth-shattering changes, but, compared with what we have been used to, they are a huge lurch.

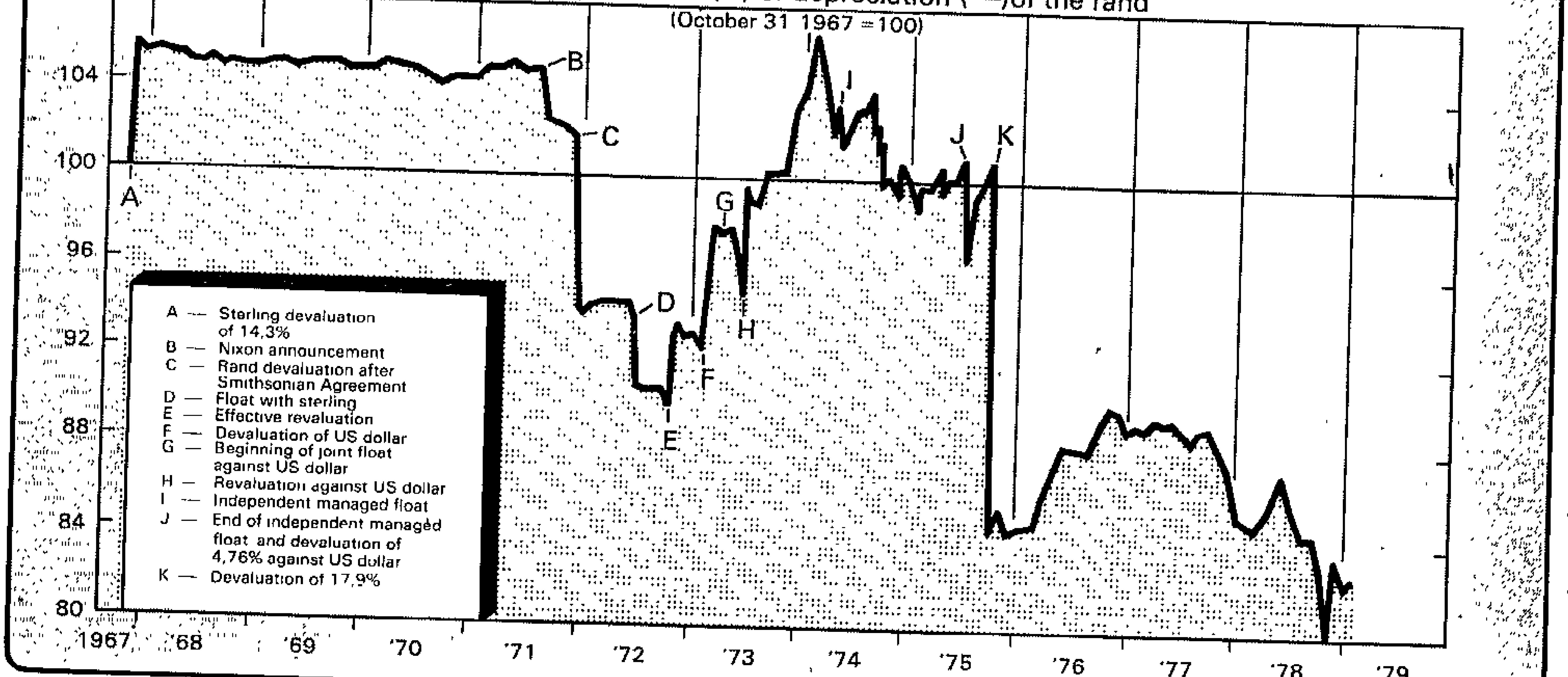
Non-residents only

Cynics, no doubt, will note that many of the changes recommended by De Kock are not being implemented on Friday. Thus, instead of switching the foreign currency proceeds of Krugerrand and diamond sales from the Reserve Bank to the commercial banks, Church Square will "examine the practicability" of diverting "a portion" of these receipts to the banks. Instead of immediately allowing residents to buy securities rand to supplement travel and emigrant allowances, use of securities rand will continue to be confined to non-residents for the present. Instead of leaving it to semi-government bodies to cover in overseas forward markets the exchange risk between the dollar and any other currency in which loans are denominated, the Reserve Bank (and thus ultimately the taxpayer) will continue to carry this risk (granted, for a more realistic charge).

More important, where the commission opens the way for a fluctuating exchange rate, with the Reserve Bank only quoting "indicative" rates from day to day, on Friday there will be no change at all. "For the present" Church Square will still quote predetermined buying and selling rates for the rand. And the rates will be the same as the rates it was quoting on Tuesday. The rand/dollar rate will be changed "more frequently" than in the past — but that could mean anything since the last time the rates were changed

WHICH WAY NOW?

Effective appreciation (+) or depreciation (—) of the rand



DE KOCK — MAN BEHIND THE SCENE

It is not widely known that Gerhard de Kock (52) was the leader of a *boereorkes* in his youth. He used his earnings from the band to supplement his pocket money at university.

After studying at Tukkies he went on to Harvard where he obtained a PhD in economics. Then he became professor of money and banking at Tukkies.

His father was the redoubtable M H de Kock, governor of the Reserve Bank from just after the war until 1962. His uncle on his mother's side is the present governor, Bob de Jongh.

De Kock, besides being Minister Horwood's special adviser, is the senior deputy governor of the Reserve Bank, which he joined in 1956. After a spell as head of the economics department he was seconded to the Treasury and then moved to Washington to become SA's man at the IMF. It was in that role that he joined ranks with Nico Diederichs, Bob de Jongh, and Gerald Browne to successfully fight off America's bid to sink the gold price.

While he has always worked closely with De Jongh, it has long been apparent that their views on economic policy do not always mesh. De Jongh's record speaks for itself: rather than stand back and let the financial markets do the allocating of money, he has always plumped for controls: deposit rate controls, exchange controls, bank credit ceilings, and so on. De Kock, on the other hand, is something of a purist, in favour of the freest play of market forces — an ardent exponent of the advantages of the price mechanism and free enterprise.

"I have a healthy respect for market forces, which we ignore at our peril," he says. "I believe private enterprise must be given every opportunity to develop SA's growth potential. We don't want Marxism or any other kind of socialism in this country."

was in September 1975.

To put it bluntly, it looks as if the Reserve Bank doesn't like the report and has persuaded the government to tread warily. Therefore it is impossible to say for sure what effect the report will have on the economy — on growth, on unemployment, on inflation; that will depend on how quickly and how thoroughly the report's recommendations are implemented.

The economic implications of Friday's changes will be limited. They could include:

- Greater direct investment in new factories (and extensions to existing ones) by foreign firms. From Friday it will be about 40% cheaper to make such investments. That should help boost growth.
- Less switching of trade credits away from foreign banks to local banks. From Friday the Reserve Bank will no longer quote importers and exporters two different prices for the same forward dollars, which it has been doing by levying the same fixed charge to both importers and exporters. Instead, it will quote only one price for forward dollars of any specific maturity. To start, the price will be set at a dollar discount (or rand premium) of 2% pa, which is about the difference between short-term interest rates here and abroad.
- More foreign borrowing by local companies since they are now to be allowed to cover their exchange risks. Good for the balance of payments and growth.
- (Minister Horwood also announced a R160m early repayment of company loan levies. That will help to push interest rates down and the share market up. That in turn will help to make some people richer and hopefully persuade them to loosen their purse-strings.)

Add these points together and what do they add up to? Certainly a lot less than many had hoped for. Horwood announced no removal of the import surcharge, which many businessmen had been pressing for, nor any other measures designed to boost demand. For those measures we apparently shall have to wait for the budget — if we are to get them at all. It is therefore hard to believe that any forecaster will revise his 1979 growth estimate (see *Economy & Finance*) sharply upwards just because of the report.

But that need not matter too much. For more important than Friday's immediate changes are the changes that will come if and when the other parts of the report are implemented. And the key change recommended by De Kock is that the exchange rate should become less of a sacred cow. Instead of defending it whatever the cost to the economy, Pretoria will allow it to fluctuate more freely in response to market forces.

Thus, where in the past boosting demand has often been ruled out because it could cause a drain on the foreign reserves, this will no longer necessarily be the case. In other words, it will sometimes be possible to boost demand even if the reserves are low. How? By allowing the resulting pressures on the balance of payments to push down the exchange rate instead of draining the reserves. With the economy likely still to be in the doldrums during most of 1979, such a trade-off could well become appropriate sooner rather than later.

The real question is whether Pretoria will grasp this opportunity to use exchange rate policy to help promote economic growth. The report spells out in great detail how it can be done. It describes how exchange rate changes do affect the balance of payments and the rate of economic growth despite what many people think; it dispels the fallacy that an exchange rate is a price that can simply be "set".

If Pretoria really does accept this challenge, there is no doubt that SA could break out of the strait-jacket that has confined its growth rate to barely half what it is capable of.

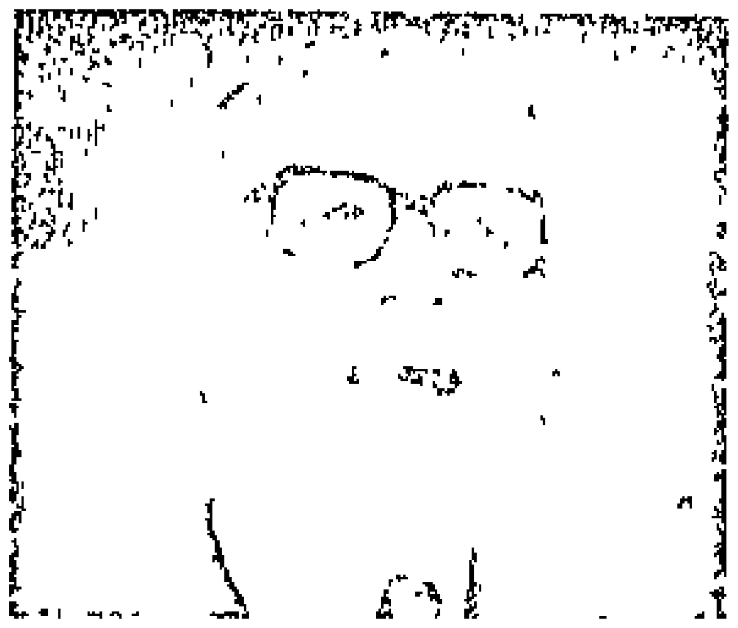
DE KOCK REPORT/HORWOOD REACTION

FM 26/1/79 (53)

In a nutshell

The De Kock commission has proposed sweeping changes in SA's foreign exchange market and exchange rate regime. But businessmen will find little new when the stock market and the banks' forex desks open for business again on Friday.

The rand's official exchange rate against the US dollar will remain at previous levels for the time being, though Finance Minister Owen Horwood noted on Wednesday that it "will not be kept



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But that need not matter too much. Far more important than Friday's immediate changes are the changes that will come if and when the other parts of the report are implemented. And the key change recommended by De Kock is that the exchange rate should become less of a sacred cow. Instead of defending it whatever the cost to the economy, Pretoria will allow it to fluctuate more freely in response to market forces.

Thus, where in the past boosting demand has often been ruled out because it could cause a drain on the foreign reserves, this will no longer necessarily be the case. In other words, it will sometimes be possible to boost demand even if the reserves are low. How? By allowing the resulting pressures on the balance of payments to push down the exchange rate instead of draining the reserves. With the economy likely still to be in the doldrums during most of 1979, such a trade-off could well become appropriate sooner rather than later.

The real question is whether Pretoria will grasp this opportunity to use exchange rate policy to help promote economic growth. The report spells out in great detail how it can be done. It describes how exchange rate changes do affect the balance of payments and the rate of economic growth despite what many people think; it dispels the fallacy that an exchange rate is a price that can simply be "set".

If Pretoria really does accept this challenge, there is no doubt that SA could break out of the strait jacket that has confined its growth rate to barely half what it is capable of.

DE KOCK

FM 26\1\79

Unshackling the market

Brokers welcomed the De Kock Commission's interim report as a "breath of fresh air" and a "long overdue return to the marketplace" — but expect it to lead to a near-term market decline.

The consensus was that the new arrangements would narrow the Financial Rand (formerly Securities Rand) discount and prompt London profit-taking. London selling would only directly affect stocks where there are significant London holdings, such as golds, diamonds, mining financials and the major industrials. Any retreat would be limited by eager SA institutional buying, said some brokers. And while bullion maintains its advance, London is hardly likely to dump every gold share it holds.

A mining house economist, also pleased with the new dispensation, said the market would retreat because it had overdone the run-up to the De Kock report, expecting "changes beneficial to equities that would yield a quick buck."

What has emerged, he said, was a "more subtle growth package" that would bring rewards not in a day or a week, as with devaluation, but over two years or more. He and several other analysts did not expect the dollar-rand parity to change much in the short-term, but were relieved that the rand would probably be freed if and when the dollar started to rise again. The view is supported by the announcement that the forward dollar discount is to be set initially at a middle rate of 2%.

London's reaction

While Diagonal Street was closed on Wednesday and Thursday, London was open and initially trading in SA stocks was chaotic with De Beers up and golds all over the place on devaluation speculation. There was one crazy bid for De Beers at 960c which evaporated on acceptance, but one deal was clinched at 915c. London brokers found themselves jobbing in the dark and at one stage refused to quote gold. Release of De Kock's report eventually restored sanity.

The R160m 1973-74 loan levy repayment to companies will not be directly stimulatory, as the proceeds go into corporate, not consumer, hands. But it could increase liquidity in the economy further, depressing interest rates and indirectly helping the market.

Increasing [illegible] competition on spot forex quotes will inevitably hurt bank profits, especially those of Barclays and Standard. Not even the commission's concession will compensate.

Nevertheless, Standard's MD, Dr Conrad Strauss, put out a statement enthusiastically welcoming the changes as a "removal of current deterrents towards non-resident investment in SA."

It is the indirect import rather than the specifics, that look good for the JSE. Foreign investors should feel easier about committing their money to SA. They will be increasingly convinced of SA's investment merits by the fact that the Reserve Bank will have to spend less on supporting the rand and can now concentrate efforts on stimulating the economy.

David Carte

INSURANCE BROKERS

New commissions

30

Several amendments to the regulations covering life insurance commissions are published in today's *Government Gazette.* The aim is to improve the commission structure in the light of experience gained since the restrictions came into force.

Pensions. Most welcome will be an increase in pension commissions following repeated complaints from brokers that, at present rates, it is not worth setting up and servicing smaller pension schemes.

A first tranche of R15 000 of contributions earning a maximum 7,5% commission is being introduced instead of the present first tranche of R25 000 earning 5%. The additional 5% commission in respect of contributions for the first

scheme year, with a maximum of R600, is increased to 7 % with a maximum of R900

Amendment to the definition of "individual life assurance business." Group business under which participation is *optional,* and marketing involves selling to *individuals,* was included as "individual life insurance business" in view of the greater amount of marketing work involved than in obligatory schemes. It thus qualified for the higher scale of maximum commission payable on individual business as compared with group business.

However, the "back-purchase" of pensionable service by a member of a pension fund (in respect of which contributions to the fund under the Income Tax Act may be deducted from the member's income) does not involve much marketing effort. So "back-purchase" transactions will in future carry commission on the lower "scheme" scale.

Open-ended policies. Commissions under life policies are determined as a percentage of the premium, and the percentage decreases with shorter premium-paying terms. The so-called "open-ended" policies which do not specify a particular premium paying term, but include a whole range of maturity dates, present problems about how much the commission may need scaling down in terms of the regulation for shorter policies. While policies with a number of maturity dates, each with its own guaranteed value, benefit policyholders, it is undesirable that they should be used as a means of avoiding the scaling-down principle. Under the amendment, where a policy provides for different maturity dates, the commission will be based on the shortest term.

Postponement of first year's commission. Life offices will be allowed to postpone parts of first year commission on ordinary individual premium business, and make them conditional on payment of later years' premiums. Such postponed commissions would be increased by 15% a year, which is the same as is earned on renewal commissions. This covers normal interest and the probability of lapse.

The Report on Ru … tural legislation to control
the use of grazi … t Botswana's pastures are
a national asset … The Report goes on to
argue that leasel … hort term periods may
encourage lessees … iod before their lease
expires. There … e legislation to prevent
this. Legislat … hould be regarded as a
last resort. Th … panies would provide a
natural interest … pasture be managed and
even improved.
the population ha
that those same p
controlling the grazing, should act as a local
pasture management. The establishment of a p
to set efficient norms for herd size. Pastur
reflected in higher rental prices making for e
community and technical services. It would r
as proposed in the Report, officially to set t
ceiling on any one family's holding of livesto
distinction between commercial ranching areas
would be as unnecessary as it is undesirable.

The establishment of a price on grazing should
of any other altered condition that requires a
composition of, the total herd. In the last t
has grown 250% to 3 million while the off-take
unchanged at the low overall level of 8%. On
of drought must now be imminent, at least in s
and if it were to develop into a cycle of bad
capacity would drop considerably, perhaps to b
Favourable beef prices, while they last, would
perhaps even as high as double the current lev
cattle a year. In other words over two years
800 000 out of the 1 to 1,5 million head that
80% of the requirement.

A fall in beef prices, not so likely the Europ
local sale prices, would upset the off-take so

EXCHANGE RATES

And now for financial rand

Not much may seem different when the foreign exchange markets re-open today; but if even the limited acceptance by government of the De Kock Commission's recommendations on exchange rate policy is to be taken at face value, the stage will be set for gradual but far-reaching change.

Reserve Bank deputy governor Chris Stals stresses the importance of the value of the commercial rand (the old official rate) no longer being prescribed by the authorities, even though the Reserve Bank will at first still deal with authorised foreign exchange dealers in US$ at the old rate of $1,15 to the rand.

He expects competition between banks to start with the margins at which they are prepared to deal with the private sector. At present, banks quote a margin of 0,125% from the mid-rate for their preferred customers, and 0,25% for the rest. Stals feels these margins could halve. There could also be competition in the rates banks will apply, now that they are to be permitted to charge for exchange control services to clients. Such competition, however, would be novel.

While changes in the Reserve Bank quotation are at first likely to be in the basic rate, it is not impossible that the Bank could in due course also change the margins at which it will deal with registered forex dealers.

If there will be even less change in the securities rand market on Friday — simply its renaming as financial rand — this may be deceptive. The consultations between the Reserve Bank and authorised dealers were scheduled to take place yesterday (Thursday) and are largely technical. Stals expects that it will be possible for the first applications for the wider use of financial rand to be handled within days.

The $64 question is, what effect this will have on the gap between the commercial and financial rates. Nedbank's Rob Abrahamsen, chairman of the Clearing Banks Association, believes there is a good deal of potential investment interest abroad, particularly in Western Europe.

If he is right, and the result is an inflow of long-term capital through the financial rand market, the discount of the financial rand to the commercial rand should narrow. Assocom's executive director, Raymond Parsons, who expects the gap to narrow, implicitly shares this view.

Anglo American's economic consultant, Aubrey Dickman, is less certain. "It's all a matter of demand and supply. If you increase the demand, and leave the supply unchanged, indeed the gap should narrow. But there is a counter-argument.

"These changes may not be enough to attract foreign investment unless you make the whole investment package more attractive. We've introduced some flexibility into exchange rates; we must now capitalise on this by introducing flexibility into the economy. Where are the Riekert and Wiehahn reports?

"Exchange rates are only part of economic policy, as the De Kock report says. We must move fast on the rest of the package.

"Moreover, what happens if the gap narrows, making dis-investment more attractive to foreign investors who now feel locked in? If this became substantial, we could end up with no net gain at all."

Here too, Parsons is more hopeful. "There *are* people who think the new dispensation will make SA a more attractive place to invest in. And some of them will put their money where their mouths are."

There are also problems of implementation. The wider the permitted uses for financial rand, the greater will be the possibilities for abuse.

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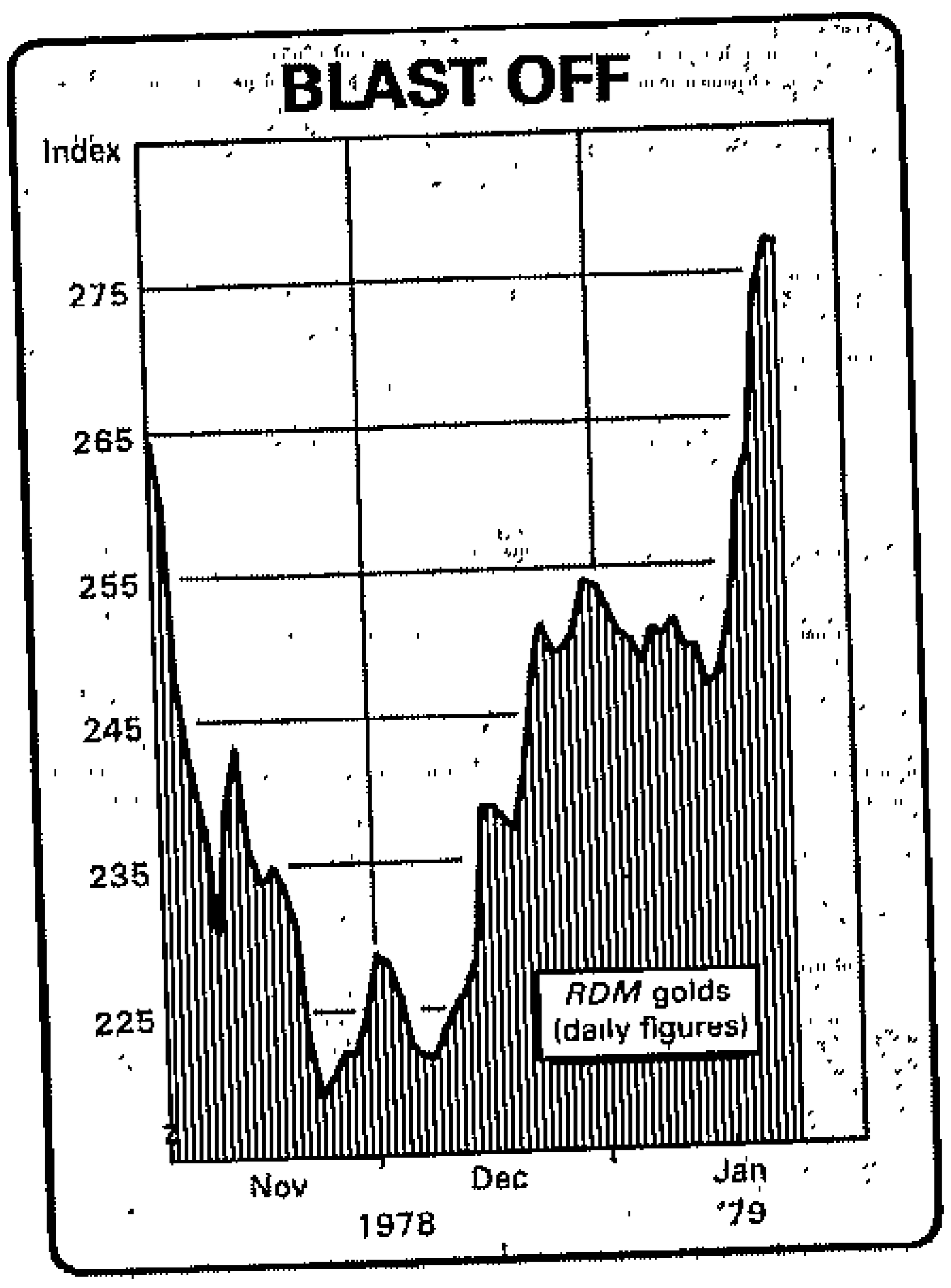
Among precious metals, free market platinum put on another $10 to $367 on the week. This should continue to push the price of Rusplats, which rose to 247c on Tuesday after 252c on Monday. Although the company announced that it will use most of the additional revenue for loan repayments, a bull point is that the extra revenue could safely be calculated at R100m after taking rising costs into account. So, as long as the Russians stay out and the Japanese stay in, platinum shares should continue to attract attention.

In mining financials, Rand London was suspended due to a take-over situation. Overall this sector moved up in sympathy with golds. In tins, Union Tin was traded 14,3% up at 160c on the announcement that the mine's life has been extended.

More bullish comment on copper resulted in Palamin putting on 40c to 1 140c but Messina was trimmed 2c to 180c on Tuesday, after being 4c up on the week. Investors remain wary of its industrial interests.

Industrial boards were dominated by the Frame Group's four counters, which rose strongly on news of chairman Philip Frame's death. Investors were looking to increased payouts from these companies as Frame was notorious for his high retentions. The biggest rise was seen in Cons Textiles, which was traded at 265c to more than double its price from a week ago. However, some reaction is expected as there is now concern over the vacuum left by his death.



"Property" companies are starting to show signs of life. Government Areas rose to 41c (30c) on the week and RM Props was up 20c at 245c during the week, but reacted to 235c by Tuesday's close. RM Props is being traded on persistent rumours that it will soon start treating its gold-rich dumps.

The rationale behind the property bulls' argument is that returns on property are looking better. They argue that with interest rates likely to continue their downward trend and the general lack of quality scrip in Diagonal Street, share yields could be depressed to the point where property again warrants attention.

In diamonds De Beers broke through the 900c level on Tuesday and was actively traded on Wednesday in London, where the market was at sixes and sevens. But the improved SR rate (US 67c in London) left the share at pretty much the same level as Johannesburg's 905c.

Suiderland, which has been the subject of some extremely bullish comment from chartists and certain Press sources, failed to respond. The share was 3c down at 32c.

In general daily volumes were up at between R2,5m and R3m, against the previous week's R2m average. However the market was still on the thin side for a pukka bull market. With institutions slated to have some 30% more discretionary cash available for the market, daily averages of R5m are possible from this source alone.

Brokers were unhappy at the decision to close the market after they read the De Kock Commission's report. Not only did they feel it to be unnecessary but they fail to understand why the report should break into the mid-week trading. Hopefully they will make up lost commissions today.

Peter Pitie...

Within the rules Government would enter into a social contract with the

DIAGONAL STREET

In suspense

In what was a mini-boom at the beginning of the week, golds and the industrial market moved up strongly, mainly on local demand. This, however, was too light to sustain the boomlet. By Tuesday, ahead of the two-day closedown, with the securities rand (SR) trading at US 64c brokers were advising their clients to sell into the rising market.

But golds continued to be fanned by a rising gold price which reached $235 at Monday's afternoon fix, against $216,85 the previous week. Even so the *RDM* gold index rose only 6,3% to 277, on the week. On Tuesday the expected reaction set in, with a $5 drop in the gold price. It would have been interesting to know what response the market would have shown to Wednesday's afternoon $236,10 fix.

To brokers it still remains a mystery that overseas investors are staying away from the market with the SR 45% discount offering 15% returns on some heavyweights such as Hartes and Libanon and over 30% on marginals such as Grootvlei. However, a narrowing of the SR discount is expected, because of its broader base, when the market re-opens today. While some analysts believe the market will initially react downwards, prospects of a gradual shift away from exchange control should promote foreign confidence which could "bring the gold market back to Johannesburg", as one broker put it.

relieving the effects of drought. Government, on its part, should under-

Individual citizens should be able to register for work as a means of

One way of defining an efficient drought relief machinery is as follows.

26/1/79

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FORWARD COVER

Importers' delight

26/1/79

Forward cover will in future be determined "on a variable and progressively more market-related basis." This is one of the key recommendations affecting the foreign exchange market made by the commision and accepted by Minister Horwood. Gone are the days when importers or exporters could simply take out 1% forward cover from the Reserve Bank on their foreign exchange contracts. From now on, buyers and sellers of forward exchange will have to contend far more with the vagaries of market forces, although, as stated by Horwood, the forward market will still initially be administered by the Reserve Bank "to a large extent."

By not quoting a fixed charge or commission to be paid by both importers and exporters for forward cover, the Bank will have abolished the dual price system for the same forward dollars: because of the usual small difference between buying and selling rates, plus the flat 1% forward cover, one price applied to importers (ie, buyers of forward rands) and another to exporters (ie, sellers of forward rands). The spread between the two prices usually amounted to some 2,5%.

Moreover, previous forward cover arrangements invariably led to "one-way covering," either favouring the buyers or the sellers at any given moment. In the event of devaluation rumours, for example, virtually all importers tended to cover forward while exporters left their positions uncovered. The commission revealed that Reserve Bank losses under these circumstances were enormous, amounting to R1 046m during the six years up to the end of March 1978.

This is mainly accounted for by quasi-government bodies which borrowed in strong currencies, for example German marks or Swiss francs, which subsequently appreciated and therefore exposed the Bank to losses.

Forex dealers . . . testing times ahead

One of the major points of contention among foreign exchange fundis centres on Horwood's decision to set the forward margin on US dollars, to begin with at any rate, at a dollar discount (or rand premium) of 2% per year. This implies a middle rate for forward dollars with a maturity of one year of R1 = $1,173.

In setting a 2% forward dollar discount, Horwood is obviously being guided by the interest rate differential between the US and SA. UAL's Tony Ross thinks Horwood has kicked off correctly, noting that the difference between spot and forward rates in overseas markets "invariably reflects the interest rate differentials between one country and the next, and not currency expectations." Ross expects this discount to widen to between 3% and 4% "quite soon."

LIFE INSURANCE

FM 26/1/79 58

How they fared

The life insurance industry's mid-year to mid-year results, as opposed to the more usual year-end figures, require specially careful analysis. The figures supplied by the Life Offices' Association for the year ended June 30 1978 show that total premium income grew by 16,4%, the same rate as to June 1977. The main growth area was group and pension fund business, while ordinary individual life business has not grown as fast.

The figures are significantly affected by the fact that SA Mutual's year ends on June 30, together with only two other smaller offices out of the Association's total membership of 41. Added to this is the fact that SA Mutual had even more of a record year than usual, partly because its performance was exaggerated by its takeover of SA Breweries pension fund. So SA Mutual's figures have been separated out in order to obtain a clearer picture of what is happening in the industry as a whole.

With SA Mutual's figures excluded, the percentage growth in total premium income for the industry was 2% lower than for the same period last year. This, reflects the hard times in which the industry finds itself. Indeed, had it not been for inflation — which leaves its mark particularly on group business — the slowdown in growth would have been more than 2%.

Inflation is one reason why group business is growing faster than sales of policies to individuals where only new premiums reflect price increases. Another reason for the higher growth of group business is the takeover by insurance companies of private pension funds. This does not represent any increase in pension cover as far as the public is concerned, but does provide an artificial boost to individual insurance companies' premium income and total assets.

According to the latest figures from the Registrar of Pension Funds, for 1976 compared with 1974, the number of private funds dropped by 40 to 727, while membership rose by approximately 100 000 to 1,4m. The number of insured funds increased by 1 337 to 9 393 while membership rose by about 350 000 to 1,291m. It is clear that, apart from private funds they have taken over, the insurance industry has created a large number of new pension funds.

Total pension fund membership including government and railway funds was 3,9m in 1976. With SA's population approaching 29m (whites almost 5m) there seems a lot of scope for new business, though obviously only a fraction of the total population is economically active and could qualify for pension fund membership. The other high growth area for the industry is in retirement annuities, doubtless because of their tax benefits.

Sales of ordinary life policies have been growing relatively slowly, though Sanlam reports that its ordinary individual policies increased faster than any other part of its business over the year.

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ir nt, the value added applicable to the
al figure of P40 million. P1 to P4
m of the poorer families to undertake
c livestock economy as grazers or
f to government to cover some of the
a

Employment

-81 has little say on the management of the
ought or, which could occur simultaneously,
It does discuss the implications for
loyment creation and for plan implementation.

That is not the same as the considerations that would emerge from a serious interest as to how the state can minimise the cost and the hardship in the countryside should the weather and beef prices turn perverse.

Drought management requires either a standby or, preferably, an inbuilt relief machinery. There should be a simple mechanism which allows relief to flow where it is needed when it is needed without the encumberance of major national political and financial decisions. An analogy is that regions need their own thermometers with which to take their temperatures

Question 4:
asked firms for the reasons why they did not want to employ more African technicians than they indicated in Question 3. Six firms said that they had no need for more technicians than they had indicated in Question 3. The following table shows the relative frequency with which various reasons were advanced
Note that they were asked to indicate up
considered prevented them from employing
than they had indicated.

Table 23. Frequency with which firms in Durb
factor was one of the three most i
them from employing more African t
cated in Question 4.

Frequency with which factor was indicated	F
11	Trade Union/Ind
9	Fear of reactio
8	Apprenticeship
7	Job reservation
3	Assumed illegal Africans
2	Red tape associ Africans
2	Africans not re orientated
[illegible]	Prefer to emplo

Fair Lady			
Forco 8	D12B	17	21
Foschini Girl	C06C	32	32
Dabulamanzi	F11L	4	8
Igi Express	D13H	24	22
Kwa Hori	F10I	2	11
Swerwer	D13J	20	15
Talisman	C04K	34	34
Touch Wood	F11O	8	3
Voortrekker	F10J	3	6
Weet-bix	F12M	6	1
Zitsile	D13H	25	27

Reserve Bank divisions on rand policy

21/1/79

By GORDON KLING

PREPARATIONS moved ahead yesterday for implementation of the first phase of the government's new monetary policy, amid signs of differences of opinion at the Reserve Bank.

Foreign exchange dealers are to remain closed today to work on the mechanics of the new scheme.

Sources close to the bank yesterday confirmed that divisions existed within it over aspects of the policy to move the rand immediately towards a managed float based on market forces.

The governor of the bank, Dr Bob de Jongh, was not available yesterday to discuss the differences which, I understand, centre on the timing of the rand's freeing from the United States dollar and the rate of development of an active, independent foreign exchange market here.

His deputy, Dr Gerhard de Kock, economic adviser to the Minister of Finance and chairman of the monetary policy commission responsible for the proposals, declined to discuss the issue.

As members of a State body the Reserve Bank members are not likely to dispute the policies openly, but the director of the University of Stellenbosch Bureau for Economic Research, Professor Jan Sadie, said he would not be surprised to learn of dissension.

He noted that the Minister of Finance, Senator Owen Horwood, would have presumably had a strong influence on the recommendations because of his relationship with Dr De Kock and said: "I would deduce from the fact that the bank has to

To page 2

From page 1

implement these decisions that they have a difficult task.

"One could say that the recommendations are courageous, and you could also use quite a different adjective."

There has been speculation that the policies are more "verlig" than would be expected of Dr De Jongh, who has been considered an advocate of regulation of the rand as opposed to allowing it to vary according to the price mechanism.

Senator Horwood, on the other hand, is on record as encouraging a reduction in government controls on the economy.

I understand from reliable sources, however, that the divisions on the policies do not run as deep as rumours indicate.

Favourable reaction to the new monetary declaration of intent implicit in the government's acceptance of the De Kock Commission recommendations on Wednesday, generally gathered momentum yesterday.

Professor Sadie was an exception, with the prediction that it would lead to a new bout of inflation and greater economic instability.

Professor Sadie accepted that the grounds on which the decisions were made were economic and not political, but he believed a vast amount of diplomacy and care would be required in trying to get them implemented. He maintained that the likelihood of an effective devaluation was "very great".

SO HET DIT BEGIN

dollar en ander geldeenhe-

DIE tussentydse verslag van die De Kock-kommissie het vandeesweek 'n nuwe era vir Suid-Afrika se internasionale finansiële betrekkinge ingelui. Daar het veel gebeur in die jare voordat hierdie kommissie aangestel is wat die agtergrond vorm waarteen die implikasies van die verslag gesien moet word.

'n Wisselkoers is 'n prys waarteen een geldeenheid met 'n ander geldeenheid gekoop kan word. Die vlak van so 'n wisselkoers weerspieël die ekonomiese toestand binne die betrokke land. In die tydperk voor die laat jare sestig en die vroeë jare sewentig was wisselkoerse tussen lande vasgepen en kon slegs binne bepaalde perke wissel.

'n Devaluasie (of revaluasie) het plaasgevind wanneer lande fundamentele probleme in hul ekonomieë ondervind het, wat in die betalingsbalans weerspieël is. Wisselkoersaanpassings het gevolglik slegs periodiek plaasgevind en daar was 'n groot mate van orde in die internasionale monetêre stelsel.

Die stelsel was egter gegrond op die onderneming van die VSA dat hy altyd bereid sou wees om sy dollars om te ruil vir goud teen 'n vaste prys van 35 dollar per fyn ons. So is daar 'n vertrouensbasis in die stelsel ingebou. Die VSA het egter gedurende die jare sestig groot tekorte op die lopende rekening van sy betalingsbalans ondervind. Dit het gelei tot al hoe groter hoeveelhede dollars wat in ander lande in omloop gekom het.

'n Devaluasie sou normaalweg plaasgevind het, maar dit het nie in die geval van die dollar nie. Geleidelik het lande hul vertroue in die dollar begin bevraagteken, spekulasies het gevolg en in Augustus 1971 het die VSA die inwisselbaarheid van dollars vir goud beëindig. Dit het die grondslag van die stelsel vernietig.

Verskeie onderhandelinge het plaasgevind en ooreenkomste is aangegaan, maar ondanks dit en die devaluasies van die dollar kon daar nie 'n vlak vir die de gevind word waarvandaan die ou stelsel sou kon voortgaan nie. Uiteindelik het lande daartoe oorgegaan om hulle geldeenhede te laat swewe (ofskoon daar beheer oor uitgeoefen is). Dit het beteken dat 'n geldeenheid deur die markfaktore van vraag en aanbod 'n punt van ewewig moes bereik. Hierdie ewewigspunt sou egter nou van dag tot dag en selfs binne 'n dag kon verander.

> MET die oog op die nuwe wisselkoersstelsel wat nou in Suid-Afrika op aanbeveling van die De Kock-kommissie ingestel gaan word, gee Sake-Rapport vandag hierdie kort oorsig oor die agtergrond tot die kommissie.

As 'n geldeenheid wil sweef, moet daar 'n aktiewe mark bestaan waarop dit verhandel kan word. In die geval van die rand het dit nie bestaan nie en die owerhede het besluit om die rand aan 'n belangrike geldeenheid te koppel. Dit sou beteken dat die rand op sleeptou sou wees aan daardie geldeenheid en dat dit daarmee saam sou sweef. Ná verskeie veranderinge in die koppeling van die rand is dit op 22 September 1975 vasgestel op 'n waarde van R1 = $1,15. Hierdie koers geld vandag nog.

Dit is die agtergrond waarteen die kommissie sy ondersoek moes doen. Die kommissie moes besluit of die rand saam met die dollar of 'n ander belangrike geldeenheid moet sweef (die toestand tot in daardie stadium); en of dit saam met 'n „mandjie" of groep van geldeenhede moet sweef, en of dit onafhanklik moet sweef.

Daar is een groot probleem as die rand saam met 'n spesifieke geldeenheid sou sweef. Daar is vroeër daarop gewys dat 'n wisselkoers aangepas behoort te word as daar 'n fundamentele onewewigtigheid in die ekonomie van die betrokke land bestaan.

Deurdat die rand aan die dollar teen 'n vaste koers gekoppel was, is die wisselkoers van die rand teenoor ander geldeenhede as die dollar, nie bepaal deur ekonomiese toestande in Suid-Afrika nie, maar deur die ekonomiese toestande in Amerika. Dit sou in 'n mindere mate ook die geval gewees het as die rand aan 'n „mandjie" geldeenhede gekoppel sou gewees het.

Die kommissie het gevolglik besluit dat dit vir Suid-Afrika beter sou wees om die rand onafhanklik te laat swewe, met die voorbehoud dat die Reserwebank tot die mark kan toetree indien dit, in die belang van die ekonomie, nodig sou wees om die wisselkoers na die een of ander kant toe te beïnvloed. Sodoende sal die wisselkoers van die rand dan 'n prys verteenwoordig wat 'n beter weergawe van markfaktore sou wees.

Ten einde hierdie langtermyndoel te kan bereik, moet daar egter 'n aktiewe mark vir die rand ontwikkel word. Die kommissie voorsien dat dit moet gebeur deur die geleidelike vrymaking van die handel in buitelandse valuta in Suid-Afrika. Hier beveel die kommissie seker veranderinge aan in die beperkings en beheer wat tot nog toe op handelaars in buitelandse valuta van toepassing was. Die kommissie beveel ook aan dat die gebruik van die finansiële rand (die ou effekterand) uitgebrei moet word sodat die finansiële rand nou ook deur nie-inwoners gebruik kan word om ander bates as slegs genoteerde aandele in Suid-Afrika te koop. Die finansiële rand behoort gevolglik 'n aantrekliker beleggingsmedium te word as wat tot nou toe die geval was met die effekterand. Die koers van die finansiële rand behoort gevolglik ook nader te beweeg aan die van die kommersiële rand.

As die stelsel soos deur die kommissie in die vooruitsig gestel is eers ten volle geïmplementeer is, behoort die wisselkoerse van die rand 'n markverwante prys weer te gee en behoort dit nie nodig te wees dat Suid-Afrika die las van 'n verskeidenheid van kontroles en beheermaatreëls en die administratiewe pligte wat daarmee gepaard gaan, hoef te dra nie. So 'n stelsel sal egter nie oornag tot stand kom nie en die nodige geduld sal aan die dag gelê moet word.

Daar kom nog ekonomiese prikkels

Rapport 28/1/79

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Van Ons Kaapstadse Kantoor

GEEN tyd gaan verspil word met die uitvoering van die De Kock-kommissie se aanbevelinge nie. En met die kommissie se verslag agter die rug, is dit nou ook 'n uitgemaakte saak dat die Regering die ekonomie binne die volgende paar maande nog ver gaan stimuleer.

So vertolk bankiers die toespraak wat sen Owen Horwood, Minister van Finansies, gisteraand in Kaapstad by die Instituut van Bankiers se uithang-dinee gelewer het.

Die gevoel is dat die Minister die verdere ekonomiese prikkels in sy begrotingsrede in Maart bekend gaan maak. Die een of ander vorm van belastingsverligting kan deel daarvan wees.

Sen. Horwood het gesê dat die nuwe wisselkoersstelsel wat nou op aanbeveling van die De Kock-kommissie ingestel word, tesame met die verandering van die ou effekterand in die nuwe finansiële rand, die Regering baie gaan help om met sy beleid van groei met dissipline voort te gaan.

„Ek glo dat die weg nou gebaan is om hierdie beleid 'n stap verder te voer en dit in die maande vorentoe met nuwe ywer en aan 'n breer front toe te pas."

Daar word veral baie groot betekenis geheg aan hierdie woorde van sen. Horwood. Dit volg op sy versekering einde verlede jaar in 'n onderhoud met RAPPORT dat die Regering vasbeslote is om stukrag aan die huidige ekonomiese oplewing te gee.

Oor die De Kock-kommissie het die Minister gesê dis bemoedigend dat die reaksie op die verslag, hier en oorsee, so oorweldigend gunstig was. Hy glo dat dit 'n dieper betekenis het. Dit weerspieel die vertroue in die Suid-Afrikaanse ekonomie en die vermoë van Suid-Afrikaanse bankiers om 'n sukses van die nuwe wisselkoersstelsel te maak.

Eerste g in gel

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RAPPORT 28/1/79

Deur DAVID MEADES

DIE Suid-Afrikaanse Reserwebank het na verneem word ingestem dat die opbrengs in die afset van Krugerrande, diamante en buitelandse lenings aangegaan deur openbare korporasies spoedig deur die banke gekanaliseer kan word.

Dit is een van die aanbevelings van die De Kock-kommissie en die verwagting is ook dat dit eersdaags van krag gaan word. Sake-Rapport het verneem dat die Reserwebank aanvanklik nie baie opgewonde oor hierdie ontwikkeling was nie.

In sy persverklaring met die bekendstelling van die De Kock-kommissie se verslag het die Minister van Finansies, sen. Owen Horwood, gesê dat daar oor hierdie aanbeveling in oorleg met homself met die Reserwebank besluit sou word.

Die verwagting is dat hierdie nuwe vergunning aan die gemagtigde valutahandelaars een van die eerste wesenlike aanbevelings van die De Kock-kommissie is wat in werking gestel sal word

Die opbrengs van hierdie afset het voorheen die Reserwebank regstreeks toegeval en beloop volgens kenners in die mark meer as R2 000 miljoen per jaar.

Prysbeheer

Dit sal beteken dat daar vir die banke 'n aanvullende wins van sowat R10 miljoen per jaar op valutatransaksies kan wees, wat behoort te kan vergoed vir die verlies aan inkomste wat hulle sal ly weens die opheffing van prysbeheer in die valutamark.

Dit wil voorkom of daar met die inwerkingstelling van hierdie aanbeveling van die kommissie taamlik verskil tussen die Tesourie en die Reserwebank bestaan het.

Maar daar is ook van die kant van die banke gevoel dat die nuwe stelsel nie net ten dele uitgevoer moet word nie. Omdat daar met die stelsel van beheerde swewing nouer winsgrense vir die banke sou volg, sou hulle benadeel geword het.

Vergoed

Hiervoor kan vergoed word deur die volume valutatransaksies buite die Reserwebank uit te brei en van daar die voorstel van die kommissie oor Krugerrande, diamante en die opbrengste van openbare korporasies se lenings in die buiteland.

Aan die kommissie is voorgestel dat die afset van staafgoud ook na die banke gekanaliseer word. Die kommissie was egter nie bereid om dit te aanvaar nie.

Ondanks die verlies aan die opbrengs op die afset van Krugerrande en diamante, bly die Reserwebank steeds 'n sentrale bank met meer mag as enige ander sentrale bank ter wêreld.

Koerse

Die Kamer van Mynwese het ook Vrydagmiddag in 'n verklaring gesê dat die kanalisering van die opbrengs van die afset van Krugerrande en diamante deur die gemagtigde handelaars 'n belangrike stap is in die ontwikkeling van 'n gebalanseerde en lewensvatbare plaaslike valutamark.

Intussen was daar reeds Vrydag tekens van 'n sterk daling in rentekoerse (lees Geld- en Kapitaalmark op bl. 3) en die skatkiswisselkoers het met 0,09 persent gedaal. Die algemene verwagting is dat rentekoerse in die komende week verder sal daal.

So 'n sterk daling kan dan daartoe aanleiding gee dat die eerste aanpassing in die beheerde swewing van die rand dalk gouer kan plaasvind as wat verwag word.

Financial Mail

(58)

FM 2/2/79

THE RAND

Which way now?

It's really happening! On Monday, when the banks re-opened their foreign exchange windows, market forces promptly went to work. The banks quickly started competing.

As the graph shows, the spread between the banks' buying and selling rates for dollars shrank to only a fraction of its former size, offering traders the prospect of saving millions of rand over the years.

Interestingly, what one might call the bank's central rate — the median of their buying and selling rates — slipped from its previous level of \$1,1500 to about \$1,1490. That is not a large change but it does bring the rate right down to the Reserve Bank's lower intervention rate.

Does that mean the rand is under pressure to depreciate? Not necessarily. The foreign exchange market is still very lopsided, and will remain so until new arrangements are made for handling diamond and Krugerrand receipts. Because the Reserve Bank still hogs *all* receipts from gold, diamond and public sector foreign loans, the banks in Johannesburg are almost *always* faced with strong demand from their customers for dollars — and with weak demand for rand.

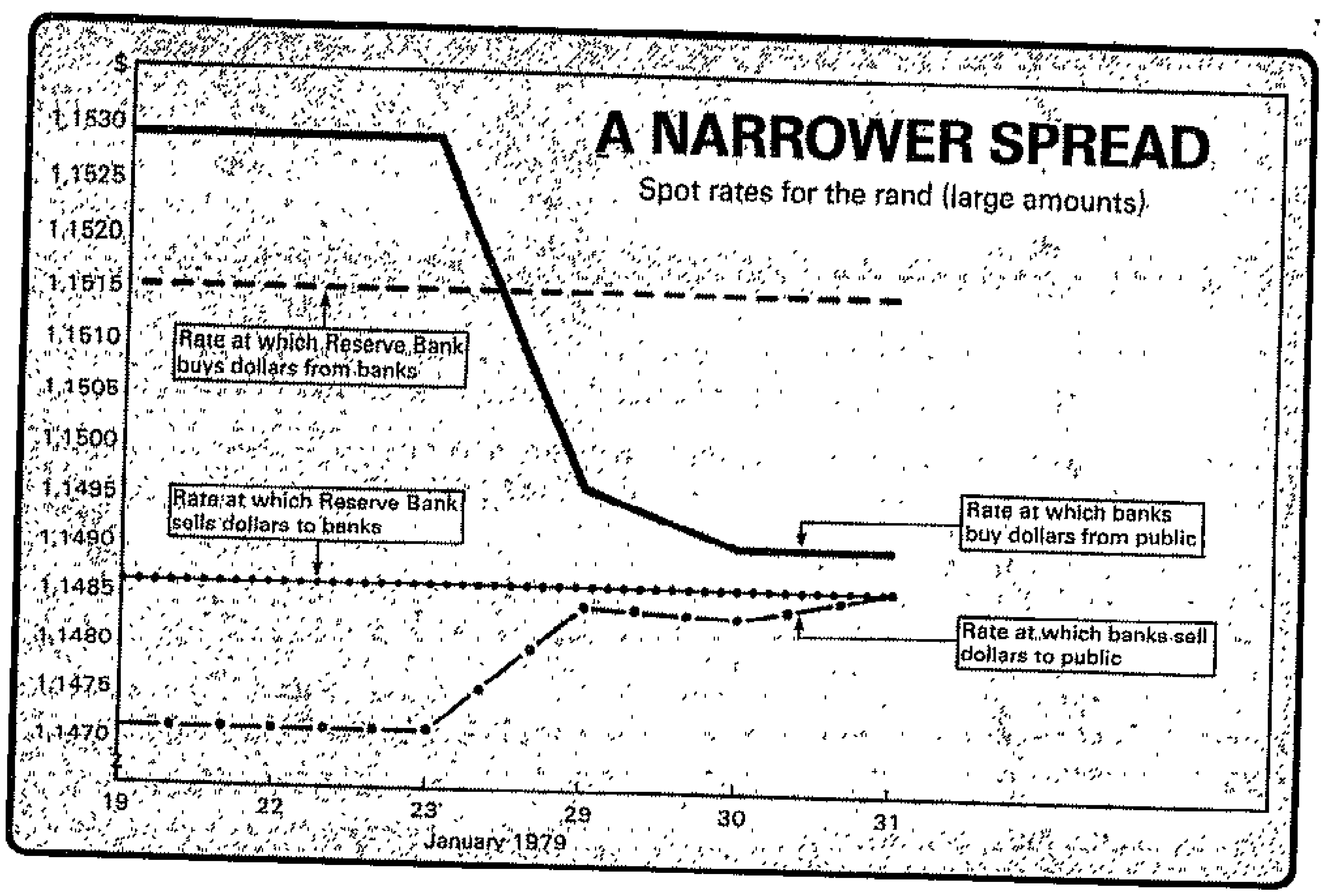
Hence the banks' central rate will probably *always* push down on the rate at which the Reserve Bank is prepared to sell dollars to the banks.

No direct guide

In other words, for the present, rates quoted by the banks to the public are themselves no guide to any fundamental pressures pushing the rand upwards or downwards. But the Reserve Bank will have to use *some* guide when it decides, as it soon will, to raise or lower its intervention rates.

The only feasible guide is the net volume of dollars it sells from day to day to the banks. Whenever the volume falls for reasons that are not purely seasonal, the Reserve Bank will presumably raise its intervention rates (ie appreciate the rand). Whenever the volume rises, it will lower its intervention rates (depreciate the rand). Such movements are likely to be at least 1c (US) either way. So they should not occur more than, say, two or three times a month.

Within that framework, in which direction will the rand move over the next few months? The first thing to consider is the foreign trade balance. Is it likely to widen or narrow? Taking a short-term view there is unlikely to be much change.



However, most economists (*FM* last week) expect the current account surplus to narrow somewhat during the year.

Another key factor is switching of trade finance. The new forward cover arrangements mean the cost of covered dollar finance has effectively been slashed by 3%. That should arrest any switching from overseas to domestic sources of import finance. Permitting forward cover for private sector loans should slow down the early repayments of foreign borrowings and attract new inflows.

On these fundamental grounds, then, the foreign reserves should continue to rise, implying no increase in the Reserve Bank's net sales of dollars to the banks. That should help to underpin the rand and even cause it to rise.

However, the real test will be what Finance Minister Owen Horwood and Reserve Bank Governor Bob de Jongh decide to do with fiscal and monetary policies. If the foreign reserves are no longer to be considered a constraint (which surely is the whole point of the new exchange rate system), these policies should become more expansionary.

Indeed, monetary policy has already loosened up. Hundreds of millions of rands have flowed into the market with the repayment on February 1 of R376m worth of government loans. Another R160m will flow in with the repayment of company loan levies later this month. And, of course, the new forward cover arrangements will themselves help to boost the money supply.

The consequence — and it was very apparent in the capital and money markets this week — will be lower in-

(58) FM 2/2/79

GERHARD DE KOCK

Heartened by the positive reactions

The report of the De Kock Commission has aroused more interest than any other economic event for months (*FM* last week). The *FM* this week quizzes De Kock about the reactions his report has aroused, and where it slots into general economic policy.

***FM:* How do you assess the reaction to your report?**

I'm greatly heartened by the reaction from all sides. I think the deeper significance is that this shows that people do have confidence in the ability of the SA economy to grow at a faster rate. I was also pleased by the stock exchange reaction: I had thought that might be adverse, at first.

So do you see the exchange rate as an instrument for higher growth?

I don't want to exaggerate the importance of exchange rate policy in overall monetary and fiscal strategy. To my mind basic conservative monetary and fiscal policies are still the key to success. But in a world of floating exchange rates it is essential for us to have a more flexible exchange rate — especially in a relatively open economy like SA.

More flexible exchange rates don't imply permissive exchange rate policies, in the sense of excessive monetary expansion followed by massive devaluations, as is practised in some South American countries. But we can't sacrifice growth all the time just to protect the reserves — which is the corollary of a pegged rate. It's just a question of what method of floating we use.

Too many people don't link the exchange rate with the level of foreign reserves under a pegged system. It's not just a figure laid down by the Reserve Bank: you keep that rate by being prepared to deal, and the unlimited cost of defending too high a rate is a drain on the reserves.

Some people have suggested that the more the gap between the two types of rand narrows, the more it will be self-defeating by making it cheaper for existing investors to get out.

There must be some equilibrium point where supply of and demand for financial rand will balance. We will just have to wait for the market to tell us where this is. Even if it does become easier for foreign investors to get out, we will have exchanged weak holders for strong holders, which must be good for SA.

And in any event, we won't lose reserves in the process. The knowledge that they can get out at a market rate is worth far more to foreign investors than guarantees that their capital may be repatriated after, say, five years; because there would always be a fear that such guarantees might be reneged on if the reserve position demanded it.

If the gap between the two rates should disappear entirely, would it still be necessary to maintain the distinction between the two types of rand?

No. If this became a permanent feature, we could do without the distinction. We see the financial rand as a means of moving towards the abolition of exchange control on non-residents. If we had felt this could have been done immediately, we would have recommended that, and gone back to the pre-1961 position. Exchange control was introduced after Sharpeville as a *temporary* crisis measure, but, like the man who came to dinner, it stayed. We don't particularly like a dual rate system; but we have it, and the only way to get rid of it is a process of adjustment, at first by expanding the use of the financial rand.

Your recommendations are divided into short-term and long-term. Is it possible to quantify the time lag?

It's impossible to be specific, or we would have said so. It depends on the circumstances. The introduction of the managed float was part of both the short- and long-term recommendations. There may be a brief interim period in which the Reserve Bank will have to continue quoting "indicative rates", but it should only be for a short period.

It was not our recommendation that variable dollar pegging should be maintained for any length of time. We rejected that as a system precisely because in some circumstances it encourages speculation against the rand, which can be costly to the reserves.

It has been suggested that the Reserve Bank and the Treasury don't see eye to eye on the new system. Are you confident that the Reserve Bank will co-operate?

Yes, I am confident that we can rely on the Reserve Bank's guidance in developing a proper foreign exchange market in line with the Commission's recommendations.

Without anticipating either the later findings of your own Commission, or of other commissions like Riekert and Wiehahn, what other monetary and fiscal measures do we need?

I couldn't possibly anticipate that. We looked at exchange rate first because we were asked to by the Minister; we will now move on to matters such as the money market, credit ceilings, interest rates, liquid asset requirements, and so on. We have not yet reached any conclusions. Personally, I would think the new exchange rate policy does open the way for a more vigorous and systematic growth policy, and I think we will see this in both the fiscal and monetary fields.

Finally, what is the timing for the rest of your own brief?

We don't plan any further specific interim reports. We hope to submit our final report during 1980. A lot of work still has to be done.

I must put the exchange rate into proper perspective. The mere fact that we issued this interim report might lead people to think that we are exaggerating its importance. That is certainly not the case, although it is a very important price in the economy. The reaction to this report shows that.

It has even been suggested that the most important aspect of the whole report is the cost of forward cover. One of the advantages of developing a system of managed floating is that both importers and exporters will have to cover forward. In the past, mainly importers have bothered to cover, because exporters have felt no need to cover against what they saw as the remote possibility of a revaluation: why should they cover against the possibility of making a profit?

From this week, importers will actually buy dollars at better rates forward than spot, because interest rates in the US are higher than in SA. The Reserve Bank logically tries to tempt importers to borrow abroad by giving them an attractive forward rate. This will help stop switching, create a more balanced book as exporters will also feel the need to cover forward, and protect the taxpayer against a continuation of the enormous potential losses on forward cover we've had in recent years.

DE KOCK REPORT

SB 7/12/79

Spanner in the works

It will be a long time before some of the De Kock commission's key proposals are put into practice. After talks in Pretoria last Thursday, bankers were left in no doubt that the Reserve Bank is reluctant to loosen some of its tight controls on the foreign exchange market.

Church Square has particular misgivings over the recommendation that foreign currency proceeds from Krugerrand and diamond sales, as well as public corporation and municipal borrowings (totalling about R3 billion a year) should be channelled through the private banking system. Without this change, as the De Kock commission points out, the Reserve Bank would remain a large net seller of dollars and continue to have an overwhelming influence in determining the exchange rate.

One problem in diverting these dollars to the private banks is that, under present exchange control regulations, an exporter must be a client of a bank to use it for foreign exchange transactions. The bulk of the Chamber of Mines' and De Beers' business is with Barclays and Standard. Were the bulk of their export earnings to go through these two banks, there are fears that Barclays and Standard would have almost as much clout in the forex market as the Reserve Bank.

On the other hand, it would be in the Chamber of Mines' and De Beers' interests to shop around for the best rates no matter which bank offered them.

The law can easily be changed, but that raises more hurdles. How can anyone be sure that Barclays and Standard still won't end up with the lion's share of the business? If Pretoria chooses to force the diamond and KR sellers to spread their foreign currency around the 22 other authorised dealers, should it not compel every other exporter to do the same? That in turn raises exchange control problems.

Not surprisingly, the *FM* learns that several banks have asked Pretoria not to let go of KR and diamond receipts. They fear they may be at the mercy of Barclays and Standard whenever they need to buy dollars.

The Reserve Bank's stand has distressed many supporters of the De Kock commission's views. The widening of the forex market would give the banks the higher volumes they feel they need to make up their loss of earnings in quoting more competitive exchange rates.

"We consider this proposal very important in the light of the reduced margins we are now taking on forex transactions," says Barclays MD Bob Aldworth. Adds an executive of one of the bodies most affected by the proposed change: "We're not overjoyed with the way the Reserve Bank is implementing it."

INTEREST RATES

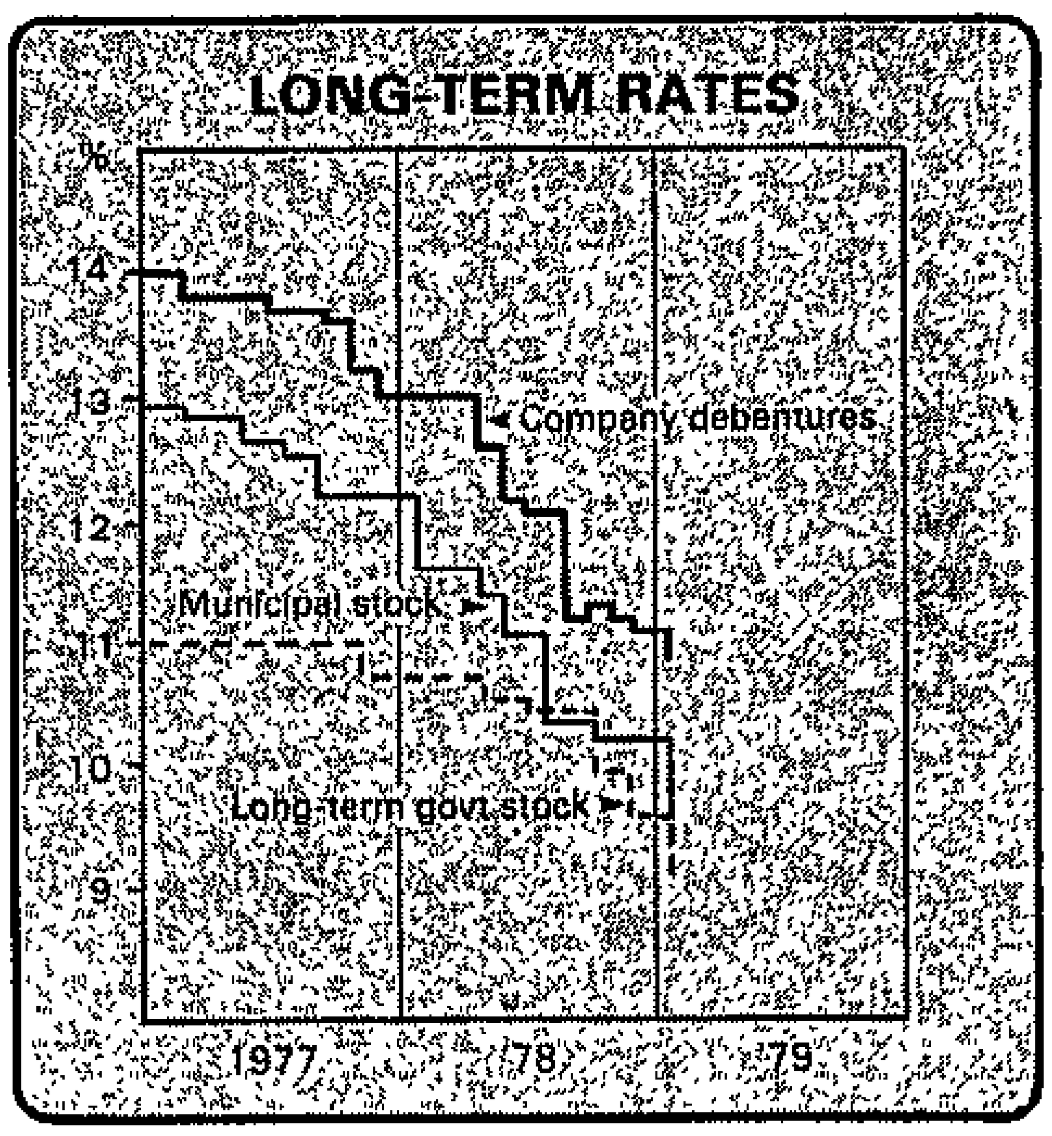
Great leap down

(58) FM 2/2/79

Expectations of easier money were the chief reason for the sudden easing in both short- and long-term interest rates this week. There is growing speculation that a further cut in both Bank and overdraft rates is imminent.

Indeed, although the discount houses' indebtedness to the Reserve Bank jumped markedly during the week, to around R400m by Wednesday, indicating a tightening in the market, there was little to stop the rate slide. The market now sees current and anticipated shortages as merely temporary hiccups and expects an easier trend overall. Market experts attribute the houses' increased shortage partly to a run on defence bonds by banks and institutions (in anticipation that the rate on the next series will be dropped), and partly to a heavy outflow of reserves after forex markets had been closed for three days.

Market operators report brisk turnover in most short-term paper, particularly 90-day bankers' acceptances, currently yielding around 7,9%. But the most dramatic falls in rates have occurred at the longer end, notably Escom and RSA stocks. By mid-week, the 10% coupon RSA stocks were trading at about 9,15%, compared with 9,32% last week and 9,27% at the beginning of this week.



New issues on the market also mirror the bullish mood. Metal Box's R12m debenture issue (being handled by UAL), with an average life of 17 years, at an all-in rate of 10,71%, is considered "attractive" by investors.

Similarly, investors foresee no difficulties with Cape Town's R12m loan, being placed by Senbank, despite the cheeky rate. The issue is being marketed as two loans, one priced at a discount. Both are for 23 years and offer an all-in yield of 9,39%, only two or three points above Escom stock.

UAL's Bob Phipps, while acknowledging the prospects for a further easing in long-term rates over the next month or so, expects "some steadying" following Iscor's expected issue in the second half of February. "Right now," he says, "there simply is no one supplying stock." However, he adds, the buying spree should "cool down," once some of the bigger issues hit the market in March.

The *FM* also learns that building societies are now cutting rates on large deposits in an effort to fend off deposits from the institutions. Since societies are already flush with funds, it makes little sense for them to act as the takers of last resort — paying relatively high "call" rates — for institutions' surplus funds.

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BANKS

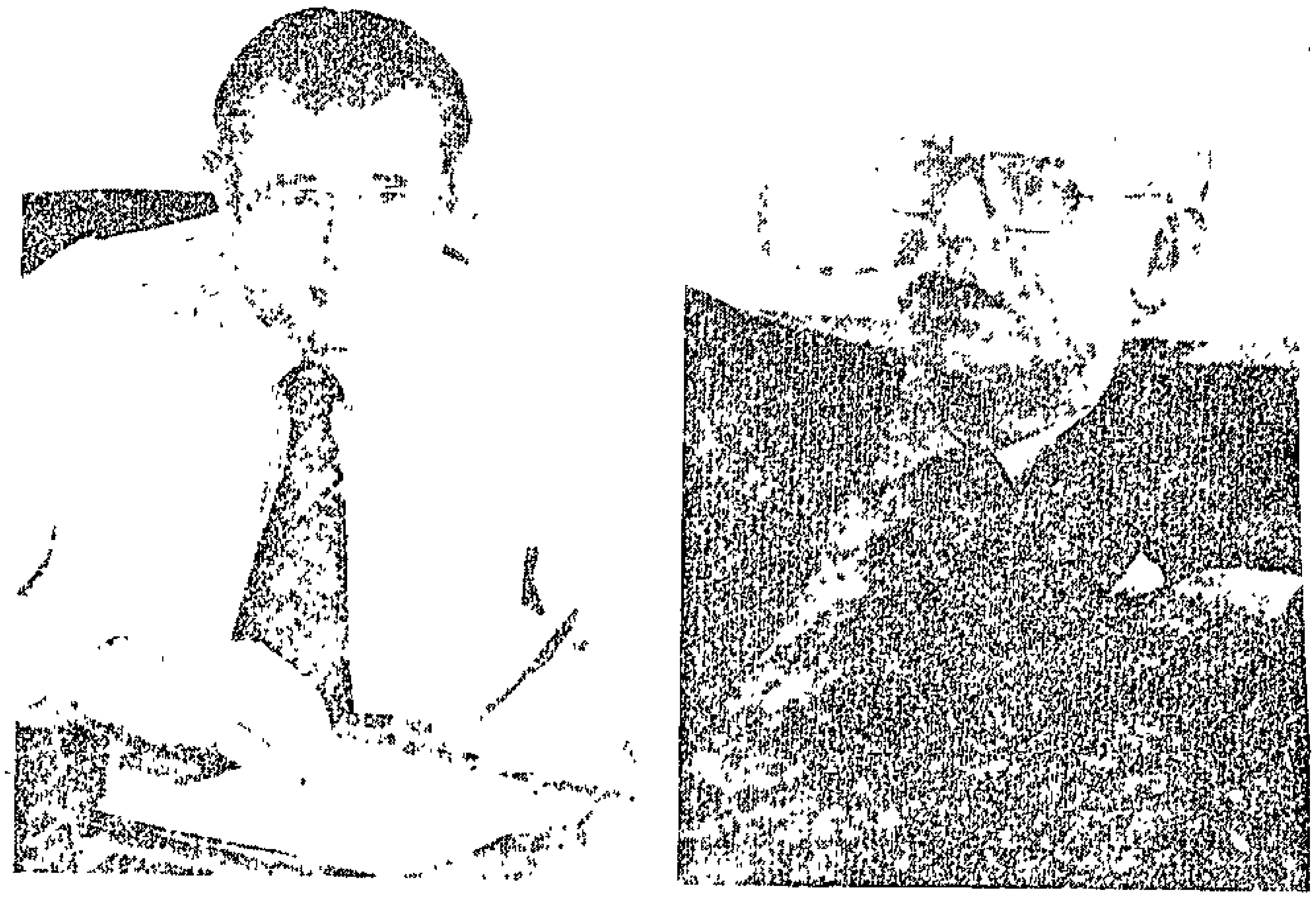
Competition's woes

The banks are not amused by government's reaction to the De Kock report. The reason for their displeasure is simple: profits are taking a hard knock.

When competition came to the foreign exchange market on Monday, the banks found that their margins were sliced from 0,5% (the spread previously allowed by the Reserve Bank) to a mere 0,1%. By Wednesday margins were down to 0,05%. Most bankers expect the margins to widen slightly as the market settles down, but a return to former levels is out of the question.

"The freer market has had a severe impact on our profitability," says Standard Bank MD Conrad Strauss. Adds Barclays MD Bob Aldworth: "Our level of profit on foreign exchange will never be what it was before." It is no secret that forex departments are among the banks' most lucrative operating areas.

What particularly upsets the banks, however, is that the Reserve Bank shows little inclination to implement those proposals of the De Kock commission which would have compensated for their narrower forex margins. For instance, there is no sign of them being allowed to handle the Krugerrand and diamond export earnings (see previous story) which would have pushed up turnover volumes. What's more, there is no sign of companies having to discontinue "set off" arrangements by which export proceeds and import payments are matched with one another, bypassing the foreign exchange market.



Aldworth and Strauss . . . not cowardly capitalists

"We're not cowardly capitalists," says Strauss, "but we've got one hand behind our backs." Adds another senior banker: "We're on the road to a system which sounds attractive at the end. But we're starting with the worst bits."

What will the banks do to push up profits? One partial solution, proposed by De Kock, is to charge for the processing of exchange control applications. Most banks will certainly now charge for those applications which have to be referred to the Reserve Bank, though competition is likely to keep tariffs uneconomic. They agree, however, that it will be unrealistic to charge for run-of-the-mill applications.

Strauss insists it's up to government to help banks recover their lost earnings by, for instance, relaxing credit ceilings and lowering liquid asset ratios. Aldworth is more aggressive. "We'll have to do better on our HP and leasing business," he says.

Though Aldworth does not expect the loss of earnings to lead to higher charges, one of his competitors isn't so sure. "If there is no sign of Krugerrand and diamond proceeds within the next few months, some banks will start asking whether they should not slap commission charges onto foreign exchange deals.

"When they look at their P&L accounts," he adds, "they may decide to get together to levy these charges."

FINANCIAL RAND

Here they come

Two applications for the use of financial rand by non residents for non-portfolio investments were submitted to the Reserve Bank early this week. One was a foreign company wishing to use financial rand to increase its shareholding in its SA subsidiary by 10%. The application was approved.

The other was a similar application. After some thought the overseas investors withdrew it; its SA subsidiary decided instead to *borrow* from its parents in commercial rand. Forward cover was provided, and the Reserve Bank undertook to allow the subsidiary to remit the principal of the loan on maturity.

That benefited the foreign reserves; a financial rand transaction would not have.

Reserve Bank deputy governor Chris Stals, says Church Square will be "very easy" on applications. But property investments will only be approved if they involve new construction.

The De Kock commission makes far reaching proposals on the ability of SA residents to transfer funds abroad. Though Finance Minister Owen Horwood has said he won't implement the recommendations yet, prospective travellers and emigrants, as well as SA companies doing business abroad, should take note of them.

Those thinking of leaving the country soon might consider advancing their date of departure. The commission urges that all emigration allowances should leave SA through the financial rand market subject to exchange control approval. That could mean suffering a sizeable capital loss.

The present emigration allowance is 50% of net assets subject to a maximum of R30 000 per family. A single individual may take out only R10 000. If the foreign currency equivalent of the R30 000 allowance were to be taken out through the financial rand system at the current discount of 42,6%, the intending emigrant would receive only $19 800, compared with $34 500 at the commercial rate of exchange.

The commission also recommends that residents be allowed to transfer amounts of "say R3 000 to R5 000" above the annual travel allowance (now normally R2 000 per person), via the financial rand market, without recourse to the exchange control authorities. Higher amounts would have to be approved by the Reserve Bank.

Interestingly, the commission does not say that the extra amounts taken out through the financial rand should be used only for travel purposes. Would Pretoria consider allowing South Africans to hold other assets abroad?

With the exception of loans, the report recommends that resident companies' capital transfers should also be made through the more expensive financial rand market. This could have serious implications. For instance, local companies' investments abroad would become more expensive in rand terms. That would include even the setting up of an overseas office, though such expenses could in certain cases be subsidised by export incentives.

Why haven't these proposals in respect of residents' transfers been implemented yet? Horwood said last week that "administrative reasons" are holding things up. The *FM* learns, however, that the real reason for the delay is Pretoria's fear that a full-scale financial rate as proposed by De Kock would be almost impossible to police. With a discount of 40% or more, the incentive to switch money from financial rand to commercial rand would be very great. So the Reserve Bank would have to try to close the discount.

But official action to close the discount would mean either dipping into foreign currency reserves or allowing the commercial rand to depreciate. Policymakers reckon that the discount should be as narrow as 10% before residents are allowed to use financial rands.

DIAGONAL

Golds into gear

FM 2/2/79 (36)

Friday's opening volumes shot up to around R1,5m as the gold price recovered and positive comment followed the De Kock commission report.

A dominant feature was platinums, in particular Rustenburg which shot ahead to an overnight 305c on foreign buying before dropping back to 283c on Wednesday. With the platinum price rising to a peak of $384 on Monday, and Rustenburg lifting its producer price to $325, US orders exceeded $1m for several days. While Rustenburg was the star performer, Lydenburg trailed badly, peaking at 295c on Monday.

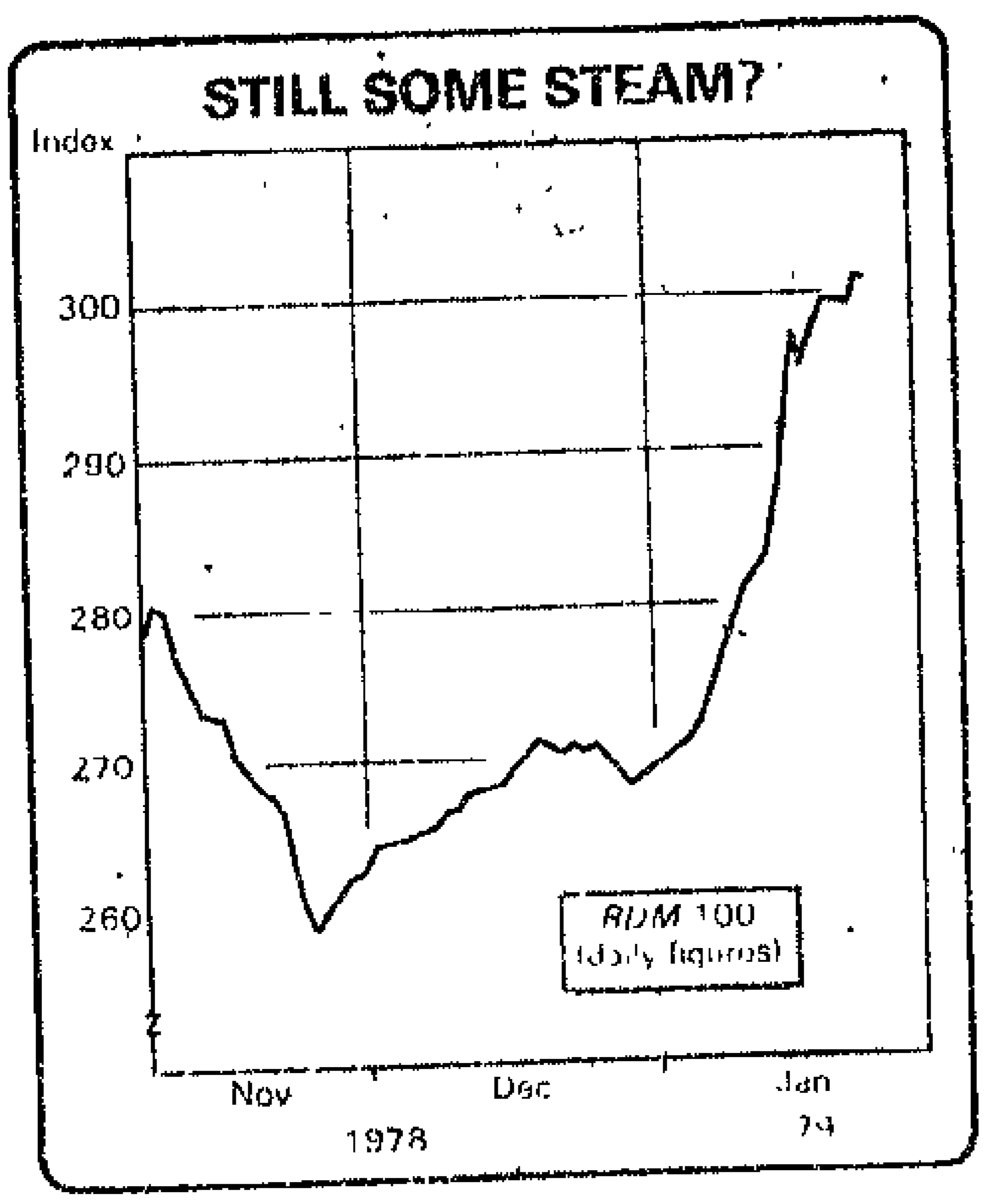
Some platinum bulls are putting their clients into Lydenburg instead of Rustenburg because its main asset comprises Rustenburg shares and it derives nearly all of its revenue from that source. According to one broker's calculation Lydenburg should now be trading 29c higher than Wednesday's 283c closing price.

However, not all analysts are bullish about the metal. The bears tend to agree with Rustenburg that the Russians could enter the market at any time. But as long as the gold price stays buoyant, Japanese speculative demand for platinum is likely to follow suit.

Although gold is vacillating and, as one broker put it, suffering from indigestion, some signs point to further rises. Firstly, golds are out performing bullion which, according to chartists, is a bull sign for the metal. But fundamentalists are still at odds as to whether bullion is on the way up or getting ready for a fall due to an overbought situation. The optimists believe the Arabs will move into the gold market strongly if Iran embraces the Ayatollah.

In golds, the gearing effect of the gold price is coming into play and marginals are moving up more strongly than the heavies; and volumes are higher with rising prices. These signs, together with the stronger share prices in relation to gold, are encouraging, but the market is becoming increasingly difficult to read, says one analyst.

Industrials moved up slightly on



favourable comment after the De Kock report, but appeared to be running out of steam by Wednesday when the *RDM* 100 fell back to 300,6 after reaching 300,8 on Monday. However, brokers appear to be confident that the industrial market will continue to move into higher ground. This view is supported by Nedbank economist Merton Dagut, who believes the 1979 budget should hoist the growth rate to around 4%. In addition, easing interest rates should continue to enhance institutional buying in Diagonal Street.

Bankers were unanimous that foreign exchange profits would be seriously hit by the new competitive forex trading arrangements (see *Economy & finance*).

Banks had a good run immediately prior to the De Kock report and forex profits in the past are known to have been lucrative. Nevertheless, borrowing and lending margins remain far apart and an expansionary budget could revive demand for credit. The raising of credit ceilings and liquid asset requirements are also on the cards. In addition, most banks understate profits, so the drop in forex contributions is unlikely to affect bottom-line figures.

The narrower financial rand discount appears to have had little effect on foreign buying, and arbitrageurs were surprised by strong London demand, which for once exceeded US buying in the gold sector. However, US interest has been waning lately, and last week's trade centred largely on the platinum sector.

It is not clear whether the broader application envisaged for the FR, or increased equity buying, kept the discount from widening to the previous week's 45%.

In gilts, a dealer started selling his institution's stocks at a brokers' cocktail party on Tuesday night. He actually sold R20m of 23-year City of Cape Town stock at a 1% discount and was looking for buyers for a further R600m. When the broker got in touch to find out about any possible commissions, no gilts were being sold the next day. The deals must have been rescinded.

Peter Pittendrigh

FM 9/2/79

(38)

INTEREST RATES

Ever so cautious

Many economists and bankers saw this week's 0,5% cut in Bank rate as a sure sign of Church Square's willingness to help get business on its feet again. But the 0,5% drop in the commercial banks' prime overdraft rates is, in itself, unlikely to lead to a significant increase in demand for credit. Lower mortgage rates are also unlikely for another month or so.

The decision not to bring prime overdraft down by 1% surprised many. "If you compare the half percent drop with the trend in the money market, it's just not enough," says a leading bank economist. Before setting off for his meeting with Reserve Bank governor Bob de Jongh on Wednesday morning, Barclays MD Bob Aldworth told the *FM*: "We think the market is dictating a 1% drop. Less than that will make little difference."

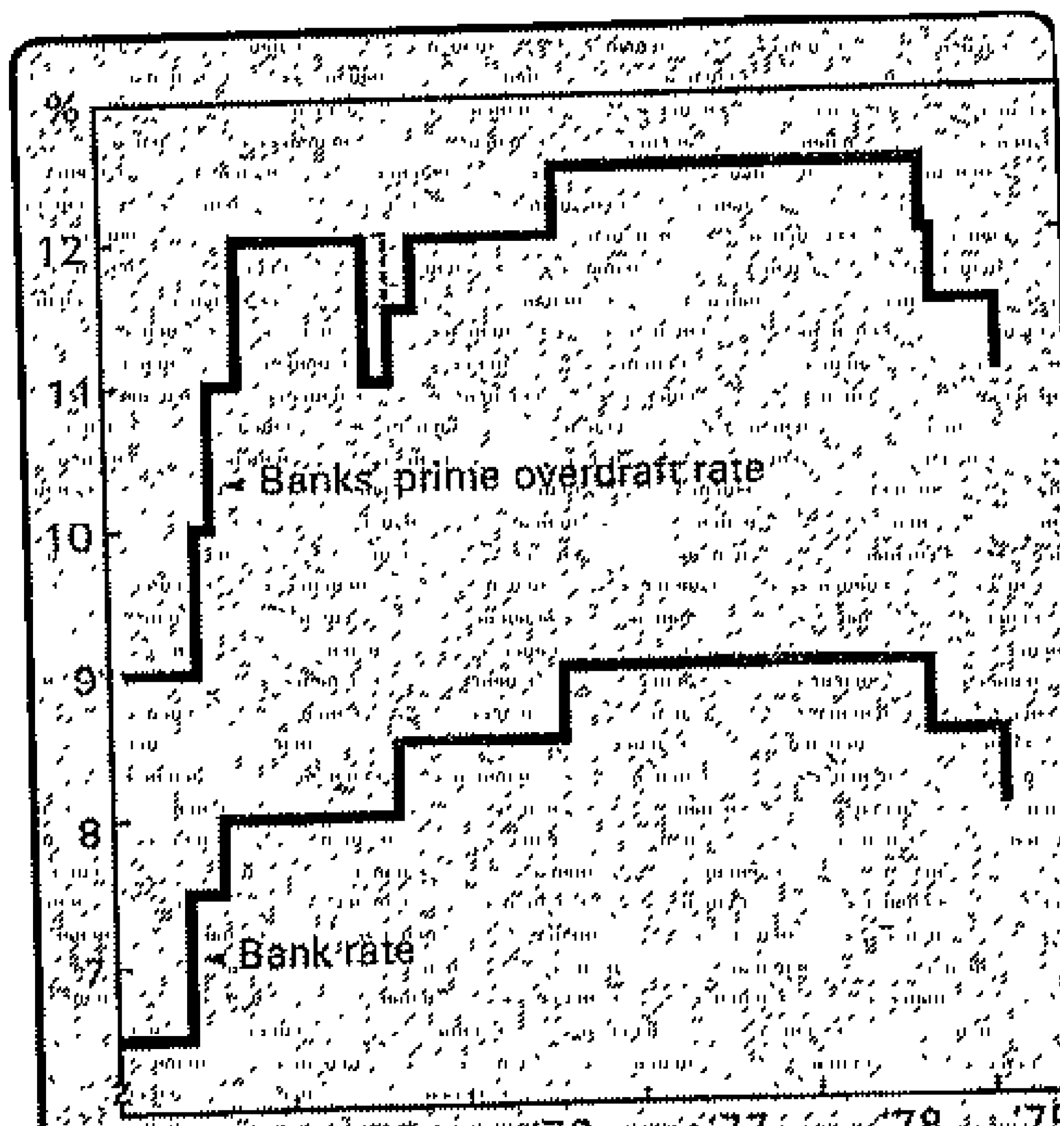
Other banks, however, think that 0,5% is enough. "With the budget coming up next month, we mustn't be over-enthusiastic now," observes Nedbank GM Anton van der Merwe. Volkskas GM Philip Venter admits that "we looked at 1%," but decided against it because of the bank's large holdings of high-rated deposits and the low demand for credit. The *FM* learns that De Jongh hinted to the bankers at their Wednesday meeting that the budget may contain further stimulatory measures.

The big banks agree that not all customers will benefit from the cut in prime rate. Obviously those paying prime will pay 0,5% less on their overdrafts, but poorer risks will still be charged up to 14%. "If the cut had been 1%, everyone would have benefited," says Van der Merwe, echoing his competitors' sentiments, "but we must have some leeway between our blue chip customers and the others."

For most banks a further cut in overdraft rates is closely linked to a relaxation of their credit ceilings, and the failure of the Reserve Bank to lift the ceilings has come as a disappointment. "If they had eased the ceilings, we might have gone down another 0,5%," says one banker. Barclays was R15m above its limit last December, while Volkskas was bumping against it. The other banks had some leeway — but not much.

The banks also announced a 0,5% cut in their deposit rates, with the exception of 3,5% ordinary savings accounts. "We would prefer not to play around with the ordinary savings rate," notes Aldworth: "It's the bottom end of the market."

The building societies, which have been overwhelmed by institutional funds in recent weeks, are unlikely to follow suit immediately. Because of their wish to co-ordinate adjustments in rates on all investments (including those offered by the Treasury and Post Office), the societies are keen to discuss their plans with other deposit-receiving institutions before making any decisions.



The rates to watch are those on the societies' four different types of share deposits. These make up about half of their total portfolios, and, says Association of Building Societies director David Alston, "a cut in at least some of the share rates is a prerequisite to a cut in the mortgage rate."

There's no certainty about when the societies' mortgage rates will come down. They have far more investors than borrowers and will therefore no doubt be keen to favour the former's interests, not to mention their own.

FM 9/2/79

(58)

FOREIGN EXCHANGE

Window shopping only

economy and finance

Importers and exporters are not enamoured of a Reserve Bank circular to banks last week pointing out that customers may only deal in foreign exchange with their own bankers.

The main reason for this measure is apparently to enable the banks to administer exchange control effectively. But corporate treasurers reckon the regulation makes a mockery of the supposedly freer market in foreign exchange which was started last week in the wake of the De Kock report. Under the new system, companies (and individuals) are supposed to be able to shop around the banks to find the cheapest exchange rates.

Larger corporations often maintain accounts with more than one bank. But small and medium-sized businesses, which usually operate only one bank account, are particularly irked. The director of one commodity trading house bluntly describes the Reserve Bank regulations as "ridiculous."

He argues that the directive means his firm must operate four or five bank accounts (and thus incur extra charges) if it is to find the best rates. His company is keeping a schedule of daily exchange rate quotations to prove that sticking with one bank means losing out on bargain exchange rates.

Brokers the answer

Another small operator suggests that Church Square should encourage the setting up of foreign exchange brokers since many firms cannot afford the luxury of employing a foreign exchange specialist. This would obviate the need for companies to open accounts at a number of banks, and smooth the functioning of the forex market. Indeed, the De Kock Commission considered whether a brokerage system should be encouraged but suggested that the question "can best be decided at a later stage."

Some financial managers are confused about the precise meaning of the Reserve Bank's regulation. The director of a large food company insists it is not necessary to have an account with a bank in order to do foreign exchange business with it. He points out that his firm has recently had forex dealings with one merchant bank, even though previous business was limited to an already expired acceptance facility.

The Reserve Bank and commercial banks now insist, however, that the customer must maintain a "proper" account with the bank before doing forex business with it. But a Reserve Bank spokesman promises that the measure is "temporary" and that it will be phased out as the rest of the market is opened up.

Meanwhile, the *FM* learns that competition in the exchange rate market has mainly benefited the larger banks, despite denting their profits. Under the former fixed exchange rate regime, smaller banks often surreptitiously undercut competitors by claiming that they were

P.T.O.

able to quote finer rates on non dollar currencies through their overseas parent or associate banks.

Some bankers suspect, however, that these small banks were taking the knock on the rand/dollar leg of transactions by earning a narrower margin than that officially allowed by the Reserve Bank. Now the big banks are getting their own back.

2.2 Mining technology

2.2.1 Plewman makes highly specific assumptions about technical change in the various branches of mining. There is no general way of summarising the detail - except to say that he assumes that all increases in the production of minerals will be at productivity (metric tons of ore produced per employee over a given period of time) rates at least equal to those of the most efficient present producers.

2.2.2 In the case of coal the assumption is that 50 per cent of the increase in production will come from strip-mining operations in which labour - productivity is taken to be 7 500 tons/employee/year - and is apparently assumed to remain constant at that level. The other half of increases in production is assumed to be forthcoming at 1 500 tons/employee/year, well above the current (1973) average of 700 tons/employee/year.

2.2.3 All increases in iron-ore production are assumed to be at current rates for open-cast operations viz. 2 250 tons/employee/year.

2.2.4 Copper, (lead and zinc) are assumed to continue at the current proportion of 55 per cent from open-pit operations, and the remaining 45 per cent of any increase in production is assumed to be mined by trackless mining methods (with given productivity rates). Since the balance of technologies does not change and since productivity rates in both are assumed constant, Plewman is assuming that technical change will not reduce employment (for a given level of output).

2.2.5 In the case of chromium Plewman takes the current average productivity rate as 400 units/employee/year - whereas the most productive operations achieve 850 units/employee/year. In line with his general principle Plewman assumes that all increases in chrome output will be at 850 units/employee/year.

2.2.6 Similarly, in manganese ore mining the maximum 'current' efficiency is 3 000 units/employee/ year - more than five times the average labour productivity of 560. Plewman assumes all increases in output will be at the current maximum level.

BUILDING SOCIETIES

tm 9/2/79

Enter Swabs

All but one of the SA building societies operating in SWA/Namibia will cease business for their own account on March 31 — "and they won't lose a sixpence," according to Boet Viljoen, chairman of the new South West African Building Society (Swabs).

At that date, seven of the eight societies — Allied, NBS, Provincial, SA Perm, Southern Trident, Trust and United — will transfer their assets in SWA/Namibia to Swabs. The new society, backed by the newly-formed National Building and Investment Corporation (NBIC), will compensate the SA societies by means of debentures equivalent to their net assets at the end of June.

The debentures will carry interest at 9% and will be repayable over 12 years.

Will the demise of the established societies prompt a torrent of transfers from SWA/Namibia to SA accounts? Contrary to earlier reports, Viljoen insists that there has been "no significant movement so far," but all parties agree that the rate of outflow will depend on the political situation. A flight of capital before June 30 would have no serious effect on Swabs' lending ability, because of the compensating increase in the size of the debenture issue.

The societies agree that a large outflow after June would place a strain on cash flow. But they note that a large portion of investors in Swabs will be institutions.

The only society still hesitating is Saambou. Originally it suggested a broad-based national corporation dealing with all aspects of housing and township planning, as well as normal building society functions.

The other participants reckoned, however, that Namibians are accustomed to a normal building society. They therefore plumped for Swabs and NBIC as separate entities. Saambou managing director Albert Marais says that although his organisation is "not enamoured of the situation" they will "probably go along" with the majority view.

Increasing its share should not in principle be difficult for copper which (according to von Wielligh) in 1975 only represented 2,6 per cent of world production. In the cases of chrome and manganese 1975 shares were much higher at 28,24 per cent per annum and 18,10 per cent respectively (von Wielligh) – and current short-run prospects for the world steel industry are poor. However, unless the technical basis of our material culture is to change entirely the long-run growth of steel must be assured and with it the demand for chrome and manganese. Of course there is the possibility that demand will grow but that local resources will not any longer be available to meet demand – at least not at prevailing prices.

An extremely crude a ... the expected lives of mining industries gi ... it production levels. Using 1975 informat ... lives of these 3 industries as:

Chrome 1 12

Copper 7

Manganese 5

The only value of ... ongly that in the 1980–2000 period we are ... to be natural resource supply constraints ... s of mining. In summary: we have not turned ... the 5–6 per cent growth projections.

Asbestos

Since von Wielligh ... asbestos we have to rely on Plewman alone. ... per cent per annum range, with the three tha ... for the same reason viz. that they are all ... kets (in 1970 241 thousand metric tons of asbe ... d domestically)[55] and that the underlying Plew ... minerals exports is that they will treble in ... at about 5,7 per cent per annum. It is o ... have substantial domestic demands – which hav ... f the 5–6 per cent per annum range. We sl ... projections to stand.

Iron ore

Here there is some c ... von Wielligh. The latter proposes a 7, ... h range – the whole of which lies well outs ... ,4 per cent per annum.

Rapport 11/2/79

(58)

Só verskil handelsrand en finansiële rand

IN Sake-Rapport van 28 Januarie is die gebeurtenisse geskets wat gelei het tot die internasionale finansiële stelsel soos ons dit vandag ken en teen welke agtergrond die De Kock-kommissie se voorlopige verslag beskou moet word.

Daar was egter twee sake waaraan net vlugtig geraak is en waarop daar nou uitgebrei kan word. Dit is die handelsrand en die finansiële rand en die verskil tussen die twee. Hierdie twee terme definieer die tweeledigheid van die wisselkoersstelsel wat deur die kommissie as 'n oorgangsmaatreël aanbeveel is.

Die handelsrand is die benaming wat nou gegee word aan dieselfde rand wat voor die voorstelle van die kommissie teen 'n middelwaardekoers (van R1 = $1,15) aan die dollar gekoppel was. Die nuwe aspekte wat daaraan verbonde is, is die feit dat die rand nou nie meer aan die Amerikaanse dollar gekoppel is nie, maar dat dit toegelaat sou word om te sweef (onderhewig aan inmenging van die Reserwebank). Gemagtigde handelaars word nou ook toegelaat om oop posisies te hou en handel te dryf in buitelandse valuta vir hulle eie rekening.

Die finansiële rand moet in meer besonderhede verduidelik word. Tot 1961 is daar geen beperking geplaas op die vrye repatriasie van buitelandse beleggings nie. Tydens en net ná die Sharpeville-onluste het groot hoeveelhede kapitaal egter die land begin verlaat en die owerhede was genoodsaak om dit aan bande te lê.

Dit is gedoen deur die rande wat die land verlaat, te „blokkeer", wanneer die betaling in verband gestaan het met 'n kapitaaltransaksie en as die fondse daarvan 'n nie-inwoner van die Republiek toegeval het.

Hierdie geblokkeerde rand was van toepassing op sowel emigrante as nie-inwoners. Later is daar 'n onderskeid gemaak sodat nie-inwoners met beleggings wat hulle in Suid-Afrika te gelde gemaak het, net sogenaamde effekterand moes koop.

Hoe dit in die praktyk werk kan verduidelik word aan die hand van 'n voorbeeld. Veronderstel 'n buitelandse maatskappy (dus 'n nie-inwoner) het 'n filiaal in Suid-Afrika genaamd Astra (Suid-Afrika). Astra word verkoop aan 'n Suid-Afrikaanse koper vir R15 miljoen. Die R15 miljoen word in Astra se plaaslike bankrekening inbetaal, welke rekening onmiddellik gemerk word as synde 'n nie-inwonerrekening.

Astra (buiteland) besit dan R15 miljoen in effekterand, maar hy wil dit graag in Sterling hê. Daar is net een van twee weë oop om dit te doen. Of hy verkoop die effekterand aan 'n gewillige koper van effekterand, òf hy koop aandele op die Johannesburgse Aandelebeurs wat ook in Londen genoteer is, neem dit die land uit en verkoop dit in Londen, en kry Sterling daarvoor.

Dit is duidelik dat hier vraag- en aanbodfaktore aan die werk is. Hierdie vraag- en aanbodfaktore sal bepaal wat die koers is waarteen effekterand gekoop of verkoop kan word. Die effekterand word op die oomblik gekwoteer teen 'n korting wat in die laaste twee tot drie maande oor die 40 persent beloop het. Hierdie korting is in ooreenstemming met die verskil tussen die Londense en Johannesburgse pryse van aandele wat op albei markte gekwoteer word.

Kom ons plaas nou die voorgaande in perspektief. 'n Nie-inwoner wat 'n belegging in Suid-Afrika wou maak, sou sy fondse die land inbring via die handelsrand teen 'n ou middelwaarde-koers van R1 = $1,15. Veronderstel hy wil R7 miljoen belê. Daarvoor het hy $8,05 miljoen nodig. Indien hy sy geld weer die land wil uitneem, moet dit via die effekterand geskied. Veronderstel die diskonto staan op 40 persent. Die waarde van sy belegging is dan in dollars 40 persent minder werd, ongeveer $5,6 miljoen. Hier is dus 'n duidelike ontmoedigende effek. Hier was twee pryse betrokke waarvan die meganismes hoegenaamd nie met mekaar verband gehou het nie.

Hierdie probleem het die kommissie duidelik gesien. Daar is gevolglik aanbeveel dat die stelsel aangepas word sodat 'n nie-inwoner wat 'n belegging wil maak met die oog op die verkryging van eienaarskap in Suid-Afrika, nou ook sy fondse via die effekterand die land kan in bring. Sodoende sal die prysmeganisme wat die koers (in hierdie geval die korting) bepaal, dieselfde wees as wat dit sal wees wanneer die geld weer die land sal verlaat.

Daar moet op gelet word dat die finansiële rand slegs op regstreekse beleggings van toepassing is. Leningsfondse sal nog steeds via die handelsrand hanteer word. Dit geld ook vir lopende ontvangste, en betalings soos byvoorbeeld rente, dividende en dienstebetalings en ontvangstes. Kapitaaloordragte deur inwoners, insluitende emigrantefondse sal ook via die finansiële randmeganisme hanteer word.

IN ons eerste uitgawe ná die publikasie van die voorlopige verslag van die De Kock-kommissie oor valuta- en ander aangeleenthede, is gesê wat die aanloop tot die aanstelling van die kommissie was. Vandag plaas ons die tweede aflwering, deur 'n kenner, oor die verskil tussen, die implikasies daarvan en die woelinge rondom die kwessie van 'n finansiële en 'n kommersiële rand.

... Astrid Virding

55. Dr G. White

56. Dr David Whittaker

57. The Hon. Dr D.R.B.Madide

Bernard

Eugene

80

TABLE 7: EMPLOYME

DE BEERS SAL SÓ MAAK

(58)

RAPPORT 11/2/79

IN bankkringe in Johannesburg is daar min kommer dat een of twee banke die mark vir dollar sal monopoliseer wanneer die Reserwebank die opbrengs van Krugerrande, diamante en oorsese lenings deur openbare korporasies aan die bank-sektor oordra.

Vroeër vandeesweek was daar bespiegelinge dat Barclays weens sy verbintenis met Anglo American, in 'n te sterk posisie sou wees en dat hy die monopolie oor De Beers se diamantopbrengs sou kry.

Mnr. Bob Aldworth, besturende direkteur van Barclays, het aan Sake-Rapport gesê dat sulke bespiegelinge onsin is. Vir eers is Barclays nie De Beers se bankier nie. Standard is reeds sedert die dae van Cecil John Rhodes De Beers se bankier.

Ten tweede beskou hy die manne by De Beers as uitgeslape en versigtige sakemanne, wat na die mark sal gaan en probeer om die beste koers vir hul dollars te kry.

Die man wat die beste koers aanbied sal die besigheid kry en hy hoop dat Barclays 'n deel van hierdie sake sal kry.

Dr. Fred du Plessis, besturende direkteur van die Bankorp-groep, het aan Sake-Rapport gesê dat hy meen dat die aanbevelinge van die De Kock-kommissie in hierdie verband toegepas moet word, maar hoop dat dit op so 'n wyse gedoen word dat dit nie net een of twee banke bevoordeel nie.

By De Beers het mnr. Bertie Lincoln, sekretaris van die Diamond Corporation, aan ons gesê dat De Beers dit aan die markkragte sal toelaat om te bepaal wie die besigheid gaan kry. En dan is dit in elk geval nie die Anglo American-groep se beleid om al sy sake net deur een of twee banke te doen nie.

'n Woordvoerder van Standard Bank het gesê dat ofskoon Standard De Beers se bankier is, dit nie beteken dat hulle die opbrengs van die diamantdollars sal oorheers nie.

Die besigheid sal deur vrye mededinging gekry word en Standard hoop uit die aard van die saak dat hy ook sal kan meeding.

Dr. Martin van den Berg, besturende direkteur van Interbank en ook lid van die De Kock-kommissie meen vrese dat een of twee banke met die koek gaan wegloop, ongegrond is.

Vir eers meen hy nie dat De Beers so 'n posisie sal laat ontstaan nie en ten tweede is daar sekere veiligheidskleppe in die voorstelle van die De Kock-kommissie hieroor.

Dit behels onder meer die plasing van sekere beperkings op die koopbalanse van banke aan die einde van die dag waaroor daagliks aan die Reserwebank gerapporteer moet word. As 'n bank meer dollars gekoop het en dit wil terughou om ander banke te verplig om by hom te koop, sal hy sy oorskot aan die einde van die dag aan Reserwebank vermoedelik teen heelwat laer koerse, moet verkoop.

En dan sal die Reserwebank ook steeds daar as 'n soort skeidsregter wees.

As dit sou lyk of die toegewing van die Reserwebank misbruik word, kan hy dit altyd terugtrek en weer self die opbrengs van die diamantafset neem. Daarom meen hy dat daar in elk geval in die mark met verantwoordelikheid opgetree sal word.

Year	White	Bl				Total
1946	..					3 575
1947	..					3 982
1948	..					4 689
1949	..					6 668
1950	..					7 567
1951	..					7 882
1952	..					13 494
1953	..					13 558
1954	..					14 669
1955	..					14 270
1956	..					17 376
1957	..					19 630
1958	..					9 675
1959	1 104	1[illegible]				11 645
1960	1 463	14[illegible]				16 044
1961	1 414	14[illegible]				15 474
1962	1 406	1[illegible]				15 318
1963	1 435	1[illegible]				13 735
1964	1 665	1[illegible]				17 823
1965	1 912	2[illegible]				22 314
1966	2 159	2[illegible]				26 401
1967	2 933	2[illegible]				31 554
1968	3 770	3[illegible]				42 162
1969	4 523	5[illegible]				60 355
1970	5 379	5[illegible]				62 454
1971	5 172	5[illegible]				56 633
1972	3 966	3[illegible]				43 799
1973	5 116	6[illegible]				72 810
1974	6 194	80 698	2	414	80 282	86 892
1975	5 479	62 723	3	438	62 282	68 202
1976	4 339	67 660	2	316	67 342	71 999
1977						75 632

Fm 16/3/79 (26)

FINANCIAL RAND

Looking like real money

All of a sudden, the financial rand begins to look like what the De Kock commission planned it should be — a new and exciting unit of currency.

This month alone, the unit has risen from US 68c to 76,8c. This 12,9% gain, in currency terms, is almost a transformation. And as the financial rand rises, of course, so does its discount to the commercial rand narrow. This month's rise has seen the discount slip from 42,5% to just under 35%. When De Kock reported towards the end of January, the old securities rand stood at a 44% discount. Its overall appreciation to date is thus almost 20% and the reason that the discount to the dollar has narrowed by a lesser extent than this is because the commercial rand has appreciated just over 2,5%.

What has happened is that the financial rand has, these past two or three weeks, been put to work in the way De Kock wanted it used — by non-residents for non-portfolio investment. Initially, the Reserve Bank was slow to grant applications for non-portfolio uses, but the impression in stock market and banking circles is that Church Square's procedures have been considerably speeded up. "The Bank is still scrutinising everything," a leading broker told the *FM*, "but it does seem to have eased up quite a bit." Another factor is that the bottleneck that built up while the Reserve Bank dragged its feet has now been freed.

Anything up to R200m

The amount of financial rand non-portfolio transactions already authorised is put by the market at "at least R75m and probably as high as R100m" — some experts would go as high as R200m. Problems arise when one tries to identify the companies concerned and the projects for which these sums are earmarked. Naturally enough, most of the big multi-nationals are identified by market rumour, the most favoured being Volkswagen, Pilkington, BMW, IBM, AECI, and Siemens. Few were willing to comment, but Peter Searle, MD of Volkswagen, said "I know nothing about it" when asked if it were true that Volkswagen was "importing" R70m.

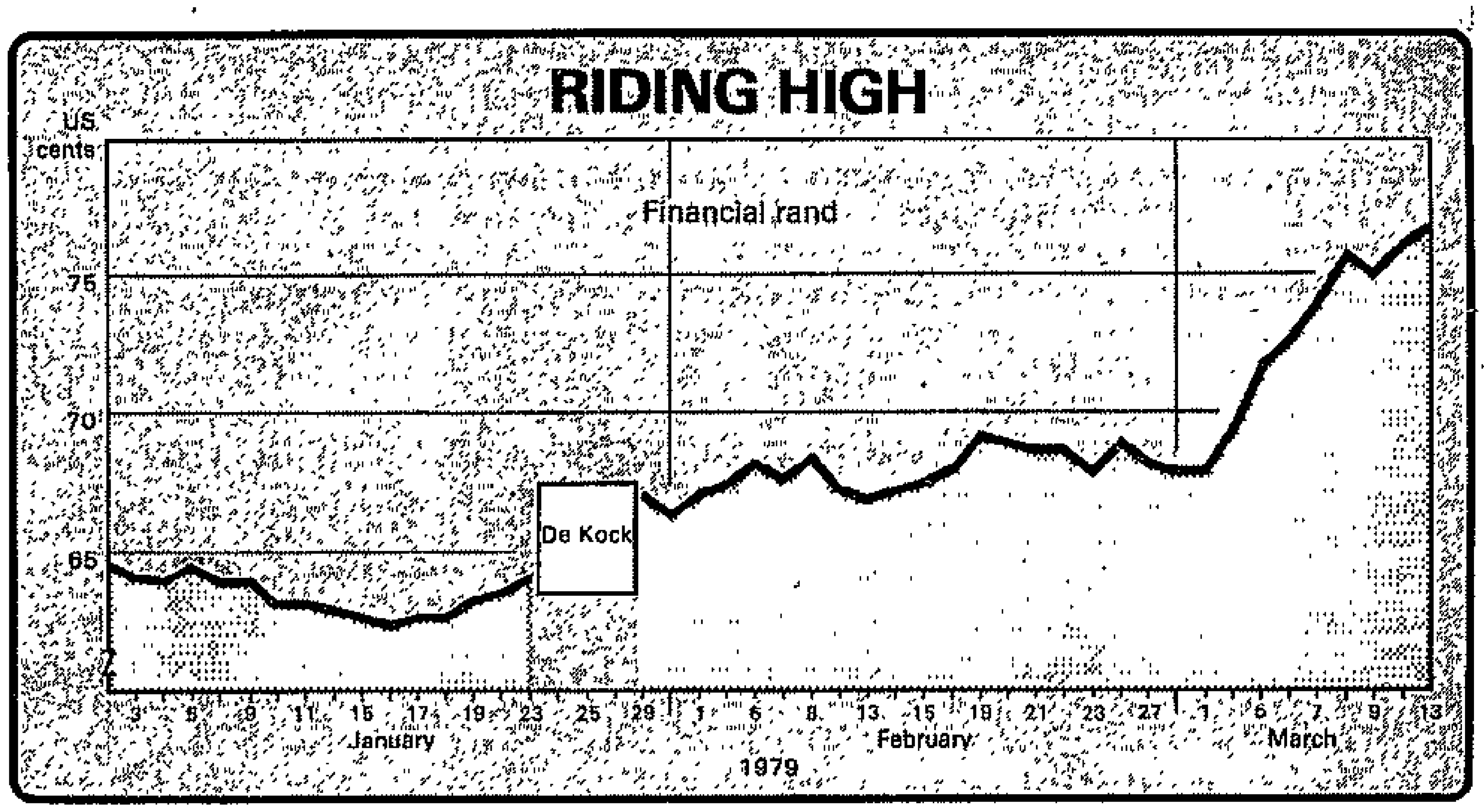
Though the new financial rand activity is encouraging in that it must be taken as a measure of confidence in overseas business circles about the SA economy and its future, it does not herald an actual inflow of capital from abroad, as some appear to think.

New foreign money is involved, to be sure, in that the overseas investor has to part with actual D-marks or pounds to buy, say, 1m De Beers in London. But when those De Beers are sold in Johannesburg to create financial rands, the actual cash that will put up that new factory comes from a local institution.

This also goes some way to explaining the seemingly contradictory performance of the JSE in recent weeks. After its strong rise of the past few months, the market took a breather towards the middle of February and the index slid from a peak of 309,9 to 296,4. In the past few days, however, it has begun to perk up again, and is back to 301. All this, despite the creation of that R200m or so of financial rand.

The fact seems to be that, while the sale of shares to create financial rand must have an initial depressing effect, the transfer of funds (basically from the institutional sector to the industrial sector) has no effect on internal liquidity. It is a transfer, in effect, within the SA banking system. Hence liquidity within that system remains high, and a high level of liquidity is one factor leading to rising share prices.

All the indications are that activity in financial rands will continue to increase. The surge of the past few weeks may well have been a function of the bottleneck; but there are "numerous" applications in the pipeline, according to Reserve Bank spokesmen, so a steady build-up in financial rand activity can be expected to follow the current spate. That the Bank is prepared to consider applications for financial rands to finance real estate deals, in addition to new productive facilities, should also help demand.



So how far is the financial rand likely to climb towards parity with its commercial brother? With 80c (US) already in sight, the market is looking for 90c (with the caveat, "providing nothing goes bust politically") within a relative short span. This would bring the discount down to just under 25%, and few money men are looking for much better than this.

(58) ~~(55)~~ 16/3/79

THE BUDGET

What the pundits think

In this discussion, three leading economists give their views on how Senator Horwood should approach the budget (due on March 28). They are: John Cloete, chief economist, Barclays National Bank; Merton Dagut, chief economist, Nedbank, and Rudolf Gouws, manager, economic services, Senbank.

How does the oil crisis affect Budget strategy?

Cloete: The oil price increase can only give an upward twist to the inflation rate, which means stimulation won't be handled carefully.

Dagut: I agree. But that's only part of it. In terms of the balance of payments one gets interesting perverse results. We could end up with a *bigger* current account surplus because the higher oil price boosts our commodity exports. In the post De Kock world this should show up in the trading rate of the rand.

All these factors come up as positives for 1979 but as negatives for 1980. During the second half of this year the northern hemisphere will adapt to the higher price of energy, bringing a slower rate of growth. This will lead to a tailing off of the rate of growth of our exports.

Gouws: We had a similar situation in 1974-75. The tremendous oil price increase at the end of 1973 was good for commodity prices in the first five months of 1974 and was good for the gold price throughout 1974 — but the chickens came home to roost later. In the end a sharp increase in the oil price is not good for gold.

I think the gold price reaction is going to come sooner rather than later: we might get current account problems as early as the December quarter this year.

Since the oil price increase is draining spending power from the economy, isn't it deflationary?

Gouws: [illegible] that's why the minister should not take too much fright. Remember in 1978 what increase there was in personal consumer spending was financed not from any increase in incomes but from the use of savings or hire purchase credit. That will not change materially this year. So Minister Horwood needs to give a boost to consumer spending — provided he is sufficiently confident that the balance of payments will not present a problem.

Cloete: I'm concerned about the balance of payments. Certainly, gold is going to be a factor. But during 1973, when the oil price went up, the deflationary impact on Europe and America was very immediate. Although in terms of prices our commodity exports might benefit, the impact of oil on the rest of the world and therefore on the volume of our exports is going to be negative.

Let's move on to the financial constraints surrounding the budget.

Gouws: The minister certainly received more than he anticipated this fiscal year, largely owing to higher taxation from the gold mines. Overall I would say he will receive almost R400m more than he budgeted for, while spending should be virtually on target. He's also been very successful with the domestic borrowing programme. In the end, he won't have to draw on his exchequer account.

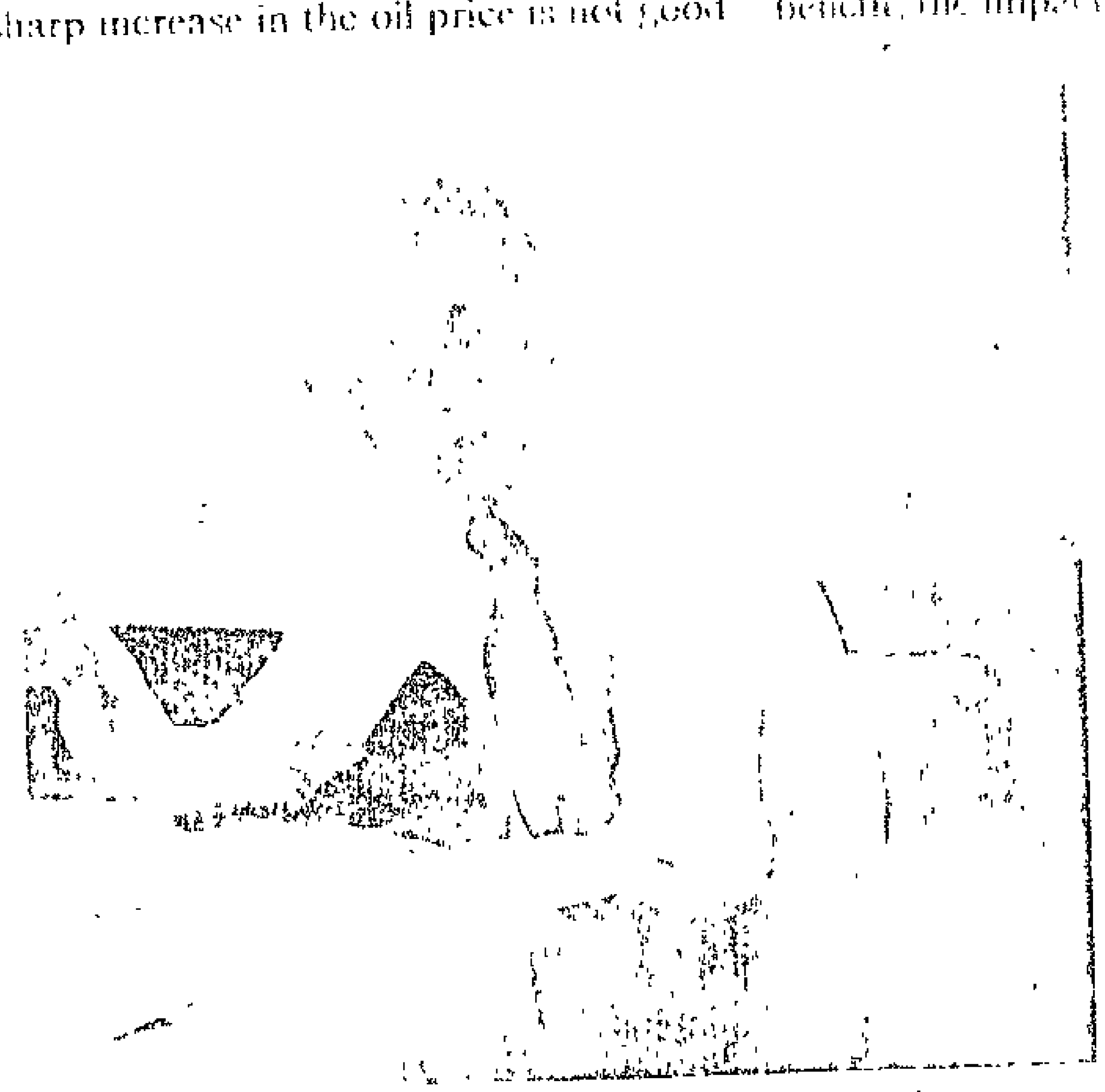
Assuming a 12% increase in government spending in 1979-80 and unchanged rates of tax, our estimate is that he has R500m which he could use for relief.

Although the actual figure could well be higher, we expect the minister to be conservative, so we're basing our figures on a $200 gold price. We have also assumed a GDP growth rate of just over 3%.

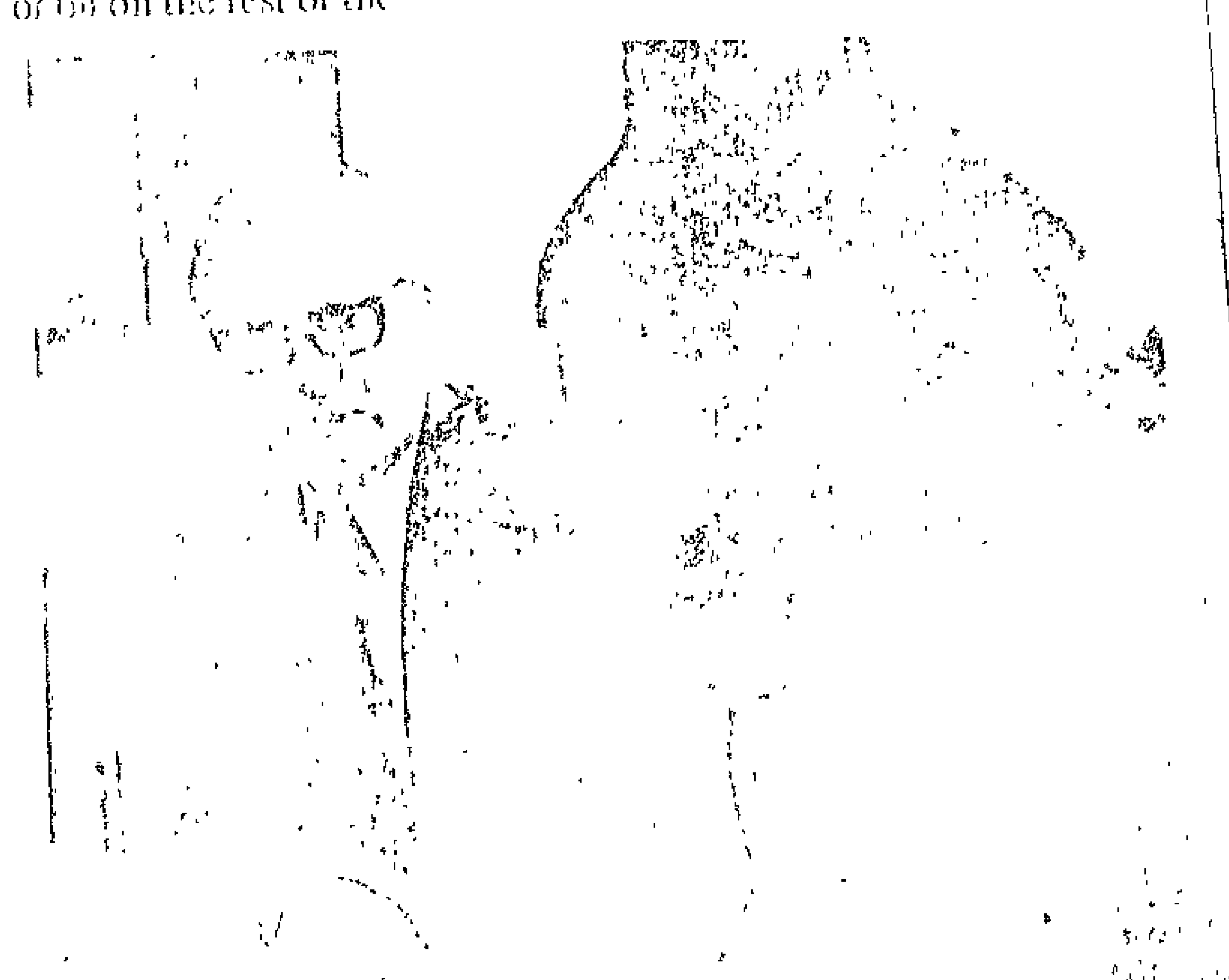
Dagut: We are thinking of an average gold price of $240 in the first half of the year and $260 in the second half. I would use something like a 3.5%-4% GDP growth rate. That should give room for an injection of the order of R700m to R800m.

Should the emphasis be on increasing government spending or on tax concessions?

Cloete: That depends entirely on what the minister thinks about confidence. If he believes confidence is sufficiently high,



Senbank's Gouws . . . R500m to inject



Barclays' Cloete . . . let's cut gst

Financial Mail March 16 1979

INSURANCE COMPANIES

Nice to be local

Last week's announcement that Commercial Union is selling off more than half its equity to SA investors (25% through the JSE and 30% to Gold Fields) recalls a suggestion of the Louw commission of inquiry into the long term insur-

Financial Mail February 16 1979

ance industry. To wit: "Insurers controlled by foreign interests should be encouraged to allow local participation."

Commercial Union is by no means the first to bring in or merge with SA partners. Others include Guardian, Royal, Pearl, and Yorkshire.

But many insurers are still 100% foreign owned, mostly by British companies. What are they doing to increase local participation?

Local participation of course, should not be confused with domestication, the process by which the SA branch office of an overseas insurer becomes a locally registered company with its own board. Ten years ago some 40 companies were still run as branch offices, but now there is only one, Century Insurance.

The recent domestication of some of the biggest insurers is one cause for their delay in looking for local partners. Says Ken Palmer, GM of Legal & General, which set up a local company three years ago: "We need to have a South African track record, otherwise someone would be buying us on spec." Though reluctant to tie himself down to any time scale, Palmer reckons that "people know what you've done after five years."

These views are echoed by John Ellingham, GM of Prudential Assurance: "Before we can consider such a move, we would like to build up a record of local earnings." He adds: "We have no definite plans as yet to take in a local partner, but we shall consider it in the foreseeable future."

The *FM* learns that at least one short-term medium-sized insurer is currently negotiating the sale of some of its SA business to local interests.

There is considerably less pressure on insurers than on banks to go local. No time limits have been laid down, and the Louw commission urged that South Africanisation "should be allowed to develop in an evolutionary manner and not be subject to any compulsion."

Registrar of Insurance Wynand Louw told the *FM* this week that "I can't put pressure on the companies. We don't want to force them to take any unsound action, and we've had good results."

Insurers agree government is not forcing the pace. Ellingham reckons Pretoria's assumption that companies will take in local partners has become less noticeable in recent years

SENTRUST

Fin Mail 16/2/79

Active management

Among the investment companies, Sentrust stands out as being the most actively managed. And though it has important holdings in General Mining group companies, it is far from being a mere control arm of its parent. On this basis, changes in the investment portfolio perhaps give a clearer picture of the group's views on the market and its economy than is the case with the other houses.

Not that views necessarily change quickly. As the end-December portfolio shows, Sentrust remains a net buyer of golds, coals and industrials while reducing its exposure to diamonds and base metals.

Tidying control situations

On the face of things, reduction of the Msauli holding seems strange after the major increase in the year to end-June 1978. But though no confirmation is possible, it is unlikely that the shares will have gone elsewhere than to another group company. So group views on asbestos remain unchanged.

Presumably as part of the group strategy of tidying the control structure of Union Corp. Sentrust reduced its indirect holding with disposals of unlisted Monoceros Beleggings.

At end-December, golds comprised 42,5% of the quoted portfolio and are probably marginally higher now on a current net worth of about 545c per share against the end-December figure of 496c. After first-half investment income of R3,7m, better prospects for gold should boost the second-half figure above R4m.

In December, Sentrust announced plans for a 15-for-100 rights issue which, at the time, was thought to presage development of mineral rights on Vermeulenskraal Noord in the OFS. Subsequently, and after shareholders had authorised the necessary increase in the company's share capital, plans for a rights issue were shelved.

The issue would have raised about R9m, so on Sentrust's projected earnings there is no reason to believe that the need for additional funds has been lessened by better earnings prospects. Meantime, the proposals are being re-examined, while I am told that there are no specific plans for utilisation of possible additional rights issue funds.

From first half earnings of 20,5c (16,7c) an interim of 14c (12c) has been declared. Second-half earnings look set to reach 28c (17,5c), pointing to a possible final of 25c (18c). At 440c for a 8,9% prospective yield and at a 20% discount to nav, Sentrust remains one of the better shares in the sector.

Jim Jones

Bank rate cut to 7,5 pc — cheaper credit likely

By PAUL DOLD
Financial Editor

THE bank rate has been cut by half a percent to 7,5 percent, a step which will lower the cost of finance and help to fuel the economic recovery.

The commercial banks are certain to pare their prime rates as well and the man-in-the-street should benefit from the lower cost of overdrafts.

The credit ceilings have already been lowered giving the banks greater lending capacity. The Reserve Bank says that the new 7,5 percent rate is effective from today. The bank rate was last cut on February 5 by half a percent as well.

The falling rate pattern will raise hopes of a cut in mortgage bond rates and with the societies flush another cut in deposit rates seems probable.

Treasury bills

The futher sharp drop in the Treasury bill rate yesterday indicated that the authorities were seeking a renewed fall in interest rates and that a half percent cut in the bank rate was likely soon.

The rapid descent of the key bill rate is showing no signs of ending. The rate fell three points yesterday to 6,54 after the steep decline in previous weeks and the discount house call rate came off as well to 6,5 percent.

The outstanding De Kock report proposals are allowing the authorities to lower the South African interest rate pattern without hurting the reserves through increased domestic trade financing.

The latest encouraging monthly reserves statement showing a hefty gain must have reassured top Government officials that there was little to fear from allowing domestic rates to fall further.

With the cost of money coming down, industrialists will soon find it tempting indeed to begin expanding and the necessary pre-requisite — a smart rise in consumer spending — should come from the Budget.

From a business mood viewpoint it is vital that Senator Horwood's Budget gives consumer expenditure a sufficiently large boost and it is unlikely that the authorities will miss this opportunity of providing a much needed economic tonic.

In fact, yesterday's paring in the bank rate suggests the Budget will be a strong growth factor and the fact that action was taken well ahead of the Budget is a bull point. Given a scenario of an upturn in the growth rate, revenue from the very widely based GST should substantially increase this year, allowing for tax cuts large enough to boost real spending at consumer level, leading to restocking and an increase industrial production.

In retrospect, the introduction of GST was one of the most important fiscal measures in several decades and one which will allow for the direct tax cuts which are so badly needed at this time.

● The average interest rate on the latest issue of South African Treasury bills was 6,54 percent compared with 6,57 percent previously, the Reserve Bank said.

Applications totalled R98,37m, while a total of R50,63m was allotted. Tenders at 98,37 rand percent and better were allotted in full, while tenders at 98,36 rand percent received about 43 percent of their applications.

The National Finance Corporation call rate was fixed at 6,29 percent against 6,32 percent previously. The Reserve Bank said R50m worth of Treasury bills will be open to tender next Friday.

SUNDAY TIMES, Business Times, February 18, 1979 (58)

Insurance must stay 'local'

Wynand Louw

THE Government's stand on the domestication and local ownership of insurance companies has not altered.

This is despite the fact that Britain's Commercial Union Assurance sold 30 per cent of its local subsidiary to Gold Fields in pursuance of what it believed to be official policy, whereas $1 500 million US mutual office, Sentry, has bought control of Permanent Life Assurance.

The registrar of Financial Institutions, Wynand Louw, explains that while Government has required life offices selling their products in this country to incorporate locally and maintain certain reserve requirements they were not required to introduce a cer-

By IRENE SAUNDERS and NIGEL BRUCE

tain degree of local ownership within a stipulated period.

Unlike the Banks Act, which was amended after the acceptance by Government of the Franzsen Commission's recommendation in 1973 on the strategic importance of financial institutions being controlled locally, insurance legislation does not specifically require that foreign controlled insurance companies increase domestic shareholdings to 50 per cent of the total.

But, says Mr Louw, Government would still like to see greater South African control and ownership of insurance companies in this country.

It preferred, however, for this to come about "naturally" as had happened last year when Guardian Royal Exchange sold its interest in Liberty Life and now with Commercial Union.

By that Mr Louw means when the market condition are propitious and the balance sheets of the companies concerned were conducive to a deal taking place.

Under the appropriate conditions, government was not averse to the reverse happening, as it has done with Sentry and Permanent Life, especially as local incorporation was an established fact.

He agreed to it against the background of the need for foreign investment in this country and the fact that Sentry had given an undertaking that it would encourage black shareholding in Permanent Life, although he acknowledges that there is nothing to stop blacks becoming members of or shareholders in other South African insurance companies.

Sentry, which says it has acquired 87,5 per cent of Permanent Life and plans to buy the balance, is roughly the size of South Africa's giant mutual life office, Old Mutual, and claims to write premiums of $1 000-million a year. It owns several other foreign insurance operations.

Its plans for South Africa, which include the injection of $1-million in working capital and reserves, centres on "developing the life insurance market in the black community" although not exclusively so.

The deal with the African Chamber of Commerce (Nafcoc), which has been selling Permanent Life policies, is that a proportion of the commission it receives for doing so will be used to purchase shares in the insurance company, explains Sentry chairman, John Joanis.

Clearly the Wisconsin-based insurer intends this to soften American attitudes to its stepping stone into South Africa.

Says executive vice-president Harvey Hoth "American companies pulling out of SA are hurting black people the most ... we can contribute by investing down there and by selling the company back to the black population."

But there is another reason why Registrar Louw rubber stamped the deal. "I will be much happier with the financial position of Permanent Life," he says.

Mr Louw makes the point, too, that especially in insurance the experience of the man at the top is crucial.

Sentry's John Joanis is taking over as chairman of Permanent Life and it stands to reason that the chairman of a concern the size of Sentry should have a great deal of beneficial guidance and expertise to bring to a company with total assets of only about $10-million.

Rapport 18/2/79

58

„Nuwe" Trust-Bank nou hier

DIE „nuwe" Trust-Bank is hier! Die reorganisasie wat met die oorname deur Bankorp, in werking gestel is, is grootliks afgehandel. Vertroue in die bank het tot die vlakke herstel wat dit voor die probleme was en die bank is weer in 'n sterk uitbreidingsfase.

Maar soos die senior hoofbestuurder mnr. Donald Swanepoel dit stel, Trust-Bank sal streng hou by goeie en gesonde sakebeginsels met die nodige konserwatiewe benadering ofskoon dit hoegenaamd nie beteken dat dié bank nie voortgaan om leiding met nuwighede te gee nie.

Trust-Bank het trouens reeds onder die Bankorp-sambreel met sy unieke Reaktor-spaarplan en die nou hoogs gewilde Trustlyn gekom. Tewens, die banktoneel kan met 'n heeltemal nuwe diens verras word.

Die eerste fase van die reorganisasie van Trust-Bank het hoofsaaklik gegaan om die personeel en die bestuurstruktuur en die ontwikkeling van gespesialiseerde funksies — veral die vestiging van die korporatiewe afdeling en die uitbouing van die buitelandse afdeling.

Hierdie fase is nou feitlik afgehandel en in die tweede fase wat nou begin, sal veral sterk klem gelê word op persoonlike kontak met die kliënt.

Die ontwikkeling van die nuwe struktuur van die bank en die hernieude uitbreiding van sy taknetwerk het natuurlik heelwat meer geleenthede vir die personeel van die bank gelaat en volgens mnr. Swanepoel is die moreel van die manne by Trust-Bank soos van ouds.

In 1978 is altesame sestien nuwe takke gestig en tot sover vanjaar is reeds twee takke ('n tweede een in Randburg en 'n tweede een op Potchefstroom) geopen, terwyl 'n verdere twee binne die volgende maand geopen sal word.

Die plan is om hierdie tempo tot die einde van die jaar te handhaaf. 'n Groot aantal van hierdie nuwe takke sal geopen word as deel van die bank se nuwe beleid om weg te beweeg van die heel groot takke.

Vervolg op bl. 3, kol 7

Bank-dinge loop mooi

Vervolg van bl. 1

Volgens mnr. Swanepoel het die bank 'n hele paar takke in sentrale middestadgebiede wat eenvoudig hopeloos te groot geword het om aan die kliënt die persoonlike aandag te skenk wat hulle graag wil.

Afhangende van die beskikbaarheid van geskikte persele, sal daar voortaan eerder kleiner kantore 'n blok of vier weg van die groot takke begin word om 'n deel van die groot tak se kliënte daarheen te kanaliseer. Hy meen dat hulle hiermee 'n veel beter diens sal kan lewer. Daarby sal kliënte in voorstedelike gebiede bedien word deur kantore in belangrike inkoopsentrums.

Die sentrale komperstelsel van die bank is nou ook so gesofistikeerd dat die hele landwye netwerk van takke daarby ingeskakel is, wat veral met die oorplasing van fondse in spaarrekenings geografiese grense heeltemal uitgesny word.

Die bank geniet steeds 'n baie sterk groei in sy getal nuwe spaarrekenings en handhaaf hier 'n groeikoers van tussen 3 000 en 4 000 nuwe rekenings per maand.

'n Ander maatstaf vir die geweldige herstel in vertroue in die bank is sy posisie op die mark vir VDS'e. Trust-Bank is geruime tyd reeds weer in 'n posisie om sy rentekoerse vir sy VDS'e by marktoestande aan te pas.

Die unieke Trustlyn is nou met die uitsondering van Oos-Kaapland landwyd en is sedert die bekendstelling daarvan uitgebrei om ook voorsiening vir koophulpverenigings voorsiening te maak. En ook hier is daar planne om dié plan verder uit te bou.

Sy Reaktor-spaarplan, waar die rentekoers outomaties op 'n daaglikse basis aangepas word afhangende van die spaarbalans, bly een van die gewildste spaarplanne in die land en is hoofsaaklik vir die sterk groei in nuwe rekenings verantwoordelik.

Trust Bank behoort hier teen die einde van Maart sy tussentydse winsresultate bekend te maak. Dat daar 'n verdere verbetering in die banksake se winsgewendheid moes wees, is ongetwyfeld waar.

Maar uit 'n beleggingsoogpunt het die bank steeds sy swaar eiendomsportefeulje wat nog baie jare lank soos 'n meulsteen om sy nek sal hang.

Terselfdertyd sal die beleid om die reserwes te versterk, ook nog baie lank voortduur en kan dit baie jare duur voor daar weer dividende verklaar kan word.

Daarom is die stewigheid in die aandeelprys van Trust-Bank effens onverklaarbaar. Die enigste moontlike rede hiervoor is verwagtinge by beleggers dat Bankorp die een of ander tyd weer 'n aanbod vir die aandele van die minderheidsaandeelhouers kan doen. — DAVID MEADES

Financial Rand market rumours

Is Reserve Bank operating?

Dkw. 19/3/79

(35)

By John Cavill

LONDON — Rumours that the South African Reserve Bank has been intervening in the Financial Rand market to push up the rate and narrow the discount are now rife in London and Zurich.

The rumours persist despite a senior Reserve Bank spokesman's denial this morning.

"We have not intervened in that market at all. We only process foreign exchange applications — we do not interfere in the market," he said.

Arbitrage dealers in both cities claim that there are 'strong signs' that the Reserve Bank is one of the forces behind the Financial Rand's climb from around 68 cents US (a 42 percent discount) to a peek of 77 cents US (a 35 percent discount).

At the end of this week the Financial Rand had weakened to just under 75 cents US (36,5 percent discount) as holders of gold shares sold into strength on the stock market.

While potential direct investors, including Volkswagen which is considering an expansion in South Africa, have been suggested as buyers, as well as some covering of short positions taken ahead of the De Kock Commission report, dealers believe the Reserve Bank has also been involved.

This has raised the question of whether the Reserve Bank's policy of intervention will also stretch to creating more Financial Rand to meet any big demand.

"It would make sense," said one leading London stockbroking firm.

As the rules are at the moment, any industrial group which wanted to invest a large sum, say more than R50m, in South Africa through the Financial Rand market would almost certainly be forced into buying a share like De Beers and then selling to create the rands.

"This is cumbersome as well as risky and potentially depressing for the South African stockmarket.

It would be simpler for the Reserve Bank to sell financial rands, albeit at a smaller discount than the ludricrous 40 to 44 percent we have seen, and facilitate the investment."

NM 20/3/79

Prime rate cut talks

(58)

Financial Editor

THE Clearing Bankers' Association will meet Reserve Bank officials today to work out details for a further cut in the prime lending rate — the rate at which the commercial banks are prepared to lend money to "blue chip" borrowers.

The bank rate was lowered from 8 percent, to 7,5 percent, at the weekend — the second downward movement within the past six weeks — and the prime rate usually follows the bank rate.

Most bankers forecast that the prime rate will be dropped by a half percent, to bring it to 10,5 percent. However, there is no news, as yet, about what will happen to the mortgage bond rate or the general interest rate pattern.

The drop in the bank rate is yet another signal that confidence is returning to the South African economy.

Improvement

During the past four weeks there has been evidence, on several fronts, that our financial affairs have taken a decided turn for the better.

The improvement has taken place in spite of the hike in petroleum prices. Trends are developing now which indicate an upturn for the remainder of the year. Among these are:

- A drop in unemployment;
- A marked rise in the country's gold and foreign exchange reserves;
- A substantial surplus on the balance of payments current account;
- Inflation likely to be held at 10 percent, in spite of the fuel price rise;
- Benefits which are flowing from the introduction of the De Kock Commission's recommendations on exchange rates and control;
- The South African currency has appreciated in value;
- The 2 percent discount for forward dollar cover may widen.

Mr. Frank Harris, Financial Director of Dunlops South Africa, said recently that the widening of the dollar discount would help South African importers and reduce production costs.

Financial rand

"However, the most significant development has been the increase in the price of the financial rand.

"It has moved up sharply. There has been an improvement of 15 percent."

Hopes are dashed for cut in mortgages

Star 22/2/79

58

Hopes for a cut in mortgage bond rates were put under the cold shower today when the building societies announced that, although half a percentage point is to be shaved off their special savings account interest rate, mortgage bonds will remain untouched.

The Association of Building Societies revealed that its members would follow up the fall in fixed-deposit rates of a fortnight ago with a cut in the special savings account from 7 percent to 6,5 percent. But for financial reasons the mortgage rate would remain pegged in the present 10 to 12 percent band.

Mr Roy Canning, president of the association, said at a Press conference in Johannesburg today: "The building societies have allowed their reserves and profit margins to fall too low. And as we will be entering the black market in the near future, we will be needing new branches and our costs will go up."

MARKET FORCES

To strengthen the reserves and meet these future demands, the societies had to cut deposit rates and hold the lending rates constant, he pointed out.

"Our sympathy lies very much with the investor whose life savings are being eaten away by inflation. And we hate to have to reduce the deposit rates. However, we remain subject to market forces," Mr Canning said.

Today's cut in building society special savings rates bring these accounts into line with those of the banks, on which interest rates were cut last week. Each society will give notice to its account holders in terms of its rules.

● Special savings interest reduced — Page 23.

LATIN I

OCTOBER/NOVEMBER, 1978

SETWORK				HISTORY	PAPER I	UNSEENS				PROSE	PAPER II	AV. of I & II	ESSAY/TEST	FINAL	ALTERNATIVE
25	25	25	75	25	%	20	20	20	60	40	%	/80	/20	%	%
				0	46	13	4	9	26	15	31	34.8	12.1	46.9	44
				17	68	16	7	10	33	14	47	46	6.3	52.3	58
				15	71	11	7	7	25	18	43	45.6	13.2	58.8	57
				6	47	12	4	10	26	15	41	35.2	8.1	43.3	44
				7	87	15	16	16	47	32	79	66.4	[illegible]	[illegible]	[illegible]

CREDIT CARDS

In-house agitation

The move to bank-managed in-house credit cards (currently growing apace in the UK) may be poised for take off in SA. Playing his Barclaycards close to his chest, Barclaycard chief manager Colin Gregor says: "We're thinking of expanding the franchising of the Visa card system. At the same time we're looking at in-house cards." Further than that, no comment.

Randle Carter, GM of Standard Bank card division, admits the bank has been approached by retail organisations to administer their in-house credit card schemes. "We're considering it," is all he is prepared to say.

Carter points out that what has been happening in the UK is that retail stores are only now gearing to customer credit facilities, long the *modus operandi* of many SA retailers. Major SA retailers customarily provide interest-free, extended credit.

The processing and providing of credit and the preparing and issuing of cards are traditionally done in-store. Explains Carter: "Essentially two operations are involved — computer processing and providing credit. We would prefer to leave the processing to computer bureaus. But the lending side is always of interest to the bank." Card processing costs and interest charges would be "subject to bank store negotiations," he says.

Carter won't be drawn on the likelihood of retailers turning to outside-managed in-store cards. "It's likely to happen if stores want more working capital. If they change to bank-managed cards it involves running down of admin staff and relying on bank credit to release them from certain portions of their debts. For us it really becomes a factoring exercise."

In the UK, Access (like Standard Bank in SA, holder of the Master Charge franchise) offers credit cards operating on the revolving credit principle, tailored for individual businesses.

Charges are 2% monthly on outstanding balance.

Barclaycard in the UK formed a separate company, Barclaycare, in September, offering a similar service, charging 1,75% monthly. Unicredit, an offshoot of the Provident financial group, spearheaded the drive to provide retailers with their own credit cards. Also jumping on the bandwagon is Citibank, which operates a revolving-credit scheme for Marks & Spencer. Interest charged is 1,65%.

In SA, retailers polled by the *FM* (including Truworths, Foschini, and Edgars) profess not to be considering swopping their in-house managed cards for institution-managed systems. Carter won't divulge who has approached Standard bank.

Financial Mail March 2 1979

BANKS

HP bonanza

FM 2/3/79

There's no business like hire purchase business, judging by the December bank quarterlies. Crowning a bumper year, most of those banks involved in leasing and hp saw their volumes soaring during the last quarter of 1978.

Among those which scored well were Santambank, which recorded 29% growth in hp receivables compared with the September quarter, Barclays National, 28%, and Wesbank, 21%. These figures also reflect improved car sales.

Santam says it is continuing to concentrate on the personal loans and hp market, where interest earned is much higher than in the corporate market. "There is also a greater loyalty in the individual market compared with corporate borrowers," MD Roeland Perold said this week.

As long as bad debts don't pile up, Santam and the other banks in this market can expect continued strong growth, although the latest round of petrol price increases is bound to take a toll on their lucrative car business.

Leasing generally grew more slowly than hp business, with Volkskas Industrial recording the highest growth (40%), although this was off a substantially lower base than for the larger banks. Nonetheless, Volkskas's specialist skills in this market have ensured rapid growth since the bank's inception in 1977. Santam (18% growth) and Stannic (8%) also showed good growth in leasing income.

The Standard group's commercial bank also saw its leasing book jump during the December quarter, up to R22m, thus for the first time, reflecting part of the big R100m Iscor lease on its books.

Among the more notable features of the big five banks' quarterlies was the drop in lending by both Barclays and Standard (—1,2% and —2,8% respectively), which mirrors continued slackness in the economy particularly in manufacturing and industry.

An interesting feature of the merchant banks' quarterlies is the remarkable leap in the tiny Volkskas Merchant's total deposits, from only R36m to R66m. Reason: a few of the smaller banks, previously exempt from reserving supplementary liquid assets against increases in deposits, received notice from the Registrar of Banks that, after December 1978, they would be required to do so. Volkskas thereupon bought in as much call money as possible, which it only held for two or three days, thereby ensuring that its normal deposit growth — which will take months and maybe years to build up to the artificially inflated level at end-December — will not attract supplementary liquid asset holdings.

A shrewd move, no doubt, although some bankers think the cost of buying extra deposits during December, along with the cost of having to reserve normal liquid asset requirements against that increase in January, may have been an unduly high price to pay for the anticipated longer term benefits.

Call for bond rate to drop further

JOHANNESBURG — Unless there is pressure from the Government or further substantial interest rate reductions across the board, building societies may resist a further bond rate reduction.

That's the opinion of Mr Peter Gardiner, manager of Anglo American Property Services' townships division.

He said the recent reduction in building societies' fixed deposit rate should in the normal course be expected to lead to a similar drop in the bond rate.

The last reduction of 0,5 per cent only became effective in respect of existing bonds on January 1.

Mr Gardiner says building societies appear to have a problem at present since although they are flush with money, it is mainly institutional money and the institutions are somewhat fickle in their investment habits.

The societies, who are at present controlling their investment inflow by turning away institutional money which had been attracted by their previously out-of-line rate for two-year deposits, naturally prefer longer term investments from the solid citizens of the community.

However, says Mr Gardiner, with the necessary tightening of their economic belts, few salary earners are able to save at a meaningful level or at all.

The man in the street would not benefit to any great extent from a further reduction in the bond rate — certainly if it is only at the level of some 0,5 per cent in line with movement of the fixed deposit rate.

Mr Gardiner says that a drop of 0,5 per cent would have only a marginal effect on instalment levels. For instance, on a loan of R20 000 for a 20-year term, the current rate of 10,75 per cent results in a monthly instalment of R203. This would be reduced by only R6,72.

And despite a drop in the bond rate, there would not be an automatic adjustment in bond instalment levels as the societies usually prefer to maintain them to push up capital repayments and to provide a cushion against future rate increase, says Mr Gardiner.

"Nevertheless the previous fall in the bond has stimulated interest in housing generally from potential home-owners or among those already committed who need to increase their accommodation. The township land market is already more active in the wake of current high occupancy levels in flats plus pressure on existing housing," Mr Gardiner said. — DDC.

Unicorp profits up 66 pc at R65m

STAR 7/3/79
(1) 58 (2) 270 (3) ~~269~~

By Harold Thompson

Senior [illegible] stand the [illegible] of Union Corporation [illegible] [illegible] their [illegible] [illegible] to December 31, are looking ahead to the current year with considerable enthusiasm.

Last year's results are certainly something to crow about: taxed profits 53 percent higher at R84 9m, attributable profits are 66 percent up at R65 5m. And earnings a share, removing the 1% a share from the sale of Minora Prices are 90c against 6?c.

The final dividend has been raised 6c to 32c making a total of 47c compared with 1977's 38c a share.

At a Press briefing yesterday, chairman Ted Pavitt said that what pleased him was that the results had been accomplished in what had been a flat year from an industrial viewpoint and that the companies in this sector had overcome a difficult climate. The mining components of course achieved their success on prices.

He was however confident about the prospects for 1979. He expected the industrial companies to continue with their performance and as far as the mining companies were concerned Union Corporation had always had the technique to control costs, an important factor.

There were other plus factors.

Unisel was on target.

Results from exploration in this country were encouraging as are overseas operations.

RICHARDS BAY

Richards Bay however was still suffering from teething problems some of which had been solved during the past six months, others appear to be close to solution. One of Richards Bay's difficulties [illegible] in the [illegible] of the prices of its products. The recent switch in some of the financing of the enterprise — from short/medium loans to leasing — would however ease cash flow problems.

Group figures [illegible] been increased by more than R35m.

Net worth a share rose from [illegible] to 917c at the end of last year.

Das 8. Buch: Zusammenfassung (Fortsetzung)

Das Ende dieses Kapitels berichtet uns das Erscheinen des Marchese, das ja von Wichtigkeit ist, daß der Marchese im 8. Kapitel bei den Exequien Mignons ihre Herkunft, und somit auch die des Augustins, aufwies. ~~Der Augustin, als er seine Ne~~ Darauf versuchte der Augustin, Selbstmord zu begehen, worauf Felix, der inzwischen aus der Flasche Mandelmilch getrunken hatte, in den Verdacht kam, sich vergiftet zu haben.

Der Augustin starb, und Wilhelm hatte seinen Sohn gesund wieder.

Das 8. Buch endet damit, daß Friedrich der Gesellschaft Wilhelms Liebe für Natalie entdeckt, worauf die beiden heiraten, und Lothario und Therese heiraten.

Sunday EXPRESS Pr

2 giants to rationalise properties

TWO YEAR PLAN TO STREAMLINE THEIR EMPIRES

By TERRY MEYER

SANLAM and Bankorp, the allied insurance and banking giants and their many subsidiary companies, are to make a start upon a complete rationalisation programme of the group's property interests during the course of this year — with the whole programme expected to be complete within two years.

In the course of this rationalisation programme, it seems likely that some divisions — such as Trust Bank — will divest themselves completely of their property administration functions, handing over to specialists in other associated or subsidiary companies within the Sanlam/Bankorp constellation.

However, this does not mean that these companies will dispose of their property interests to the associated company that will administer them, and word is that they seem likely to remain held in the present portfolios for the time being.

With certain companies specialising in specific fields, they will become experts in those aspects and will not duplicate identical functions already being performed by Sanlam/Bankorp companies.

At this stage no formal committee has been set up to implement the rationalisation programme, and it is being looked at on an ad hoc basis by Bankorp's Dr Fred Du Plessis and Willem Pretorius.

Pretorius tells the Sunday Express that at this stage no firm decision has been made to set an offical programme in process, and will not at this stage indicate when Sanlam will be putting it into action.

Current talks deal with the broader spectrum of rationalisation and making full use of available expertise, says Pretorius.

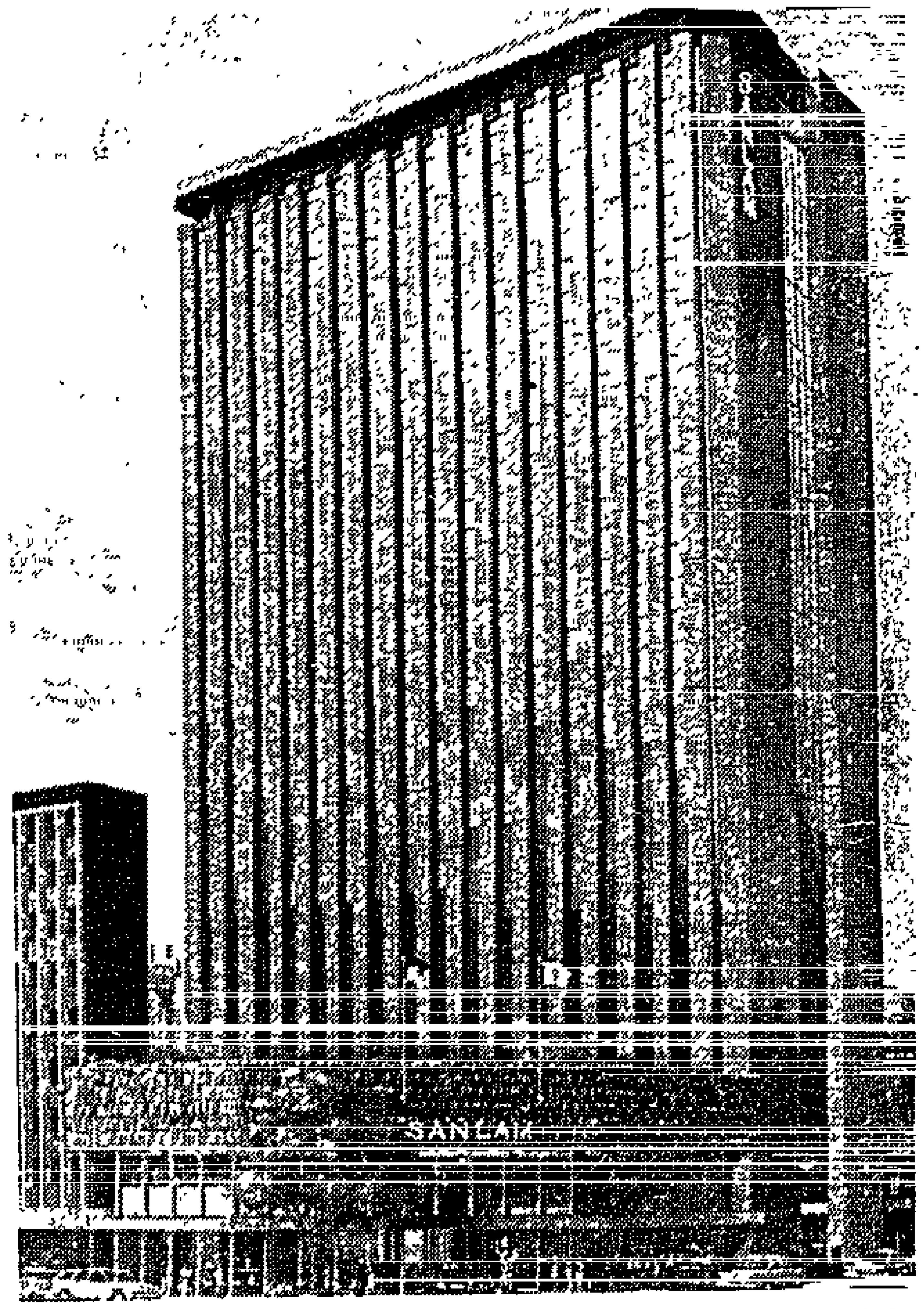
However, Sanlam sources say that discussions are at present going on although at a "very preliminary stage" with investigations being carried out on specific projects in which in-group experts are being called upon to advise on how to implement the necessary changes.

The group believes that it has other immediate priorities to implement first, and they are said to be looking at individual projects on a piecemeal basis.

Discussions are going on at present on which sections are best equipped to tackle the different portfolios, although some guidelines have already been suggested on which the eventual 'sorting out' process seems likely to be based.

It now appears highly likely, for example, that the administation of all the sister group's residential land is likely to fall under the control of the Mondorp administators, whom Sanlam believe are well geared to administer these properties.

Commercial and flat blocks will probably be run by the Sanlam property divisions themeselves, according to a top-level source within the company.



● Nearly 65% of shopping space in Pretoria's Sanlamsentrum-Middestad complex has been taken and further areas are under serious negotiation — six months before the official opening.

It is pointed out that this Sanlam division has been giving a considerable amount of advice recently to Trust Bank and other allied companies on this sector of the industry, and has many years of experience in this field.

However, the Sunday Express is told, with Sanlam's continued insistance that it will not take over 'bad' properties, there are likely to be some problems in what to do with those buildings and real estate investments that continue to [be] an embarrassment to the group.

Sanlam says that it does not want to have its name tarnished with properties that are bad investments

The position of the score of smaller Sanlam/Bankorp subsidiaries is far from clear, and these will probably be among the last to be sorted out, but they too will 'fall in line' in time, says Sanlam.

Business Mercury

8/3/79

58

Annual growth rate of 25 pc

JOHANNESBURG — Since becoming a member of the Sage Holdings group, Union and London Investment Trust has achieved an average annual growth rate of 24,8 percent in earnings per share.

The company's 1978 annual report shows that since 1975, when the Sage group acquired control of Union and London, total assets have increased by 66,2 percent to R6 209 000. Earnings per share have risen by 93,2 percent, dividends have increased by 61,3 percent and the net asset value has risen from 298 cents per share at the end of 1975 to 424 cents per share at the end of last year.

Dividends up

For the year ended December 31, 1978, Union and London's net distributable income rose to a record R404 000, lifting earnings by 20,7 percent to 33,07 cents per share. Dividends were raised by 19 percent to 25 cents per share.

Reviewing the company's traditional investment trust activities, the directors comment that the accelerated rate of growth reflects the inherent strength of the underlying investment portfolio. — (Sapa.)

BUILDING SOCIETIES

NBS leads the way

53
10/3/1982

The Natal Building Society has announced that it is building the second of a chain of NBS branches in Soweto. Its competitors are slower off the mark.

NBS manager in charge of market development, Rodney Fann, says the society decided to go ahead with the new branch in view of "the success of our Diepkloof branch." Adds Fann: "Ideally, we would like to open one or two new branches each year."

The only other building society currently operating in a black urban area is United, which has a branch in Dube. Apparently United is still monitoring its performance before deciding on further expansion.

Spokesmen from Allied, Southern Trident, and Standard Building Society all say they are looking at Soweto but have no definite plans for opening branches. A Saambou executive says his society's penetration in the black market is still too small to consider opening branches which serve only black customers.

Fann notes that the most popular form of investment in NBS's Diepkloof branch are term funds, including paid up shares, fixed deposits, and subscription shares. Loans will only be granted once the 99-year leasehold scheme becomes operational, although, Fann says, there has been "a steady flow of enquiries."

FUGIT

Index beater

Activities: *Investment trust managed by Guardian-Liberty Life, which controls 65% of equity, and Glicor. Old Mutual holds 11% of equity.*

Chairman: *D Gordon.*

Capital structure: *62m ordinaries of 25c; 2m 6½% cum red prefs of R1. Market capitalisation: R68,2m.*

Financial: *Year to December 31 1978. Borrowings: long and medium term, R2m. Net cash: R2,5m. Debt:equity ratio: 2,5%. Current ratio: 1,3. Net cash flow: R695 000.*

Share market: *Price: 110c (1978-79: high, 120c; low, 75c; trading volume last quarter, 272 000 shares). Yields: 7,2% on earnings; 6,1% on dividend. Cover: 1,2. PE ratio: 13,9.*

was cut by 325 000 shares, leaving 575 000 in the portfolio. The entire Rustenburg, Edworks, Dunswart, Pick n Pay, Scotts, and Tongaat holdings were sold. The Sappi holdings were cut by 100 000 to 300 000.

Stanbic was the only newcomer to the portfolio, with the purchase of 700 000 shares, while additions were made to the stakes in Union Corp, Clydesdale, Trans-Natal, and Nedbank.

The rationale behind the sale of De Beers was that the group's exposure to diamonds was too high, and not in keeping with "fundamental investment principles on spread and diversification." Diamonds are now down to 18,8% (20,7%) of the year-end portfolio.

However, this hefty sale was not undertaken lightly, particularly in view of the uncertain tax position regarding capital gains. Chairman Donald Gordon explains that "the fundamental intention ... is not to make investments for the purpose of such gains ... ", but there is a real problem in that these gains could become taxable. He adds that "in the light of recent court decisions and the Revenue Department attitudes, the position is not clearly established as to whether or not the revenue authorities would seek to tax Fugit on any surpluses realised."

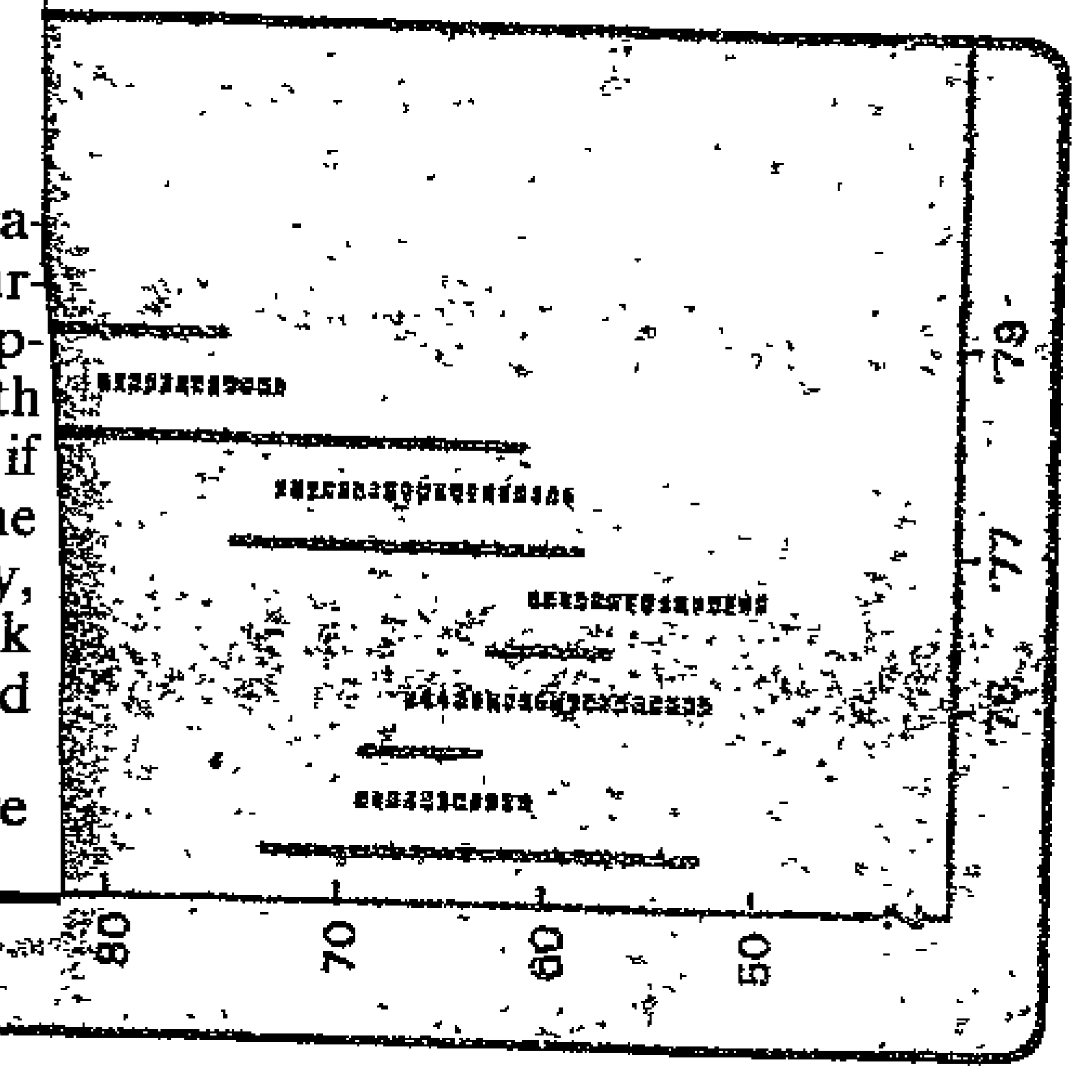
Evaluation of the share is better done

Fugit's Gordon . . . maintaining earnings growth

on the basis of prospective earnings, rather than in relation to nav. Over the current year, with share prices looking toppish, Fugit's nav could decline. But with the economy set to continue its steady, if slow growth, Fugit's dividend income looks like rising further. Consequently, Gordon believes shareholders can look forward to improved earnings and increased dividends in 1979.

On an historic yield of 6,1%, the share has appeal to investors who are happy to ride along with an investment management team with a proven record.

Peter Pittendrigh



CAPITAL MARKET

Is the ball over?

(38) FM 9/3/84

"I do believe that inflation is the major factor in the determination of long-term interest rates. Investors are simply not prepared to invest in long-term financial assets for a negative real rate of return other than in exceptionally special circumstances" — Liberty Life investments manager Roy McAlpine, speaking at last year's *FM* investment conference.

Investors are this week wondering what makes Pick n Pay's new R7m debenture issue, underwritten by none other than Guardian Liberty Corp, which is part of the Liberty Life group, exceptionally special. With an average life of 14,5 years and a coupon of 10,75% (10,81% all-in), well below the current inflation rate, the mortgage-secured issue is, in the words of one investor, "exceptionally fine, to say the least, under current market conditions."

Several "major investors", however, apparently regard the terms as "attractive." Over R5m has already been subscribed, says a Liberty spokesman.

Be that as it may, there has undoubtedly been a sudden tightening in the capital market. According to market watchers, the debenture issues of Trencor (placed by Hill Samuel) and Chemical Holdings (handled by Barclays Merchant) are having a tough time.

A Hill Samuel spokesman admits "we haven't had runaway success," but points out that the issue has pulled in th minimum R3m required. However, re sponse is likely to fall short of th "optional R4m" the borrower had hope for. Barclays Merchant's MD, Ro Zank, is tightlipped about Chemhol which is looking for a "maximum" R5n Preliminary indications are that it will g about R4m.

Among the first signs that the mark is not as easy as many expected was th result of Iscor's R60m loan. Handled b UAL, Senbank and Volkskas, the issu pulled in R53m, and the additional R7 had to be supplied by the underwriter Approximately half the total amou offered went into the medium-ter eight-year tranche at 8,65% all-in.

Although UAL's Bob Phipps concec that Iscor's disappointment does herald "temporary" floor to long-term inter rates, he also considers "technical" f tors as partly responsible for the sho fall. In a big issue, he explains, m underwriters offer to take up only amounts they've underwritten. They t reap the full benefit of the 6, 95% underwriting commission, which is not paid on additional amounts subscribed for.

Pietermaritzburg, advised by Finansbank, has announced that, in common with about a dozen other municipalities and public corporations, it is to promote a secondary market in its issued stock. Its first price list was published this week.

The main object is to increase the marketability of the city's stock and thereby enhance its rating as a borrower. Maritzburg is currently rated as a 2A borrower by the *FM*'s investment panel, paying 11-15 points above Escom.

The city hopes to encourage trading in the longer dated stocks. It is offering a spread of only 0,2% between buying and selling rates, with maturity dates of one to five years. The spread narrows to a minimum of 0,05% on stocks of more than 20 years maturity.

FOREIGN EXCHANGE

More back-biting

58 FM 9/3/79

On Tuesday foreign currency earnings from Krugerrands (but not diamonds) were channelled through the commercial banks for the first time. According to the banks, the Chamber of Mines sold them about $5m that afternoon.

But instead of leaving bankers happy that a key provision of the De Kock report had been put into practice, the move sparked off another round of fierce in-fighting among the banks.

The reason is that some of the banks which dealt with the Chamber of Mines — believed to include Senbank and Citibank — cut the spreads on their buying and selling rates to as low as three points, buying from the Chamber at around $1,1845 and selling to other banks at $1,1842. A banker's share of a $1m deal on a three point spread is only R214. Since the market was freed from Reserve Bank control last month, spreads have normally averaged 15-20 points.

The small banks' bargain rates may sound like sweet revenge, considering that Barclays and Standard slashed their quotes in the first few days after competition came to the forex market at the end of January. But there's more to it.

The *FM* learns that, as a result of the small banks' fears that the giants would squeeze them out of the market by consistently undercutting rates, the authorities asked the big banks to maintain reasonably wide spreads. "We have been deliberately going for a 20-point spread," says Barclays MD Bob Aldworth.

Barclays and some of the other big banks are not amused by the small banks' revenge. "We're being white anted", says one senior forex man. Adds Aldworth. "We're not going to accept this. Someone is going to get a bloody nose." Standard Bank GM Derek Watt ing notes that "we'll keep on battling at present spreads, but we intend to be competitive."

What do the smaller banks say? A spokesman for Senbank, which has acquired a reputation for being among the most aggressive rate cutters, reckons that "the people who spread the stories are the main culprits. We quote rates which we feel are reasonable giving a reasonable income. We're trying to maintain the widest possible spreads, but there are clients who try and twist your arm."

Part of the blame for the ferocious rate cutting is put with the Reserve Bank, which whatever anyone may say, still determines the exchange rate. For the past week, Church Square's rates have remained unchanged at $1,1840/60, despite wide fluctuation in the availability of dollars in the market. Foreign exchange experts reckon that if the Bank changed its rates more often, dealers would be forced to widen their spreads to protect themselves.

The Chamber of Mines for its part has given no undertaking that it will channel part of the KR proceeds through any particular bank or group of banks. Says a Chamber executive: "The Reserve Bank has left it in our hands entirely, but there will be regular consultations and reporting."

By Wednesday, the Chamber had given some of its KR business to the major banks. It's safe to assume that their spreads had narrowed.

MERCHANT BANKS
The winners

(58) FM 9/3/79

The December bank quarterlies show that Standard Merchant and Hill Samuel were the only banks to record strong growth in acceptance facilities.

Standard's 36% hike in acceptances, to R121m, was, according to MD Eddie Theron, largely accounted for by firmer loan demand as firms built up stocks prior to Christmas. But Theron also reckons that about a quarter of the growth in acceptances was due to switching from overseas to domestic finance, with another quarter representing switching from overdrafts to acceptances. Theron denies that the bank actively encouraged switching out of foreign facilities.

Although SMB intends to enter the public sector fund raising business this year, the bank has not yet managed to pull off any deals. Says Theron: "At this stage we're more interested in the trading side, but we certainly intend to compete aggressively on new issues."

In Hill Samuel's case, acceptance facilities had been edging up very slowly up to the end of last year. A bank spokesman says the 25% jump in the December quarter, to R49m, represented "a more aggressive attitude towards increasing our market share." And as a sign that trading activity has continued to pick up, he notes that Hill Samuel's lending has risen further since January.

UAL and Volkskas Merchant were the only banks to record declines in their acceptances, by 5% and 2,4% respectively. With business improving this year, they too should be experiencing improved loan demand.

TOWNSHIP BUSINESS

Unchaining blacks

FM 16/3/79

Last week's R1,5m contract signed in Soweto by the black-owned Blackchain supermarket group and the African Development and Construction Company has once again spotlighted the whole question of business in the black townships.

Businessmen Solomon Lesolang (left), Kutumela, and Majola (right) . . . whites out

African Development — a joint venture of Roberts Construction (49%) and prominent black businessmen (51%) under the umbrella of the National African Federated Chamber of Commerce (Nafcoc) — is to build a supermarket, shopping, and warehouse complex for Blackchain.

Blackchain MD Heilbron Majola says this is the first project of this size and type undertaken solely with black capital. Added West Rand Administration Board chief Manie Mulder: "We are keen to have more of these complexes."

But traders in the townships have reacted unfavourably to the regional "urbo-activity centres" proposed by the Ecoplan consortium and accepted by the Soweto and Diepmeadow community councils last week. Each offering abundant business and commercial space, the centres — if they get off the ground — are expected to cost a total of R87m.

Some traders see these centres as a threat. They will be run by whites with the help of the councils, they say. A member of the Soweto Traders' Association tells the *FM*: "Let us run our businesses without white interference." Sy Kutumela, a director of African Development, adds: "Each time we blacks come up with something, somebody comes up with something similar."

Long-simmering anger over white capital invading the townships surfaced again last year when the Johannesburg City Council approved a R20m regional shopping centre for Soweto's southern boundary. Said Nafcoc's Sam Motsuenyane: "Under no circumstances should white business be allowed into black townships. To talk of the competitive spirit between white retailing giants and black businessmen, who until 1977 could not by law have more than one store, is absolute nonsense."

The leader of the R20m centre's would-be developers, Aaron Cohen, told the *FM* this week: "We are keeping a low profile at the moment. but the centre will come in due course."

At the Blackchain sod-turning ceremony last week a source in the Diepmeadow council alleged to the *FM* that a number of whites had a grip on township trade by skilfully manipulating black traders. These traders were made "front" directors of white-controlled companies which have penetrated the black townships.

Another trader tells the *FM* that because blacks have been deprived of real business opportunities and economic muscle for so long, they are easy prey for such schemes.

More business centres may be on the cards for African townships. Plural Relations and Development (Prad) Minister Piet Koornhof said last month in Parliament: "I have requested my officials to plan in such a way that we shall be able to begin constructing a fine modern business centre in Soweto before the end of this year."

A Prad deputy secretary, S S Potgieter, told a conference at Unisa last week that until 1977 government policy dictated that there was no reason to establish businesses in African areas if the Africans' needs could be met by white businesses in white towns.

In the last two years, however, some of the restrictions on African township traders have been lifted, Potgieter said.

"We welcome the lifting of restrictions in the African townships," says Motsuenyane. "But we want free access to all markets inside and outside the townships."

Urban blacks in urban space

The chairman of Johannesburg's Central Business District Association, Nigel Mandy, told the Unisa conference — *Urban Blacks in urban space* — that Soweto could not be developed as an autonomous city, but only as a satellite of Johannesburg.

"Johannesburg has a built-in dynamic which facilitates the creation of more jobs and more services at relatively low costs. No artificially-created decentralised growth point could ever match the efficiency of this organism," Mandy argued.

Coupled with this idea is the necessity for a multiracial CBD.

Would the development of business areas in Soweto threaten the ailing Johannesburg CBD, which depends heavily on African customers? Mandy thinks not. "We must make the CBD competitive especially in fields not available in decentralised areas."

(38) FM 16/3/79

BANK CEILINGS

Another cautious prod

In raising banks' lending ceilings an additional flat 5% above their December 1975 bases, and reducing supplementary liquid asset requirements, Pretoria has administered another of its characteristically cautious prods to the economy.

But while (obviously) welcoming this latest move, bankers are even more interested in what they see as signals for further interest rate cuts. Says Barclays MD Bob Aldworth: "Another 0,5% drop in Bank rate must be just round the corner."

Bankers estimate that the 5% ceiling increase should enable them to lend an additional R250m to R300m. Aldworth leaves no doubt that the latest increase "has helped us tremendously." The Barclays group is known to have consistently exceeded its ceilings for the last three or four months. Standard is estimated to be around R80m below its ceiling, while Volkskas and Nedbank still have considerable spare lending capacity.

The reduction in supplementary liquid asset requirements will release another R200m to R300m of banks' funds for investment in other assets or for additional lending. In Barclays' case alone, an additional R75m should be made available, while for Standard, says GM Gutch Vickers, it is R30m to R40m.

This will certainly boost money market liquidity and should encourage a more rapid decline in short-term interest rates. Aldworth says his group will now cut back on its NCD issues, a policy other banks are also likely to pursue.

However, points out Vickers, in view of the steadily declining interest rate trend and narrowing differentials, yields on certain short-term paper, qualifying as liquid assets, have become reasonably attractive. Because of the shortage of suitable short-term paper, banks with surplus cash might well hold on to some of their surplus liquid assets.

Barclays' Aldworth . . . now he can lend you more

W&A/BRADLOWS

Into the white market

In its second "strategic" acquisition this week, W&A has bought joint control of Bradlows Stores from the Bradlow family for 270c cash per share.

This is a 42% premium on the pre suspension price of 190c and equivalent to 7,9 times historical earnings. An equivalent offer is to be made to minorities. Great Universal Stores (GUS), which holds about 30% of the Bradlows equity, has indicated that it will not accept, says W&A chairman Mannie Smulowitz, who would like to continue the listing.

While the earnings multiple looks generous, Bradlows earnings of 34,1c last year were 46% down on the 1976 peak of 63,5c and the recent interim revealed a R694 000 pre tax turnaround. Bradlows forecast "considerably higher" earnings and a 17,5c (1978: 12,5c) dividend for the year. This puts the offer on a 6,5% prospective dividend yield — about in line with the market.

Control will be exercised through a new pyramid, Bradlows Investments (Pty), owned slightly more than 50% by W&A and the rest by the Bradlow family. Mannie Bradlow will continue running the operation.

Bradlows gives W&A an entrée to the white furniture market. Its 48% held World Furnishers is already big in the black market. While the companies are complementary strategically, they will be run completely separately. Bradlows turnover last year was [illegible] in 1976 [illegible] turned over [illegible] of its earnings from [illegible] last year. While Smulowitz [illegible] acquisition will [illegible] earnings [illegible] share [illegible]

[illegible]

Amic's Griffith . . . w

BRICK & CLAY

W&A takes Triang

Brick & Clay has sold wholly-owned Triang-Pedigree, one of SA's biggest toy-makers, to W&A Investments for an undisclosed amount. The sale comes only nine months after Brick & Clay increased its stake in Triang from 49% to 100%, and was clinched without the knowledge of Triang MD Alan Crocker, who, colleagues say, is "as mad as hell."

The parties have not yet put a figure on the deal and it is impossible to derive an idea of Triang's size and value from Brick & Clay's balance sheet. Triang is known not to have been profitable in recent years, mainly due to a depressed toy market but Brick & Clay was hoping for "a favourable change in fortunes" in its most recent annual report.

Apart from a high-visibility brand name and a dominant share of the wheeled toy market, it has a valuable five year license, as well as tools and moulds, to manufacture certain products of Dunbee Combex Marx of the UK, one of the world's biggest toymakers. So it does have potential.

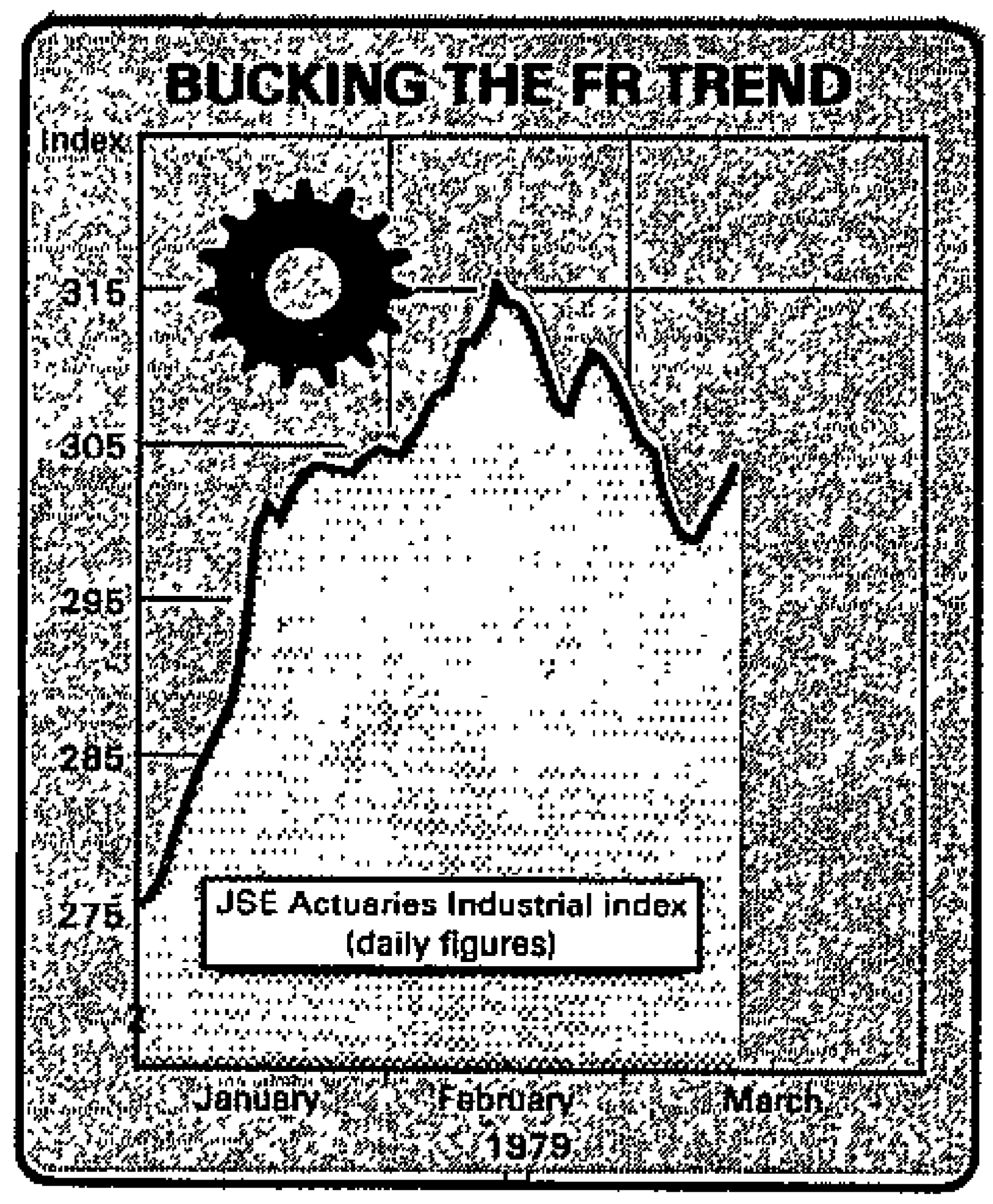
Triang did not really fit into Brick & Clay, which has become increasingly engineering-orientated, with the mines its major profit source. Its sale should render Brick & Clay more liquid, as the toy business is highly seasonal, hence stock and debtor intensive. W&A thinks Triang will marry well with Hygienia, its Cape-based company making inflatables such as water wings, lilos, plastic dinghies, and cool packs. Apparently no major management changes are planned immediately.

David Carte

558 3/79 FM(G

DIAGONAL STREET

FR rules — OK



Wednesday just went to prove that the market will have to learn to live under the domination of the financial rand. After days of falling prices, and at times corpse-like trading conditions, Wednesday's 1 point fall in the FR had the effect of an adrenalin shot. After days of FR creation by selling gold shares, overseas investors completely changed their minds, scrambling over each other in an attempt to soak up superflous holdings of the investment currency by buying anything that came on offer. Local institutions, thinking they had missed the boat were at last seen frantically bidding for stock. The demand for gold shares spilled over into mining financials which mostly closed at bid prices.

It is not now only arbitrageurs who are ruled by FR's fluctuations. Pension funds, institutions and the like have become old hands at gauging its influence on market movements, using them to their advantage. They hold back on buying orders in the knowledge that a rise in the investment currency will bring out foreign sellers who wish to take a turn on its firmness by offloading parcels of shares. The result of this strategy usually allows the local institutions to pick up requirements at lower prices, but this time they nearly held off for too long.

Rumours of the granting of permission to VW to bring some R70m into the country via the FR have been bolstered by speculation with regard to how many others have been given permission to switch smaller amounts.

But the problem is, where are all these FRs to come from. Since the beginning of March, the discount has narrowed nearly 13%. The effect on the market has been to drive golds up in New York on the buying leg of the FR creation operation, while allowing them to drift lower in Johannesburg on the selling leg. London prices have been less affected, as it is thought that few Kaffirs are available there, and it is reported that the scrip position is tight.

As New York is not particularly involved in mining financials, these have hardly been touched by the FR's movements. However, De Beers came under the hammer in order to create the currency.

Just how far the Reserve Bank will allow the FR to fluctuate is still a matter of guesswork, but some regulation might be expected. Perhaps a look has already been taken at emigrant funds in this respect.

One London broker is of the opinion that the spiralling FR rate cannot last for much longer, and is currently talking it down to the US73-74c level.

The same broker is looking at golds with a jaundiced eye and predicting a further downturn. While he sees no immediate improvement in the Middle East he feels Israeli-Egyptian talks will continue, which is not good for gold.

The ending of the miners' strike has had as little effect on the market as did announcement of the strike. Some brokers were predicting an upswing once the dispute had ended. But it appears that such minor local events have a less influence on the market than moves in the FR.

Bullion has only recovered slightly from its drop last week. Golds lost ground heavily at that time, and have so far failed to make a significant improvement.

Jean Moon

foreign bourses

Amsterdam

	Mar 13 1978	Mar 5 1979	Mar 12 1979	Yield %
KLM	128	105	99	3,0
Philips	25	23	23	7,2
Robeco	164	165	166	8,0
Royal Dutch	131	131	133	8,1
Unilever	122	123	124	6,9
Industrial index	78	80	77	—

Narrowly mixed in limited turnover

Frankfurt

	Mar 13 1978	Mar 5 1979	Mar 12 1979	Yield %
BASF	139	138	138	6,8
Daimler	308	308	305	4,6
Deutsche Bank	309	284	277	5,1
Siemens	295	271	268	4,6
Thyssen-Hutte	127	109	110	7,8
Commerzbank index	805	803	799	—

Easier bias in thin dealings.

London

	Mar 13 1978	Mar 5 1979	Mar 12 1979	Yield %
BP	744	1 056	1 118	3,1
Barclays	320	423	430	4,7
ICI	346	390	405	6,8
GKN	278	242	275	8,6
GEC	258	355	383	1,6
Johnson Matthey	395	222	223	5,7
Marks & Spen	149	93	104	3,1
Reed	118	178	191	6,3
Rio Tinto	181	295	313	4,5
Rothmans	50	62	67	4,6
Stancha	413	467	497	5,9
Unilever	484	596	640	3,3
War Loan 3½%	37	34	34	10,3
FT index	460	486	507	—

New York

	Mar 13 1978	Mar 5 1979	Mar 12 1979	Yield %
Amax	34	49	50	4,4
Amer T&T	61	62	61	8,2
ASA	22	25	25	4,0
Bank of America	22	25	25	4,4
Chase	29	30	31	7,7
Engelhard	25	35	35	4,0
Exxon	45	51	53	6,8
Firestone	13	13	13	8,5
Ford	44	42	44	8,2
Gen Electric	47	46	47	5,5
Gen Foods	29	33	33	5,5
Gen Motors	59	55	57	10,5
Homestake	35	33	33	3,3
IBM	239	306	310	4,4
Inter Nickel	15	20	19	2,1
ITT	27	28	28	7,7
John Deere	25	35	36	4,2
Newmont	16	25	26	3,1
Phelps Dodge	20	27	28	2,1
US Steel	26	23	24	6,7
D J Index	763	827	847	—

Paris

	Mar 13 1978	Mar 5 1979	Mar 12 1979	Yield %
Imetal	52	—	—	—
Paribas	156	—	—	—
Pechiney	79	—	—	—
Saint Gobain	135	—	—	—
Usinor	23	—	—	—
Paris Bourse index	55	—	—	—

Paris Bourse strike continues.

Sydney

	Mar 13 1978	Mar 5 1979	Mar 12 1979	Yield %
Broken Hill	5,54	10,85	11,15	2,9
CRA	1,85	3,75	3,75	2,7
Myer Emporium	1,66	1,82	1,81	5,8
Pancontinental	9,80	11,00	12,20	—
Western Mining	1,14	2,28	2,26	1,3
All Ordinary index	447	590	590	—

Well maintained in active markets.

Tokyo

	Mar 13 1978	Mar 5 1979	Mar 12 1979	Yield %
Fuji	575	648	640	1,2
Mitsub	143	130	131	4,6
Nissan	797	670	675	1,2
Sony	1 860	1 670	1 800	1,1
Toyota	943	845	850	1,2
New Stock Exchange index	397	445	449	—

Generally firm but very quiet.

Zurich

	Mar 13 1978	Mar 5 1979	Mar 12 1979	Yield %
Boveri	1 545	1 790	1 820	2,7
Ciba Geigy	1 125	1 245	1 205	1,8
Credit Suisse	2 225	2 350	2 320	3,4
Swissair Bearer	777	823	832	4,2
Swiss Bank	338	392	390	2,6
Union Bank	2 990	3 300	3 280	3,1
Swiss Bank Corp index	283	313	312	—

Inclined lower in brisk trading.

to wear it. Demand is right across the board — rings, pendants, tie clips, cuff links. Biggest demand is for the 15-20 point range (100 points per carat, five carats per gram, 142 carats per ounce).

Research during 1977/1978 shows sales of diamond jewellery in SA totalled R82m for 129 000 units — 110% up on 1974 unit sales, 186% up on value. 26% of units sold were engagement rings, down in terms of units, but 9% up on value. Jewellery value, excluding engagement rings, jumped R48m.

Clearly, diamonds are still some people's best friend.

UNION & LONDON

FM 16/3/79

Switching emphasis

(58)

Activities: *Investment company with holdings in listed and unlisted companies. Owned 60% by Sage Securities, which is itself owned by Sage Holdings and Nefic in a 60:40 ratio.*

Chairman: *H L Shill.*

Capital structure: *1,2m ordinaries of R1. Market capitalisation: R3,7m.*

Financial: *Year to December 31 1978. Borrowings: long and medium term, R750 000. Net cash: R793 000. Debt:equity ratio: 15,1%. Current ratio: 5,6.*

Share market: *Price 307c (1978-79: high, 320c; low, 260c; trading volume last quarter, 5 000 shares). Yields: 10,8% on earnings; 8,1% on dividend. Cover: 1,3. PE ratio: 9,3.*

Union & London has for the second year cut its holding in coal shares, and apparently intends to end 1979 with an even lower stake. In place of additional listed investments, this Sage managed investment trust will pursue its policy of looking for unlisted "investment banking or entrepreneurial finance opportunities," says general manager Wally Gray.

	'75	'76	'77	'78
Distributable income (R'000)	276	287	335	404
Earnings (c)	22,6	23,5	27,3	[illegible]
Dividends (c)	15,5	[illegible]	21,0	[illegible]
Net asset value (c)	361	297	325	[illegible]

During 1977, says Gray, Union & London built up its listed portfolio. Favourable investment opportunities on the market are still monitored, but emphasis has changed to unlisted investments. These are plentiful, says Gray, but good yields and quality management are scarce.

"The trust has more stringent criteria for these than listed shares, hence no new investments have been made, despite various negotiations," says Gray.

More Southern Sun Hotel shares were taken up during the year to push Union & London's stake to 309 000 shares (last year: 250 000) with a directors' value of R1,9m (R1,3m). At present this is only unlisted investment, even though "there is a constant stream of opportunities offering high yields," says Gray.

The group had at year end R826 000 in cash (R209 000), and funds available for investment this year will be bolstered by the planned sale of 20 000 Natal Anthracite shares, included in current assets as a trading investment.

Portfolio changes during 1978 included the sales of all the Messina and West Dries. Purchases were 6 215 Barlow pref ords, 24 000 Russells and 14 000 Kohler.

A forecast for 1979 is not given, but with more than 37% of the portfolio in gold and diamond shares, both of which promise higher dividend income, and a spread of blue-chip industrial [illegible] income should rise again this year. In 1978 dividend income amounted to R201 000 (R190 000) from listed investments and R[illegible] (R[illegible]) from unlisted [illegible] have declared high [illegible] year end.

At 307c, yielding [illegible], Union & London is in [illegible] investment trust sector. But with [illegible] of investments and the past three year's record since Sage gained control, it deserves better.

Standard Society blasts off after name change (58)

Sun. Times Bus. 18/3/79

By NIGEL BRUCE

THE STANDARD Building Society has in its first 11 months of trading increased its assets by 50 per cent, become the fastest growing society in the country and the seventh largest.

Before its affiliation with the Standard Bank group a year ago, when it was known as the Prudential Equity, its assets were growing at only about 10 per cent a year.

Its capital and deposits have shot up by 41,3 per cent against an average growth among the other societies of only 11,2 per cent over the past 11 months.

Moreover, share capital (mainly tax free deposits) increased by 65 per cent, fixed deposits by 41 per cent and savings deposits by 22 per cent.

Loans and mortgages increased in that period by only 33 per cent, about half of which were for houses costing between R15 000 and R25 000 and a third for those costing between R25 000 and R40 000.

The main benefit from its affiliation to the banking group is evident from the rapid growth in the society's tax free deposits, which were actively marketed through the group's widespread branch network.

The reasons behind the increases in the society's other deposits are not as immediately obvious, especially as, with the bank being after this type of money too, the society has to fall back on its own marketing resources — it has 11 branches of its own as well as an agency network.

According to assistant general manager George Gemmell it was the name change from Prudential Equity to the more widely known Standard that did the trick.

However, the increase, especially in fixed deposits, is in line with general experience among other societies and is probably accounted for also by the fact that the proportionately high rates they are paying for these deposits have attracted volatile institutional funds.

The much slower rate of growth in mortgage loans suggests that the society — like most others — is accumulating reserves at a whacking pace, although it may be vulnerable to a reduction if, once the interest rate structure slides fur-

Market value of Amgold now exceeds R1 000m

Star 19/5/79

The equity earnings of Anglo American Gold Investment Company (Amgold) amounted to R69,74m for the 147-month period ending February 1979, the Anglo American Corporation group reports.

This was 68 percent higher than the figure for 1977 and represents equity earnings of 317,7c a share (1977: 189,1c).

Although the results were for a 14-month period, investment income, with the exception of a third dividend of R1,24m from Gold Fields of South Africa, was comparable with that for the previous financial year.

A final dividend of 150c had been declared which, with the interim of 100c, gave a total distribution of 250c a share for the financial period. This was 51,5 percent higher than the 1977 distribution of 165c.

Amgold's growth and income reflected the sound composition of its portfolio, the group reported. Emphasis on this was shown on quality investments in long-term gold mines such as Vaal Reefs, East Driefontein and President Steyn and in new projects such as Elandsrand, Deelkraal and Ergo, whose maiden dividend is expected in the current financial year.

The market value of the group's listed investments rose by 44 percent to R1 095 077 000. Net asset value was 4 917c a share (3 415c).

Amgold's gross income was R76,7m (R47,6m) dividends absorbed R54,88m (R36,22m) and an amount of R14m (R5m) was transferred to general reserve. — Sapa.

DIAGONAL STREET

Budget gearing

Temporary cessation of the financial rand's gyrations led to a quieter market, though the general scrip shortage continued to cause some difficulty in matching orders. Institutions have now adopted a cagey pre-budget attitude, while waiting to see which way the FR will move from its present US 74c-75,25c range.

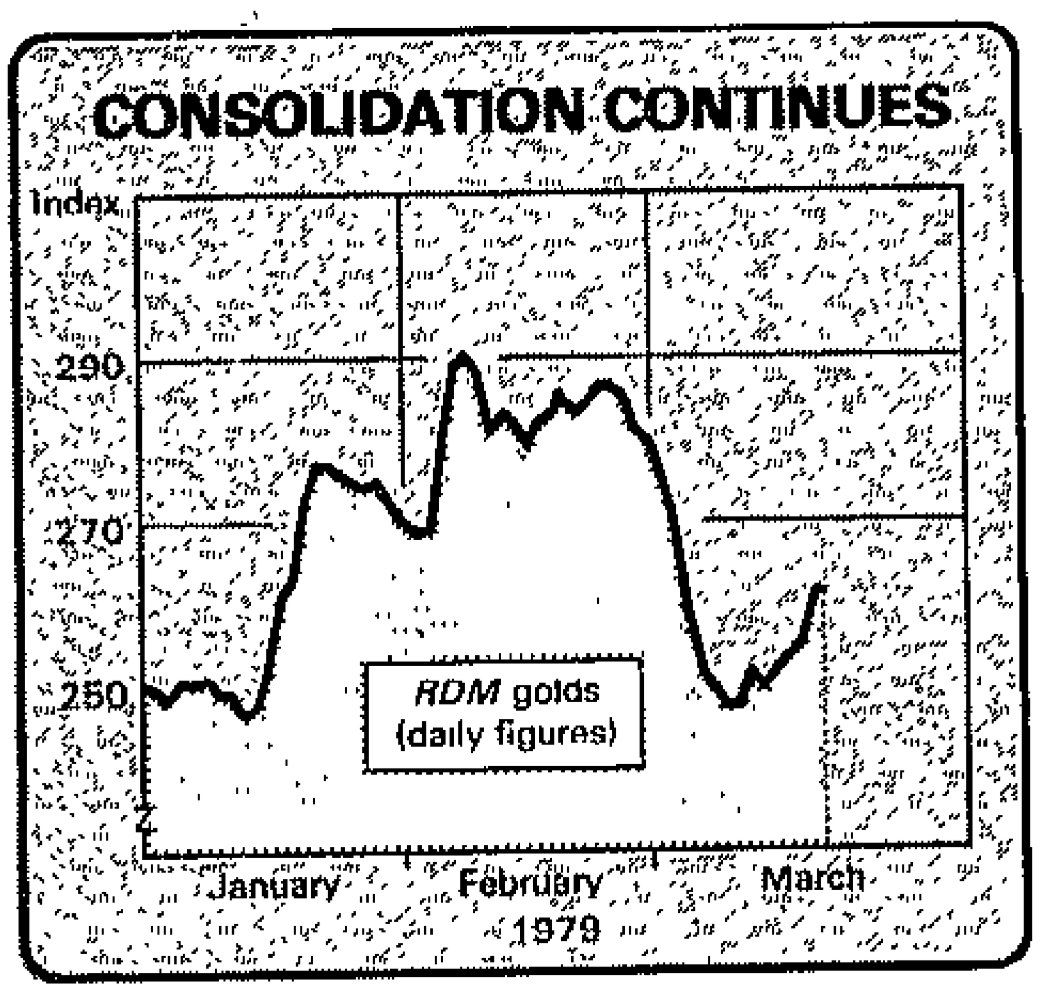
More important to the industrial market, however, was the influence of the new bank credit ceiling. The Reserve Bank measures were taken as evidence that the economic recovery was being maintained, with the move aptly timed just before an expected stimulatory budget. Investors see this as the incentive needed by business to move ahead at a brisker pace.

The industrial market is currently echoing these feelings, with the steadily moving *RDM* 100 index about to test its nine-year high.

Gold and golds remain in a consolidation phase and no fireworks are likely until bullion moves above the congestion area which has formed between \$238 and \$252. A weak support trend line is currently being formed at \$240. The chart of the gold share index, while looking a little healthier, is still not yet signalling investment in gold shares for the short term.

The *RDM* gold index needs to reach 271, preferably accompanied by better volume, before a short-term buying indication will be given. Individually, the shares showing the most promise for price advancement in the near future are Doorns and Unisel, while Wit Nigel, Afrikander Lease, and Rand Leases look encouraging for a short-term speculative run.

Apart from Samancor, which is signalling further advances, metal shares have been idle. Share prices lived up to their reputation of acting as a barometer when they began to ease at the beginning of March, while metal prices continued their rise. Again, the recent upward reversal in commodity prices was discounted by shares, which remained at the lower levels. Therefore, it was not surprising to see the higher LME metal quotes begin to taper off on Tuesday.



Before the high reached by cash copper on March 2, when the price reached £1 025, copper shares had begun to ease, predicting the 8% downward drift until March 18. The worst hit was Messina, taking a 22,5% knock from which it has hardly recovered.

Free market platinum, currently quoted at \$398 has made up 5% of its 8% drop. Lydenburg looks the best recovery situation, but traditionally lags behind the rest, while Rustenburg is showing the most technical strength. Tins have not been unduly affected by the lower tin price.

Elsewhere, the London jobber, who inititated Cons Murch's run to an overbought 680c is now willing to supply would-be buyers at the current 600c.

But with dividend prospects still unclear, the share may have to wait the quarterly report due on April 18 before it picks up any steam.

Often the jobber's dream, asbestos counters have lost their volatility, and are best left alone at present.

London is wary of taking Kaffirs onto its books, as rumour has it that the whole Rhoodie story will be released before the end of the week. The feeling is that Rhoodie's TV interview will reveal very little, but the SA Government itself will "come clean."

Any revelations are expected to weaken the FR as well as drop the prices of London-quoted SA shares. However, any decline is expected to be short-lived as Kaffirs, particularly the industrials, have a strong undertone, and London recognises Johannesburg's medium-term worth, especially with a steady financial rand.

Jean Moon

foreign bourses

Amsterdam	Mar 20 1978	Mar 12 1979	Mar 19 1979	Yield %
KLM	127	99	102	2,9
Philips	24	23	23	7,2
Robeco	163	166	167	7,9
Royal Dutch	129	133	135	8,0
Unilever	120	124	124	6,9
Industrial index	78	77	76	—

Narrowly mixed and very quiet.

Frankfurt	Mar 20 1978	Mar 12 1979	Mar 19 1979	Yield %
BASF	139	138	137	6,8
Daimler	304	305	300	4,7
Deutsche Bank	306	277	273	5,1
Siemens	283	268	267	4,7
Thyssen-Hutte	126	110	107	5,8
Commerzbank index	792	799	786	—

Drifted down in listless trading.

London	Mar 20 1978	Mar 12 1979	Mar 19 1979	Yield %
BP	764	1 118	1 100	3,4
Barclays	330	430	430	4,7
ICI	345	405	392	7,0
GKN	279	275	268	8,8
GEC	247	383	378	1,6
Johnson Matthey	400	223	220	5,9
Marks & Spen	146	104	102	3,1
Reed	110	191	183	6,5
Rio Tinto	179	313	304	4,7
Rothmans	49	67	65	4,7
Stancha	410	497	490	6,0
Unilever	480	640	634	3,3
War Loan 3½%	37	34	32	10,9
FT index	459	507	506	—

New York	Mar 20 1978	Mar 12 1979	Mar 19 1979	Yield %
Amax	35	50	50	4,4
Amer T&T	62	61	62	8,1
ASA	21	25	25	4,0
Bank of America	23	25	25	4,4
Chase	29	31	32	7,5
Engelhard	24	35	37	3,8
Exxon	46	53	54	6,7
Firestone	14	13	13	8,5
Ford	45	44	44	8,2
Gen Electric	47	47	48	5,4
Gen Foods	28	33	32	5,6
Gen Motors	61	57	56	10,7
Homestake	33	33	33	3,3
IBM	244	310	311	4,4
Inter Nickel	15	19	20	2,0
ITT	30	28	29	7,6
John Deere	25	36	36	4,2
Newmont	16	26	26	3,1
Phelps Dodge	21	28	28	2,1
US Steel	27	24	24	6,7
D J Index	773	847	850	—

Paris	Mar 20 1978	Mar 12 1979	Mar 19 1979	Yield %
Imetal	55	—	—	—
Paribas	178	—	—	—
Pechiney	86	—	—	—
Saint Gobain	147	—	—	—
Usinor	23	—	—	—
Paris Bourse index	59	—	—	—

Strike continued despite negotiations.

Sydney	Mar 20 1978	Mar 12 1979	Mar 19 1979	Yield %
Broken Hill	5,70	11,15	11,60	2,8
CRA	1,93	3,75	3,90	2,6
Myer Emporium	1,75	1,81	1,80	5,8
Pancontinental	9,10	12,20	14,10	—
Western Mining	1,19	2,26	2,35	1,3
All-Ordinary index	449	590	598	—

Advanced briskly to new peak.

Tokyo	Mar 20 1978	Mar 12 1979	Mar 19 1979	Yield %
Fuji	567	640	643	1,2
Mitsub	144	131	133	4,5
Nissan	793	675	666	1,2
Sony	1 710	1 800	1 830	1,1
Toyota	933	850	843	1,2
New Stock Exchange index	399	449	446	—

Little change in limited business

Zurich	Mar 20 1978	Mar 12 1979	Mar 19 1979	Yield %
Boveri	1 615	1 820	1 920	2,6
Ciba Geigy	1 175	1 205	1 275	1,7
Credit Suisse	2 300	2 320	2 365	3,4
Swissair Bearer	805	832	841	4,2
Swiss Bank	348	390	396	2,5
Union Bank	3 065	3 280	3 345	3,0
Swiss Bank Corp index	289	312	320	—

Active dealings.

FOREIGN EXCHANGE
More paperwork

Hardly a week goes by without bankers complaining about some aspect of the new foreign exchange rules. Latest gripe concerns the Reserve Bank's efforts to prevent bank customers from buying foreign exchange for any single deal from more than one authorised dealer.

Previously, Church Square insisted that banks could only deal with firms and individuals who were not customers of other authorised dealers. Not that this instruction was always honoured: "As far as I'm concerned, the moment I do a deal, I have an account relationship," says one foreign exchange dealer.

The Reserve Bank has now ruled that before dealers sell foreign currency to anybody, they must get a written declaration that the buyer is not being supplied with dollars, sterling or whatever for that transaction, from any other bank.

"How on earth they expect banks to administer this, heaven only knows," snorts Gerry Christy, Barclays AGM. For instance, exchange rates could move between the time of the initial enquiry and the time the declaration is delivered.

Chances are the Reserve Bank will have to be satisfied with *ex post* declarations. "We may include the declaration in some of the other forms importers have to return to us," says a foreign exchange man. "We've passed the instruction to our branches, and are hoping for the best." He points out that many customers already write letters to confirm forex deals. Another banker puts it more succinctly: "In banking, you have to trust your customer."

Barclays' foreign exchange economist, Andy Connor, points out that it is often best to stick to one bank, and not even shop around for rates. If a man wanting to buy, say \$10m, asks for rates from several dealers, that in itself could push down the rate for dollars. Small operators will get the same quote from most banks. Adds Connor: "Only for deals of R100 000-R500 000 may shopping around be advantageous."

MUTUAL FUNDS

On the average

What has been the best form of long term saving over the past five years? "Rand cost averaging" through the mutual funds must come close.

The mutual funds have earned an average annual compound return of 19,4% for holders committing fixed amounts monthly to the average fund, and reinvesting dividends, over the five year period from January 1 1974 to December 31 1978. This compares with the compound return of less than 8% on safer but less-liquid building society and bank savings schemes.

The comparable compound return, with reinvestment of dividends, on the JSE Actuaries industrial index was 16,5%, so even though their well-spread blue chip portfolios are safer than the market as a whole, the mutual funds outperformed it. A comparison with the gold or all-market index would have been even more favourable to the mutuals, as both are gold-weighted and the gold index was at a high, still to be reached, in 1974. The fact that all the mutuals hold golds or mining financials and still outstripped the industrial market is all the more creditable, especially since dealing and portfolio management expenses are also reflected in the mutual funds' figures.

Rand cost averaging means committing a fixed amount monthly to the unit trust and thus obtaining more units when the market is low and less when it is high. In a fluctuating market, the average cost of units is lower than the average price of units over the period. Table 1, in which Investor A buys a given number of units per month regardless of cost and Investor B spends a fixed amount, illustrates this. In this wildly gyrating hypothetical market, Investor B ends up with 685 units against Investor A's 500. The theory holds good for any moving market.

Table 2 shows how an investor would have fared by end February 1979 by investing R100 a month in each of the 11 mutual funds over the period January 1 1974 to December 31 1978. If a different period had been selected, the rankings might have been different. Nevertheless, the worst performing fund offered a 14% annual compound return and the best more than 23%.

The Association of Unit Trusts, replying to criticism of its decision no longer to disclose individual funds' inflows and outflows, says it stands by its decision.

After the crash of 1969, the Association argues, undue attention was focussed on inflows and outflows. Good income and price performance since 1970 were too often ignored. It was also not appreciated that the guaranteed liquidity afforded by mutual funds was a major attraction and it is common experience worldwide that 10% of units in any year are redeemed. The Association contends that inflows and outflows do not reflect or affect performance but "do have relevance in the broader context of share market analysis and in the monitoring of investor attitudes". That is why it does provide inflow and outflow figures for the industry as a whole on a quarterly basis. It claims investor attitudes towards the industry have already improved as a result of individual non-disclosure.

It is hard to agree with this standpoint. Movements into and out of individual funds reflect investor's views on the various portfolios. Surely that is important in assessing the market. *David Carte*

HOW THEY FARED

Name of trust	Total capital investment R	Income re-invested R	Repurchase value Feb 28 '79 R	Equivalent annual compound return %
Guardbank	6 000	1 659	11 238	23,48
NGF	6 000	1 415	10 312	20,47
Old Mutual	6 000	1 223	10 631	21,54
Sage Fund	6 000	1 219	9 571	17,81
Sanlam Trust	6 000	1 329	10 285	20,37
Santamgro	6 000	1 226	8 628	14,03
Sats	6 000	1 396	10 148	19,90
Standard Bank Mutual Fund	6 000	1 536	10 251	20,26
Syfrets Inter Growth	6 000	1 631	10 236	20,21
Trust Bank Growth Fund	6 000	1 418	8 811	14,81
UAL Unit Trust	6 000	1 315	10 395	20,75
Average return				19,4

RAND COST AVERAGING — an example

INVESTOR A			INVESTOR B	
No of units bought	Amount invested R	Market price c	Amount invested R	No of units bought
100	200	200	120	60
100	160	160	120	75
100	80	80	120	150
100	40	40	120	300
100	120	120	120	100
500	600		600	685

SOLVENCY MARGINS

Trouble looming

Talks are expected "very soon" on insurance company solvency margins, says Registrar of Financial Institutions Wynand Louw. The outcome could embarrass some of SA's short-term insurers.

At present, insurers must hold assets equal to liabilities, plus 10% of net premium income. Although Louw is silent on his recommendations for the forthcoming discussions, earlier reports indicate that an increase in the latter item to 17%, phased in over the next few years, is likely.

The Registrar has the power to prevent insurers with sub-par margins from writing new business, and a higher margin would put companies such as Incorporated General Insurances and Maritime & General under some pressure.

IGI's margin is 16,52%, although MD Michael Lewis points out that the healthy rise on the JSE has improved margins all round since balance sheet date.

Louw is, however, loath to use his powers indiscriminately. If a company has narrow margins, it should be "nursed back to health," he reckons. "We've got to try to keep the boat floating," he adds, although admitting he's had "very serious chats" with some insurers.

Presumably amongst those to have been summoned to his office recently are President Insurance and Constantia (formerly Marine & Trade). President has a margin of only 7,66%, and general manager Denzil Curgenven says that the company is in consultation with the Registrar on the subject of increasing its capital.

Also, says Curgenven, the restructuring of the Senator/President group should improve results, and he anticipates a more satisfactory position by next year.

Constantia's margin is 11,20% — already higher than in pre-Kirsh days — and MD Trevor Ternent is confident that he could raise additional capital if the requirement is widened.

Insurers say they don't object to a broader spread in principle, as long as it doesn't stifle initiative. But they note that low economic growth, inflation and rate-cutting caused by overcapacity in the industry have led to declining reserves and eroded margins.

The average margin in the industry in 1975 was 44,1%, declining to 34% in 1976. At that time, the SA Insurance Association forecast a drop to 20% by 1985.

If the Registrar tends to be generous with slim margins, insurance men certainly aren't. Fred Haslett, of SA Eagle, supported by Ternent, reckons sub-standard companies should be put out of business — "it's the ultimate discipline in a free enterprise economy," he says.

Of course, other alternatives are available. For instance, the margin could be related to gross premium income, thus removing the temptation for local companies to front for overseas reinsurers.

Another view is that the margin should be made a specific sum of money, or that larger companies should be allowed to hold smaller margins because of the relative ease with which they can raise additional capital. The Registrar has already taken note of this, and earlier proposals incorporated a sliding scale above the first R5m of premium income.

(58) TCU 28/3/79

More than just psychology

At last Pretoria seems more than just vaguely serious about boosting economic growth. The latest round of interest rate cuts, following hot on the heels of last month's 0,5% cut in bank rate and prime overdraft rate and the recent relaxation in banks' liquid asset ratios and lending ceilings, is clearly designed to give much more than a mere psychological prod to business confidence.

After last Friday's 0,5% cut in Bank rate, three major banks, Standard (which is already up against its lending ceiling), Nedbank and Volkskas, have decided to drop their prime overdraft rates by a full 1%. Trust is apparently still undecided, while Barclays has lowered its prime rate by only 0,5%.

Among the reasons why Barclays decided not to go along with a full 1% cut, says MD Bob Aldworth, are:

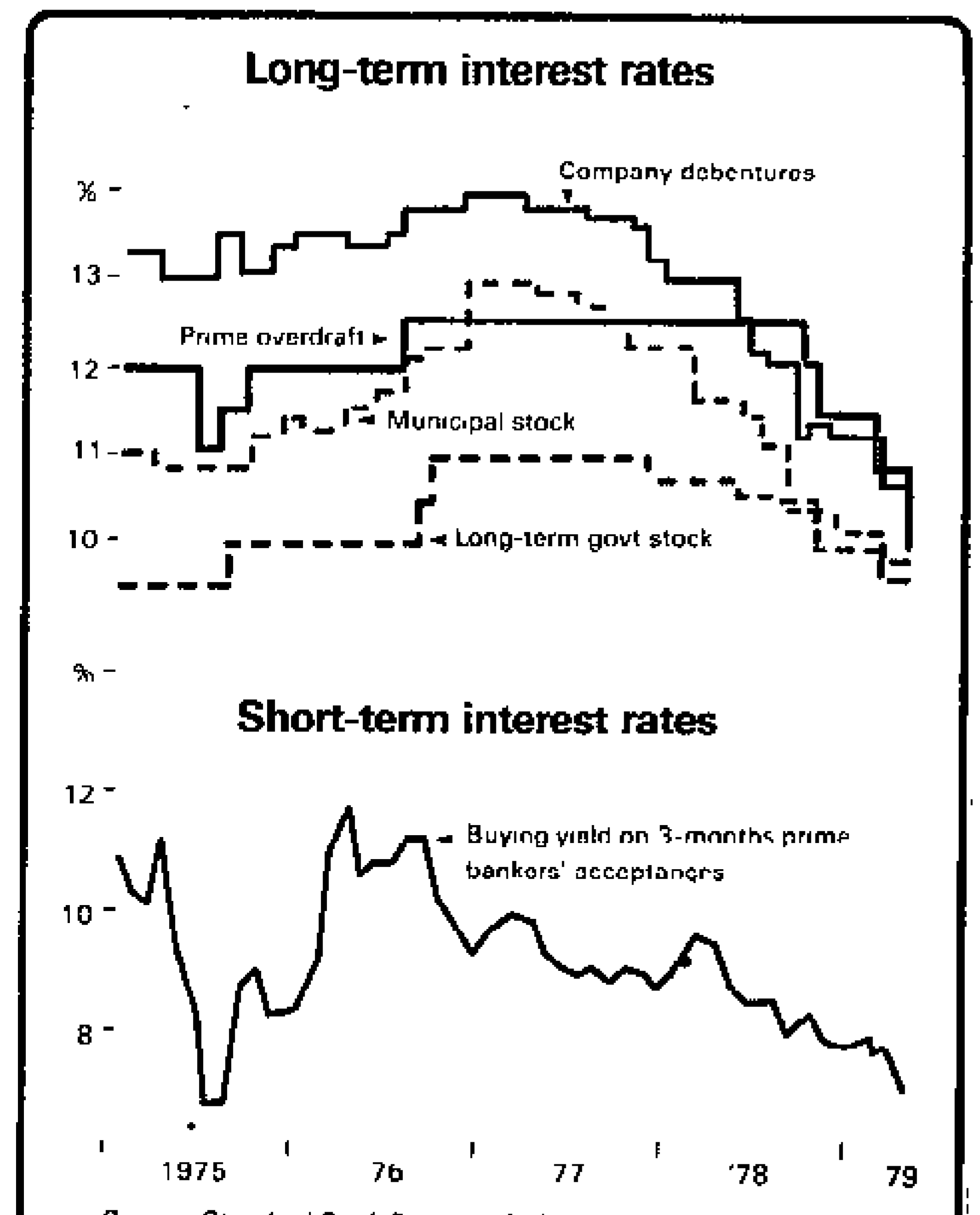
- The bank has considerably less spare lending capacity under its ceiling than other major banks;
- Barclays takes the view that long-term interest rates may not have much downside potential, in which case "there would be no point in cutting the overdraft rate, then raising it again in a couple of months."

All banks, however, have agreed to lower most deposit rates by 0,5%. Building societies are expected to follow suit and reduce deposit and mortgage rates. Although bankers confirm that the man in the street should also benefit "from a selective reduction in the rates applicable to personal advances," it is unlikely, of course, that the average individual borrower will see more than a 0,5% cut, if anything in his overdraft rate. Standard, for instance, has announced that it has lowered its rate on revolving credit accounts by 0,5%.

For the average individual, the lower rates will simply mean he gets less interest on his savings. But for corporate borrowers the banks' message is clear: if you need cheaper money, we've plenty to lend.

Coinciding with last Friday's 0,5% drop in Bank rate was perhaps what in the long run is an even more significant development: a stepping up by Church Square of its open market operations aimed at keeping the capital and money markets liquid. During the previous two weeks long-term interest rates had suddenly hardened, following a R7m shortfall on Iscor's R60m issue. After trading at around 9,2%, the 11% coupon RSA stocks, for example, traded up to 9,37%. At that stage the Reserve Bank began buying stock. Last Friday alone the Bank's open market operations are estimated to have pumped some R20m into the market, causing RSA long-term rates on traded stocks to fall back by between 10 and 15 points.

Money market short-term rates are still falling steadily. Weekly tenders for Treasury bills have averaged over R130m for the past two months. Only R50m a week has been on offer, and the TB rate has slipped from 7,39% at the beginning of the year to 6,54% last Friday — a drop of 85 points. This is about 20 points less than the drop in three-month bankers' acceptances, which this week fell to about 6,8%.



Source Standard Bank Business Indicators

How much further can short-term interest rates fall? Money market men are tipping another 50 to 75 points after the March month-end. Evidence that a further decline is likely, is the rapid increase in banks' medium and long term deposits. Institutional investors have also been keen buyers of short- to medium-term paper — largely due to uncertainty about which way long-term rates will move — which has resulted in the anomaly of 12-month paper trading some 10 points below the rate on three-month assets. However, discount house sources say they look to a "major re-alignment" of rates this Friday, with the three-month rate expected to tumble by another 20 points or so.

In a nutshell, investors are likely to continue hedging against uncertainties over longer-term rates while the shortage of paper should ensure a steady decline in short rates for at least the next six months. In fact, one school of thought has it that there is nothing to stop short-term rates "falling through the floor" until the end of 1980: institutional cash flows, it argues, should easily outpace the availability of short-term assets.

The outlook for long-term rates is much less certain. Investors agree a lot will depend — over the next couple of months, at any rate — on the Reserve Bank's continued willingness and ability to buy in longer dated RSAs if the market shows signs of tightening.

But, despite current nervousness, most merchant bankers and investors still fore see some downward potential for long-term rates.

Southern Life's Pieter van Wijngaarden, for instance, reckons long term rates should continue down, at least until the third quarter of the year, "although they will move down more slowly than short term rates." He, like many others, points out that a lot will depend on the rate of economic growth. Adds Senbank AGM, Louis Kruger: "If the economy reacts slowly to stimulatory measures we will see a big build up in liquidity. In that case the disincentive to stay liquid will be very strong." Kruger also regards the gold price trend as crucial to liquidity.

UAL's Clive Turner confirms that there are "large lines of long-term stocks hanging over the market and every decline in rates brings in sellers." Turner expects investors' preference for medium-term stocks to continue.

Another important factor is the extent to which institutional investors have bought forward on their prescribed requirements. Many have bought forward well into 1979 and some even into 1980, which will certainly slow down any downward trend. Major unknowns affecting capital demand this year include the financing of Sasol 3, Soweto's electrification and the volume of private sector demand. Of course, one of the biggest drawbacks to any significant decline in rates is the inflation rate, currently running at over 11%. This makes nonsense of the present broad spectrum of rates, although, as Van Wijngaarden says, "during the last 15 years there wasn't one year, from the time of investment to the present, in which investors earned a real return on gilts and semi-gilts." Nonetheless, investors are adamant they are not prepared to live with negative returns of as much as 4% — as is currently the case on some long dated gilts.

On balance, rates on anything up to five years will, in all likelihood, continue sliding rapidly. But, as UAL capital market manager Bob Phipps thinks, "the institutions can't hold off for much more than three or four months before their cash flows force them back into the longer end of the market as short-term rates become unattractive."

The consensus on the longer end is that a slow downward trend is likely until about October, when faster economic growth should help to revive capital demand and cause interest rates to harden.

(1) 58
(2) ~~2742~~

SUNDAY TRIBUNE, MARCH 25, 1979

Blacks say premiums must be same for all

Riot cover plan 'racist'

Tribune Reporters

THE NEW riot insurance cover to be offered by a pool of insurance companies known as the South African Special Risks Insurance Association is being called "blatantly discriminatory" by some insurance brokers, black businessmen and politicians.

The rates, which were released to brokers in Johannesburg this week, show that blacks will have to pay five times the amount that whites will be called on to pay for the insurance.

This is irrespective of where they live or trade.

Indians trading in the Grey Street area of Durban, for example, or the Oriental Plaza in Johannesburg, will have to pay a rate of 0,5 percent or 50c per R100 for their industrial and commercial insurance.

On stocks of R10 000, for instance, they will have to pay an annual premium of R50 while a white, trading perhaps in the next block, will have to pay only R10 for similar cover.

On his house and contents, which may well be in a white area of Johannesburg, such as Forsburg, the black will have to pay a premium of R1,25 per R100 against the white's 0,25c. This means that for cover of R10 000, the black will pay R12,50 and the white R2,50.

A leading Johannesburg broker asserts that this indicates that the insurance companies have taken "the easy way out" and, instead of rating risks on grounds such as nearness to potential trouble spots, they have simply applied a racial formula.

He says that this kind of policy can only lead to greater friction between races, especially where it is obvious that the geographical risk is the same for black and white.

The South African Insurance Association which will manage the new company set up to ensure that people could get cover for political riot without difficulty, argues that the regulations and premium rates are not discriminatory.

A spokesman for the association told the Sunday Tribune that, in the first place the rates were not necessarily final.

"Wherever a new business starts its tries to sell its products for a particular price. If the market does not respond or, if there are areas that don't respond, then the price is adjusted accordingly," he said.

He said that the high risk areas for political riot were those areas in black townships or those near them. The past experience of political riots pointed to Indian communities as being potential targets for black rioters — even if these communities were based in otherwise white areas. This was why trading centres such as the Grey Street area in Durban or the Oriental Plaza in Johannesburg could be high-risk areas.

Regulations

"However, the rates which we released with the new regulations are what can be called blanket rates and do not make allowance for anomalies of the kind mentioned. It is quite possible that, in assessing a particular risk the association will decide the higher rate is not applicable and will quote a much lower rate," he said.

"Clearly people who are in high-risk areas will be the ones who would most want the cover and there is also bound to be a certain amount of selection against the pool."

Explaining the mechanics, the spokesman said the scheme had been set in motion following the 1976 riots. The aim was to ensure that political and non-political riot risks were covered.

Slamming the scheme as discriminatory Dr A M Moolla, chairman of the South African Indian Council and a prominent Durban businessman, said: "One can understand if the differences in rates were based on the location of a house or business. But this is something we can never accept and we will strongly oppose it. What the companies concerned must realise is that the Grey Street complex is part and parcel of the white business area. If a riot breaks out in the central business district of Durban surely it will affect both white and black traders. So what's the point in using race as the basis for the assessment of the rates?"

Mr J. N. Reddy, chairman of the executive of the Indian council and a director of the New Republic Bank Limited, said that if insurance companies intended running the riot cover on racial lines, the Government should run the scheme instead.

"Why should non-Whites be penalised merely because they happen to be of a different skin colour," he asked.

Mr Dennis Young of the Labour Party, described the differences in rates for blacks and whites as "complete damn nonsense".

"In this day and age there are still people who are determined to perpetuate apartheid. It just goes to show how free blacks are in this country," he said.

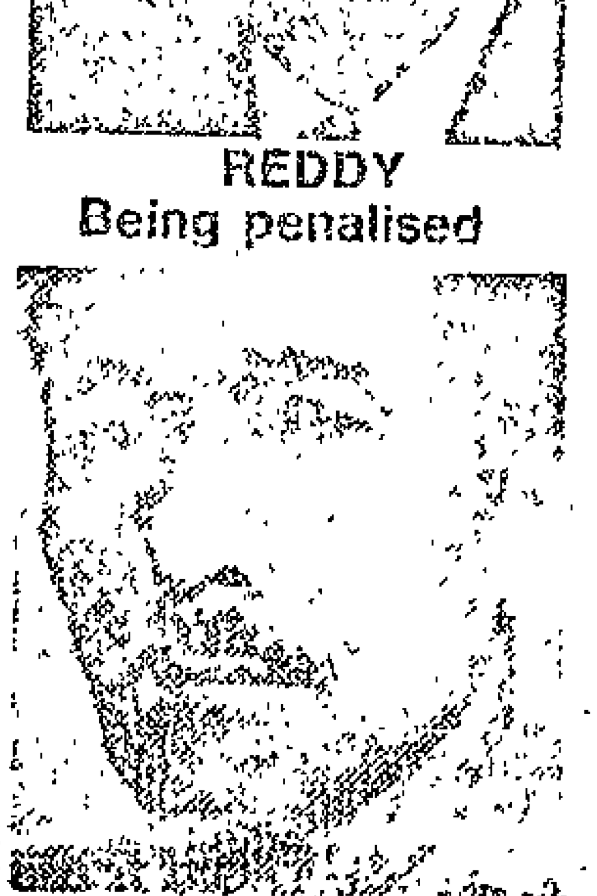
Mr M. J. Naidoo, former president of the Natal Indian Congress, said to rate the Grey Street complex, for instance, as a possibly high-risk area was completely illogical.

"The Anglo Boer War, like the Indo-African riots, are things of the past. Merely because the Africans attacked the Indians in 1949 does not mean that they would do so again. As I see it the whites should pay more for their riot cover because they are responsible for the tension in this country," he said.

A scene from the 1976 riots — will it happen again?

REDDY

Being penalised



YOUNG

(58) 20/3/79

FVB FM 23/3/79 (58)

Reorganisation pays off

A 16% hike in FVB's attributable profits to R8,5m has produced a 4,9c rise in earnings a share to 36c for the 12 months to December 31. The sweeping changes made to FVB's portfolio and a change of year end to March 31 means shareholders will have to wait a full 15-month period before a final dividend is declared. A special interim of 4c declared in January brings the current period's distribution thus far to 11c.

No comparison

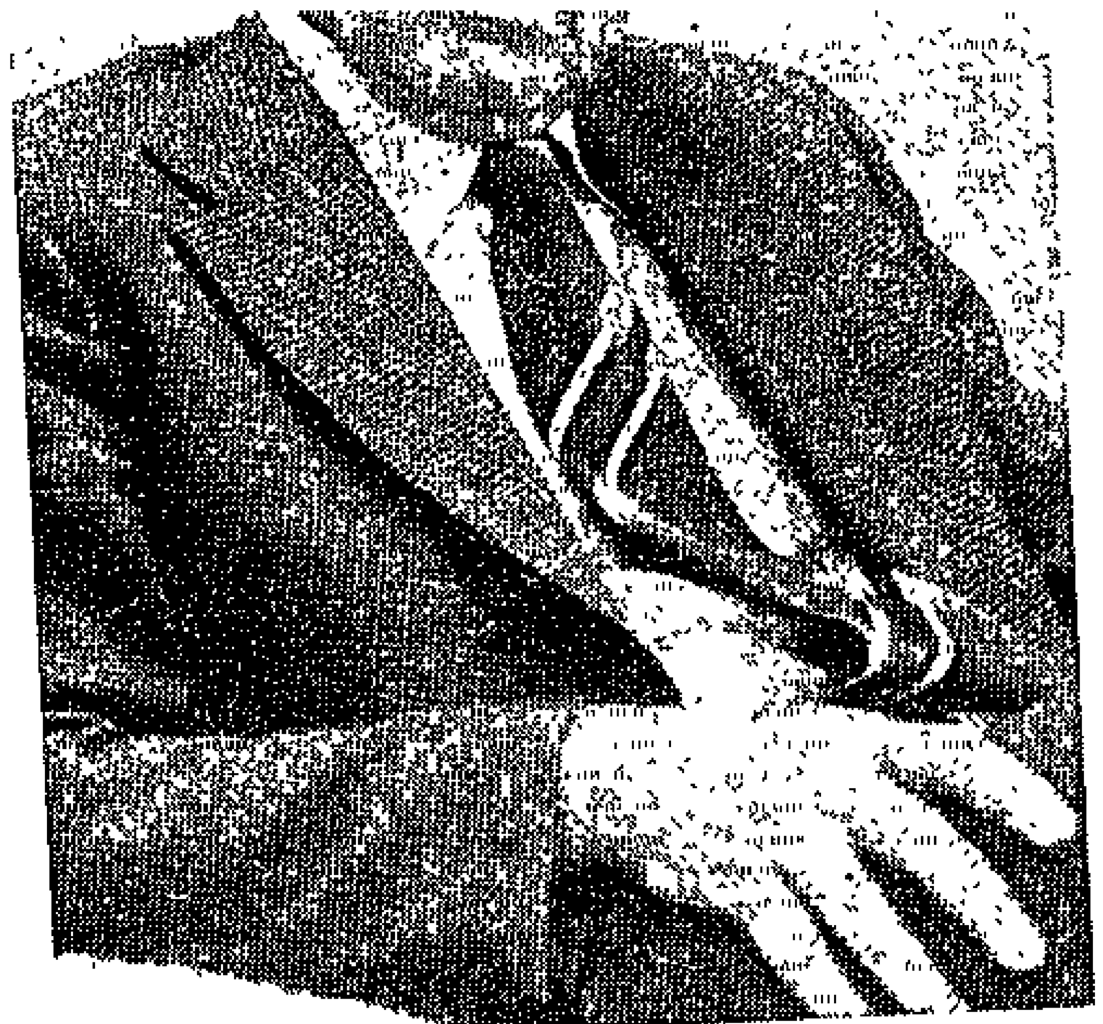
As a result of the portfolio changes, turnover rose R245m to R425m and pre-tax profits increased R13m to R30m but the radical changes make a true comparison impossible.

The most significant change in 1978 was the sale of the total 11,9% investment in Federale Mynbou to Sanlam in November as well as realisation of the stake in the Edward Hotel in Durban and the FVB Centre in Bloemfontein.

Fedchem preference shares totalling R14m were substituted by a similar issue of Federale preference shares. South African Television Manufacturing Company became a subsidiary of Federale on July 1 1978, and on the same date Federale Voedsel acquired a 51% interest in Ruto Flour Mills.

Subject to agreement of Asmar's shareholders on March 29, FVB will realise its 66% interest in Asmar with effect from April 1, at the same time purchasing Asmar's major assets to continue operations.

Now having acquired the taste for acquisitions, shareholders may be feeling let down that the speculation over a possible joint acquisition with Rembrandt of some Rennies assets has thus far come to nothing. However, an improved final dividend is on the cards. At the present rate, earnings could reach 45c for the



FVB's Cornelius Human . . . a change of direction

15-month period.

A traditionally twice-covered dividend would result in an 11c final.

Technically the share is in a firm bull trend, and this week's price rise has pushed the chart plotting up through a strong resistance, which indicates further advancement to a projected point well above its 230c high in this particular move, and to around 270c in October.

Jean Moon

GREY MARKET

Naughty little banks

The money broking activities of certain small banks are proving a headache for the major commercial banks, particularly Barclays and Standard.

The main problem, claim these two giants, is that the smaller banks switch some of their large overdrafts to the big banks just before the month end. This inflates the lending books of large banks and forces them to reserve low yielding liquid assets against these additional amounts.

How does the switching work? Smaller banks (members of the Bankorp stable and Finansbank are often mentioned) entice corporate customers away from the large banks by offering them lending rates of up to 1,5% less than their existing facilities; these overdrafts are financed by buying in cheap call deposits at around 6%. A couple of days before the end of each month the deal is reversed and both the overdrafts and deposits are shifted to the large banks.

Since banks are required to reserve liquid assets against their month end liabilities, these tactics substantially reduce the requirements of small banks and increase those of large ones. Smaller banks can also avoid having to inject extra capital to support their higher lending volumes. Considering the current spreads between call money and lending rates, smaller banks can score handsomely on this type of operation.

Smaller banks are also circumventing their lending ceilings, while large banks find themselves exceeding theirs — which entails a Reserve Bank fine.

Noting that "our overdrafts are inflated by up to R100m over some month ends," Standard GM Gutch Vickers estimates this type of switching at as much as R240m for the banking industry as a whole over tight month-ends, such as February and August.

While admitting that his bank's short-term lending "could have this effect," Santambank MD Roeland Perold reckons "the problem is magnified out of all proportion."

Perold says the increased lending during the month is made possible by the large volume of short-term funds channeled to the Bankorp group by Sanlam — for which "we must find a home." But, he adds, "there must be other institutions doing exactly the same thing to other banks." Perold reckons he can't be criticised: it's a case of "helping out" large customers with cheaper lending rates.

Count average liabilities

Vickers and Barclays MD Bob Aldworth both agree, however, that the only way to prevent this type of switching is to require banks to reserve liquid assets against their average liabilities for the whole month, in other words, taking the average of each week's figures. Until the Reserve Bank changes the present liquid asset regulations, they say, large banks will continue to lose out. Although the *FM* learns that a technical committee of the Reserve Bank is already looking into this problem, one major hurdle remains: some banks which are not computer linked would not be able to comply with a weekly tally on liabilities. But this obstacle can probably be overcome.

CASA (WP) : FINANCIAL STA

Expenditur

'76/77	Expenditure		'77/78
(9.04)	Stamps		16.07*
	Xeroxing		32.75*
(20.21)	Stationery		6.18*
(35.10)	Prizes: Quiz		20.40
		Reading Comp.	29.00
		Ludi Romani	20.60
------	Commentaries Project:		
	Cash floats 2 x R5		10.00
	Xeroxing		3.20
------	Dr. Kraay's lecture: to UCT towards costs		5.00
------	Honorarium to secretary of Classics, UCT for typing		10.00*
------	Printing of 250 programmes for Ludi Romani		28.00
			R181.20
	Surplus		R256.22
	Total		R437.42

Statement

Accumulated Fund R301.15

Balance Sept. '77

(50.

(-5.

78

/78	'76/77
00	
00	(41.00)
52	(2.55)
	(32.10)
00	
40	
00	
50	
20	----
00	----
00	----
.00	----
.80	----
.42	
.42	
.26	(43.89)
.89	(1.04)
.15	

THE RAND

FM 30/3/78

Confusion reigns

In the past 10 days the rand's value has twice been marked down by the Reserve Bank, albeit only slightly from $1,1875 to $1,1830. Is this the beginning of the long devaluation slide which many economists and bankers have been predicting?

Most don't think so. For one thing, "broad economic factors have not been important in fixing the exchange rate," says Senbank's Louis Geldenhuys. After a meeting with the Reserve Bank on Tuesday, bankers gained the impression that exchange rate changes are, for the time being, dictated more by short-term forex market conditions than by the balance of payments or the strength of the dollar.

Cosmetic adjustments?

Says Barclays' Andy Connor: "They're keeping the pot boiling. If they don't move the rate frequently, we'll be stuck with the idea that we don't have a floating rand." One forex man calls the recent depreciations "cosmetic adjustments."

Retorts a Reserve Bank official: "We look at what is happening in the market, and also take everything else into account."

Nonetheless, general opinion is that the rand will remain firm for the next few months despite rumours on Tuesday that Church Square was contemplating some sharp downward adjustments. "On the basis of the gold price and the reserves, we must regard the rand as relatively strong," says one foreign exchange expert.

A hefty appreciation is ruled out, however. Geldenhuys reckons that "stimulatory measures in the budget mean that revaluations don't make much sense." Nonetheless, most agree that a strengthening dollar later in the year could put pressure on the rand.

With bankers a little confused about the course of the exchange rate, it's not surprising that almost all recommend forward cover for all traders. Several report that a number of exporters are eager to cover forward for longer than the normal six months limit.

Part of the problem in analysing the forex market is that it is in many ways still artificial. For one thing, the Reserve Bank's rates determine all others. With the installation soon of a Reuters electronic monitoring service and direct telephone lines to the Reserve Bank's forex desk, bankers hope that Church Square will at least be prepared to change its rates during trading hours. (At present, one rate rules all day.)

The other inhibiting factor is the frequent over-supply of dollars. This is the result of spot sales by exporters, and big forward purchases by importers. Even when importers' contracts fall due, there is no tightening of the market, since the spot dollars flow directly from the Reserve Bank to the importer's bank

Note:

Of our curren ... served for specific purposes:
R200, being t ... ers Winery a/c, is destined
for the purct ... presented to various schools
in the Wester ... for the purchase of prizes.
Thus a sum of ... s ('77-78 = R65 - see starred
items in Exp. and ... cost of prizes and of the
commentaries project. As we have already received our grant for '78/79 from CASA it is clear that we shall have to call on outside sources for help when, as is likely, the expenses connected with the above, recur this coming financial year.

J.C. SANG.
Sec./Treas., CASA (W.P.)
12.9.78.

TRUST BANK

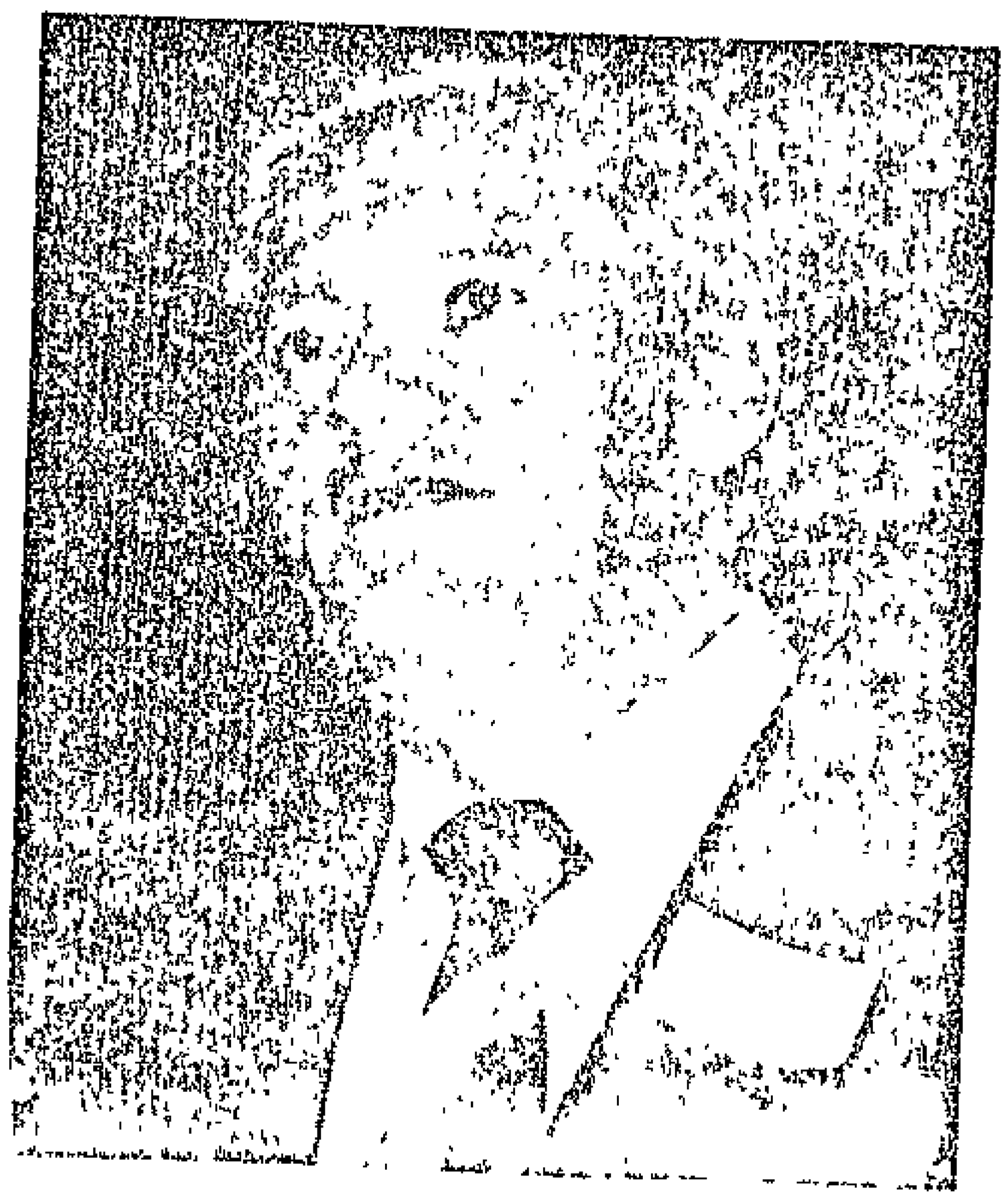
Hiding recovery

40

Trust Bank's R1,5m (R0,8m) first-half taxed profit was barely sufficient to cover the dividends payable on its 25m 11,5% prefs, which absorbed R1,4m in the six months to December 31.

So, though the interim statement shows a 90% after-tax profit improvement, available earnings actually declined 92% to 0,13c (1,7c), because of last year's pref issue.

Nobody, of course, expects ordinary dividends for some years. Chairman Fred du Plessis indicated in his last annual statement that hidden reserve growth had been negligible since 1972 and profits would have to be "fully appropriated" to strengthen the bank's growth base. At this stage he also pointed out that ordinary shareholders would have to wait at least another four years for dividends.



Trust's Fred du Plessis . . . covering the prefs

Coincidentally or not, the conversion period of the prefs is in line with his prediction.

It has been argued that Bankorp would be loth to lose the income on its R25m investment in the prefs when the compulsory conversion date comes on January 1 1984.

Hiding reserves

With the option to convert a year earlier, a resumption of ordinary dividend could be on the cards for 1983.

Analysis of the results is made difficult by undisclosed appropriations to hidden reserves. With shareholders already warned of Trust's future strategy of appropriating the bulk of earnings for this purpose, it is perhaps, not surprising that disclosed profits just cover pref dividends.

Not much is given away in the notes to the interim report. However, it is clear that Trust has done better than the results suggest. The directors point out that the bank has successfully bid for attractive corporate accounts and has increased its activities in the international banking area.

They add that up to now "recruitment" of corporate and international clients has been a slow process, but are confident that the process will be accelerated.

The reported rise in "saving funds" which the bank does not disclose in the interim report is confusing, as the quarterly BA 9 return shows a strong 27,5% reduction in the savings deposits to R111,8m in the six month period.

However, this reduction was offset by cheque deposits which increased 8,3% to R107,7m, and total deposits were 4,8% up at R1 054,4m.

The interim report indicates that the cost of new funds was reduced due to the narrowing NCD rate. The BA 9 reveals that the bank has been taking advantage of this low rate to obtain new money through the cheapest route. Consequently the total NCD holding had been increased from R51,7m to R94,3m since June last year.

Although the latest BA 9 indicates a reduction in the bank's exposure to property to R87,4m (R94,5m) in the six months, property is still a restraining factor, according to the directors. In any event, this was to have been expected and as a result of the introduction of a subsidiary, Trust Property Corporation, to hold property together with other companies, some property investments could be hidden under the heading of investments and subsidiaries. So the exposure need not have changed much.

The directors point out that earnings from the property portfolio "have not shown any noticeable improvement, but everything possible is being put into the co-operation to utilise these assets to the maximum."

Trust Bank is currently trading at 55c — the highest level seen in just under three years. These could be further to go if talk of a follow up bid by Bankorp starts again.

Peter Pittendrigh

TOWNSHIP BUSINESS

Keep it black

FM 30/3/79

Many a big white businessman would no doubt like to get his hands on more of the spending power of blacks in Soweto and other townships.

A shockwave started running among township traders last week after Plural Relations Minister Piet Koornhof met the country's retail giants (Edgars, OK, Greatermans, Pick n Pay, and Metro Cash & Carry) in Cape Town to discuss the whole question.

Though Koornhof evidently said he did not want to throw the black townships wide open to white entrepreneurs to the disadvantage of black businessmen, the latter are still apprehensive. A delegation from the National African Federated Chamber of Commerce (Nafcoc) met Koornhof this week.

Sy Kutumela, a director of African Development and Construction, tells the *FM*: "We are just not happy with whites trading in our areas." Kutumela complains that white business in the townships would be unfair as black traders are still finding their feet and direction after years of restrictions.

Soweto's reputed millionaire businessman, Ephraim Tshabalala, tells the *FM*: "I stand behind black traders in wishing to exclude white businessmen in black areas." He sees moves to allow white businessmen into black areas as scrapping separate development, which, he believes, protects black traders in the townships from being swallowed by white competition.

Tshabalala opposes even franchising arrangements: "This is the thin edge of the wedge." But he is not opposed to training arrangements between white and black entrepreneurs.

A large number of township traders say that the black-run Blackchain group of supermarkets (*FM* March 16) should be encouraged by the authorities.

Financial Mail March 30, 1979

CLASSICAL ASSOCI... E VERENIGING VAN SUID AFRIKA

...E TAK

All members are ... MEETING which will be
held on Wednesda... Beattie Building (Room
114), University ... This business meeting
will be followed

Professor Nev... haelis School of Fine Art, U.C.T.
...RUSALEM (illustrated by slides)

Professor Dubow ... but moved to the Michaelis
School where he ... history of art, and became
Director of the ...ship the School has been
vibrant with new

AGENDA fo... Jaarvergadering

1. Personalia
2. Minutes of ... /Notule van die Jaarvergadering
van 7 Septe...
3. Chairman's ...
4. Matters ari... 's Report/
Sake wat va... lag voortspruit.
5. Financial s... eptember 1978/
Finansiële ... eptember.
6. Motion: Th... chairman of the
Classical A... nial conference of the
Association ... the subscription remitted
to the loca... ber should be increased
from 50 cent... Seconded: Mr. J. Sang.
7. Election of ... ers for 1978-9/
Verkiesing v... 1978-9.

Huidige lede: Voorsitter/Chairman: John E. Atkinson
Sekretaris/Tesourier//Secretary/Treasurer: Mr. J. Sang
(Vice: Miss P. le Roux)

Sekretarisse vir die Skole/ Schools' Secretary: Miss B. Keeson
(not available for reelection)

Committee members: Dr. S. Bruwer, Mrs. M. Mezzabotta, Mr. Thom,
Mr. P. Collins, Miss S. Armstrong, Dr. R. van Stekelenberg.

Coopted members: Mej. D.J. Blokbergen, and student representatives from U.S., U.W.C. and U.C.T., namely Messrs. M. Sahd and C. Yon and Miss J. Frater.

8. Any other business/Algemeen.

J. Sang.
Department of Classics, U.C.T.
Phone: 698531 Extn. 213.

FM 30/3/79 (58)

DIAGONAL STREET

Horwood lights the fuse

Senator Horwood may not be the most popular character as far as opposition MPs are concerned, but he has done his best to qualify as man of the moment in the eyes of the Diagonal Street fraternity.

First reaction to the Budget by brokers and fund managers polled by the *FM* was that, at worst, it is fully up to the market's expectations. It seems set to materially assist institutional cash flows, and though there might be an initial lag market trading volumes are expected to increase substantially within a relatively short time.

Brokers this year should be laughing all the way to the bank, is the reaction of one cynic looking at the effects of the reduction in marketable securities tax. This, he reckons, is a round-about means of helping the JSE increase brokerage charges after a decent interval. More to the point, however, he sees this as giving a welcome boost to debentures trading. Deb yields are effectively enhanced by the reduction in mst.

On the other hand, several brokers agree that the major longer-term effect will be to stimulate jobbing, accompanied by higher volumes.

Margins on jobbing deals now become less of an inhibiting factor, especially to foreign investors who now see Johannesburg mst rates in line with those in London.

The impact may be a year off, but there are few brokers who did not welcome the announcement on capital gains tax. Uncertainty over application of the tax as it affects traders has resulted in reticence on their part. But once the basis of the tax has been clearly defined, portfolio managers and private investors will be able to invest knowing where they stand.

Meantime, what is urgently needed, and something the JSE will be pushing for, is clarification on whether possible capital gains taxes will be levied at a fixed or variable rate. But though the Budget speech says that any capital gains tax will be "limited and modest," there is a lurking fear that this is simply the thin end of the wedge.

At least one broker was certain that the one tax concession which would do most for the market was the raising of black threshold tax levels.

The effect of this on semi-durables, such as furniture, and clothing shares could be considerable over the next year. Stores have, of course, been one of the best-performing sectors recently in anticipation of just such a move. But even from their higher base, the view is that a lot more steam could build up.

Most widely tipped shares are Frasers, Beares, World, Metcash, and Ellerine, but there is no consensus on which will out-perform the other.

Motors, which had been showing signs of malaise in the face of soaring oil prices, have been given a break on two fronts. Dropping the import surcharge could mean lower prices, while lower personal tax rates means greater demand.

Downside risk on consumer-based sectors seems negligible. If spending does not pick up as well as the Minister would like, he has his ace in the hole with leeway to repay the 1976-1977 loan levies.

Meantime, manufacturing companies standing to benefit earliest will be those with little need for capex and under-utilised plant. Just how generous

DISCOUNTING THE BUDGET

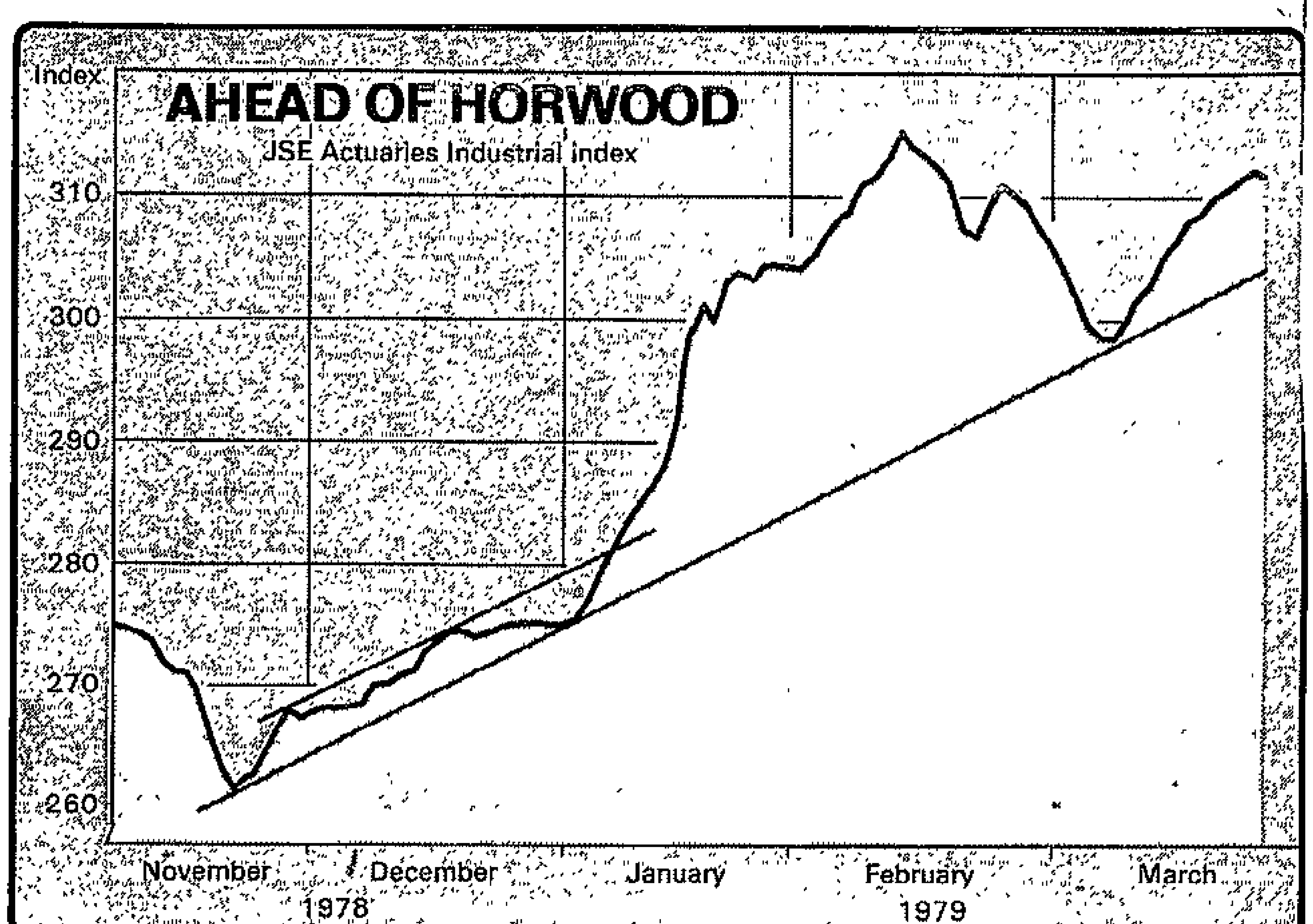
Ahead of the budget, growing investor confidence in Senator Horwood's generosity returned to the market. The feeling of optimism is clearly indicated by the latest upswing of the JSE Actuaries Industrial Index.

Twice the strong support trendline, started in late November, has been tested but held firm. But a resistance trendline, which also started forming in November, was broken early in January when budget speculation first hit the market. The movement was spurred on further towards end-January when the potential effects on the market of the De Kock Commission's recommendations were absorbed by investors.

The index's setback early this month, when plotting tested the support trendline for the second time, was primarily caused by the spiralling financial rand. Things were not helped by local fears that overseas investors would react to the developing Info affair.

However, as the FR discount rate again widened and renewed budget speculation spread, all such fears were pushed aside allowing the index to race upwards to within striking distance of its February high of 315,5. But there is some anxiety that the market has already discounted much of what could be on offer in Horwood's package. On the long-term view, industrials are technically over-bought but with the budget's expansionary package, the trend line should not be tested for some months.

Jean Moon



P.T.O. for continuation

WAR INSURANCE

Taking cover

FM 30/3/79

Servicemen and their families will be relieved that government intends starting a combat cover scheme for all non-permanent members of the Defence Force.

The scheme is provided for in the Defence Amendment Bill (1979), and was announced last week by Deputy Minister Kobie Coetsee. Insurance to cover death, and total or partial disablement, will be compulsory for all national servicemen, the Citizen Force, and commandos. Premiums will be deducted from members' pay.

Members of the Permanent Force will eventually be able to take out additional cover if they want to.

A consortium is to be set up, which all life assurance companies will be invited to join. As with the arrangements for riot cover, the government will indemnify it against losses.

At present life offices offer policies without excluding death on military service, but many young servicemen do not take them out. Moreover, most disability benefits attached to life policies exclude war risk. Although non-permanent members of the forces do have some cover for death and disability under the Military Pensions Act of 1976, this is not considered adequate.

Although talks have been going on for some time between the Department of Defence, the Life Offices Association, and the Registrar, much remains to be settled. For instance:

- What amount will the companies and the government underwrite?
- Will benefits be tied to soldiers' salary scales, or will there be a flat benefit for single and married men?

A LOA spokesman tells the *FM* that a great deal of ground has been covered. The scheme should start operating soon.

FACULTY OF ARTS

CALCULATION OF STAFFING RATIOS

DEPARTMENT:

CYPHER:

1. STAFFING ESTABLISHMENT

2. STUDENT NOS. 19 - 19 (as at end March)

3. RATIO INDICES 19 - 19

4.

a)

Units/s ratio	Course 4	Students: Student nos. 5	× Weighting 6	=Adjusted Stu Numbers 7

P.T.O for s/c r

FINANCE - GENERAL

3 APRIL 1979 — 29 JUNE '79

CAPE TIMES 3/4/79 ① 58 ② 256 ③ ~~260~~ 3/4/79

Koeberg A-leak 'could force 30-year pullout'

Science Reporter

...ULD a major leakage occur from Koeberg power station, it ... be necessary to plough over all land within a 15 km radius to ...th of 30 cm, or evacuate the area totally for more than 30 ...s.

...is was the view of the former chief nuclear engineer of ..., Mr J R Colley, expressed in a "Koeberg — warts and all" ...view requested by the Cape Times two years ago.

...cording to the calculations of the Atomic Energy Board, all ... between 100 km and 200 km downwind would be subject to "an ...ceptable level of contamination".

...eople living in the path of windborne radiation would inhale ...active material, mainly Iodine-131. This material is absorbed ... the thyroid and, if breathed in sufficient amounts, could cause ...oid cancer up to 30 years later.

... extreme leakage could account for up to 6 000 deaths in that ...od but Mr Colley gave the assurance that if the wind were ...ing in any direction other than Cape Town "the casualties ... be far less".

... the fallout of Iodine-131 occurred on grass it could be ingested ... and contaminate their milk. In the event of a major ...age, all milk taken from animals within a certain radius of ...erg would have to be destroyed over a period of several weeks.

... longer-living radioactive materials were leaked, such as ...-137, which has a half-life of 30,3 years, then land up to a ... radius would have to be ploughed over and the topsoil buried ... 30 centimetres deep. The alternative would be to evacuate ...a for more than 30 years, Mr Colley said.

... pointed out that this was an assessment of what would ... in the one hundred million to one chance of a major ... in the reactor core.

An American report published in New York last December ... South Africa's proposed nuclear plants as "among the ...s safest". They added that, for security reasons, the plants ... being built to withstand a direct hit by a missile.

Companies will not pay out on radiation damage

Science Reporter

INSURANCE companies will not pay out for radiation damage emanating from the Cape's new nuclear powerstation at Koeberg.

This emerged yesterday when a statistician was approached to assess the meaning of an Escom assurance that the chances of major leakage from the powerstation was "a hundred million to one".

"The figure is meaningless unless we are dealing with concrete amounts which can be quantified in some way. It doesn't mean that for every hundred million powerstations there will be one major accident — if that were so we'd have to wait a few hundred years for Harrisburg to happen.

Leakage

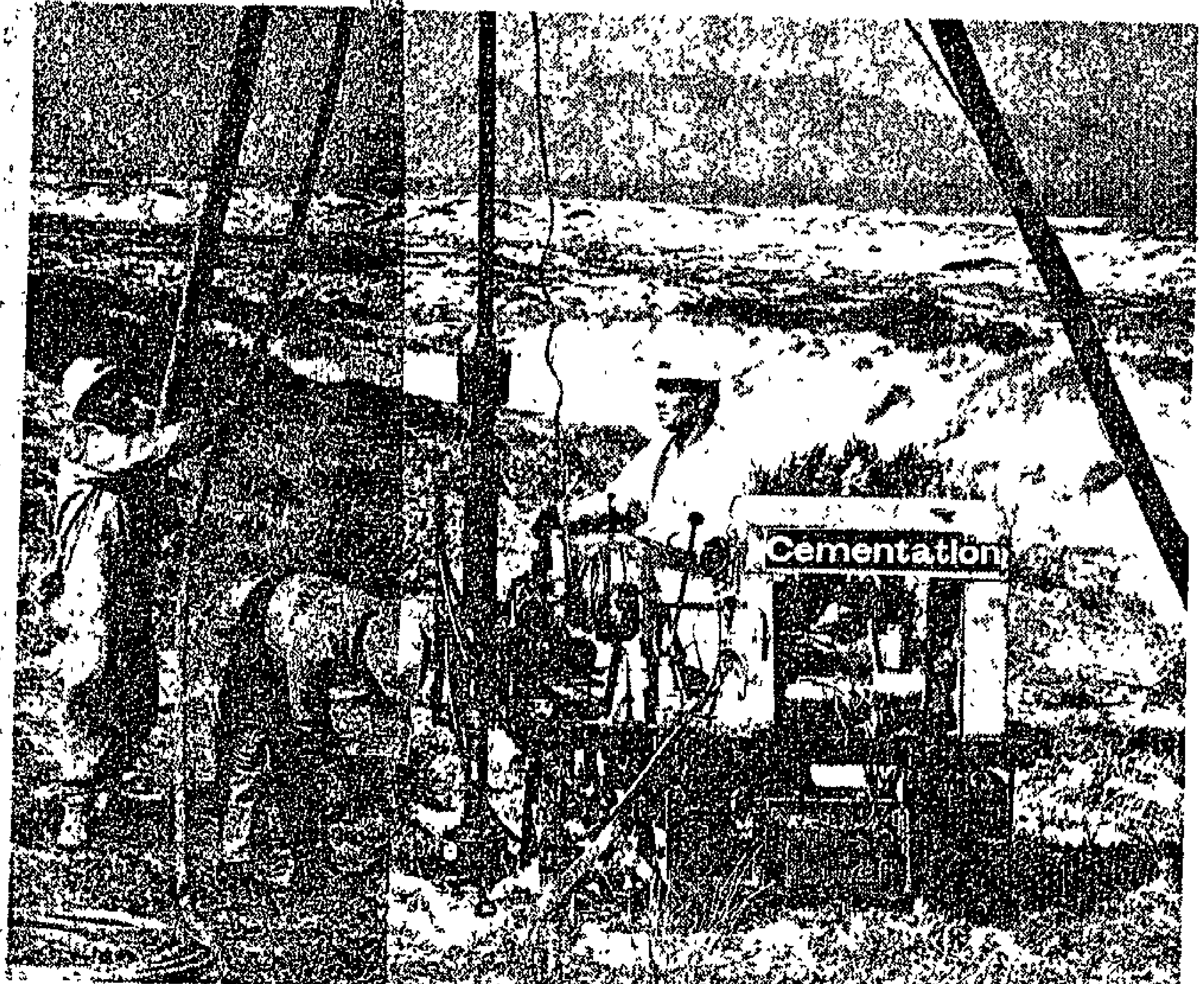
"At best you can accept that Escom thinks the chances of a major leakage are pretty small. But if you want to know what the risk means in practical terms, money for instance, ask the insurance companies. They are the experts in risk assessment," he added.

The general response from a number of insurance companies and brokers approached by the Cape Times yesterday was that they had "no provision" for radiation damage to property.

"We will include a radiation clause on a personal life policy for a further premium but our fire and accident policies specifically exclude radiation damage," a spokesman for a major insurance company said.

A broker said that he would probably be able to offer life cover at normal rates to workers at the station both before and after the plant came ... commission "but if this became a generalised request from the public we might have to ... our approach".

None of the companies questioned would comment when asked if they thought possible radiation damage from power station fallout was a "good risk" in insurance terms.



A flashback to 1975 — core samples are taken at the site earmarked for South Africa's first nuclear power station. In the background, Table Mountain and the City.

Research

● Dr G G Garrett, a member of the University of Cape Town's energy research unit, warned scientists at an energy symposium in Cape Town four years ago that "doubts about safety (of nuclear power plants) may in fact necessitate some downrating and destroy their marginal economic advantage".

He added that "catastrophic failure without prior warning from slow leakage" was in principle possible for light water reactors.

In assessing the degree of risk he pointed out that the effects of radiation and thermal shock (heat rise and loss) on construction materials were unknown, that stress corrosion in stainless steel piping used in such power plants was "virtually impossible to predict" and that "much of the available laboratory data is inapplicable".

Towns in nuclear fallout area unprepared

Science Reporter

NO MUNICIPALITY lying within an 80 km radius of Koeberg nuclear powerstation, the main fallout area, has made any arrangements to handle radiation problems and most reacted as if they had only just wakened to the danger.

Mr J R de Villiers, town clerk of Goodwood, said he hoped the summer southeasters would "blow any leakage away" but pointed out that Goodwood lay in the heart of a low pressure system which had already caused problems with concentration of effluent gases from nearby fertiliser and oil refinery plants.

"This would make any leakage problem even worse and would tend to concentrate radiation," said Mr De Villiers.

A spokesman for the mayor of Bellville, who asked the Cape Times not to use his name, said the municipality had no contingency plans for evacuation "and anyway where on earth would all the people go?"

Mr W P Visser, town clerk of Brackenfell, said "any thinking person would be scared no matter how safe the machinery is said to be" as there was always the human element. He cited the size of the investment in Koeberg and asked: "Can we stop the development now?"

Mr D Smit, town clerk of Durbanville, said he knew of no danger only from what he had read in the newspapers. The local authorities involved now had to ask direct questions and get some straight answers. Although Durbanville did not lie in line of sight from Koeberg and was protected by rising ground he still felt disturbed at the potential for disaster.

The mayor of Parow, Mr J T Louw, said he hadn't thought about it and hadn't been informed of any possible dangers. "I know nothing about Koeberg but I have full trust in those involved. The people involved could not be so stupid as not to learn the right lessons from Harrisburg - obviously they know what they are doing."

Mr J S de Villiers, town clerk of Milnerton, said he had asked the town council to discuss the issue at its next meeting.

"You must decide if you are going to live with the risk and must bear the public in mind. We should be able to trust that the authorities have taken all the risk factors into account and have proven scientifically that it is alright to go ahead with Koeberg."

● Dr A G MacMahon, director of the Western Cape's Emergency Services Centre, said yesterday that plans were being drawn up to cope with "all nuclear emergencies including any risks associated with Koeberg power station". The plans were not yet completed but this would be done "well before the operating date for Koeberg in 1982".

SA study of US nuclear accident

PRETORIA. — It was of great importance that the Harrisburg nuclear mishap should be seen in the right perspective, the president of the South African Atomic Energy Board, Dr Am... ...Commenting on the ... nuclear plant at Three Mile Island and the possible effects it could have on South Africa's first scheduled nuclear plant at Koeberg, Dr Roux said the facts of the accident would be studied ... were to be increased

He said nuclear reactors of the type at Harrisburg were designed "on the grounds of a philosophy of in-depth defence and they have numerous security systems which support each other". Sapa

ARGUS 4/4/79

5-8

Pension funds 75 pc in fixed interest stock

PENSION funds were taken to task for the smallness of their investments in property and shares at the annual conference of the Association of Pension and Provident Funds in Cape Town.

Mr C R Baillie, the Old Mutual's property manager, said he had been surprised to find that 75.8 percent of the pension funds' investments were in fixed interest stocks and securities.

As most pension funds these days promised to pay pensions based on final salaries, they were exposed to an inflation risk.

This exposure was greater than that of the life assurance companies.

FIXED INTEREST

Yet three-quarters of the pension funds' assets were in various forms of fixed interest stock while only two-thirds of the assets of life insurers were invested in this way.

'One would have expected pension funds to have laid greater emphasis on investments such as property and shares than life insurers because of their greater exposure to the danger of inflationary and salary escalation.'

He did not believe shares or property necessarily offered protection against inflation.

CAPITAL PROFITS

'But the one undeniable thing about fixed interest stock is that one's return is fixed unless you are able to make capital profits through trading.'

While property investment could be profitable 'it is so complex and full of pitfalls that I recommend strongly that pension funds make use of the best professional advice at all times.'

By [illegible]
City Editor

Home loans rate is cut by 0,5%

RDM 4/4/79 58

BUILDING societies yesterday cut the home loans rate by 0,5% across the board, opening the way for monthly savings of R5 to R10 a month — or shorter repayment periods — for thousands of houseowners.

But many investors in the societies, some of whom rely on interest and dividends for their income, will have to foot most of the bill because their returns will also be cut by 0,5% in four important categories.

The lower home loan rates will come into effect immediately on all new loans and from July 1 for existing borrowers.

The cut in the rate has come at a time when the building societies are awash with money and are finding it difficult to lend their funds in many cases. They have thus made it more attractive to borrow and less profitable to invest in some categories.

The mortgage rate cut is the second in just over three months. The societies lowered their rates on new loans last October and on existing loans on January 1.

Since then the commercial banks had announced further cuts in their prime overdraft rate, the vice-president of the Association of Building Societies, Mr H J Dodds, said yesterday.

This downward pressure on lending rates had resulted in the council of the association recommending a reduction of 0,5% in interest rates (the recommendation is automatically accepted).

"In making these recommendations the association is hopeful that the lower lending rates will assist in stimulating the building industry and thus create more, much-needed job opportunities," Mr Dodds said.

"It should also assist more South Africans to acquire their own homes."

The new rates (down 0,5% in each case) based on the amount of the loan or the outstanding balance are: 9,5% (R10 000 and under); 9,75% (R10 001 to R15 000); 10% (R15 001 to R20 000); 10,25% (R20 001 to R25 000); 10,5% (R25 001 to R30 000); 11% (R30 001 to R40 000) and 11,5% (over R40 000).

The investments which have suffered a 0,5% cut in interest rates are special savings, fixed deposits, paid-up indefinite period shares and paid-up fixed period shares. In some cases the lower rate will not apply immediately and existing investments in fixed deposits and paid-up fixed period shares will not be affected at all.

Balance of Bond	Old monthly Repayment	New monthly Repayment	Saving
R8 000	R77,20	R74,64	R2,56
R12 000	R117,84	R113,88	R3,96
R16 000	R159,74	R154,40	R5,34
R20 000	R199,68	R193,00	R6,68
R24 000	R243,65	R235,68	R7,97
R28 000	R289,00	R279,55	R9,45
R32 000	R341,26	R330,30	R10,96
R40 000	R426,57	R412,88	R13,69
R44 000	R484,48	R469,23	R15,25

A detailed table showing exactly how much you will save with home loans rate cut.

each by Michael Rapp and Stanbic.

Chairman and managing director: *D Gordon*

Capital structure: *10,9m ordinaries of 2[illegible] 2,3m [illegible] cum red prefs of R[illegible]. Market capitalisation: R158,3m.*

Financial: *Year to December 31 1978. Borrowings: long and medium term, R21,7m. Debt:equity ratio: [illegible]%*

Share market: *Price 1 450c (1978-79: high, 1 500c, low, 100c; trading volume last quarter, 53 000 shares). Yields: 7,9% on earnings; 5,9%* on dividend. Cover 1,3. PE ratio 13,0.*

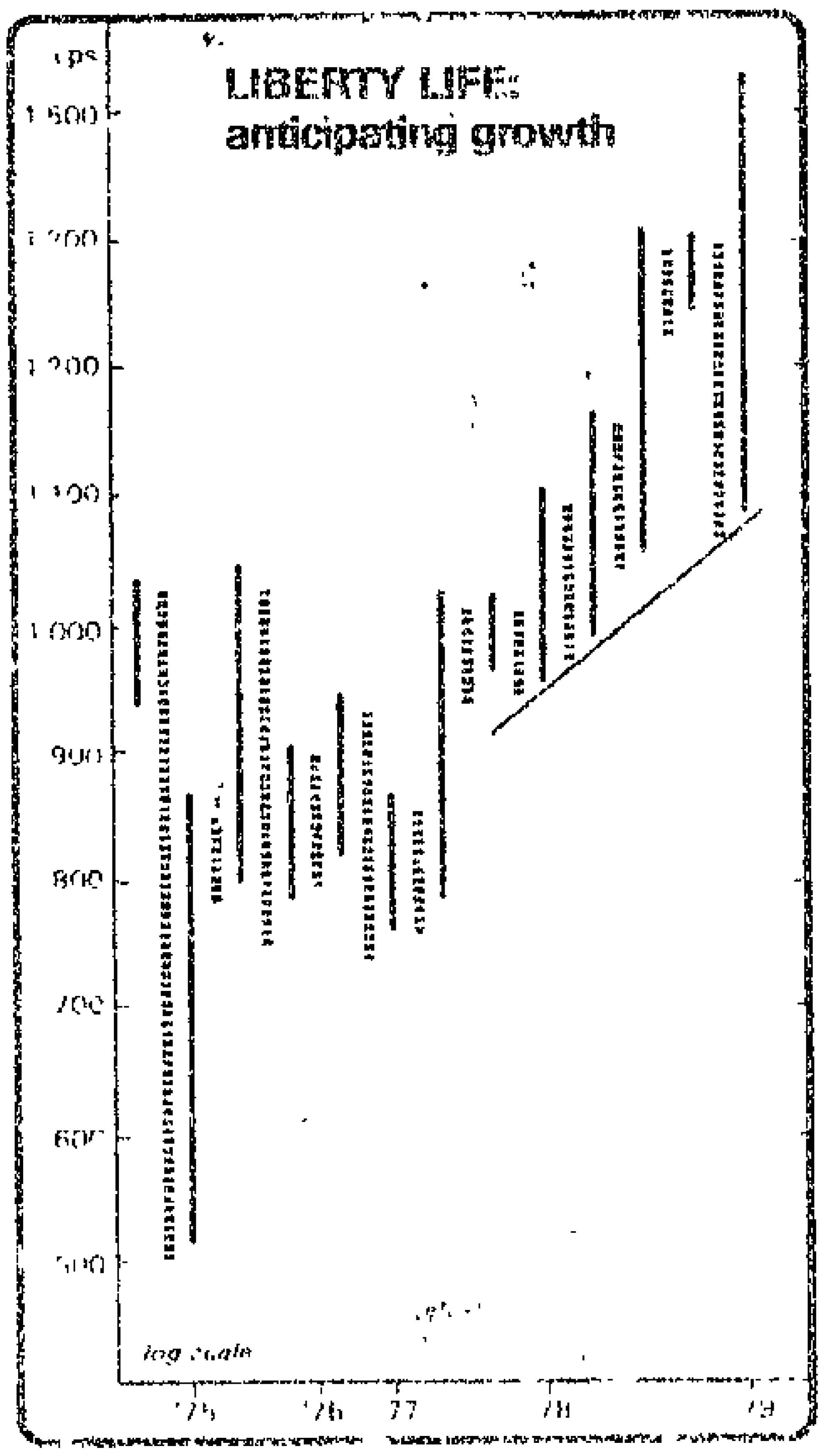
	'75	'76	'77	'78
Total assets (Rm)	388,2	[illegible]	621,7	737,1
Life fund (Rm)	[illegible]	371,2	451,6	560,8
Investment income (Rm)	27,6	34,1	39,8	47,7
Net premium income (Rm)	67,0	80,6	94,[illegible]	113,8
Claims ratio†	13,9	[illegible]	37,1	33,0
Expenses ratio	29,4	27,5	24,8	2[illegible],0
Claims and benefits (Rm)	9,3	12,6	35,0	37,6
Commissions & expenses (Rm)	19,3	[illegible]	23,2	[illegible]
[illegible] outgo	2,2	2,[illegible]	2,2	[illegible]
Taxed profit attributable (Rm)	6,2	8,4	10,4	11,4
Earnings (c)	73,1	94,9	84,7	115,2
Dividends (c)	54	64	74	*86
Net asset value (c)	473	571	651	581

**Excludes special dividend of 50c.*

†Claims and policyholders benefits : net premium income

LIBERTY HOLDINGS

Capital Structure: *44,3m ordinaries of 25c, 12m cum prefs of 10c†. Market capitalisation: R119,4m.*



Financial: *Year to December 31, 1978 R21,7m. Borrowings: long and medium term. Debt:equity ratio: 17,8%.*

Share market: *Price: 270c (1978-79: high, 270c; low, 154c; trading volume last quarter, 245 000 shares) Yields: 8,7% on earnings; 5,0% on dividend. Cover: 1,6. PE ratio: 11,5 earnings: 23,5c (1977, 19,3c) dividend: 15c (12,8c); nav. 134c.*

†A further 3m 11% dividend cum prefs of 10c issued at 115c after year end

Estate duty, retirement annuity and retirement gratuity concessions in the Budget have underpinned the share prices of the Liberty twins. Both went ex dividend on Friday, Liberty Life to the tune of 68c and Liberty Holdings 10c.

Nevertheless, Liberty closed at 1 450c against 1 500c on Budget day, while Liberty Holdings closed at 270c against 263c on March 28.

Chairman Donald Gordon, unlike some other long-term insurers, is lukewarm about the concessions, saying: "The market grows steadily from year to year and is affected more by living standards and the rate of inflation than anything else."

The feeling at Liberty seems to be that only the concession enabling the self employed to deduct up to 15% of taxable income by way of contributions to retirement annuities will really affect performance. The measure affects only the relatively rich and at this stage a "self employed person" is too vaguely defined to generate excitement, but the wider the definition, the better for the long-term insurers.

ANNUAL GROWTH (%)

	*'74	†'75	†'76	'77	'78
Net premium income	[illegible]	1	20	17	21
New recurrent business	60	22	14	19	11
Investment income	93	25	24	17	20
Earnings	24	25	16	16	16
Dividend	25	20	19	16	16
Sun Life merger*	25	20	19	16	16

†Minorities in Real Estate Corporation taken out

‡Full control of Rapp and Maister acquired and Fugit stake increased to 43% and in 1977 and 1978 to 69%.

It was partly, if not largely, on the strength of retirement annuity business that Liberty Life made big inroads into the long-term market. But as the market share table shows competition is intensifying.

MARKET SHARE (%)

	'76	'77	First half '77	First half '78
Non-pension recurring premiums	11,6	11,5	11,8	11,9
Group business	3,6	3,1	3,3	3,3
Retirement annuity	16,5	16,0	[illegible]	15,6
Ordinary endowment/whole life	9,7	5,[illegible]	9,7	10,2

Liberty's Gordon . . . life is great

With total assets of R737,1m up 19% from R621,7m, funded by equity of R103,7m (R96,9m), debentures and long-term loans of R21,7m (R22,2m), a life fund of R560,8m (R451,6m) and unchanged current liabilities of R50,9m, Liberty Life is as financially solid as ever.

Net premium income and new recurrent business up 21% and 11% respectively are back on a growth tack, after slowing down in 1977, while surrenders at about 16% of net premiums and management expenses have both been well held. And once again investment income surged — last year by 20% to R47,7m. Claims appear to be rising partly due to the Manufacturers' Life and Sun Life business acquired in 1974 and 1975 and partly due to the maturation of some of Liberty's own business.

Liberty ranked third among long-term insurers in the management expenses ratio stakes in 1977. Its mortality experience is still "better than average," due largely to its concentration on the upper income bracket and its stringent health screening of potential lives.

There have been several changes in the investment portfolio over the past three years. Whereas property made up 28% of the portfolio in 1976 after the Real Estate Corporation minorities were taken out and full control of Rapp & Maister was acquired, property now accounts for only 24% despite expansion in R&M and Eastgate in particular. The equity content is up from 8% to 18% while gilts now make up 33% (30%) of the total portfolio. Higher equity and gilt prices would obviously partially account for the change.

Disclosed earnings are pretty nebulous and cover of 1,3 is understated. There are substantial retentions in the life fund, which would act as a buffer if investment or underwriting income ever took a fall. Liberty is intent on clue chip status and the dividend record in future will probably reflect this.

The top company has become almost entirely dependent on Liberty for its income now that Guardian has been deconsolidated. The 25% stake in Guardian will only yield a dividend in future and the benefits of this will be largely offset by the cost of the prefs used to finance the Guardian link.

The top and bottom companies are currently rated more or less in line. While Liberty Holdings yields 5,6% against Liberty's 5,9%, Liberty has the lower earnings yield. Liberty Holdings is at a 149% premium to net assets and Liberty 101%. The top company is slightly less property exposed and considerably more marketable, so looks the better of two safe but expensive long-term growth prospects. *David Carte*

LIBERTY LIFE FM 6/4/79 (58)

Growing young

Activities: *Largest publicly owned life assurer. Liberty Holdings, which is 51% controlled by Liblife Controlling holds 81% of the equity. Liblife Controlling is owned 50% by Donald Gordon, and 25%*

MOOI RIVER TEXTILES

FM 6/4/79 (197)

Expanding outfit

Activities: *Vertically integrated textile mill which spins yarns for the weaving and knitting trade, and weaves, dyes, and finishes cotton and cotton/polyester fibres. Koninklijke Textielfabrieken Nijverdal-ten Cate (MV) owns 82% of equity.*

Chairman: *J J C Alberdingk Thym; deputy chairman: F O Gorter.*

Capital structure: *1,7m ordinaries of R1. Market capitalisation: R2,9m.*
Financial: *Year to December 31 1978.*

Financial Mail April 6 1979

Borrowings: long and medium term, R294 000. Net cash: R1,4m. Debt:equity ratio: 6,0%. Current ratio: 2,3. Net cash flow: R439 000. Capital commitments: R398 000.

Share market: *Price 170c (1978-79: high, 170c; low, 62c; trading volume last quarter, 30 000 shares). Yields: 36,7% on earnings; 9,7% on dividend. Cover: 3,8. PE ratio: 2,7.*

	'75	'76	'77	'78
Return on cap %	—	10,0	14,3	28,1
Turnover (Rm)	7,7	10,6	11,6	12,4
Pre-tax profit (Rm)	(0,4)	0,2	0,5	1,4
Gross margin %	6,1	8,8	10,4	12,2
Earnings (c)	—	13,1	20,1	60,5
Dividends (c)	—	—	5	16
Net asset value (c)	202	216	232	289

With the directors forecasting profits similar to those of 1978, share price growth could be less spectacular than last year, when pre-tax profit rose 197% and the share price improved by 166%. But with satisfactory order books and further investment in plant and equipment planned, there is still a lot of steam left in the mills.

Much of the Mooi River's success was due to its diversification into the clothing market with the development of new products designed to compete with imports. Improved operating efficiencies and quality due to a R377 000 investment in new plant also helped profit growth. In the light of last year's performance and this year's planned R500 000 capex aimed at further product diversification, could it be that the directors' forecast is too conservative?

The balance sheet shows a high level of cash and insignificant borrowings, which accounts for the high return on capital. But, it also reflects the company's cautious attitude towards investing in R & D as well as spending to increase market share. Mooi River is, after all, in a strong competitive position. It not only receives the benefit of tariff protection, but its tax rate was a mere 26,7% (24,7%) last year.

In addition, there are continuing tax benefits from plant location in an economic development area. However, it is possible that Mooi River, remembering its loss situation three years back in the depths of the textile recession, prefers to move cautiously on new developments. Nevertheless further investment is on the cards which should ensure steady growth. (The company points out that its parent is Holland's largest fabric manufacturer, so the need for R&D is limited.)

Though only slightly more than 300 000 of the shares are in the hands of minority shareholders, limiting the stock's marketability, it is a sound investment on earnings considerations. The dividend looks safe, with scope for an increase to 20c on higher earnings, for a 11,8% prospective yield.

Peter Pittendrigh

DATES TO REMEMBER

Last day to register for dividends:
Thursday April 12: Bankorp 6c; Foschini 21,5c; Lefic 21,5c; Vetrust 2c.
Meetings:
Tuesday April 10: Group Five; Metal Closures.
Thursday April 12: Deelkraal; East Drie; Grootvlei; Marievale; Natal Anthracite; Vierfontein; Vlakfontein; Zuinguin.

All meetings are in Johannesburg unless otherwise stated.

SA EAGLE FM 6/4/79 (58)

Strengthening the base

Activities: *SA's second biggest short-term insurer. Has a 25% stake in African Eagle Life and is itself 57% owned by Eagle Star of the UK.*

Chairman: *Sir Dennis Mountain: managing director: F M Haslett.*

Capital structure: *11,8m ordinaries of 25c. Market capitalisation: R41,3m.*

Financial: *Year to December 31, 1978. Solvency margin: 37,4% (40,4%); Claims ratio: 63,3% (62,0%); Expenses ratio: 30,7% (29,7%); investments at cost or valuation less reserves: R59,7m (R55,7m); Investment income: dividend paid: 1,5 (1,4).*

Share market: *Price: 350c (1978-79: high, 340c; low, 225c; trading volume last quarter, 221 000 shares). Yields: 11,2% on earnings; 7,1% on dividend. Cover: 1,6. PE ratio: 8,9.*

	'75	'76	'77	'78
Insurance funds (Rm)	14,8	17,6	22,1	22,9
Premiums written (Rm)	35,7	43,8	56,3	60,4
Premiums earned (Rm)	35,2	41,6	52,1	60,2
Underwriting income (R'000)	1 014	1 018	3 106	3 598
Investment income (R'000)	4 661	4 496	6 843	8 078
Pre-tax profit (R'000)	4 113	3 941	6 064	7 377
Earnings (c)	24,9	22,2	31,6	39,2
Dividends (c)	20	20	22	25
Net asset value (c)	163	168	178	191

SA Eagle is one of the few SA short-term insurers whose inward reinsurances from overseas nearly equal its reinsurances outwards. This stood the company in very good stead in last year's stagnant and highly competitive local market.

While premiums written increased only 7%, less than the inflation rate, to R60,4m, premiums earned net of reinsurances rose 16% to the same amount. SA Eagle's returns have not yet been submitted to the Registrar, so the company's solvency margin, claims and expenses ratios cannot be accurately assessed. However, the published figures suggest that both the claims and expenses ratios rose slightly, the former from 62% to 63,3%, and the latter from 29,7% to 30,7%. Nevertheless, underwriting profit improved 16% — in line with premiums earned — off the much higher base established in 1977. This was after generous provisions and transfers to reserves and the insurance funds.

1978 was the second consecutive year in which results were not hit by major catastrophes. How long can this luck hold and, when it breaks, can underwriting profits be sustained?

SA Eagle's risks are very well spread geographically and by type of insurance. In 1977 it received 38% of net premium income on the motor account, 27% in fire, 22% in miscellaneous and the rest spread evenly between marine, personal accident and guarantee. Nevertheless, like any insurance company, it is vulnerable to catastrophes at home and even abroard. It even felt the Tasmanian bush fire of 1976. So, in the absence of premium hikes, it is conceivable that disasters could set back underwriting profits. It is a measure of SA Eagle's conservatism, though, that in 1977 actual claims against SA Eagle were R4,6m lower than provided for in 1976.

Even if underwriting profits did plunge, investment income should see the dividend well held. Investment income alone covered the dividend last year 1,5 times.

SA Eagle's financial strength is one of its most attractive features. Even after adjusting assets and liabilities according to the Registrar's formulae in the 1977 return, SA Eagle showed net assets of R27,1m — R6m more than its published net worth that year. It is possible to derive only a crude, understated solvency margin from 1978's published figures. But from these the 37% published balance sheet margin easily exceeds the 10% statutory minimum. This means the company has the capital base to expand and write new business virtually at will.

Another major attraction is the 25% stake in African Eagle Life, which has passed its dividend in recent years in order to retain funds for expansion and presumably also to tide it through the property depression. Its last full year's dividend, paid in 1975 was 250c. Resumption at this level would be worth R1m in tax free investment income to SA Eagle, equivalent to 8,5c per share. With property and the whole economy looking healthier, prospects of a dividend from African Eagle are improved.

While dividends are unlikely to fall, the group's extreme conservatism will ensure that they do not take off almost no matter what happens to profits. On its current 7,3% yield, the share is best suited to long-term investors. *David Carie* marke

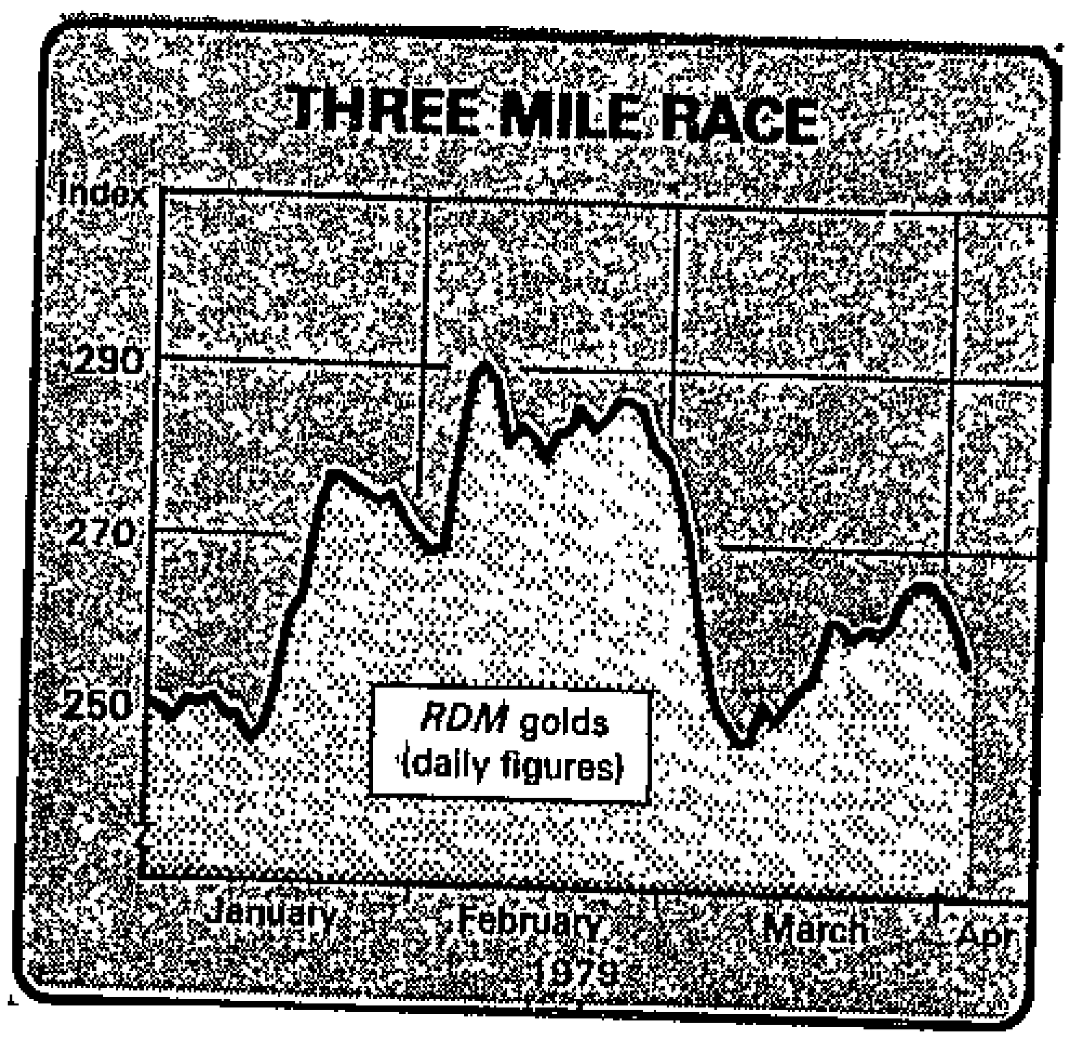
DIAGONAL STREET

Stores in fashion

96 FM 6/4/79

A post-Budget anti-climax and a lack of interest by London and New York, led to a depressing market with a substantial fall in volume. After stabilising at US 75c to US 76c for most of the week, the FR moved up to US 77,5c on Wednesday deflating overseas favourites further.

The over-riding factor has been the gyrations of the UK dollar premium, which fell from 99,25% on January 31 to



its current 55,7% — an effective premium of about 17%. Prior to Westminster's no confidence vote, the UK shadow chancellor intimated that he wished to rid Britain of its exchange control regulations, so fulfilling the country's obligations to the European community. This sent the dollar premium plummeting 12 points in one day on fears that its value, now included in overseas equity investment would be stripped entirely. Subsequently, UK investors have been nervous of adding to foreign investments.

The further decline in the gold price at the beginning of the week to $239,75 on Wednesday afternoon, took bullion's chart plotting to a triple bottom position. Chart-following gold bulls are holding thumbs that this resistance will not be broken, as the bottom projection from such a break is $194 sometime in July and a shorter-term projection of $225. Most golds have followed bullion downwards and the worst hit have been the uranium producers. Following the scare at the Three Mile Island power plant, there are fears that future demand for uranium may be severely restricted.

But New York interest in SA golds had waned long before the Three Mile Island news, and is not expected to pick up until bullion moves out of its $239-$252 congestion area and establishes a definite trend in either direction.

In line with bullion, metal prices tended to ease during the week. Strikes at two leading copper mines in Peru, a threatened strike in Canada, and a continuation of delayed shipments from Zaire did not prevent a near-term easing in the copper price. Demand for tin and lead remain constant, with a backwardation in LME prices continuing. And not even talk of resumed Russian buying of zinc prevented a £16 fall in the LME cash price to £385,5 over the past five trading days.

Disenchantment with nuclear energy has brought more life into coal shares. Vierfontein was the best performer with a price rise of 13%.

On the home front, local institutions have been noticeably absent from the market. Brokers believe that they are still busy doing their homework on the overall effects of the Budget. Once the institutions have planned their strategy for the next few months, they are expected to concentrate on the industrial market, spurring it to further growth.

Although tax reductions will not take effect before July, some investors have been accumulating shares which should benefit the most from higher disposable incomes, as well as life insurance companies. New short-term buy signals have been given, for example, by Consure and IGI.

While it is probably too late to skim the cream from an investment in Pick n Pay, as the buying indication was given at 2 550c, it is not too late to take advantage of buying opportunities indicated by the charts of Chemhold, B & S, Saficon, Metal Box, Greatermans, Woolworths and Utico.

The stores sector came out as favourite for the week with every share doing better. Generally, attention was focussed on stores catering for the black sector. Even recently out of favour Scotts moved 17% higher during the week. However, some disappointment was evidenced by shareholders in Frasers, usually regarded as the leader amongst wholesalers and retailer suppliers to blacks. Stores catering almost entirely for the upper end of the market moved between 2% and 7% higher.

On market rumours that UAL is currently working on a scheme to take out minorities from Shulton, the price moved 10c higher on Wednesday to close at 195c.

All eyes, post-Budget, are on likely growth sectors. Residential property, however, is not one of them, even though mortgage rates are down 1% on t[illegible] months ago. But it is too early to m[illegible] into Bester, Gough Cooper and Tucke[illegible] even though these are the on[illegible] "residential" shares left now that the re[illegible] have been absorbed by their bankers a[illegible] insurance companies.

Jean [illegible]

april 6 1979

Financial Mail

(58) FM 6/4/79

STOCK MARKET

Still some steam left

Is the bull market of the past two years petering out? As the graph shows, industrials have been moving up more sedately since the *RDM* index broke through the 1973 high on January 16; while golds have also been looking shaky.

It's necessary to look at the industrial and mining markets separately.

The institutions are showing a distinct unwillingness to push industrial share prices up further. That function has been taken over by the public, who are reappearing as a significant force in the industrial market for the first time in years.

Although the advance in industrial share prices in the past two years has pushed yields down, fixed interest rates have also been falling. The average industrial share yield of 7,6% is becoming attractive — especially as this is a historic yield, and dividends should go up by at least the rate of inflation, and probably somewhat more, this year.

If last week's budget succeeds in its intention of boosting consumer spending, firms serving this sector could be in for a particularly good year. Stores and furniture shares are the obvious ones to go for (in normal circumstances, motors would also benefit: but the oil crisis is a damper on that). OK, Pick n Pay (especially after this week's better than expected results), and Woolworths are all coming in for attention.

A shade less directly, packaging companies (Nampak, Sappi, Kohler) ought to feel a spin-off. And if credit creation is being relaxed, the banks should do well, too.

Even if the institutions are not buying aggressively, they are still prepared to take any large parcels that come on offer (which is happening increasingly often) at ruling prices. But, it seems, they have relinquished market leadership for the time being to the small investor. Classically, no boom is complete without a final burst of private investor speculation. The fact that the small investor is only starting to come in now suggests that industrials still have some way to go; but equally, it could mean that the end of the bull market of the past two years is looming over the horizon.

The pressures on golds are totally different. Because of their greater marketability, these shares take the brunt of any selling to create financial rand; uranium producers, rightly or wrongly, have also been hit by US selling in the wake of Three Mile Island.

Gold bears are persistently trying to talk gold down to $225. Although the bullion price is unco-operatively holding up around $240, the pessimistic talk is definitely having an effect on share prices, although it has been no more than a slow and hesitant drift.

This week, too, there has been the pressure of a large order from London to create financial rand. The financial rand firmed from 75,75 on Tuesday lunchtime to 77,5 bid on Wednesday night, and share prices reacted accordingly.

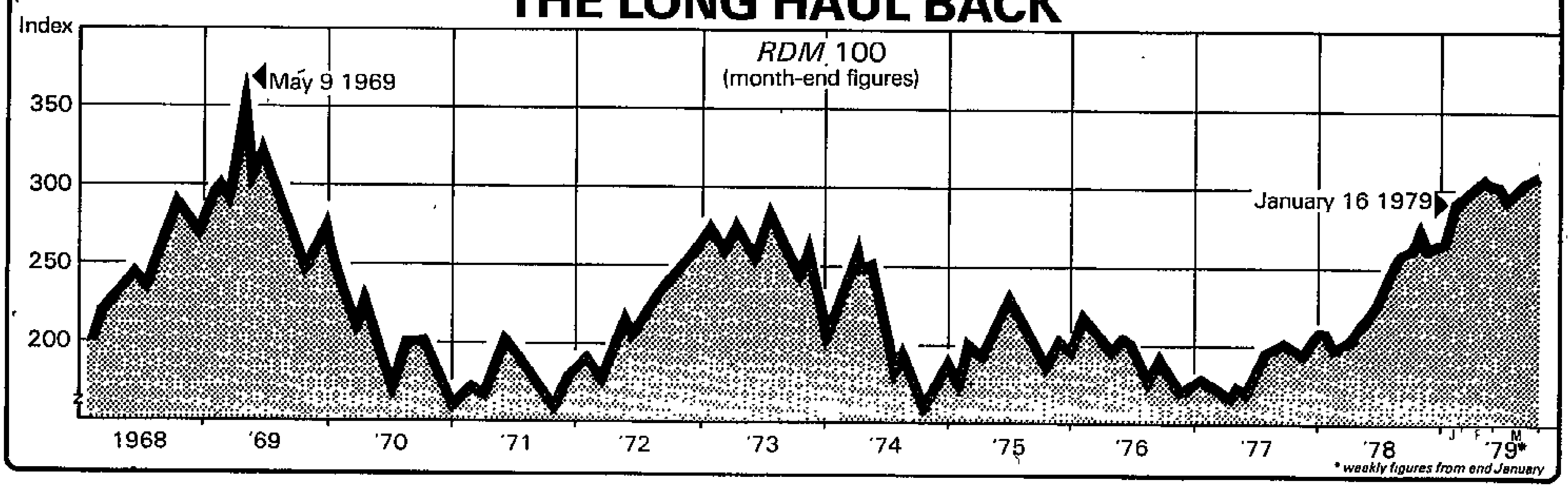
The only significant selling has been in uranium stocks like Randfontein, Southvaal, Stilfontein and Harmony. At least until the impact of financial rand creation on Wednesday, mining financials generally held up better than their underlying gold holdings, although De Beers came in for a measure of ex-div selling.

Of other mining shares, platinums have been affected by a large selling order of Impala, and a delay in publication of the Rustenburg interim report. But brokers are generally bullish in the medium term, as they are for coppers, coals, and the asbestos counters. Antimony producer Cons Murch remains an enigma.

Without uncertainty, markets could not exist. And there are certainly enough uncertainties around at the moment.

On the political front: SWA, Rhodesia, the UK election (although investors

THE LONG HAUL BACK



who are buying Rhodesian stocks in the hope that a Tory victory will lead to a Rhodesian settlement must rank among the optimists of the century!), the continuing aftermath of Infogate. Economically: the threat of a possible slowdown in the US, the effects of the latest oil price and supply problems, unacceptably high inflation and unemployment, and the risk that Horwood's budget strategy will not work.

A fearsome catalogue

It's a fearsome catalogue. But we must set off against it the resilience of the gold and other commodity prices (which minimise our exposure to higher oil prices — indeed, in the short run — as the *FM* has said before — we can even benefit), the certainty that the economy will remain highly liquid this year and that interest rates are unlikely to firm for some months yet, and the probability that consumer spending will indeed respond to Horwood's blandishments, which could soon filter through into a much wider restocking boom, eroding industrial spare capacity and leading to a long overdue revival in private sector fixed investment and employment.

Expressed like that, the picture doesn't look nearly so gloomy.

If all this happens, to achieve a growth rate of 4% for the year we could be expanding at 5% or more by the year end. Which could be the base for growth of 6,5% or so in 1980. Better — but still not enough to make significant inroads into the level of unemployment.

Where will the balance be? It would surely be wrong to be pessimistic. In an inflationary and politically uncertain world, the gold price may fluctuate, but its underlying trend should be upwards. And whether the economy will perform as strongly as Horwood would like or not, it is difficult to imagine that there will not be a significant improvement in the growth rate this year.

If this is so, gold shares ought to be a buy on any technical reaction. And industrials should still have some way to go. But watch those small investors when your dentist tells you, as he prepares to drill, what a fantastic profit he's showing on his Widgets, it could be time to sell.

FM 6/4/79

GOVERNMENT SPENDING

Defence surprise

Despite the average increase of only 7,5% (excluding civil servants' pay hikes) in government spending this year, a number of departments show impressive hikes in their allocations. Notable examples are Commerce and Consumer Affairs, Mines, Education and Training, Statistics, Indian Affairs and of course Defence.

According to the Budget fine print, the Defence Force has authority to spend no less than R2 073m: 33% higher than its 1978/79 allocation. This will comprise R1 612,4m to be voted by Parliament, a transfer of R100m from the Exchequer surplus this year, a cash balance of R145m in the Special Defence Account, and R150m in anticipated receipts from the Defence Bond and Defence Bonus Bond sales.

In addition, provision is made in the Community Development vote for an increase from R29,3m to R52,3m for building, hiring and buying official quarters for defence personnel. The Public Works vote contains a provision of R70m (R38,2m) for military bases, the location of which is not identified.

The Department of Commerce and Consumer Affairs' budget is up almost 25% on last year. This is mainly due to the trebling of funds available for export promotion to over R120m.

In the case of Mines, the largest chunk of the 22,2% rise goes to uranium enrichment (up R32m to nearly R100m), and the Atomic Energy Research Fund (up R9m). Not surprisingly, the department is cutting its assistance to needy gold mines from R31m to R11m.

Almost half the projected increase in outlays by the Department of Indian Affairs goes towards salaries and wages. And the massive 40,3% hike in the Department of Statistics' spending is due, not to poor budgeting, but to the costly population census to be undertaken next year.

Less for IDC and Iscor

A few departments have actually cut their budgets to below last year's levels. The most notable is in the Department of Industries' vote, and is chiefly due to a drop in contributions to the IDC and Iscor's share capital (totalling nearly R30m). There will also be smaller loans to Escom (R23,3m down) and to the SWA Water and Electricity Corporation (R12,3m down). Subsidies to ship builders have also been sliced by R4m. Assistance has already been given to the industry in the form of a R24m order for a research vessel.

The Prime Minister's office has "cut" estimated expenditure by nearly 60% by simply transferring the votes for scientific and economic advice to the departments of Health and Environmental Planning, and Energy respectively. If these are taken into account this budget would have risen 7,5%.

The fall in expected spending on agriculture is accounted for by a reduction of R6m in the outlays on abattoirs. The subsidies on railage of maize products and sorghum and on wheat import losses have been dropped completely. The butter subsidy has been cut by R1,5m and assistance to the fruit industry is down to R1 000 from R100 000 last year.

Minister Horwood announced in the budget that the Urban Transport Fund will receive an extra R6m, bringing government's contribution up to R8m. Over 60% of this contribution is for construction of urban transport facilities. According to Adriaan Eksteen, Secretary for Transport, Johannesburg will receive the lion's share, since it is the only city that has completed a detailed transport study.

A curious item is the rise in purchase of equipment and stocks for the police from R7,87m to nearly R20m. No details are given. Also, pocket money for juveniles in reform schools is being raised from R2 800 to R8 900.

Estimated expenditure on consumer affairs is under R400 000, ridiculously low when one considers that government last year changed the name of the Department of Commerce to Commerce and Consumer Affairs, and that taxpayers will subsidise the parliamentary refreshment rooms to the tune of R117 000.

Foreign loans to SA pick up after Soweto

RDM 6/4/79
(1) 58
(2) 60

LONDON. — Between 1972 and 1978 financial institutions in South Africa received international loans totalling $5 5000-million, according to a report by the UN centre against apartheid.

This figure covers only credits or bonds raised on the international capital market, involving banks of different nationalities. It does not include loans made by banks in individual countries, trade financing, and interbank lending.

The value of loans each year rose steadily until the Soweto riots in the summer of 1976, then fell and are now recovering. The main British banks involved in syndicated international loans are Barclays International, Barings, Hambros, Hill Samuel, Kleinwort Benson, Samuel Montagu, N M Rothschild's, and Schroder Wagg.

The study comes two months after the UN General Assembly called for an end to all new investment in, and all financial loans to South Africa.

Most of the loans came from West Germany, Britain, the US and France. UK investment in South Africa totals around £5 000-million, according to Dr David Owen, the Foreign Secretary. He said recently that Britons had "a heavy political and moral responsibility to use our economic influence to apply political pressure for peaceful change". The Government, he said, had shown determination to start reducing Britain's economic commitment to South Africa.

Ambassador Leslie Harriman, chairman of the UN Special Committee Against Apartheid, has stressed that foreign loans and credits have allowed the South African Government to increase its military budget from $40-million in 1960, to nearly $2 000-million this year.

Recently the US Eximbank made its financing to companies conditional on their agreeing to the so-called Sullivan principles — a code of anti-apartheid conduct described as marginally tougher in general than the EEC code.

Critics of apartheid also say that they have received assurances from some major US banks that they will not lend to the South African Government, or, in a few cases, to the Government's agencies. — Financial Times.

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Info: Broker may testify on 'shares for Ministers'

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By Donald Andrew

A CAPE TOWN investment broker, Mr Richard Benson, has applied to give evidence to the Erasmus Commission about shares allegedly allocated to Cabinet Ministers by a growth fund company at the time Mr David Abramson a key figure in the Information scandal, was its managing director.

At the same time he is pressing the police to complete an eight-year investigation of the activities of the company, National Fund Investments Limited (NFI), which, he alleges, was central to the collapse of share prices on the Johannesburg Stock Exchange (JSE) in 1969.

Mr Benson estimates that at the time the South African investing public lost between R250-million and R300-million in two growth funds, National Growth Fund (NGF) and South African Trust Selections (SATS), and in the controlling company, NFI.

Between 1969 and 1971 the value of these units was halved and NFI fell 97 percent in value from the listing day (September 8 1969), when they were traded at up to 465c each, and fell to 14c in November 1970.

Mr Abramson was managing director of Fund Advisers Limited, which ran NGF, of Trust Administrators Limited, which ran SATS, and of NFI, the controlling company.

Mr Richard Benson

Mr Benson claims NFI was floated while it was near bankruptcy because of administrative collapse and that investors were kept in ignorance of this. He says they discovered the true position only after they had lost their money.

Mr Benson wishes to draw attention of the commission to a report published in Die Afrikaner on June 18 1971, suggesting that the Prime Minister in 1969 and eight Cabinet Ministers might have been allocated shares at 150c each in NFI before it was listed.

No denial

Mr B M Schoeman, editor of Die Afrikaner, told The Argus that no reaction, and certainly no denial, had been received against the article.

Die Afrikaner story quoted a similar article which appeared in the Sunday Tribune on June 6 1971, saying the then Prime Minister, Mr B J Vorster, and eight Cabinet Ministers 'have substantial share holdings in NFI.'

'The share register shows that in October 1969, Mr Vorster held 5 000 shares.'

The following Cabinet Ministers at the time each held 1 000 shares: Dr N Diederichs, Dr C P Mulder, Mr S L Muller, Mr Ben Schoeman, Mr P C Pelser, Mr Frank Waring, Mr J J Loots and Dr P G J Koornhof (then a Deputy Minister), the report said.

'Did not know'

'The chairman of the company, Mr H C Kuiper, said yesterday (June 5, 1971) he did not know when or how the Ministers received their shares.'

A Sunday Tribune editor at the time told The Argus there had been no rebuttal of the report.

The prospectus specified those people (mainly NGF and SATS unit holders) entitled to be allocated shares before flotation.

Mr Benson said the share register showed that Mr Vorster was allocated his 5 000 on September 2 1969 — six days before the listing. Access to the share reigster to verify Mr Benson's claim was denied to The Argus by the share registrars.

The Cabinet Ministers would have qualified for an allotment if they had held a substantial number of units in NGF and or SATS at the time.

Lost R16-m

Mr Benson claims numerous public investors lost about R16-million when they bought about 11-million NFI shares through the JSE in 1969-70, before the near collapse of the company in 1969 was first announced to shareholders in 1970.

Furthermore, he maintains an additional R17,5-million was lost in 1969-70 by subscribers who bought the shares at 150c and saw their price drop to 14c in 1970.

Mr Benson says he has proof that R13-million of the R17,5-million finished up in the pockets of the promoters of the scheme and the R4,5-million balance was lost as a result of the near collapse of the group before it was listed.

Reassurance

On February 3 1970 Dr Diederichs, Minister of Finance, was reported as saying there was no valid reason for the panic on the stock exchange.

On February 8 1970 Dr Diederichs was reported as saying in a Press statement that there was no cause for 'undue or hasty reaction' by the public to the announcement of management changes at NFI and the suspension of dealings in the share on the JSE.

The report continued: 'Dr Diederichs emphasised that the two mutual funds administered by NFI — NGF and SATS — were backed by some of the strongest financial institutions in South Africa.'

On February 17 1970 Dr Diederichs was reported as repeating the assurance that the boards of directors of the management companies concerned with NFI (Fund Advisers and Trust Administrators) were taking active measures to overcome administrative problems.

He added that the office of the Registrar of Financial Institutions had confirmed that the unit trusts concerned (NGF and SATS) were backed by strong financial interests.

Dr Diederichs's statements were made in the same month that Mr Abramson abruptly left the NFI group and disappeared from the limelight.

Secret envoy

In 1977 Mr Abramson again made news headlines with his takeover of Hortors, one of South Africa's oldest and largest printing and publishing concerns.

Sometime between 1970 and 1977 Mr Abramson is thought to have operated as a Government secret emissary and top Department of Information agent.

On February 19 this year it was reported from Paris: 'Dr Diederichs was also instrumental in obtaining the collaboration of businessmen with the Department of Information.

'It was he who brought Mr David Abramson within the Information net and started the process that led to the attempted setting up of an international pro-South African publishing empire.'

On November 12 last year it was reported that the Reserve Bank went to exceptional lengths in the mid-70s to grant Mr Abramson permission to raise a multi-million-rand loan overseas.

That loan was the basis of a publishing empire, with a holding company in Bermuda, which now stretches from South Africa to Britain, France and the Netherlands.

The loan was used by Mr Abramson and his partner, Mr Stuart Pegg, to secure a 20 percent share in the British publishing company Morgan Grampian in 1976.

Dr N Diederichs

In 1977 Mr Abramson and Mr Pegg made an estimated R5,2-million profit from the sale of Morgan Grampian and used it to secure their takeover of Hortors.

Close ties

Mr Pegg was Mr Abramson's personal assistant when he headed the NFI group. Mr Pegg was also a former business associate of British tycoon Mr Jim Slater. It was a former dormant company of Mr Slater's Slater-Walker Group in Bermuda which was used as one of the holding companies for the publishing empire.

The Guardian newspaper in Britain reported in December last year that Mr Abramson is said to have acted as a courier for Dr Diederichs in secret financial negotiations with Western powers.

Several Government departments and bodies have been asked for public investigations into the NFI affair on many occasions since 1971.

Mr Benson first asked the police in 1971 to investigate the scheme.

The Commanding Officer of the Commercial Branch for South Africa, Brigadier T Sherman, told The Argus that a docket had been handed to the Attorney-General in Johannesburg 'a couple of times' in the past but that there had been a consistent refusal to prosecute.

Brigadier Sherman said investigations are continuing in the light of new evidence presented by Mr Benson.

Mr Benson said he had not been able to obtain from the Attorney-General a certificate of refusal to prosecute detailing the charges. Without these details, he is unable to proceed with a private prosecution against those whom he believes illegally gained from the public investors' losses.

The secretary of the Erasmus Commission, Mr J F Geyser, informed Mr Benson that he would be contacted on or after April 3.

In the House of Assembly on Wednesday, Mr George Bartlett, MP Amanzimtoti, asked the Minister of Justice, Mr Jimmy Kruger, whether police were investigating alleged offences by the directors and managers of two affiliated companies at the time of the listing of one of the companies on the JSE.

Mr Kruger confirmed investigations were being conducted as the result of an approach by a shareholder.

Mr Bartlett told The Argus today that the two companies referred to are NFI and National Fund Holdings.

3. THE INCIDENCE OF GST

The doctrine that the burden of sales taxation rests solely on the consumer is widespread. To the layman its plausibility is greatly enhanced by the practice of sellers of quoting the price, and then adding on the tax in order to obtain the final selling price. In addition, legislation places the legal incidence of the tax on the consumer, and imposes fines on any retailer who advertises that he absorbs the tax burden himself. However, the wording of the law cannot control the economic effects of the tax, nor does a separate listing of the tax imply that the sales price is higher than it otherwise... have been by that amount.

Due (1948, 1963) reached the conclusion ... view that consumers bear the incidence ... correct. He asserted that it is general ... tax legislation that taxes be shifted fo... through higher prices. An appropriate ... supply is assumed to accommodate the inc...

Brown (1939) and Rolph (1952) rejected ... that a general sales tax must raise all ... is borne by consumers. They pointed ou... connection between accommodating moneta... tax on the output of goods and services ... of goods and services generally there m... in supply or an increase in demand by ... of money. If the tax did not increase p... factor incomes. Whether prices remain ... fall or prices rise and money incomes r... distribution of the tax burden would app... Musgrave (1953) demonstrated that price ... a monetary phenomenon which do not influence the tax burden. He showed that the incidence pattern may be identical even if the direction of adjustment is such as to cause the level of prices to increase, decrease or remain unchanged.

The inevitable conclusion that must be reached from the above discussion is that the effects of a truly general sales tax are approximately equivalent to a proportional tax on all factor incomes. Consumers, as such, do not bear the burden.

Rolph extended his general equilibrium analysis to a tax that is imposed on less than all goods and services. He concludes that the price of the taxed goods and services will tend to increase relative to the untaxed ones. But a portion of the incidence will still rest on factor owners rather than consumers of taxed products. Exemptions and omissions have narrowed the base of South Africa's GST. Insofar as this occurs, a transfer of resources and some shifting of the final burden forward to consumers is inevitable. The proportion of forward shifting to consumers and backward shifting to factor owners depends on the degree of generality of the tax.

4. THE REGRESSIVE IMPACT OF GST

The chief criticism that accompanied the introduction of GST was that the relatively poor will be hardest hit. The asserted

incidence of GST with respect to income will be analysed in the light of the conclusions formed above (i.e. consumers will bear a portion of the tax burden since it is not an entirely general tax). Trade Unionists, politicians, newspaper editorials and other interested parties have been almost unanimous in their condemnation of the taxation of commodities which form a large proportion of the poorer person's consumption. The table below provides a basis upon which conclusions may be drawn.

(Table 4 (3))

9. Medical	[illegible]	1,9	2,3	2,1
10. Public transport	5,2	5,1	4,5	4,7
11. Cars, spares and petrol*	2,3	9,6	14,5	11,2
12. Entertainment	3,5	3,6	4,5	4,2
13. Education	0,4	0,5	1,1	0,8
14. Financial services	0,3	0,6	1,1	0,8
15. Other	7,9	7,3	7,5	7,5
TOTAL	100,0	100,0	100,0	100,0
Incidence of Sales Tax	79,9	70,2	60,3	66,2

* Denotes items liable to GST.

It is clear from the table that poorer consumers spend a larger proportion of their incomes on taxable goods and services than relatively richer consumers. Thus it may be concluded that the sales tax is regressive with respect to income. In addition, since Black and Coloured consumers form a greater proportion of the poorer class, theyare burdened relatively more than White consumers.

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FIXED INVESTMENT

Factories busier, but . .

A growing number of machines in SA's factories are being switched on again. But because more are being used doesn't mean that many more are about to be bought.

Latest figures from the Department of Statistics reveal an average rise of 1,6% in capacity utilisation from February to August, with factories now operating at an average of 85,2% of full capacity. (According to most economists, factories are regarded as running at full steam with about 95% of their production capacity in use.)

Some industries are much busier than

others. In the tobacco sector, the rise in the six months from February was 4,1%, with capacity utilisation now at roughly 4%. In spite of this, Dennis Rutter, financial director of Utco, does not foresee further fixed investment since the industry's sales volume is virtually static.

The automotive industry boasts the biggest rise — 7,4%. However, with capacity utilisation at 79,8% in August, there is still room for a sizeable increase in demand without further investment.

In the case of machinery, the picture is gloomy. August figures show no rise over February for electrical machinery. For other machinery, capacity use dropped by 1,7%.

Generally, fixed investment prospects for 1979 are poor. According to the PM's Economic Advisory Council's latest report "there is still considerable unutilised production capacity in many sectors of the economy." The council "does not expect a significant revival to take place in fixed investment in the foreseeable future." Rudolf Gouws, Senbank's economist, reckons that private fixed investment will only start picking up towards the end of 1979, even taking further stimulatory measures by the government into account.

BUSINESS

Afribank to expand its Umtata branch

EAST LONDON — The African Bank in Umtata, one of three branches in Southern Africa, is about to embark on an expansion programme which will require extensive alterations to their Sutherland St premises.

This was revealed by Afribank's general manager, Mr A.E. Wentzel, when he visited Umtata to mark the second anniversary of the opening of the Transkeian branch.

Reviewing the general activities of the bank, started by Mr Sam Motsuenyane and the National African Federated Chambers of Commerce (NAFCOC) in 1975, Mr Wentzel said from October 31, 1976 to February 28 this year, deposits held by the bank had increased from R1,4 million to R7,9 million and advances had increased from R0,5 million to R4,8 million.

For the first time since it was established the bank is showing a small profit, reaching a break even point in the six-month period to October 31, 1978 and showing a small profit in the four months to February 28.

This is laudable growth considering the bank had a R36 823 loss in the 1978 financial year and even more laudable when it is considered the consolidated loss of R36 823 for the year must be viewed against a loss of R38 000 for the first half of the year so that the bank is now obviously on the road to success.

Mr Wentzel said the Umtata branch had been the most efficient within the bank with deposits at the end of March standing at R1,5 million and advances at R0,8 million.

He ascribed the success of the branch to three factors:

Outstanding staff, initially under Mr Ian Masson and, during the current year, Mr Dinga Magona;

Close co-operation with the Transkeian government who were maintaining large deposits at the bank with the bank, in turn, participating in the government's loan stock issues;

And, thirdly, general support from Transkeians.

He added there had been good support, too, for other services of the bank in Umtata, including the appointment of Afribank Insurance Brokers (Pty) as official brokers of the Methodist Church in Transkei.

The bank was continuing to provide counselling to black businessmen and although that was largely unremunerative, there were many intangible benefits for the black community and the bank.

Mr Wentzel also revealed Afribank was presently working on a number of new schemes, including an education savings programme with guaranteed borrowing rights.

Turning to housing, he said the necessity for funding housing needed the establishment of a building society or similar institute in Transkei, but until that was available, Afribank would assist with such funding. However, the government should consider what part they could play in reducing the cost to the individual.

He also urged the government to seek new ways of financing the development of the emerging country and, in particular, appealed to contractors and others earning profits in Transkei to consider some form of deferring profits.

Mr. Motsuenyane, now chairman of Afribank and of NAFCOC, was the guiding influence behind the establishment of the bank.

Mr Sam Motsuenyane, chairman of Afribank.

In getting off the ground the bank was assisted by Nedbank, Barclays, Standard, Volkskas and Trust Bank, who provided R300 000 of the original R1 million share capital.

The five shareholder banks also agreed to assist with staff and training facilities for a limited period.

The bank now has three branches — at Umtata, Ga-Rankuwa in Bophuthatswana, and at Diepkloof in Soweto. All three brances are now managed by blacks.

— Business Editor

MUTUAL FUNDS FM 13/4/79 (58)

Leaving the peak

Is the tide about to turn for the mutual funds? Ever since the crash of 1969, unit repurchases have exceeded sales and the funds have suffered negative cash flows. This has happened even in bull markets and despite a relatively good investment performance.

Now the industrial indices are nearing their 1969 highs and the ESE mutual fund index at 215 is only 18% short of its all-time high of 261,4, the funds are hop-

TOP STOCKS

Major holdings as percentage of total fund

Fund	Anamint	De Beers	Barlows	Anglo	Ned-bank	SAB	% in Top Ten
UAL	7,2	4,5	6,1	5,5	4,[illegible]	4,0	49
Syfrets	4,9	5,3			3,8	2,0	37
Old Mutual	8,6	3,6	6,0	4,8	4,9	4,3	45
Sage		4,4	6,1	3,6	6,1	4,4	42
Guardbank	4,1	2,7	3,3	3,7	4,0	2,0	42
Sanlam Trust	4,1	[illegible],8	5,5	5,0	4,0	3,7	42
NGF	8,9	[illegible],5	11,3	6,6	[illegible],0	4,2	63
Sats	8,4	[illegible]	6,8	5,7		3,3	55
Trust		6,[illegible]	4,3	[illegible],8	[illegible]	3,0	[illegible]9
Santamgro		[illegible],3	5,2	[illegible],2	2,7	2,0	49
Standard	4,6	4,7	4,8	4,3		4,0	[illegible]
Average	4,6	5,1	[illegible],1	4,7	3,2	[illegible]	46

ing the stale bulls who have been selling into every market rise since 1969 have almost been cleared out. Once the previous all time high has been broken, the last stale bulls are expected to sell out in a rush. Thereafter the industry hopes for net investment inflow. In the quarter to end March, the outflow was R2m, well down on the R3m in the quarter to end December and R8m in the quarter before that.

The mutuals are currently riding the crest of the wave. Not only is the index near its high, the total value of funds' investments has topped R400m for the first time in five years. The 12 funds together are worth R423m — 10% more than at the end of the previous quarter.

As the *FM* pointed out last month, the funds have been one of the most lucrative long term savings media over the past five years. Regular investors committing fixed amounts monthly to unit trusts during the five years to end 1978 and reinvesting dividends earned an average annual compound return of 19,4% on their investments. The Association of Unit Trusts' income index has risen 10,6% on the year.

Another reason mutual funds may experience a net inflow at least in the near term is that individual investors are due back in the market now the bull cycle is more mature. The unit trusts offer the timid with longer memories a safer entry.

The funds are still apparently bullish with liquid asset balances down to 9,5% from 10,4% in the previous quarter. They are obliged to hold [illegible]% of their portfolios in liquid assets, but keep a margin above this to cope with repurchases.

While the table demonstrates that the funds do overlap in their bigger holdings, the portfolios are [illegible] divergent. But only Syfrets, with significant stakes in growth stocks such as Sappi, Fedmis, BTR Rooiberg, LTA and Trans Natal and Pick n Pay prefs. Santamgro, with 8% of its fund in Nampak and 5% in Pep, and Sage, with 11,7% of its fund on Wall Street, really break away from the pack.

The smallest fund, Santam, contains about 30 stocks, while the biggest, SA Mutual, has more than 50. About 40 different stocks occur in the top 10 holdings of the funds.

Unit trusts may not put more than 5% of their funds into any one stock *at the time of purchase*, but capital appreciation may result in holdings exceeding this.

THE SIZE AND LIQUIDITY STAKES

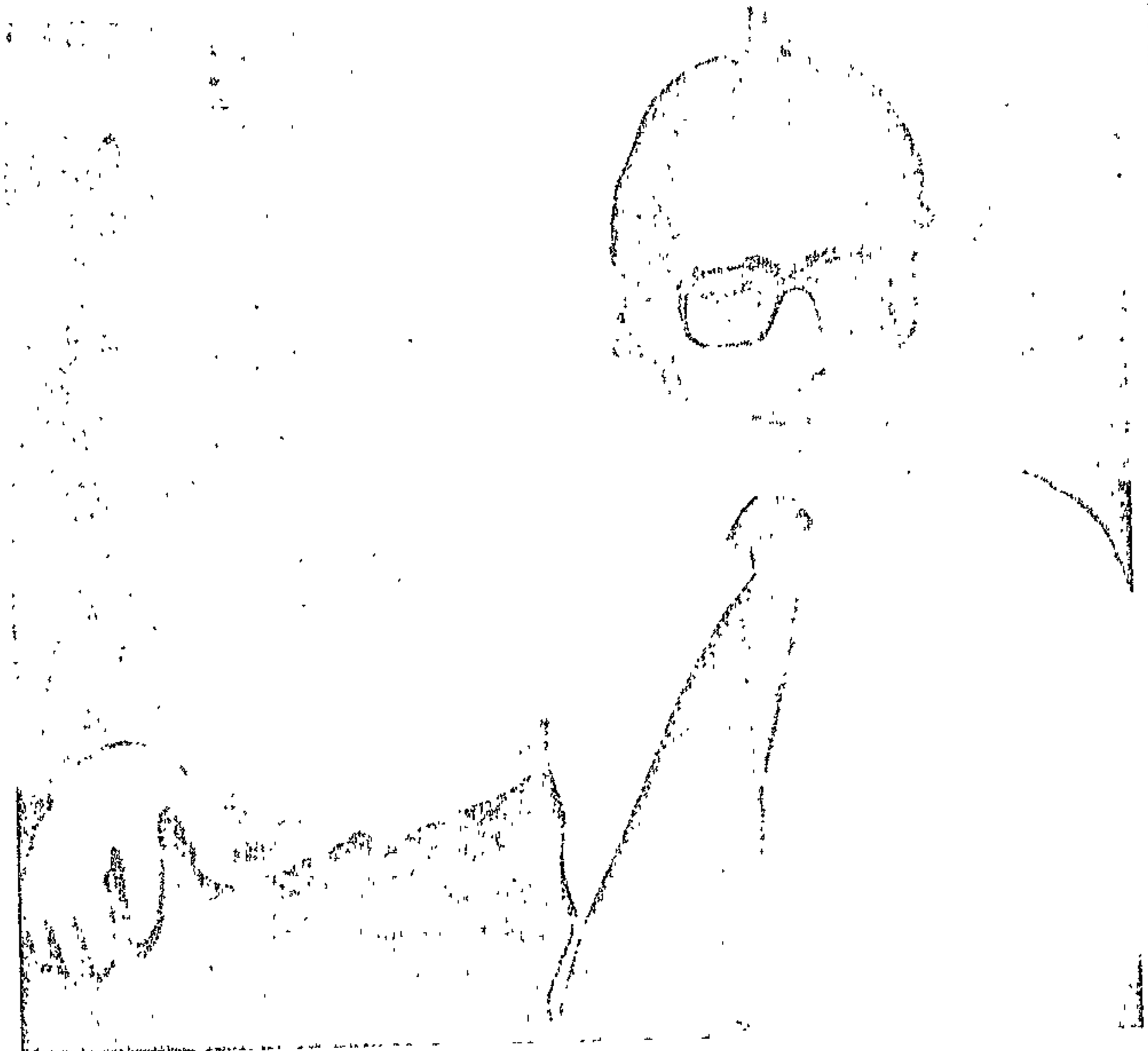
	Size of fund March 31 — Rm	Dec 31	% change	Liquid assets % March 31	Dec 31
UAL	40,3	36,1	11 6	7,0	11,0
Syfrets	12 7	11 5	10 4	9,5	10,0
Old Mutual	93,5	83 4	12 1	9,8	10,0
Sage	58,0	52,9	9,6	5,2	9,0
Guardbank	34,7	29,6	17 2	11,2	10,0
Santamtrust	33 7	29 9	12 7	11,0	9,0
NGF	79,3	74 9	5,9	11,0	12,0
Sats	24 5	22 3	9,8	9,0	10,0
Trust	27,2	25,7	5,8	13,0	15,0
Santamgro	5 0	4 9	2,0	13 0	26,0
Standard	11,5	9 8	17,0	8,9	18,9

NGF, which has been a relatively inactive trader, has 11,3% of its fund in Barlows, 8,9% in Anamint, and 8,5% in De Beers — good stocks it has just sat upon.

The table shows the unit trusts, like all other institutions, perhaps, are De Beers, Barlows and Anglo-sensitive. Other popular stocks not reflected in the table are Trans Natal, Sentrachem, and, particularly in the Sanlam funds, Fedmyn, Genmin, and Union Corporation. Holdings of AECI, Barclays, Stanbic, Rembrandt, Amcoal and Amic are surprisingly small but this probably reflects unavailability rather than distaste. "Incestuous" holdings still exist, with Guardbank still big in Liberty, Sage still in Sage Holdings and the Sanlam funds holding fairly large stakes in Fedmyn and Genmin.

Portfolio mixes did not change much during the quarter but are significantly different on the year, with gold holdings overall down to 4,6% (5,3%), mining finance up to 14,6% (12,5%), other mines up to 16,9% (13,5%) and industrials down to 51,3% (5[illegible],4%). Total equities now represent [illegible]% (87,4%) of the portfolio, and liquid assets [illegible]% (9,9%). These changes reflect price changes as well as buying and selling.

David Carte



Association president Bernard Nackan . . . expecting better times ahead

BLACK TOWNSHIPS

Would you invest?

Black urban areas offer today's biggest potential for property development, says Johannesburg CBD Association chairman Nigel Mandy, currently pushing for legal changes that will make investment in Soweto and similar areas possible.

Mandy, an executive director of Anglo American Property Services, sees no reason why institutions should not be prepared to finance shop and office development in black urban areas, or why blacks should reject it — provided the businesses themselves are owned and run by blacks.

He says: "White areas are overbuilt. I know of white properties designed to yield 10% that are hardly making 2%. Institutions should invest in black areas, because that is where there are gaps to fill."

Mandy accepts that the legal restrictions to growth in Soweto are still in a state of flux, and that the 99 year lease scheme does not seem to allow for business stands bigger than residential stands, but he argues for commercial growth in Soweto — particularly about sources of finance.

He says: "Blacks save with building societies and they buy life assurance: they are entitled to borrow from these institutions. But they must be free to reject white participation in the businesses and free to hire white expertise."

He feels that, overall, investment in black shopping centres — which can be designed to include the police station, medical offices, post office and other facilities — could be attractive.

How much weight these arguments will carry with the institutions remains to be seen. Poor yields on properties in white areas might not be reason enough to risk capital on properties in black areas.

And there are risks. Aside from civil disturbance and rioting against it, investors who build for black tenants will want some assurance of rents — apart from the availability of replacement tenants.

Regular rent will depend very largely on the success of the tenant's business, and while blacks can be protected against white competition they can hardly be protected against the black housewife exercising her right to shop where she chooses — and where it is cheapest.

FOREIGN RESERVES

Agreeing to differ

FM 13/4/79

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The Reserve Bank's gold and foreign exchange reserves dipped R44,7m in March to R2 412,8m, after rising nearly R258m in February. The drop was due to a R49m fall in the gold content. Foreign exchange holdings rose slightly by R4,3m compared to increases of R44,6m in January and R207m in February.

Why was the March rise so small? The Reserve Bank suspects that February's leap was due to the commercial banks unloading some of their forex holdings on to Church Square, to avoid losses resulting from the appreciation of the rand. February's climb is thus seen as an isolated occurrence and not the forerunner of a surge in the reserves following the De Kock commission's recommendations.

Nevertheless, the widening of the forward exchange margin over the past two months to 2,5% has apparently slowed the switching from foreign to local trade finance. Though the drain on the capital account has been staunched, there have been few signs of a net inflow. "One does not get an inflow of capital by merely changing the exchange rate policy," notes one government official.

Imports from the UK down

Sid Sharp, Barclays' deputy foreign exchange economist, insists, however, that the banks did not have enough foreign reserves to effect such a sharp increase in the Reserve Bank's holdings in February. Rather, he argues, the cut in imports from the UK, following the strikes there, and lower oil imports, significantly (but temporarily) reduced SA's foreign payments.

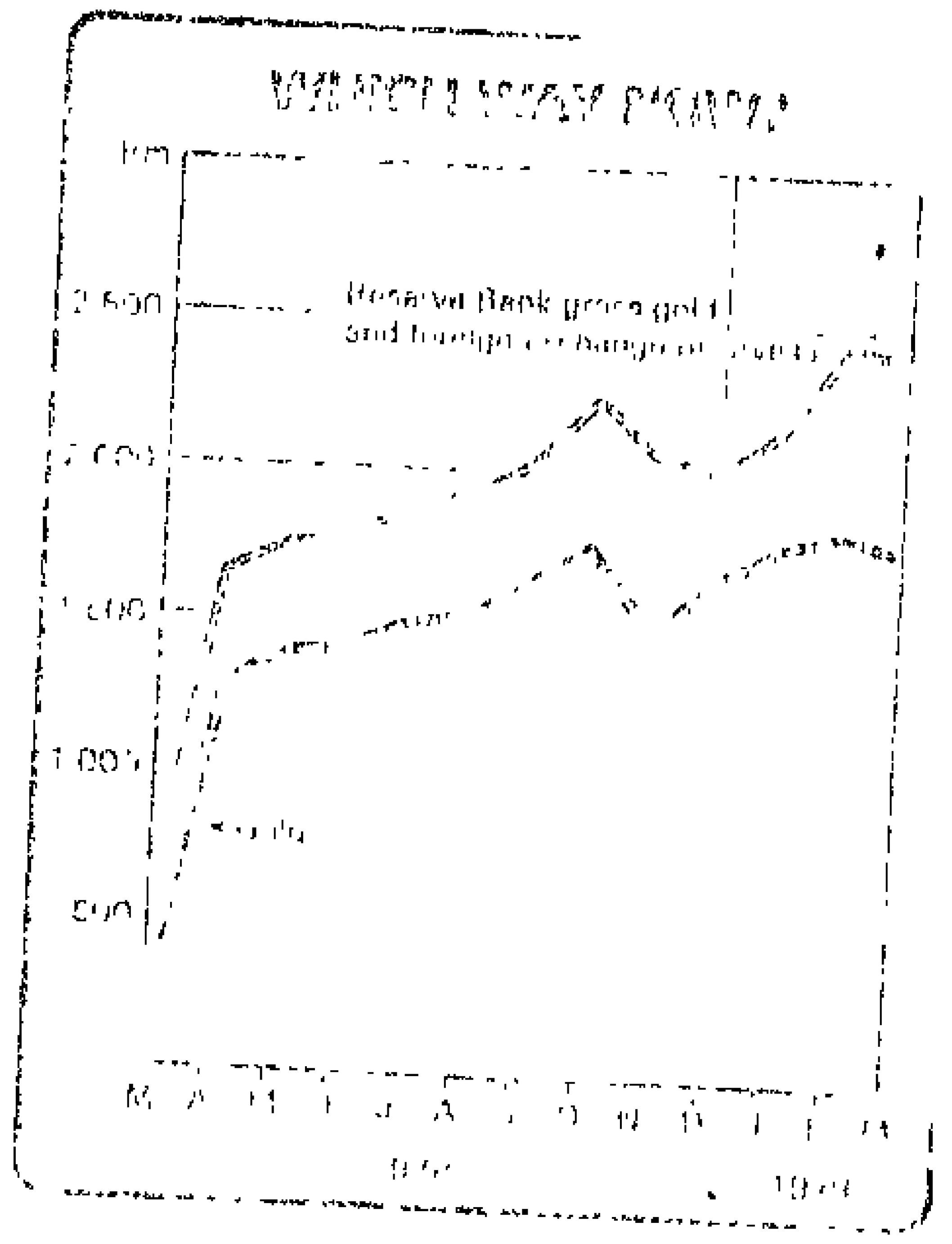
Some economists are predicting a net capital inflow by the end of this year, and Nedbank's Merton Dagut estimates that the net reserves could rise by up to R1 500m this year (R479m in 1978).

Among the reasons for the expected improvement:

- A continuing surplus on the current account;
- A net inflow of capital resulting from more short-term credit to finance higher imports;
- An inflow of investment capital for public sector projects such as Sasol and, as the economy gets going, more private sector borrowing to fund expansions; and
- Most of SA's past borrowings to support balance of payments problems have been repaid.

Johan Cloete, Barclays' chief economist, expects a much smaller rise of R500m in the net reserves. He predicts a small capital inflow. Cloete estimates that a rise of this order in the reserves could help push up the money supply by 15% this year, high enough to push the inflation rate up to 12%.

Cloete reckons the Reserve Bank



might get cold feet if this happens and start selling securities to mop up some of the liquidity in the economy. But such action might not be conducive to the 4% growth looked for by Finance Minister Owen Horwood.

Senbank's Rudolf Gouws says it is "very difficult" to speculate whether there will be a net capital inflow this year. Militating against a positive capital account balance is the repayment of public sector foreign loans and adverse political development.

Others are adamant that a net inflow of foreign capital will not materialise this year. One foreign exchange expert insists that, with European interest rates still high, the high liquidity of SA companies, and large chunks of unused production capacity, a net inflow cannot be expected in 1979.

UNIDEV FM 13/4/79 (53)

Insurance magnet

Unisec has been a centre of attraction lately. First there was an abortive approach from Legal & General to effect a Liberty-Fugit replay. Now comes news of an unsuccessful bid from a large, local insurance group for its property investment subsidiary, Unidev.

The question now being asked is whether Unisec is slowly adopting a new philosophy. The recent past has been characterised by the sale of operating subsidiaries and a build-up of a R36m listed portfolio. The aim then was "quality earnings".

Now with share prices high and operating subsidiaries cheap, some feel that Unisec may be about to reverse the process. In this context, Unidev is not considered as an operating entity but merely as a vehicle for property investment.

Eric Tenderini . . . doing a balancing act

While a company spokesman says that Unisec was simply hearing the bid through, and the suspension was to avoid any one getting hurt, the bid was seriously considered and fell apart due to failure to agree on some unspecified aspects.

Eric Tenderini is one of the key figures in Unisec. He has always had a penchant for property which stems from the days when he worked for L K Jacobs. He has always looked at real estate as an excellent hedge against inflation. So, given Unisec's property expertise, it is not surprising that it should seek full value for its major subsidiary.

Consolidation phase

The consolidation of the 51,6% interest in Unidev for the first time last year brought Unisec's involvement in property to R20,9m, which represents 25,7% of group assets and generated 24% of income.

Unidev itself has just undergone a year of consolidation and is now mainly a property investor with the exception of a Durban-based contracting subsidiary. As such, it is "clean" and imminently suitable for an institution. The portfolio is "virtually" fully let, and generated last year a gross rental income of R12,4m with more slated this year.

Another attractive aspect is its lack of gearing. Total borrowing powers are R60m, of which only R38m (R41,9m) was utilised at the year-end. Also, the group owns R29,6m in properties which are mortgage-free.

Unisec consolidates Unidev at its attributable book value, which is above the market price of 110c. Unidev's asset value, however, is stated at 172c, but is probably much higher considering realisable value.

With a value of some R38,6m, any deal struck for Unisec's 51,6% holding at near asset value implies a purchase price of some R20m. With their preferential tax rate, a portfolio like Unidev's must be very attractive for an insurance company. The problem is that, basically, Unidev is not for sale; and there are differing attitudes among Unisec's major shareholders to contend with. But, being a public company, and feeling that it has an obligation towards shareholders, it has to look at every serious approach on the offchance that it can get fair value in the eyes of shareholders like Norman Bank and Colin Mason.

John White

SALLIES

Golden dumps revisited

Has Sallies been holding back on details of its dump retreatment activities? In the past year, Sallies shares have undergone a re-rating from 65c to 170c. It is a rise which is scarcely merited by the current drilling programme or dump retreatment on disclosed life expectations. It appears, however, that part of the reason for the rise could be due to profit sharing schemes with outside contractors, which have resulted in substantially improved profitability and prospects.

Sallies has apparently entered into contracts with the owners of dumps in the neighbourhood. The dump owners are responsible for getting the material to Sallies' plant. One contractor reckons that on presently available dumps, Sallies has enough material to sustain operations for about seven years. This compares with the, at least, one or two years mentioned in chairman Nicholas Oppenheimer's statement last month. Currently recovery grades probably average around 2,2 g/t.

The basis of the scheme, apparently, is that the contractors take 55% and Sallies 45% of profits after all costs have been deducted. Costs are calculated at 45c/t for loading, 7,5c/t per km for transport and R3/t for treatment.

At a bullion price of $240 the mine could expect to receive 45% of R9,70 pre tax. Given a sustained monthly mill throughput of 105 000 t its total revenue should be around R5,7m pre tax, equivalent to about 40c per share after tax. This could be distributed fully as the company's cash balances do not warrant further retentions at present. However, if borehole SRK 1 on Rooikraal farm discloses payable reef, retentions could become the order of the day, with further drilling authorised.

Asset value

The latest balance sheet shows that the mine has net current assets of about 86c per share and plant worth about 30c per share. On break up, shareholders would probably get something less than 120c.

Some of the dumps contain uranium which Sallies cannot recover. But there is probably no reason why they should not eventually be treated at neighbouring Ergo. One of the major contractors supplying about half of Sallies mill throughput is Johannesburg Mineral Company, a privately owned company with dumps all over the East and West Rand. JMC's operations are now apparently reaching such proportions that the company is thinking of seeking JSE listing in about a year. If the details I have, which I have been unable to confirm with the house, are correct, Sallies at 172c seems underpriced. On my earning figures, the share yields 23,3% to a local investor and 35% to an overseas investor coming in through the FR.

[illegible]

(210) FM 13/4/79

UNION CORPORATION

Gearing for Beisa

Activities: *Mining finance house controlled by General Mining. Main mining interests are in the Evander and OFS gold fields and Impala Platinum. Industrial interests include Sappi, Kohler, Darling & Hodgson and Unicorn Lines. Holds 48% of UCI.*

Chairman: *and managing director: E Pavitt.*

Capital structure: *61,4m ordinaries of 6,25c. Market capitalisation: R433m.*

Financial: *Year to December 31 1978. Borrowings: long and medium term, R161,9m. Net cash: R147,3m. Debt: equity ratio: 28,3%. Current ratio: 1,5. Group cash flow: R111,2. Capital commitments: R215,3m.*

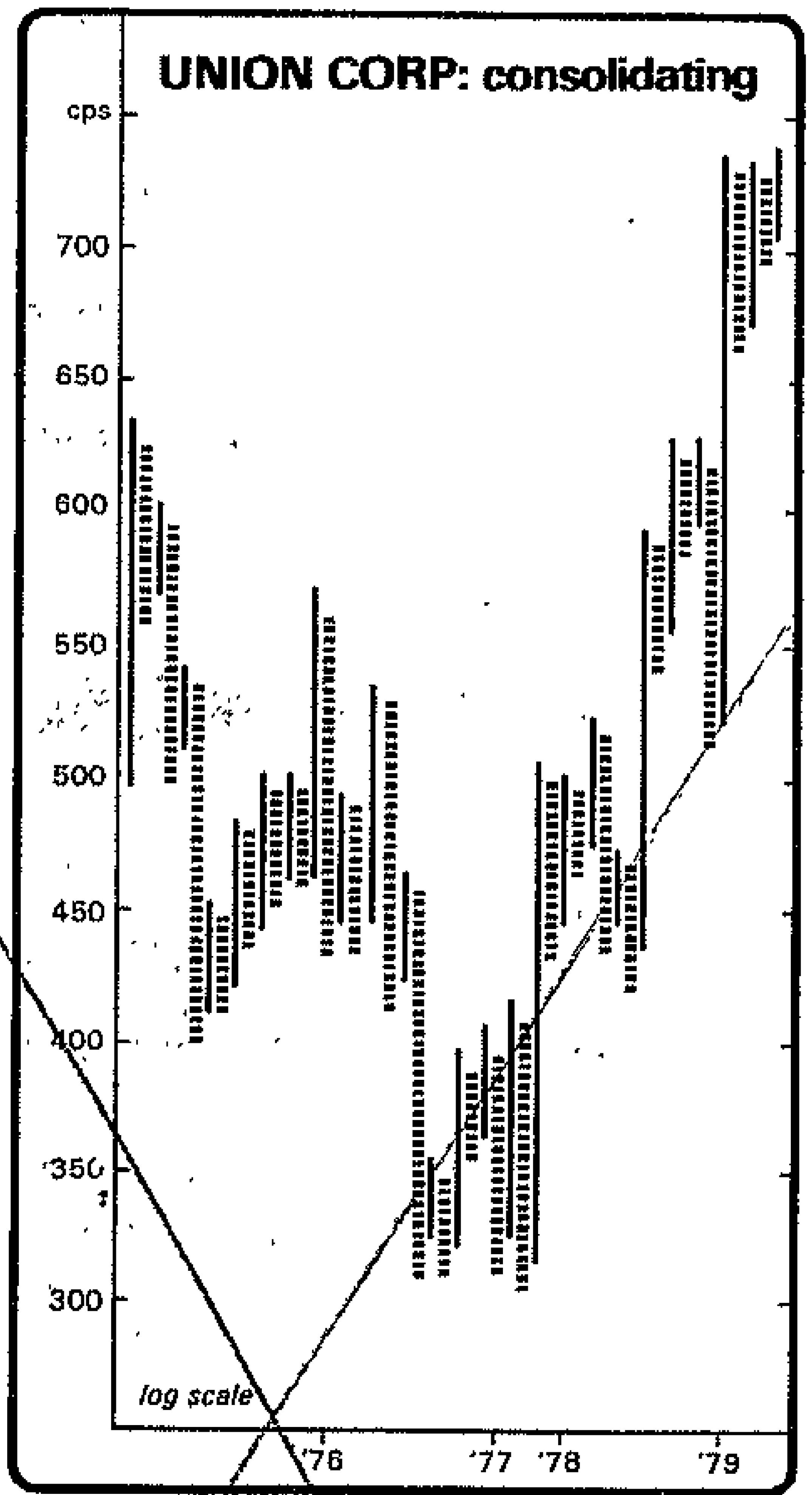
Share market: *Price: 705c (1978-79: high, 735c; low, 430c; trading volume last quarter, 436 000 shares). Yields: 12,3% on earnings: 6,7% on dividend. Cover: 1,9 PE ratio: 8,1.*

	'75	'76	'77	'78
Investments:				
Book value (Rm) ...	148,2	107,3	113,2	127,4
Market value (Rm)	401,0	308,7	354,7	432,0
Net profit (Rm)	28,7	33,3	37,7	62,5
Earnings (c)	49	55	62	87
Dividends (c)	42	36	38	47
Net asset value (c) .	720	679	781	944

Excluding profits on realisation of investment, consolidated earnings advanced 43,8% to R50,9m (R35,4m). But though total dividend distributions only rose by 24% to R28,8m, it is the underlying companies rather than the holding company which are holding back on distributions.

Again excluding realisation profits and provisions against investments, the top company's net income increased to R41,7m (R33,3m), meaning that the dividend was covered an almost unchanged 1,45 times.

Some analysts have made the criticism that last year's intentions of R13,2m (R9,7m) shown in the top company's income statement are probably low with R200m capex earmarked for Beisa over



the next three years. However, Union Corp has never been frightened of gearing mining operations where necessary. The relatively high gearing of Unisel bears witness to that.

Financing Beisa should present few problems. Last year Union Corp raised an additional R20,7m itself in unsecured debentures which, with further retentions, should more than adequately fund the company's participation in the new mining venture. Meantime, consumer loans, a public share issue and participation by UCI should see the project through to completion by 1982.

Beisa will probably not start dividend payments until the mid-Eighties. So as the commitment increases, apparent return on capital employed by the top company could show little improvement for some years. It will be helped by a start of dividends from Unisel within the next few years, but Richards Bay Minerals is nowhere near the dividend paying stage and it is probably too optimistic to expect any contribution to Union Corp's cash flow for at least five years.

On the other hand, it is difficult to foresee any deterioration in dividend income from the company's other major investments. Impala will probably be relatively cautious in its distribution policy in anticipation of capex on its new generation of shafts within a few years.

All the industrial companies are forecasting improved performances this year, while 29,6%-owned UK property group Capital & Counties has virtually eliminated its short-term borrowings and forecasts higher dividends this year.

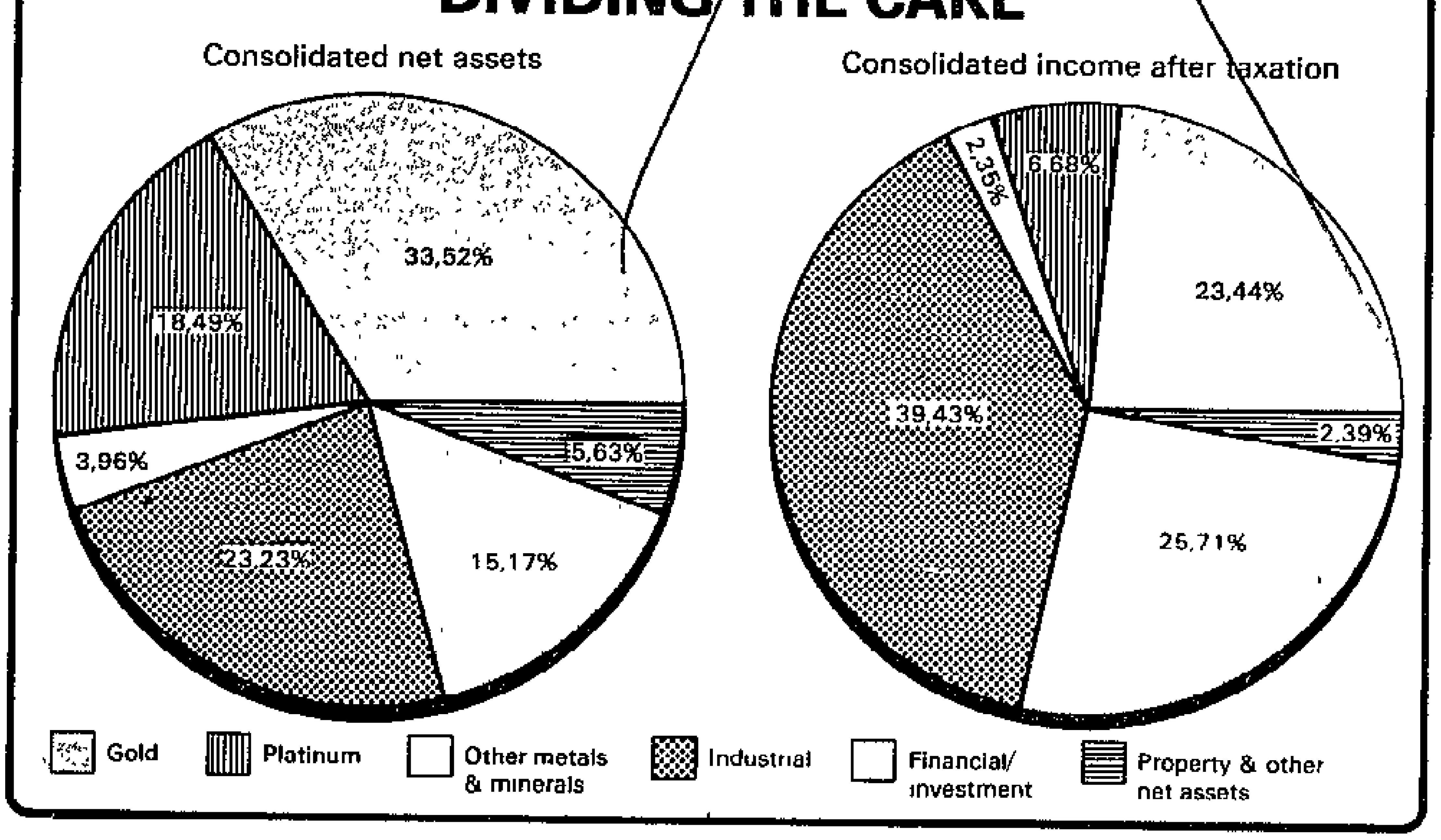
Portfolio changes were relatively minor with the major disposal the more or less forced sale of the entire 30,5% stake in the Mexican mining company Minera Frisco. Elsewhere the entire holdings in Highveld (668 000 shares) and Total SA (1,07m shares) were removed from the portfolio.

Perhaps a comment on prospects, the only holding in administered gold mines to be reduced was that in Bracken. The holdings in Kinross, Winkelhaak and Leslie were increased.

On the strength of the improved dividend the shares have advanced relatively strongly. Though management is not averse to cutting distributions as and when necessary (most investors will remember 1976), there seems little risk that there will be any reduction from current levels. On the other hand, it is difficult to foresee a dividend increase this year repeating last year's and the share simply merits a hold recommendation.

Jim Jones

DIVIDING THE CAKE



FM 13/4/79 (86)

CADBURY SCHWEPPES

Wholesome package

Activities: *Manufactures chocolate, sugar confectionery and various foods. Has a 9,4% interest in Amalgamated Beverage Industries, which comprises the merged bottling and canning assets of*

(30) FM 13/4/79

STANBIC

Retaining for growth

Activities: *Major banking group. Subsidiaries are Standard Bank, Stannic, Standard Merchant, Stanbond and Stancor. Standard Chartered owns 59,5% of the ordinary shares.*

Chairman: *Ian Mackenzie; managing director: H P de Villiers.*

Capital structure: *59,7m ordinaries of R1; 8m 6,5% first cum prefs of R1. Market capitalisation: R358,3m.*

Financial: *Nine months to December 31 1978. Shareholders' funds R242,6m. Net cash flow: R24,1m. Capital commitments: R16m.*

Share market: *Price: 600c (1978-79: trading volume last quarter 190 000 shares). Yields: 11,4%* on earnings: 5,3%* on dividend. Cover: 2,1. PE ratio: 8,8*.*

*Annualised.

	*'75	*'76	*'77	†'78
Deposits (Rm)	2 709	2 898	3 311	3 975
Advances (Rm)	1 789	1 942	2 265	2 709
Guarants & Acceptances (Rm)	1 016	1 053	1 088	1 136
Shareholders' funds (Rm)	166	184	201	243
Earnings (c)	56	41	59	51
Dividends (c)	22,5	22,5	28	24
Net asset value (c)	344	351	371	416

*12 months to March 31
†9 months to December 31.

Though results for the nine months to end-December cannot be annualised precisely, there is little doubt that Stanbic bettered its target 16% return on shareholders' funds set out in the previous balance sheet. The 12,3% return achieved for the nine months accounting period annualises to a comfortable 16,3%, marginally ahead of the target set three years ago.

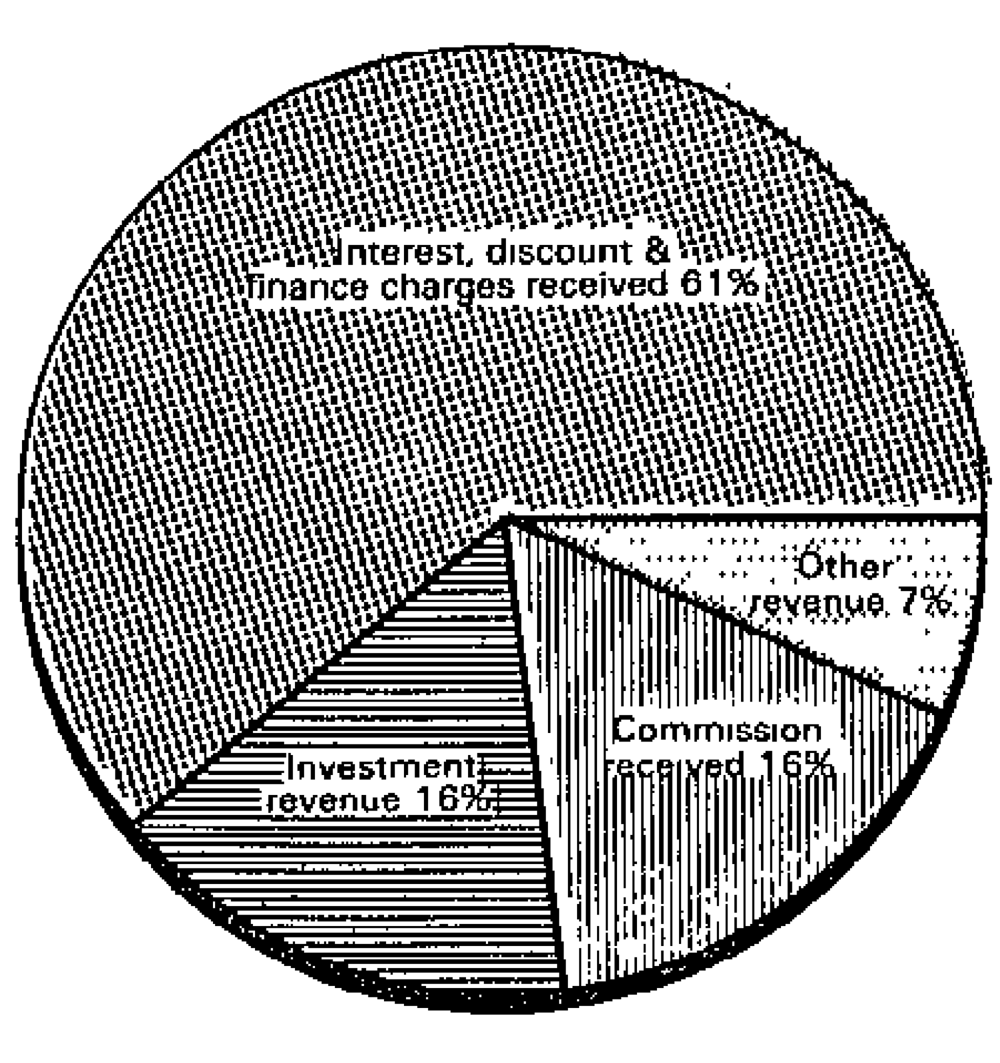
In his statement, chairman Ian Mackenzie is cautious on prospects for the current year. He sees events such as the oil crisis and narrowing forex profit margins as making attainment of the 16% target return that much more difficult. Not that this caution is anything to worry about, Stanbic prefers to await publication of its interm results in August before publishing its targets for the year. By that stage the ramifications of the De Kock Commission's report will be clearer, as will trends in the economy following the stimulatory Budget.

Growth this year will probably not be spread across the group's entire range of activities. On a percentage basis, best performer was the merchant banking arm. Its R2,33m (R2,05m) taxed profit was a 51,6% improvement on an annualised basis. Much here depends on stock market activity this year, but it is almost imposible to see any slow down at least for the remainder of the year.

Stannic increased its penetration of the hire purchase and leasing markets, though not without some cost. The division's major boost came from increased consumer spending, especially in the period preceding the introduction of gst. Corporate and farming sector demands continued at a low ebb.

However, bottom line improvement was marred by higher bad debt provisions. From an operating profit of R7,7m (R8,5m), a bad debt provision of R2,76m (R1,75m) was made. It meant that on an annualised basis taxed profit advanced by only 8,3% before transfers from distributable reserves. In line with the group's tighter credit risk analysis, and as the anticipated economic growth leads to less bad debts, this cost factor should become less important.

THE INCOME BREAKDOWN



At the same time following the Budget's aim of stimulating growth through increased consumer spending, additional opportunities for writing hire purchase business should arise. Much more important will be the performance of Standard Bank, which weighed in with 61% of group net income.

Standard has been hard up against its credit ceiling for most of the period under review and is still there. Money supply growth exceeded expectations in the period meaning that credit ceilings prevented the bank lending on all the surplus funds created and meaning that increasing emphasis had to be placed in investing funds in short-dated investments at lower than otherwise returns.

The situation probably still persists and there is no way that funds could be shifted from Standard to, say, Stannic for lending on hire purchase contracts at higher interest rates. Standard led the way recently in cutting overdraft rates but it will take some months before the spread between the cost of funds and lending rates widens to previous levels.

It probably means that at least for the first half of the current year Standard will have to run harder to maintain the last period's earnings growth rate, especially with the squeeze on forex margins.

Meantime, as things are at present, the developing economic upturn is still too young for any meaningful near-term increase in demand for the commercial bank's facilities. Now wholly-owned Stancor (previously UDC Bank) contributed R2m to after-tax profits and an annualised 23% return on cost of investment.

There has been some criticism that Stanbic was in a relatively tight position as far as surplus capital for expansion is concerned. It is not a criticism which is accepted by management. The top company had available R19,1m at end-December compared with R10m at the end of the previous accounting period.

Whether further rights issues are on the way remains to be seen, but stock market conditions are most favourable. On the other hand, distribution policy is being tightened up. In the last period, dividends were covered a relatively lowly 2,1 times. Over the next five or six years it is management's intention to increase cover to about three times. Management's view is that shareholders would prefer to see faster earnings growth than would be possible with a lower dividend cover.

Though there is some caution on performance this year, growth should accelerate in the second half especially as the Budget's economic boost works through. So there should be no great difficulty in achieving a 16% return on shareholders' funds. That points to potential earnings approaching 80c per share and a prospective 35c dividend as cover increases. At 600c on a prospective 5,8% yield the share is not for near-term income seekers.

For investors prepared to take a five-year view of prospects the share represents good value though there might be better buying opportunities especially if first-half performance is below expectations.

Jim Jones

levels. A reversal of the current pessimism could mean that current short positions may result in a severe shortage of scrip as investors scramble to cover their positions.

In platinums, all the shares traded up ahead of Rustenburg's interim results which are due to be published on Thursday. Brokers and analysts are generally expecting them to be much better than generally expected. One broker says he calculates Rustenburg's interim earnings to be over 40c and the dividend to be 15c. Another bull point for the shares is that the US is still in the market partly in anticipation of a near-term producer price hike to $350 from the current $325.

The recent friendly attitude of the UK Tory party towards SA, expressed by the shadow foreign secretary, together with a further increase in the FR rate to 79,5c at one stage on Tuesday, led to conflicting trading patterns. After a week of low volumes, weakening mining and improving industrial shares, the higher FR depressed share prices, while potential buyers were left unsatisfied by a shortage of scrip, as London selling dried up.

Although bullion still hovers above the strong $239 support, it has eased downwards through a short-term trendline. The *RDM* gold index continues to weaken in its bull trend, and will reverse into an intermediate or even a bear trend unless an overall improvement takes place shortly. Randfontein, often considered a reliable barometer, has already slumped into a bear trend. Confirmed short-term sell signals have been given by Stilfontein and Vaal Reef, but Sallies, bucking the trend, is indicating that the share can be bought as a short-term spec.

A 13% drop in Broadacres and a 12% drop in Theron have alarmed short-term speculators and prompted many to liquidate investments. Lagging a week behind De Beers, Anamint has given a short-term selling indication. While mining houses are beginning to echo the trend of producers, mining holdings have been affected to a lesser extent.

A completely different story is being told by industrial shares. The *RDM* 100 continues moving ahead and is now above its four-year high, and volumes have remained healthy. In insurance, Nedequity moved the most with a 10% rise in price. Property shares are uncertain of which trend to adopt. Amaprop rose by 13% but Rand Mines Props fell 11%. Furniture shares moved sharply better with Empisal 23% up and Prescat 21% higher.

Strong demand for stores continues.

Peter Pittendrigh

salisbury

	Price Apr 11 1978 cents	Price Apr 3 1979 cents	Price Apr 10 1979 cents	Yield %
Industrials.				
Afri Dist	295	412	410	5,1
Art Print	93	108	110	6,4
Bat.	180	205	205	5,4
Cairns	128	117	120	6,7
Capri	70	40	40	—
Caps	178	120	115	5,6
C&I Hold	18	†-	7	—
Clan Hold	61	55	60	8,8
Delta Corp	340	395	395	5,3
Edgars	100	155	158	7,6
Gat Tex	130	95	95	8,4
Gulliver	53	40	48	7,8
Hipaper*	29	95	95	8,4
Hippo Vall	52	42	48	—
Maceys	22	15	15	—
Mash Hold	28	35	38	9,2
Merlin	33	40	42	8,3
More Wear	26	42	45	—
M&R Rho	58	42	52	—
Nat Food	60	90	92	5,4
P and C	145	135	155	3,9
Plate Glass	135	150	150	6,0
Radar	42	40	40	5,0
Rho Abercom	90	110	112	8,9
Rho Accept	255	290	290	4,8
Rho Bank	335	420	425	4,9
Rho Cables	295	410	420	6,2
Rho Cem*	49	65	62	6,5
Rho Print	215	240	220	6,8
Rho Sugar	66	65	68	5,9
Rho Treads	55	40	40	8,7
Rothmans	155	155	155	5,2
Salis Cem	78	85	90	—
TA Hold	133	120	125	8,8
Tanganda	145	140	130	13,1
Tedco	13	20	22	—
TS	195	325	325	6,2
Whitehead	62	87	92	6,5
Mining and Finance:				
Cor Synd	185	290	300	10,0
Empress	105	127	135	5,9
Falcon	530	700	690	11,6
MTD (Mang)*	138	240	245	12,2
Rho Nickel	56	65	70	4,3
Rio Tinto	78	150	146	5,5
Shangani	30	40	40	—
Wankie*	111	135	133	6,8

*Locally registered with foreign listing

foreign bourses

Amsterdam	Apr 10 1978	Apr 2 1979	Apr 6 1979	Yield %
KLM	129	102	106	2,9
Philips	26	24	24	7,0
Robeco	161	160	162	8,2
Royal Dutch	127	138	139	7,8
Unilever	120	128	130	6,6
Industrial index	78	78	78	—

Little change in moderate turnover

Frankfurt	Apr 10 1978	Apr 2 1979	Apr 6 1979	Yield %
BASF	139	137	137	6,8
Daimler	304	295	298	4,7
Deutsche Bank	310	271	278	5,1
Siemens	284	253	255	4,9
Thyssen-Hütte	128	105	106	5,8
Commerzbank index	802	787	786	—

Remained firm but rather quiet.

London	Apr 10 1978	Apr 2 1979	Apr 6 1979	Yield %
BP	760	1 184	1 190	3,1
Barclays	342	466	465	4,3
ICI	353	400	392	7,0
GKN	279	265	279	9,7
GEC	244	412	403	1,5
Johnson Matthey	415	230	230	5,7
Marks & Spen	147	112	114	2,8
Reed	116	186	184	6,5
Rio Tinto	192	302	298	4,8
Rothmans	49	67	66	4,7
Stancha	410	483	480	6,1
Unilever	512	650	628	3,4
War Loan 3½	36	35	35	10,0
FT index	470	525	531	—

New York	Apr 10 1978	Apr 2 1979	Apr 6 1979	Yield %
Amax	34	53	54	5,0
Amer T&T	62	61	62	8,1
ASA	21	25	25	4,0
Bank of America	23	25	26	4,2
Chase	29	31	32	7,5
Engelhard	24	38	38	3,7
Exxon	46	52	54	6,7
Firestone	14	13	13	8,5
Ford	46	44	44	8,2
Gen Electric	47	47	48	5,4
Gen Foods	28	32	33	5,5
Gen Motors	62	57	58	10,3
Homestake	33	33	33	3,3
IBM	241	314	319	4,3
Inter Nickel	16	20	20	2,0
ITI	29	29	29	7,6
John Deere	26	34	36	4,2
Newmont	18	27	26	3,1
Phelps Dodge	23	29	27	2,2
US Steel	26	24	25	6,4
DJ index	770	868	874	—

Paris	Apr 10 1978	Apr 2 1979	Apr 6 1979	Yield %
Imetal	59	57	67	8,5
Paribas	187	220	227	4,5
Pechiney	84	77	82	9,1
Saint Gobain	147	138	141	10,3
Usinor	23	12	12	—
Paris Bourse index	64	—	76	—

Index went ahead in lively dealings.

Sydney	Apr 10 1978	Apr 2 1979	Apr 6 1979	Yield %
Broken Hill	6,12	11,75	11,60	2,8
CRA	2,07	3,48	3,60	2,8
Myer Emporium	1,67	1,77	1,88	6,3
Pancontinental	10,70	10,00	10,70	—
Western Mining	1,19	2,30	2,35	1,1
All Ordinary index	459	587	582	—

Lower bias in restrained markets

Tokyo	Apr 10 1978	Apr 2 1979	Apr 6 1979	Yield %
Fuji	556	640	647	1,1
Mitsub	141	132	135	4,4
Nissan	803	663	662	1,2
Sony	1 800	1 780	1 930	1,0
Toyota	910	820	830	1,2
New Stock Exchange index	409	446	442	—

Narrowly mixed in brisk trading.

Zurich	Apr 10 1978	Apr 2 1979	Apr 6 1979	Yield %
Boveri	1 610	1 855	1 870	2,7
Ciba Geigy	1 185	1 255	1 280	1,8
Credit Suisse	2 185	2 350	2 285	3,5
Swissair Bearer.	816	843	839	4,2
Swiss Bank	360	393	388	2,6
Union Bank	3 025	3 340	3 325	3,0
Swiss Bank Corp index	296	316	319	—

Generally firm and more active.

WALL STREET

Three miles

After climbing onward and upwards for five consecutive weeks, and establishing a new high for the year in the process, the Dow Jones industrial average has started to show just the slightest signs of faltering. This may, of course, be no more than the technical adjustments for which all markets are famous, but there are some good reasons why investors may conduct a review of their portfolios over the next few weeks.

The pressures all cluster around the fact of continuing high inflation and the much greater than expected strength of the US economy. Estimates for the first quarter's advance in gross national product range from the government's 2%-2,5% to the 3,5% of some private economists, but there are several indications that the economy bounced into the second quarter from an extremely high level of activity in March.

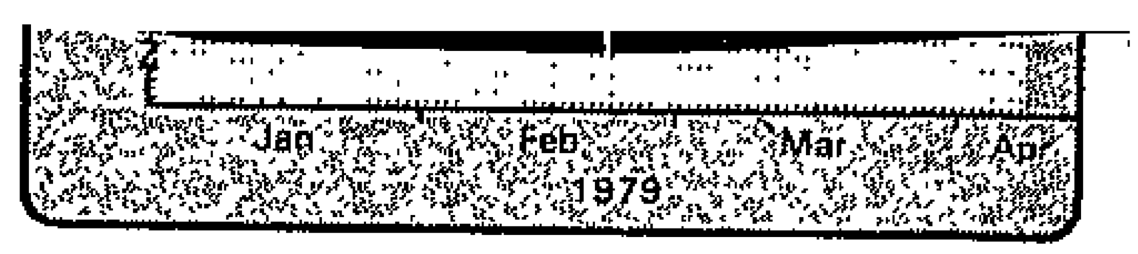
Unemployment in that month remained stable at the 5,7% recorded in February, which meant that a significant number of new jobs had been created to absorb additions to the labour force. At the same time new car sales, one of the prime indicators of consumer purchasing strength, ran at an annual rate of more than 12m units, the highest since last August, while a survey by the National Association of Purchasing Management concluded that in March new order, production and inventories "all point to robust business activity."

This is not quite what the Carter administration had hoped to see. At least not at the same time as high-running inflation. The "soft landing scenario" so earnestly desired in Washington was supposed to feature a gradual slowdown from last year's 7,1% GNP fourth quarter growth which would bring with it a lessening in inflationary pressures. But the producer price index for the first quarter ran at a 14,1% annual rate of increase and while the GNP growth rate is clearly down, it may merely be following the same pattern as last year and preparing for a big rebound in the second quarter.

Against this background, the markets are reading an increasing number of

DOW CLOSING

Tuesday	868,33	up	13,08
Wednesday	869,80	up	1,47
Thursday	877,60	up	7,80
Friday	875,69	down	1,91
Monday	873,70	down	1,99



sident's wage restraint policy bring with it an economic slowdown because of its impact on the steel and motor industries.

Stable, but historically high interest rates, coupled with a resurgent dollar have been a major factor in the market's strength in the past few weeks. The fortified dollar has undoubtedly brought a renewal of foreign investment in US equities, and with this underpinning the market some institutions have been cautiously committing a portion of their extremely large cash positions.

As a result, the market has done a remarkable job in shrugging off bad news. The Three Mile Island nuclear accident caused barely a waver, although it has brought daily punishment to the owner of the Pennsylvania facility, General Public Utilities. Topping the volume list for five consecutive sessions, the company's share price fell from 16 before the accident to less than 13.

Also leading to the most active lists were the nuclear plant manufacturers whose prospects may be so much bleaker as a result of Three Mile Island. J Ray McDermott, whose subsidiary Babcock & Wilcox was the plant's contractor, has touched a new low for the year while

CAPITAL MARKET

FM 13/4/79

58

Jo'burg on tender

Johannesburg last week took the unprecedented step of calling for tenders for its R25m loan issue from two consortia of merchant banks — Senbank/UAL and Standard/Volkskas. The Senbank/UAL team won since it offered to underwrite the issue at a lower rate than Standard/Volkskas.

However, capital market watchers reckon the Senbank/UAL rate is "very close" to Escom's long-term rate of 9,24%. So while Johannesburg is now guaranteed its full R25m, Senbank/UAL may have an uphill battle persuading investors to support the long-term portion of the loan, particularly if the rate is pitched even slightly below Escom's. This could mean they will be left with big chunks of stock on their books.

The *FM* learns that Johannesburg called for tenders as a result of pressure from one or two city councillors, and merchant banks which have not handled its business in the past. Previously, Senbank and UAL have been appointed to handle the city's public loans. But, as Senbank's Louis Kruger explains: "This is a one-off tender and there is every likelihood Johannesburg will simply appoint a merchant bank in future."

Meanwhile, Escom's R75m issue (in seven and 25 year trenches) has attracted some R90m in underwriting, of which R49m is indicated for the long-term issue Kruger reckons this shows a "decided swing away from investors' earlier preference for shorter dated stocks."

Large debenture issues recently completed include Samancor's R20m issue (placed by Standard Merchant) at an all-in rate of 10,81% for the 14,5 year loan and 9,95% for the seven-year one. Applications were received for well over R20m and were evenly distributed between the long and short tranches. UAL has recently raised R5m for Blue Circle at 10,81% all-in, while Volkskas Merchant has raised R3m for W&A Investment Corp (previously Weil & Ascheim). Among the private sector issues expected soon is a R3m debenure for Beares to be handled by Senbank. According to investors this is the second time in only eight weeks that Beares has approached the market —the first issue (at around 10,8%) was apparently postponed.

you hear —

Nog geen einde aan VAB se vaart

Rapport (58) 15/4/79

Deur DAVID MEADES

'n VERHOGING van byna 67 persent in sy wins ná alle voorsienings, 'n verdubbeling van sy dividend en 'n toename 133 persent in sy totale bates, is die hoogtepunte van 'n skitterende jaar vir Volkskas-Aksepbank (VAB).

Hierdie telg van Volkskas is baie duidelik besig om in geen onsekere wyse nie sy merk op die aksepbankwese in die Goudstad te maak. In die jaar tot 31 Maart het sy wins ná belasting en oorplasing na die gebeurlikheidsreserwe van R450 000 tot R750 000 gestyg.

Die dividend is van R200 000 tot R400 000 verdubbel en die bates het van R45,8 miljoen tot R106,7 miljoen toegeneem — 'n ongeëwenaarde prestasie vir enige nuwe aksepbank ná net twee jaar, al het hy 'n sterk moeder in Pretoria.

Omdat VAB nog aan die bou aan reserwes is, kan aangeneem word dat 'n hoogs konserwatiewe beleid in die verklaring van winste gevolg word, wat die prestasie vir die afgelope jaar nog beter maak.

Kredietplafon

Die besturende direkteur van VAB, mnr. Laurie Korsten, sê aan Sake-Rapport dat die kredietplafon van toepassing op VAB se lenings nog boonop gemiddeld net R13 miljoen vir die afgelope boekjaar was. Dit het tot gevolg gehad dat die bank nie die volle nut van die verlaging in rentekoerse die afgelope boekjaar gehad het nie.

VAB moes gevolglik sy handel in geldmarkbates aktief op die sekondêre geldmark bedryf èn het dan ook sy aandeel in hierdie deel van die geldmark vergroot en verstewig.

Die bank het sy maatskappyfinansieringsafdeling verder uitgebrei en spog onder meer met 'n hele paar groot transaksies vir die afgelope jaar.

Daar was onder meer die oorname van Racal Electronics deur Grinaker, Metkor se algehele oorname van Fowler, Primrose se oorname van Coronation Industrials, 'n skuldbriefuitgifte van R40 miljoen vir Rembrandt en die omskepping van die voorkeuraandele in Fedchem in soortgelyke aandele in FVB.

Bespiegel.

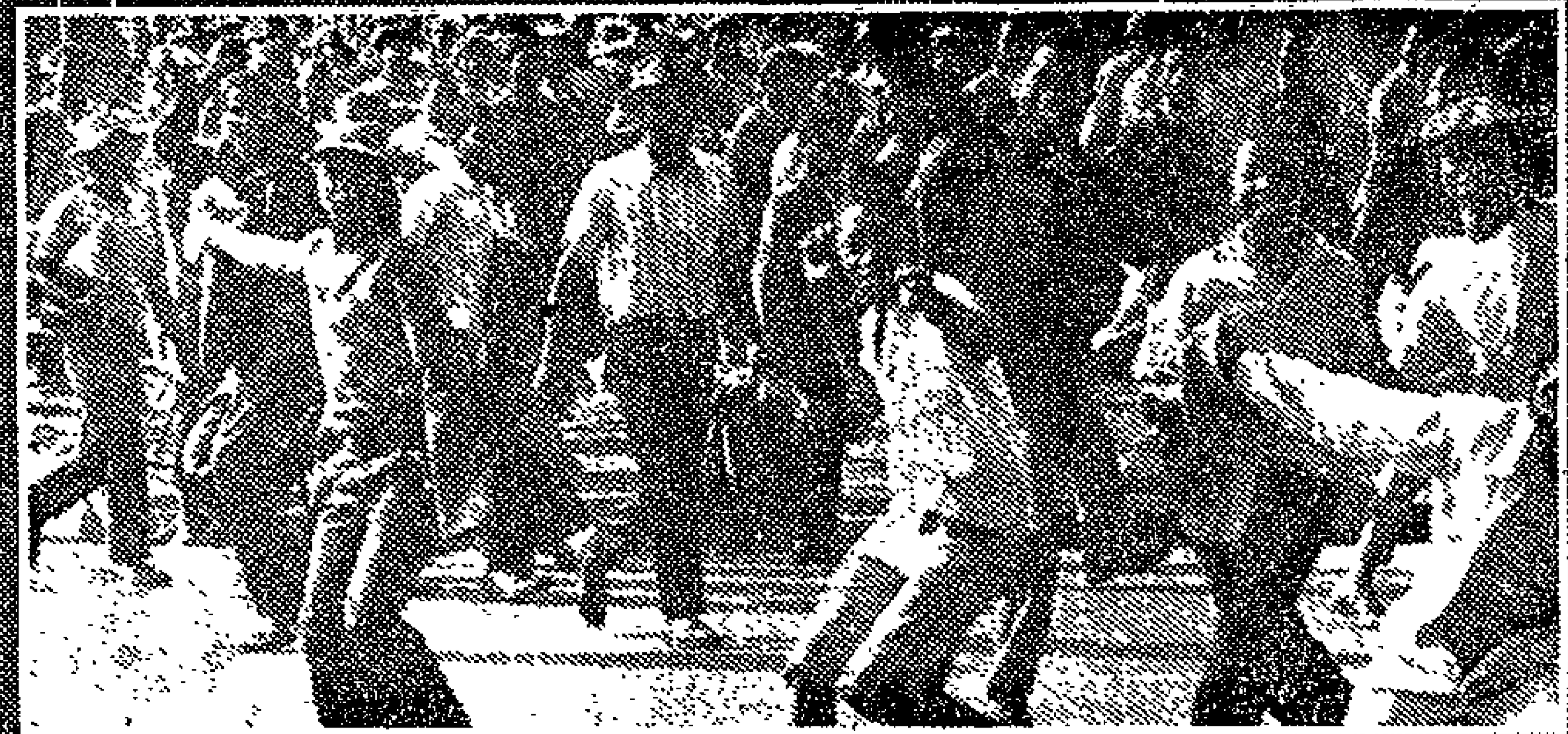
Mnr. Korsten sê dat VAB se internasionale bankbedrywighede 'n gesonde groei getoon het en daar is in die algemeen aan die verwagtinge voldoen. Die uitvoering van sekere van die De Kock-kommissie se aanbevelinge het die struktuur van die internasionale bankbedrywighede egter sodanig verander dat al die gevolge daarvan nog nie duidelik is nie en slegs daaroor bespiegel kan word.

Die huidige vlak van VAB se winsgewendheid uit hierdie bron is sedert die implementering van die kommissie se aanbevelinge verwater. Maar die internasionale bankafdeling van die bank gaan verder versterk word sodat VAB ook 'n toonaangewende rol op dié mark sal speel, sê mnr. Korsten.

Op die kapitaalmark het VAB 'n baie geslaagde jaar agter die rug en het sy markaandeel van 8 tot meer as 15 persent opgestoot. Uitgiftes van R163 is namens klante op die plaaslike kapitaalmark onderskryf en/of privaat geplaas.

Un. Vib. 15.4.79. (25) (27)

RIOT RISKS



Government backs down halfway on riot cover for Indians and Coloureds

BEN TEMKIN in Johannesburg

THE State-backed SA Special Risks Insurance Association (Sasria) has gone halfway to meeting the criticism that the rates for the riot cover it was offering were "blatantly discriminatory". It announced to insurance brokers this week that the rates for Asians and Coloureds on domestic and commercial and industrial risks would not be five times those of whites but 2,5 times. The rates for blacks would remain at five times those for whites, however.

The change in the rates followed the Tribune's story on March 25 in which insurance brokers, black businessmen and politicians were quoted as saying that the cover was blatantly discriminatory.

This was after it was revealed that blacks would have to pay five times the amount that whites would be called upon to pay for the insurance no matter where they lived or traded. Especially hard hit were the Grey Street area of Durban and the Oriental Plaza in Johannesburg where Indians were called on to pay a rate of 0,5 percent or 50c for every R100 of their industrial and commercial insurances.

This meant they would have had to pay an annual premium of R50 on stocks of R10 000 while a white in the next block would have had to pay only R10 for similar cover.

Following the Tribune story, MP Mr Eric Winchester asked the Minister of Finance to investigate the "blantantly discriminatory" aspects of the new riot cover. Senator Horwood undertook to do this.

With this week's announcement, the rate for Indians on their property insurances is reduced to 0,25 percent or 25c for every R100 of their industrial and commercial insurances. But this means that they will pay a premium of R25 on stocks of R10 000 while whites would pay just R10 for similar cover.

When the rates were first announced, a spokesman for the SA Insurance Association which manages Sasria, said that the rates were not discriminatory but were based on known risk factors. He also mentioned that anomalies such as Grey Street and the Oriental Plaza would be looked at individually. Now the association has partially backed down to meet the criticism, but argues that the new rates are directly related to the risk.

A leading Johannesburg insurance broker told Tribune Finance that the new rates were a step in the right direction but still avoided the central issue which was to provide riot insurance for the community at large. This meant that the low-rated risk areas, should, in the nature of insurance, subsidise the higher-rated risk areas. A country-wide rate, the same for every member of the community irrespective of his race, or colour should have been agreed. This would have meant some people paying higher rates than necessary and some lower — "but that's what insurance is all about."

The same broker went on to point out that, in any case, the pool would not be successful as long as it allowed people to take the insurance without a waiting period of two or three months.

This meant that, when there were riots in the offing, people would hastily effect the cover, thus selecting against Sasria and detracting from its ability to build up reserves.

"I think the scheme has been very well worked out," the broker said, "apart from these shortcomings. People should be encouraged to take out the insurance when things are quiet and the waiting period will help in this regard.

"There must also be a rethink on the discriminatory rating system."

In the Tribune article on March 25, several black leaders expressed dissatisfaction with the scheme.

Mr J. N. Reddy, chairman of the executive of the Indian council and a director of the New Republic Bank Limited, said that if insurance companies intended running the riot cover on racial lines, the Government should run the scheme instead.

"Why should non-Whites be penalised merely because they happen to be of a different skin colour," he asked.

Mr Dennis Young, of the Labour Party, described the differences in rates for blacks and white as "complete damn nonsense".

"In this day and age there are still people who are determined to perpetuate apartheid. It just goes to show how free blacks are in this country," he said.

PROPERTY

BUILDING SOCIETIES SLAMMED

Sun. Trib. 15/4/79 (58)

By FRANK JEANS

Wrong attitude to sectional titles

SOUTH Africa's building societies came in for a sharp attack for their attitude to sectional title financing during a seminar on this form of property ownership in Johannesburg.

Hitting out at the societies "unbelievable and inconsistent" approach to older properties which could be converted to sectional title, Dave Price, Manprop marketing managing director told delegates to a South African Property Owners' Association seminar:

"In one case we approached a building society and the first question was: 'How high is the building?' When informed that it was four storeys, we were told not to waste our time with an application.

"Yet, that very society is financing flats in a four-storey building in Illovo and an 11-storey building in Hillbrow.

"It would appear that the societies are loath to finance flats in older buildings irrespective of height, but surely our "older buildings" do not come anywhere near the age of some of the properties in Britain and America," said Mr Price.

"As a civil engineer," he said, "I can assure the societies that the structure never ages, in fact, it becomes stronger with age.

"Surely the loaning of money to a buyer to purchase a housing unit is analagous to that of loaning money to purchase a car. It is the financial strength of the buyer that counts."

Mr Price emphasised that if a property owner considers selling under sectional title a thorough investigation into building lines, town planning restrictions, taxation, as well as bond availability, was essential.

Pointing out that the architect had not always met the demands of the townhouse market, Jimmy Graff, the designer of Sanlam's holiday showpiece in Natal, Sanlameer, said density in townhouse development should not be achieved at the expense of privacy.

Said Graff: "If townhouse schemes are carefully designed and are compatible with their surroundings, they can be slotted very successfully into suburbs which have, up to now, jealously guarded their special residential rights.

"It is far better to intersperse these schemes among family homes on individual plots than to create vast fields of townhouse developments as is being done in Sandton," he said.

Mr Graff believes that the townhouse concept could be just the tonic in what he described as the "decaying suburbs" such as Houghton and Parktown, and he called on city officials to take another look at the restrictive town planning regulations in this regard.

Gracious old mansions which are unrealistically large and are falling into disrepair, could, in many cases, be divided into a number of condominium units which form part of a larger townshouse scheme on sites which are sufficiently large to support more than one family, said Graff.

FM 24/1/79 (58)

DEPOSIT RATES

Stingy Standard

In leading the banks with the full 1% cut in overdraft rate a month ago, Standard may have bitten off more than it can chew.

That, at any rate, is the view of some of its competitors who have been on the receiving end of Standard's vigorous lobbying to persuade other banks to shave another 0,5% off the offered 6% on special savings accounts. Although Barclays has followed the other major banks in trimming its prime overdraft rate by 1% (under pressure from large corporate customers with twin accounts, the *FM* learns), some banks are known to be worried about the inroads this cut could make into profits.

As one banker explains, "we have to weigh up cuts in our lending rates against

our cost of money. For those of us who depend rather heavily on free balances (on current accounts, which pay no interest), any reduction in overdraft rates automatically dents profits." However, banks which rely more heavily on wholesale funds, such as merchant and general banks, have much greater flexibility in adjusting lending rates in line with money market trends.

According to some bankers, Standard's effort to get another 0,5% cut in the special savings rate is meeting with stiff opposition. While conceding that 5,5% "is not out of line with other short-term interest rate trends" (12-month paper in the money market is trading at only 6,1%), another banker argues that "we cannot afford to go on bleeding our depositors." Banks are also wary of competition from general banks and building societies — particularly since two general banks, Bankovs and Santambank, are still maintaining a 6,5% rate on special savings. All Bankovs deposit rates are 0,5% above those of its competitors.

Standard GM, Gutch Vickers, admits that his bank is lobbying for a reduction in the special savings rate, adding that "Volkskas agrees with us." However, Vickers is adamant that Standard did the right thing by cutting prime overdraft by 1%, particularly in view of the continued slide in other short-term rates.

Vickers argues it is unrealistic to pay 6% on special savings money — which can be withdrawn in full on call — when deposits of at least one year are earning virtually the same interest in the money market. (Also, he points out that banks pay interest on the daily balance, while building societies only pay on the minimum for the month.)

PROSURE , FM 20/4/79

Market sharing

(58)

Activities: *Long- and short-term insurer. London Assurance holds 74% of the equity, and the ultimate holding company is Sun Alliance & London Insurance (UK).*

Chairman: *S Walton; managing director: H A W Anscomb.*

Capital structure: *6,1m ordinaries of 40c. Market capitalisation: R8,25m.*

Share market: *Price: 135c (1978-79: high, 135c; low, 80c; trading volume last quarter, 146 000 shares). Yields: 19,8% on earnings; 8,1% on dividend. Cover: 2,4. PE ratio: 5,0.*

Prosure refused to participate in last year's mounting premium war and lost market share, with net written premiums down 7% and earned premiums down 3%. But lower claims, particularly in the marine, fire and personal accident accounts, saw a big improvement in underwriting profit despite deterioration in motors and miscellaneous. Investment income grew 17% to R1,6m and even though only R62 000 came through from Rhodesia, pre-tax profits rose 45% to R2,2m.

Since the year-end, the life fund has undergone its tri-annual actuarial assessment, and next year income from this source will be R93 000 (R64 000). This means 0,5c per share of additional earnings.

Prosure's profits and assets are conservatively stated. The 1977 return to the Registrar revealed, for instance, that provisions for claims in 1976 were R500 000 greater than claims realised. Asset cover — and this means assets surplus to the Registrar's requirement — was R12,7m compared to published net assets of only R8,2m.

	'75	'76	'77	'78
Claim ratio	58,9	60,1	58,5	55,8
Expenses ratio	39,8	37,6	37,5	38,5
Underwriting income (loss) (R 000)	(480)	(1 086)	71	475
Investment income (R 000)	1 076	1 173	1 418	1 654
Pre-tax profit (R 000)	616	151	1 554	2 255
Earnings (c)	10,1	3,5	18,5	26,8
Dividends (c)	10	10	10	11
Net asset value (c)	130	126	133	142

The 1978 return has not yet reached the Registrar, but the picture has probably improved. Prosure's solvency margin certainly has — up from 45,6% to 51%, compared to the requirement of 10%. This means it has plenty of capacity to write new business — even if the Registrar does increase the requirement.

The market value of equities is not disclosed in the balance sheet but the value of equities in both life and short term portfolios last return were R13,2m against cost of R13,9m. Now, I understand, market value exceeds cost.

Total assets are R55,4m, of which R27,3m is in the life accounts purely for the benefit of policyholders. The life fund last year grew 17% to R26,2m, but profits of only R62 000 flowed through to the income statement.

Short-term insurance funds totalled R9,4m and other liabilities, mainly outstanding claims and amounts due to re-insurers, R10m. On the asset side, investments at cost were R17,9m, agents' balances R4,2m, and cash balances R4,1m. With a balance sheet as strong and profits as conservatively stated as this, no-one need fear for dividends, even in the worst underwriting conditions. Prosure has one of the best risk spreads of the short-term insurers and at 135c, the very safe 8,1% yield is attractive.

David Carte

DIAGONAL STREET

US to the rescue

(58) PM 20/4/79

The US Treasury's announcement that it is to halve its monthly gold sales came too late for Diagonal Street on Wednesday, but before then the success of Tuesday's US Treasury gold auction was welcomed by the local market and taken as a short-term bullish factor. Bids were received for 3,3m oz, while only 1,5m oz were up for sale.

Dealers found it difficult to satisfy local and London demand for scrip despite New York continuing as a net seller ahead of the Treasury's announcement, especially of gold/uranium counters.

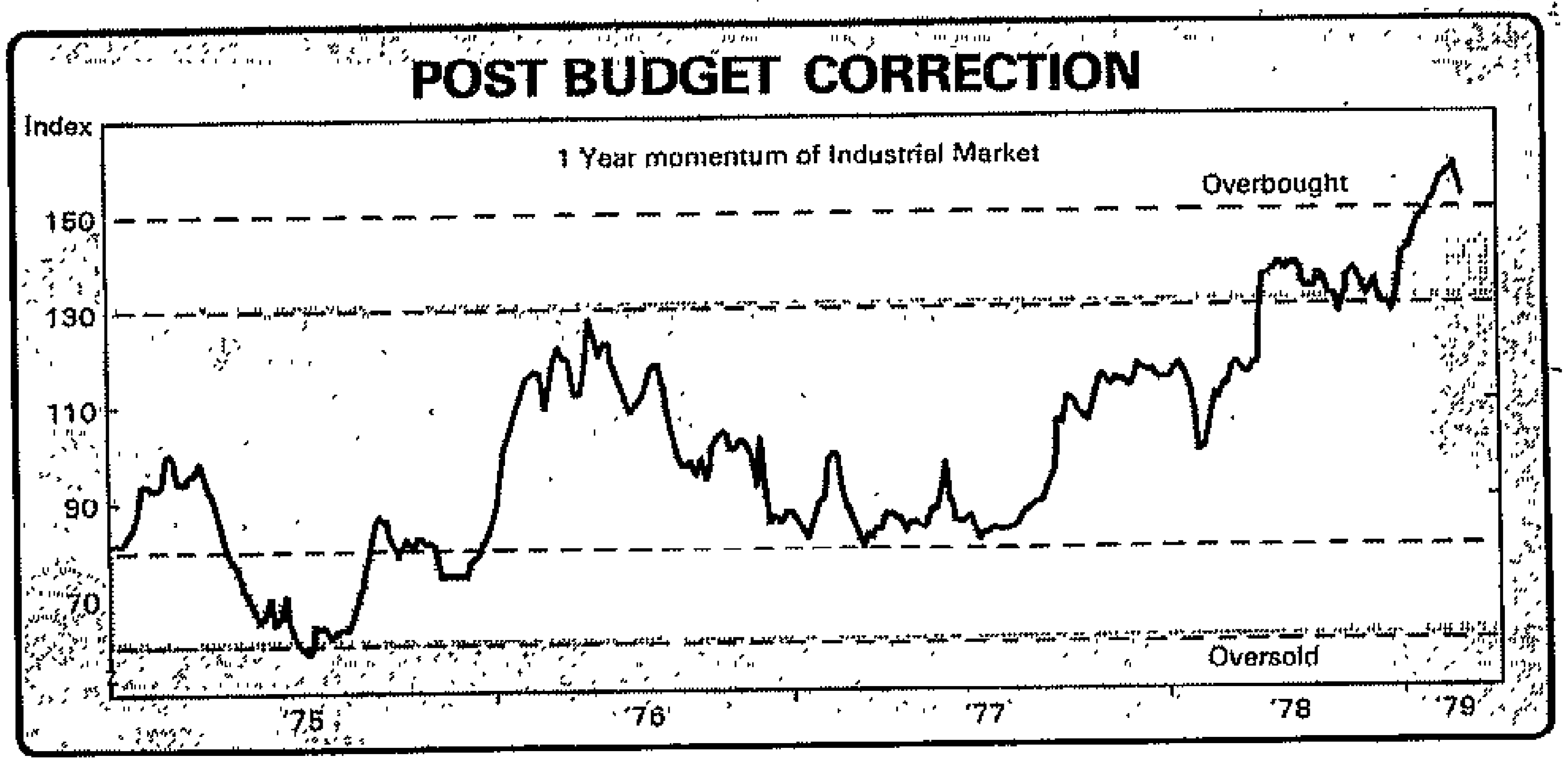
Horror was expressed by many investors on April 11 when gold broke downwards through its $239 resistance, penetrating a quadruple bottom. Highly conflicting views were held on the short-term movement of gold by chartists. One technical analyst saw the current trend as a mere nine-week correction, which is about to end.

He felt that the next move would take us to the $285 level. But the bears who had been looking for gold to go below $200 will take little comfort from the US news. Technical arguments for further weakening can probably now be thrown out of the window.

The *RDM* gold index reached 237 on Friday, its lowest point since November, and had apparently forsaken its bull trend for an intermediate trend. Many short-term chart sell signals were given at the end of last week, but reduced turnover caused a lack of conviction. Now the picture could change fast. On the US announcement, London gold share price quotes put on anything up to 10% on the turn, with heavy trading after hours. The spillover to Diagonal Street is inevitable.

Following seven weeks in an overbought area, the plotting of the one-year momentum of the *RDM* 100 is moving towards neutral ground. Momentum charting gives a direct comparison between current events, and those of a fixed period in the past. When calculating a one-year momentum, the market is said to be overbought when the most recent plotting is 50% higher than for the comparable period. It is the opinion of one broker's analyst that the *RDM* will be back to the 330 level by July, but he is hesitant to forecast the trend thereafter.

Although institutions are still basically interested in blue chips, they currently appear content to sit on the sidelines and resist tempting offers. An exception is SA Breweries, which is in good demand below 150c.



POST BUDGET CORRECTION

Global tensions and production problems are expected to keep metal prices buoyant for the next few months. A 400 000 t shortfall in copper is anticipated for the year, double that of 1978. Continued Chinese and Russian buying of the metal is reported, while further disruptions in Zambian and Zairean supplies are expected. Copper shares are echoing this trend, with all but ZCI firmly established in bull trends. But even this situation could reverse in the near-term if talk of Zambia clearing its stockpile are confirmed.

Tin prices are expected to stabilise. On the one hand, increased production and the use of substitutes will tend to deflate the price, while Russian interference in major Eastern producing countries could hamper production. Supplies from Bolivia are expected to fall by 25% to around 29 000 t.

While tin shares, with the exception of Zaaiplaats, have maintained their bull trends, Union Tin gave a hefty short-term sell signal last week, when the price fell nearly 15%. The price backwardation in both tin and lead continues. The high demand for lead in the first quarter has brought scrap back onto the market, and the price is now expected to drift lower. Labour problems in Canada could result in a severe squeeze in the production of zinc. Currently production capacity is only running at about 70%. Overall, though, one dealer in metal shares feels that we are in for a quiet two weeks, but from then on, trading will improve. He is highly bullish for the long term.

Jean Moon

Sun. Exp. 22/4/79.

Building societies in cash outlet battle

58

TWO of the country's largest building societies — the UBS and NBS — are locked in a battle to establish the largest network of automatic cash disposal outlets in the country.

This could eventually revolutionise the range of building society operations available.

UBS, which was first in the field with its automatic teller machines, plans to expand its Transvaal operation to 14 units by the end of the month, with many more ATMs on order for a nationwide launch later this year.

The UBS system, known as "Help U", dispense R10 notes on insertion of a card and a secret code, and can also receive deposits. As is the case in the NBS system, the cards replace the passbook for savings accounts.

In Natal, the NBS has established a network of cash card terminals at supermarkets and departmental stores. This should be 20-strong by the middle of the year. The society's drive into the Transvaal is due to start in September.

NBS have adopted a system which works only in conjunction with supermarkets and stores — these pay out the cash on behalf of the NBS. These outlets are far cheaper to establish than the UBS automatic tellers.

In each of the supermarket outlets (there are now 11 in Natal) a computer terminal is installed outside the cash till area. On insertion of a plastic cash card and a secret code, a withdrawal slip is spewed out, authorising the supermarket cashier to pay the amount printed on the slip.

NBS have signed up with Checkers, Pick and Pay and Greatermans in Natal, and have negotiated 28 outlets in the Transvaal with these companies. The idea generally is that through this cash availability, the supermarkets will benefit through increased sales.

Present installations are on a one-year trial basis.

NBS assistant general manager Dave Taylor tells the Sunday Express that Transvaal branches must first be converted to accept new IBM terminals before the system can be introduced here.

The NBS-terminals cost under R4 000, compared to R19 000-plus for the latest UBS cash dispensers. Installation is extra.

Although UBS deputy general manager Mike de Blanche acknowledges that his society is looking at the NBS system (and has a few machines on trial), he is banking on the public preferring the automatic teller system which can also receive deposits.

In time, he reckons, it will be extended to handle all building society transactions, including mortgage bond repayments.

The UBS system is also not linked to shop hours — as is NBS — and De Blanche reckons that existing hours are likely to be extended. Already UBS is considering a round-the-clock service in Hillbrow, for example.

Both societies say they have launched the cards on a low key — and will begin to push them harder once all the bugs have been sorted out.

There appears to be still some consumer resistance, with many prefering the human teller service. This, say UBS and NBS, will change once customer education begins and an aggressive marketing campaign is adopted.

In the meantime, other societies seem to be sitting on the sidelines, waiting to see the outcome of the current battle before placing any firm orders.

SA may pay heavily for Reserve Bank's stand

By NIGEL BRUCE

THE Reserve Bank's outright refusal over the past three months to implement Government policy and float the rand could cost taxpayers billions of rands in foreign currency losses.

It could swell total losses over two years to as much as R4-billion, if the R1,132-billion lost last year is taken into account, as well as the possible losses from the privileged cover which the bank provides for public corporations' hard currency loans, bankers say.

They base this estimate on current demands to purchase dollars forward and on assessments of what hard currency loans the public corporations are believed to have in relation to the cost of covering them forward on international currency markets.

The bank's obduracy is also prolonging quite unnecessarily the risk that a capital flight could deplete the country's foreign currency reserves should foreign investors once again take fright.

Moreover, it is gambling with our precious reserves at a particularly tricky time in Southern Africa's development when events in bordering countries and black unemployment here could unexpectedly spark events that would precipitate just such a flight.

It is thus placing in jeopardy the very economic growth that last month's Budget is seeking to achieve.

Battle

This has been emphasised to me by bankers who believe that the battle between the rand floaters at the Treasury and the rate fixers at the Reserve Bank is far from over and could have serious consequences if prolonged, because a managed float is the key to the success both of the De Kock measures and the budget's fiscal stimulus.

It is raising doubt, too, over whether the Reserve Bank, in its own preserve of monetary policy, will allow interest rates to decline to the levels consistent with the need to ginger up business activity.

As one banker puts it: "It is now nearly a month since the Budget and the Reserve Bank has not yet cut Bank rate despite the facts that:

- The general pattern of short-term interest rates suggests more than it did in February that a 10 per cent prime overdraft rate is too high.
- The new forward exchange arrangements have stopped the short-term capital outflow that was depleting the reserves, thus obviating the need to protect them through a high domestic interest rate structure."

The additional potential foreign currency losses could occur, bankers explain, because in the absence of the uncertainty inherent in a floating exchange rate, exporters cannot be persuaded to sell forward their dollar earnings to the Reserve Bank, especially when they believe the rand might be overvalued.

Thus the Bank is providing forward dollars to importers **without being able to match these transactions against the purchase of forward dollars, which would limit its own foreign currency exposure.**

Argue

Bankers argue, too, that once the floating starts and the banks can no longer be certain of selling surplus dollars to, or buying additional dollars from, the Reserve Bank at a known rate each day, they will be less inclined to cut dealing margins to the bone.

This, in turn, would stabilise the market and reduce the possibility of some of the smaller banks eventually having to withdraw if they cannot afford to hold current margins over a prolonged period.

Over the medium-term, any tendency towards monopolistic practices would thereby be discouraged.

What the banks want — and what the De Kock Commission envisaged — was that the Reserve Bank should be an active participant in the market, quoting a rate for each individual transaction — be it a buyer or a seller — which the market does not know beforehand.

Even marginal changes in the rate, provided they are frequent and unpredictable, would have the desired affect.

The Bank does not even have to actually conclude a transaction at these rates. It would be sufficient to indicate frequent changes in its rate on its page in the Reuters monitor.

Moreover, while as the agent of the gold mines it will always probably be a net seller of dollars, it should make clear that it will not always be a willing sell of unlimited amounts. It must keep the market guessing.

Instead, what the Reserve bank is doing is informing the market of its buying and selling rates each day, sometimes without changing them for days, varying the rand's dollar peg with more frequency than in the past and remaining an unlimited seller of our precious reserves.

Gusto

In fact, it is pursuing with greater gusto the very exchange rate system the De Kock Commission found placed the reserves at the greatest risk, for under it they (the reserves), rather than the exchange rate, take the brunt of any capital outflow.

And the events of the past year have given abundant evidence that, if there is a determined capital flight, exchange controls are quite powerless to prevent it.

The De Kock Commission emphasised, moreover, that the new forward exchange arrangements, by effectively equalising interest rates in New York and Johannesburg, could merely protect the reserves from the switching of short-term facilities from expensive foreign to cheaper local sources.

But they could not hope to protect them from a politically motivated capital outflow. That is the *raison-d'etre* of floating the spot rate.

For the banks, the impasse in Pretoria has immediate and significant implications. They are losing money as a result.

Can they be blamed, therefore, if they are beginning to mutter that it is time Reserve Bank governor Dr Bob de Jongh were told to float or go?

Securities puzzle for investors

Sun. Times 22/4/79

~~27~~ 58

SOME investors are puzzled by what appears to be an anomaly in the long-term fixed interest securities market — Johannesburg's new R25-million issue is the long tranche of which is being bought at 9,19 per cent while similar dated Government issues are trading at 9,27 per cent.

By NIGEL BRUCE

The explanation, merchant bankers say, is that at times of declining interest rates, maximum investment performance — a large measure of which is in the form of capital gains — is obtained from long-dated low-coupon stocks trading at a discount on the issue price where the stock is bought at a premium.

This is as a result of capital gearing raising the profit potential. And it obviates the need to apportion annually some of the relatively high interest payments to capital invested over the life of the stock to avoid a capital shortfall on maturity.

The market consensus at present, therefore, is that despite Friday's dismal inflation news, long-term interest rates could still ease, although as there is much less interest in these stocks than before, the extent of the decline is probably limited.

Conversely, of course, when interest rates are rising and the prices of fixed interest investments falling, maximum investment performance comes from high-coupon premium stocks with as short as possible maturity.

The distinction that is now being made in the market between the relative advantages of these different types of stock — depending on the stage of the interest rate cycle — is a refinement indicative of growing sophistication among fixed interest investors, particularly institutional ones.

Another reason for the current institutional interest in low-coupon discount stocks is that institutions seek to maximise investment returns by taking as much of their fixed income earnings in the form of capital profits, which are not taxable, rather than as income.

Income up 22pc for Nedbank

58

23/4/79

Mercury Correspondent

Nm

JOHANNESBURG — The unaudited net operating income after tax and after transfers to internal reserves attributable to shareholders of the Nedbank Group Limited for the six months ended March 31, 1979 amounted to R20 310m.

This represents an increase of 22,0 percent on the same period last year. Earnings per share for the period under review increased from 19,4 cents to 23,4 cents.

During the latter months of the period under review, the Government took positive steps to encourage a revival.

In this climate, the Nedbank Group was able to move with the economy into a more confident environment. In particular, it further strengthened its capital position by lowering the ratio of deposits to own funds from 11,3:1 to 10,9:1 so as to be able to finance the expected increase in lending as the economy grows more strongly...

Taxed income up

During the six months of changing economic climate, in spite of increasing operating costs and the slack private sector lending, the taxed income of the group increased by 22,0 percent in comparison with the corresponding previous half-year.

Trading conditions in the past six months coupled to the stimulatory monetary and especially fiscal measures augur well for a continuation of the improved economic conditions.

An interim dividend in respect of the year ending September 30, 1979 of 8,5 cents (7 cents) per share has been declared payable to shareholders registered in the books of the company at the close of business on May 11, 1979.

Blacks told to prepare for change

RDM 25/4/78

58

Staff Reporter

THERE was no doubt that integration in business would come, because South Africa was set on a normalisation course.

Mr Llewellyn Mehlomakhulu business development manager of Barclays National Bank, expressed this view yesterday at the Royal Hotel, Durban, when he opened the 15th annual conference of the Inyanda Chamber of Commerce.

'You are meeting at a time when winds of change are sweeping through the corridors of power in this country," he said.

'I refer to the declared intention of the Government to move away from discrimination based on colour.

"There is no doubt that integration in business will take place. South Africa is set on a normalisation course," said Mr. Mehlomakhulu.

"We have evidence of this in sport; in public places where discriminatory notices are getting pulled down, in the area of reward, where the wage gap is being narrowed and in some cases closed completely."

He said forecasters of doom would hasten to say that integration in business would sound the death knell of the small African businessman. They would say he would have no chance against the giants, but even in metropolitan areas there was room for the small but efficient businessman.

Sceptics need only to look at the African Bank and the Black Chain, both of which were established through black initiative.

The message was that blacks should gear themselves for the change that would inevitably come, and acquire knowledge of modern management techniques.

Through the institution of training programmes, Nafcoc has shown awareness of the need to equip the African businessman for the challenges that lie ahead."

He said it was generally agreed that the whites could not carry the burden of developing the economy alone. Blacks should be increasingly involved in the economy, not only as trained workers but also as job providers.

SKYE

FM 27Jul79 (58)

A new dawn?

Activities: *Investment holding company with subsidiary trading companies. Distributes sunglasses, cosmetics and hairdressing products largely for the black market.*

Chairman and joint MD: *B A Zylstra; joint MD, R B L Scheepers.*

Capital structure: *3,1m ordinaries of 50c. Market capitalisation: R744 000.*

Financial: *Year to December 31 1978. Borrowings: long and medium term, R368 000; Debt:equity ratio: 57,0%. Current ratio: 1,4. Net cash flow: R218 000. Capital commitments: R57 000.*

Share market: *Price: 24c (1978-79: high, 28c; low, 10c; trading volume last quarter, 62 000 shares). Yields: 18% on earnings; 2% on dividend. Cover: 8,6. PE ratio: 5,6.*

	'75	'76	'77	'78
Return on cap %	30,2	14,4	15,2	16,2
Turnover index*	139	142	138	140,5
Pre-tax profit (R000)	193	189	205	224
Earnings (c)	3,8	3,6	3,9	4,3
Dividends (c)	1,3	0,5	0,5	0,5
Net asset value (c)	40	42	45	48,9

**Base 1972=100*

At last the outlook for Skye is brightening. Initially aiming too high, the company came a cropper. Earnings in the first two years after quotation surged 72% ahead, only to be followed by a R342 900 loss in the third year.

Financial director Trevor Sales anticipates that the boost in expendable incomes, especially in the black sector, will increase turnover. The lion's share of turnover is already in the black market, accounting for more than 35% in 1978, with optics and sunglasses eyeing second place at slightly above 30%.

Drastic pruning of non-profitable sections of the business took place in 1978. The hair boutique division was sold in March last year, and the agreement between Parfums Christian Dior of Paris and Loch Cosmetics was terminated in August. Skye's agreement with A Schmied KG of Austria for the exclusive distribution of Silhouette eyewear was discontinued in December. In addition, overhead savings have been made possible by the merging of the hairdressing and retail divisions.

Results confirmed that a continued low dividend distribution is in order if Skye's liquidity is to be improved. Long-term liabilities were reduced from R537 000 during the year to R368 200, and now the company intends to concentrate on short-term borrowings. Obviously, an increase in the current year's dividend will depend upon increased profitability, but it will be a long time before there is repetition of 1970's 6,5c payment. Skye's attempt at retaining cash leaves this year's 0,5c payment nine times covered by earnings.

Interest paid last year fell from R187 000 to R136 000, which includes R47 000 paid by a subsidiary on a mortgage bond. However, the subsidiary regage bond. However, the subsidiary recovers this interest by charging R85 000 by way of rent to a group company and third parties.

As yet the share has not achieved a bull-trend and the dividend yield is too low to attract long-term investment.

Jean Moon

QUESTION 2 - SUGGESTED SOLUTION

1000

QUARTER	SALES	4 QUARTERLY TOTALS	ADD IN PAIRS	TREND (Y)	FLUCTUATIONS	SEASONAL FLUCTUATIONS	RESIDUALS	X	X^2	XY
1	80				0.2	- 1.7	1.9	-7	49	-642.6
2	74	360			19.8	19.1	0.7	-5	25	-471.0
3					- 1.8	- 1.6	-0.2	-3	9	-287.4
					-17.8	-15.8	-2.0	-1	1	- 97.8
					- 2.8	- 1.7	-1.1	+1	1	+100.8
					19.2	19.1	0.1	+3	9	+314.4
					- 0.8	- 1.6	0.8	+5	25	+544.0
					-13.2	-15.8	2.6	+7	49	+778.4
								0	168	238.8

4th

19.8
19.2
39.0
19.5 = +1.4
-0.4 = -1.4
19.1

FM 27/4/79 (58)

DIAGONAL STREET

A consolidation phase

Last week's announcement of a 50% cut in the US Treasury auctions proved to be a "non event" on the market. Golds initially gained ground, but the follow through has been half-hearted. Initially, the improved prices were caused by a shortage of scrip rather than by any significant buying pressure.

Current market views vary from "nervous" to "a firming undertone." One broker's letter, sent out to clients this week, predicts a fall in bullion to $200. However, longer-term views are far more encouraging, with some analysts anticipating $300 by the end of the year.

While there is plenty of bullion around for April delivery, a squeeze may come later. It is anticipated that any shortage will be intensified early next year when, as many suspect, the IMF auctions may cease. Others, however, speculate that the sales will be further extended beyond those originally planned.

So far, the gold share index has failed to regain its lost bull trend, although it has edged upwards. A few short-term buy signals showed through during the past week, but volumes have been insufficient to add confirmation. And Tuesday's firming of the financial rand to US78c by the final bell tended to deflate prices.

Having moved swiftly out of its overbought position, the industrial market is wavering in what is described as a consolidation phase. A few short-term sell signals appeared on the charts, but again, volumes were too low to add confirmation. Longer-term indications remain sound, with the *RDM* 100 retaining its solid bull trend.

In the near-term, the lack of overseas interest, and the continued absence of institutional demand, may lead to a further decline. However, throughout the correction the industrial market has so far declined a mere 3%.

One bearish opinion offered by a broker is an anticipated rise in interest rates. He feels that official rates have been held artificially low and a correction may come soon. For example, he has noted a keen interest in the third series of defence bonds issued at 6,5%. While the turnover in fixed interest securities remains at a high level on the JSE, commissions received on these transactions are well below those on equity deals. In the first three months of the year, fixed interest turnover was higher than that for equities, but provided a mere 15% of total brokerage.

salisbury

	Price Apr 25 1978 cents	Price Apr 17 1979 cents	Price Apr 24 1979 cents	Yield %
Industrials:				
Afri Dist	310	415	450	5,1
Art Print	90	115	115	6,1
Bat	175	210	212	5,2
Cairns	123	125	130	6,2
Capri	60	43	52	—
Caps	178	113	108	6,0
C&I Hold	17	13	15	—
Clan Hold	61	65	65	8,1
Delta Corp	345	400	400	5,0
Edgars	96	160	165	7,3
Gat Tex	125	95	95	8,4
Gulliver	50	60	55	6,8
Hipaper*	29	96	95	7,4
Hippo Vall	40	38	42	—
Maceys	22	15	18	5,6
Mash Hold	26	45	47	7,4
Merlin	27	45	47	7,4
More Wear	27	50	53	—
M&R Rho	55	56	70	—
Nat Food	50	110	107	4,7
P and C	145	135	150	4,0
Plate Glass	130	147	156	5,8
Radar	38	43	53	3,8
Rho Abercom	85	115	120	8,3
Rho Accept	252	300	305	4,6
Rho Bank	345	425	425	4,9
Rho Cables	280	420	425	6,1
Rho Cem*	42	67	75	5,3
Rho Print	200	220	215	7,0
Rho Sugar	63	67	68	5,9
Rho Treads	55	38	45	8,3
Rothmans	152	150	155	5,2
Salis Cem	76	95	105	—
TA Hold	133	128	137	8,0
Tanganda	144	125	133	12,8
Tedco	12	25	29	—
TS	195	330	330	6,1
Whitehead	62	95	97	6,2
Mining and Finance:				
Cor Synd	178	300	335	11,9
Empress	110	140	167	4,8
Falcon	525	675	700	11,4
MTD (Mang)*	130	270	265	11,3
Rho Nickel	55	70	85	3,5
Rio Tinto	77	150	148	5,4
Shangani	28	43	43	—
Wankie*	111	136	137	6,6

** Locally registered with foreign listing.*

INSURANCE RATES FM 22/6/79 58

Competition hots up

The man in the street must be confused about the goings-on in the short-term insurance industry. On the one hand, he's told about a "vicious rate war" which is cutting into underwriting profits. Then there are complaints about the "market agreement" (or cartel) which, it is feared, will lead to higher rates all round.

As usual, generalisations are misleading. The short-term insurance industry is subject to regular ups and downs which inevitably affect rates. Last year saw fewer major disasters and natural catastrophes than usual, and almost all the major companies increased their profits. This in itself leads to increased competition.

Moreover, because of the sluggish economic climate and slack industrial and commercial development, there have been few new insurable risks, and thus strong competition for market share in a static market. The limit imposed on brokers' commissions in September 1978 has also led to pressure by brokers on companies to reduce rates, as they try to

Eagle's Haslett . . . re-rating every day

compensate for lower income by more business.

The competition is mainly in fire and accident business, but also applies to marine. Rates are estimated to have dropped by 25%-33% in some cases. But motor rates are hardening, due partly to the increasing cost of spares, while premiums on domestic insurance have gone up because inflation is increasing claims.

In 1975 nearly all the major companies entered into an agreement aimed at stabilising some rates. AA Mutual, Standard General and a number of smaller companies remained outside. The guts of the pact was that unless a company had increased its rates by more than 20%, others would consult the company carrying the risk before quoting the same, or better terms. (This, in fact, did lead to a general increase in rates, which was needed at the time.)

But, as SA Eagle's Fred Haslett tells the *FM*, it is incorrect to speak of a "rating agreement." There is no tariff, rates are not stable, and "re-rating takes place every day." However, Haslett points out that most big risks are underwritten collectively, so there is considerably co-operation between insurers.

In the past six months or so more companies have been ignoring, or bypassing, the agreement by various means. Recently, when the Insurance Association met to discuss the situation, a number of companies, notably Santam, would not agree to co-operate in a new attempt to stabilise the market, and opted out of any obligations they might have had in the past.

Santam's senior GM Cornelius Oosthuizen comments that "if all companies were in, it would have been another kettle of fish, but the rules of the game are not always being observed." That does not mean, he stresses, that Santam has any intention of entering into a "rate war." Other leading companies now outside the agreement include National Employers, Constantia (formerly Marine & Trade), President and Shield.

Since the announcement that more than R1 billion will be spent by the country's largest private sector chemical groups over the next eight years on expansion and re-furbishing, Sentrachem has attracted renewed investor interest. On heavy turnover, the share has moved ahead to yet another new high, and is technically signalling that its not too late for short-term investors to take advantage of a further upswing.

The expenditure is expected to result in an 80% reduction in imports of basic chemicals. The areas most affected will be rubber, polythene plastic, pesticides, heavy-density ion-exchange resins, pharmaceuticals and ethylene. Meanwhile, 80 other projects are being scrutinised. However, interest in AECI has been less noticeable, and the share has moved only marginally better.

Since its November debut through a reverse takeover of Randles Brothers, the price of HLH has zoomed ahead. High turnover has become commonplace for the share, but this week's volume has been well above normal and the price has moved ahead of the 320c buy signal given at the end of last week.

Another to watch for short-term growth is Fed Volks. As yet it is trading too low to qualify for a technical buying situation, but last week's 10c increase added strength to its bull trend.

Political manoeuvres in the US and UK ahead of the Rhodesian election, and the high poll last week, have led to increased speculation in Rhodesian shares listed in Johannesburg. With the exception of Willsgrove Brick & Potts, all have moved higher since the beginning of the year, and this week brokers reported some UK buying in Johannesburg.

This buying, plus some local speculation, was evident more in increased trading activity than share price movements. In Rho Corp, for example, 10 000 shares changed hands in March compared with only 75 000 for the whole of 1978.

The best price movement of the Rhodesian shares this week was Rho Cement which advanced 14,5% to 63c (55c), while Wankie was 5% ahead and Mangula 3,5% up.

Friday's dip in the LME copper price, to below £1 000/t was blamed on New York commission house selling. This is said to have contributed to the volatile trading. Some nervousness regarding a further fall in the price has been brought about by the speedy agreement reached on a new three-year labour contract at Noranda's CCR refinery in Montreal, a lack of news from Zaire and Sozacom's continued efforts to keep up deliveries.

Trading in copper shares last week fell to the lowest level since November. Botrest's 7% price fall was accompanied by sufficient volume to qualify for a sell signal. With the exception of ZCI, the remaining copper shares were unaffected, and dealers report a steady local demand for Messina.

Results from the two quoted asbestos producers were received badly by the market. Msauli's figures were in line with expectations, but Gefco's sharp drop in taxed profit shocked some shareholders who had expected better.

A slight improvement in the free market platinum price to $393 rekindled interest in the shares. Lydenburg, the least affected by the recent decline, gave a weak buy signal by the end of Tuesday's trading.

The tin price moved swiftly ahead in the past few days, reaching its March high of £7 450 on Monday, only to drift lower on Tuesday. Following a 60c price plunge in four weeks in anticipation of poor quarterly results, Union Tin came in for good demand on Tuesday. Heavy demand pushed the price 35c better on the day and some buyers were left unsatisfied.

The weakness seen in the coal sector over the past three weeks, during which the index has declined 8%, continued. New short-term sell signals have been given by Apex, Clydesdale and Welgedacht, but as yet no selling pressure has become apparent. Since losing its bull trend last week, the diamond index has firmed slightly, but it is too early to buy for the short term. However, De Beers' annual report is due today and interest is growing in new developments. *Jean Moon*

foreign houses

INTEREST RATES
Fm 27/4/79

Bottomless?

58

Following continued heavy oversubscription for Treasury bills, the Reserve Bank two weeks ago raised the amount on tender from R50m to R60m. Even this increase is falling well short of demand. Three weeks ago, the TB tender attracted a record for the year of R264m, and the rate plummeted from 6,05% to 5,69%.

Last Friday's R60m tender attracted R153m, although the rate eased only marginally to 5,64%. Nonetheless, this brings the fall over the past month to almost 1%. Moreover, for the first time the TB rate has dropped further than prime overdraft rate — since the beginning of the year the former has plunged by 1,75%, the latter by only 1,5%.

Over the past month three-month bankers' acceptances have slipped from 6,8% to around 5,9%. One to two-year certificates of deposit are currently trading at between 6% and 6,25%, which means that, taking inflation of over 10% into account, investors are "earning" a negative yield of some 4%.

Money market men attribute the liquidity surge to the usual post-budget State spending spree and to a balance of payments inflow. According to Interbank Discount House MD, Martin van den Berg, present interest rates also reflect *expected* liquidity flows, so to some extent are already discounting possible further sharp falls.

A reflection of the easy liquidity is that discount houses are now repurchasing bills rediscounted with the Reserve Bank when they were short. (The Bank normally discounts TBs at 0,5% above the ruling TB rate and BAs at 0,75% above the current rate. If bills are not repurchased within seven to 14 days, the houses lose title to the bills.)

Van den Berg reckons short-term interest rates "must now be very near the bottom." He argues that further marked falls in local short-term rates compared to overseas rates would necessitate a widening of the forward margin, which would do further damage to exporters' competitiveness.

He also foresees "structural problems" related to the pattern of interest rates as a whole: depositors cannot afford to suffer further cuts in investment yields while inflation continues at over 10%.

However, many other market watchers think the sheer weight of liquidity will continue forcing rates down for most of 1979.

TS 2

				Probable
(i)	20 - 22	3	.20	4 200
	22 - 24	6	.40	9 200
	24 - 26	5	.33	8 333
	26 - 28	1	.07	1 800
		15	1.00	R23 533

(ii)

	Mov.Avge.	Trend y	x	x^2	xy	Fluctuation
7.4						
6.2	22.2	7.40	-9	81	-66,60	-1,20
8.6	22.4	7.47	-7	49	-52,29	+1,13 Trend
7.6	22.2	7.40	-5	25	-37,00	+0,20
6.0	22.6	7.53	-3	9	-22,59	-1,53
9.0	23.2	7.73	-1	1		
8.2	23.6	7.87	+1	1		
6.4	23.8	7.93	+3	9		
9.2	24.1	8.03	+5	25		
8.5	24.3	8.10	+7	49		
6.6	24.5	8.17	+9	81		
8.4		77.63		330		

Seasonal Fluctuations:

	Winter	Spring	Summer
		-1,20	+1,13
	+0,20	-1,53	+1,27
	+0,33	-1,53	+1,17
	+ ,40	-1,57	
	+ ,93	-5,83	+3,57
Average	+ ,31	-1,46	+1,19
Adjt.	-0,01	-0,02	-0,01
	+0,30	-1,48	+1,78

Regression equation:

$77.63 = 10a \therefore a = 7.76$

$15.83 = 330b \therefore b = 0.05$

$\therefore$ when $x = 13$; $y = 7.76 + .65 = 8,41 \quad + 0,30$

15 $\quad 7.76 + .75 = 8,51 \quad - 1,48$

17 $\quad 7.76 + .85 = 8,61 \quad + 1,18$

QUESTION 2 - SUGGESTED SOLUTION

	QUARTER	SALES	4 QUARTERLY TOTALS
0001	1	80	
	2	74	360
	3	92	374
	4	114	380
0002	1	94	386
	2	80	396
	3	98	410
	4	124	428
0003	1	108	442
	2	98	448
	3	112	
	4	130	

805.2

RESIDUALS	X	X^2	XY
	6 0 4 8 8 4 0 4		
	0	168	238.8

GOVERNMENT SPENDING

The pace hots up

The government's financial discipline las year was not quite as tight as Financ Minister Owen Horwood expected in hi March 1978 budget.

While Horwood budgeted for a 9% rise in public spending in the year ende March 31 1979, figures published las week show that outlays actually went u by almost 12%. The pace has quickene in the past few months, not surprisingl considering Horwood's shift to mor growth-oriented policies. Spending by government departments in February, fo instance, was no less than 23% higher than in February 1978, while the increase in the year to March was 16,7%.

But some departments spent less last year than in 1977-78. Among them: defence (down from R1 651m to R1 554m), two out of the three agriculture departments, sport, and immigration. Those whose outlays remained roughly constant included the department of information (on its official budget, at least), environmental planning and energy, and interior.

A feature of the past year has been the sharp increase in public debt. Treasury bill issues, for instance, rose from R6,1 billion in 1977-78 to over R8 billion last year. TB repayments, however, increased by less than R1,5 billion. Foreign loans raised have risen from R56m in 1977-78 to R110m. According to the Reserve Bank, government debt totalled R16,1 billion at the end of 1978, compared with R14 billion a year earlier, a rise of almost 16%.

There has been little change in the amount of foreign loans repaid by the central government over the past two years. In 1977-78 R196,5m was redeemed, and in the year to March 1979, R208,8m.

Fluctuations

	1st	2nd	3rd	4th		
0001			0.2	19.8		
0002	-1.8	-17.8	-2.8	19.2		
0003	-0.8	-13.2				
	-2.6	-31.0	-2.6	39.0		
	-1.3	-15.5	-1.3	19.5	=	+1.4
	-0.3	-0. 3	-0.4	-0.4	=	-1.4
Seasonal fluctuations	-1.6	-15.8	-1.7	19.1		

HUNTERS ENTERPRISES

ANALYSIS OF ERROR			BALANCING ADJUSTMENT BEFORE DISCOVERY OF ERROR			FINAL CORRECTING ERRORS		
(1)		T.B. not affected						
		Acc. Rec. Control > 1[illegible]		10		Bad Debts	110	
					110	(or Provision for D.D.)		
						Acc. Rec. Suspense		110
(2)		T.B. not affected						
		Acc. Rec. Control > 1[illegible]		100		Acc. Rec. Control	100	
					100	(also to individuals account)		
						Acc. Rec. Suspense		100
		Acc. Pay. Control > 1[illegible]		100		Acc. Pay. Suspense	100	
					100	Acc. Pay. Control (also to individuals account)		100
(3)	(i)	Incorrect postings						
		T.B. : Dr. > Cr.	[illegible]se		90	G.L. Suspense	90	
						Acc. Rec. Suspense		90
		Acc. Rec. Control >	[illegible]on					
	(ii)	Overcasting						
		T.B. not affected						
		Acc. Rec. Control				[illegible]	100	
						[illegible]		100
(4)		T.B. not affected						
		Acc. Rec. Control		[illegible]		[illegible]	90	
					90	Acc. Rec. Control (- Callan & Co.		90 90)
		Acc. Pay. Contro[illegible]		90		Acc. Pay. Suspense	90	
					90	Acc. Pay. Control (- Callan & Co.		90 90)
						Acc. Pay. Control (- Callan & Co.	90 90)	
						Acc. Rec. Control (- Callan & Co.		90 90)

PORTFOLIO MANAGEMENT

Explain, please

4/5/74 58

There will always be gullible and greedy investors ready to fall for the bland, h[...] ments of glib salesmen pushing invest[...] ment through "portfolio management" companies. Despite the millions of rands lo[...] in the Sharedex collapse.

The *FM* has regularly urged [...] on this type of investment, with [...] success. Now seems as if the cudg[...] to be taken up by the Registrar of [...] cial Institutions.

Within the last couple of weeks [...] written to at least one, and pro[...] more, of the currently operating po[...] management companies, drawing [...] tion to sections of the Stock Exch[...] Control Act 1947 and the Fin[...] Institutions (Investment of Funds) [...] 1951 requesting information on the [...] pany's *modus operandi* and activitie[...]

Returns requested by the Re[...] include the number of shares, liste[...] unlisted, bought or sold in the past[...] details of prices and the medium th[...] which the transactions were carrie[...] the manner in which potential clie[...] approached and details of any for[...] supporting brochures used; lists of [...] tors and their experience in po[...] management; and copies of latest a[...] financial statements.

In his letter the Registrar says t[...] the company is managing public [...] and "buying and selling securi[...] defined in the Stock Exchanges C[...] Act 1947," the "possibility of con[...] ing, or failing to comply with certai[...] visions of the Act is very real." He [...] attention particularly to sections 2 [...] 2(1)(e), 2(2), 2B, 21(1), 21A, and 2[...]

These sections cover the nec[...] qualifications of persons conc[...] deemed to be dealing in listed or u[...] securities, the methods of sellin[...] lobited and regulations regardin[...] promotional or supporting mater[...] in management of client's money.

The Financial Institutions Act g[...] the way in which managers must p[...] duties to clients if the business is d[...] to fall within the ambit of the Ac[...] tion 1 of that Act particularly empl[...] that officials/employees of the co[...] must not act in a manner prejudi[...] clients and that clients' assets o[...] must be registered in their own na[...] that of a trust.

The section of the Stock Exc[...] Act most likely to affect some po[...] managers if they are deemed to fall [...] it is that covering illegal selling meth[...] Some touting for clients which is for[...] if the Registrar deems the comp[...] have as part of its regular busine[...] buying and selling of securities, li[...] unlisted.

The Act only covers the activit[...] brokers and stock exchanges, an[...] hibits others from carrying out [...] functions. But portfolio manager[...] not be affected unless their activit[...] be shown to be similar to those of [...] brokers. Thus, unless the Stock [...] Act is broadened, it may be legal[...] effectively to leave the activities of [...] folio managers as they continue t[...] them unlimited mandates.

COLUMBUS

FM 4/5/79 (3)

New lease of life

With Peter Gain at the helm, the Columbus ship looks set to resume even keel. Having proved his expertise at resuscitating an ailing shell with his successful transformation of Lemor, Gain finds the prospect of "the clean vehicle" of Columbus "interesting." Its only assets will be R501 000 cash, equivalent to 25c a share, and no liabilities.

Although the effective date of Gain's Usat Trust consortium's 32c offer is August 31, shareholders will be kept informed of developments as soon as possible.

The agreement with Usat now states that it will buy not less than 800 000 shares in Columbus Holdings from the Lewis consortium for 32c a share. Once concluded, a similar offer will be made to minority shareholders. However, if Gain is able to do the same for Columbus that he achieved for Lemor, with the value of shares rising nearly 3,5 times since the offer, shareholders could win by staying aboard.

As yet, no decision has been made as to which direction the company will pursue, but the consortium is currently looking at a "couple of interesting possibilities."

The new JSE ruling, which states that suspension of a share will be maintained for companies which only hold cash, will undoubtedly spur Usat into obtaining a trading position as soon as possible.

Gain emphasises, however, that before any particular field is entered, investigations will be thorough. "No," said Gain when asked if it could be speculated that Columbus will follow Lemor into a field akin to granite-mining operations.

Jean Moon

(a)

x^2	xy
64	176
81	207
100	260
64	184
121	319
169	455
599	$\sum xy$ 1 601

1

1

$\sum x$ 5 =

$\sum y$ =

and $\sum xy$ =

therefore

158 =

1 601 =

Solving s

Therefore

Variable c

.6 million

.5 million

.1 million

(b) (i) The ... simply takes previous sta... into the future. The pas... to the future and the cal... amended if management has any knowledge of future events which may affect the estimated figure.

(ii) Maximum sales in the past were 13 million units. The coming year's estimated sales therefore lie outside the "relevant range" and thus may not be accurate - e.g. extra fixed costs might be incurred once sales are greater than 13 million units.

(iii) It is not clear whether the figures given for costs have been adjusted for changes in the price level. If not, this should be done.

(iv) The prediction for the coming year is based on a relatively small number of observations, and this could result in an inaccurate cost forecast.

FM 4/5/79

INSURANCE COMPANIES

MHT is born

53

The merger between the two life assurance companies, Metlife and Homes Trust into Metropolitan Homes Trust Life came into force this week.

MHT is effectively a wholly owned subsidiary of Sanlam, but although Sanlam men are on the board, the company has a mandate to operate independently. It will have assets of approximately R250m and annual income around R75m, putting it among the leaders of the industry.

Management does not want to perpetuate the previous images of Homes Trust and Metlife, but aims to give MHT an identity of its own. It will do business across the entire life spectrum, from funeral insurance, working men's policies and door-to-door collecting to sophisticated executive assurance, retirement annuities and pension plans. It will also concentrate on "credit life" (assurance to cover bank loans).

There are obvious advantages in the merger: Metlife's more sophisticated approach will be married to Homes Trust's much broader asset base, marketing network, and experience of the black, coloured and Indian markets, in SA and the neighbouring territories. Homes Trust has about 2 000 agents, and operates from some 80 branch offices.

Another advantage will be a single rationalised marketing and administrative infrastructure with considerable savings on management expenses.

Metlife has left its Pinelands HQ and moved into Homes Trust's complex of three buildings in Cape Town. In due course, Metlife's country offices will also be integrated into Homes Trust buildings.

Johan Sohnge, an ex GM at Sanlam, is MD of the new company. MHT has three executive directors: Metlife's ex MD, David Bloomberg, in charge of marketing and public relations, will retain his many other business professional and civic interests. Fanie Jacobs, ex MD of Homes Trust, is in charge of actuarial matters and investments. Ken Franck, previously GM of Homes Trust, is in charge of administration.

FM 4/5/79

58

DIAGONAL STREET

Technical signals

A new arrival on the equity investment scene is the foreign "middle man" taking advantage of the financial rand. This is the type of foreign investor who has around R100 000 to invest.

One broker reports, that for the first time in his experience, he has begun trading with a party in Hong Kong, who is using FRs to buy gold shares. He was approached recently by a German who wished to take advantage of the good yields obtainable when using FRs to buy high-yielding golds.

The German first learned of the advantages obtainable from an article appearing in a Bavarian business chronicle, which set out the procedures to be employed. This type of overseas "building of private portfolios in SA shares" could gain momentum if more publicity were given to it. Already our "middle men" seem to have reached the conclusion that the political risk involved in SA investment is more than compensated by yields of around 15%, compared with about 2% obtainable from blue chip German stocks.

Although bullion is creeping up again, interest in golds has mainly been limited to local investors. Institutions tend to mop up any good quality stock that comes onto the market from overseas and are reported to be paying particular attention to gold/uranium counters. The sale of KRs is reported to be on the increase in the UK illustrating a desire to hold bullion rather than cash, while New York is showing a preference towards the Comex futures market.

Although there is growing confidence in a steady gold market, the index has still not resumed a bull trend. However, individual short-term buying signals are beginning to creep into the sector. Best charting tips at present are South Rood, Wit Nigel and Harties as these are the only shares to qualify so far as turnover is concerned.

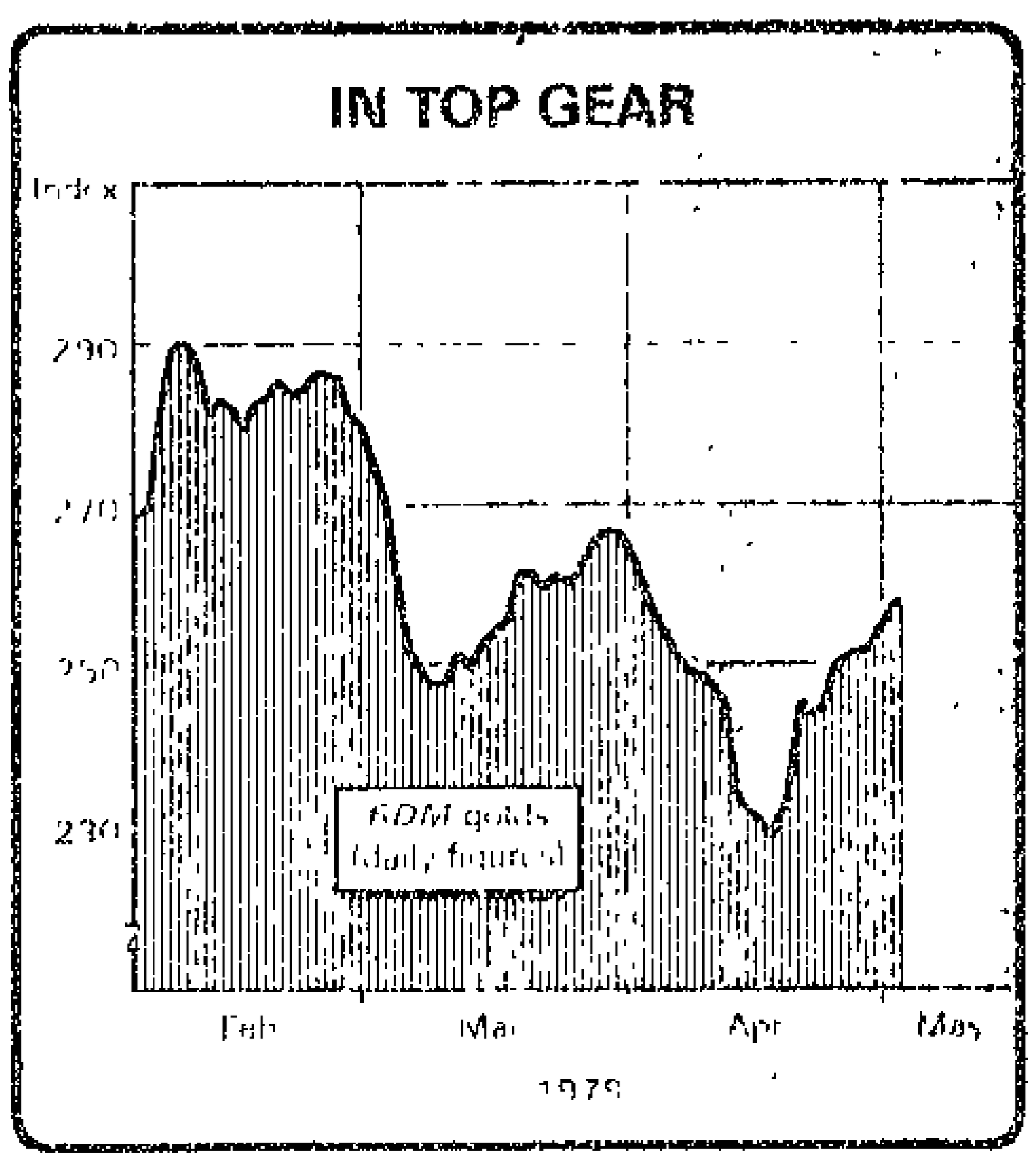
Shaking off its recent lethargy, the industrial market has resumed its steady upward movement. Despite Friday's early close, the volume of trading in industrial shares was the highest for three weeks. Technical buy signals, which include South Atlantic, W&A, Group 5, Maccabee, HGX, Highveld, and Union Steel all had sufficient volume to confirm the indications.

High demand for CNA following an excellent set of results, lifted the share price by more than 20% in a few days. Technically the rise looks a little overdone, and a further rise of such magnitude cannot be expected.

The property sector is attracting particular attention, with the two lightweights Bester and Bristol Industries coming in for huge demand. Bester's 12% price rise looks overdone, but Bristol could go a few cents higher yet. Vetrust moved 7% higher on improved turnover. Compared with Rand Mines Props which looks all set for a further advance, GF Props seems to be ailing.

Bearing in mind the plight of the sugar industry, sugar shares are looking remarkably firm. That the industry expected a substantial deficit this year, the closure of the 1979 season, producing a staggering R54m deficit, shocked even the most hardened sugar producer. The entire R9,6m stabilisation fund has been swallowed up, and the SA Sugar Association was forced to raise a loan of R25m, in an attempt to bail the industry out of trouble. Taking replacement costs into consideration, growers' returns on investments are likely to be as low as 6%, which compares with the 14% maximum allowed on historical costs.

Exports have been made difficult by the imposition of a 680 000 t restriction placed by the International Sugar Association in an attempt to alleviate the world oversupply. The position is likely to worsen this year as the ELC continues to overproduce.



Gambling on an early Rhodesian recognition, London is once again in the market as a buyer of Rhodesian shares, and SA shares with large Rhodesian interests. These shares are being bought through Johannesburg using the FR. London is of the opinion that Rhodesian exchange control measures will fall away long before those of SA. While some selling of MTD Mangula and Rhodesian Cables has been recorded over the week, heavy buying interest has centred around Rhodesian Cement and Coronation Syndicate.

The announcement that Zaire's May copper shipments would be cut by 75% pushed the LME copper price up out of its recent trough to above £1 000 a ton and put the prediction of £1 200 within a few months in sight once again. With the exception of Palamin, coppers moved better, with even ZCI giving a hesitant technical buy signal.

Despite reports that an expected drop in consumption and production rise would adversely affect the tin price, a continued short-term squeeze on the metal caused prices to shoot upwards. Share prices firmed throughout the sector with Rooiberg coming in for particularly high demand.

Platinum shares performed brilliantly, all three giving short term buy signals, following the resumption of Chinese buying of the metal and a $25 producer price hike to $350. The return of China as a buyer gave rise to speculation of continuing Russian production problems and helped move the free market price through $400.

On relisting Amrel got into gear and put on 60c from its 240c pre suspension level.

Joan Moon

G.L. Suspense	90
Acc. Rec. Suspense	90
Acc. Rec. Suspense	100
Returns Inwards	100
Acc. Rec. Suspense	90
Acc. Rec. Control	90
(- Callan & Co.	90)
Acc. Pay. Suspense	90
Acc. Pay. Control	90
(- Callan & Co.	90)
Acc. Pay. Control	90
(- Callan & Co.	90)
Acc. Rec. Control	90
(- Callan & Co.	90)
Acc. Pay. Control	90
Acc. Pay. Suspense	90

DIAGONAL STREET

Churning

58

FM 11/5/79

It was not until near the close on Wednesday that the gold market began to follow through the better indications of last week. Monday was a non-event, with the London holiday dampening enthusiasm. Some brokers were predicting a two- to three-day downward correction, but the pace quickened midweek, leaving the market short of scrip.

By Friday last week, the *RDM* gold index, although still unable to regain a bull trend, moved into a positive position for the first time in four weeks. Short-term buy signals were given by Ergo, Vaal Reefs, Loraine and Elsburg. Ten other golds hinted at buying positions, but lack convincing volume. In mining financials, Amgold looks particularly encouraging, but investors with leaner wallets should consider Vogels as an alternative on chart indications.

After regaining its April high, the industrial market is beginning to look "toppish" again, but advances continue to lead declines by more than two to one.

The volume in industrials last week was the highest for a month, but the first few trading days of this week left dealers idle. According to technical indications, the best short-term gains are to be made in Plate Glass, Fintec, ICS, Gaydon, McCarthy and Skye. Placor, Hillsam and Elmar look encouraging for the ultra-short-term.

For the first time in several months coal shares are attracting short-term investment, with Tavistock, Trans-Natal and Wit Colls all worth watching. Clydesdale, however, needs to touch 464c to add price confirmation to the high turnover recorded in the past few days.

Property shares have picked up since the beginning of the year. Some have been particularly well sought even though Retco's MD Jimmy Ward feels it is far too early to get excited about a property boom — which certain segments of the market seem to be expecting.

It is true that vacant office space is shrinking in most centres, but in many cases the rentals charged do not cover interest rates, which vary between 11% and 13% on newer buildings.

At the same time, property companies are faced with rising maintenance costs. The oversupply is, for example, illustrated by four vacant floors in the new Stock Exchange building and the 38% vacancy at Amaprop's Devonshire House, in Braamfontein.

Amaprop's disappointing results sparked off a sell signal this week, with Monday's high trading adding the necessary confirmation. By Wednesday, the price had dropped 3c to 23c, but the share is technically well supported at 22c. Bester again attracted high turnover, for no apparent reason. The volume recorded last week was the highest for several years, but tended to return to normal this week. The price is drifting back towards a support level at 32c.

Rand Mines Props gave a classic technical buy signal at the end of last week,

Diagonal Street . . . looking for the right road

with the price moving up through a triple top formation. In charting terms this means we can expect the price to improve about 28% in six to seven months. Demand for the shares continues at a high level helped by improving gold and the possibility that the new carbon pulp gold recovery process could be used for the retreatment of the company's dumps.

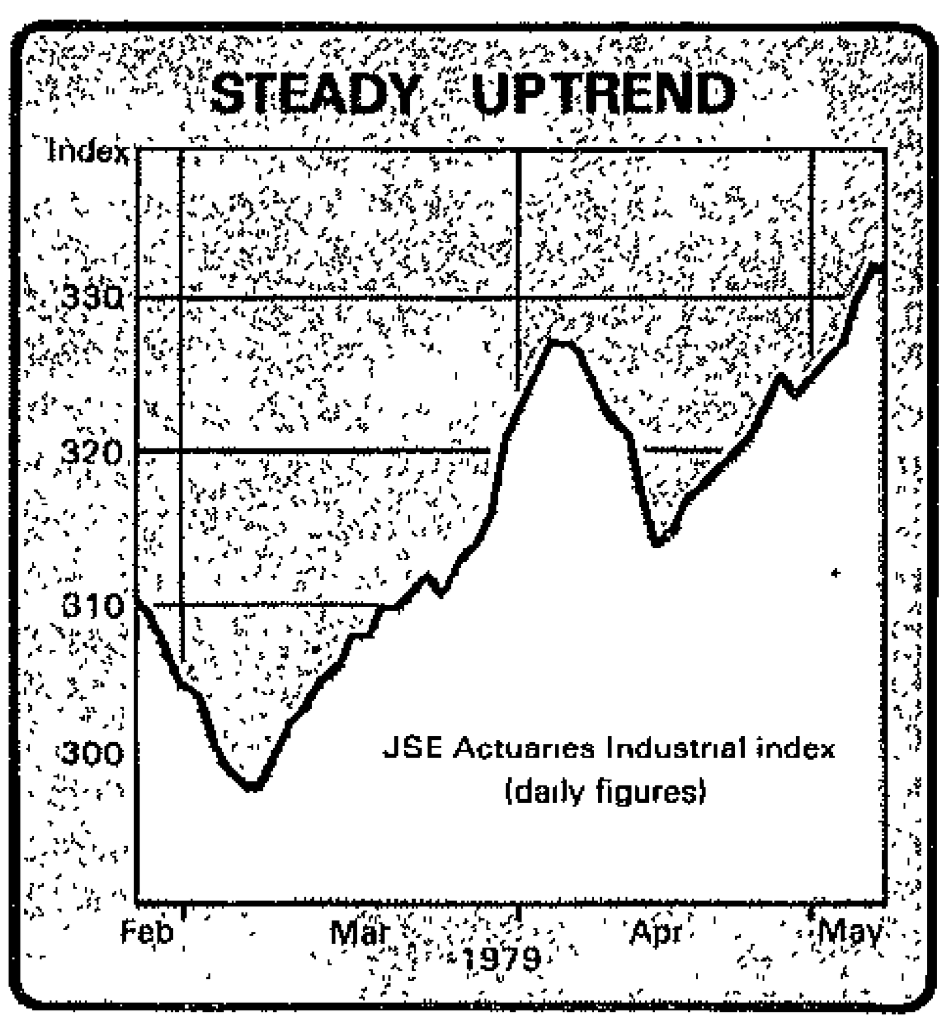
Sorec's encouraging results attracted investment, and the price plotting has moved up through a pennant formation.

The lack of demand for Johannesburg City's offer of R25-million stock, which left underwriters UAL and Senbank to take up R200 000, could be an indication that we are about to see a change in the trend of interest rates. And any upward move will have a dampening effect on the equity market.

However, the opposite indication is given by the commercial demand for the financial rand overseas. Since its freeing from portfolio investment only, local institutions find it easier to buy stock from London, as UK brokers are no longer afraid of being left with surplus FRs which can now be passed on to commercial users. Now FRs are more freely tradable, dealers are prepared to take smaller turns on FR transactions.

Government's acceptance of the Wiehahn and the Riekert Commissions' recommendations have been well received by London. It is considered a step in the right direction, and will appease many with the exception of the militants. However, as yet, although it has brought about a better feeling towards the SA market, London is awaiting results before confirming investment decisions.

The copper price has been unable to regain the £1 000 level and reached a



recent low of £932,50 on Tuesday. Copper speculators and stale bulls, alarmed at the initial fall, added to selling pressure. But fundamentals remain unchanged, with a continuation of a labour dispute in Canada, and apparently only a trickle of supplies coming from Zaire. Coppers continue to be well traded, but Messina more than lost last week's gain in the first two trading days of this week. Palamin, in excellent demand, is holding steady at the 1 200c level.

Although it has yet to regain its April high, tin moved up to near £7 500 late last week. Shipping problems left London stockpiles alarmingly low, but the situation is expected to right itself shortly. Although good volume is being recorded in tin shares, prices have tended to hold steady.

Following talks in Geneva on new methods of financing exporter stocks, pressure could be brought to bear upon EEC sugar producers to stop flooding the market with raw sugar. At present about 14% of world export sugar supplies come from the EEC. But it was in anticipation of positive moves to enable the US to ratify the International Sugar Agreement that pushed the price of raw sugar to £98,50 on world markets, the highest level since early-April.

Although the worldwide sugar surplus which led to imposition of export quotas may prevent local sugar producers from generating adequate profits from exports to offset the lower domestic price, sugar shares continue to strengthen. It is, however, difficult to imagine that sugar companies will be able to maintain dividends this year.

Jean Moon

SAGE

Rationalising for growth

Activities: [illegible] company with subsidiaries operating in the fields of [illegible] [illegible] home builders [illegible] Schachat Holdings, and has [illegible] stake in Ned-Equity Insurance.

Chairman: *[illegible] S Thomas, deputy chairman H L Shill*

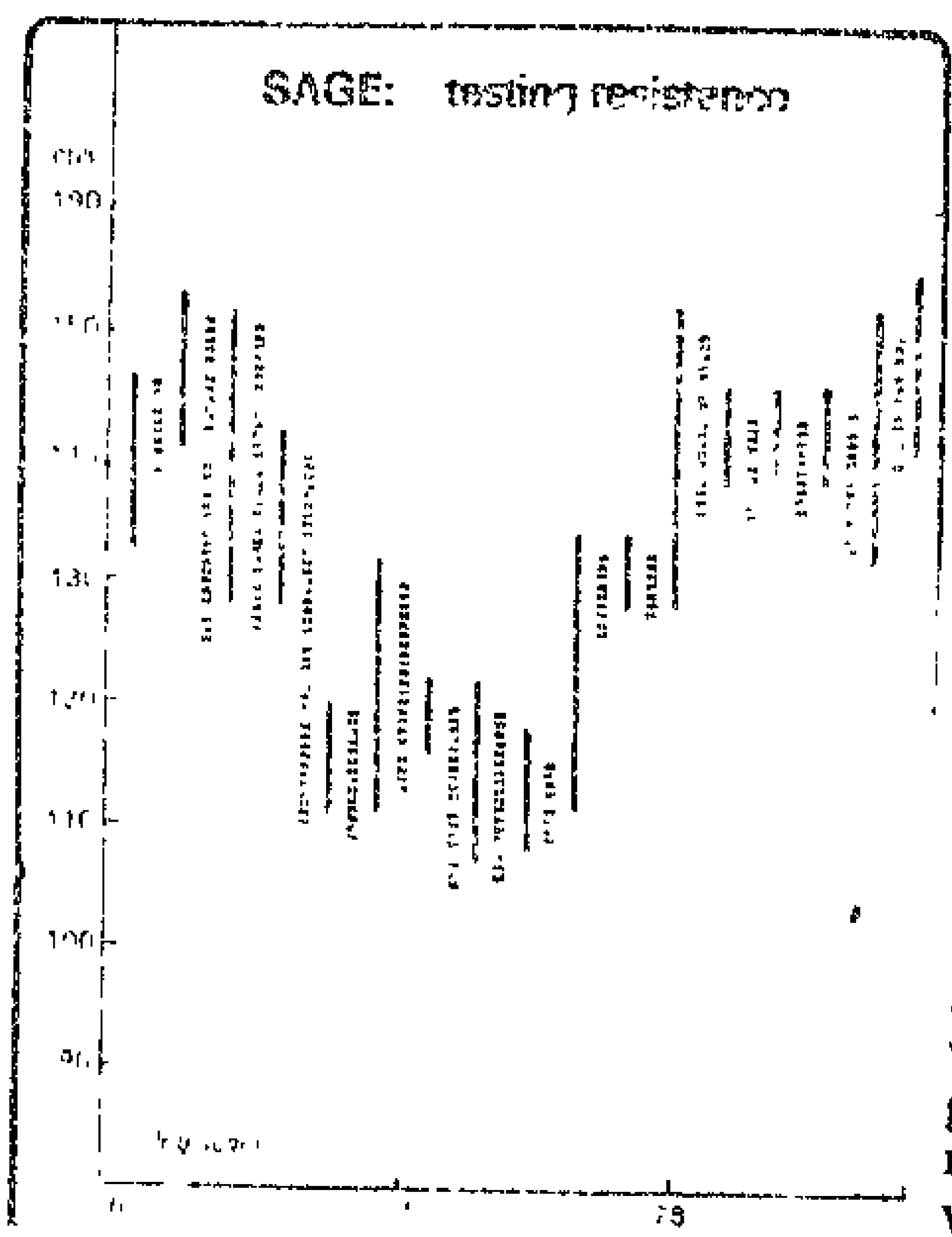
Capital structure: *15,5m ordinaries of R1. Market capitalisation R20,9m*

Financial: *Year to December 31 1978. Borrowings: long and medium [illegible]; short term R3,1m. Debt:equity ratio [illegible]. Current ratio 1,1. Net cash flow [illegible]. Capital commitments [illegible]*

Share market: *Price 155c (1978-79: high, 16?c; low, 130c; trading volume last quarter, 241 000 shares). Yields: 1?,?% on earnings; 9,0% on dividend. Cover 1,3. PE ratio 8,2.*

With Schachat's problems now ostensibly under control, there is hope that Sage is back on a growth track after two years of declining profit. Most of the blame for Sage's setback must be laid at Schachat's door. Stripping Schachat's R687 000 (R1,9m) profit contribution from Sage's R3,9m (R5,1m) taxed profits, leaves the group with R3,2m, only slightly lower than the previous year's similarly adjusted R3,3m, before taking out minorities' share of profits. Attributable profit fell 16% to R2,6m (R3,1m) due to Schachat's diminished contribution.

Sage's Shill . . . taking a cautious line



While the directors are careful not to sound too optimistic, forecasting that the group should at least maintain earnings and dividends, the inference is that improved profits can now be expected. For, they point out that Schachat's rationalisation within the property division under Sage Property Holdings — now also a wholly-owned Sage subsidiary — should enable Schachat to maintain its 1978 profit in the face of unchanged trading conditions, while the rest of the group should do better.

The rationalisation programme, which entails combining Schachat's marketing and financing staff and land portfolio with other property companies in the group, necessitated the acquisition of minority interests. This incorporation would have led inevitably to a conflict of interests.

Therefore Sage offered a finely-pitched 75c a share plus the 1,5c final dividend to minorities, which was almost unanimously accepted. Sage appears to be convinced that the rationalisation will prevent further profit declines even if the house-building market does not show an improvement. However, there are signs that demand for housing is reviving, but with competition still strong, heavy pressure on margins will continue for some time.

The increased participation in property, through the purchase of minority interests in Sage Property Holdings, will lead to a higher contribution from Fedfund. Last year Fedfund increased its dividend contribution to Sage Property Holdings 17,2% to R2,0m (R1,7m).

	'75	'76	'77	'78
Return on cap %	15,5	16,7	22,4	12,6
Consolidated assets (Rm)	107,5	110,7	109,7	116,9
Pre-tax profit (Rm)	7,5	8,5	6,8	4,9
Earnings (c)	21,9	23,9	23,7	18,8
Dividends (c)	12,5	13,5	14	14
Net asset value (c)	100	105	187	184

As Sage's interest in SPH was increased to 100% (78,1%) last year, Fedfund's contribution to group cash flow increased 50%. Besides increasing its stake in property, Sage also bought out the minorities of Sage Securities, which increases its holding in Union & London. Now, 50% (30%) of U&L's dividend accrues to Sage. Last year U&L's dividend absorption amounted to some R305 000.

Sage also applied surplus funds to acquiring a larger stake in Ned-Equity Insurance. The indirect holding in this life insurer is now up to 46,6% (41,6%). Last year Ned-Equity increased its dividend contribution on the lower shareholding to R449 000 (R306 900). The group sees this subsidiary as a major growth area, so any improvement will be multiplied through the increased participation in dividends.

Sage appears to be in a position to exceed 1976's 23,9c earnings this year, but shareholders should not expect much dividend growth. I reckon a 14,5c dividend is possible this year for a 9,4% prospective yield.

Peter Pittendrigh

Removals halted

POST 10 APR 1979

THE removal of 5 000 Eastern Cape people to Glenmore on the Ciskei border — in what appears to be the first stage of a massive resettlement of 40 000 people — has been temporarily halted, pending a Supreme Court ruling.

It was argued in the Grahamstown Supreme Court that the eviction order issued by a local magistrate was irregular.

The matter was postponed until April 12.

According to Professor Rodney Davenport of Rhodes University, who is also chairman of the Glenmore Action Group, the removals will ultimately affect about 40 000 Eastern Cape people.

He said it is expected there would be a "clean up" in the province of all squatters and "economically inactive people" living in "Black spots", illegal shack developments, or in areas prescribed for other race groups under Group Areas legislation.

Mr Henry Fischat, the lawyer representing 1 500 people of the farm, Klipfontein, confirmed this week that 95 families out of 190 had been carted off in lorries before the removal was stopped.

He said only a "very substantial minority" of them — said to be less than a dozen families — had gone to Glenmore voluntarily.

A number of people claimed they were coerced by police and officials, but this has been denied.

Mr Fischat is visiting Glenmore to take statements from people and said he may take action to have families returned to Klipfontein.

The forced removal is seen against a statement by the Minister of Plural Relations, Dr Piet Koornhof, last week, that people will only be moved to Glenmore on a voluntary basis.

The State plans to move the families into a 500-house temporary township with the purpose of getting them to work on the building of 5 000 houses in a R26-million modern township.

So far the plan has included:

- Moving 300 people from Kenton-On-Sea township.

The action group managed to halt these removals when it brought to Dr Koornhof's attention that most of the people were pensioners and children.

- Moving 190 Klipfontein families living with permission, free of charge, on a farm owned by a coloured family near the Bushmen's River Mouth.
- "Squatters" to the ... according to an SABC broadcast last week.

11 squatter families stay behind

10 ... 1979

Argus Bureau

PORT ELIZABETH. — Eleven squatter families have refused to be moved from Klipfontein farm near Kenton-on-Sea to Glenmore.

The chief director of the East Cape Administration Board in charge of the resettlement, Mr Louis Koch, said 155 families had already been resettled in temporary houses at Glenmore and seemed happy.

He said there had been no signs of them wanting to return to Klipfontein, in spite of reports that many were moved against their will.

He said all had gone voluntarily. About half had signed letters confirming their desire to move since the board gave an undertaking in the Grahamstown Supreme Court last Thursday that only squatters families who asked for removal would be moved.

Tenants hit by water shortage

POST 9 April 1979

THERE is a serious shortage of water in some parts of Molapo township, Soweto.

Clothes and dish washing, cooking, garden watering and all that requires water cannot be satisfactorily done by some of the residents.

The residents are complaining that their taps have been closed for the past month at weekends. They have had to fetch water from the other parts of Molapo where water is available.

According to one of the women, some of the men have been to the West Rand Administration Board (Wrab) to complain. They were told that the water was closed because their children play with it.

Another said that she had heard that the water will be closed until more money was added to the rent. They were afraid to have their names mentioned because the Wrab might evict them, they said.

The past week was the worst for them because they say the water was on and off the whole week. They have not been able to do anything in their houses.

Wrab officials were not available for comment yesterday.

Communities

Another 50 families go to Glenmore

Daily Dispatch. 10 April 1979.

PORT ELIZABETH — All the Klipfontein squatter families, except those who refused to move and those who were registered workers, have been moved to the new temporary township at Glenmore, the chief director of the East Cape Administration Board, Mr Louis Koch, said last night.

He said that since Thursday, when the board gave an undertaking in the Supreme Court that only squatters who specifically requested removal would be shifted, about 50 families had been moved to Glenmore.

He said there were now about 140 families at Glenmore, and about 50 left at Klipfontein. Those at Klipfontein, near Kenton, included about 30 families headed by registered employees and 20 families who refused to move.

He said the worker families would soon be rehoused at the nearby Kenton emergency camp.

"Since Thursday, squatters who expressed a desire to be moved to Glenmore, were asked by the board to sign a letter of consent.

In an interview from Grahamstown yesterday, the chairman of the newly-formed Glenmore Action Group, Professor Rodney Davenport, said it was inexcusable that the Department of Plural Relations was refusing to allow journalists to visit Glenmore.

"The public ought to be encouraged to take an interest in the resettlement. There can be no possible objection if it is seen to be done properly," Professor Davenport said.

He said the burning question was the long term prospect of work at Glenmore. Commuting between Grahamstown and Glenmore by workers was ruled out because return bus fares were R1,80.

The authorities were gambling with people's futures. What work would ...

People 'want resettlement'

POST 10 APR 1979

THE Eastern Cape Administration Board claimed yesterday that a steady flow of Klipfontein residents were leaving their homes after they had "specifically requested" board officials to relocate them in Glenmore Township near Grahamstown.

Major Denis Bush, Ecab area manager in Grahamstown, said the removals were being carried out under the new dispensation where squatters had to provide letters of consent before their ... were loaded

More than 125 had already moved ... ed Major Bush.

The Board's insistence on letters of consent follows allegations of forced removals and a court application by two squatters last week calling for an interdict halting the eviction.

Argument was postponed until Thursday this week, during which the board gave an assurance that only squatters who specifically requested removal would be shifted.

Meanwhile the future of 17 families scheduled for removal from the nearby Kenton emergency camp was unresolved yesterday.

A stay on the removal of the Kenton families was ordered by ...

Squatter lea... val...

By MANDLA ND...

MR SHADRACK SI... leader of the ... squatters, has ... ed from home after warned by ...

STANDARD BANK

(58)

A new tune

FM 11/5/79

Is something wrong at Standard Bank? The bank started using a new logo 18 months ago. Now it has launched a R1m drive to convince the public that "we like being your bank". About 10% of the campaign budget has already been spent on revitalising Standard's 16 000 staff members.

Standard admits it is concerned about the retail market, particularly deposits. More widespread use of credit cards, and greater public awareness of interest rate differences have meant a fall in commercial banks' free (cheque) balances as a proportion of total deposits.

However, by shrugging off its rather staid image, Standard hopes to increase its market share. Group marketing GM, John Holloway, confirms that the group now promotes all its services through its extensive commercial branch network. This means a shift in marketing strategy towards the "one-stop" banking concept, rather than each subsidiary marketing its own services.

As for management, Standard has had a reputation for stodginess in dealing with outsiders.

However, the recent appointment of up-tempo PR man John Pank (ex-Anglo American) has already cleared the way for more open and frequent contact with the press.

Standard's advertising drive is certainly ambitious. The new jingle (a strange blend of laid-back rock and country 'n western) was recorded in London by a 22-piece orchestra.

UNIDEV

FM 11/5/79 (58)

Fully let

Activities: *Property investment company. A subsidiary of Unisec (51,6%). Directors hold 81,7% of equity, directly and indirectly.*

Executive chairman: *D D Morgan; managing director: Colin Mason.*

Capital structure: *22,3m ordinaries of 50c. Market capitalisation: R31,2m.*

Financial: *Year to December 31 1978. Borrowings: long and medium term, R34,3m; net short term, R578 000. Debt:equity ratio: 90,4%. Current ratio: 0,9. Net cash flow: R1,4m. Capital commitments: R160 000.*

Share market: *Price 140c (1978-79: high, 140c; low, 72c; trading volume last quarter 000 000 shares). Yields: 9,4% on earnings; 6,4% on dividend. Cover: 1,5. PE ratio: 10,6.*

With further consolidation of group activities last year, Unidev is now primarily a property investor under the Unisec umbrella. The extent of the swing away from contracting is evident in the proportion of group turnover generated by construction. For the year ending February 1977, contracting comprised 73,6% of group turnover. Last year it fell to 16,3%, and it should continue to hover at this level as long as Unidev continues to hold the Durban-based contractor, Hulsen, Morgan & Verbaan.

	'75	'76	'77	'78
Gross rent income (Rm)	10,3	11,6	12,2*	12,4
Pre-tax profit (Rm)	2,3	3,6	3,9*	4,7
Earnings (c)	6,4	10,1	11,3	13,2
Dividends (c)	6,75	7,5	8,0	9,0
Net asset value (c)	141	154	170	172

10 months annualised

This has not adversely affected earnings, which grew by a respectable 12% last year to R2,9m after tax. Of group sales, gross rental income accounted for R12,4m, and the rent roll is now R13,2m from a portfolio which is substantially fully let.

As such, there is not much room for earnings growth this year unless the property market recovers sufficiently to enable the charging of higher rents.

Chairman Donald Morgan does expect a slight improvement in the market as a result of reflation and lower interest rates, but he cautions that the surplus of office and shop accommodation that was spawned in the boom of the early Sixties and Seventies still hangs over the markets in most major cities, particularly Cape Town and Durban.

While Unidev's total borrowing powers are R60m, only R38m was utilised at the year-end. Also the group owns R29,6m in properties which are mortgage-free. As such, it is relatively immune to any downturn in the market.

However, this is one of the attractions that led an insurance group to approach Unisec about a possible takeover of Unidev.

As the company is now without its "high-risk contracting division," Morgan says that the need to retain earnings as on previous scales is less. However, this year's 9c is covered 1,5 times compared with the 1,4 cover of the previous 8c.

Given Morgan's expectation of a modest improvement in earnings this year, there should be scope for a further small increase in dividends. But I do not expect the cover to be reduced very much below the current level.

Being underpinned by high quality earnings, the 10,6% yield is secure and attractive on income considerations. There is also the cushion of a 19% discount on nav of a portfolio which is irreplaceable at historic costs. As such, the share is solid, but unexciting. Unless, of course, there are further developments on the takeover front.

John White

CAPITAL MARKET

Senbank's gift to JSE

(58) FM 11/5/79

The resignations of two top members of Senbank's capital market team — assistant GM Louis Kruger and manager Herman Hamman — reflect a lot more than dissatisfaction with Bankorp's rather acetic pay policies. Senbank's loss highlights the awakening interest of stockbrokers in the rapidly expanding fixed-interest market. Kruger and Hamman will join ex-colleague Mynhardt Kotze at stockbroker Jeanne Sterianos.

Judging by Senbank's success in placing both private and public sector issues (it has increased its share of municipal issues from 38% to over 50% in two years) the trio make a formidable team.

Kruger and Hamman's switch comes on the heels of the move by another gilts expert, Ian Huddy, who left Discount House to join Mathison & Hollidge. According to market rumours (weakly denied by those concerned), brokers are paying hefty premiums to attract experienced gilt market operators. "In view of the profits we generate," says one, "we can't be adequately compensated in the corporate structure."

Kruger (whose position at Senbank has been taken by investment manager Peter du Toit) is convinced that brokers will play an increasing role in raising capital, particularly since changes in the JSE Act now enable brokers to negotiate their fees. He confirms that "we will be trying to corner new issues in the capital market."

But will brokers be able to loosen the stranglehold of merchant banks? Argues Kruger: "This is basically a people business which revolves around maintaining contact with major investors and as many borrowers as possible." Kruger feels that stockbrokers are better placed to harness investment by private individuals in fixed-interest securities — "the man-in-the-street knows nothing about merchant banks," he says.

One factor in his favour, reckons Kruger, is that borrowers no longer automatically appoint the same merchant bank to handle their issues: "These days we're only told a couple of weeks before the issue whether we've been appointed

Ander lede:

Dr Sheila T. van der Horst

Friends (Quakers) en van die American Friends Service Committee deurgebring. Hy het 'n aantal konferensies in verskillende dele van die land bygewoon, baie vergaderings toegespreek en senior beamptes van die Carnegie Corporation, van Community Relations Services van die Departement van Justisie van die Amerikaanse regering, van die American Friends Service Committee en kollegas verbonde aan verskeie universiteite besoek.

Gedurende Augustus en September het die Direkteur Engeland, Nederland, Switzerland, Swede, Israel en Zambië besoek. Hy het vooraanstaande joernaliste, Suid-Afrikaanse diplomate, senior amptenare van die Suid-Afrika-Stigting en verskeie regerings betrokke by Suid-Afrikaanse belange ontmoet. Hy het besprekings gevoer met stigtings, trusts en opvoedkundige verenigings. As gevolg van sy besoek aan Nederland het hy 'n toelae vir die Konstruktiewe Program ontvang van die Algemeen Diakonaal Bureau van die Gereformeerde Kerken in Holland.

Professor J.L. Boshoff, ere-Fellow van die Konstruktiewe Program, het met 'n aantal instansies, wat universiteite in Natal en Transvaal insluit, en met verskeie handels- en industriële firmas in Natal, kontak opgebou.

...ie Direkteur die volgende konferensies

...nsie, Nasionale Uitvoerende Komitee-
...ring van die Suid-Afrikaanse Insti-
...erhoudinge, Kaapstad (Januarie).

...aarlikse Vergadering van die Religious
...nds, Stutterheim (April).

...gres van Sosiologie, Uppsala, Swede.
...orgelê in Werkgroep 6 en vergaderings
...ie Raad van die Internasionale Sosio-
...ging as die amptelike afgevaardigde
...a (Augustus).

c) Ander lede:

Mnr K. Bosman	Mnr H.W. Middelmann
Professor A. Cupido	Eerw. M.T.L. Moletsane
Mnr N. Daniels	Professor A.D. Muller
[illegible]mat Davids	Sheik A. Najaar
[illegible]r R.J. Davies	Mnr Victor Norton
[illegible]r J.J. Degenaar	Professor N.J.J. Olivier
[illegible] de Villiers	Mnr L. Phillips
[illegible]u Plessis	Professor H.P. Pollak
[illegible] J.J.F. Durand	Mnr W.J. September
[illegible] J.B. du Toit	Mnr Franklin Sonn
[illegible]lerman	Mnr P.M. Sonn
[illegible]l.F. Fuggle	Regter J.H. Steyn
[illegible]rwel	Mnr R. Tobias
[illegible]na	Professor R.E. van der Ross
[illegible]. Paul Hare	Professor J.H. van Rooyen
[illegible]leydorn	Mev. S. Walters
[illegible]obs	Professor F.A.H. Wilson
[illegible]ba	

[illegible]lows:

[illegible]I.L. Boshoff

[illegible]. van der Horst

[illegible]emene [illegible]

BANK CHARGES

Time to change

[illegible]

One banker points out that a change in policy on out of town cheques, which are currently viewed as "part of the butter on the bread" of most banks' business, could bring about a fundamental shift in the placement of business with bank branches.

Currently, many companies with head offices in satellite towns around major centres find it profitable and convenient to maintain a small office in the city centre to avoid extra bank charges. A change in these [illegible] could switch much of banks' business from central to outlying branches.

[illegible]

Although members are reluctant to talk about either the details of the committee's work or the date of a final report, it seems likely that some suggestions will be put to the authorities by September.

[illegible]

Friends (Quakers) en van die American Friends Service Committee deurgebring. Hy het 'n aantal konferensies in verskillende dele van die land bygewoon, baie vergaderings toegespreek en senior beamptes van die Carnegie Corporation, van Community Relations Services van die Departement van Justisie van die Amerikaanse regering, van die American Friends Service Committee en kollegas verbonde aan verskeie universiteite besoek.

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[illegible]res van Sosiologie, Uppsala, Swede. [illegible]gelê in Werkgroep 6 en vergaderings [illegible] Raad van die Internasionale Sosio-[illegible]g as die amptelike afgevaardigde [illegible]Augustus).

SUNDAY TIMES, Business Times, May 13, 1979

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Plan to go it alone after Sigma merger collapse

Leyland comes roaring back

By GEOFF BERRIDGE

MANAGING director designate of Leyland South Africa, Richard Newby, returns from England today with go-it-alone plans that guarantee Leyland vehicle availability in South Africa across the full range of cars, trucks and buses.

The company's range of construction equipment is also to be continued.

Leyland was quick off the mark following Sigma's unilateral decision to scrap plans to merge the two companies, creating what would have been South Africa's biggest vehicle producer, and this week negotiated 35 dealerships inside three days.

This must be a record for the industry.

The dealers will take over distribution of Jaguar, Rover and Mini cars, Land Rover and, later this year, the Range Rover.

The market-dominant truck and bus range, which has figured strongly in Sigma sales since a partial merger was implemented, will be marketed through wholly-owned branches.

Sigma, meanwhile, gives no details about how it intends dismantling the complex manufacturing and marketing plans already set up within Sigma Motor Corporation (cars) and Sigma-Leyland (truck and bus) in which Leyland was to have taken a 49% stake.

Sigma gives as its reason for aborting the merger its view that the 2 600 cc Rover was pitched too high in the luxury market and should be offered at a price at least R1 000 lower than that set by Leyland.

Leyland points out that Sigma did its own market assessment of the Rover eight months ago before it decided to go ahead.

"This was a very searching and thorough exercise on their part and we cannot accept now that they made a mistake, or that we have either," said a senior Leyland SA spokesman.

The Rover was voted Car of the Year in Europe.

Will Sigma now take up its options to introduce the Citroen CX 2 400 (six cylinders) or Peugeot 604 (V6 engine) to fill the Rover gap?

"Not for 18 months or two years. No decision has been taken and we are still looking at them," said Sigma's public relations manager, Dave Charlton.

"We will, however, be introducing a four-cylinder 2 600cc newcomer in the next six weeks and this will have air conditioning and all the extras.

"It will perform better than the Rover 2 600 and offer better fuel economy. There will be just as much passenger room, although boot space will be more limited.

"We still have the six-cylinder Chrysler, of course, and we can extend its production life as long as we want," he said.

Rover sales in the first five months of the year have faired poorly at Sigma dealerships, averaging 163 a month, compared with Leyland's own sales average of 370 Rovers a month from April to December last year.

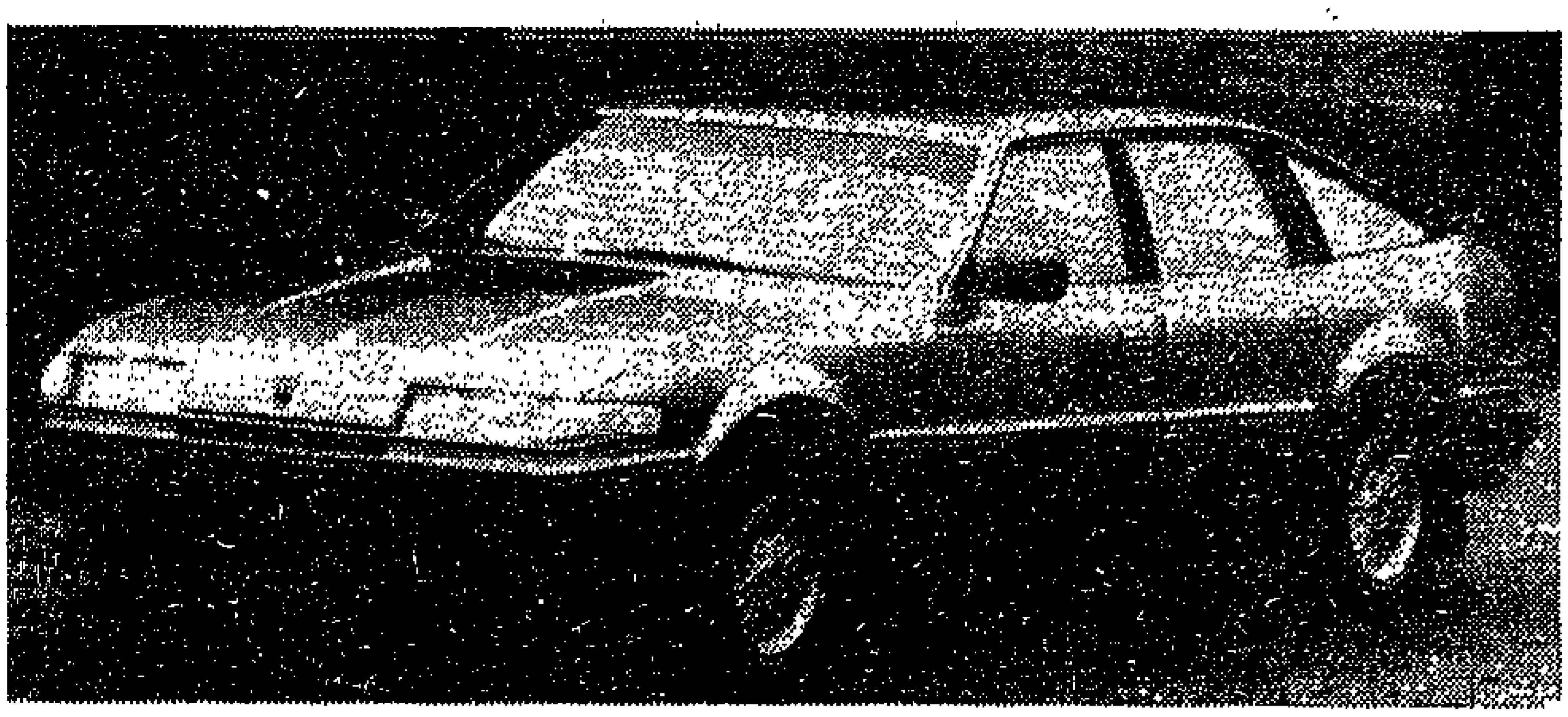
April car sales figures reveal an interesting situation for Sigma, which holds number one position with 3 818 cars sold from a range of 10 different models.

Excluding Leyland sales, Sigma falls to number two spot. On this basis Ford would be 98 units ahead, achieved with only three models. VW is in either event third with 3 176 sales from four models.

Peter Moss, sales director of Sigma, said yesterday his company intends holding number one position, even without Leyland.

Sigma clearly has high hopes for its forthcoming four-cylinder luxury model.

Richard Newby ... returning after talks in England



Leyland's aim is to ensure availability of its products, such as the Rover.

Building societies 1 000 m

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JOHANNESBURG — For the first time, the net increase in capital and deposits at building societies exceeded R1 000-million, according to the quarterly newsletter of the Association of Building Societies for the three months January to March this year.

On the lending side, societies granted a gross amount of R1 924-million, of which 82 per cent was in respect of loans on new and existing dwellings averaging R19 820.

The association says if the steps taken by the Minister of Finance in his March budget result in the long-awaited upswing in the economy, liquidity "may begin to dry up towards the latter part of the year, which in turn could adversely affect societies's ability to attract funds."

The Association says the marked increase in the intake of investments during the quarter under review "is attributable in the main to large amounts of institutional money being invested on fixed deposit at a time when the economy was exceptionally liquid.

"The rates on fixed deposits were reduced by a further 0,5 per cent on April 3, 1979, to 7,5 per cent for 12 months and 8 per cent for 24 months and longer, which may lead to a fall-off in the inflow of these monies."

Referring to the property market, the Association says it should be borne in mind the bulk of building lending is on existing properties, frequently involving the "takeover" of a bond from another society, and there is still much room for improvement in the demand for new building loans. — SAPA

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RESULTS

The regression line for the Urewe culture had a slope of 0,54 with the origin at 92 years (Fig.4). This gave a rate of expansion of 0,57 Km/year. The slope for the Urewe to Silver Leaves expansion was 0,116 with the origin at 34 years. The overall expansion rate was 9,6 Km/year (Fig. 4). The overall rate of expansion corresponded fairly well with the values derived from the simulation (Table 2) with moderate to high rates of population growth (0,035; 0,040) and medium population densities (5-10/Km^2).

The slope of the regression for the Kwale to Silver Leaves route was 0,096 with the origin at 138 years (Fig.5). The expansion rate was 10,3 Km/year considerably slower than the values derived from the discontinuous spread model (Table 6).

The values for the rates of expansion derived from the radiocarbon chronology are considerably faster than the values for the wave of advance model (Table 1) and this coupled with the evidence for a difference between the rate of expansion for a single culture and the whole tradition provided support for a discontinuous spread model of the Early Iron Age expansion.

DISCUSSION

The regression analysis of the Early Iron Age radiocarbon chronology supported a North to South temporal ordering in the flutted and bevelled complex. The complex used in the present analysis differed from the eastern stream and therefore the regression analysis in no way supported the historical reconstruction proposed by Phillipson (1975; 1977). However the temporal ordering within the complex indicated a North to South spread and hence a 'stream' model.

The relatively slow expansion rates associated with the simulations of the continuous spread model indicated that the wave model (Soper, 1971a) is probably incorrect. The rapid rates of spread generated by the simulations of the discontinuous spread model suggest that this was the most likely mechanism of dispersal. This mechanism mimics movements known from oral tradition (Kimambo, 1974; Legassick, 1969; Monnig, 1967; Turner, 1954; Were 1974). The groups that were hived off would have moved some distance and settled and they could have acted as nuclei for further expansion. Because more than one

SENBANK

What's up

Senbank, SA's ninth biggest bank, has had a rough month. The core of its capital market team has walked out; its chief economist has left; and rumour has it that several other senior men are on the lookout for new jobs.

To cap the bank's personnel problems, the response to the Caravans International public issue (handled by Senbank and Standard Merchant) was way below that of this year's other flotations. And the Johannesburg loan (managed by Senbank and UAL) was the first major undersubscribed capital market issue in many months.

"Individuals are important," agrees MD Eduan Pretorius. But, he adds, "to the client the organisation is more important." He points out that when ex-assistant GM Louis Kruger joined the capital market team in 1971 he had as little expertise in the field as new man Peter du Toit has now. "It's not as if we haven't been through this situation before," says Pretorius. "Du Toit is well known and respected in the investment community," he adds.

He concedes that with the fixed interest market quiet (as borrowers await the effects of turning interest rates), the resignations have come at a convenient time. "Over a period of time I do not expect us to lose market penetration," he reckons. "We'll appoint one or two more people to the department, and I've had enquiries from outside the bank." Du Toit's job as senior investment manager will be taken by his understudy Stafford Thomas.

Eduan Pretorius ... organisation

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DIAGONAL STREET

FM 18/5/79 (58)

Only good news

"All market news is bullish, and for the first time we are seeing the real beginnings of a genuine bull market in gold shares."

This opinion was expressed by a leading arbitrage broker while handling buying orders from the UK, Europe, the Far East, and local sources. "After lagging behind, gold share prices are moving in unison with gold." But after a hectic Wednesday, the market closed "scrappy."

Apart from an excellent performance by bullion, the possible lifting of Rhodesian sanctions and the reported oil strike at Mossel Bay led to exciting conditions on the market. And, after concentrating on the futures market, US investors appear to have turned their attention back to SA golds.

Tuesday's successful US Treasury auction, attracting bids for 2,4m oz at an average price of $254,92, resulted in gross proceeds of $191,2m. Following hard on the heels of the US Treasury announcement of a halving of its gold sales to 750 000 oz a month, the IMF has reduced its monthly sales from 470 000 oz to 444 000 oz beginning in June.

Twelve more sales at the lower rate will complete the four-year plan to sell 25m oz of gold in order to assist underdeveloped countries. The latest move has been necessitated by the IMF allowing these countries to bid on a non-competitive basis, thus reducing the amount on offer. So far 19,7m oz have been sold.

Additional bullish factors quoted were the report that Russian gold sales have been cut from 1m oz a month to less than half that amount, and a lower monthly production by SA mines. This has reinforced fears that demand will soon exceed supply.

The rise in bullion to a record high of $256,50 on Wednesday afternoon's fix in London confounded some chartists (including me) who have been predicting a heavy fall prior to a big upward run. Last Thursday's move, which took bullion to within 10c of its February 22 high of $252,35, tended to confirm strong resistance at that level. But that has since been broken with no difficulty. However, prior to the upward break, the market was sufficiently strong to put both Kinross and Winkels into new bull trends, with the latter gaining confirmation from a short-term buy signal.

The large trading recorded by Rand Leases last week stemmed from speculation of a near-term decision to commence its gold dump retreatment project. The share, however, has tended to drift in the past few days.

Even at its current level, bullion's one-year momentum chart suggests that it is not overbought and points to a further 5% rise before strong resistance may be felt. One chartist is predicting that gold will reach $270-$290 over the next two months, reaching its peak in August (which is the exact opposite of views held by chartists working on the A W Cohen principle of triple tops and triple bottoms).

Even the rise in the FR to US$81,25c on Wednesday, the highest level since September 1978, did little to deter overseas buyers of leading shares, such as Anglo and Barlows.

Earlier, London investors were reported to be still offloading their now small holdings in SA industrials in order to take advantage of the FR rate, and to buy gold shares. But most of this selling dried up by mid-week, causing an even greater scarcity of FR.

This is one of the few times that the FR and the market have moved in unison. The demand from commercial users continued, and Volkswagen is thought to have been lucky to acquire the R35m needed for phase 5 of the local content programme at such a favourable discount. Lately, the supply of FRs has dwindled to a mere trickle as holders prove unwilling to sell, betting on eventually parity with the commercial rand.

Even London's earlier sacrifice of De Beers, in order to obtain FR, did little to

signposts

	Current	Week ago	Month ago	Year ago
***RDM* 100**	**325,9**	**326,9**	**310,7**	**222,8**
% change on	—	—0,3	4,9	46,3
P/E ratio	5,3	5,4	5,3	4,4
Div yield	7,0	7,0	7,1	9,5
UK *FT* Ind.	**526,4**	**549,1**	**538,9**	**481,6**
% change on	—	—4,1	—2,3	9,3
P/E ratio	8,6	9,1	9,0	8,0
Div yield	5,6	5,3	5,4	5,5
US Dow Jones	**825,9**	**834,9**	**857,9**	**854,3**
% change on	—	—1,1	—3,7	—3,3
P/E ratio*	8,3	8,4	8,6	9,5
Div yield*	5,4	5,3	5,1	4,9
Gold price (in US $ on London)	**254,9**	**247,6**	**232,1**	**175,4**
% change on	—	2,9	9,8	45,3
Krugerrand (Rand) Public selling price	**247,1**	**242,5**	**225,7**	**176,5**
% change on	—	1,9	9,5	40,0

** Standard & Poor index*
Public buying price is 10% below, subject to negotiation.

validity of the

small sample size.

fairly often (Legassick, 1969; Monnig, 1967),
would suggest that social stress rather than resource scarcity determined when group fission occured. However, oral tradition cannot provide an accurate picture of the initial colonisation and an archaeological test between the two hypotheses is required.

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Both the continuous and the discontinuous spread model employed ecological variables to determine rates of spread. However it is possible that group fission is a response to cultural and not ecological stresses. Cultural stress has been used to explain village fission among the Ndembu (Turner, 1954) and an extension to the cultural level is possible. It would seem that the validity of the ecological control of group fission should also be assessed using archaeological data.

(38)

It has been suggested earlier in this paper that groups must be spatially separated for the differentiation of pottery styles. A discontinuous spread mechanism, by separating groups in space, would have promoted rapid differentiation of Early Iron Age pottery. Fission and movement have been associated with totem changes in Sotho groups (Legassick, 1969; Monnig, 1967). Totems indicate group membership, as do pottery styles, (Huffman, 1972; Schapiro, 1962) and totemic change may be paralleled by changes in pottery. If totemic change is used as a model, fission should be associated with a rapid change in pottery styles and not a gradual divergent evolution. This suggestion should also be tested against the archaeological record.

The analysis of the radiocarbon chronology indicated that the flutted and bevelled complex dispersed rapidly although individual cultures showed a slower rate of spread. A number of problems are associated with the analysis and

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ACKNOWLEDGEMENTS

I would like to thank Profess ... g and commenting on the numerous drafts of the pape ... ped edit the manuscript and Mrs J. Howard-Tripp

I would like to express my special thanks to ... ilson who introduced me to evolutionary ecology and helped to debug the programmes.

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20/5/79

Loan under subscribed as institutions hold back

RATES TREND MAY SWITCH

By BEN TEMKIN

THE first major sign of a possible reversal in interest rates showed up when the R25 million Johannesburg loan was under-subscribed by R200 000, the balance being taken up by the underwriters, UAL and Senbank.

The hesitation by institutions on the issue — the rates were attractive enough at 7,92 percent for the seven-year loan and 9,14 percent for the 22-year loan — indicates that investment managers are beginning to hold back in anticipation of a change in the downward trend.

This hesitancy is in line with the view expressed some months back by the managing director of Sanlam, Dr Fred du Plessis, who warned then rates could well rise.

He pointed out that his group had planned its environment on this possibility.

Shortly thereafter Tribune Finance pointed out a number of factors which could induce a change in the interest rate trend including the fact that non-Government public sector spending would shortly begin to build at a rapid rate.

This view was underlined by the announcement of the extension to Sasol II which, with infrastructural spending related to it, would mop up a fair amount of liquidity in the market.

As things turned out, however, the change in trend was forestalled by a number of stimulatory measures by the Government, including further relaxations in credit ceilings.

At the same time the excess liquidity in the markets showed no signs of being taken up by the private sector.

The result was no slowdown in the downward trend — especially in the short-term money markets although more institutional investment managers let it be known that they were being cautious on investment in long-term stock and medium-term gilts.

With March imports very high, it was assumed by some people in the money market rates would decline. However, the rise in exports seemed to offset the depressant effect of the import surge.

Nor has the demand for public sector finance yet induced a firming in the long-term interest rate. The rand has continued to firm against the dollar, a factor which is significant in relation to the possibly changing pattern of South Africa's trade as imports build up.

This has helped create the anomalous situation in the money markets with interest rates moving down instead of up — as most would expect.

How long the anomaly can last is still anybody's guess. But one thing is certain — the greater the expectation of a change in direction, the more likelihood there is of that change taking place.

This is because, as more people keep out of loan issues because they fear a rise in interest rates, the more the pressure on the issuing authorities to raise their rates to induce those people to buy.

It may well be the hesitancy on the Johannesburg loan is premature. But that is only because institutional managers are looking at their portfolios on a view of more than six months hence. If they can avoid putting money into long-term stocks now, they will.

It is interesting in this respect that many institutions which have to hold a minimum of their investments in prescribed securities are still way above these requirements.

This particular pressure to invest in gilts and semi-gilts is absent as a factor in the market. The institutions are completely free to invest in almost anything they care to — and this flexibility could well induce a sudden switch.

Among indicators which the market is watching is that of the forward discount on the rand. This has remained at 2,5 percent for some time now and, as long as the discount remains at this kind of level, there will be no massive switch in financing from the foreign to the local market.

A change could, however, induce a switch with consequent pressure for local finance and, hence, a possible drain on some of the liquidity in the market.

When rates are on the decline, it's easy to buy stock in anticipation of a fall and make a capital gain. When rates threaten to rise, the tactic ought to be to sell short. But how do you sell public sector securities short?

The next best thing is to hedge by not buying — and that's exactly what is beginning to happen.

EXERCISE: PARTNERSHIPS: ADMISSION OF PARTNER

DEPARTMENT OF ACCOUNTING

UNIVERSITY OF CAPE TOWN

c) Ander lede:

Mnr K. Bosman

Mnr H.W. Middelmann
erw.' M.T.L. Moletsane
rofessor A.D. Muller
neik A. Najaar
nr Victor Norton
rofessor N.J.J. Olivier
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r W.J. September
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r P.M. Sonn
gter J.H. Steyn
r R. Tobias
rofessor R.E. van der Ross
rofessor J.H. van Rooyen
v. S. Walters
rofessor F.A.H. Wilson

OVERDRAFT RATES

Lede word na die Algemene Jaarvergadering van die Maatskappy uitgenooi en kies elke drie jaar 'n verteenwoordiger
in 1978 gehou en die
elgaarn. Terwyl geen
e, word hulle geraad-
ntrum se program raak.

vorsing van die

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aangepak. 'n Onder-
n die Kaapse Skier-
ke navorsings-

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Gedurende Augustus en September het die Direkteur Engeland, Nederland, Switzerland, Swede, Israel en Zambië besoek. Hy het vooraanstaande joernaliste, Suid-Afrikaanse diplomate, senior amptenare van die Suid-Afrika-Stigting en verskeie regerings betrokke by Suid-Afrikaanse belange ontmoet. Hy het besprekings gevoer met stigtings, trusts en opvoedkundige verenigings. As gevolg van sy besoek aan Nederland het hy 'n toelae vir die Konstruktiewe Program ontvang van die Algemeen Diakonaal Bureau van die Gereformeerde Kerken in Holland.

Professor J.L. Boshoff, ere-Fellow van die Konstruktiewe Program, het met 'n aantal instansies, wat universiteite in Natal en Transvaal insluit, en met verskeie handels- en industriële firmas in Natal, kontak opgebou.

(b) Konferensies

Gedurende 1978 het die Direkteur die volgende konferensies bygewoon:

Jaarlikse Konferensie, Nasionale Uitvoerende Komitee- en Raadsvergadering van die Suid-Afrikaanse Instituut vir Rasseverhoudinge, Kaapstad (Januarie).

Suid-Afrikaanse Jaarlikse Vergadering van die Religious Society of Friends, Stutterheim (April).

Negende Wêreldkongres van Sosiologie, Uppsala, Swede. Verhandeling voorgelê in Werkgroep 6 en vergaderings bygewoon van die Raad van die Internasionale Sosiologiese Vereniging as die amptelike afgevaardigde van Suid-Afrika (Augustus).

Fm 25/5/79

BALANCE OF PAYMENTS

Stop relaxing

With the gold price breaking through $265 an ounce this week, Treasury officials had cause for elation. And the repayment of R700m of short-term public debt in just over two years, revealed by Reserve Bank deputy governor Chris Stals last week, is further reason for satisfaction. But is the balance of payments out of the woods?

Estimates of the current account surplus in the first half of the year run as high as an annual rate of R2 billion, mainly because of the booming gold price (1978's surplus totalled R1,4 billion). But gold and foreign reserves have risen by only R209m in the last four months.

The problem remains the capital account. Long-term debt and interest repayments are still high — and will continue to drain the foreign reserves for several more years. Maturing long-term loans total close to R1 billion per year up to 1982, and probably not much more than half this amount can be rolled over or refinanced.

Although there has been less trade finance switching in recent months, many companies are paying back foreign debts before maturity. The outflow of short-term private capital has not yet been staunched. The drain totalled R195m in October-December 1978, and has continued since then.

An inflow of short-term capital could materialise later this year, however, as banks turn abroad to finance rising imports. Traders have repaid about R1,7 billion in trade finance over the past year or so but the providers of these funds will probably be happy to open lines of credit again, should they be required.

With the accelerating economic recovery the current account surplus is bound to decrease later this year. Most bankers agree with government economic adviser Gerhard de Kock that the surplus for the year will be around R1 billion. But fast-rising (or falling) gold and oil prices could mean a drastic revision of this figure

either up or down. It has been estimated that a ... in the gold price is ... only ...
... bankers ... will be ... and ... billion higher at ... billion.

Dr Sheila T. van der Horst

Lede word na die Algemene Jaarvergadering van die Maa skappy uitgenooi en kies elke drie jaar 'n verteenwoor op die Beheerraad. 'n Verkiesing is in 1978 gehou en huidige ampsdraer is Biskop A.W. Habelgaarn. Terwyl verpligtinge aan lede opgelê word nie, word hulle ger pleeg in verband met sake wat die Sentrum se program

NAVORSING

Gedurende die verslagjaar het die navorsing van die Sentrum die volgende behels:

A. Mobiliteit en Politieke Verandering in Suid-Afrik

Hierdie projek is 'n paar jaar gelede aangepak. 'n Ond soek onder die kleurling bevolking van die Kaapse Ski eiland is onderneem. 'n Aantal tydelike navorsings-

Friends (Quakers) en van die American Friends Service Committee deurgebring. Hy het 'n aantal konferensies in verskillende dele van die land bygewoon, baie vergaderings toegespreek en senior beamptes van die Carnegie Corporation, van Community Relations Services van die Departement van Justisie van die Amerikaanse regering, van die American Friends Service Committee en kollegas verbonde aan verskeie universiteite besoek.

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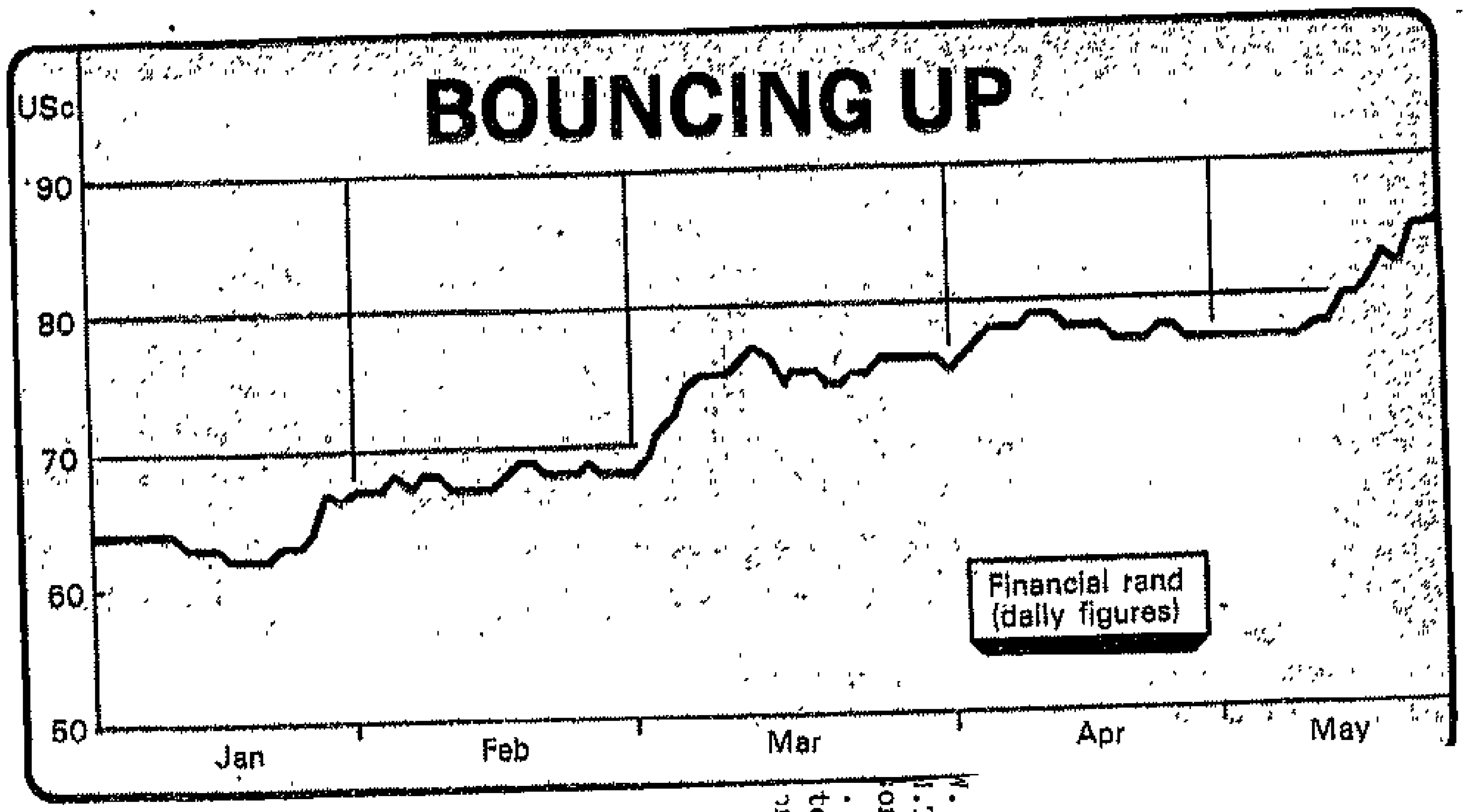
FINANCIAL RAND

Meat for investors



Strong foreign demand for gold shares has been the main force behind the recent strength of the financial rand (FR), whose discount to the commercial exchange rate has shrunk from over 40% in January to 28% last Wednesday. The rise is being helped, however, by growing use of the FR for investment in unlisted ventures.

Since February, the Reserve Bank has given the nod to requests for FR totalling around R200m. One bank says it has submitted some 75 applications on behalf of its customers, while a foreign banker has sent in six, all approved.

The Reserve Bank is, by all accounts, quite flexible in granting permission, though one banker reckons, "we haven't been able to get anything frivolous through." The Bank recently advised banks that it would consider allowing investment in real estate. Most applications have been for extensions to existing factories, but the more unusual ones include game farms, uranium and coal mining rights, and a banker's house. Metal Box's donation to the Urban Foundation came in through FR.

Church Square will not, however, consider FR requests from firms which simultaneously boost dividend remittances in commercial rand. Not surprising, considering that two-way deals would mean a net drain on foreign reserves.

Murmurs have come from SA companies which feel that their foreign competitors are getting an unfair advantage by investing "cheaply" in SA. Talk is that Sigma is not amused by Volkswagen's recent R35m injection through the FR market. But the Reserve Bank is unlikely to show much sympathy.

Pretoria is watching the narrowing discount with mixed feelings. On the one hand, the closer the financial and commercial rates move, the greater the chance that the FR market can be expanded without a massive exchange control headache. The first step would be to allow SA banks to create new FR in exchange for foreign currency. (The total pool is currently estimated at R8 billion, of which R4 billion is accounted for by investments listed on the JSE.)

The creation of new FR would contribute to SA's foreign reserves, but raises problems by building up two pools of foreign currency, one for commercial rand, the other for FR. It is thus unlikely that the Reserve Bank will consider broadening the market in this way until the discount falls below 10%.

On the other hand, the narrower the discount, the more attractive disinvestment becomes. Indeed, with the commercial rate likely to depreciate in the long term and the financial rate likely to rise, companies wavering between raising a loan (in commercial rand) and injecting equity (in financial rand) would be well-advised to do the latter.

SQUEEZE TO CRISIS

A substantial tightening of fuel-saving measures is expected to be announced by Economic Affaris Minister Chris Heunis next week to close the widening gap between off-shore availability and domestic consumption.

Officials confirm that, as a result of the near-panic that has hit the Rotterdam spot market in the past week, SA could soon be paying $35 a barrel for crude. The foreign exchange requirement at this price would be $4,5 billion a year.

Officials reckon that not even the sharp rise in the gold price will come near covering the present cost of oil acquisition. Greatest cause for concern is diesel fuel, conservation of which is proving a painful headache and may have to be subjected to coercive measures — even for productive use.

and platinum have reached new highs. Silver rose to near 410p/oz this week, and the free market price of platinum to near $450/oz. However, both markets appeared nervous. Silver's climb was entirely due to the hike in gold, while platinum substitutes might come into their own if the price of the metal moves too high.

Although the copper shortage continues, fears for the US economy caused heavy selling.

Metal shares have also been dampened by a shortage of FRs, and trading was reported to be quiet. In coppers, the price of Messina slipped back following a selling indication, while Palamin continues to hold steady on low turnover. The hectic activity in platinum shares last week has tended to wane, but prices were steady. Local enthusiasm for Cons Murch has fallen off now that buyers have found that all their needs, and more, could be supplied by London.

Institutions have again adopted a "watch and wait" attitude, and are not active in either the equity or the gilt markets. "It is dead, and we are all waiting to see what the others do," remarked one leading gilt dealer. Another section of the investment community, which is thought to be "walking around with bulging pockets" is the stockbroking fraternity. Accurate brokerage figures are not available, but rough calculations, bearing in mind that last week saw the highest turnover in industrials for more than two years, not to mention a mini-boom in golds and financials and additional brokerage earned through gilts, puts the guesstimate figure at a high level.

The beauty of the current dealing pattern is that the majority of trading is being done by professionals in a broad range of shares. It now takes as much time dealing in 10 000 shares as it did to handle the corner cafe owner's order for 100 shares in 1968.

Jean Moon

TRADING ON TECHNICALITIES

Whether or not the market is in a bull or a bear trend, some shares outperform others. Gains and losses occur at different times and at different speeds.

The object of short-term investment is to catch these shares at the start of a "faster than normal" movement within a trend and hold them only for as long as the movement continues. Optimistically, disinvestment then allows short-term traders to put funds into another share which has just begun to move, taking advantage of its upward run.

Even long-term investors score maximum profits if they buy at the start of a particular short-term run, rather than at its end.

This method of trading takes little account of the fundamental worth of a share, as often the best profits are made on "spiv" shares, provided they are sold at the correct time and they are freely traded.

A good guideline is to check back on the average of how many days in a month a share trades. If it is less than about 13, an investor could find himself stuck with the share when the time comes to sell.

Using a method of picking shares whose prices have recently moved 3% or more above their short-term exponentially smoothed moving average and accompanied by higher than normal volumes (indicating a more intense interest) my pick of the week is Otis (also a basically sound share) followed by Blue Circle, Huletts, Greatermans, Veka, Swafish, Trio Rand, Karoo, and HGX. Frencor could also be a possibility, but the tradability factor applies to this one.

Fedmis is one to watch, as it will give a short-term buy signal if the price reaches 273c in the next few days. BTR needs to reach 217c and Curfin 104c before short-term buying indications are given. On the selling side, Tuckers and Rentbel look as if price losses may be extended in the near term.

Jean Moon

DIAGONAL STREET

Heady days

kers) en van die American Friends Service
urgebring. Hy het 'n aantal konferensies in
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van Community Relations Services van die
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ican Friends Service Committee en kollegas
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8 het die Direkteur die volgende konferensies

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present trend of rates seems to be down once more, but at a gentle drift rather than the headlong rush of last year. Some observers see Escom stock settling down around 9,30%.

This is by no means unhealthy. Considerable speculative positions were built up in fixed-interest stocks when rates were falling sharply. A few fingers must have been singed during the brief recent upturn, and many people must have taken advantage of the official buying spurt to close their positions (as one capital market manager says, what speculators lost last month was only a fraction of their gains over the previous year, anyway).

If some of the rats and mice have been shaken out, it can only make for a more stable market. And there's still plenty of money around, if rates are right: the Defence bond issue, for example, which appeared to be attractively pitched, was quickly closed after it drew in no time at all an amount estimated by the market at R120m, against the R90m budgeted for the whole year.

Buyers do, however, seem to be getting more choosy — although Senbank's new capital market senior manager, Peter du Toit, resists suggestions that the recent R25m Johannesburg issue (handled jointly by Senbank and UAL) was in any way disappointing.

Pointing out that the issue obtained R27m in underwriting commitments, he regards the slight shortfall in public subscription as unimportant. "We did a very good job for our clients — we actually got their money below the Escom rate."

While Armscor has for the time being withdrawn its R30m issue, this is only temporary, until market uncertainty is cleared up. It's private sector issues that are feeling the pinch: one observer reckons the market rate for corporate debentures bottomed at the end of last year, and placing houses have needed some firm arm-twisting to ensure the success of some recent issues.

W&A's R3m issue, at 10,75% all-in in the first half of April, is one that is thought to have attracted minimal support except from the issuing house (Volkskas Merchant Bank) and its direct associates.

Three factors

Three other major factors will determine what happens in the next few months:

- The rate of open market operations, mainly by the Reserve Bank and PDC, and to a lesser extent by Escom.
- Institutional cash flows, and the extent to which institutions have satisfied their need for prescribed investments. One school of thought is that, either directly or through warehousing, most big institutions have assured themselves of enough prescribed stock until well into 1980; another believes that they will have to come back into the market in the second half of this year.
- Whether the government stock issue planned for July (when redemptions of R496m fall due) in fact goes ahead. The government has already scrapped the scheduled February issue, and market talk is that the same may happen in July. A senior Treasury source says no decision on this issue has been taken yet, but one is likely within a couple of weeks.

With the impact the buoyant gold price (setting record after record at London fixings over the past week) will have on State tax revenues, there must be a good chance that the government will not need to come to the market. The injection of funds this would represent would have a considerable downward pressure on interest rates, and would also be in line with the general stimulatory economic policy (it would, by coincidence, almost exactly cancel out the likely drain on the system from the coming Sasol issue).

With imponderables like these, it is not surprising that capital market sources approached for their views on interest rates give responses like: "The market's very finely balanced — it will all depend on what the authorities do," or even a blunt "I wish I knew."

But, looking three months ahead, the odds must be that interest rates will be no higher than they are now. They could even be a few points lower. On a longer view, if rates do not harden sometime between September and next March, we will be in trouble. For that will mean that economic growth has not attained the target rate of 4% and we will be bumping along in a renewed bout of stagflation.

ASSURA FM25/5/79 (58)

Better profits ahead

Although not indicative of possible second-half performance, Assura's 8,1c (5,7c) earnings in the six months to March 31 reflect its growing profitability.

While the banking assets were exchanged for 3,5m Bankorp shares on October 1 1977, the previous period's figures have not been adjusted, and consolidate Santam Bank and Sancura. So the figures are not strictly comparable. But the 42,1% earnings rise does reflect Assura's higher return on shareholders' funds, which have not changed materially.

The previous year's banking activities were largely responsible for the slow earnings growth, whereas short-term insurance had just emerged from a period of price cutting, aimed at increasing volumes. Cut-throat prices together with high claims during the Soweto and other riots resulted in poor returns two years ago, but short-term insurance had become the group's mainstay by 1978.

The interim report indicates that subsidiary Santam Insurance increased its premium income 29,3% to R58,4m (R45,2m). However, though it is not clear to what extent new business contributed to the rise, it is likely that the growth was largely due to higher premiums.

Barring undue claims, Assura seems to have come out of the price cutting exercise with flying colours. While some short-term insurers were suffering business losses due to Santam's attack on the smaller man's budget through its Multiplex policies, industry sources indicated that volumes would be dissipated once prices were hiked. The latest set of figures appear to disprove that assessment. Nevertheless, the industry remains highly competitive and a renewed spate of price cutting could send new business and profits reeling.

By its nature short-term insurance is risky, so investors can expect Assura to yield higher returns than other, more diversified, insurance companies. Currently the share, at 60c, yields an historic 9,2%, compared to the 6,9% sector average.

Estimating results for the year is hazardous, but the signs are good for a maintained or bettered year-end profit.

Peter Pittendrigh

c) Ander lede:

Mnr K. Bosman

Mnr H.W. Middelmann
. M.T.L. Moletsane
ssor A.D. Muller
: A. Najaar
'ictor Norton
ssor N.J.J. Olivier
. Phillips
ssor H.P. Pollak
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ranklin Sonn
.M. Sonn
r J.H. Steyn
. Tobias
ssor R.E. van der Ross
ssor J.H. van Rooyen
S. Walters
ssor F.A.H. Wilson

Lede word na die Algemene Jaarvergadering van die Maatskappy uitgenooi en kies elke drie jaar 'n verteenwoordiger

Friends (Quakers) en van die American Friends Service Committee deurgebring. Hy het 'n aantal konferensies in verskillende dele van die land bygewoon, baie vergaderings toegespreek en senior beamptes van die Carnegie Corporation, van Community Relations Services van die Departement van Justisie van die Amerikaanse regering, van die American Friends Service Committee en kollegas verbonde aan verskeie universiteite besoek.

Gedurende Augustus en September het die Direkteur Engeland, Nederland, Switzerland, Swede, Israel en Zambië besoek. Hy het vooraanstaande joernaliste, Suid-Afrikaanse diplomate, senior amptenare van die Suid-Afrika-Stigting en verskeie regerings betrokke by Suid-Afrikaanse belange ontmoet. Hy het besprekings gevoer met stigtings, trusts en opvoedkundige verenigings. As gevolg van sy besoek aan Nederland het hy 'n toelae vir die Konstruktiewe Program ontvang van die Algemeen Diakonaal Bureau van die Gereformeerde Kerken in Holland.

Professor J.L. Boshoff, ere-Fellow van die Konstruktiewe Program, het met 'n aantal instansies, wat universiteite in Natal en Transvaal insluit, en met verskeie handels- en industriële firmas in Natal, kontak opgebou.

(b) Konferensies

Gedurende 1978 het die Direkteur die volgende konferensies bygewoon:

Jaarlikse Konferensie, Nasionale Uitvoerende Komitee- en Raadsvergadering van die Suid-Afrikaanse Instituut vir Rasseverhoudinge, Kaapstad (Januarie).

Suid-Afrikaanse Jaarlikse Vergadering van die Religious Society of Friends, Stutterheim (April).

Negende Wêreldkongres van Sosiologie, Uppsala, Swede. Verhandeling voorgelê in Werkgroep 6 en vergaderings bygewoon van die Raad van die Internasionale Sosiologiese Vereniging as die amptelike afgevaardigde van Suid-Afrika (Augustus).

THE RAND Fm 1/6/74 (58)

Before the slide?

Short-term strong, but downward pressure later in the year is the economists' prognosis for the rand.

The system of managed floating introduced in February has so far produced little fluctuation against the US dollar

c) Ander lede:

Mnr K. Bosman	Mnr H.W. Niddelmann
Professor A. Cupido	Eerw. M.T.L. Moletsane
Mnr N. Daniels	Professor A.D. Muller
Mnr Achmat Davids	Sheik A. Najaar
Professor R.J. Davies	Mnr Victor Norton
Professor J.J. Degenaar	Professor N.J.J. Olivier
Mnr René de Villiers	Mnr L. Phillips
Dr I.D. du Plessis	Professor H.P. Pollak
Professor J.J.F. Durand	Mnr W.J. September
Professor J.B. du Toit	Mnr Franklin Sonn
nr A. Flederman	Mnr P.M. Sonn
rofessor R.F. Fuggle	Regter J.H. Steyn
nr G.J. Gerwel	Mnr R. Tobias
erw. D. Guma	Professor R.E. van der Ross

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liteit en Politieke Verandering in Suid-Afrika

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Friends (Quakers) en van die American Friends Service Committee deurgebring. Hy het 'n aantal konferensies in verskillende dele van die land bygewoon, baie vergaderings toegespreek en senior beamptes van die Carnegie Corporation, van Community Relations Services van die Departement van Justisie van die Amerikaanse regering, van die American Friends Service Committee en kollegas verbonde aan verskeie universiteite besoek.

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...die volgende konferensies

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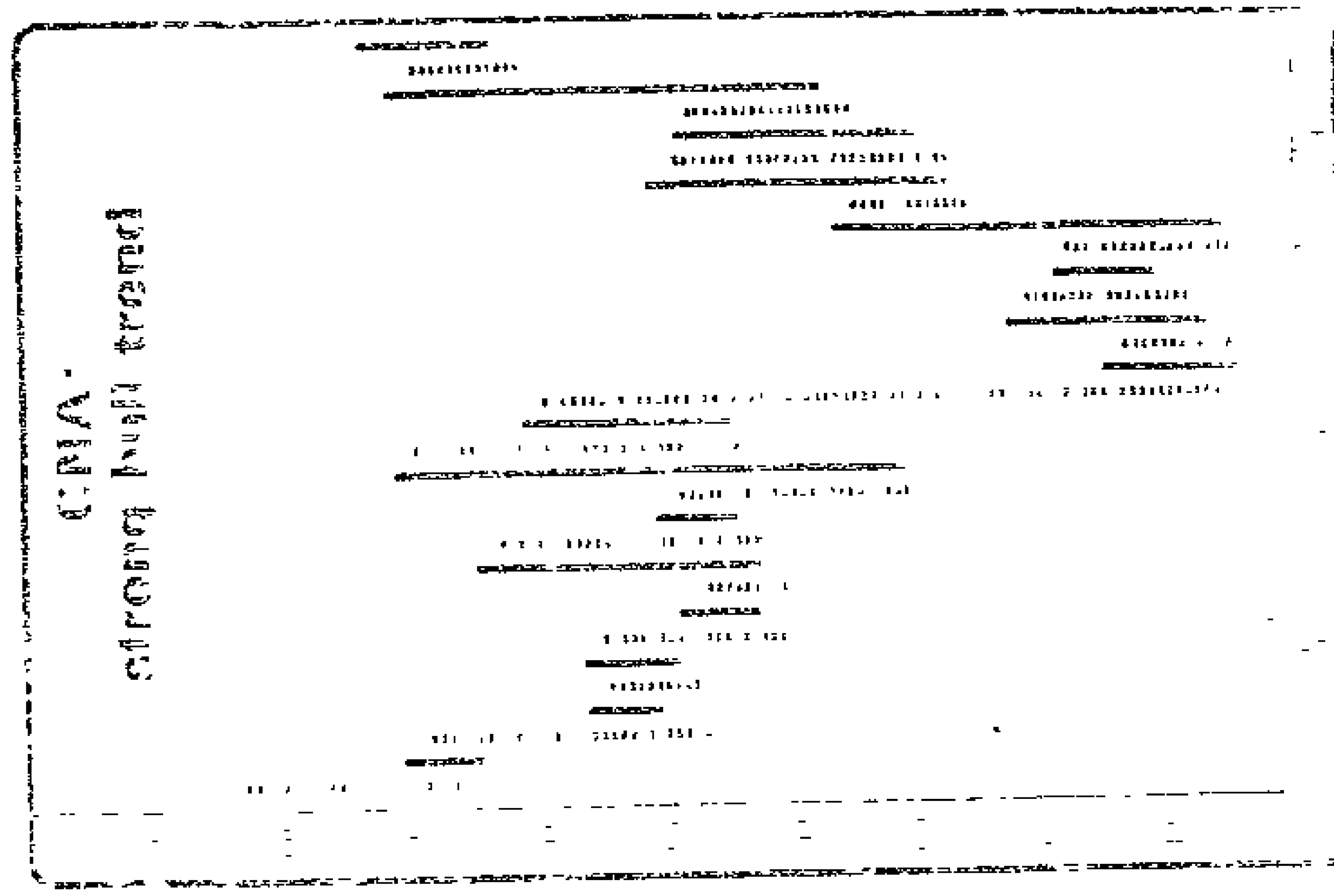

NAVOR[illegible]

Gedurende die verslagjaar h[illegible]
Sentrum die volgende behels[illegible]

A. Mobiliteit en Politieke [illegible]

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CNA INVESTMENTS

Managed recovery

Professor R.F. Fuggle
Mnr G.J. Gerwel
Eerw. D. Guma
Professor A. Paul Hare
Dr Gertrud Heydorn
Mnr F.A. Jacobs
Mnr H.M. Jimba

d) Twee Ere-Fellows:

Professor J.L. Boshoff
Dr Sheila T. van der Hor

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NAVORSING

Gedurende die verslagjaar het die navorsing van die Sentrum die volgende behels:

A. Mobiliteit en Politieke Verandering in Suid-Afrika

Hierdie projek is 'n paar jaar gelede aangepak. 'n Ondersoek onder die kleurling bevolking van die Kaapse Skiereiland is onderneem. 'n Aantal tydelike navorsings-

Diagonal Street . . . industrials teeter

DIAGONAL STREET

Firm, but cautious

Gold was set at $275,25 at Tuesday afternoon's pre-fix, giving bullion a somewhat giddy two-day rise of $5,25, and a week's rise of $11,35 In the end, the second fix was $273,80.

Gold shares responded with gains — but gains of such dignified a nature as to suggest wariness on the part of investors. The market continues to view bullion (it was $181 this time last year) with caution.

The ever-present speculative element is becoming far more pronounced with the marginals — attracting attention from professional tickey-snatchers, and those who can not afford good mines.

"But, of course these will be the ones hardest hit whenever the technical reaction sets in, if it does," one broker cautions.

It was this type of fast-buck approach which saw Anglo-Vaal's Free State producer, Loraine, move 30c up to 210c.

Profit-takers moved in to bring the share back to 203c on Tuesday morning. Later support, however, pushed the share back to 210c, presumably on the strength of the $273,80 London second fix. A high-cost, low-grade mine, Loraine had reserves of 2,34 Mt at $190 per oz at end-September, 1978, and its costs are close to $200 per oz.

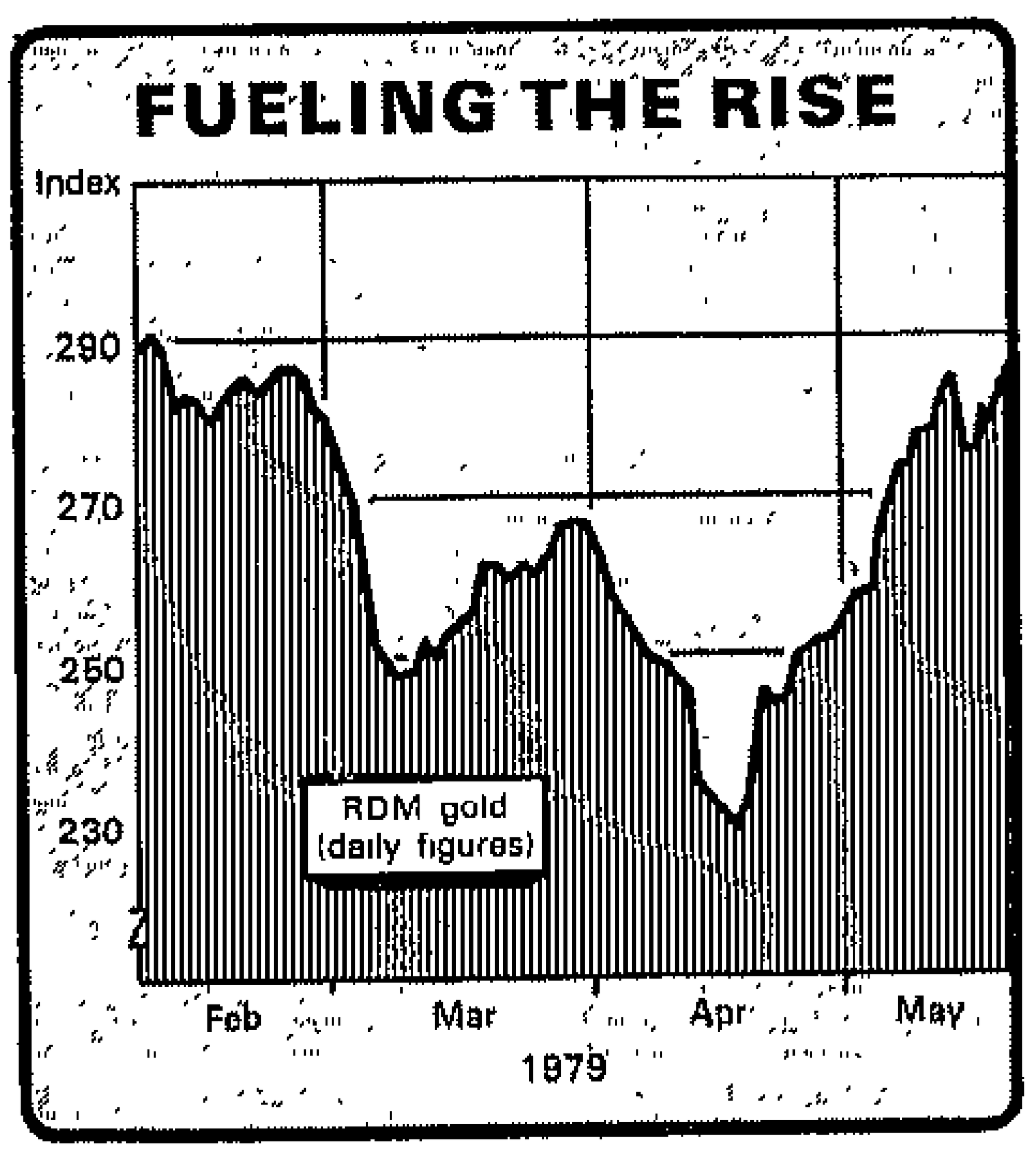
Another offshoot of the speculative build-up is the upward pressure on newly developing mines, notably Deelkraal and Elandsrand. A clear division of opinion exists in broking circles, with one sector pointing to anticipated good dividends next year. The mines are ahead of schedule and operating with a much higher average gold price than was used for early projections.

The conflicting view is that excessive values have been given to the mines in terms of comparative market capitalisations. Investors valued Deelkraal at R358m on Tuesday's 370c a share, and Elands at R570m on Tuesday's 755c. But, one puzzled analyst said, Randfontein at R60 a share is valued at only R324m and President Brand, at R19,75 is capitalised at R276m.

Dealers summarised the week as one in which industrials moved hesitantly lower on oil fears. Most seem to discount the impact of Sasol's pending R500m issue.

Much of this money is expected to be privately placed with institutions, and is capital which would not otherwise have come into equities in any case; and if government decides not to roll-over its forthcoming R496m redemption there will be an equal amount looking for a home. Latest market rumour is that overseas oil majors have approached Pretoria seeking permission to get a slice of the Sasol issue via the FR.

One visible casualty of FR pressure was De Beers, which dithered at its 855c level with question-marks over its head. Monday and Tuesday trading left the share 20c down. Overseas comment on some insta-



bility in the diamond market could be adding to the FR pressures.

Coal shares were solid, with flyers taken at the more spec issues such as Vierfontein, which settled at 98c after being run up from 85c to 100c. Kangra's refusal to be drawn on the rumoured bid for Natal Coal saw the share settle back to 129c from last week's 133c high.

The burning question affecting all companies which rely to any extent on transport is: "How much will fuel cost, and what if rationing is introduced?" Market thoughts are that if the price is hiked to 50c a litre, the fall in the industrial market has only just begun, while others feel that falls have already been overdone. Rumours filtering through, like the one of an Arab state refusing $40 a barrel for oil when the Opec price stands at below half that, sent new waves of fear through the market. One consolation is that all Western markets will be affected in a similar way.

Added to the fuel scare is the hike in food prices announced over the past few days. Although some of the increases in processed foods will be passed on to the consumer, manufacturers are expected to be forced to cut margins in an attempt to maintain volumes.

The slide in industrial prices, which began after a weekend of bearish news, gained momentum on Tuesday. SA Breweries, highly dependent upon transport, fell 2c on Monday and a further 4c on Tuesday on heavy selling pressure. Rennies, dependent on holiday and business travel, slumped 21c on Monday and lost more ground on Tuesday. However, a slight rally before the close left the share unchanged at 137c.

Remgro slumped 15,6% in the two days and Rembrandt 19%. A general scramble out of motor shares in anticipation of a slump in sales left Toyota 13,5% down on the week and Saficon was 10,2% off on Tuesday.

Ian Muil

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c. Custom

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The Africa ctful to its parents by waiting

PROPERTY

Barclays takes off with its home loans scheme

By Frank Jeans

WITH HOME improvement a growing market in the South African housing scene, Barclays Bank has had a resounding success with its plan which advances money to homeowners for the "sprucing up" of their properties.

After only about six months since its inception, the bank's home plan — through Barclaycard — has notched up R16 m worth of business, and seems certain of hitting the R30 m target which had been predicted for the year.

And it's not only the homeowner who is enthusiastic about the scheme. It has also opened up some good business for the merchants who do the work, and to date, Barclaycard has more than 3 000 operators on loan-plan activities. It is expected that 1 000 more will be added to the list by the end of the year.

Although the scheme has been a big success in the "improving" market, Barclaycard is not going into this lending effort willy-nilly.

Indeed, about a third of all applications are being turned down, because they fail to meet credit requirements, and might stretch family budgets too far.

Says Mr Colin Gregor, general manager of Barclaycard: "Only about 5 percent of applicants holding Barclaycards, however, are unsuccessful, as we, of course have clear credit histories in their cases."

A homeowner can get loans of between R1 000 and R7 000 under the scheme repayable over periods of 12, 24, 36, or 48 months at a low, flat rate of interest of 7,74 percent a year.

Borrowing say, R1 000 over 48 months, a Barclaycard holder repays R27,33 a month, and his total interest at the end of the period is R311,67.

And the trend to home improvement?

The most popular trend appears to be funds for exterior painting or coating of homes, then come paving and walling and swimming pools.

Mr Gregor also sees as a reason for the plan's success is that people like to have control over their expenditure over shorter periods, rather than push up low interest rates on old bond through re-advance.

(58) (74) (65)

SA won't use its gold muscle to get out of the oil price squeeze

Colin Campbell in the market

The Minister of Finance, Senator Owen Horwood, remains confident about the economic prospects of South Africa, and even though the oil question was a worry at least South Africa was blessed with gold and a host of other strategic metals and minerals.

In an interview with the Minister and the senior deputy Governor of the Reserve Bank, Dr Gerhard De Kock, in Cape Town this week, we talked about the economy in general and the outlook in particular.

We discussed a host of topics: gold, interest rates, inflation, financial rand, the health of the South African economy, the outlook for overseas loans, oil.

Herewith some of the highlights.

Oil spectre

Undoubtedly the most worrying problem at the moment is the question of oil and the effect the rising price of oil is having on world economies, which in turn puts something of a question mark over South Africa's exports.

But for the spectre of the oil question, the Government's hope of seeing the inflation rate back into single figures this year may well have come true.

Though there is public concern that the inflation rate is now above the 11 percent mark, part of that figure is due to imported inflation, and part is due to the distortion of last year's introduction of GST.

An April 1979 measurement over an April 1978 included GST on the one side but not on the other. Come the time when the comparison is made between two months of different years in which GST is included in both, and the comparisons should not be as startling.

But inflation is not a problem peculiar to South Africa — "The Economist" last week reported that thanks to rising oil prices German inflation in April was running at 3.5 percent against 2.9 percent in April 1978 while the Swiss inflation rate in March was nearly twice as high on a year-on-year basis.

"Though the Swiss rate is nothing compared with the double digit figures of others, it just shows you what is going on," Senator Horwood pointed out.

He also pointed out that in South Africa it was cost inflation — not demand inflation — and that Government had kept to its sights over money supply and Government spending.

South Africa, of course, is blessed with abundant minerals and metals which the world wants — gold and platinum being the most obvious examples. And Government is especially pleased at the strength of the country's mineral exports at a time when imports are also costing more.

Government would obviously like to see our major trading partners on a sounder footing — but SA exports are not likely to be seriously hit — or there is a considerable worldwide ... As an exporter of strategic minerals we are less vulnerable to an export downturn.

Though the Minister is concerned about the health of the world economies, he points out that the oil price blow of 1979 comes at a time when economies are moving up. In 1973 when the oil price explosion first hit the world, economies were hit when they were in a recession.

One area of hope now is that though some of SA trading partners may be weak others are much stronger. And Western Europe is compensating for other weak areas.

So a serious downturn in America, say, would not be that bad for us because other areas could compensate.

Senator Horwood . . . overseas lenders again knocking on our doors.

Dr de Kock . . . financial rand market has gone extremely well.

'We are one of the best risks in world'

But the big unknown is what will the impost of higher oil prices do to investment capital? Will it still flow?

From oil and inflation we turned to:

Gold

Given South Africa's gold wealth I asked whether it was feasible and if it had been given serious thought, for South Africa to enter oil-for-gold swops.

The feeling of both Senator Horwood and Dr de Kock was that the Reserve Bank was doing a fine job in marketing the country's gold, and that in the bullion market what must be preserved is order and stability.

For South Africa to change its gold marketing policy would be disruptive. Rather sell the gold in the normal way and earn the foreign exchange with which to buy oil.

That South Africa has the potential to do direct barter deals with the oil producing nations by offering its gold for oil goes without saying — and it has been a thought which has crossed many a mind.

The oil-for-gold idea was particularly current about six weeks ago when the bullion price started to test new highs — but at the time the Reserve Bank dismissed the idea as just another market rumour.

But undoubtedly the strength behind today's gold price is the inflation threat and the oil problem. Another important factor is the rising US trade deficit.

But of interest to bullion followers is that the gold price has been rising while the dollar has remained relatively firm, and that it has risen against the traditionally strong currencies.

Unlike his predecessor, Senator Horwood does not make projections as to where he sees the gold price in X weeks time, but he did make some observations on the current demand position.

An especially welcome sign in today's bullion market is that there is not only a strong monetary demand but also a solid industrial demand. Unlike previous patterns in the gold market, industrial demand is not falling away while the price rises — partly explained by the wide use of gold in the electronics industries.

Interest rates

Does the Government have a deliberate policy to try to keep interest rates low? Was the Treasury Bill rate an "honest" rate?

The TB rate was the function of supply and demand, and was an honest rate came the reply.

What uncertainty there is concerning interest rates in the market place — and there was a feeling that rates are bottoming out ... to bottom ... to move up ... again — was probably due to the uncertainty of the Sasol issue details.

Doubling back to the economy in general, it was touched on the surplus capacity still within industry. Though the economy ... in October ... there were ... it could be ... being more demand ... encourage increased production facilities — and therefore investment.

Liquidity within the system was certainly high (building society inflows now pass the R1 000m mark) — and one of the problems was to get "stagnant" money on the move.

What the Minister would like to see is more "good old, solid private investment" capital.

But with the March Budget greenlight that private investment is to be encouraged in "State" projects (and the Sasol installation is an example of this) perhaps more will flow.

The country does not need overseas loans at the moment — but what has been a very pleasing aspect, and a measurement that South Africa is again ... would be lenders — is that the terms of potential loans to South Africa have improved, and so has the length of loans.

"We can now talk about five to seven year loans."

With the Soweto troubles now a memory, and with the economy looking in much better shape, overseas lenders are again knocking on the doors.

"South Africa is one of the very best risks in the world, bankers tell me," the Minister said.

Financial rand

This has gone very well and the estimated amount of applications approved was about R200m to R240m. The Reserve Bank plans to furnish further details of where the applications have come from and where the money is going, but one promising sign for the country was that some applications had been for real estate.

Will the FR continue to rise?

The sharp run up from about 65c US pre-De Kock to the current level of around 90c US has been quite an improvement over a very short time. How much further it has to go depends on market forces.

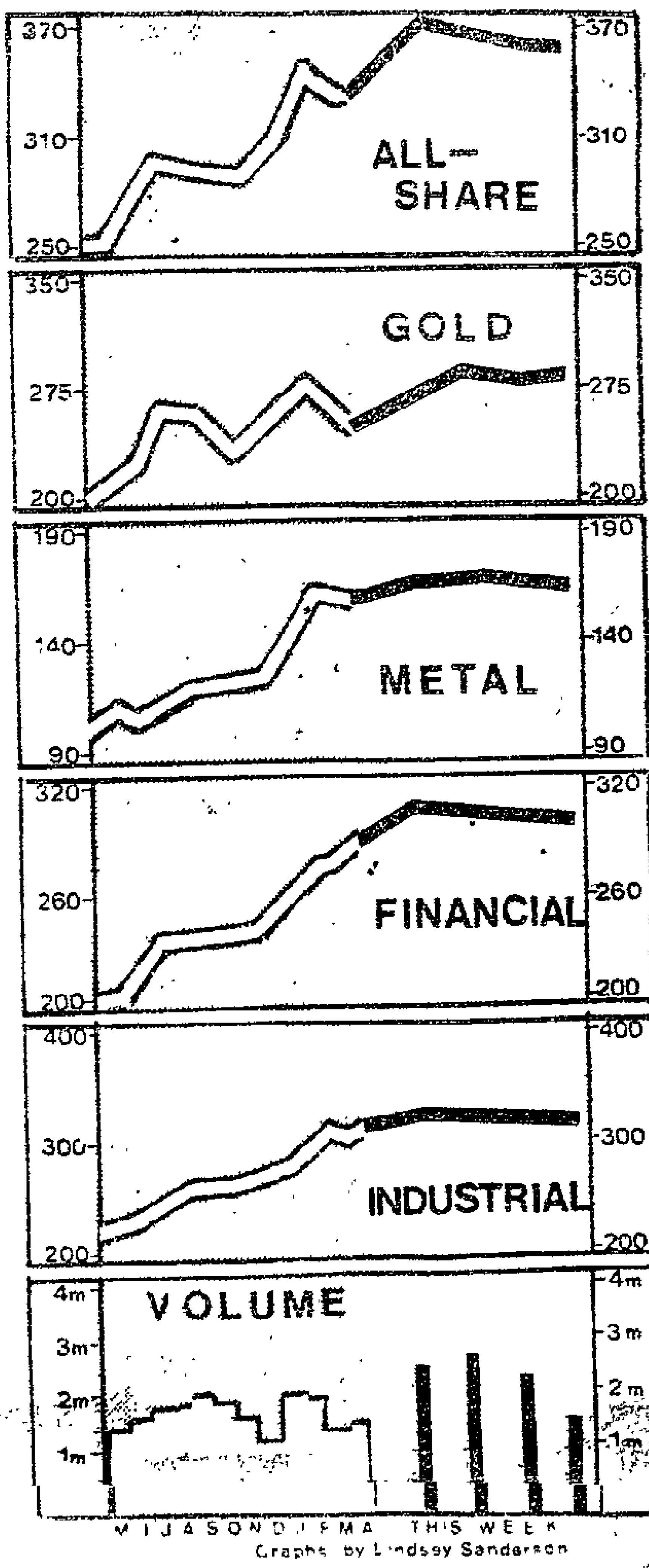
The mechanics of the FR has inhibited the movement of share prices — but as there have been overseas sellers of SA shares into the Johannesburg market in order to create the financial rands, it means that somebody here has been buying South African shares.

South Africans are buying back the farm — something which Government is very pleased to note.

That the commercial rand had also moved up was particularly pleasing.

Overall then, the economy is looking alright, confidence is coming back into investors' hearts and the country's strategic exports should cushion South Africa against the worst effects of oil price disruptions.

As the upswing gathers momentum more confidence should ...



Graphs by Lindsay Sanderson

These graphs chart the performance of The Star share indices for major divisions of the Johannesburg Stock Exchange over the past week, together with volumes of trading. The shaded areas of the graph cover the average of the previous 12 months' dealings for comparison.

JSE THIS WEEK
ANNE COLLEY

It was one of those good news/bad news weeks on the JSE. With the oil price bubbling higher and the producing ... making angry noises about supplies world wide investors turned once again in force to the hedge investments. Gold touched fresh peaks, platinum was quoted higher, silver was in demand.

The bad news was that gold shares on the JSE were slow to follow the bullion price, not only because of financial rand complications but also because the bullion price is reacting like a yo-yo. And because of the memory of the previous gold rushes, it is only the professionals (who can sit and watch market movements on a minute by minute basis) who have the ability to trade with the skill that is necessary to make profits.

The other bad news was the host of price increases which were announced for a host of household products. While oil prices will hit companies household price rises are likely to hit discretionary income — and may well undo most of the good which will be generated from the reduced income tax rates effective July.

Particularly sensitive on the industrial board were motor and related companies. In a list of the 20 worst performers over the past week, at least seven shares with motor/transport connections featured — Toyota, Williams Hunt, McCarthy, Turfin, Robbs, Caravans International ...

debut at placing price recently, continued unloved and was "traded" at 120c this week compared with a 115c opening.

Though it could be suggested that the petrol problem has by and large been discounted by the market, the uncertainty over just what kind of package Minister Chris Heunis will eventually unveil is keeping investors at bay.

Another reason cited by analysts is the unwillingness of investors to commit free funds ahead of the Sasol issue.

There were some good company results — CNA for instance is still looking for further growth despite oil and its problems. And the week ahead sees publication of Anglo American figures.

Coal shares still glowed but De Beers fell under profit taking and financial rand considerations. The weaker LME copper price — a weakness generated by fears of a recession in the world's industrialised countries — pulled back Messina. Though there is a market thought that Messina may come in for strong buying attention once the Western leaders make up their mind whether they are going to recognise the new Rhodesian Government or if LME factors for the moment hold the upper hand.

The fluctuating free market platinum price also took some of the steam out of platinum counters. But as The Star said last week metal prices are going through a ... patch which is leadi...

SUNDAY TRIBUNE, JUNE 3, 1979

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LIFE IS HARD TO GET

... if you're black and looking for insurance

By ROD JACKSON-SMITH

DISCRIMINATION by some insurance companies is making it difficult for blacks to get life cover.

A new firm of insurance brokers and property developers provided a report giving evidence of discriminatory practices by some companies to the Sunday Tribune this week.

The Transvaal-based company opened its Durban offices on Friday. It hopes to capture a major share of the Indian life assurance market in Natal, estimated at R100-million a year in sums assured.

QUOTE

MR JOHN BLAIR, insurance broker

Until the beginning of this year it was safe to say that virtually all insurance companies discriminated against Indians in their life cover rates.

Although the company's report deals primarily with discrimination against Indians by some insurance companies, the **Sunday Tribune** found that many of the discriminatory criteria apply to blacks in general.

A spokesman for the new company, Mr John Blair, told the **Sunday Tribune:** "Until the beginning of this year it was safe to say that virtually all insurance companies discriminated against Indians in their life cover rates.

"In order to be able to offer our clients the best possible cover we are placing business with companies whose underwriting tends to be on a par with white lives."

One leading company, he said, would not give insurance cover to blacks earning R600 or less a month.

"There is no similar restriction for white people wanting similar life cover with that company," said Mr Blair.

A spokesman for this company said the allegation was not entirely correct.

"This applies only if a black person wants a life policy that matures beyond the age of 65," he said.

Confirming that the rule did not apply to whites, the spokesman insisted that discrimination played no part in the company's underwriting policy.

"There are no racial reasons for this. It's just that the average black person does not have the same life expectancy as the average white," he said.

Mr Blair pinpoints another area of the insurance field where different companies apply different standards for Indian clients.

It was known, said Mr Blair, that most Indians showed traces of sugar in their urine which indicated a susceptibility to diabetes.

"Some companies demand a glucose tolerance test if the sum assured is more than R75 000 while others demand a blanket glucose test on all Indians, regardless of the sum assured," he said.

Although this is not standard practice among all insurance companies, Mr Blair conceded that glucose tolerance tests could hardly be described as blatant discrimination as it is equally well known that the incidence of diabetes among whites — compared with Indians — is almost negligible.

"But this sort of discrepancy is certainly making our more knowledgeable Indian clients wonder whether there is not some sort of race discrimination at work here," said Mr Blair.

Another insurance company, the report disclosed, requires a medical examination for every adult black assured.

A spokesman for this company first told the SUNDAY TRIBUNE that this claim was not accurate, saying that the company "treats each case on its merits".

"We do not insist on a medical examination in all black adult cases. We use our discretion," he said.

A few minutes later the spokesman telephoned the SUNDAY TRIBUNE and admitted that "by and large we do insist on a medical for all blacks." He also admitted that this rule did not apply to whites, although the company preferred medical examinations of all races seeking life cover.

Asked to explain the company's policy, the spokesman said: "In the case of Africans many of them could quite unwittingly be guilty of a non-disclosure by not fully understanding the questions that have to be answered. Rather than take this risk, we insist on a medical examination.

"The only reason we insist on a medical examination for Indians is because of the high incidence of diabetes among that population group."

Yet another area is discrimination is in the granting of life cover to black women.

"Women worldwide tend to live longer than men, so their rates are calculated by deducting a number of years off the tables which are prepared for men's lives. In other words, a woman of 30 will pay rates calculated for a man of 27 or 25, depending on the company.

"This benefit is not passed on to black women," said Mr Blair.

Spokesmen for several companies insisted this was not discrimination, saying that statistics were not yet sufficient to show that black women had the same life expectancy as white women.

R11m for Transkei

THE ASSEMBLY — Homelands are to get another R30 million and Transkei and Bophuthatswana another R11 million in terms of the supplementary estimates.

The estimates, tabled yesterday, provide for a total additional expenditure of R185,3 million bringing the total spending by the government during the current financial year to R11 219 million.

The Department of Co-operation and Development will get another R5[illegible] million [illegible] R2[illegible] million [illegible] Welfare and Pensions [illegible] R24 million the Department of Industries [illegible] R5[illegible] million Coloured Relations another R9,3 million and Foreign Affairs another R16,1 million.

An additional R[illegible] 000 will be spent on the purchase of land for the homelands

R3 191 000 for settlement, R[illegible] 656 [illegible] for assistance to self-governing black states and R22 116 000 in compensation for loss of revenue.

As compensation for loss of revenue, Transkei will get an additional R6 9[illegible] 000 and Bophuthatswana another R3 960 000.

The Coloured Representative Council will get another R9 267 000 under the provision for self-government contribution for the council.

The Department of Industries' R30 million is for "industrial services", while R20 million will be spent on bread subsidies and R5 million on the subsidising of crop insurance.

The draft estimates of revenue predict additional revenue to the state of R148,4 million — PC

(Report by Barry Streek, Press Gallery, House of Assembly, Cape Town.)

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third time ....

Degree for which registered (e.g. B.A.) ....

Courses already completed: Please indicate SUBJECT, YEAR and CLASS obtained

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Star 8/6/79

Growth target slipping out of reach — banks

(58)

Mr Raymond Ackerman ... "drop GST on basic commodities."

By Michael Chester, Financial Editor

The two biggest banks in South Africa today both gave warning that targets of a 4 percent economic growth rate were now slipping out of each because of the oil crisis — meaning renewed threats of higher unemployment.

While a growth rate of at least 5 percent is vital to cool down the high level of jobless black workers, the 1979 advance may now be pulled down to only 3 percent or even less, according to Dr Johan Cloete, chief economist at Barclays National Bank.

And the Standard Bank also warned targets will now be missed unless the Government can provide a new package of stimulants.

South Africa is not alone in facing an economic slowdown because of the chain reactions of the oil crisis. Virtually all the main industrial nations — the United States across to Western Europe and even Japan — have now been forced to lower their economic targets and re-set inflation forecasts back higher.

However, none of the big industrial countries expect prices to rise as fast as in South Africa.

Even on the upward adjustments, the leaders of the Organisation for Economic Co-operation and Development now predict an annual inflation rate at only around 7,8 percent — little more than half the speed of the South African prices spiral.

Mercifully, South Africa has gold exports to help counter-balance the staggering increase in oil import costs.

Standard Bank estimates that if the current gold boom goes on and bullion reaches 300 dollars an ounce by the year end, export income will soar to about R5 260 million for 1979 — no less than R1 400 million more than last year.

Even so, the bank's economists are convinced that the Minister of Finance will have to hand out new stimulants to check the slide in confidence and spending.

Mr Raymond Ackerman, head of Pick 'n Pay, said this morning the Government should now cancel the General Sales Tax on sugar, bread and meal.

"The petrol price increase is inflationary — and now the Government has an excellent opportunity to take the sting out of the price hikes for the householder, by withdrawing GST on the basic commodities."

He appealed to manufacturers not to increase the price of their goods by the petrol price increase, as petrol formed only a small part of their costs.

EXCHANGE CONTROL

[illegible]

Rate cutting in the [illegible] and [illegible]

[illegible]

quarter ended June last year [illegible]

[illegible]

DIAGONAL STREET

FM 5/6/72 (35)

FR inhibitions

Again, the high financial rand rate inhibited trading in Diagonal Street as the creation of FR put a ceiling on the extent to which gold shares could advance. At one stage on Wednesday FR traded at US 96c for an 18,6% discount, and only towards the close when the price dipped 1c to 95c did gold shares see any real activity.

On average, gold shares advanced on the week, while bullion was fixed at a record high of $280,75 on Wednesday morning ahead of the IMF auction. In the afternoon the price came off, but talk of Iraq bombing Iran closed the market with hopes of an even higher bullion price this week. Now some mining analysts believe the $300 barrier will be broken in the next two months, which is earlier than many had expected.

A star performer on the gold board was Harties, which put on 510c to 3 725c as the mine declared a 290c final (175c) dividend. The high payment could, according to market sources, have resulted from recent uranium sales above the current spot prices. South Rood, on the other hand, which rose to a high of 410c ahead of the dividend declaration, shed 25c on Tuesday and 10c on Wednesday.

The Anglovaal group dividends also included a 30c payment from Cons Murch — which gives hope for an 80c total. The share responded with a 20c rise to 545c. However the ore reserves are limited and hefty capex is needed.

Some analysts are now looking at copper, believing that by August the LME price could be over £1 000/t compared to

'Blueprints leak' firm asked to quit bank project

By GHERHARD PIETERSE

THE company allegedly responsible for leaking a set of plans showing security arrangements in the Lesotho National Bank (reserve bank) has been asked to resign from the project, a bank spokesman said this week.

The spokesman said the company suspected of the security breach had acted as a consultant and none of its suggestions would be implemented in the final security setup.

"Although the plans had no longer been valid because of many changes made, we were concerned by the leak. As a result, we have decided not to continue using the company concerned."

The entire security installation had been changed and leaked plans would be of no use to criminals.

All key staff connected with the bank project had been asked to sign pledges of secrecy, the spokesman said.

No shipments of gold bullion were expected and the vault would be used mainly for the storage of valuables.

The Maluti currency shortly to be introduced in Lesotho would be backed by the South African rand. No gold bullion would be kept in Lesotho for backing its currency.

The Commissioner of Financial Institutions in Lesotho, Dr Reichard, said:

"Mr Fuller — who gave information to the Sunday Times — was an employee of one of the companies engaged in this project.

"His company was looking into the possibility of offering us the suitable electronic security devices to be used in the premises. Their offer had not yet been accepted by us and we were still in the process of scrutinising the effectiveness of the system proposed."

Dr Reichard said Mr Fuller's statements were incorrect and the plans he referred to were outdated.

"The Government of Lesotho does not possess R30-million gold bullion from a European country; nor does it have any claim to such gold as reported.

"All the professionals on the project have signed pledges to keep the information secret and no plans have been passed to firms in the manner indicated by Mr Fuller.

"We would also like to deny that Mr Fuller was our chief security man on the project."

(58) Sund T 1/1/80

Interest rate on savings may be cut

NM 58 12/6/79

Property Editor

THE DIRECTOR of the Association of Building Societies indicated last night that a further drop in interest rates of savings deposit could be on the way.

Mr. Dave Alston said the recent reductions in building society deposit rates had not been effective in stemming the flow of funds and societies were now awash with cash which they are unable to find borrowers for.

He added that an upturn in the economy could reverse the situation but the recent petrol price hike would have a depressing effect on growth prospects and he expected the cash surplus to remain with the societies for some time.

Mr. Alston said the possibility of interest rate reductions was a source of concern.

"We have 5 000 000 investors and savers on our books and many — widows and pensioners — are dependent on fixed interest for their living. As the cost of living increases and interest rates fall, their standard of living falls and for many the situation is becoming distressing."

He said there was constant pressure on societies to reduce the mortgage bond rate on home loans.

"But I question whether the 500 000 borrowers on our books deserve more sympathetic treatment than the 5 000 000 investors who have entrusted their money with us, bearing in mind that the borrower benefits from inflation as the value of his property increases, whereas the investor suffers," he said.

Global recession, currency unrest loom, warns BIS

Star 12/6/79

(58)

BASLE — The Bank for International Settlements — comprising the world's leading bankers — said yesterday the currency surge in inflation could lead to a major world recession and a renewed bout of currency unrest.

To head off this threat, it called for a further reduction in the United States balance of payments deficit, and a radical oil-saving policy by Western industrialised countries.

The bank's annual report said present inflation gave little or no cause for optimism. It was spreading to countries where growth was still slack, and also to some strong-currency countries which had kept prices stable.

The bank said the best scenario for the future was for the rapidly growing American economy to move into a mild recession. This should include an improvement in its balance of payments, it said.

If the US economy overheated, it could lead to restrictive growth policies by economic powers such as West Germany and Japan to combat imported inflation. There would then be a major world recession when the US boom eventually collapsed, the report said.

The BIS agreed that US monetary policy had tightened since last autumn, but it asked: "Can it be regarded as sufficiently restrictive in an economy where domestic inflation is accelerating? And can US fiscal policy be considered sufficiently restrictive when at the height of a cyclical boom the government is still running a deficit?"

The report said last year's precipitous decline of the dollar showed the US could no longer go on pursuing a more expansionary policy than the rest of the world.

The bank also accused US authorities of underestimating the effect of the dollar depreciation on inflation and of being misled by indicators of capital and labour-market tightness.

The bank said Western industrial countries must in future co-ordinate their policies, though it agreed chances of this were dim in the light of past experience.

The report said an appreciable economic recovery appeared to have begun in Europe, but signs of this were less strong in Japan and Switzerland.

On oil conservation, the bank said even if results of policies were only long-term, the fact that measures were seen to be taken could have an immediate effect on oil prices.

To avoid further currency crises, the report said it was essential that governments evened out payments imbalances and showed willingness to intervene decisively in foreign exchange markets. — Sapa-Reuter.

CT 13/6/78 (58)

Retco — the long view

Own Correspondent

JOHANNESBURG. — At their current price 48c, Retco shares are virtually 50 percent above their level at the beginning of the year. That is a solid enough rise in any share price.

But the more careful reader of Mr Dick Goss' annual chairman's statement with the property group's accounts, will tend to agree that the share price increase could well be justified in the slightly longer term.

Retco is basically in the CBD type property business, and along with his managing director, Mr Jimmy Ward, Mr Goss has been bearish about its particular property scene.

This time around he says that "no dramatic upturn could be expected until at least the supply and demand for commercial and residential accommodation were brought into equilibrium".

"There are signs that this is now slowly happening."

He says that "office vacancies are gradually being reduced albeit at rentals which remain at uneconomic levels because of the severe oversupply of space that in my view, will persist through the coming year and probably for the coming year as well. Operating costs will continue at least to increase by the rate of inflation (and) energy costs and rates are increasing at an even faster rate".

On balance, Mr Goss expects the current year's earnings to decline "somewhat" unless profits come along from what are essentially unpredictable sales of various properties. And these will not be offered, or sold, at unrealistic prices.

Mr Goss, however, believes that "profits after next year should increase and I am reasonably sanguine that the property sector can look forward to a healthy improvement".

A glance at the accounts suggests that Retco is more liquid than it has been in the recent past, which is all to the good who look at the share not as a reasonably longer-term investment.

Mr Goss says that "in the short term, the halting of the (group's) property development programme and an improvement in the quality of the portfolio will maximise the cash flow, and within the constraints of a prudent debt policy we will continue to distribute all the cash earnings".

(58) RMB
19/1/78

Merchant bank sold to Rupert's son

By HAMISH FRASER

A CONSORTIUM headed by Mr Johann Rupert has bought control of Rand Merchant Bank for less than R2-million.

The deal will be clinched today when Rand Bank's curator, Dr Fred du Plessis, signs over Rand Merchant Bank's net assets of about R1 500 000 to the consortium.

Rand Merchant Bank, a wholly owned subsidiary of Rand Bank which is still under curatorship, has net assets of between R1 500 000 and R1 600 000 — depending on how prescribed assets are valued — and Mr Rupert's consortium has paid about 15% above net asset value.

The sale of Rand Merchant Bank was done on a closed tender basis.

Other bidders for the bank were Central Merchant Bank — of which Dr Du Plessis is chairman — in association with the French banking giant, Societe Generale and a consortium headed by Incorporated General Insurances with a Cape broking firm.

Mr Rupert, son of tobacco and liquor magnate, Dr Anton Rupert, said last night that his consortium was delighted to have got control of Rand Merchant Bank.

He stressed that his father was in no way involved in the deal.

He said that Mr Michael Rose-Imes, formerly corporate finance manager of Senbank and more recently with Rand Merchant Bank, would be the bank's managing director.

Mr Rupert said that the consortium would include important overseas banking interests, but that control would be held by South Africans.

His partners include Mr David Mackay, a former Senbank executive, and Mr Graham Schonegevel.

Mr Rupert said there were other prominent merchant bankers who would be joining the group whose names could not be released until they had notified their present employers.

The bank would look for investment opportunities from abroad, he said, and the foreign partners would play an important part in garnering overseas support.

Mr Rupert's merchant banking pedigree is impeccable.

He spent two years with Chase Manhattan Bank before joining the prestige European bank, Lazard Freres.

And, of course, his association with Dr Anton Rupert — uninvolved though Dr Rupert may be in this deal — can not be ignored.

Mr Rupert's intention for Rand Merchant Bank is to become a creative, personalised bank.

Although the manning of the rejuvenated bank will remain unknown for the time being, it seems that a small, high-calibre staff is what Mr Rupert's consortium is after.

The foreign shareholding will, presumably, give Rand Merchant Bank access to lines of overseas finance and the fact that Mr Rupert will himself be managing director of the bank's international arm indicates what value the consortium places on its foreign operations.

The Rupert consortium's bid for Rand is still subject to the necessary approvals from the Reserve Bank — formalities which should present no problem.

The fact that the consortium headed by Senbank, whose chairman, Dr Du Plessis was wearing two hats as Government-appointed curator of Rand Bank, lost represents a face of capitalism which nobody involved in these negotiations can be embarrassed for.

(58) FM 22/6/79

JSE INDUSTRIALS

Bearing the brunt

After peaking at 338,1 on the JSE Actuaries industrial index on May 23 this year, industrial shares have dropped over the past month and some analysts believe the end of the sustained rise may now be in sight. At present the index is nevertheless 25% above the year-ago level. And the next few weeks, at least, are likely to see a perpetuation of the lacklustre performance as insitutions and private investors sit back to await the outcome of both the Sasol issue and the mid-year tax cuts.

But after further consolidation there appears scope for additional appreciation in industrial shares, particularly those geared to an increase in consumer spending and substitution in industries harmed by the oil price.

Industrial shares are less susceptible to the influences of overseas forces as there was a massive repatriation of SA blue-chips in the early Seventies when the Portuguese pulled out of Africa, and in the aftermath of the 1976 Soweto disturbance. This created a pool of securities rand, now financial rand, which only recently appears to be being mopped up in preparation, it is hoped, for a resurgence of foreign interest in the JSE, particularly golds, and in the Sasol issue which will offer public participation to the tune of R25m

But the impact on domestic growth of the recent administered price increases and the inevitable hike in the inflation rate will dampen investor enthusiasm, particularly as dividend growth this year is forecast to rise by around 15%, which is not spectacular when viewed against inflation.

At present the industrial market is suffering from too few buyers, and those that are around tend to buy down, continually bidding less than market price for small parcels..

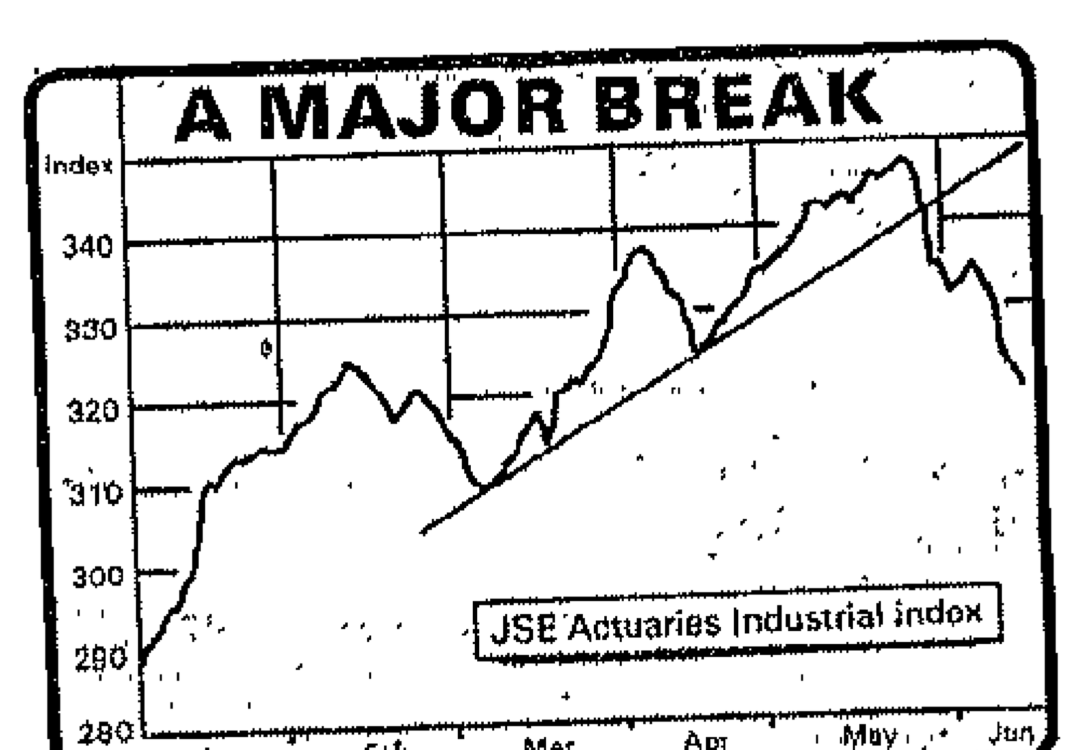
Institutions have not been active in Diagonal Street for some time. They have limited purchases to small parcels of blue-chips and fixed interest stocks. More recently, however, they withdrew to the sidelines and appear to be awaiting some evidence that the economy is on the right track — not too far off the 4% gdp growth target hoped for And while the Sasol issue has been in the air now for three months, a likely heavy oversubscription has meant a witholding of funds available for equity investment.

The instituions obviously hold the key to the industrial market as private investors are, by all indications, concentrating on golds. What the institutions do in the next six months will depend on the trend in interest rates It appears many feel rates have more of a tendency to harden, but not in the near-term, in which case the equity market holds attractions for permanent portfolios at current levels

At present the institutions have "plenty of money", but are maintaining liquid positions This, however, must stop soon as the call rate offers a negative real return Thus, says SA Eagle investment manager Ian Christison, institutional purchases could underpin the market as marketable equities are used as a "reposite of liquidity for some of this temporary money"

UAL's Alister Colquhoun still thinks the industrial market could finish 1979 with an RDM 100 of about 315 after a "patchy" rise However, he foresees the appreciation being in the financial sectors other than mining, rating the consumer boom a "forlorn hope", despite the ready availability of credit, because of the recent price increases and more that are likely to arise in the the final quarter of this year. On these considerations he would not bank too much on particularly good performances from consumer related industries.

An investment adviser, Cecil Hoffman of the *Financial Summariser* agrees the industrial market "looks dangerous" at the moment because of the uncertainty created by the oil crisis. He is loathe to forecast in the short-term because of the flood of adverse news in the past month, but says the industrial market may have over-reacted. Currently he is advising his clients to invest selectively in gold shares, and believes that either way the market moves, the banks and financial service counters could be the most volatile.



The mood among brokers tends to confirm that the next three months could be sluggish. One reckons that the industrial market could suffer as investors switch into gold shares when bullion breaks above the $300 barrier. But medium-term he sees hope that the gold share market will pull the industrial board up with it, albeit slowly and selectively. He is looking for a good performance from engineering shares which will benefit from the large contracts for programmes like Sasol

Other brokers and some of the institutions also give the electrical and consumer goods sectors a fair upward run. The former will benefit from electrification of the railways, and hopefully in the near future, the black townships. This in turn could flow over into semi-durables industries The prospects for companies tied to the electrical sector were underlined by Cullinan's results for the 11 months to end-May and the forecast that the group's electrical porcelain division is expected to have a marked effect on turnover and profits in future years.

Exciting sectors

This confidence in electrical and electronics prospects has led to the index for that sector being 54,3% ahead of its year-ago level, outstripping most of the industrial market. The engineering sector is currently 29,2% higher than 12 months ago.

Dealing on the industrial board is generally local. However, recently some brokers have noted small London interest in selected industrials, particularly those which lagged the market's growth. Included in these foreign purchases were some of the favourites of old like Barlows, Tiger and Abercom. But until the UK dollar premium is scrapped completely, there appears to be little chance of any major resurgence of overseas interest. Gold shares are more likely to entice foreigners into this market, and even if the Conservative Government goes further on the dollar premium, there are other markets which might benefit before Diagonal Street, where the financial rand rules.

More optimisitc forecasts see the oversold industrial market up about 10% by the end of the year Near-term however the sideways or downwards drift will continue even through companies will continue to "pump through strong profit increases" says a pension fund manager. He says scrip in good industrials is scarce which could push the RDM 100 up to 330 or 340 by the year-end. But he cautions that the Opec meeting Tuesday could be more adverse news for the market.

For the next six months the outlook appears to be one of rising company profits and dividends with no immediate hardening in interest rates. But inflation will continue to pose a threat to dividends in view of the higher working capital needed to support increased business volumes.

Assuming the market is a barometer of the state of play six to nine months ahead, rather than a reflection of the past fortnight's news, the upward run towards the year end may not be that long ... until only the ...

was $279,02. Of particular note was the number of US bankers amongst the bidders. Once this gold is refined, its estimated value is put at $279,72. The interest shown in the auction apeared to spark off UK enquiries.

After a slow start to the week London buyers, making use of the lower investment dollar premium, appeared on the SA scene. The investment dollar premium slumped from 55,5% to 38% in six trading days (a fall from 21% to 11% in effective terms), following a relaxation of exchange control in last week's UK budget. The drop, which creates an automatic loss for existing UK holders of SA gold shares, initially brought out selling which dropped prices about 18% in sterling terms. But the lower premium, plus the 23% FR discount enables UK residents to now buy SA golds at well below prices paid by locals investors.

Again the FR has emerged as a major factor in the market. Monday's improvement to US91,5c, continued into mid-week and prevented prices from moving strongly ahead. Local investors are beginning to learn that it is no use trying to be clever and gamble on which way FR will move. At best they can keep a careful watch on its movement.

Technically, the *RDM* gold index is attempting to move through a double top position and is currently standing at its August 1975 level. President Brand's and Welkom's move above their short-term moving average by 8% and 6% respectively, indicates that both can be bought for the short term. But Winkel's 3% drop below its moving average warns that caution should be adopted.

A warning continues to be given by the one year momentum of bullion, which moved into an overbought position on May 5 and has since stuck there. The selling signals given by the advance decline line of gold shares on June 4 and the VPT plotting on June 13 have not yet been negated.

With the exception of Cons Murch, in charting terms the metals market seems to be weakening further. Following the sell signals given by Lydenburg and Rustenburg last week, Impala has followed suit with a sell signal at 410c.

Elsewhere, the Clicks issue was welcomed with excitement by the JSE on Wednesday. "The best new issue for a long time," commented one broker. Clicks 50c ordinary shares traded at 150c initially and settled back to 145c after the stags had taken their profits. "This one looks like a winner", was a common reaction.

The industrial market began to perk up by mid-week and, while the majority of brokers are in a bearish mood with regard to the sector, at least one was highly bullish.

signposts

	Current	Week ago	Month ago	Year ago
RDM 100	296,0	312,5	329,1	242,2
% change on	—	5,3	—10,1	22,2
P/E ratio	4,7	5,0	5,3	4,7
Div yield	7,6	7,3	7,0	8,9
UK FT Ind	486,6	501,4	510,7	463,4
% change on	—	—3,0	—4,7	5,0
P/E ratio	8,0	8,3	8,3	8,1
Div yield	6,1	5,9	5,8	5,8
US Dow Jones	839,4	845,3	842,4	830,0
% change on	—	— 0,7	—0,4	1,1
P/E ratio★	7,9	8,6	8,5	9,2
Div yield★	5,3	5,2	5,3	5,1
Gold price (in US $ on London)	280,9	278,4	263,9	186,4
% change on	—	0,9	6,4	50,7
Krugerrand (Rand) Public selling price	271,2	270,0	253,7	186,4
% change on	—	0,4	6,9	45,5

★ Standard & Poor index
Public buying price is 10% below, subject to negotiation

foreign bourses

Amsterdam

	Jun 19 1978	Jun 11 1979	Jun 18 1979	Yield %
KLM	162	102	99	3,0
Philips	26	24	24	7,4
Robeco	171	162	162	8,2
Royal Dutch	129	142	143	7,5
Unilever	121	122	122	7,3
Industrial index	86	71	73	—

Remained firm and rather quiet

Frankfurt

	Jun 19 1978	Jun 11 1979	Jun 18 1979	Yield %
BASF	140	135	135	7,0
Daimler	310	269	269	5,2
Deutsche Bank	304	261	268	5 3
Siemens	288	237	244	5 1
Thyssen-Hutte	117	87	87	7,2
Commerzbank index	803	730	739	—

Rallied with more active markets

London

	Jun 19 1978	Jun 11 1979	Jun 18 1979	Yield %
BP	856	1 222	1 144	3,1
Barclays	318	452	450	4,5
ICI	384	369	360	7,7
GKN	253	276	256	10,1
GEC	260	377	367	1,7
Johnson Matthey	433	245	215	5,9
Marks & Spen	141	117	112	3,5
Reed	134	182	167	7,2
Rio Tinto	223	312	292	5,9
Rothmans	55	68	69	4,5
Stanchat	412	480	463	8,1
Unilever	532	614	588	3,5
War Loan 3½%	30	32	31	11,3
FT index	463	501	487	—

New York

	Jun 19 1978	Jun 11 1979	Jun 18 1979	Yield %
Amax	34	56	58	4,7
Amer T&T	61	58	58	8,6
ASA	21	27	27	5,2
Bank of America	24	26	27	4,9
Chase	32	36	36	6,7
Engelhard	23	35	35	4,3
Exxon	45	52	51	7,1
Firestone	15	13	13	8 5
Ford	47	43	44	9,1
Gen Electric	52	50	49	5,7
Gen Foods	32	29	31	5,8
Gen Motors	61	60	59	10,4
Homestake	34	33	33	3,3
IBM	270	78	73	4,7
Inter Nickel	17	21	20	2,0
ITT	31	28	29	7,6
John Deere	33	35	35	4,6
Newmont	18	25	25	4,8
Phelps Dodge	22	25	25	4,0
US Steel	27	22	23	7 0
D J Index	830	845	839	—

Paris

	Jun 19 1978	Jun 11 1979	Jun 18 1979	Yield %
Imetal	64	78	75	7,6
Paribas	162	205	208	4,8
Pechiney	91	93	97	7,8
Saint Gobain	152	131	139	10,5
Usinor	22	11	11	—
Paris Bourse index	69	79	82	—

Went ahead despite slow trading.

Sydney

	Jun 19 1978	Jun 11 1979	Jun 18 1979	Yield %
Broken Hill	7,14	9,10	8,78	3,9
CRA	2,50	3,25	3,15	3,2
Myer Emporium	1,75	1,62	1,58	6,6
Pancontinental	15,10	10,40	11,60	—
Western Mining	1,56	2,24	2,20	1,4
All Ordinary index	498	578	572	—

Generally weaker in moderate turnover.

Tokyo

	Jun 19 1978	Jun 11 1979	Jun 18 1979	Yield %
Fuji	568	603	618	1,2
Mitsub	127	142	147	4,1
Nissan	810	680	685	[illegible]
Sony	1 710	2 000	2 120	0,9
Toyota	991	896	930	1,1
New Stock Exchange index	412	444	444	—

Narrowly mixed in thin dealings

Zurich

	Jun 19 1978	Jun 11 1979	Jun 18 1979	Yield %
Boveri	1 635	1 685	1 750	2,2
Ciba Geigy	1 130	1 240	1 265	1,8
Credit Suisse	2 210	2 140	2 150	3,7
Swissair Bearer	855	781	810	4,3
Swiss Bank	387	367	375	2,6
Union Bank	3 130	3 075	3 135	3,2
Swiss Bank Corp index	293	305	309	—

Broadly higher in limited business.

P.T.O

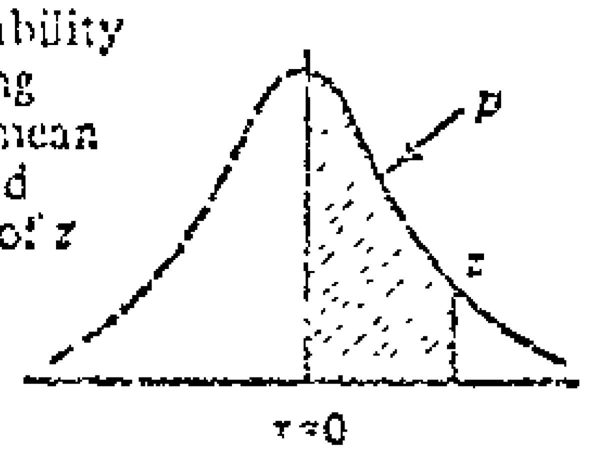
robabilities associated with values of z
a normal distribution

ote: If we wish to establish a probability known to be *above* +z the alue shown in Column B must be halved. The same is the case when the robability is known to be *below* −z.

If it is not known whether the z value is plus or minus, then probability shown in Column B.

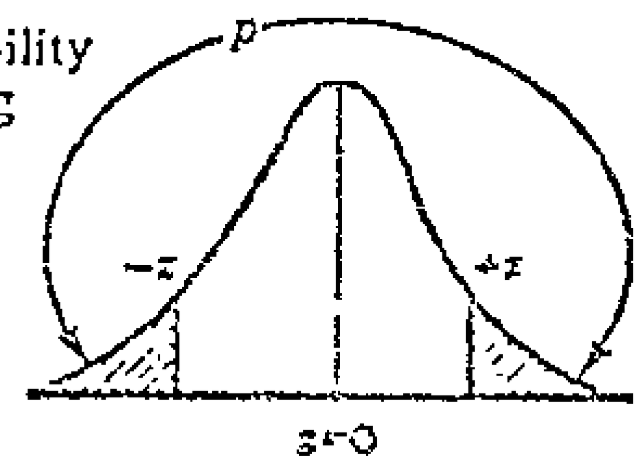
Column A

= the probability f a value lying etween the mean (z = 0) and given value of z



Column B

p = the probability of a value being more extreme than either +z or −z



z	Column A	p
0		1·000
·1		·920
·2		·841
·3		·764
·4		·689
·5		·617
·6		·549
·7		·484
·8		·424
·9		·368
0		·317
1		·271
2		·230
3		·193
4		·162
5		·134
6		·110
7		·089
8		·072
9	·471	·057
0	·477	·046
1	·482	·036
2	·486	·028
3	·489	·021
4	·492	·016
5	·494	·012
6	·495	·009
7	·496	·007
8	·497	·005
9	·498	·004
0	·499	·003

urce: Lindlay, D.V., and Miller, J.C.P., *Cambridge Elementary Statistical Table* ambridge, 1953)

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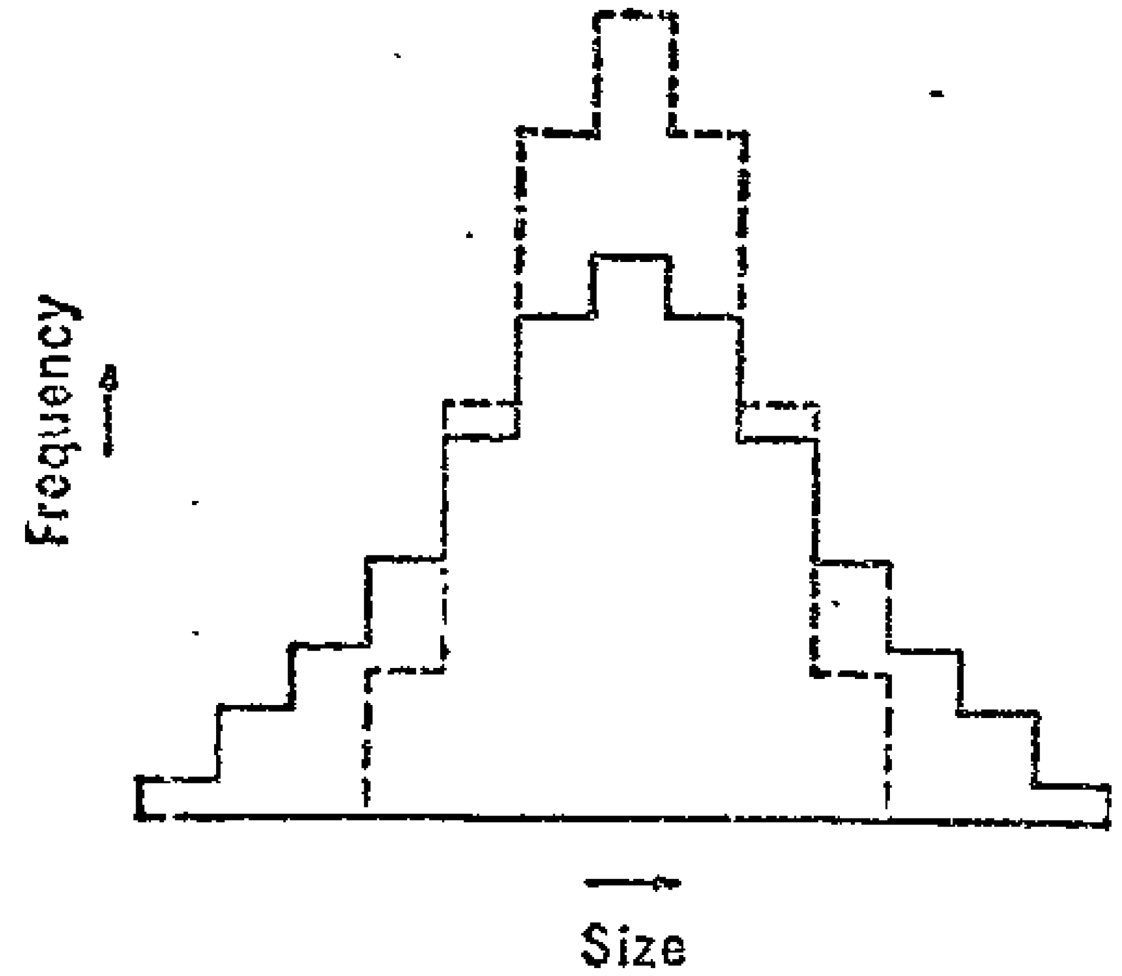
DIAGONAL STREET
Fm 22/6/79
Golden interest

Tuesday's US gold auction in which 750 000 oz of low grade metal was offered, attracted bids for 2m oz ranging from $278,13 to $280,30. The average price paid

Financial Mail June 22 1979

P.T.O



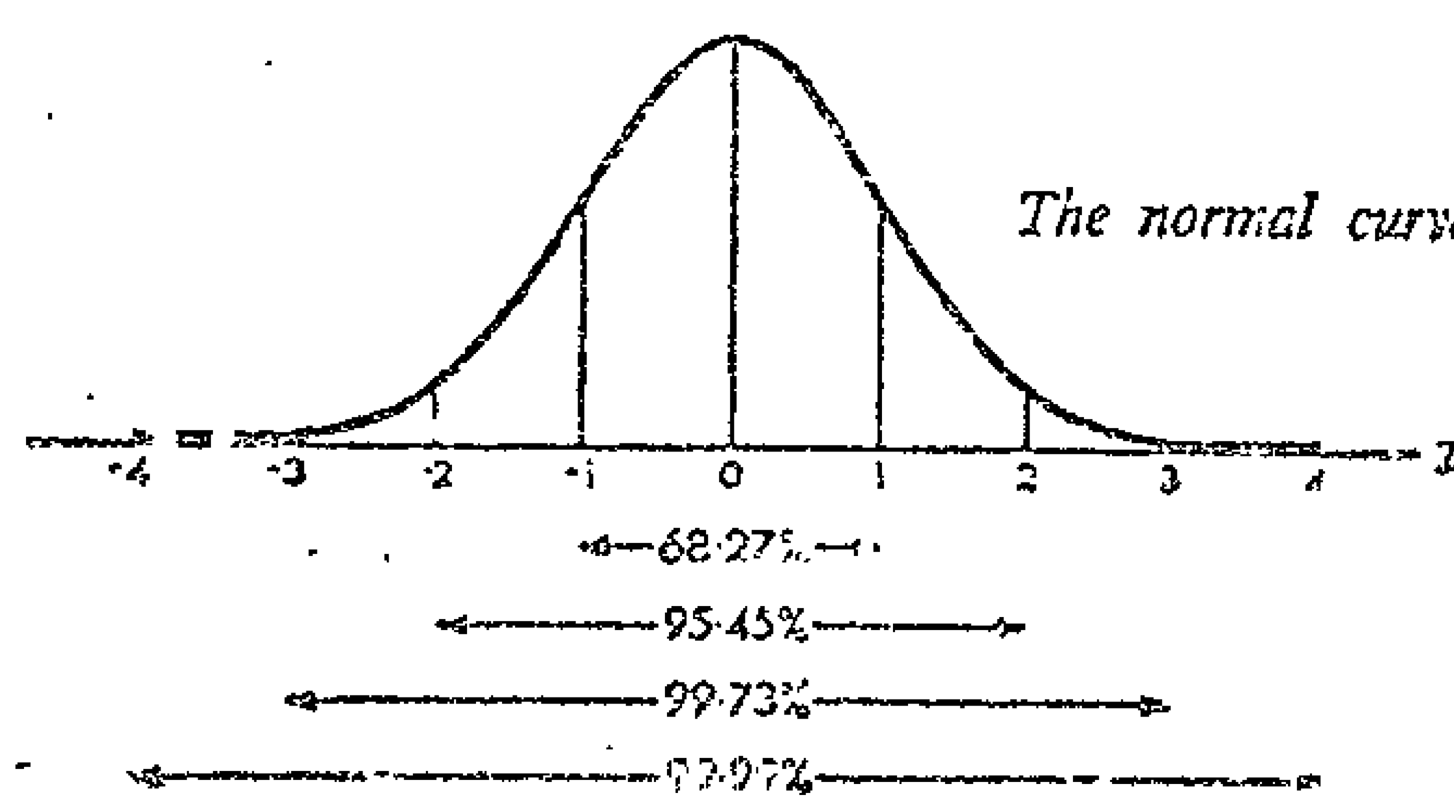
Distributions with the same mean value, but different standard deviations

Percentage points of the normal distribution

%	σ	%	σ
10	0·1257	90	1·6449
20	0·2533	92	1·7507
30	0·3853	94	1·8808
38·30	0·5000	95·45	2·0000
40	0·5244	96	2·0537
50	0·6745	98	2·3263
60	0·8416	98·76	2·5000
68·26	1·0000	99	2·5758
70	1·0364	99·73	3·0000
80	1·2816	99·95	3·5000
86·64	1·5000	99·99	4·0000

% = the percentage of the occurrences that will lie not more than the given number of σs away from the mean.
σ = the number of standard deviations away from the mean within which limits the given percentage of the occurrences will lie.

For full details see: D. V. Lindley and J. C. P. Miller, *Statistical Tables*, Cambridge, 1953 (Table II).



The normal curve, showing areas enclosed by standard deviations

There are several measures of skewness. One is:

$$Skewness = \frac{3\,(Mean - Median)}{Standard\ Deviation},$$

which ranges from −3 *to* +

and another $= \dfrac{(Q_1 + Q_2 - 2 \times Median)}{(Q_1 - Q_2)}$,

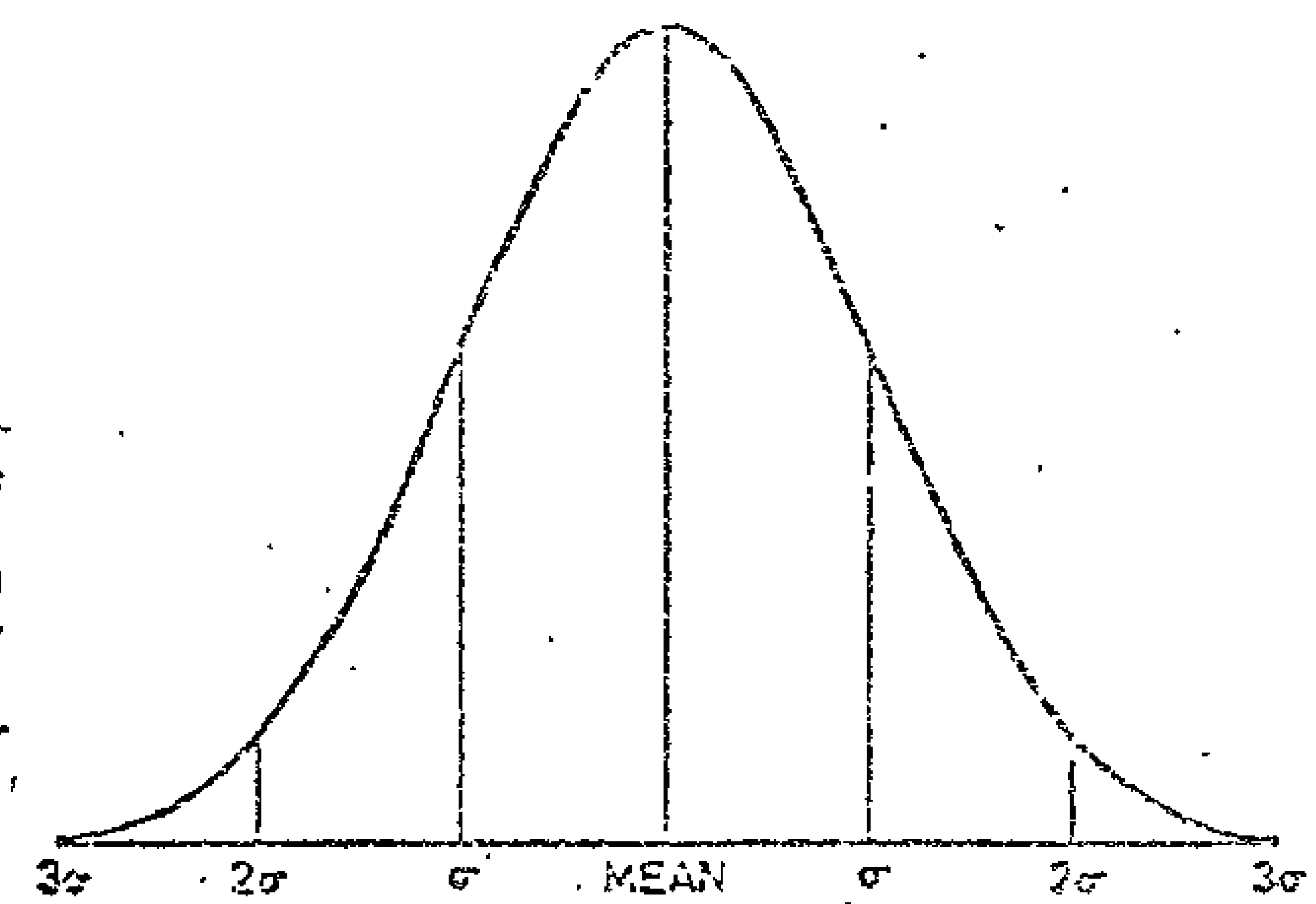
which ranges from −1 *to* +

or

$$\text{skewness} = \frac{\dfrac{\Sigma(x-\bar{x})^3}{n}}{\left(\sqrt{\dfrac{\Sigma(x-\bar{x})^2}{n}}\right)^3}$$

With a perfectly symmetrical curve this skewness value is zero,

A 'NORMAL' OR 'GAUSSIAN' FREQUENCY DISTRIBUTION



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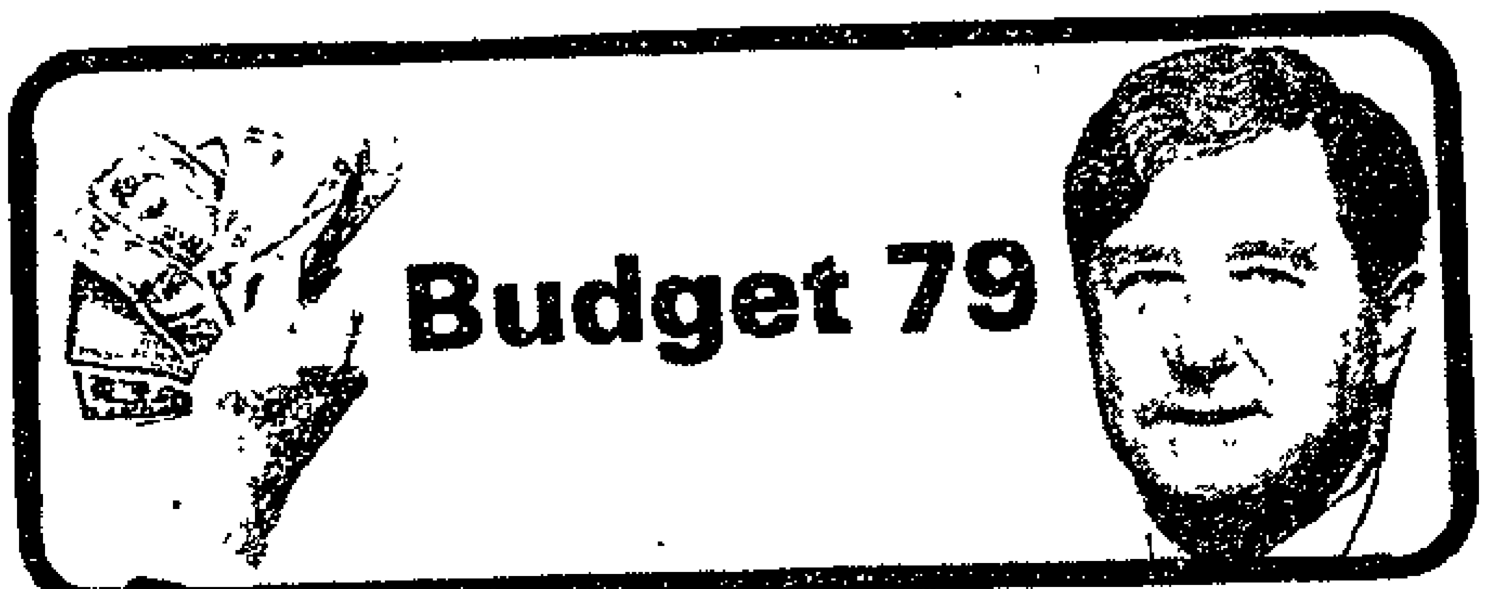
C.T. 22/6/79

Curbs on immigrants' assets are suspended



HOUSE OF ASSEMBLY. — All diverse control restrictions on immigrants regarding Control and management of their overseas assets, including their cash balances, are to be suspended, the Minister of Finance, Senator Owen Horwood announced yesterday.

Introducing the third reading of the Budget, Senator Horwood said he wanted to make it more attractive to immigrants to help South Africa to build and flourish.

The lifting of restrictions meant that, with the exception of former South African residents, immigrants would no longer be required to transfer any of their overseas assets to South Africa.

They would now only be required to make an undertaking that their overseas assets would not be made available to South African residents. They would still be obliged to bring their assets into South Africa at the commercial rates, if previous exemption had been given by diverse control.

They would also have to supply diverse control with a full statement of their overseas assets.

● Registered foreign exchange dealers would in future be required to pay security against possible future foreign exchange control contraventions, Senator Horwood said.

"After thorough consideration I think it is desirable to announce certain regulations to ensure that the present simplified and relaxed provisions are properly practised," he said.

For a considerable time there had unfortunately been employees of registered dealers who knowingly ignored the foreign exchange regulations, he said.

From court actions it had appeared that convicted persons would not have been able to contravene the regulations if they had not been aided by such bank employees.

Under the circumstances it had become necessary to claim amounts in security against possible contraventions. The amounts, or parts thereof, would be forfeited, should registered dealers not strictly apply the control measures.

He said the Reserve Bank would soon give details to the dealers.

● Senator Horwood raised allowances for students studying overseas.

The present allowances of R400 a month for a single person and R800 for married couples would not be affected by the transfer of fees to any university, or school, he announced.

Maintenance transfers were increased from R100 per month to R150 and the annual amount of R100 for gifts was also raised to R150. — Sapa

Lorimer: Emergency close

HOUSE OF ASSEMBLY. — South Africa was approaching a real emergency which was coming from unemployment and the rising price of food, Mr Rupert Lorimer (PFP Orange Grove) said yesterday in the Budget third reading debate. — Sapa

BUILDING SOCIETIES

58 FM 22/6/79

Anyone for money?

A flood of institutional deposits over the past year has left the building societies with more cash than they can handle.

According to their latest accounts, the societies' assets rose by 17% in the year to March 31. The institutions' influence is shown by the 32% hike in fixed deposits. But mortgage balances expanded more slowly and were 9,6% higher at the year end.

NBS makes the point that the growth in its capital and mortgages was less than its normal share, because the board deliberately decided not to accept large deposits offered by major institutions for short periods.

United's fixed deposits, by contrast, shot up by R200m, or 41%, to R693m, and accounted for over half of the society's total increase in assets. Trust Building Society's fixed deposits rose 30% to R32m. Paid-up fixed period shares, bought before interest rate cuts, were also popular, and rose 11,8% overall. Allied's fixed period share growth was a hefty 40%.

The top end of the assets table, as usual, shows steady growth and no surprises. The second league is where it is all happening.

Standard, in its first full year under Standard Bank management, has produced asset growth of a phenomenal 56,5%, with shares shooting up by 73% and deposits 45,3%. Despite quiet homebuilding activity, the society hiked its mortgage balances by 39% to R123,5m.

Standard's assistant GM George Gemmell links the exceptional performance directly to the affiliation with Standard Bank. Unlike the trend in the rest of the market, Standard (formerly Prudential) has a small number of branches and a large range of agency operations.

The society started out from a low base, admits Gemmell, but with aggressive marketing of mortgages, rather than promotion of investment facilities, Standard is "all systems go" And with advances granted but not yet paid out shooting up from R2,8m to R22m, it looks as if the year ahead will also be a humdinger.

Losing out to Standard are Trust and Eastern Province. Trust, however, remains ahead of EPBS, although there's not much between them. Trust's assets amount to R161,7m compared with EPBS's R156,5m, but EPBS's growth rate is second only to that of Standard.

The current financial year will certainly see some tooth-and-nail fighting.

EXPENSE RATIOS

			1979	1978
1	(1)	Grahamstown	1,22	1,17
2	(3)	Standard	1,56	1,65
3	(3)	United	1,62	1,65
3	(5)	Trust	1,62	1,69
3	(7)	Provincial	1,62	1,73
6	(7)	EPBS	1,64	1,73
7	(2)	Allied	1,65	1,61
8	(6)	Saambou	1,67	1,71
9	(9)	SA Perm	1,72	1,79
10	(11)	S-Trident	1,74	1,92
11	(10)	Natal	1,82	1,86

(Relative efficiency as measured by management expenses as a percentage of total assets While management expenses comprise fairly specific categories, these vary from society to society so ratings are only approximate)

Above Southern-Trident (which should gather momentum from the merger), Saambou seems safe from being toppled, with assets more than double those of Southern. Next comes NBS, whose growth rate slowed dramatically during the year, putting it seventh in growth ranking after being second the previous year

Because of its slow growth, NBS remains only just over half the size of Allied, despite Allied's poor performance in both asset growth and mortgage advances.

The expense ratios which the *FM* takes as a rough guide to efficiency have not changed significantly in ranking since the previous financial year. But most societies have improved their performance.

Grahamstown remains well ahead of the others. At the other end of the scale, Natal shows a surprisingly high expense ratio, now that Southern-Trident's merger expenses are past. Standard's expense ratio, ranked second, is exceptional, considering its fast growth and the 74% hike in advertising outlays

By the end of the current financial year, reckon society managers, the cash mountain should have subsided. Pressure from institutions will begin to disappear as interest rates pick up. And the societies admit they have learned their lesson on advertising lower rates ahead of implementation.

The property market is already beginning to pick-up, and societies should be able to burn off some of the fat that they accumulated in the second half of last year in new bonds. They are eager to lend, now is the time to borrow.

STANDARD STARS

RANKED BY: Total assets	% Total asset growth		Total assets Rm	Increase %	Shares Rm	Increase %	Deposits Rm	Increase %	Mortgages Rm	Increase %
1	**4**	United	**2 637,1**	**17,4**	**1 210,3**	**11,5**	**1 296,5**	**24,0**	**2 019,3**	**7,5**
1	4		2 247,0	10,6	1 085,7	9,1	1 045,3	12,2	1 879,1	11,4
2	**5**	SA Perm	**1 980,7**	**16,8**	**1 019,5**	**11,5**	**889,6**	**22,9**	**1 530,2**	**10,6**
2	6		1 695,2	9,2	914,3	9,0	723,9	9,6	1 383 8	6,2
3	**8**	Allied	**1 594,5**	**13,6**	**785,9**	**9,8**	**751,7**	**18,3**	**1 271,7**	**8,4**
3	8		1 403,9	8,1	715,6	7,9	635,3	8,4	1 172,7	6,5
4	**7**	Natal	**896,4**	**14,3**	**445,2**	**13,0**	**418,0**	**16,0**	**699,8**	**11,5**
4	2		784,1	12,4	394,0	14,4	360,5	10,4	627,5	8,6
5	**9**	Saambou	**712,6**	**13,3**	**391,3**	**8,1**	**302,6**	**21,1**	**545,9**	**11,6**
5	5		629,2	9,9	362,1	5,1	249,9	17,6	489,3	7,7
6	**6**	S-Trident	**291,1**	**15,1**	**124,4**	**5,9**	**159,2**	**23,5**	**212,7**	**5,5**
6	11		253,0	2,5	117,5	1,9	128,9	3,5	201,6	0,7
7	**1**	Standard	**176,7**	**56,5**	**86,7**	**73,4**	**86,3**	**45,3**	**123,5**	**39,1**
9	3		112,9	11,4	50,0	6,9	59,4	15,5	88,8	7,9
8	**3**	Trust	**161,7**	**17,6**	**116,8**	**13,3**	**35,8**	**27,0**	**123,2**	**8,9**
7	7		137,5	9,1	103,1	5,3	28,2	26,5	113,1	2,1
9	**2**	E Province	**156,5**	**20,1**	**68,9**	**20,2**	**83,1**	**20,6**	**119,1**	**15,2**
8	1		130,3	19,2	57,3	17,7	68,9	21,3	103,4	16,2
10	**10**	Provincial	**54,6**	**11,0**	**14,8**	**2,8**	**37,2**	**15,2**	**43,9**	**8,9**
10	10		49,2	4,8	14,4	—7,1	32,3	10,9	40,3	2,1
11	**11**	Grahamstown	**43,6**	**9,5**	**20,7**	**20,3**	**20,5**	**0,5**	**34,9**	**7,1**
11	9		39,8	5,9	17,2	3,3	20,4	8,0	32,6	4,6

Previous year's figures in light print
Percentages are rounded off

Sun. Times Bus.
24/6/79
58

Govt ready to ban insurance sale coercion


Bob Aldworth

314

By PENELOPE MORGAN

BANKS and building societies with captive insurance companies and agents involved in coersive or conditional selling are likely soon to have a fat source of income cut off.

Last week legislation was accepted by Parliament to allow the authorities to ban this practice, which for years has been controversial.

This type of selling usually arises when an application is made to a bank for a loan or to a building society for a mortgage. Unless the applicant specifically insists otherwise, his account is debited for life insurance as surety for his loan or mortgage.

It is contracted, moreover, at rates which some insurance brokers say are exceedingly high.

None of the banks or building societies will admit to conditional or coercive selling. Last year Barclays Insurance Brokers showed an operating profit increase of 284%.

The earnings of brokers owned by other banks are not as easily identifiable.

Barclays National managing director Bob Aldworth comments: "It is not our policy to allow "coercive selling". If a specific case is brought to our attention, we jump hard on the personnel concerned. We don't believe the Act will affect our business".

Sources say the sweeping powers given to the Registrar of Financial Institutions under Section 9, which amends the Insurance Act, is specifically to

● To Back Page

58 Sun. Times Bus.

Move to ban insurance sale coercion

● From Page 1

enable him to end this type of selling of insurance.

It enables the Registrar to declare a "specified practice or method of conducting business and irregular or undesirable practice or an undesirable method of conducting business".

This week David Dalling, PFP MP for Sandton, said: "I suggest the Registrar intends using this clause to meet the problems relating to an insurance company's ability to meet its financial obligations, and to curb the dubious practice of coersive selling as practiced, not by insurance companies and brokers, but by other financial institutions using it as undue inducement for other essential services they provide."

A spokesman for Prudential says: "I feel sure the Registrar will use this section to get at those companies practicing coersive or conditional selling". The Registrar, Wynand Louw, said: "It could be that we would request an institution, for example a bank, to prove that in a particular case a new insurance policy was necessary as surety for a loan."

However, he did point out that a proposed amendment to the Insurance Act dealing specifically with conditional selling was under consideration.

But the implications of the sweeping powers given to the Registrar has caused disquiet in some areas.

For instance, David Way, of Robert Enthoven Nebicon, says: "While in broad terms this amendment is welcome, there is fear that innovation in this already conservative industry may well be further stifled."

Mr Louw said: " I have no intention of stifling desirable innovation and would be guided by an advisory committee representing the industry.

"One must remember that under the Maintenance and Promotion of Competition Act, the Competition Board may not act without the consent of the Minister of Finance if a financial institution is involved.

"We could use our powers to forestall any 'undesirable' financial developements in an insurance company".

Mr Dalling, too, made the point that the Registrar is in fact not obliged to be guided by an advisory committee, which, in any event, is not representative of brokers.

Sun Times Bus. 24/6/79

58

Large bank groups give added stability

Spelling

By HENRI DE VILLIERS, group managing director, Standard Bank Investment Corporation

AN OFFICIAL commission of inquiry into the monetary system and monetary policy in South Africa, on whose interim recommendations the new foreign exchange policy was based, is in the midst of its deliberations.

The extent and scope of its investigations, and its recommendations so far, suggest that it could bring forward proposals in its report next year which are in some aspects as innovative and controversial in their own way as those proposed recently by Jacques Mayoux, former chairman of Caisse Nationale de Credit Agricole, after his investigation of the French banking system.

Our commission, however, is unlikely to recommend, as did Mr Mayoux, a decentralisation of the larger bank groups into autonomous regional units, as they already operate through a system of regional head offices with their own local boards.

Unlike the banking system in France, there are no State-owned banks among the 50 registered in South Africa, apart from the Land Bank. They are all privately-owned and the larger ones are quoted on the Johannesburg Stock Exchange.

An important reason for the stability of the banks is the emergence during the seventies of five dominant banking groups, both through mergers and acquisitions.

Collectively, the assets under their control represent the overwhelming portion of all the assets held by banks.

The largest group is Barclays National, with assets of $6 700-million, followed by Standard Bank Investment Corporation, with assets of $5 800-million, while the smallest is Bankorp, with assets of $2 800-million.

The first two are subsidiaries of international banking groups. Each of these groups has subsidiary banks in each banking category (except among the discount houses) while some, for historic reasons or by virtue of a recent acquisition, have more than one.

In fact, of the largest 20 banks in South Africa, only four are not in one or another of these groups.

The short-term money market in South Africa dates back only 30 years to the creation of the National Finance Corporation, a State corporation administered by the Reserve Bank, specifically to provide an outlet for temporary surplus funds in the financial system.

The first South African merchant bank was established in 1955 and two years later it created the first discount house.

In this way the foundations of a South African money market, based on the British model had been laid.

Since then, progress has been rapid and although most of the eight merchant banks and one of the three discount houses were established only in the seventies, as far back as 1962 an authority on the subject was quoted in the publication "Optima" as saying . . .

"This young money market has come to play in the financial mechanism of South Africa a role comparable to that played by the old-established London Money Market in the financial mechanism of Great Britain."

The merchant banks have also played an important role in the long-term capital market, both as issuing houses handling stock, debenture and equities issues, and as traders in these securities, most of which are quoted on the Johannesburg Stock Exchange. In particular, they encouraged a secondary market in fixed interest securities, especially in gilts.

Apart from the differences between South Africa's financial system and some of those in Europe, there are others which are perhaps a little less easily identifiable.

For instance, the payments mechanism is centred on the cheque clearing arrangements of the commercial banks and the Reserve Bank, although, with the advent of electronic funds transfer, the building societies are becoming involved in the periphery.

There is, however, no giro, and credit cards, while playing an increasing role, are still subsidiary.

Credit facilities are granted predominantly as overdrafts, with much less emphasis on the rediscounting of bills and other paper than there is in France.

Nevertheless, it is not common practice for overdraft facilities, which can technically be called for repayment at short notice, to be treated as merely a volatile form of bridging.

Once banks have committed themselves to these facilities, they are not in the ordinary course of business easily or lightly withdrawn.

The market in medium-term facilities is not as well-developed in South Africa as in France. Nor is there a secondary market in which these loans can easily be rediscounted.

However, the banks, through instalment credit facilities and leasing, but also through five-to-seven year bank loans, are actively expanding the medium-term market — although it is unlikely to become in the near future as sophisticated and popular as in France.

Nevertheless, I am aware that on average French banks lend for longer periods. Our bankers are not without regard to the preference some foreign companies have for longer term and more manifestly secure facilities than would appear to be available in this country.

Another difference is that banks, including merchant banks, do not usually take a direct equity stake, either directly or via non-bank finance companies, in the business of their customers.

Nor does the pool system of lending via a lead bank exist in South Africa, although it is not uncommon for companies to have facilities with more than one bank or bank group.

The sophistication and stability of the banking system in South Africa is, and has always been, an important factor in the popularity of South Africa as an investment opportunity.

Boland sees higher profits and dividends

58 26/6/79

BY PAUL DOLD
Financial Editor

BOLAND BANK, with assets of R390,3m, is set for another satisfactory year and the chairman, Mr W D De Waal, forecasts a moderate growth in profits and dividends.

The mood of cautious optimism is based on an expected moderate rise in the country's economic growth rate.

Last year, Boland increased its profits after transfers to R3,1m as against R2,7m, the equivalent earnings per share of 54,6c (49,31c). The total dividend was 20c (18c) — nearly three times covered. Boland's cover has been steadily rising over the years and in 1970 stood at 2,1.

Boland, which tends to take a conservative approach, has showed steady but unspectacular growth over recent years and this seems likely to continue, although there are signs that profits could start to lift-off in longer term.

One of the most important pointers was the acquisition last year of The Stellenbosch District Bank which effectively gave Boland access to the commercial banking market.

Mr De Waal says the "possibilities created by the acquisition of Stellenbosch are of material importance and will make a substantial contribution to the development and profitability of Boland Bank over the long term".

The computerization programme is progressing well with all the internal systems now on computer and a number of systems for clients' accounts have been computerized and are being operated on a test basis at certain branches. The commercial banking system of Stellenbosch District Bank is also being computerized.

Apart from banking, Boland has a 36,4 percent stake in Mercabank, 11 percent of Unsibic and owns Nasdorp, a property development company. The bank manages two small participation mortgage bond schemes which are being merged and owns a Travel Bureau — Salvo — with branches in Pretoria, Cape Town and Bellville. Salvo showed a considerable rise in turnover in the past year and profits increased as well.

The other acquisition was Breda Bank for R114 650 cash. All the branches have now been incorporated into Boland Bank and are now an integral part of the bank system.

Mr De Waal's report was written before the latest oil price rises and allowance must be made for the 4 percent growth rate forecast and an inflation rate under 10 percent.

Mr W D de Waal

He says consumer confidence has shown a noticeable improvement and expects a rise in consumer spending followed by higher production, especially when the tax cuts take effect during the second half of the year.

"An increase in productivity is already apparent and I expect this trend to gain momentum."

South Africa is obtaining limited foreign capital overseas but the internal creation of capital will remain a priority.

"However, I do not foresee pressure coming to bear on the funds available for fixed investments during the present year."

Mr De Waal does not see much further of a decline in rates but neither does he forecast any real increase during this year.

Black housing speed-up urged by Allied

58 139

Day 27/6/79

THE CHAIRMAN of the Allied Building Society, Dr I Q Holmes, appealed to the Government yesterday to accelerate the proposed changes to the regulations relating to the 99-year leasehold scheme for urban blacks.

He said at the society's annual meeting in Johannesburg said that the scheme had as yet barely got off the ground and time was of the essence.

Only one mortgage bond had been registered and only two townships, both in Soweto, had been approved for leasehold title.

"This is disappointing in that it represents the loss of an opportunity to boost the home-building industry and to reduce unemployment in the black townships. More disappointing is the fact that the delays are bringing into question, quite unjustifiably, the credibility of the scheme and all who are connected with it."

He appealed to the Minister of Cooperation and Development to speed up approval of townships and to arrange for a new middle-class suburb in the Soweto area, a suburb where affluent blacks could build high-quality homes and enjoy the standard of living to which their economic status entitled them.

Referring to the general housing situation, Dr Holmes said there were indications that the property market was improving and that the oversupply of residential units was being absorbed in some areas. It was a pity, however, that at a time when building societies were in a position to meet all reasonable demands for loans, less than 20% of their lending was for new dwelling units.

"If this trend continues, I envisage a housing shortage in the early 1980s."

The petrol price increases would tend to depress property values in outlying areas not well served by public transport, while increasing demand for more conveniently situated residential units. To level out these anomalies and in the interests of the economy generally, there was a pressing need for bold action by the Government at all levels to improve public transport.

Consideration should also be given to the sub-division of residential sites into smaller stands and the further decentralisation of commerce and industry.

Dr Holmes said that although changes in interest rates had little effect on the cash flow, and therefore the standard of living on borrowers, the position with investors was different. Financial institutions should not ignore the interests of investors in bowing to pressure to reduce lending rates. It was essential to "take care not to demotivate the public from saving and thus kill the goose that lays the golden egg".

The Allied's share capital and deposits had increased by R187-million to R1 544-million in the financial year to March 31. Dr Holmes said this increase could have been greater if the Allied's management had not adopted a cautiously prudent policy on the acceptance of funds.

This policy was aimed at balancing growth and profitability, and avoiding unduly burdensome commitments in respect of maturing fixed deposits at a time when building societies were receiving money faster than they could channel it into mortgage advances.

In the past financial year, the Allied paid out R390-million in mortgage advances. Its assets increased by R191-million to R1 600-million. — Sapa.

27/6/79 ET

Black bonds: Plea for speed

(58)

JOHANNESBURG. — The chairman of the Allied Building Society, Dr I Q Holmes, yesterday appealed to the government to accelerate the proposed changes in regulations relating to the 99-year leasehold scheme for urban blacks.

Speaking at the society's annual general meeting Dr Holmes said the scheme had barely got off the ground and that time was of the essence.

Only one mortgage bond had been registered and only two townships, both in Soweto, had been approved for leasehold title.

"This is disappointing in that it represents the loss of an opportunity to boost the home-building industry and to reduce unemployment in the black townships. More disappointing is the fact that the delays are bringing into question, quite unjustifiably, the credibility of the scheme and all who are connected with it."

Dr Holmes appealed to the Minister of Co-operation and Development to speed up approval of townships and to arrange for the creation of a new middle-class suburb in the Soweto area, a suburb where affluent blacks could build high-quality homes and enjoy the standard of living to which their economic status entitled them.

Absorbed

Referring to the general housing situation, Dr Holmes said there were indications that the property market was improving and that the over-supply of residential units was being absorbed in some areas. It was a pity, however, that at a time when building societies were in a position to meet all reasonable demands for loans less than 20 percent of their lending was being devoted to the erection of new dwelling units.

"If this trend continues, I envisage a housing shortage in the early 1980s," Dr Holmes told the meeting.

The recent petrol price increases would tend to depress property values in outlying areas not well served by public transport, while increasing demand for more conveniently situated residential units. To level out these anomalies and in the interests of the economy generally, there was a pressing need for bold action by government at all levels to improve public transport.

Consideration should also be given to the sub-division of residential sites into smaller stands and the further decentralization of commerce and industry.

Referring to interest rates, Dr Holmes said while changes in interest rates had little effect on the cash flow, and therefore the standard of living on borrowers, the position with investors was quite different. It therefore behoved financial institutions not to ignore the interests of investors in bowing to the pressure to reduce lending rates. He said it was essential to "take care not to demotivate the public from saving and thus kill the goose that lays the golden egg".

Noting that the Allied's share capital and deposits had increased by R187 million to R1 544 million in the financial year ended March 31, Dr Holmes said this increase could have been much greater if the Allied's management had not adopted a cautiously prudent policy in regard to the acceptance of funds.

This policy was aimed at balancing growth and profitability, while avoiding unduly burdensome future commitments in respect of maturing fixed deposits, at a time when building societies were receiving money faster than they could channel it into mortgage advances.

During the past financial year, the Allied paid out R390 million in mortgage advances. Its assets increased by R191 million and now stood at R1 600 million. — Sapa

EXCHANGE CONTROL

Umpteenth probe

The names of those who will review the work done by the Van der Walt and De Kock commissions on exchange control will probably be announced next week. Those involved will probably be drawn from the private (non-banking) sector and possibly from one of the universities.

The review, which was desirable for a number of reasons, became unavoidable towards the end of the parliamentary session when Hennie van der Walt resigned his chairmanship to become chairman of the Co-operation and Development Commission (black affairs). Three other members of the commission resigned to take up more pressing duties on the Constitution Commission and other select committees.

For a while before these events, officials had noted the need to rationalise the work done by the De Kock Commission (on exchange control policy) and Van der Walt (on exchange control evasion and avoidance). Both commissions were aware that they were duplicating each other's work but plodded on without doing anything about it, each wary of treading on the toes of the other.

Besides, both commissions probably felt their directives were sufficiently divergent not to call for a reassessment. Van der Walt concerned itself with illegal transfers, which in effect amounted to an examination of the disease, whereas De Kock took a look at the underlying symptoms of the disease, recommending the liberalisation of controls to allow market forces to correct distortions. Some of these recommendations have already been put into effect.

It is understood that in all the months Van der Walt wrestled with its tough assignment, it got no further than acquainting itself with the myriad of controls that exist and sorting out the mess arising from the sacking of Judge Mostert. By the time Parliament adjourned, the commission was still examining the whole question of illegal public transfers (Info scandals) and had not even begun to look at evasions by companies and individuals.

It soon became clear that a non-technical commission like Van der Walt would probably be overtaken by events in the 2-3 years it would require to complete its task. Many of its findings would have turned out to be irrelevant.

To avoid further allegations of cover-up, however, Horwood will have to ensure that evidence that would have been uncovered by the Van der Walt commission (with its opposition party members) is not somehow swept under the carpet. Anything smacking of cover-up will only intensify lingering suspicion and distrust in the aftermath of Muldergate.

FINANCIAL INSTITUTIONS

FM 29/6/79

Cutting red tape

58

Besides giving Registrar Wynand Louw powers over the short term insurance industry, the new Financial Institutions Amendment Act aims to streamline various other institutional operations.

It paves the way for greater bank involvement in fixed property and equity investment. In future, the extent of banks' investments in these areas will be governed by ministerial decree, instead of a fixed percentage of their capital, thus permitting heavy commitment in projects such as Sasol 3.

A further concession allows a parent bank to control more than one of each category of bank. Up till now, a controlling operation could own, for instance, only one merchant and one commercial bank. "We feel there is no need for this restriction any longer," says Louw. In future, a bank may own, say, one general bank specialising in industrial accounts and another writing mainly personal business. This relaxation will no doubt appeal to conglomerates such as Bankorp and Barclays.

The number of bank categories included in the definition of a banking institution has been reduced. Hire purchase and savings banks are now included among general banks.

Another welcome move is the cut in the capital requirements for acceptance business from 10% to 6%. This will grant relief to merchant banks, in particular.

The bill's provisions allowing the registrar in terms of the Insurance Act to define "irregular or undesirable" practices among short-term insurers (*FM*, June 15), "are not strictly speaking new powers," Louw reckons. But they are more direct, and fit an emerging pattern of legislation allowing the authorities to deal with the problems "in a domestic manner." Insurance business can thus be dealt with under the Insurance Act, banks under the Banks Act, and so on.

The building societies also benefit from the new law in the sense that they will be permitted to erect buildings on undeveloped sites which they have had to buy. Up to now, such stands have had to be transferred to the societies' development companies before buildings could be put on them. This was expensive and timewasting, says Louw.

Wynand Louw . . . dotting i's and crossing t's

LANDCHEM

Second choice

(58)

Activities: *Investment company with 94,9% of its assets in Triomf Fertilizer Investments, in which it holds 33,1% (12,6%) of issued share capital.*

Chairman: *L Luyt; managing director: J J Becker*

Capital structure: *11,4m ordinaries of 50c. Market capitalisation: R14,9m.*

Financial: *Year to February 28 1979. Borrowings: long and medium term, nil, net short term, R3 700. Debt equity ratio: nil. Current ratio: 1,7*

Share market: *Price: 130c. (1978-79: high, 135c, low, 35c; trading volume last quarter, 86 000 shares).*

	'76	'77	'78	'79
Return on cap %	8,1	6,9	—	—
Investment income (R 000)	839,6	630,4	13,9	12,5
Pre-tax profit (loss) (R 000)	613	455	(104)	(1)
Earnings (c)	19,2	13,9	—	—
Dividends (c)	17	12	—	—
Net asset value (c)	252	227	181	227

Landchem is almost entirely dependent on Triomf Fertilizer for its income; and Triomf's performance is heavily influenced by local fertilizer demand and export prices of phosphoric acid.

It is not clear, however, what chairman Louis Luyt is trying to say regarding local fertilizer sales. In the Landchem report he points out that "if penetration and growth in the local market is sustained, as was the case during the previous decade, Triomf could have its best year ever." This differs considerably from his Triomf annual statement where he said that "after a disastrous drought ... growth is merely arrested." Presumably, this implies that local fertilizer demand has shown unexpected strength recently.

Luyt confirms that, as generally expected, the price of phosacid has continued to rise. However, it is difficult to know exactly what Triomf is realising since only cif prices have been mentioned, and these are fairly vague. That South American countries are prepared to pay $370 t cif merely gives an indication that Triomf could be getting some $340/t.

At this stage it appears that the forecast $330 t 1979 average price is optimistic. It is also patently obvious that costs are likely to rise much more than 10% this year, endangering the expected $50 margin on the fob price (*Fox* March 30). It is not so much that fuel costs will knock revenue, because the Richards Bay plant is insulated by virtue of its coal-fired furnaces.

The tremendous escalation in costs of raw materials could cripple phosacid production worldwide. Apart from phosphate rock, sulphuric acid is the most important ingredient and its price has increased to the extent that it now consumes between one third and a half of the selling price of phosacid.

In the current year, our predicted $50/t margin should provide the Richards Bay operation with R16,9m in export revenue. Adding an ambitious R15m from local fertilizer sales and deducting R14m interest — last year's bill was R15,8m — could leave the group with R17,9m, of which R10,2m accrues to minorities.

Based on these assumptions Triomf's attributable profit could be of the order of R7,7m or 55c a share from which a 27,5c dividend could be paid.

It is by no means certain that the cover will be two times in view of the heavy loan repayment programme. This year R13,2m is scheduled to be repaid. Then the budgeted R2,8m capex has to be funded, leaving a total cash shortfall of R500 000 if depreciation is the same as last year's R7,8m.

A source close to Triomf has intimated that it will resume normal dividend payments as soon as possible, implying that this year roughly R3,9m will have to be financed from loan capital.

Whatever happens, Landchem will be able to pay its entire Triomf dividend to shareholders as operating expenses will be covered by other investment income.

On the assumption that Triomf will pay 27,5c and that Landchem will pass on the full amount, a Landchem dividend of 11c could be forthcoming, putting the share on a 8,5% prospective yield, compared with Triomf's 10%.

The premium on Landchem is probably due to its negligible borrowings. Triomf's gearing, as measured by debt:equity ratio, was 706% at the end of last year. Nevertheless, with 94,9% of its assets in Triomf, there seems to be little attraction for holding this stock in lieu of Triomf.

Peter Pitchfork

results and dividends

DIAGONAL STREET

Opec blues

58

FM 29/6/79

Ahead of the Opec talks, uncertainty surrounded the market. The three days ending Tuesday saw a slump in the value of shares traded to R5,3m compared to R30m in the week to June 22 and R37m in the third week in May. "But," confided one broker, "as long as turnover remains above R5m a day, we make money."

A swift recovery took place in the advance-decline line of industrial shares on June 21, but the move is now beginning to steady. The JSE Actuaries industrial index reversed upwards on the same day, rising from 303,2 on June 20 to 313 in five trading days. The All Market index is marking time but a short-term early warning continues to extend its bear trend.

London, not particularly enamoured of SA equities, seems currently to prefer to buy its needs in New York on 'bad' days. A leading London broker said that he considers buying of golds in Johannesburg as speculative and the only real attraction to him is the FR. In the faint possibility of it falling to a rate of below US80c, he would be a buyer of nearly everything in sight, but a rise to settle it solidly between US90c to US100c, which is more likely, would make him a seller of all his SA holdings.

The London dollar premium, wavering between the upper 30s and the lower 40s gives an effective premium of around 13%, which to UK investors makes US buying attractive.

As far as individual stocks were concerned, Theron was again in demand ahead of its results. Current estimates of the dividend stand at 20c, which, if correct, should underpin the price of 220c.

Negotiations between Picfin (formerly Comair) and Asokor are said to be in progress. As Picfin is flush with cash, a purchase of Asokor shares would alleviate some of its rumoured tax problems.

Cash shell Columbus is currently trading at 172% above asset value, so it is unlikely that shareholders will accept the 32c offer by the Lewis consortium come Thursday's meeting. Columbus closed at 72c buyers on Wednesday. Empisal, soon to be Quincor, made its re-entry at 67c against a pre-suspension price 40c, but dipped during the day to a low of 52c and closed at 58c. The net asset value is about 42c and minorities are also unlikely to accept the 46,1c offer to be made by new owner, Xactics.

It is not only equities which have fallen foul of quiet market conditions, but also uncirculated Krugerrands. The excellent build up in demand during the first part of the month has waned on the JSE. From the week to June 1 to the week ended June 8, the value of coins traded rose 54% from R213 672 to R330 246, with the number of coins traded rising from 714 to 1 086 in 85 deals compared with 76 deals. In the following week the value traded had fallen to R127 005, with 417 coins changing hands in 78 deals. Last week the number dropped to 302 coins with a value of R91 892 in 55 deals.

Jean Moon

06 APR 1979

AFRICAN EDUCATION

Financial Mail

Building on the future

One of the most important but little remarked features of last week's budget was the allocation of R10m for the building of schools in African townships in the "white" areas. This is the first time the central government has allocated funds for this purpose, enabling the Department of Education and Training to make good its promises to build schools in the white areas (*FM* December 15 1978).

Until now, most urban schools have been built by administration boards, using loans from the Department of Community Development which township householders have then had to repay. In Soweto, for example, 38c is collected from each household each month on a school levy in addition to home and site rent. White schools, on the other hand, are paid for by the State.

Education and Training's total budget is up 26% this year, to R182m. This is the second highest percentage increase permitted by Finance Minister Owen Horwood (the Department of Statistics is the biggest). Most of the rise goes on capital spending. And it is surely needed.

There is a backlog of 7 000 classrooms in the urban areas alone. Joubert Rousseau, Secretary for Education and Training, tells the *FM* that a new classroom costs about R7 000, so the backlog will cost R49m to wipe out at current prices. Providing classrooms for the increasing school population will swell the sum even more, Rousseau points out.

Of the R10m for 1979/80, R6m is earmarked for secondary community schools, and the rest for primaries. A further R250 000 is allocated as a rand for rand grant for schools in the new Ndebele bantustan.

The new schools will help the Department phase out the "platoon" system, in which the same buildings house two distinct schools — one in the morning and one in the afternoon.

Teacher training also gets a financial boost. The 1979/80 allocation is up R3,2m (89%) on last year's budget. Three new teachers' training colleges, at Mabopane, Imbali and Fort Beaufort, are among the main projects.

accused :

ember of the South African ... the weekend that the wage ... union at Kensington, Cape, ... aimed at keeping the present ... itions after the next election

Herald · 7 April 1979

ald reporters

Asked on Monday to comment about the proposed R2 35 to R3 wage increase, Mr Shield retorted 'That's rubbish'.

He declined to comment on any of the other statements, saying that all union meetings were private, that the Press was never invited and that he did not wish to make any

Labour

New group fires Koka

Union assets 'seized by angry workers'

Labour Party

80 black workers

By RIAAN DE VILLIERS

Labour Correspondent

MRS MAGGIE Magubane, acting general secretary of the Black Sweet, Food and Allied Workers' Union, laid a complaint with police at John Vorster Square yesterday in an effort to recover union assets which have disappeared under mysterious circumstances.

The assets — including all union records and a vehicle — have been removed from the possession of Mr Sikhakhane, a leading trade unionist who was elected recently as general secretary of the union.

Mr Sikhakhane was to have handed over the union's assets to Mrs Magubane by 12 noon last Friday.

Instead, his lawyer has claimed in a letter that Mr ...

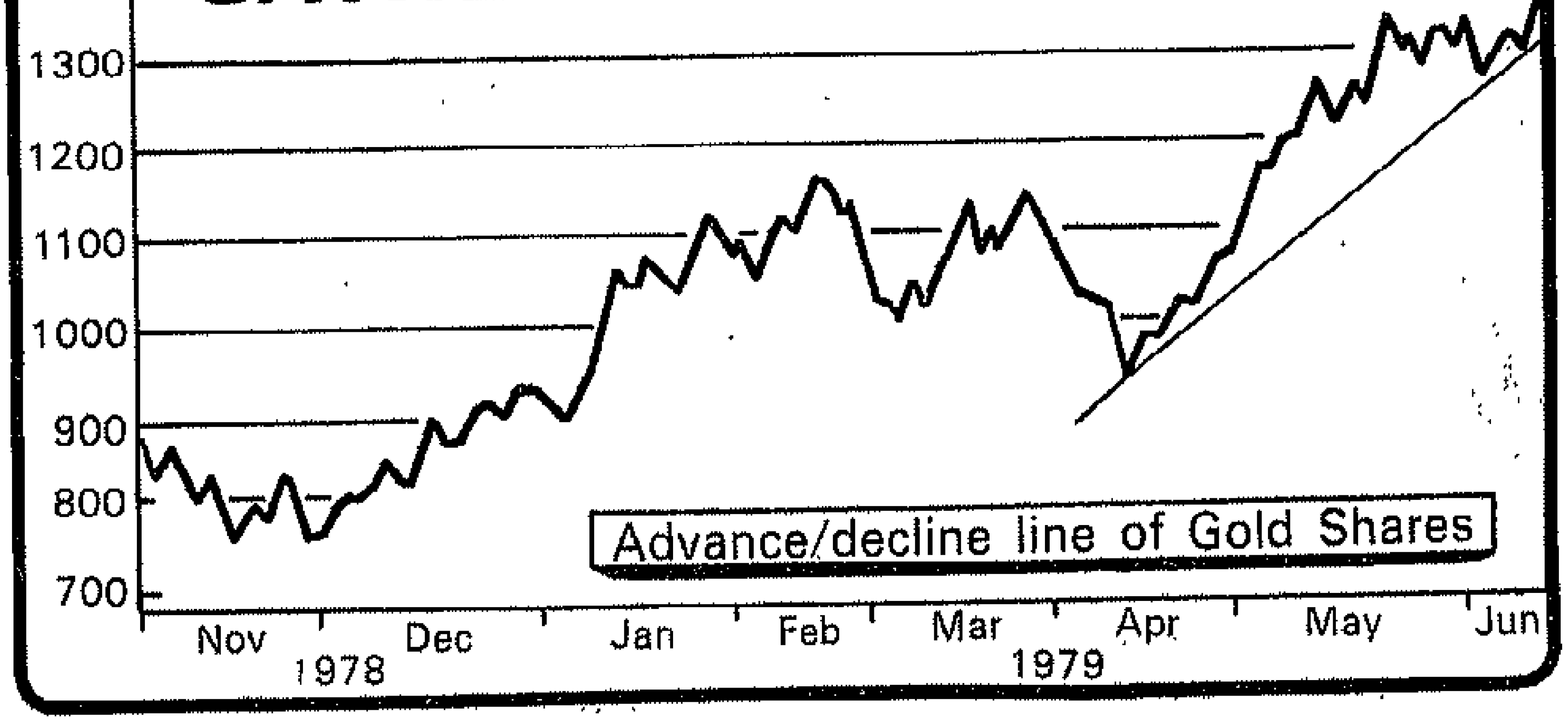
signposts

	Current	Week ago	Month ago	Year ago
RDM 100	**308,3**	**296,0**	**326,9**	**238,8**
% change on	—	4,2	—5,4	29,1
P/E ratio	4,8	4,7	5,3	4,7
Div yield	7,6	7,6	7,1	8,9
UK FT Ind.	**476,2**	**486,6**	**506,4**	**456,3**
% change on	—	—2,3	—6,2	4,1
P/E ratio	7,9	8,0	8,1	7,5
Div yield	5,9	6,1	5,8	5,8
US Dow Jones	**837,7**	**839,4**	**836,3**	**817,3**
% change on	—	—0 2	0,1	2,5
P/E ratio★	7,9	7 9	9,1	8,4
Div yield★	5,3	5,3	5,3	5,2
Gold price (in US $ on London)	**281,9**	**280,9**	**270,6**	**184,8**
% change on	—	0,4	4,2	52,5
Krugerrand (Rand) Public selling price	**274,3**	**271,2**	**262,1**	**184,7**
% change on	—	1.1	4,7	48,5

★ Standard & Poor index

Public buying price in 10% below, subject to negotiation

GATHERING MOMENTUM



foreign bourses

Contd. from previous page

ing that pleas will speak for themselves in the ultimate end.

Mrs Martha Mahlangu, Solomon's mother, arrived late for the service.

Bishop Tutu, who was unable to attend, was preparing for a 2.30 pm flight to Cape Town in a last bid to save Solomon from execution.

He had hundreds of signatures on a petition and messages from all over the world.

"I am going with the hope that I will get the opportunity of being listened to," he said.

He was going to see the Minister of Justice, to whom Mrs Mahlangu had also sent a last-minute plea.

Mrs Mahlangu's hopes for her son's reprieve from the gallows were shattered when the authorities did not give her and Bishop Tutu permission to meet the State President.

Post. 6 April 1979.

MAHLANGU'S LAST WORDS

08 APR 1979 POST

SOLOMON MAHLANGU died like a soldier.

Speaking of her son's last moments, Mrs Martha Mahlangu told SUNDAY POST:

"Solomon took his death with a smile. There were no traces of worry when he bade me goodbye for the last time.

"He even made the ANC salute.

"He died like a soldier."

Mrs Mahlangu said Solomon's last words to her were:

Do not worry about me but worry about those who are suffering. I have done my bit of contribution. And may God spare you. Goodbye and go well, mother.

Mrs Mahlangu said the Rev Nyathi of the Catholic Church, who administered the last rights before the execution, told the family Solomon stood upright and walked tall to the gallows with a broad smile.

Mrs Mahlangu dismissed as "nonsense" a newspaper report that her son was "afraid of dying".

"Throughout my visits to him in death row, there was never a moment when Solomon showed signs of nervousness or ten[sion]," she said.

Mrs Mahlangu crit[i]cised the [...] report which said Solomon "prayed and read the Bible" and that he often thought of Psalm 23.

She said there was nothing strange in his praying or reading the Bible for he was from a devout Christian family.

A memorial service for Solomon Mahlangu will be held at the St Francis of Assisi Church in Rockville at 2 pm today. Participants in the service include the Black Priest Solidarity Group and the Committee of Ten.

"I see the report as mere propaganda designed to instil fear in those youths who may follow in Solomon's footsteps," Mrs Mahlangu said.

She also dismissed as "rubbish" claims that Solomon's involvement in the struggle for the liberation of the people" was the work of agitators.

"I strongly believe that my son left home one day and decided he should do something to help free his people from suffering," she said sobbing.

Final prayers

Post 06 APR 1979

By WILLIE BOKALA

AS DEMONSTRATIONS and appeals for the life of Solomon Mahlangu mounted throughout the world, the Soweto Students' League yesterday called on all students to demonstrate by way of prayer their solidarity with the family.

In their appeal for mercy on the life of condemned former Mamelodi High student, the recently formed adhoc committee of the SSL said that if Mahlangu were hanged it would leave a stain that would forever remain engraved in every student's mind.

The league said yesterday that a prayer meeting to be attended by students throughout Soweto would be held at Regina Mundi Church on Sunday at 2 pm.

The students said they hoped parents, teachers and community leaders would attend the service which would solely be dedicated to Mahlangu.

"Too much blood has been shed in the past three years and the South African community should not let another soul perish without putting up a struggle to save it.

"Mr Vorster should listen to the worldwide appeals to spare Mahlangu's life," the students said.

Picture: PETER MAGUBANE

World condemns Mahlangu hanging

RDM 07 APR 1979

THERE were demonstrations, protests and calls for sanctions against South Africa yesterday when countries around the world heard pleas to save Solomon Mahlangu from the gallows had failed.

Mahlangu, a former Soweto student was hanged at dawn yesterday morning for his part in the Goch Street killings. Two men died in August 1977 as a result.

He was executed in spite of last-minute appeals to the State President, Mr B J Vorster, for clemency.

The United Nations and the governments of the United States, Britain, Holland, India, Belgium and East and West Germany issued statements condemning the hanging yesterday. Anti-apartheid bodies held protests in a number of European capitals.

Dr Kurt Waldheim, United Nations secretary-general and Mr Ole Algard, Security Council president, both issued statements yesterday deploring the execution.

African liberation in Nairobi yesterday condemned the execution and called on the United Nations Security Council to impose sanctions against South Africa as the last peaceful means left to force South Africa to abandon its apartheid policy.

The East German Government's Anti-Apartheid Commission said it was "vital" that the UN impose sanctions against South Africa.

Bishop Desmond Tutu, secretary-general of the South African Council of Churches said South Africa would have enhanced its image abroad and improved race relations if it had heeded the appeals to save Mahlangu. — Sapa-Reuter, AP.

Mahlangu

Police fear Biko attack

Citizen 7/4/79

SENIOR Security Branch officers are bracing themselves for an onslaught of abuse following the hanging similar to the one they were subjected to after the death of Steve Biko.

The plan of intimidation after Biko's death was masterminded by the anti-apartheid movement in London, which even involved the assistance [...]

A PAUPER'S [...]AL FOR LO[...]ON

[...] coffin in town so she could bury Solomon.

Although the authorities did not specify to the Mahlangu family when and where Solomon would be buried, Mrs Mahlangu hoped he would be buried "as usual" immediately after the execution.

But that slender hope was shattered by the arrival of the police. The crowd was told to disperse. They protested.

Rubber truncheons and sjamboks then clearly conveyed the message: Mahlangu wasn't being buried at Mamelodi.

But the truth soon emerged.

Students from Atteridgeville came to the Mahlangu's and told them they had seen two coffins being offloaded from a Government van at the Atteridgeville Cemetery.

Contd. Overleaf

VOLKSKAS'S NCDs

FM 6/4/79

Wholesale is cheap

Volkskas has issued its first NCDs. Last Monday the bank attracted R35m by way of 12-month and 13-month paper, the former offering a rate of 6,1% and the latter 6.2%. According to GM Philip Venter, the discount houses have reported no difficulty trading the new Volkskas certificates.

Venter says the decision to issue NCDs (Volkskas Industrial started issuing longer-dated NCDs a few months ago) was taken in view of cheap money market rates currently prevailing, which meant the bank could buy in money at considerably lower rates than it had been offering in the past. These ranged between 6,25% and 6,5% for 12-month money. Venter adds that the bank also had to meet major seasonal withdrawals by a few of its big clients.

Venter confirms that Volkskas will not be making regular NCD issues, but will do so "when we feel the rates are suitable and we need the money."

ALTERNATIVE FUELS

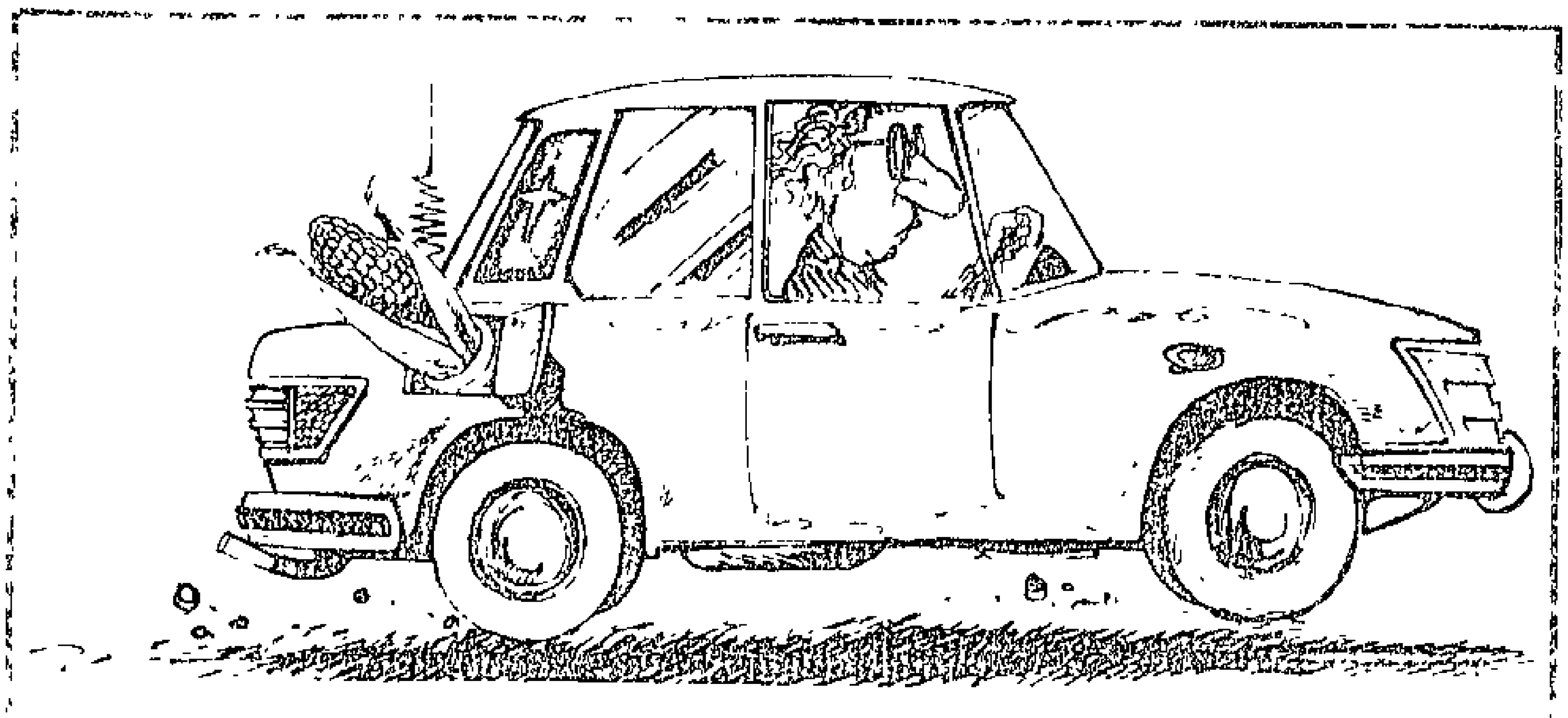
Cheers for alcohol

(55) FM 29/6/79

Perhaps because it already has the Sasol option, SA has been slow to jump on the alcohol fuel bandwagon. Even now, with the decision by the Corporation for Economic Development to go ahead with a methanol project in KwaZulu, production is not envisaged before 1983.

Yet other countries have had little hesitation in utilising alcohol. In the US, some 700 petrol stations, mainly in the mid-west, are already in the "gasohol" business, selling a mixture of 90% petrol and 10% pure alcohol. Brazil is producing 1 Mt of ethanol a year and claims 15% of its cars are already running on gasohol. The target is to triple ethanol production by 1982. Japan and Brazil this month signed a three-year co-operation agreement on joint development of processes to produce ethanol from cassava.

Two types of alcohol are suitable for the purpose: ethanol and methanol. Unfortunately, neither seems to have a clear advantage and vested interests are battling to persuade government of the merits of each.



Ethanol can be produced from starchy vegetable matter, such as sugar cane, maize or cassava, and therefore may suit some sugar farmers. But the industry is not over-keen (see *Business*). Maize farmers, though they don't always produce a surplus, would also like the steady market that ethanol would provide.

Methanol can be produced from coal, natural gas or wood. This route is thus attractive to timber growers, who are also having to cope with weak demand and low prices. Sasol, already a major force in coal exploitation, would probably prefer this route. So would Soekor.

In the form of gasohol, there is little to choose between the two. "A motor car engine operates equally well on both of them," says Professor R K Dutkiewicz, head of UCT's Energy Research Institute. "Ethanol has a higher calorific value than methanol, but both are a good deal lower than petrol."

Not that alcohol is seen as an *alternative* to petrol — that would require major modifications to motor car engines. Its function would be as an *extender* of existing fuel supplies.

A big advantage of ethanol is that it can be blended with petrol or diesel in moderate proportions without modification of the engine. But a higher proportion (about 20%) can be mixed with petrol than with diesel (more like 10%).

The implications of this are serious in the light of SA's diesel/petrol imbalance.

Estimates are that the percentage of middle distillates (dieseline, aviation fuel, kerosene) in SA demand has risen from 31% in 1973 to about 35% now, and is expected to rise to 38% by 1985.

Demand for petrol, meanwhile, has been held at around 31%-33% of the total by price increases and restrictive measures. Supplementing oil would exacerbate this problem, as will the commissioning of Sasol II, the manufacture of oil from coal via the Synthol route tends to produce considerably more petrol than dieseline.

Another drawback to ethanol, says Dutkiewicz, is that it costs twice as much to produce as methanol. He estimates methanol production costs on a commercial scale at 15c-19c/l. Bernard Ravnö, of the Sugar Milling Research Institute, supports his view with an estimate for ethanol from sugar cane of 36c/l, assuming a production of 220 000 l/day and a cane price of R13,50/t.

Sentrachem, the main proponent of the ethanol route, and the CSIR have both used estimates of around 20c-25c/l.

The big disadvantage of methanol is that it will mix readily with petrol but not with diesel. In a diesel engine, methanol and diesel have to be injected separately from two tanks.

Modifying engines for this purpose could be costly. Dutkiewicz reckons R3 000 per vehicle. This would not be feasible for small vehicles, but it could be on a truck costing R50 000.

However, once this has been done a much greater percentage of methanol can be used in the mixture.

"Under cruising conditions we can replace 75% of the diesel in a dual fuel system," says Dutkiewicz. "It could be as high as 95%."

A dual system has advantages for both ethanol and methanol because it makes possible adjustments to the blend during operation. Minimum alcohol is required when starting and idling an engine, but maximum when it is running under load.

According to Sentrachem, a plant to produce ethanol could be put up in a year if all the stops were pulled out. The scheme it has been touting for more than a year now involves an investment of R350m in 10 small plants which together could produce 1 Mt of ethanol a year — about 10% of annual SA consumption of petrol and dieseline.

About 2,5 Mt of maize — more or less the national surplus in a good year — would be sufficient to produce this. Alternatively, 18 Mt of sugar cane — SA's entire crop — would do the trick.

The crop which has the highest ethanol yield is cassava, which is perhaps why the CED has chosen it. The Makatini Flats area of KwaZulu, adjoining Mozambique, is considered a suitable area.

The CED, which will probably give Sentrachem the contract to build and operate the plant, envisages 13 R10m plants, each producing 40 Ml of fuel a year at a pump price of 17c/l initially excluding tax, and eventually 13c/l.

Although the scheme has been approved in principle, officials describe it as being still at the "advanced research and development stage."

Cassava, after all, is not yet produced in SA in any great quantity. Moreover, says Gerald Thompson, director of the S A Sugar Association experimental station at Mount Edgecombe, current sugar cane production in SA is equivalent to 4 000 l of ethanol, which is a higher yield than Brazil is currently getting from cassava.

Can the sugar industry expand production sufficiently to produce the requirement of ethanol as well as of sugar — a virtual doubling? It seems unlikely.

There is a reluctance in government circles to divert large amounts of maize production to fuel, partly because it is vital a food, and partly because of its strategic importance as an export to black Africa.

Clearly, there is no single answer. The solution will probably lie in both methanol and ethanol plants, using a variety of raw material inputs.

FINANCE

27 MAY 1979 — 31 Dec ~~August~~ 1979

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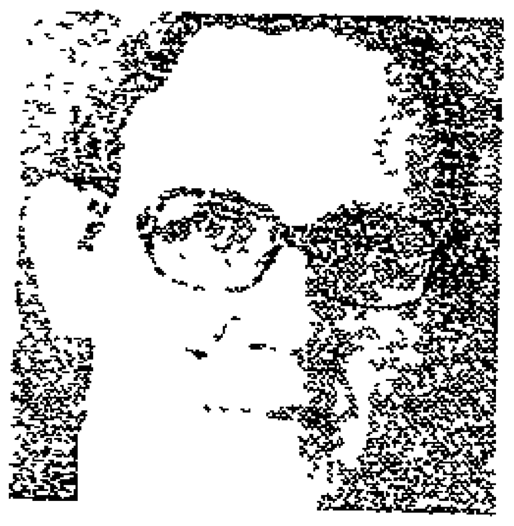
(58)

Sunday EXPRESS Business

EDITED BY PENELOPE GRACIE

Public invited to invest R500-m in Sasol



Joe Stegmann . . . Sasol MD

IN LINE with recent Government thinking, the man-in-the-street and institutions are being invited to participate in the profitable Sasol group of companies.

This is the first time in history that the State has opened up a State organisation to public participation.

The public is being invited to subscribe more than R500-m to finance the extension of Sasol 2.

In an equity offer some R20-m will be offered to the man-in-the-street and R480-m will go to financial institutions like pension funds and insurance companies.

It is thought that the shares which will be listed on the Johannesburg Stock Exchange, will have a value of around R2 each, and a holding of Sasol shares will ease the pain of ever-rising fuel prices for the South African motorist.

With an investment in Sasol he will be able to reap some benefit, through dividend income, when the price of fuel rises. For Sasol, having a fixed capital cost, albeit enormous — R6 000-m for developing Sasol 2 and 3 — it is able to derive great advantage when the price of fuel products increases.

In an announcement this weekend, the managing director of Sasol, Joe Stegmann, said a scheme had been arranged to allow public participation. A new company, Sasol Ltd, has been formed to be the parent of the Sasol companies.

From the start Sasol 1, which turned in R114-m pre-tax profit last year, will be wholly-owned by Sasol Ltd and the two new Sasols, currently being developed, will be held 50% each by Sasol Ltd and the IDC.

When the latter two are commissioned and become profitable they too will also become wholly-owned subsidiaries of Sasol. The public will be invited to buy shares in Sasol Ltd. About 10-m ordinary shares with an estimated value of around R2 each, will be offered to the public and financial institutions will be invited through a private placing of convertible debentures and ordinary shares to subscribe for the remainder.

The debentures of the same value as the shares will have a conversion date towards the end of 1980. Although it is rumoured that the ordinary shares will be pitched to yield less than 8%, the attraction for the small investor lies in the fact that income should rise rapidly.

As Sasol points out, Sasol 1's profit after tax has more than doubled in the last three years from R30.1-m to R73.3-m and private investors will participate in 60% to 70% of the Sasol 1 profit.

It is planned that between 60% and 70% of the ordinary shares in Sasol Ltd will lie in private investors' hands, a percentage which will decrease when Sasol 2 becomes a wholly-owned subsidiary of Sasol Ltd.

Provision has been made, however, for this and a R300-m rights issue is programmed to again lift the public interest to around 60%. (The same will apply when Sasol 3 running profitably, is introduced.)

There is little doubt that Sasol and its many advisers will ensure that the offer is attractively pitched. It wouldn't do to have the issue fail.

Stegmann said the prospectus should be complete by the second half of June. It's on the cards that the institutions will plump for the debentures which give a tax advantage rather than the shares.

A great deal hinges on the issue. It's the first time the Government has been brave enough to float off an interest in a "strategic industry" to the private sector — a move that is to be commended.

However, the private sector operates on returns on investment and as this is likely to be the single largest investment for most institutions they will be more than usually conscious of returns.

The other factor hanging on this issue is the interest rate pattern. Taking R500-m plus out of circulation over a two year period, if it does nothing else, will psychologically push up rates.

10/4/79 Sund Times

Blacks fight shy of investing in the white stock market

Moses-Leoka . . . he has the difficult job of trying to sell investment to the black population. He is a public relations assistant with the Johannesburg Stock Exchange.

ONLY about 20 of the 5,7-million economically active blacks in this country actively buy and sell shares in listed companies on the Johannesburg Stock Exchange.

The daunting but potentially vast task of JSE public relations assistant Moses Leoka is to encourage blacks, as opposed to any other population group, to invest directly through the JSE.

Mr Leoka's programme of lectures, competitions and informative advertising has been on stream for a year, but according to 10 of the bigger stock brokers in Johannesburg it is not meeting with much success. There has recently been no significant change in the number of blacks among their clientele.

Comments Richard Lurie, president of the Johannesburg Stock Exchange: "These are still early days, we cannot be expected to create a capitalistic class overnight. We will most certainly continue in our efforts to eliminate the various misconceptions that blacks seem to have about buying shares."

By PENELOPE MORGAN

The aim of the programme is to educate blacks about the basic principles of share investment. Because this is seen as a long-term effort the main target group is the "investor of tomorrow", ie high school and university students.

Stockbrokers tell me that their 20-odd clients come from all walks of life; they range from a buildilng society messenger to entrepreneurs with substantial amounts of capital to invest.

Sam Motsuenyane, president of National African Federated Chambers of Commerce, says: "Most blacks want a share in firms where blacks feature in the directorate. They see public companies as essentially white and this is a demotivating force in their approach to investing in shares.

"Those blacks who have the funds are putting their money into the homelands where they have a feeling of security.

"Black non-investment in the 'white' economy must be seen against the background of the apartheid laws in this country."

Both white and 'coloured' females have shown an increasing life expectancy at the age of 45, and although this has been small, it contrasts with the downward trend of both white and 'coloured' males.

Although it is apparent that the Expectation of Life at birth for the 'coloureds' has shown a marked improvement between 1941 and 1970, it is salutary to note that neither 'coloured' males nor females, at either e_o or e_{45}, have reached expectations of Life in 1970 which are as high as the whites were in 1929. What also gives some cause for concern is that although the expectation of Life cannot be expected to improve indefinitely, it would appear that the 'coloured' life expectancy is levelling off at a much lower age than has occurred in the white community.

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The expectations of life for 'coloureds'
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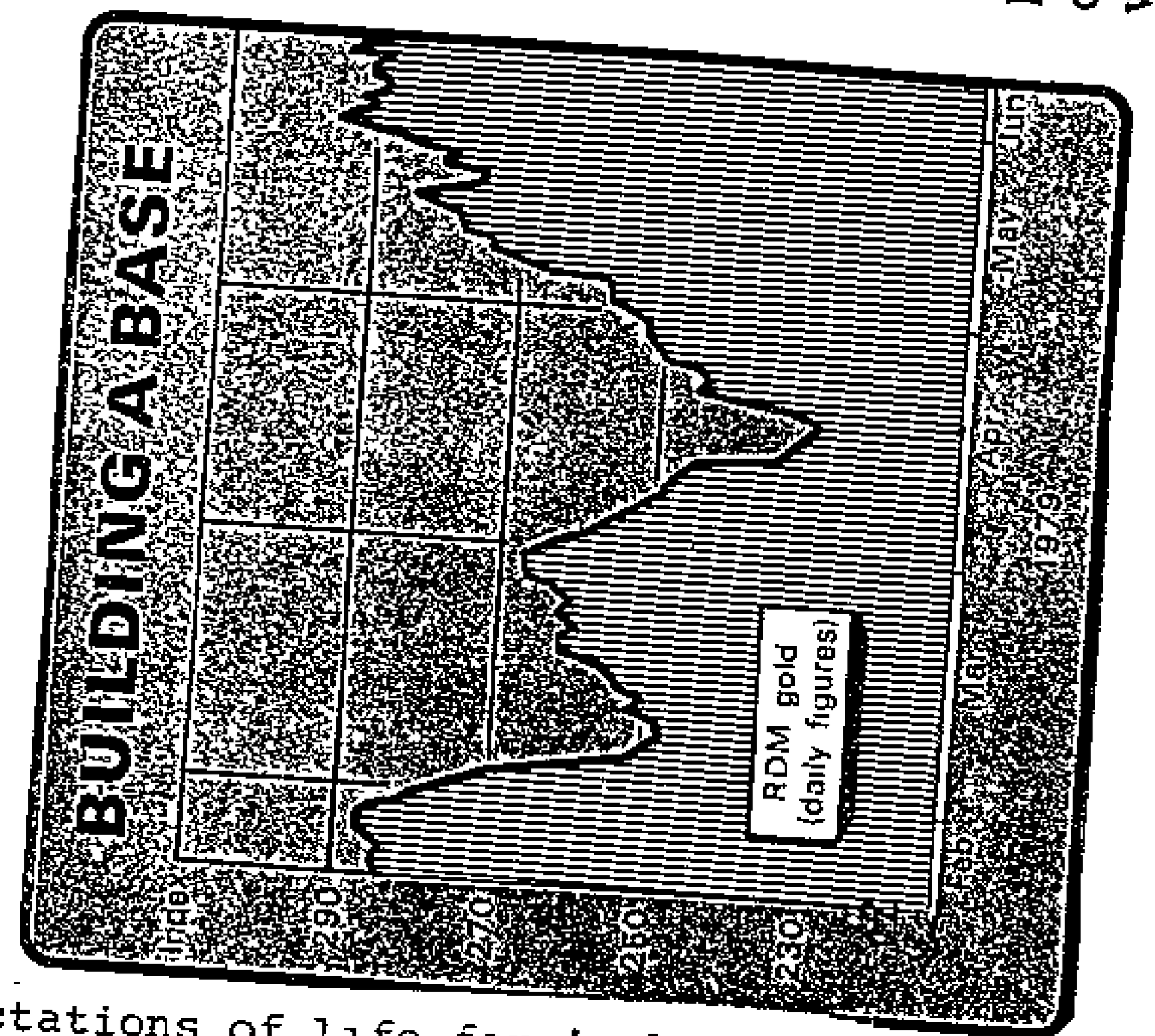
DIAGONAL STREET

Coining it

FM 15/6/79 (3)

No one was surprised to see US investors take their profits over the past few days, and some of the profits are indeed handsome. Taking a comparison between the period just before Easter and June 5, the value of gold shares quoted on the JSE has risen 25%, with a rise in the JSE Actuaries gold index from 233,8 to 292,1. During the same period, the London FT gold index, which is calculated in dollar terms, rose 39% from 146,4 to 203,2. However, overseas investors were able to add another 21% to their total by the hike in the financial rand to US92,5c.



Over the week, gold shares tended to soften along with the easing of bullion. But in this instance, losses have been cushioned to a large extent by the cooling off in demand for FR. New York buying of gold has been hesitant, and the feeling in America appears to be that bullion has risen too high for the time being, and a "breathing space" is overdue.

In the four days following the shock announcement of a 15c/l price hike in petrol, the JSE Actuaries industrial index lost 6,6 points, but no forced selling was evident. One broker remarked that investors should for the next few months concentrate on golds alone, including investment in Krugerrands.

Following a quiet start to official trading of uncirculated Krugerrands on the JSE on April 9, the volume has picked up at a remarkable rate. During the first week in May only 196 coins changed hands at a value of R53 230. In the week ending June 1, the number shot up to 714 coins with a value of R213 672. Total sales for May were at a value of R379 000 with 1 312 coins changing hands. Good as this appears, the turnover for the week ended June 8, was even better, with the number of coins traded at a record of 1 086, giving a total value of R330 000.

The South African Gold Coin exchange has increased its turnover in uncirculated coins by 177% from May 1978 to May 1979, with a value of R185 000 (R67 000). In the five months from January to May, turnover was 73% higher at R755 000 (R436 000). Up until June 11 turnover reached R121 000, with coins changing hands at up to R315 each.

Shaking off the original fear that the JSE would constitute serious competition — which prompted the South African Gold Coin Exchange to reduce its commission from R6 a coin to R2 thereby undercutting the JSE — buyers may soon find that it will again be raised to between R4 and R5. The JSE charges a commission of 1% per coin with a minimum charge of R3, plus additional for postage and packaging when necessary.

Jean Moon

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SA WÊRELDLEIER IN VERSEKERING

Deur BEN TEMKIN

Suid-Afrika se lewensversekeringsinkomste is die wêreld voor met 3,2 persent van die omvang van die ekonomie gemeet aan die bruto binnelandse produk, volgens vergelykings getref deur een van Sanlam se amptenare.

Japan is tweede 2,9 persent, gevolg deur Frankryk en die VSA met 2,7 persent.

Die syfers toon die belangrikheid van lewensversekering as spaarmiddel in Suid-Afrika.

Die syfers vir Suid-Afrika het in die verslag van die Vereniging van Lewensversekeraars van Suid-Afrika verskyn. Sanlam voeg talle interessante feite met betrekking tot die verslag by.

Totale lewenspremies in 1978 is R1 314 miljoen, terwyl totale inkomste R1 927 miljoen is. In die VSA is die versekeringsinkomste 40 maal groter as ons s'n, in Japan 14 maal, Wes-Duitsland 8 maal, Brittanje 5 maal, Frankryk 3 maal en Nederland 2maal.

Hoewel Brittanje byvoorbeeld 'n baie geïndustrialiseerde land is, toon die syfers dat dié land se mense nie so veel belang stel in lewensversekering as Suid-Afrikanes nie.

Sanlam sê die syfers bewys nie dat ons oorverseker is nie want dit is welbekend dat ons maar 'n beskeie voorsiening maak vir staatspensioene, sodat ons wat lewensversekering betref so te sê 'n doen-dit-self-nasie is. Die private sektor moet voorsiening maak vir enigiets bokant die bestaanspeil.

Daar word algemeen toegegee dat die nodige kapitaal een van die vernaamste gebreke in ons ekonomie is. Dit is dus logies dat een van die hoofopwekkers daarvan beter aan die publiek bekend gestel behoort te word.

Vir Jan Publiek is dit immers die kragtigste medium vir langtermynbesparing van opsionele aard. Op die gebied van hierdie dissipline behoort ons deskundiges te wees, aangesien ons dit as wêreldkampioene doen in die lig van bostaande syfers.

Daar is sowat 40 maatskappye wat lewensversekering in Suid-Afrika doen en, soos in die meeste bedrywe, is die speling van groot tot klein nogal aansienlik. Die twee bo-aan die lys — SA Mutual en Sanlam — doen elk sowat 'n kwart van die besigheid en die twee tesame dus sowat die helfte.

Die eerste vyf trek meer as twee-derdes van die premie-inkomste en die eerste 10 allesbehalwe 'n sesde, wat dan die aandeel van die oorblywende 30 is.

Dit is 'n algemene misvatting dat lewensversekering behalwe in geval van vroeë dood, nie goeie waarde bied nie. 'n Uitkeerpolis teen Sanlam se huidige bonuskoers sal vir 'n man van 35 op ouderdom 65 'n opbrengs lewer gelyk aan premieterugbetaling teen 8 persent rente. Dan word nie rekening gehou met die koste van die lewensdekking wat gebied word nie.

Friends (Quakers) en van die American Friends Service Committee deurgebring. Hy het 'n aantal konferensies in verskillende dele van die land bygewoon, baie vergaderings toegespreek en senior beamptes van die Carnegie Corporation, van Community Relations Services van die Departement van Justisie van die Amerikaanse regering, van die American Friends Service Committee en kollegas verbonde aan verskeie universiteite besoek.

Gedurende Augustus en September het die Direkteur Engeland, Nederland, Switzerland, Swede, Israel en Zambië besoek. Hy het vooraanstaande joernaliste, Suid-Afrikaanse diplomate, senior amptenare van die Suid-Afrika-Stigting en verskeie regerings betrokke by Suid-Afrikaanse belange ontmoet. Hy het besprekings gevoer met stigtings, trusts en opvoedkundige verenigings. As gevolg van sy besoek aan Nederland het hy 'n toelae vir die Konstruktiewe Program ontvang van die Algemeen Diakonaal Bureau van die Gereformeerde Kerken in Holland.

Professor J.L. Boshoff, ere-Fellow van die Konstruktiewe Program, het met 'n aantal instansies, wat universiteite in Natal en Transvaal insluit, en met verskeie handels- en industriële firmas in Natal, kontak opgebou.

(b) Konferensies

Gedurende 1978 het die Direkteur die volgende konferensies bygewoon:

Jaarlikse Konferensie, Nasionale Uitvoerende Komitee- en Raadsvergadering van die Suid-Afrikaanse Instituut vir Rasseverhoudinge, Kaapstad (Januarie).

Suid-Afrikaanse Jaarlikse Vergadering van die Religious Society of Friends, Stutterheim (April).

Negende Wêreldkongres van Sosiologie, Uppsala, Swede. Verhandeling voorgelê in Werkgroep 6 en vergaderings bygewoon van die Raad van die Internasionale Sosiologiese Vereniging as die amptelike afgevaardigde van Suid-Afrika (Augustus).

BUSINESS

Star 2/7/79

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Computer fiddles taking a lead in embezzlement

By Anne Colley

The computer is taking over from the petty cash box as the biggest source of embezzlement and fraud in business.

One of the most bizarre cases yet seen in the history of computer technology was the Equity Funding case in America. The senior executive, in collaboration with some 30 or more of his top staff had fiddled the computer so successfully that of the 93 000 policies on their books 64 000 were phony. And of their R1 800m worth of business some R1 000m was phony.

"The auditors incredibly enough did not pick it up" says Mr Geoff Horwitz, planning manager of Nedequity and a noted local expert on computer embezzlement.

GRAND SCALE

South Africa has not yet seen computers abused on quite such a grand scale. But more and more cases of attempted bribery of computer staff, theft of data, malicious alterations to programmes and even attempts to damage hardware are being heard about in this country.

Mr Horwitz however is concerned about the lack of awareness of computer users/owners to the risks and the reluctance to report cases to the authorities.

"This is exactly how things went in the US where I worked for six years as a consultant. People did not take the abuse of computers seriously — until frauds of over R10m were reported. and the matter got so out of hand that people had to sit up and protect themselves."

Mr Horwitz points out some of the possible forms of abuse which have been seen in SA or abroad:

- An employee running a service bureau on the company computer for his own private gain.
- Data such as air reservations or medical files, being tampered with and changed
- changing records to defraud a company — an easily perpetrated crime and already small sums of between R10 000 and R15 000 have been lost to computer owners in SA this way
- covering up fraud by destroying records
- overseas computer centres have even seen politically motivated attempts to damage hardware
- employees selling confidential data to competitors
- wasting computer resources by playing computer games.

VENDETTAS

Abuse for personal gain is the most obvious motive that springs to mind. But Mr Horwitz also warns of cases where computers have been used in personal vendettas against ex-employers, or simply as an intellectual challenge.

Another problem which Mr Horwitz has pinpointed in his many articles on the subject is the lack of clarity on just what is unethical, and what is acceptable in the computer business.

Mr Horwitz conducted a study into industry attitudes towards abuse and found that there is no consensus on what is "OK" and what is overstepping the law. He suggests that company standards be drawn up and that computer personnel be required to sign acknowledgements that all programmes, systems designs, and data are the exclusive property of the company.

He also believes that stricter control on who has access to a computer and a greater willingness to not only discuss losses but to take vigorous action against the wrongdoers are essential to overcome the problems.

He will no doubt make these points quite vigorously at the conference on "systems, security and the white collar worker rip off" to be held at the Sunnyside Park Hotel by Domain Information Consultants tomorrow.

14

Mennonite Central Committee se Konferensie oor: 'Die Rol van Geskiedkundige Vredeskerke', Gaborone, Botswana. Verhandeling voorgelê oor: 'The Role of Churches in Promoting Justice in Southern Africa' (Oktober).

navorsings-Fellows het aansienlik tot die Sentrum se program bygedra: dr Sheila T. van der Horst, afgetrede mede-professor van Ekonomie, U.K., en professor J.L. gewese Rektor van die Universiteit van die Noorde.

LIDMAATSKAP

een gemeld, is die Sentrum vir Intergroepstudies er as 'n maatskappy. In die Memorandum en n Vennootskap word voorsiening gemaak vir die van eenhonderd lede. Tans is daar 57 lede en t die volgende in:

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mnr J.G. Benfield
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3

Bright for economy and for Volkskas

(58) RDM 5/7/79 Bus.

By DON WILKINSON

DISCLOSED assets of Volkskas Group at a shade under R3 100-million make it almost certain- ly the third largest banking group in South Africa. ANd having boosted its dividend to a total of 26c from the previous 22c, the group looks set for further growth.

The chairman, Dr A J Hurter, says in his annual statement group can "now build on the sturdy foundations laid in the past couple of years. The speed with which we will move forward will depend largely on developments on the external accounts."

With exports buoyant and loan money from overseas lenders more or less readily available, that is a picture which looks bright enough for the economy; and for the Volkskas group. Dr Hurter, however, points out that "with the exception of agriculture and mining, which are and can be handicapped respectively by unfavourable weather contditions and uncertainty related to international trade, an improvement can be expected this year in the economic activities of the other sectors of the economy".

Dr Hurter seems to expect that the Budget will stimulate spending, but his statement takes no account, it seems, of the rise in the price of petrol which, whatever it does, looks more than likely to cut consumer spending on what might be called the less essential consumer goods, and with it a certain amount of profit-earning potential for the bank's financial and industrial interests.

He expects manufacturing industry to improve on its 1978 recovery and "there are signs that the construction sector will attain a positive growth rate for the first time since 1975. Real activity should accelerate significantly in the present year (and) this in turn should lead to improved conditions in business and finance.

"Livelier business activity is consequently anticipated for most of the the subsidiaries of your company".

That could happen, of course, but it is worth while having a look at the directors' report, particularly where it concerns the group's interest in the Transvaal Sugar Corporation. Profits last year shot up to R5 330 000 from R1 858 000 which "is considered an abnormal increase".

The company's performance in the past year will not necessarily be repeated because in comparison with banking, the sugar industry is more sensitive to the national and, more particularly to the international, economic climate.

According to the directors, the group's merchant banking arm, Volkskas Merchant Bank, is steaming ahead. Its recent involvements in new issues has been well publicised, and the board tells shareholders that "its is fast developing into one of the country's leading merchant banks".

At the current price of 385c Volkskas shares yield 6,8% on the last dividend, well below the average for the banking sector which is around 7,3%. The yield is not particularly attractive to new investors, but there is a lot to be said for existing holders to hang on to their investment.

IGI/HOSKEN

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Battling along

FM 6/7/79

Activities: *Insurance company, mainly in short-term motor business. Subsidiaries underwrite life assurance. Directors control 19% of the equity. Hosken Consolidated Investments owns 55,6%.*

Chairman and joint managing director: *L Nathan, joint managing director. I M A Lewis.*

Capital structure: *5,4m ordinaries of 25c. 1m 12,5% cum red prefs of R1. Market capitalisation. R3,2m.*

Financial: *Year to March 31 1979. Shareholders' funds. R4,8m. Insurance funds. R11,2m. Net cash: R4,5m*

Share market: *Price 60c. (1978-79. high, 77c, low, 53c, trading volume last quarter, 71 000 shares) Yields: 13,0% on earnings, 11,7% on dividend. Cover 1,1. PE ratio: 7,7.*

	'76	'77	'78	'79
Gross premium income (Rm)	14 6	24,9	29 1	42 7
Underwriting profit (Rm)	0 1	(1,2)	0 2	(0,3)
Operating profit (loss) (Rm)	0,4	(0 8)	0,7	0,6
Earnings (loss) (c)	14,9	(9 0)	17,3	7 8
Dividends (c)	14	nil	8	7
Net asset value (c)	58	36	54	90

In the past few years short-term insurers have had a tough time Severe rate cutting, high claims on the motor side, natural disasters, political unrest and inflation have taken their toll. IGI's patchy profit record amply testifies that it has not escaped unscathed.

Last year, as a result of aggressive marketing, gross premium income rose dramatically from R29m to R42.7m and,

IGI's Nathan . . . fighting the profits battle

after deductions of reinsurance, net premium income increased by R9,1m to R25 4m Taxed profit, however, decreased from R971 000 to R510 000. Evidently a particularly good profit from fire insurance, and a maiden profit of R55 000 from the life side, were just not enough to offset an unsatisfactory performance in motor insurance and considerable losses incurred in personal lines.

Another factor why taxed profit fared so poorly was that, over the year, interest paid jumped from R101 000 to R351 000 — which was a major reason for expenses escalating from 27,9% of gross income to 50%. In addition, taxation was considerably higher at 25,3% compared to only 2% previously, much of this being a provision for deferred taxation.

Ironically, the company's success at writing new business was a major squeeze on profits, not because of bad business, but because of statutory funding requirements. A large proportion of premiums written must go into reserves.

To rectify matters, IGI has increased premiums and adopted stringent underwriting measures. And, says chairman Laz Nathan, the double-barrel effect of fuel and speed restrictions must work in IGI's favour

Solvency margin at the year end was roughly 19%, which is a healthy improvement on the previous 15.3% and comfortably exceeds the Registrar's requirement of 10%. In part, this is a result of the market value of listed investments now exceeding book value by roughly R585 000 (previously there was a deficit of R1m). Also, free reserves now stand at 17.5% (15,2%), excluding the investments in four subsidiary insurance companies.

As for holding company Hosken Consolidated Investments, attributable profit amounted to R747 000 (R[illegible]), equivalant to earnings of 15,9c. Out of this a maintained 13c dividend was paid on the higher share capital, as increased by the July cap issue last year.

This is an unexpectedly high distribution and can only be explained by the company's bullish expectations for underwriting profit this year.

Short-term insurers are not yet out of the woods, although new rate structures, less motor exposure and, presumably, a more pragmatic assessment of risk, augur well for the medium-term. In the short-term, however, there does not appear much scope for significant dividend growth from either Hosken or IGI. As such, neither are very exciting at this stage.

John White

SUNDAY EXPRESS July 8, 1979 (58)

Sunday EXPRESS Business

SA leads world in the life assurance game

SOUTH Africa's 40 life assurance companies handled life premiums worth R1 314-m last year.

Their total income amounted to R1 927-m. Assets rose to R7 412-m. Benefits paid out to policyholders amounted to R551-m. Management expenses were 14,2% of total income.

These figures, published by the Life Offices Association, show the importance of the insurance business in South Africa. It is interesting to see how we compare with the rest of the world.

On premium income the picture looks like this:

- USA — 40 times as much as SA;
- Japan — 14 times;
- Western Germany — eight times;
- Britain — five times;
- France — three times;
- Netherlands — twice.

If one looks at the size of the economy in terms of gross domestic product, South Africa is leading the world with a figure of 3,2% against Japan's 2,9%, France's 2,8% and the USA's 2,7%.

This does not prove that South Africa is over-insured, because we are known for our modest State pensions. Where life assurance is concerned, South Africa is, so to speak, a do-it-yourself nation.

Private enterprise has to make the necessary provision for anything above a subsistence level. The figures, however, do show the size of the industry in the respective economies.

Insurance is a powerful tool for long-term saving of an optional nature. The 40-odd companies doing life business are widespread from big to small. The two top each do about 25% of the business.

The top five draw more than two-thirds of all premium income and the top 10 all but one sixth. This last slice is shared by the remaining 30.

A common fallacy is that life assurance does not afford good value except on early demise.

Sanlam's present bonus rates will generate proceeds, under an endowment policy, equivalent to return of premiums at 8% interest. This will be for a 30-year term, on a man now 35.

No allowance is then made for the cost of the life cover afforded. Offices pay income tax on the consequent investment but the proceeds are tax-free in most cases.

The 4% image acquired decades ago is obviously wrong today. Bonus rates are not effective in selecting a purchase because they can be the result of over-or-under-distribution and one must take a view as to the likely performance over the very long periods involved.

(38)
For full text
see Acts 1979

STAATSKOERANT

VAN DIE REPUBLIEK VAN SUID-AFRIKA

REPUBLIC OF SOUTH AFRICA

GOVERNMENT GAZETTE

As 'n Nuusblad by die Poskantoor Geregistreer *Registered at the Post Office as a Newspaper*

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VOL. 169] KAAPSTAD, 13 JULIE 1979 / CAPE TOWN, 13 JULY 1979 [No. 6566

DEPARTEMENT VAN DIE EERSTE MINISTER

No. 1529. 13 Julie 1979.

Hierby word bekend gemaak dat die Staatspresident sy goedkeuring geheg het aan die onderstaande Wet wat hierby ter algemene inligting gepubliseer word:—

No. 101 van 1979: Finansiewet, 1979.

DEPARTMENT OF THE PRIME MINISTER

No. 1529. 13 July 1979.

It is hereby notified that the State President has assented to the following Act which is hereby published for general information:—

No. 101 of 1979: Finance Act, 1979.

GENERAL EXPLANATORY NOTE:

[ ] Words in bold type in square brackets indicate omissions from existing enactments.

______ Words underlined with solid line indicate insertions in existing enactments.

ACT

To provide for the disposal of certain surplus State revenue; for the defraying of unauthorized expenditure from the State Revenue Account and the Special Defence Account; for guarantees by the Minister of Finance in respect of loans granted to the Administrator-General of the territory of South West Africa; for guarantees by the Minister of Economic Affairs in respect of loans granted by the South African Reserve Bank to the Industrial Development Corporation, Limited; for guarantees by the Minister of Plural Relations and Development in respect of loans granted to community councils for the electrification of certain Black residential areas; for the conversion of loan liability of the South African Inventions Development Corporation into share capital; for the conversion of certain advances out of the Special Defence Account into share capital of the Armaments Corporation of South Africa, Limited; for the vesting of certain commitments of the South African Broadcasting Corporation in the South West African Broadcasting Corporation; and for the repeal of the National Film Board Act, 1963, and for the disposal of assets, rights, liabilities and obligations of the Film Board; to amend the Foreign Affairs Special Account Act, 1967, so as to provide further for the auditing of the account referred to in that Act; to amend the Security Services Special Account Act, 1969, so as to provide further for the auditing of the account referred to in that Act; to amend the Defence Special Account Act, 1974, so as to provide further for the auditing of the account referred to in that Act; to amend the Payment of Members of Parliament Act, 1974, so as to provide further for the payment of salaries and allowances to office-bearers of Parliament; to amend the Exchequer and Audit Act, 1975, so as to provide for a certain portion of a vote to be dealt with separately in the appropriation account; to authorize the Treasury to charge a person who is not an accounting officer with the responsibility of accounting for State moneys in respect of any particular portion of a vote; to grant the Minister of Finance further powers to determine interest rates in respect of certain debts to the State; to provide for a reduction in the permanent capital of the South African Broadcasting Corporation; and to regulate the manner in which the Auditor-General shall report on certain accounts; to amend the Finance and Financial Adjustments Acts Consolidation Act, 1977, so as to authorize

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For full text see Acts 1979

STAATSKOERANT

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VOL. 169] KAAPSTAD, 13 JULIE 1979 / CAPE TOWN, 13 JULY 1979 [No. 6568

DEPARTEMENT VAN DIE EERSTE MINISTER

No. 1531. 13 Julie 1979.

Hierby word bekend gemaak dat die Staatspresident sy goedkeuring geheg het aan die onderstaande Wet wat hierby ter algemene inligting gepubliseer word:—

No. 103 van 1979: Wysigingswet op Finansiële Instellings, 1979.

DEPARTMENT OF THE PRIME MINISTER

No. 1531. 13 July 1979.

It is hereby notified that the State President has assented to the following Act which is hereby published for general information:—

No. 103 of 1979: Financial Institutions Amendment Act, 1979.

GENERAL EXPLANATORY NOTE:

[ ] Words in bold type in square brackets indicate omissions from existing enactments.

________ Words underlined with solid line indicate insertions in existing enactments.

ACT

To amend the Insurance Act, 1943, so as to redefine "guarantee business"; to further regulate the holding of assets; to prohibit certain practices and methods of conducting business; to further regulate the insurance of the lives of persons performing military service; and to effect certain textual alterations; to amend the Pension Funds Act, 1956, so as to further regulate the holding of assets, the granting of loans by pension funds to members and the exemption of pension funds from compliance with certain investment requirements; to provide further for the making of regulations; and to effect certain textual alterations; to amend the Friendly Societies Act, 1956, so as to provide further for the making of regulations and to effect certain textual alterations; to amend the Banks Act, 1965, so as to further define certain expressions; to further regulate the registration of bank controlling companies; to reduce the capital and reserve funds which banking institutions are required to maintain against liabilities under acceptances; and to further regulate the prescribed investments that banking institutions have to maintain and the restrictions on the investment by banking institutions in certain assets; and to amend the Building Societies Act, 1965, so as to extend the powers of building societies and property companies in relation to certain immovable property, and to further regulate the acceptance of deposits by building societies; and to provide for incidental matters.

(Afrikaans text signed by the State President.)
(Assented to 2 July 1979.)

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 Act 73 of 1951, section 39 of Act 24 of 1956, section 50 of Act 25 of 1956, section 1 of Act 79 of 1959, section 1 of Act 10 of 1965, section 1 of Act 41 of 1966, section 1 of Act 65 of 1968,

1. Section 1 of the Insurance Act, 1943, is hereby amended—

(a) by the substitution in subsection (1) in the definition of "compulsory third party business" or "compulsory third party insurance business" for the expression "Motor Vehicle Insurance Act, 1942 (Act No. 29 of 1942)" of the expression "Compulsory Motor Vehicle Insurance Act, 1972 (Act No. 56 of 1972)";

(b) by the substitution in the said subsection (1) for the definition of "guarantee business" of the following definition:

"'guarantee business' means the business of assuming **[the]** obligations **[of an insurer]** under guarantee policies;";

F.M. 13/7/79 (55) (58)

SASOL

Stalled by dissent

Dissatisfaction is growing over the way the Sasol issue is being handled by merchant banks. Dissent among some of them is causing what are believed to be unnecessary delays.

Despite Sasol MD Johann Stegmann's announcement, that he expected particulars of Sasol's launch to be finalised by the second half of June, it is now almost the second half of July and details of the rate, the proposed pref share issue, proposed debentures and participation by overseas oil companies still appear to be in the balance.

The merchant banks are still testing the market, but it appears that there is consensus on a 7% prospective yield. When the preliminary announcement was made, the prospects of the issue were only coolly welcomed in certain quarters and the thinking at Sasol was that the issue would have to be pitched at an attractive rate, possibly as high as 8%, to ensure the issue's success. After all, Sasol is well aware of the implications if the issue failed -- a second chance would be unlikely. In any event the last petrol price hike had not been announced at the time and now the Sasol project looks that more essential and attractive.

Long-term investment

Another reason for deciding on a lower rate is that Sasol does not have to rely on stags. It is aiming the issue at long-term investors who receive tax advantages on dividend income. To institutions, a 7% dividend yield is worth close to 12% due to the tax offset.

It appears that the slated convertible deb issue has been thrown overboard. The reason for issuing debs was to allow institutions to plan their forward commitments. To replace that arrangement, Sasol will enter contracts with institutions allowing them to pick up four predetermined tranches of shares until end-1980 at varying intervals. Debs were not thought to be such a good idea, as tax advantages would not accrue to institutions and necessarily higher deb rates would just have added to Sasol's costs.

With the new arrangement, the ords will become eligible for the dividends as and when they are taken up. Effectively it means that the first tranche, which will be allocated in September, when the shares are listed, will be entitled to half of the interim dividend for the six months to end-December. And the second tranche to be allotted Jan 1 1980 will get the final. This will give an effective return equivalent to 35% of the dividends that would have received if all the shares were taken up at once. From then on the remaining two tranches will be taken up half-yearly on July 1 1980 and January 1 1981.

To attract more institutions a new element has been introduced — namely, a pref issue. Stegmann tells me "the prefs will be compulsorily convertible into ords at an early date still to be determined."

One merchant banker says these prefs are to be aimed at pension funds and insurance companies, which are more concerned with achieving high returns than growth. This implies that the prefs will be pitched at higher rates than the ords. He believes Sasol could be thinking along the lines of conversion within two to three years. This suggests that despite Sasol's obvious growth prospects, there could be some institutions, such as insurance companies, which may hold back from the issue.

There is also talk of misgivings regarding the appointment of five merchant banks. This has apparently led to drawn-out meetings in which decisions are reached with difficulty. And, some merchant banks are competing against others to get the best for clients rather than looking after Sasol's interests. That was not the whole idea behind their appointment. Sasol, understandably, is becoming a little peeved with these manoeuvres.

Another bone of contention is Sasol's future board of directors. Some of the present heads are likely to roll. A call is being made to government and the IDC to draw even more heavily on the private sector to participate in management of the enlarged company. With government more amenable to private sector consultation, it is likely that private enterprise appointees will increase.

Foreign stakes

There is still no clarity on overseas participation. Generally, it is believed that government has little option but to allocate as many shares as are demanded by the oil majors operating in SA. Hill Samuel, which is not a member of the merchant banking team, believes that Sasol has it in mind to give it the task of looking after any overseas investors due to its strong overseas connections.

The oil majors probably recognise the growth prospects. And as one Sasol official points out, "at current oil prices we will be able to service the new shares, but the big bonanza is yet to come with Sasol 2 and 3. And, that was before the latest 40% petrol price hike."

At this stage it is not possible to quantify the effect of higher petrol prices on Sasol's earnings. But with the latest hike Sasol could well achieve the R120m earnings this year which appeared to be out of reach at end-May.

However, Sasol 2 and 3 should be money-spinners as long as the oil price continues to rise. Sasol 2 was designed to be profitable once crude oil prices approached $15 a barrel. That level has now been convincingly passed with SA paying $40 a barrel and more.

Peter Pittendrigh

F.M. 13/7/79 (58)

VOLKSKAS GROUP

Hiding profit growth

Activities: *Diversified banking group with direct control over five main subsidiaries: Volkskas (100%); Volkskas Merchant Bank (80%); Volkskas Industrial Bank (100%); Volkskas Industries (100%); and Volkskas Commercial Properties (100%). Volkskas is SA's largest indigenous bank with 273 branches. Volkskas Industries owns 100% of Transvaal Sugar, 62,6% of Bonuskor, 62,6% of Midmacor and 94,4% of TMF.*

Chairman: *Dr J A Hurter; vice-chairman: Dr A J du Toit; managing director, D P S van Huyssteen.*

Capital structure: *21,5m ordinaries of R1; 15m 9,5% red cum prefs of 10c. Market capitalisation: R81,7m.*

Financial: *Year to March 31 1979. Cheque and deposit accounts: R2 366,7m. Acceptances, guarantees and letters of credit: R527,1m. Total assets: R3 079,6m.*

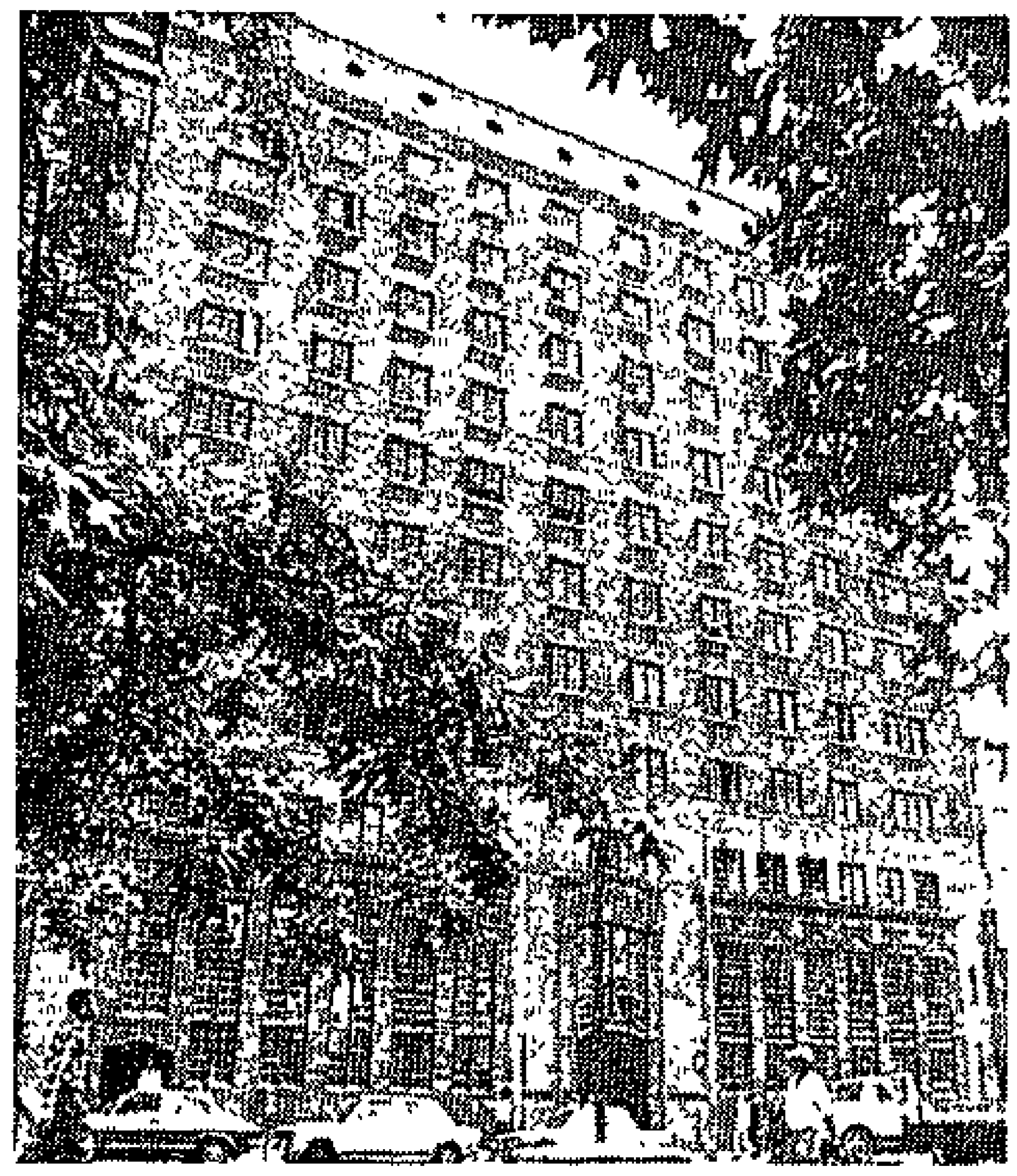
Share market: *Price: 380c (1978-79: high, 425c; low, 275c; trading volume last quarter, 368 000 shares). Yields: 25,0% on earnings; 6,8% on dividend. Cover: 3,6. PE ratio: 4,0.*

	'76	'77	'78	'79
Return on equity (%)	12,5	12,6	13,2	12,7
Total assets (Rm)	2 481	2 641	2 923	3 079
Total capital and reserves (Rm)	114,3	121,6	133,6	182,4
Net profit (Rm)	14,1	15,1	16,8	22,8
Earnings (c)	65,4	7,3	78.1	95,0
Dividends (c)	19,0	20,0	22,0	26,0
Net asset value (c)	524	556	592	748

Volkskas Group's annual report tends to confirm that the banking operations' profit growth was almost entirely transferred to hidden reserves.

The 35,2% net profit improvement to R22,8m (R16,8m) was largely due to Transvaal Sugar, which increased its taxed profit to R5,3m (R1,9m). This accounted for 58,6% of group profit growth. Another 21,3% of profit growth came from subsidiary Bonuskor, which kicked in with a R1,3m taxed profit, after incurring a loss the previous year.; Bonuskor only became a subsidiary of Volkskas late in the previous year, so Volkskas' share of the loss was limited, while last year the return to profitability was fully reflected in the parent's results.

This situation suggests that the industrial interests accounted for around R5m of the R6m taxed profit improvement with only R1m of higher banking profits disclosed in the accounts. Judging by Volkskas' second-half performance and banking



Volkskas' HQ . . . banking profits behind curtains

sector trends, profits most probably advanced by some R4m in the comparable period.

Volkskas' 28,1% second-half attributable profit rise to R11,4m (R8,9m) compares with the first half's 15,2% increase to R9,1m (R7,9m). In comparable periods, Barclays hoisted first-half earnings 30,6% to R20,9m (R16,0m) and Stanbic's annualised 1978 attributable profit rose 24,9% to R39,6m (R31,7m).

First-half banking earnings were probably close to the R10,2m disclosed in the unconsolidated income statement for Volkskas Group, which includes the first-half figure for Volkskas Bank. The second-half figure includes only the operating income of the non-operating parent which was established at the half-way mark with the change in control structure. So this should not amount to much. The conclusion to be drawn is that some R3m or more of banking profit was transferred to hidden reserves.

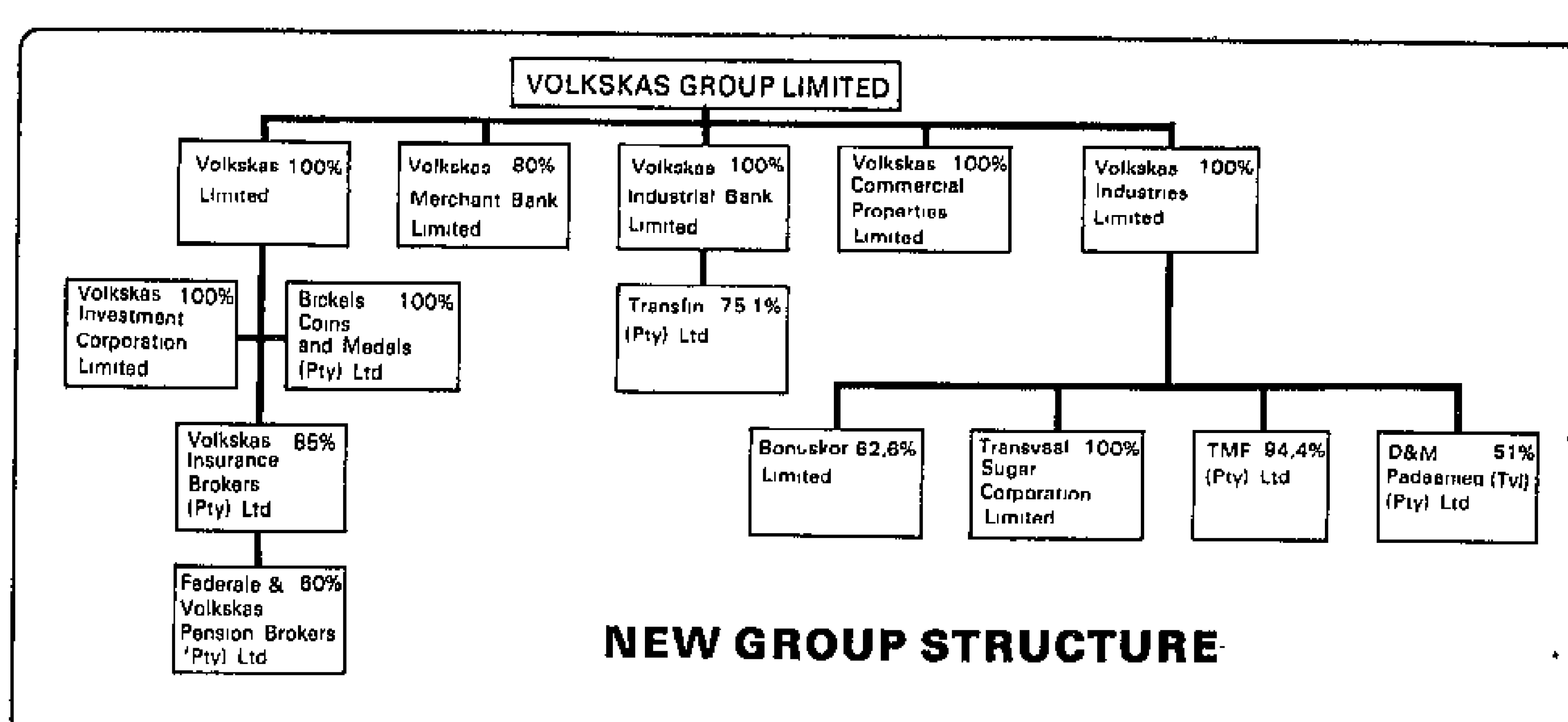
A breakdown of bank activities shows a strong upward movement in Volkskas Merchant Bank's profit to R750 000 (R450 000). Its assets have increased to R172,6m (R46,1m) reflecting the strengthening of the bank — already a major force in the capital market.

This year, while the capital market is still in a lull, VMB is handling a number of loan issues, including R30m for Armscor, R20m for Soweto and R15m for SWA. In corporate finance, the bank is highly rated and has been appointed along with four other merchant bankers to assist with the Sasol share issue. It will also underwrite Metkor's R20,25m pref share issue.

Just under two years ago, Volkskas successfully branched out into leasing and suspensive sales through Volkskas Industrial Bank (formerly Trans-Oranje Finansiering). VIB's taxed profit accelerated last year to R542 000 (R181 000). MD Danie van Huyssteen says that both VIB and VMB still constitute strong growth areas.

There is still no clarity concerning Volkskas' intentions regarding Metkor. So far, the group has indicated that it will have to take up a large number of shares as underwriter, but it is unlikely that Volkskas will end up with more than 25% of shares after conversion. Volkskas has in the past said that it will not be interested in broadening its industrial interests until Bonuskor is firmly back on a growth path and its debt structure in a more healthy state.

Although Transvaal Sugar had an abnormally good year and is unlikely to repeat the performance this year, Bonuskor could more than offset any sugar profit decline. Van Huyssteen says he expects increasing profits from Bonuskor, but warns that



NEW GROUP STRUCTURE

F.M. 13/7/79

(58)

TOWNSHIP BUSINESS

Capitalism in chains

Black capitalism is in danger of being stillborn, because loan finance is almost impossible to come by.

This was one of the big points emerging from last week's 15th annual conference of the National African Federated Chamber of Commerce (Nafcoc) in Johannesburg.

"In spite of the 99-year lease facilities which we were made to believe would enable blacks to secure loans against bonds registered over their properties in the black townships," Nafcoc president Sam Motsuenyane told the delegates, "it is becoming clearly evident that most financial institutions are not prepared to finance blacks on any terms that would not allow them full and unencumbered ownership of a property in the black areas if the client fails to meet the terms of the mortgage bond."

Sponono Majola . . . where will he get the money?

White-controlled companies cannot own property in black townships. So if a financial institution has to take over a leased property when a client defaults, it is required to dispose of it to another qualified black person or company within 12 months. Failing that, the property has to go to the local administration board or community council.

Says Anton van der Merwe, Nedbank's GM (advances): "We do not want to own property. But in cases of financial trouble, we would like to be able to realise the security in a free market so as to ensure the best possible price."

The ideological restrictions and the inferior quality of leasehold title also hamper the insurance industry.

"The industry receives premium income from urban blacks and ideally it should be possible to channel moneys back into communities from which they came," says Johannes van der Horst, an investment manager at Old Mutual. "One difficulty is that the major institutions are all classified as white, because the majority of their shareholders or members are white."

Van der Horst says that because funds handled by life officers are effectively trust moneys, they have to insist on quality of title when lending.

One major victim of this state of affairs is Nafcoc's supermarket venture, Blackchain. MD Sponono Majola tells the *FM* he is having trouble raising money for buildings. Because funds raised from shareholders are being used to finance building operations, Blackchain faces a shortage of working capital.

One solution suggested by senior African Bank men is to declare financial institutions colourless under the Group Areas Act, allowing them to own land in black areas. But, says Motsuenyane, this must be accompanied by a safeguard preventing whites from monopolising land ownership in black areas.

He concludes: "What we really need is freehold tenure for all."

INSURANCE RATES FM 15/6/79 56

This must stop

Rate cutting in the short-term insurance industry continues with a vengeance. Is the Registrar about to step in?

The Financial Institutions Amendment Bill, tabled in Parliament this week, allows the Registrar to declare any insurance industry practice as "irregular or undesirable." Quizzed by the *FM*, Registrar of Financial Institutions, Wynand Louw, points out that although it is difficult to act directly against rate cutting, the current confusion in the market must be eased. He intends making contact with the industry in the near future, he says

Louw reckons the amendment was not introduced for any specific purpose, but he concedes that his new powers could be used to examine sharply reduced rates. He says those companies leading the rate war are not those currently operating on borderline solvency margins. The chief discounters, he reckons, are probably those with sufficient clout to cushion the reduced profitability with cash.

Louw says no decision has been taken on higher solvency margins, although an increase could be used as a "signal" to the industry that it should begin to act "with more responsibility."

Insurers, however, are apprehensive about the goings-on in the industry. For example, Santam's senior GM Cornelius Oosthuizen reckons that, at current rates, "there's not much flesh around the bone," and rising costs mean that "only the fittest will survive." Indications are, he adds, that the discounting war could go on for some time.

He points out that overcapacity in the reinsurance market is preventing low rates being fully reflected in primary insurers' solvency margins. But the point is approaching where these back-up companies must be more selective about business they accept. This could temper the rate slide.

Even the reduction in brokers' commissions last September (to a maximum of 23% on non-motor business) hardly justifies the 60% cutback in rates that some companies have been offering. As one broker puts it, selling insurance is almost becoming a matter of automatically slashing 5% or 10% off competing rates just to maintain the flow of business.

Brokers reckon there is still some scope for large commercial and industrial deals to be negotiated at even lower commissions. The cut in brokers' commission, however, did come at an unfortunate time, says Pat Enthoven, the MD of Robert Enthoven Nebicon, with the total market stagnant, and gross earnings "substantially reduced."

Not surprisingly, the rate-setting "cartel" set up by most major insurers in 1975 is now a dead letter. Protea Assurance recently withdrew, and, as Santam's Oosthuizen puts it, "a market agreement just does not exist if not all the parties are participating."

Even Mutual and Federal's assistant GM Alan Sparkes sees the agreement as more of a "stabilising influence than as a powerful force in dictating market trends."

The last 18 months have been good to short-term insurers, with few major claims, and virtually no natural catastrophes. But if a new chain of large claims does begin, some insurers may have to do a lot of explaining to a Registrar armed with new powers.

Investors take a fresh look at SA

58

15/7/79

Sunday Times

Dr Gerhard de Kock

European Editor NEIL BEHRMANN talks to Dr Gerhard de Kock, Senior Deputy Editor of the Reserve Bank, who is touring Europe with Finance Minister Owen Horwood.

THE relaxation of exchange control has turned the tide of foreign investment opinion in favour of South Africa again.

This trend has been apparent since the De Kock Commission proposals were implemented in January.

And in an interview with Business Times, Dr Gerhard de Kock, Senior Deputy Governor of the Reserve Bank and architect of the brave policy, confirmed the renewed foreign interest in South African investment possibilities.

Both Dr de Kock and Dr Joep de Loor, Secretary of Finance, have been accompanying Senator Horwood through Switzerland, France, Germany and Britain.

Dr De Kock said bankers and industrialists had all expressed interest in the financial rand.

Through the financial rand they can invest in South Africa at a 27% discount (at current exchange rates). This obviously has a favourable impact because it affords them excellent returns on their investment.

But it is equally apparent that the relaxation of exchange controls has played a major part in the renewed interest in South Africa.

"It is quite evident that the average foreign business man wants to be free to invest his money where he likes and to be able to withdraw his capital from a country without hindrance or red tap," said Dr De Kock.

He said Senator Horwood had impressed his audience by stating firmly that this is precisely South Africa's intention — to allow freedom of investment in and out of South Africa.

Foreign business men and bankers already have evidence that there are definite intentions towards the scrapping of exchange controls in South Africa.

First, the initial proposals of the commission allowed freedom of entry and withdrawal via the financial rand market.

Second, recent further relaxations allowing South African emigrants to transfer capital abroad via the financial rand market illustrated once again that the authorities meant business.

Furthermore, the relaxations could attract immigrants, and hence the skilled workers necessary for a growing South African economy.

Under the previous exchange control regulations immigrants were obliged to transfer foreign liquid assets to South Africa after three years.

But under the relaxed rules the immigrants will be able to retain their foreign assets abroad indefinitely.

They also can transfer up to R50 000 into South Africa via the financial rand and withdraw it the same way.

Other incentives will make it attractive for the immigrant, since the authorities have made it clear that South Africa needs foreign managerial and technical skills in addition to hard capital.

The market, in fact, is already reflecting the turnaround in confidence because the financial rand discount to the commercial rand has narrowed from more than 40% to less than 30%, despite the recent allowances for emigrants and fears of capital outflows.

Dr De Kock said there has been a demand for financial rands for direct investment, over and above the demand for indirect investment — in other words, gold shares.

Anglo American Corporation

An abridgement of the annual statement by the Chairman, Mr. H F Oppenheimer

'South Africa ripe for change'

58 FM 17/7/81

For South Africa 1980 was a boom year in which the gross national product (GNP) grew at the record rate of eight per cent. The average price of gold for the calendar year was $614 an ounce which was double that for 1979, and the average for the Corporation's financial year to March 31 1981, was $584.65. Under the lead of gold virtually all sectors of our business prospered and the profit attributable to shareholders before accounting for our share of the retained profits of associated companies was R527 million, or 233.4 cents a share, an increase of 72 per cent over the previous year. This year for the first time earnings are stated on an equity-accounting basis which takes in the Corporation's share of the undistributed profits of companies in which we hold as long-term investments between 20 and 50 per cent of the capital. On this basis profits for the year were R866 million, or 383.6 cents a share, an increase of 64.6 per cent. While profits from sectors other than gold were also at a record level the impact of the high gold price was such that gold accounted for 46 per cent of the total compared with 32 per cent the previous year. Plainly gold can no longer be looked upon as a stabilising factor in our business as it used to be when we sold at a fixed price, and the great advantage we derived from the higher price is now associated with volatility depending on many unforeseen and uncontrollable factors, economic and political. Our gold profits for the current year will obviously feel the effect of the present lower price level and some other parts of our business will no doubt be affected too. Ordinary dividends for the year were increased by 57 per cent to 110 cents a share and absorbed 47 per cent of earnings, excluding our share of the retained profits of associates. On account of the boom conditions that we experienced the dividend cover at 2.12 was kept rather higher than in recent years.

ECONOMIC PROBLEMS

Economic growth in 1981 cannot be expected to match the exceptionally high rate achieved in 1980 and indeed it is now evident that for a variety of reasons South Africa did not make the best possible use of the remarkably favourable conditions of a year ago in order to build a stronger foundation for future progress. On this account it has now been necessary for the authorities to raise interest rates by adopting a very tight credit policy. Even so it seems likely that GDP this year will grow at a rate of about 4.5 per cent, which if compared with other countries, would seem to be a very satisfactory figure. Against this however, we should bear in mind that our average increase in GNP from 1975 to 1980 was only three per cent – including last year's exceptional figure of eight per cent – and was therefore well below the 1952–1980 average of 5.3 per cent. Moreover it has been estimated that the economically active population of South Africa is likely to grow at an annual rate of 2.5 per cent – from 10.7 million to about 18 million by the year 2000 – and that a growth of at least five per cent a year in GNP will be necessary to absorb the corresponding increase in the labour force to say nothing of reducing the unemployment that exists at present. It would be very unwise therefore to regard our situation with complacency.

The economic problems we face are closely interrelated and are by no means confined to South Africa. How are we to tackle the problem of inflation without inhibiting the growth necessary to absorb the rapidly increasing working population? How are we to maintain and expand a modern industrial system which must be internationally competitive, involving as that does over most of the field a capital-intensive high-wage structure, when our resources of capital and particularly of skilled people are in short supply and there is massive unemployment among the unskilled? And if we are to conclude that the answer lies in favouring so far as possible a labour-intensive low-wage industrial structure, how is this to be reconciled in South African conditions with social justice and industrial and racial peace?

WAGES POLICY

In Anglo American, in common with most responsible employers in the advanced sector of the economy, we aim to pay wages based on an objective system of valuing each class of job without any question of race or colour. It is also our policy that the minimum wage should so far as this is economically possible be at least as high as the 'minimum living level' as determined by the University of South Africa. In some of our companies we have reached this standard, in others we are near it, in others still we have a considerable way to go. Labour practices in this and other respects are now being audited at regular intervals in our companies, standards are being laid down and annual targets set which must take account of many factors, not least the financial situation of the enterprise concerned. It is further intended that companies should in future comment on these audits in their annual reports to shareholders.

Our efforts to narrow the wage gap between black workers and white have necessarily involved substantial increases in black wages. It is often argued that the effect of this is both inflationary and likely to create further unemployment because it is calculated to encourage mechanisation in a situation in which, as I have already remarked, there is a critical shortage of skilled workers and massive unemployment amongst the unskilled. Such arguments cannot simply be swept aside. It is worthwhile therefore to examine how much it has cost so far to narrow the wage gap. We calculate that over the 10 years from 1970 to 1980 the gap between black and white wages in the gold mining industry has narrowed from 20 to one to 6.5 to one, reflecting increases in wages that averaged 25.7 per cent a year for blacks and 11.9 per cent for whites. Had black wages risen no faster than white wages the industry's total wage bill for blacks would over the period have been reduced by about R600 million. Applying the same assumption to the entire non-agricultural sector of the economy, including the gold mines – where the wage gap was narrowed over the 10 years from 5.7 to one to 3.7 to one – the wage bill would have been reduced by about R3 billion. It is however quite unrealistic to imagine that the wage gap would not have been closed at all. Making what is surely the modest assumption that it could have been narrowed only half as much as in fact it was, then the additional cost in wages of what was actually done to what just conceivably might have been done was R1.8 billion, equivalent to 8.6 per cent of the total increase in remuneration over those 10 years. In all the circumstances, not least the other inflationary factors then prevailing, I cannot regard black wage increases of this magnitude as being in any way excessive in regard to the fight against inflation, and certainly in regard to other social objectives and necessities I believe they were essential in the interests of justice and racial peace.

In any case I am by no means satisfied that the trend towards a more capital-intensive high-wage structure in the advanced sector of the economy is in itself undesirable. Indeed in relation to manufacturing industry, if we are to be able as we must to compete in the sophisticated markets of the world, such a structure over most of the field is unavoidable and the mining industry surely cannot permanently keep its wage rates below the level that is accepted as reasonable in secondary industry as a whole including that part of it which is controlled by government. There are not many modern industries in which a real choice exists between working with simple equipment and large numbers of unskilled workers at low wages, and working with elaborate equipment and comparatively small numbers of skilled workers at high wages. With some exceptions the trend is rightly towards a capital-intensive structure and the idea that in our situation the supply and demand for labour could be equated if only wages were kept low enough seems to me hopelessly unrealistic.

In South African conditions such a policy would in practice be gravely unjust and dangerous for what it would involve is not a low-wage structure for all workers but a policy of maintaining high wages for whites and low wages for blacks. We surely cannot afford to tackle the problem of inflation along these lines. Moreover if the process of mechanisation, however right in the long run, has in some industries possibly gone further than it should, we must seek the cause not so much in the efforts of employers to eliminate racial discrimination in wage rates as in the maintenance until very recently of interest rates which were well below what supply and demand would have determined in a free market. If the cost of money is maintained at the rate of inflation – or below it, as has not infrequently happened – that must provide a powerful incentive to high capital expenditure throughout the economy. However the government's new policy of relying to a much greater extent on market factors to determine interest rates and the external value of the Rand will act both directly and indirectly to reduce inflation and direct the country's economic resources, material and human, to the best advantage. And here it is right to say that the congratulations of the whole business community are due to the Minister of Finance and the Governor of the Reserve Bank and their colleagues for the resolute way in which they are bringing monetary policy into line with their conservative fiscal policy, as exemplified by the success of the government's recent stock issue. In the short run the adjustments that this signals for the money and capital markets will inevitably be painful but it was entirely necessary to regain control of the monetary base. It may reasonably be hoped that the present stringent policy will not be required for very long and that interest rates will ease toward the end of the year.

I have been discussing the management of the advanced sector of the economy. It has, however, often been pointed out that we have a dual economy in South Africa and while the operations of a free market will efficiently regulate conditions in the advanced sector, they can hardly be allowed to do so in such a way as to bring the advanced and the subsistence sectors together into one system at rates that would equate the markets for labour and money for the whole country including the homelands. While the objective must certainly be to build up a single progressive economic system in the country – whether South Africa then takes the form of a unitary state or a Constellation of States – that will take a very long time. And if we try at this stage to ignore the dual nature of the economy we shall fall between two stools: we shall inhibit the growth of the advanced capital-intensive sector and by thus depressing the national income we shall find it difficult or impossible to raise standards in the subsistence sector and so move toward our goal.

RURAL DEVELOPMENT

The dual nature of the South African economy is to a considerable extent an expression of the dual nature of our educational system. Raising the standard of education cannot but be a long-term matter, but in the shorter term it is certainly possible and desirable to use the resources and skills not only of the government but also of the private sector to alleviate rural poverty, particularly in the homelands. I welcome therefore the initiative of Dr Anton Rupert in the formation of a privately managed but government-supported corporation, the Small Business Development Corporation (SBDC), with the object of helping small businesses particularly in the rural areas. If the new institution is run imaginatively and with the minimum of red tape it will play a significant part in building the bridge between the two sectors of the economy and in drawing more black entrepreneurs into the private enterprise system. In Anglo American we have formed in conjunction with De Beers an investment holding company, Labour Intensive Industries Trust (LITET), with the aim of increasing job opportunities for blacks by initiating or expanding labour-intensive industries. Wages in these industries, which for the most part will be in rural areas, will be related to local market conditions and therefore lower than is normal in the advanced sector of the economy. Our normal practice is to invest in partnership with others, the principal criterion, provided we judge the business to be viable, being the number of jobs likely to be created. To date we have committed in excess of R2 million to the creation of more than a thousand jobs. Anglo American and De Beers do not seek to make money out of this enterprise and any profits that accrue will be reinvested to extend LITET's activities. To my mind the value of both the SBDC and of LITET, in its smaller and rather different way, will be measured not only by their direct achievements but also by their success in encouraging increasing numbers of black people without previous experience in an industrial and commercial environment to enter business as entrepreneurs, technicians and traders, thus identifying themselves with the private enterprise system.

At best however such efforts, important though they are, are second in importance to improving and building up agriculture in the homelands. Black agriculture is largely on a subsistence basis but where it can be linked, as for instance in the case of sugar, with a major industry which can offer research facilities to improve farming methods and provide an immediate and assured market, the carrying capacity and productivity of the land can be vastly improved. We amongst others are studying the potential of homeland areas along these lines and it may well be that the development of further timber plantations and the cultivation of cassava, for instance, both for its nutritional and industrial value, could be of real importance in tackling the problem of rural poverty.

EDUCATION AND TRAINING

In my statement last year I discussed the urgent need for educational reform, and though some progress has been made since then the gap between black education and white remains the most serious obstacle to economic growth and better race relations in South Africa. The government has pledged itself to provide equal education and training for all race groups but the rate of advance is painfully slow and gross inequities persist. In 1980 the teacher-pupil ratio in black schools was one to 46, compared with one to 26 for Asians, one to 29 for Coloureds and one to 19 for whites. Out of nearly 73 000 black teachers only 16 per cent have an educational level which meets the established requirements for teachers in white schools. The bias towards academic rather than technical education is a handicap to our entire economy and this bias is far more pronounced in the case of black schools than white. Moreover the improvement of facilities for black technical education suffers not only from inescapable difficulties in regard to finance but from the effects of racial prejudice – from which we could escape. There is for example a surplus of places at well-equipped technical colleges and technikons for whites at a time when there is a critical shortage of such facilities for blacks. It is absurd to leave white institutions half empty and then proceed to build separate facilities for blacks. Not only is it unnecessarily expensive but it almost certainly means in practice that the facilities provided are not equal – which serves to strengthen the white unions' unwillingness to accept black apprentices from such colleges, on the ground that they are not equal in training standards to the white. Furthermore, the manning of separate racially segregated colleges compounds the shortage of teachers, so that in the result black apprentices are not being trained in anything approaching the numbers required. I am sure that the government sincerely intends to remedy these matters and I do not underestimate the difficulties. In order to succeed however an altogether more urgent, bolder approach is needed.

Take for example a recommendation in the very valuable report of the National Manpower Commission on high-level manpower that has just appeared. The commission recommends that 'the Department of National Education must further promote the more effective utilisation of existing facilities . . . by more generous provision for the training of non-whites at white universities and technikons.' While the government states in its white paper that it has already accepted the admission of non-whites to white institutions, its acceptance is qualified in the following way: 'provided that suitable arrangements are made at such centres to the satisfaction of all concerned in consultation with the State and interested parties. The policy of Government nevertheless remains that separate provision should as far as possible be made for the training of the different population groups.' If we persist in tackling these vital matters with the timidity evident in this proviso and with such respectful obeisances to past modes of thought, the difficulties in the way of training the large number of skilled blacks we vitally need will become insuperable.

POLITICAL PROSPECTS

Now that the general election is behind us I feel reasonably confident that the government intends to continue with the programme of reform to which it has committed itself. If it does we shall be entering a period which offers much greater hope for the long-term future but which almost inevitably will be marked by greater turbulence in the short term. The very fact that the government is at last making a serious effort to tackle our racial problems in a new and better way has naturally tended to increase the impatience of the blacks, as evidenced by increased public protests by way of boycotts and strikes. Any period of fundamental change in a society is obviously going to be full of risks, for only too often old political and social structures become ineffective before new structures are ready to take their place. Both the government and the private sector have committed themselves to remove discrimination from South African life and it seems to me that if they are wise each will move as rapidly as possible. Nothing is more dangerous than half-hearted reform. Nor should the government or industrialists expect either gratitude or praise from black politicians or workers for the changes they are seeking to bring about. On the contrary such advances are likely to be met by new demands, heightened unrest and the open expression of hostility which in the past it was thought prudent to conceal.

Nevertheless the fact remains that economic growth and racial discrimination are in fundamental opposition to each other and that economic growth is an essential element in building a peaceful and just society. In this regard the private sector has a major part to play and I am sure it will accept the Prime Minister's call to face up to its responsibilities in a bolder and more positive way. There remains however the political and constitutional sphere – the most important of all – where the government bears the sole responsibility. Is it going to be possible to find a method of power sharing between all the peoples of South Africa on a fair and acceptable basis? I think it is clear that the government is honestly seeking such a solution but it is equally clear that it has not yet found it. To do so needs courage, goodwill and faith such as has not been manifested by any previous South African government in my experience. But then perhaps South Africa as a whole has never before been ripe for such change as new circumstances are now pressing upon us. In that last consideration there is I believe real ground for optimism.

The full text of Mr Oppenheimer's statement and the Corporation's annual report are obtainable from Consolidated Share Registrars, 62 Marshall Street, Johannesburg 2001

The annual general meeting of members of Anglo American Corporation of South Africa Limited will be held at 44 Main Street, Johannesburg on Friday, August 14 1981, at 11h00

AUTOLEC FM 20/7/79

(56)

Underpowered

Activities: *Investment company, also holding certain franchise agreements. Some subsidiaries hold properties, trade as distributors of equipment accessories and spares for the motor industry as well as operate workshops. Together with holding companies, Autolec controls more than 50% of the voting rights of Williams, Hunt. Holding company is Cap Auto.*

Chairman and joint managing director: *Dr H Khazam; joint managing director: P A B Hass.*

Capital structure: *2m ordinaries of 50c. 150 000 6% cum prefs of R2. Market capitalisation. R1,6m.*

Financial: *Eight months to February 25 1979. Borrowings: long and medium term, R35 500; net short term, R31 000. Current ratio: 1,5. Net cash flow: R644 000.*

Share market: *Price: 80c (1978-79: high, 105c; low, 60c; trading volume last quarter, 12 500 shares). Yields:* 68,1% on earnings; 10,3% on dividend. Cover: 6,6. PE ratio:* 1,5.*

	'76	'77	'78	†'79
Turnover (Rm)	2,9	2,6	2,2	1,3
Pre-tax profit (R000)	668	517	598	250
Earnings (c)	22,3	18,8	21,9	54,5*
Dividends (c)	10.5	10.5	10.5	8,25*
Net asset value (c)	175	144	171	512

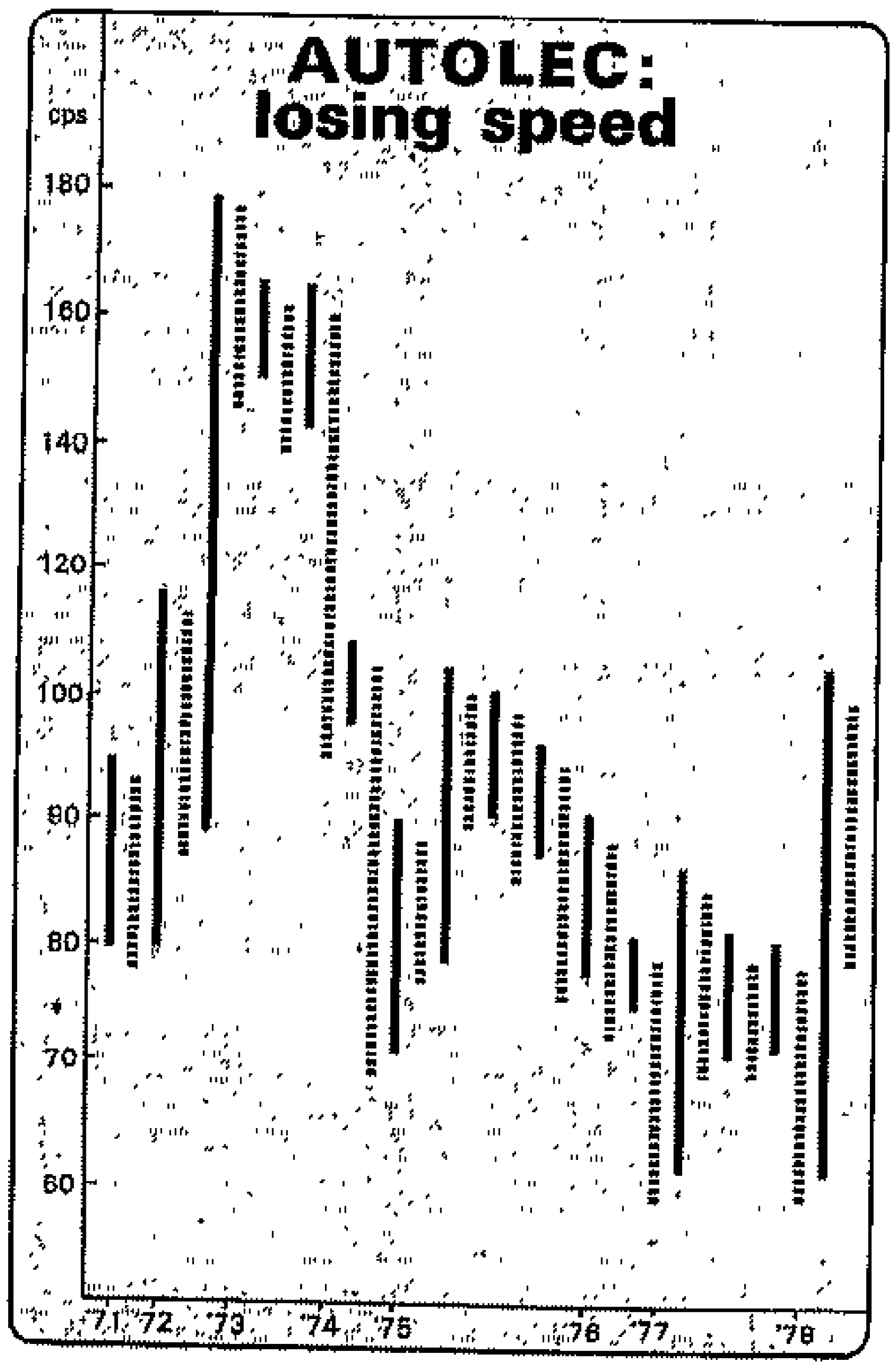
*Annualised. †Changed to equity accounting.

"Merely a new form of presentation," says director Jack McEwan. Anyway, that is his view of the changeover to equity accounting, basically introducing the results and post acquisition reserves of associated companies into the consolidated balance sheet. But it does change the picture completely, leaving comparisons with past results somewhat academic and generally painting a much rosier picture than hitherto. And to add to the confusion there has been a change in year-end to fall into line with associates, so the accounts cover only an eight-month period.

The net effect has been to lift nav from 171c in 1978 to 512c and to inflate earnings from 21,9c to 54,5c on an annual basis. The company has been less openhanded with the dividend, however, paying 8,25c on an annual basis (10,5c), but saying that an interim is expected in March 1980 which, when taken with the 5,5c just declared, will at least equal the total paid in the previous year.

To be fair, dividend income dipped considerably due to the change in year end, with no receipts of the final dividends from Williams, Hunt (5c) and General Tire (22,5c). But these will be brought to account in the period to February next year.

Even the cosmetic effect of the new accounting procedures cannot hide the real problem. And that is the abysmal return on capital of major investment



Williams, Hunt, where by far the greater part of associates' earnings are retained and where only a very minor proportion flows through in the form of dividends.

As for the holding company, annualised earnings at the attributable level amounted to R400 000 (R431 000) and equate to earnings of 20c a share. On an eight-month basis, earnings totalled R266 000 to give 13c a share. Out of this R110 000 was distributed, providing an effective cover of 2,4 times. So not much more could have been expected.

Interestingly, chairman Heskel Khazam has increased the stake in General Tire, buying another 19 200 "A" ordinaries and 25 600 "B" ords to bring total holdings up liquidators was sanctioned by the Supreme Court on January 16 and the bank now owns township land in the Transvaal and is giving "high priority" to the sale or development of these properties. Not surprisingly, for at R11,3m property comprised 6,3% of year-end total assets. This is double the previous year's 3,1%.

Bankovs' property holding is no cause for alarm; it is, in any case, well covered with an increase of R20,7m in advances to R121,8m. The year was, in fact, used to flex newly-developed marketing muscle and deposits and savings rose R38,1m to R170,3m.

	*'76	'77	'78	'79
Net equity return % ...	14,8	8,0	7,3	8,0
Net profit (R000) ..	954	550	456	575
Total assets (Rm) ...	123,1	133,8	140,4	178,8
Total deposits (Rm) .	116,1	123,8	132,2	170,3
Advances (Rm)	89,1	96,5	101,0	121,7
Earnings (c)	19,1	11,0	9,1	9,6
Dividends (c)	7,5	6	6	6
Net asset value (c)	129	134	137	126

* 15 months

Chairman, Professor H J Samuels, says the R650 000 declared profit, 12,8% up on 1978, has been arrived at after "having sufficiently strengthened internal reserves" and is a "conservative" figure.

Traditionally reliant on OFS farmers, Bankovs now has 11 branches and 15 marketing offices spread across the country. Also it is widening its general banking service coverage to include the money market and the provision of tailored financing for buy-aid schemes.

These developments may give the bank the boost it has long needed — for growth in dividends and declared profit has been lacklustre since 1974. Dividends have pegged at 6c a share for the past three years while cover, admittedly not a wholly reliable indicator for banks on incomplete disclosure, has slipped from 2,6 in 1974 to 1,6 in 1979.

The outstanding 500 000 cum prefs were automatically converted ords on July 1

1979 bringing in R250 000 and reducing future dividend commitments by R30 000. There are now none of these prefs left in issue.

The directors say they are considering increasing issued capital. There are almost 8m unissued authorised shares. The current share price of 56c, only 9c off the year's high, may encourage a rights issue. At the same time the directors will welcome the opportunity of increasing liabilities (deposits) if the current 1:21 capital and reserves to deposits ratio is a guideline.

In spite of the attractive yield, the lack of share price growth prospects coupled with the chances of an earnings-diluting issue are good reasons to steer clear for the time being.

Ian Muil

COMMON FUND

Wide spread

Activities: *Investment trust with wide spread of mining and industrial holdings. Owns 17% of ICS equity. Directors own 35% of equity.*

Chairman: *Dr J G van der Horst.*

Capital structure: *7,3m ordinaries of 10c. Market capitalisation. R20,9m.*

Financial: *Year to March 31 1979. Borrowings. Net short-term R162 000. Current ratio: 0,17. Net cash flow: R22 500.*

Share market: *Price: 285c. (1978-79: high, 285c; low, 180c; trading volume last quarter, 56 000 shares). Yields: 9,4% on earnings: 6,1% on dividend. Cover: 1,5. PE ratio: 10,7.*

	'76	'77	'78	'79
Book value of investments (Rm)	9,2	10,2	10,7	12,4
Market value of investments (Rm)	17,2	17,8	20,4	33,1
Dividend income (Rm)	1,6	1,8	1,9	2,0
Earnings (c)	21,3	23,0	24,7	26,7
Dividends (c)	13,75	14,75	16,0	17,5
Net asset value (c)	236	237	276	442

Relative to the 48% rise in the JSE Actuaries All Share index, Common Fund's portfolio performed well with a 60% rise in nav over the year.

Market value of the portfolio rose R12,7m to R33,1m, while the book value of the portfolio is now higher than the previous record of R27,4m achieved in the 1974 bull market.

With the sale of Western Holdings and partial reinvestment in Elands and more Southvaal, the proportion invested in golds was reduced by [illegible] to [illegible]. Nevertheless, the value of gold holdings increased from [illegible] to [illegible]. Elsewhere, the purchase of 200 000 Impala for R640 000, valued at R610 000 on March [illegible] contributed to the rise in metal and mineral holdings from [illegible] to [illegible].

In industrial [illegible], holdings [illegible] to 18,7 [illegible] the portfolio and the market [illegible] R6,1m. The existing holdings in [illegible] were increased, and new investments were made in Barlows prefs and Plate Glass. However, the holding in South Atlantic was halved [illegible] 000 shares [illegible].

The trust is still heavily invested in [illegible], the market value of which rose from [illegible] to R9,5m. But the offloading of [illegible] has lightened the load of food shares from [illegible] to 29,0[illegible] of the portfolio.

An initial entry into coal, by way of [illegible] coal, has begun to show good results already with a R6 221 increase in [illegible] to 210 000.

Last year, the shortfall between portfolio sales and purchases totalled [illegible]. As a result, a [illegible] cash fell from [illegible] to [illegible] 200 and a short-term loan [illegible] of R163 000 [illegible]. The [illegible] through retained income.

While the value of the portfolio rose [illegible] over the year, the dividend only rose [illegible], and the [illegible] lagged behind with a [illegible] increase.

While an investment in Common Fund provides a wide spread, the portfolio seems too top heavy in industrials in the present market climate.

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CONSTANTIA

Spreading the risk

Activities: *Short-term insurer. Kirsh Industries and Capital Mercantile own 5? and 21% of equity, respectively. Formerly called Marine & Trade Insurance*

Chairman: *N Kirsh, managing director T L Tennent*

Capital structure: *4,0m ordinaries of 25c. Market capitalisation R3,4m*

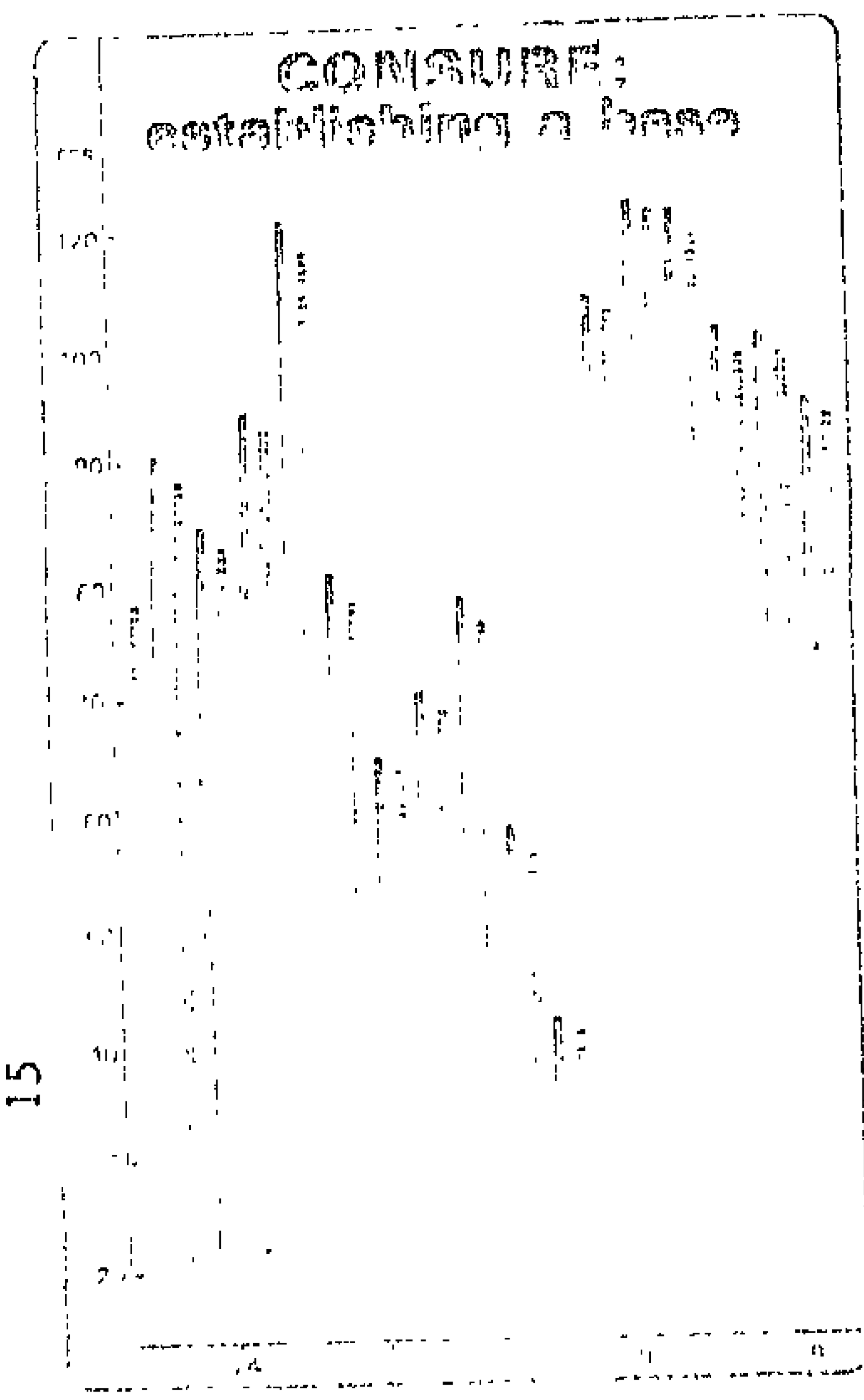
Financial: *Eight months to February 28 1979. Insurance funds R6,5m. Total assets R7,4m. Current ratio 1,0*

Share market: *Price 84c. (1979 high, 84c, low 84c. Trading volume last quarter 36 000 shares.) Yield 2,3% on earnings. PE ratio 42,0*

Taking a drop in motor premium income reduced Constantia's annualised underwriting loss to R649 000 (R2,7m). Chairman Natie Kirsh points out that although the company is aggressively seeking new business, it is not prepared to sacrifice profitability just for the sake of increased volume.

The improvement in the eight months was due to higher insurance rates introduced in October, lower commissions payable to brokers and agents, improved efficiencies, particularly in the recovery of claims, and premium income-investment.

The loss of business was due largely to higher premiums and the exclusion of MVA premium income, due at the beginning of March each year, and which fell outside the eight-month period under



review. Next year's MVA contribution is likely to be reduced due to the lower commissions allowed by the government.

Although the company places great stress on its change of status from a purely specialist motor insurer to a composite insurer, it still expects most of its income to come from motor insurance this year. So far, agents and brokers have shown their willingness to support Constantia with fire and accident policies now that re-insurance in these fields has been arranged. [illegible], the build-up of business will probably be slow, and profit [illegible] to be significant this year.

More efficient allocation of premium income resulted in a [illegible] rise in the value of investments [illegible] (R6,9m) [illegible] gross investment income rose [illegible] to R613 000 [illegible] to

property — funded from last year's rights issue — is a R1,1m mortgage and a R1,4m equity investment in Kirblo which owns Nedbank Mall in which Constantia is a major tenant. The company does not wish to part with this investment and turned down a purchase offer this year.

	*'76	*'77	*'78	'79
Net premium income (Rm)	8,1	[illegible]	18,9	8,8
Underwriting profit (loss) (R000)	(483)		(2 030)	(433)
Net investment income (R000)	44[illegible]	[illegible]	291	635
Pre-tax profit (loss) (R000)	198	203	(2 340)	76
Earnings (c)	[illegible]	[illegible]	—	2,0
Dividends (c)	—	6,0	1,0†	—
Net asset value (c)	54	[illegible]	30	42

* 12 months to June 30. † Calculated on 4m shares in issue.

The reversal of the company's loss situation resulted in a R[illegible] 000 (R2,2m loss) attributable profit, after adjusting for a R43 000 taxation over-provision.

Kirsh says that the need to strengthen and consolidate the company has precluded any payout to shareholders. And he does not indicate when dividend payments will resume this year. However, he forecasts a substantial underwriting profit improvement after the last two years' losses.

Given the strong management team and changed group structure, as well the positive effect of last year's write downs, earnings could be as high as 10c, from which a traditionally [illegible]-covered 5c dividend could be paid. At 84c for a 6% prospective yield, recovery prospects are fully discounted.

Peter Pittendrigh

DIAGONAL STREET

Fm 20/7/79

(53)

Gold dominates

Talk in Diagonal Street was all gold this week. But despite this, share prices closed little changed, and dealers were uncertain about what the coming week would bring. The metals and industrial boards, too, closed marginally higher in quiet trade, with share price changes on the week seldom more than 20c.

Bullion started the week at \$290,30 and fell to \$287,45 ahead of President Carter's energy statement over the weekend. However once the market had considered the implications of Carter's six-point policy stretching well into the future, bullion was marked up again to a then record \$292,80, and on Tuesday and Wednesday the price forged even higher to fix on Wednesday morning at an all-time high of \$303,85 in London and trade higher, as usual, in Paris and the East.

However the rise instilled some nervousness into Diagonal Street. Brokers had expected the \$300 barrier to be broken, but perhaps not as quickly. Technically they expect a reaction, and some fear a reaction to \$270 could follow

Financial Mail July 20 1979

P.T.O.

MONEY MARKET

FM 20/7/79 58

The slide continues

Massive liquidity in the money market this week forced down short-term interest rates to their lowest levels in over five years. And brokers see little reason for the slide to stop in the next couple of months.

Trade in BAs and NCDs quietened towards mid-month The 11-points drop in the Treasury Bill rate last Friday, from 5,29% to 5,18%, had already been discounted to some extent by the market, reckon dealers. BAs are now trading around 5,5% — the lowest point since August 1973 — but dealers report that sufficient paper is available to buyers. One-year NCDs have slipped from 6% last week to 5,9% this week.

Short-term government stock (April-July 1980) is also popular. This, and the near-record R201m application for TBs last week, confirms that few investors were prepared to take their chances with the recent three-year government stock issue. According to experts this may be in anticipation of a better priced redemption in November.

While cash remains plentiful and investors shy away from longer-term commitments, applications for TBs could well continue at their present high levels, bringing a further dip in the rate.

Up to R200m is reported to have been pumped into the market as a result of the unattractive rates on the loan stock, while liquidity is also being boosted by Land Bank financing of the wool clip and the maize crop. The pending Sasol issue is also tempting investors to hold short-term rather than long-term paper, as are expectations of higher inflation and harder long-term gilt rates.

Indeed, one of the few leaks in the liquidity balloon at present is oil payments. Brokers reckon that up to R200m was taken out of the system for this purpose at the end of June. Moreover, hefty tax payments due from the gold mines at the end of August should cause little more than a hiccup in the short-term rate slide.

"Poems sincere to the point of pain" *Natal Witness*

"Peter Horn is as vigorous and versatile a poet as any in South Africa ... he not infrequently achieves poems of memorable force or beauty". LIONEL ABRAHAMS, *Rand Daily Mail*

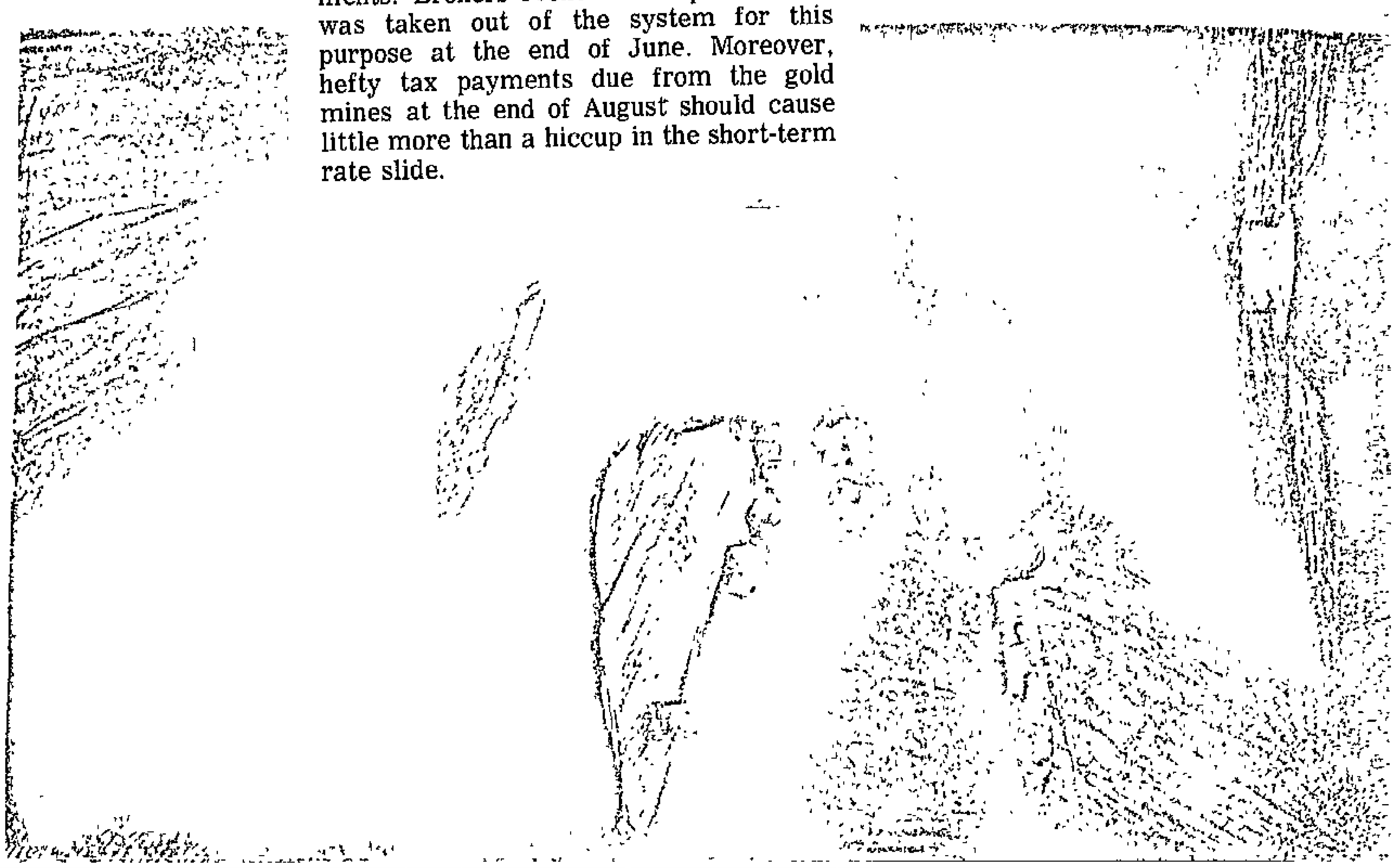
"He can seize a detail and render it emblematic; write satire which bludgeons its subject in a satisfyingly thorough way". ROBERT GREIG, *To the Point*

"It is a beautiful and moving work which seems to have jumped Aragon's 'cage of words' and found the door of this world of black and white" MARGUERITE EDMONDS, *New Nation*

Silence in Jail

Poems

Peter Horn



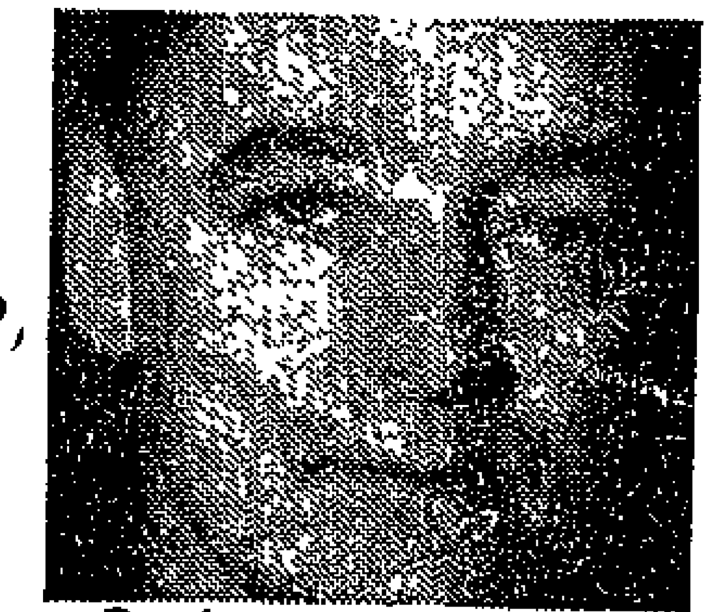
DAVID CARTE reports

Volkskas insurance grand slam

Sunday Times,

58

22/7/79


Danie van Huyssteen


Fred du Plessis

Legal and General grabbed in R25m coup

IN A new head-on challenge to arch-rival Sanlam, Volkskas, the R3 000-million Afrikaans banking giant, has bought 30% of Legal and General, the country's sixth largest life assurance company, in a surprise deal thought to be worth some R25-million.

Volkskas associates and nominees will take another 40%, which, with the bank's own 30%, will guarantee effective control, even though its 30% stake is the maximum a bank may hold in an insurance company.

Legal and General of Britain will retain 30% in this "joint venture in life assurance" and the reconstituted company will be named Legal and General Volkskas Assurance Limited.

Legal and General has assets of R364-million and last year wrote premiums totalling R58-million. Taxed profit was R1,5-million.

Volkskas has total assets of R3 000-million and made taxed profits of R22,7-million in its most recent financial year.

This is Volkskas's second acquisition of a big British institution. Two years ago it acquired British-controlled Price Forbes, the country's biggest insurance broking firm.

The new acquisition, like the first, gives Volkskas a firm foothold in the Afrikaans as well as the English sector and will obviously improve its market penetration.

While Volkskas managing director Danie van Huyssteen becomes chairman of the new company, Ken Palmer remains managing director and there will be no management changes.

Cape-based Sanlam and Pretoria-based Volkskas have been at loggerheads ever since Sanlam moved into Volkskas' traditional banking fields through Trust Bank.

The acrimony began over Volkskas' refusal to participate in the rescue of the ailing Trust Bank.

This provoked a split between Afrikaans business in the Cape and in the Transvaal. It is a split that has continued to widen, despite Rembrandt mediation.

Parting

The parting of the ways was hastened when Sanlam took over Trust Bank through Bankorp and sold its 28% stake in Volkskas.

After that, Volkskas launched its own merchant bank in opposition to Sanlam's Senbank, as well as an industrial bank.

Dr Wassenaar gave a stony "no comment" to the news of Volkskas's latest coup.

The deal raises the question whether Legal and General will get a stock exchange listing with a small part being floated off into public hands in the way as was Commercial Union.

Ron Peet, a British director of L and G, explained on Friday evening that such a move was certainly an option, but not immediately.

Investors will also be interested to know whether Rembrandt, which has a 20% stake in Volkskas, has taken some Legal and General shares.

The men concerned will not comment. But neither will they deny that Rembrandt is one of the parties to the discussions.

Sources close to the deal say Legal and General will keep the proceeds of the transaction in South Africa. Apart from its 30% stake in the joint venture, Legal and General of Britain retains Aegis Assurance, a joint venture with Norwich Union.

Volkskas, with its associates, is also likely to get control of Metkor, Iscor's listed industrial holding company, with control or large stakes in some of the country's biggest private sector engineering companies (see Page 2).

South African Press Clips, week ending

Page 3

24 SUNDAY EXPRESS July 22, 1979 (58)

Sunday Express — **Business**

Insurance men are working on combat cover for our soldiers

[illegible] between South African life insurance companies has a powerful influence on ensuring a healthy industry as a whole says Mr Dudley Williams chairman of the Life Offices Association.

His comment follows a review of the life insurance industry in the LOA in its annual report for 1978.

He says some of the more important developments which will have a bearing on future insurance activities are combat cover, the preservation of pension rights, the liaison with the broker community, the Black market and perhaps most important of all, inflation.

On the question of a national pension scheme, which caused some controversy a few years ago when it was first broached, Mr Williams says the situation has stabilised and a committee has been appointed to investigate the whole matter afresh.

He expects some clarity before long and there are indications that the Government would prefer not to nationalise an industry which plays a vital role in the economy but rather to stimulate improvements, notably the preservation of pension benefits.

On the pressing problem of combat cover for national servicemen, Mr Williams said a solution was likely soon. He points out that the SA Defence Force is keen to establish an overall scheme, and the LOA and the Defence Force are working well together to find a solution.

The most serious challenge facing the industry remains inflation. On the one hand the industry is trying to increase the efficiency of administration and thus cut costs. On the other hand current investment conditions are not as good as they were a few months ago.

Mr Williams does not expect much change in the interest rate pattern as there is little additional demand for capital at this stage. He points out that the capital market is quiet except for the forthcoming R525-million Sasol listing.

Indications for the stock market are that very selective buying will continue. The good buyer's market of 1978 might not be repeated for some time, Mr Williams says.

Life offices always have an eye for and are receptive to good investment opportunities but the indications over the short term are that the property market will not attract the big investors. In the retail field there will be "little new demand, except perhaps from the big retailers." There are also not many opportunities presently available in the industrial property market which will need a bigger economic upturn to stimulate expansion and new investment.

The Black market has shown increasing interest in life insurance, but no startling changes are expected overnight.

Statistics indicate that blacks now comprise approximately 20% of the users of life assurance.

But the real barometer of the health of the South African insurance industry is the fact that it is recognised as among the most advanced in the world. It is in fact among the leaders in different fields especially marketing, and product development.

...s kept ... s cell

...ICE FACE ...E CLAIMS

Voice, 19/5/79

... bosch were awarded R1 339 ... ed victims of the security police.

Within a short period of three months they were compelled to pay out R28 339.

One claim was settled out of court while the police lost three in court.

The out-of-court settlement involved the death in detention of Mr Joseph Mdluli whose widow accepted a settlement of R15 000.

The three claims the police lost in court involved a death and two assaults.

Mrs Blanche Matsolo was awarded R10 000 by the Grahamstown Supreme Court after an alleged police assault led to her husband's death.

A Soweto man, Mr Michael Ramanna was awarded R2 000 after he claimed he was assaulted by the police.

Two students from the University of Stellenbosch were awarded R1 339 in terms of a judgment handed down in the Cape Town Supreme Court.

They had lodged the claim against the police after an alleged assault on them by a police constable. The police are also facing massive claims lodged by alleged victims of the security police.

They are R90 000 from the Biko family, R40 000 from four Section 10 detainees from Natal, R6 750 from Daniel Montsisi and R150 000 for two separate actions lodged by some of the Bethal accused.

Inquest told of political killing

Daily Dispatch 12, 7/79

DURBAN — The death of a former terrorist leader who had joined the Special Branch appeared to be a political-type assassination, an inquest magistrate heard here yesterday.

This was revealed in papers released when the inquest magistrate, Mr B. J. Olivier, found Sergeant Madlenkosi Nkosi, 32, was murdered in Kwa Mashu by a person or persons unknown on September 10, 1977.

Mrs Doris Nkosi said in an affidavit they had married in April, 1973. Her husband had told her he had left South Africa some years previously to further his studies.

He told her he had gone to Russia, where he received military training. After returning to South Africa, he was arrested. Later he joined the Special Branch.

On the night of the murder she and her husband went to bed early. He had his arm around her when she heard a "bang". This was followed by more shots.

Her husband had lent over her and she felt something warm on her. He got out of bed and went into another room ... he collapsed. There was blood coming from his nose and mouth and chest.

He died soon afterwards.

Mrs Nkosi testified she became so hysterical she did not realise she had been shot in the stomach. She was taken to hospital after police arrived at her home.

She said her husband had heard previously there were "political persons" who wished to kill him. This information had come from friends and police informers.

These threats had been reported to his superior officers, who supplied him with extra ammunition for his pistol.

The court heard that Sergeant Nkosi had gone for his further studies overseas under the aegis of the African National Congress. He had first gone to a camp at Dar es Salaam and then to Russia. There he received military training between August 1963 and August 1964.

He had entered Rhodesia but later, however, he and others had broken away and returned to South Africa.

...d in ... camp

... that right and the other three men were found driving on a near road the following day. Two were found without any weapons.

Passing sentence the magistrate said he took into account the fact the weapons were for use in South Africa and not Swaziland but the fact they were just passing through did not justify their carrying arms.

After the hearing, an ANC official told reporters outside the court his organisation would pay the fines. — Post Africa News Service.

TOTALITARIANISM

Volkskas groot in versekering

58

Rapport 22/7/79

Deur WILLEM LAUBSCHER

VOLKSKAS, Avbob en Momentum-Lewensversekeraars het vandeesweek 'n belang van 55 persent in Legal and General, sover bekend sesde grootste versekeraar in die land, verkry. Legal se moedermaatskappy in Brittanje behou 30 persent en nog Suid-Afrikaanse belange sal die orige 15 persent hou.

Die onderhandelinge met die ander een of twee Suid-Afrikaanse groepe is nog aan die gang.

In 'n gesamentlike verklaring van Volkskas en Legal word gesê die nuwe naam van die maatskappy sal wees Legal and General Volkskas-Versekering Beperk. Die nuwe voorsitter is mnr. Danie van Huyssteen, die besturende direkteur van Volkskas, en mnr. Charl Cilliers, Legal se huidige voorsitter, bly as ondervoorsitter in die direksie aan. Dr. Pieter Morkel, hoofbesturder van Volkskas-groep tree ook tot die direksie van Legal toe. Die huidige direksie van nege lede sal mettertyd tot veertien vergroot word. Die ander aandeelhouers sal [illegible] ede benoem.

ook 'n nywerheidsafdeling en 'n aksepbank het, kry Volkskas duidelik 'n al hoe sterker spier in die vorming van nog 'n Afrikaanse finansiële reus naas Sanlam, met wie hy vroeër baie nouer bande gehad het, om dit sag te stel.

Dr. Morkel stel dit baie klinies wanneer hy uitgevra word oor hoe hy Volkskas se toekomstige verhouding met Sanlam sien. „Al twee is groot groepe met baie raakpunte. Dit was altyd so en sal seker altyd so bly."

MNR. DANIE VAN HUYSSTEEN van Volkskas . . . voorsitter van die nuwe versekeringsgroep.

Legal se premie-inkomste was verlede jaar R58 miljoen terwyl sy totale bates R356 miljoen beloop. Legal is in 1931 in Suid-Afrika gestig en in 1976 as SA maatskappy ingelyf.

In die verklaring word gesê dit word verwag dat die nuwe bedeling Legal and General se markpersentasie sal verhoog. En dat die nuwe verbintenis ook ten goede op Volkskas kan

DR. PIETER MORKEL . . . vreugde ná 'n jaar van harde onderhandelinge.

afstuur, sal niemand betwis nie.

Trouens, dr. Morkel het droogweg opgemerk. „Ons is bly oor die transaksie. Dis beloning op 'n jaar se harde werk. Dit hou baie interessante moontlikhede vir Legal and General sowel as Volkskas in."

Die manne is uiters versigtig om die nuwe bedeling as 'n belegging en bloot net dit te bestempel. En, soos dr. Morkel sê, teen Volkskas se totale bates is die belegging van 30 persent in bates van R356 miljoen maar gering.

Nogtans bied die belegging Volkskas 'n sterk versekeringsarm op al twee die versekeringsfronte. En met die feit dat hy boonop

Motorblaaie, 20 en 21

R19 000 awarded to crash victim

58

5/7/79

EAST LONDON — A King William's Town man was awarded a total of R19 008,99 in a civil claim heard in the Supreme Court here against an insurance company.

Mr Neville Ivan Primmer sued the Union and South West Africa Insurance Company Ltd for R32 813,30 for medical and hospital expenses, for future medical and hospital expenses, for past and future loss of earnings, general damages for pain and suffering, disability, disfigurement impairment of health general damages for loss of amenities.

Mr Primmer was involved in an accident on February 15, 1969 in Pontoon Road near the Buffalo Bridge when the car in which he was travelling as a passenger was struck by a truck driven by Mr Lungile Mejana.

His uncle, Mr G. E. Primmer, who was the driver of their car, was killed and his brother, Keith, and Mr Douglas Putzier were injured.

The matter in which his brother, Keith, sued the insurance company was settled out of court previously, but the amount paid out by the insurance company was not disclosed.

The Eastern Cape Judge President, Mr Justice J. D. Cloete, ordered the insurance company to pay Mr Primmer R1 570,30 for past medical and hospital expenses; R1 918,44 for future medical expenses; R270,25 for loss of earnings from February 17, 1969 to March 31, 1971; R3 250 for future loss of earnings; and R12 000 for general damages for pain, suffering, disability, impairment of health and loss of amenities.

Mr Justice Cloete ordered that the costs of the action include the qualifying expenses of Dr T. E. Lynch, Dr F. Schrodel and Dr P. J. Schnell.

"For the purpose of costs I find that doctors Lynch and Schrodel's presence was necessary in Court during the trial when the lay witnesses gave evidence upon the evidence of intellectual and personality impairment whereas the defendant contended that the plaintiff's poor scholastic record discounts his contentions.

"The case was argued on the basis that if the former contention is proved the annual loss to Mr Primmer is in the region of R300 over his life expectancy of thirty-five years from September 30, 1978.

"The claim for future loss of earnings is R5 000 and on Mr Primmer's contention he has underclaimed. But there is no application for an amendment before me," Mr Justice Cloete said.

The judge said the medical evidence stood uncontradicted and is corroborated by the evidence of Mr Edwin Eltringham, a senior technician in the Department of Postal Telecommunications in Port Elizabeth, who said that Mr Primmer is forgetful and is deficient in his ability to learn new routines at work although the quality of his repetitive work is good.

Mr Primmer at the time had completed his compulsory military training after he left school, and had arranged to comence employment with the Post Office as a learner telephone mechanic on February 17, 1969.

As a result of the accident he could not do so until April 1, 1969.

"He requires more supervision than others do and he has not done as well as the others normally do. The insurance company has contended that Mr Primmer was unable at school to master the new mathematics and that this is an acceptable index of his inability before the accident to learn new matter," the judge said.

"It was also contended that this fact coupled with his poor scholastic record, his failure in three standards and his inability to pass Standard 8 when he was over 19 years old, points to a lack of ability which would probably have prevented his passing the merit tests regardless of his injuries

[redacted]

"Mr Primmer is declared a necessary witness," Mr Justice Cloete said in his judgment.

He also ordered that the interest on the sums awarded be calculated at the rate of 11 per cent from a date 14 days after the date of judgment to the date of payment.

The interest on Mr Primmer's taxed costs is calculated at the rate of 11 per cent per annum from a date 14 days after the date on which the allocatur is placed thereon by the Taxing Master to the date of payment, Mr Justice Cloete said.

In his judgment Mr Justice Cloete said the plaintiff's case was based

"It has been submitted that Mr Primmer has not discharged the onus of proving that his lack of promotion and future loss of promotion was due to his injuries suffered in the accident.

"It seems to me that the proper approach to the problem is to accept the fact of loss of ability as proved by the medical evidence and confirmed by the lay evidence but to allow for his preceding poor scholastic record as a contingent factor which, as a fair assessment of damages, must reduce the loss of Mr Primmer," Mr Justice Cloete said.

Adv J. F. van Rensberg instructed by Marshall & Kaplan appeared for Mr Primmer and Adv T. M. Mullins, SC, instructed by the Bax Partnership appeared for the insurance company

Banks cash in on exchange control

By PENELOPE MORGAN

BARCLAYS and Standard banks have begun charging clients for handling exchange control applications. But there is as yet no definite fee structure.

Other banks, such as Volkskas, have these charges in the pipeline, while Nedbank and Senbank consider each application before deciding to charge.

The new charges are in fact in keeping with the recommendations of the De Kock Commission.

The banks point out that before the De Kock recommendations, the wider, risk-free margins — about 0,5% — between buying and selling rates helped to cover administration charges of their foreign exchange departments.

The drastically reduced margins have forced them to reimburse themselves by charging clients what amounts to a service charge.

Because these charges are still in the experimental stage, the bankers are vague as to the basis on which the charge is calculated, but generally they take into account the amount of time expended.

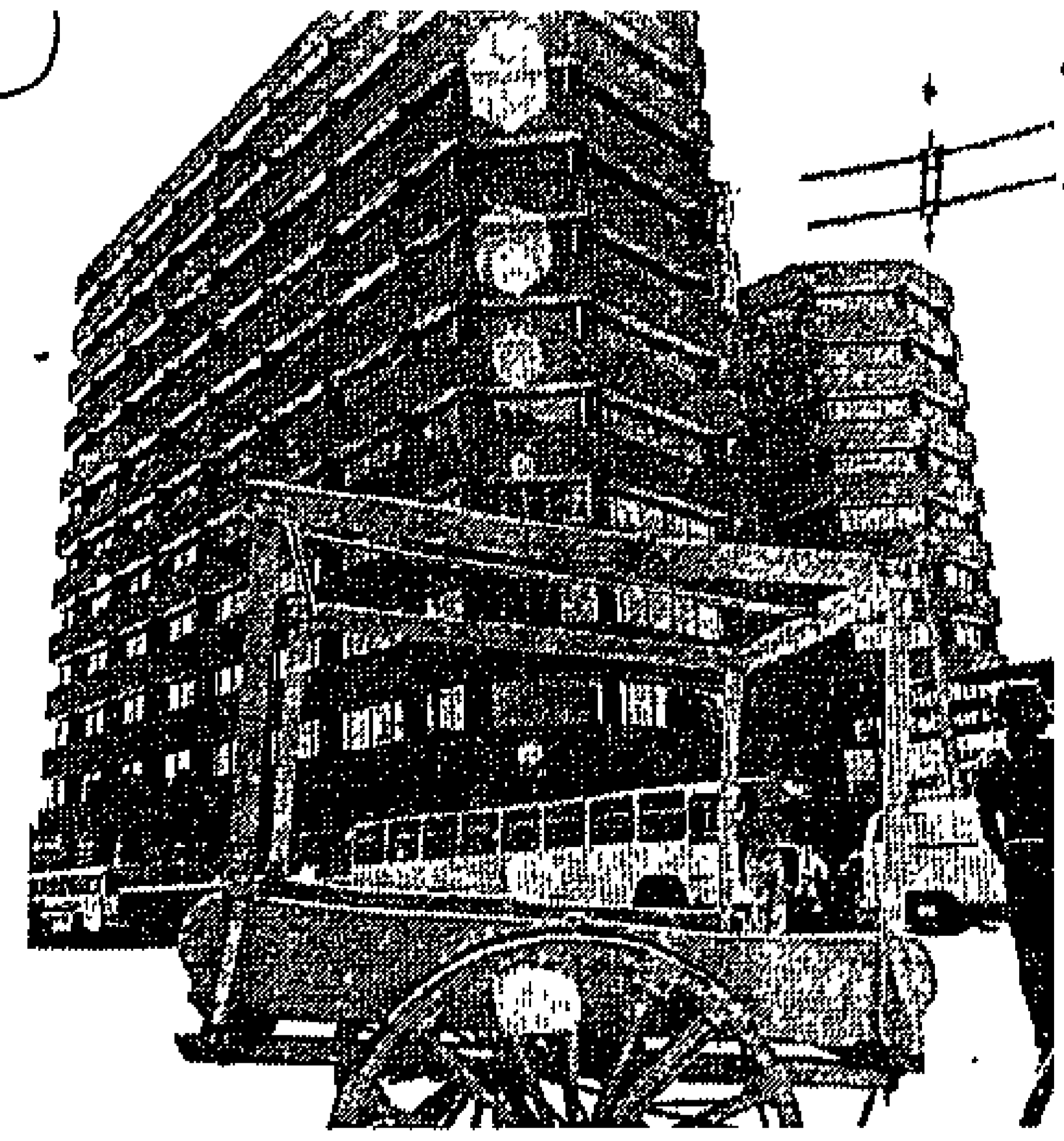
Barclays is working on a R35-an-hour rate for a complicated application, while Standard is believed to be cheaper.

However, Gerry Christie of Barclay's International Division, stresses: "On a simple payment or gift going abroad the charge would not be more than about R10".

They all stress that the amount charged has got nothing to do with the value of the transaction.

Rand Daily Mail 24/1/79

27/7/79 (58)



Diagonal Street . . .
industrials grow wheels

DIAGONAL STREET

RM 27/7/79 (58)

Industrials return

Bullion and golds should have dominated Diagonal Street this week, but overall, shares ignored the metal's rise and closed on Wednesday well below levels of a week ago. On the other hand, the industrial board, which has been under the whip now for some months, began rising and brokers' comments point to continuing strength this week.

Industrial shares peaked on May 24 with the *RDM* 100 index at 330, before sliding listlessly. Institutions, who had been picking up scrip steadily, withdrew to the sidelines ahead of the fuel price increase, the Sasol issue and an expected reaction in industrial share prices. Now this reaction seems to have ended and buying has restarted, albeit slowly.

During the week industrial shares rose an average 1,5% and volumes picked up to about 1,1m shares daily with a value of R1,7m. This compares with the previous week when an average of 750 000 shares traded with a daily value of R1,5m.

While the recovery has been fairly slow, brokers noted institutions buying parcels of up to 100 000 shares in leading industrial companies. "And," says one broker, "they appear to be looking for more scrip than they are getting at present." Sellers are loath to trade at what they feel are oversold price levels. One broker forecast that in about two to three weeks, the industrial market's advance should have gained considerably more momentum.

Blue chips demanded by institutions during the week included Tiger, Barlow and SAB, with orders for Metal Box and SA Drugs also noted. One firm reported it sold small parcels of SA industrials to a UK buyer including Barlows, although this is more likely to be a mining-related purchase.

Industrial shares which hit new highs this week included Huletts, Empisal and Trade & Industry, the latter on its preliminary results and higher dividend. Pioneer Holdings was another feature, rising 9c to 280c on the higher 15c (8,5c) dividend. On news of the Legal & General takeover, Volkskas put on 20c to 410c (*Fox*).

Diagonal Street obviously expected the increased 9c (8c) interim dividend from Frasers as the price rose 10c in the week. At 290c, the share is 38c higher than it was a fortnight ago. Chairman Donald Fraser says trading in most divisions for the nine months to end-June are higher than a year-ago.

Group Five hit further lows, falling 15c to 105c (120c) on news of the interim dividend being passed and the JSE investigation (*Fox*).

While the industrial board appears to be moving onto an upward path, the gold board disappointed. Despite various forecasts that US economic disarray could push bullion to $400 within a few months, the gold board hardly moved until Wednesday when it fell out of bed with the *RDM* gold index dropping 5,4 points to 297,3. Despite increasing London interest, overseas profit taking and local lack of interest kept upside potential strait-jacketed.

with selected major categories of disease. Clearly, this is an entirely hypothetical situation. However, these competing risks life tables not only provide an indication of the relative importance of various disease categories to both the overall mortality experience and also to expectation of life of the three communities, but also, since there is an approximately linear relationship between the reduction of mortality and the percentage increase in life expectancy, any improvement will give rise to a proportional improvement in the expectation of life. Thus, if the mortality associated with any of the diseases included in Fig. 6 are reduced by 50%, then the increase in the expectation of life will be 50% of the improvements indicated.

Diseases and Diseases of the Circulatory
munity stand to gain most from measures
the selected diseases included in Fig.6.
Infectious and Parasitic Diseases,
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us financial assistance.

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(8) FM 27/7/79

BANK LENDING

Let the market decide

It's high time that bank lending ceilings were scrapped and the prime overdraft rate was allowed to float. Not only are the ceilings superfluous in view of the present slack demand for credit, but the big banks are also complaining that the ceilings encourage discriminatory practices against them (*FM*, March 30).

By offering lower lending rates, smaller banks are attracting large corporate clients away from the big banks and taking them onto their own books for the bulk of each month; just before each month-end, when these banks would be required to meet capital and liquid asset requirements against their expanded books, the smaller banks encourage "their" clients to switch back to the bigger banks, thereby forcing the latter to buy in the necessary liquid assets and extra capital. At the same time, smaller banks are able to circumvent their lending ceilings while the big banks are often pushed way over theirs. At the beginning of the next month the smaller banks take the clients back onto their own books. Barclays' MD, Bob Aldworth, confesses that there is "very little" the big banks can do about the switching: "We normally have a number of packages going with major corporate clients . . . we can't just tell them to go hopping when they suddenly switch back to us just before the end of the month."

Aldworth reckons his bank's advances are being inflated artificially to the tune of at least R150m at each month-end, compared to a figure of some R95m at the beginning of the year. Standard estimates its month-end jump at roughly the same amount.

If a bank exceeds its ceiling it incurs a Reserve Bank fine, which entails placing 20% of the amount by which it tops its ceiling with the Bank in the form of a non-interest-bearing deposit for a period of one month. According to some estimates, Barclays was recently forced to place some R20m with the Bank under these conditions.

It was originally suggested that the best way for the Reserve Bank to prevent this month-end switching would be to make banks reserve liquid assets against their average monthly positions and not month-end advances alone — a logical and, in this computer age, administratively feasible step. But, by also removing the lending ceilings, suggests Aldworth, the big banks would not be penalised for artificial situations forced onto them by smaller banks.

Bankers agree that there is also very little danger of bank lending suddenly shooting up in the event of ceilings being lifted. Sums up Nedbank GM, Anton van der Merwe: "We're battling to find borrowers — demand for credit is very poor."

Indeed, this is borne out by recent Reserve Bank statistics on bank lending: commercial banks' advances and discounts (excluding advances to the Land Bank) have edged up by only 9% in the year to May; in fact, during April and May, when government spending usually pumps up liquidity, commercial bank lending actually shrank — by 0,7% and 1,2% respectively. The only banks which appear to have maintained lending growth

Barclays' Aldworth . . . who needs money?

are those involved in hire purchase and leasing. Chris Ball, MD of Wesbank, which now boasts of being "a bank on wheels" — exclusively a vehicle bank — reports that business is "excellent". Stannic and Nedfin also report brisk business. But for the rest, lending remains sluggish.

With money market rates continuing their downward spiral, banks are now buying in call money more cheaply than they have done in a number of years.

Although bankers generally doubt that a further 0,5%-1% cut in the overdraft rate will make much difference to the demand for credit, many see no reason why prime overdraft shouldn't be allowed to float freely, and, no doubt, downwards. The present 10% to 14% range on overdraft rates gives banks plenty of room to compete for business, but an extra 1% leeway on prime corporate clients certainly wouldn't hurt bank profits at this stage. Moreover, the banking sector is among those which enjoys more protection against inflationary pressures than virtually any other business: inflation affects the interest paid by banks on their deposits to the same extent that it eats into interest earned on their lendings. The Reserve Bank should act now to encourage more active utilisation of the millions in idle balances at present flooding the banking industry.

with selected major categories of disease. Clearly, this is an entirely hypothetical situation. However, these competing risks life tables not only provide an indication of the relative importance of various disease categories to both the overall mortality experience and also to expectation of life of the three communities, but also, since there is an approximately linear relationship between the reduction of mortality and the percentage increase in life expectancy, any improvement will give rise to a proportional improvement in the expectation of life. Thus, if the mortality associated with any of the diseases included in Fig. 6 are reduced by 50%, then the increase in the expectation of life will be 50% of the improvements indicated.

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FINANCE

More money for private sector vital—Reynders

68

27/7/79 Argus

Argus Correspondent

JOHANNESBURG. — A greater injection of money into the South African private sector is vital to the economic growth rate, the target of which must lie in the region of 5 to 6 percent a year if the battle against unemployment is to be won.

Urging less dependence on foreign capital to sustain the country's manufacturing sector, Dr H J J Reynders, executive director of the South African Federated Chamber of Industries, told a conference on corporate planning and strategic decision in Johannesburg there were three prerequisites in allowing the private sector to play its role in the country's growth:

- Lower taxation.
- More recognition of the ravages caused by inflation in the replacement of assets.
- A relatively smaller demand for capital funds by the Government.

Dr Reynders said: 'Clearly, with a lower propensity to save, increasing replacement costs, growth needs and the smaller amounts available from abroad, steps will have to be taken to increase the supply of funds to the private sector.'

Dr Reynders, while recognising the fact that South Africa's credit-worthiness abroad had improved, nevertheless took the cautious approach and said it would be prudent to accept that for the foreseeable future South Africa should rely to a lesser extent on the availability of foreign capital.

'Funds available to the private sector, from domestic sources, have shown a relative downward tendency.

'Coupled with an increasing need to finance worn-out plant and equipment at even higher replacement costs, the increasing dependence on foreign sources, is therefore, perhaps not surprising,' he said.

ACKERMANS' revolutionary scheme for selling food is proving extremely popular as this picture shows. The Cape Town-based retail chain launched the scheme yesterday and the response from the public has been extremely good. The basis of the scheme is to keep prices as low as possible by limiting the number of lines carried to about 300. A price list will be issued at the start of each month and this will be adhered to for the rest of the month. All prices are prominently displayed in large type.

Iscor export

Argus Correspondent

PRETORIA. — Iscor exported its 300th shipload of iron ore from Saldanha Bay this month.

A spokesman for the corporation said it had exported 34,8-million tons of iron ore from the port to date.

The ore was valued at R442-million, he said.

Flower power price policy necessary

Argus Correspondent

PRETORIA.—The concept of flower power has fired the imagination of farmers to make it reality. However, a co-ordinated price policy is necessary.

The chairman of the Oil Seeds Control Board, Mr Daan Bosman, said he was cautiously optimistic.

Technically, the potential of sunflower oil to replace diesel, thereby solving the major problem of oil supply, had been realised but economically, the price hurdle had still to be cleared.

The farmer had to be offered some price incentive to plant much more sunflower, while on the other hand the price of farm fuel, which at present was 38c a litre, could not be raised further.

The consumer of food products should not be made to face the implications of still another rise in farm costs.

CONSUMER

Before the two opposite tasks could be reconciled, some misconceptions clouding the issue, needed to be cleared up.

One was that soon the world oil price would rise to bring the price for farm diesel to the 53c a litre level that represented the current cost of sunflower oil.

In fact, expansion of oil production by Saudi Arabia, the levelling off shown by the Rotterdam spot price for crude oil, and the frantic efforts of the United States and other Western countries to regain some self-sufficiency in oil, did not make a further substantial price hike for oil look very probable in the near future.

One had also to guard against over-optimism about the cost savings that would result from putting a much higher volume of sunflower seed through the oil mills. There would, of course, be a saving, but this would amount to less than 1c a litre.

The plan to let farmers press their own oil seed to fire their tractors and feed the residue to their cattle was, unfortunately, also a non-starter.

Small presses for farm use could be built, but they would be uneconomic and much oil would be wasted.

DEAD END

The sunflower oil would have to go through the normal sunflower marketing channels, modified where necessary.

Another dead end street was to expect a lowering in the cost of sunflower oil by greatly increasing the oil yield of sunflower, so that a price around 38c a litre would still encourage the farmer to plant sufficient sunflower.

In fact, more than 94 percent of sunflower planted today was already of a high yielding variety. So much was already being done in the field of sunflower research, and so much had been accomplished that even a substantial investment by the State into sunflower research would not make much difference in the short run.

There was only one short-term solution to the problem of an incentive price for sunflower while lowering the price of sunflower oil for fuel, said Mr Bosman, and that was to have some scheme for a dual price.

Sunflower for fuel was naturally of a lower grade than edible oil, because it had to be only physically clean, which implied putting it through some kind of filter. Edible oil was a much more refined product, which had to be also chemically pure.

As long as the production of fuel from sunflower was not too high, edible oil could possibly carry some price differential. Beyond that point, the State would have to decide upon a subsidy out of the present development levy on petrol and diesel, or from any other source.

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VOLKSKAS/L&G

A new launching pad

Newly named Legal & General Volkskas Assurance (L&GVA) could be the vehicle for Volkskas to rival the dominance of Sanlam on the Afrikaans business scene.

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27/7/79 (58)

VOLKSKAS/L&G

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29/7/79 Sund Times (68)

Comment:
By NIGEL BRUCE

Neither one nor the other

THIS week Finance Minister Owen Horwood gave the normally somnambulent building society movement a rather rude awakening — or at least those of its members who understood what he was saying.

As befitted the occasion — which was The Perm's celebration of its assets reaching R2 000-million — he was very polite. But he put the boot in none the less.

He told the societies they were going to have to make up their minds whether they wanted to be proper banks or stick to their lasts.

They were created as local mutually-owned institutions to mobilise long-term savings into the provision of housing.

Yet in funding themselves they have strayed into areas of banking where, with their privileges, they are competing unfairly with the banks.

As control of the money supply has grown in importance, and as its precise definition has also come under increasing scrutiny, so has the encroachment of societies into the area of quasi-money creation caused increasing concern.

More than that, they have not confined their activities only to lending for housing purposes.

The problem is not new. As the Minister pointed out it arose 15 years ago. Given a choice then, the societies chose to stick to their lasts. Patently, they have increasingly been unable to exercise self-restraint.

But the situation is much worse now. One reason is the rapidity of growth of their assets — The Perm has doubled its assets in six years. As the Minister pointed out, in relative terms the SA building society movement is the largest in the world. The irony is that this has occurred in a country where there is a glut of the type of housing they provide.

Another is that their involvement in payments transfers has been facilitated by the use of electronics.

Of course, the societies should have seen this ultimatum coming. The introduction of transmission accounts was the first official response to their delinquency, as I pointed out a year ago.

It is also a trend not common to this country, where it is perhaps the most marked. Minister Horwood was even able to quote from a speech, delivered on May 18 last year, by the Governor of the Bank of England, who berated the UK societies for the same thing.

Nor does the problem of non-bank money creation end with the building societies. The Post Office is just as much a danger, involved as it is in similar fields of short-term savings and money transmission.

The mutual ownership of building societies is another area that ought to be a cause of concern.

As they are not answerable to shareholders, building society managers measure their performance by amassing assets rather than maximising returns on them.

The result is that asset and liabilities management of the building societies movement as a whole is, at best, slipshod. At worst it is misdirecting scarce capital resources.

Yet another problem is the lack of competition between societies. Each offers exactly the same yields on investments and charges a uniform mortgage rate.

Justified partly under the guise of stability, this gives managers a comfortable ride to retirement — sometimes in a Mercedes Benz at that. The cosy cartel is certainly not in the interests of either the investor or the borrower.

The De Kock Commission which is, according to the Minister, to investigate the future of building societies, has, in his task, one of its greatest challenges.

Bankers slate new exchange control fines

Sund Times 58 29/7/79

By DONALD ANDREW

BANKERS are up in arms over Government moves to demand security from authorised foreign exchange dealers and penalise them for exchange control contraventions.

Some even question the legality of imposing the cited exchange control regulation 18 on them, claiming it applies only to third parties.

They warn, too, that deposits (and penalties) could push up the cost of transacting foreign exchange business and that this might be passed on to clients, making the whole exercise unfair to the public.

And should banks be frequently penalised, this could run into several hundreds of thousands of rands, directly knocking the profitability of the operation.

When Finance Minister Owen Horwood announced major relaxations and streamlining of exchange controls last month, he also gave notice of the introduction of more effective measures to enforce the controls.

He said certain bank officials had helped some people contravene control regulations by deliberately ignoring the rules.

The security provided by the banks would be partly or wholly forfeited "in cases where the exchange control rulings have not been strictly complied with by the authorised dealer," Senator Horwood stated at the time.

Individual dealers spoken to this week did not believe the Government was really serious about applying regulation 18 to them by demanding security. They saw the statement as a warning, rather, to be more careful.

But a Reserve Bank spokesman confirmed that implementation of the provision was being planned and decisions could be anticipated soon.

The form of security and to whom it would apply still had to be decided. Dealers would have to sign undertakings agreeing to pay penalties for transgressions or deposit sums (calculated on turnover) which would be liable to a degree of confiscation, depending on the offence.

Bankers object to the scheme in principle. It is considered unfair — equivalent to pre-fining the banks.

They believe a distinction must, at least, be made between inadvertent errors or technical contraventions on one hand and, on the other, deliberate irregularities or contraventions which cause loss of currency.

Dealers said they would be terribly vulnerable to penalties as interpretation and application of all the exchange control regulations and rulings was like treading a minefield.

As one banker explains: "It takes years to train an employee in this highly specialised field. But one can never be 100% sure all of them will know all the rulings.

"It could take one slip in documentation, a lapse in concentration, and that's it — dismissal if the bank is fined."

Furthermore, it was felt punished banks should be allowed to redress their disadvantage by trying to recover fines from guilty customers.

INDSEL/NATSEL FM 3/8/79 (38)

Relative merits

Activities: *IDC-controlled and managed investment trusts. Indsel is owned as to 56,5% and Natsel 58,6% by the IDC*

Chairman: *J J Kitshoff.*

Capital structures: *Ind Sel: 6,3m ordinaries of R1. Nat Sel: 5,3m ordinaries of R1 Market capitalisation: Indsel: R32,4m. Natsel. R31,3m.*

Financial: *Year to June 30 1979.*

Share market: Indsel: *Price: 515c (1978-79: high, 535c, low, 350c; trading volume last quarter, 145 000 shares). Yields: 12,1% on earnings, 8,9% on dividend Cover, 1,4. PE ratio 8,3*
Natsel: *Price. 590c. (1978-79: high, 630c; low, 375c; trading volume last quarter, 70 000 shares). Yields: 11,4% on earnings; 8,5% on dividend. Cover. 1,3 PE ratio: 8,8.*

	'76	'77	'78	'79
Indsel				
Earnings (c)	52,9	52,6	50	62,1
Dividends (c)	39	40	40	46
Net asset value (c)	724	509	565	819
Natsel				
Earnings (c)	54	60 1	55 4	67
Dividends (c)	42	46	46	50
Net asset value (c)	877	615	659	915

There are investors who believe that stock market prices accurately reflect expert evaluation of all available information. But recent trading in Indsel and Natsel gives relative ratings which appear unjustified.

At 515c Indsel is rated as worth 8,3 times earnings. At 590c Natsel is worth, according to the market, 8,8 times earnings.

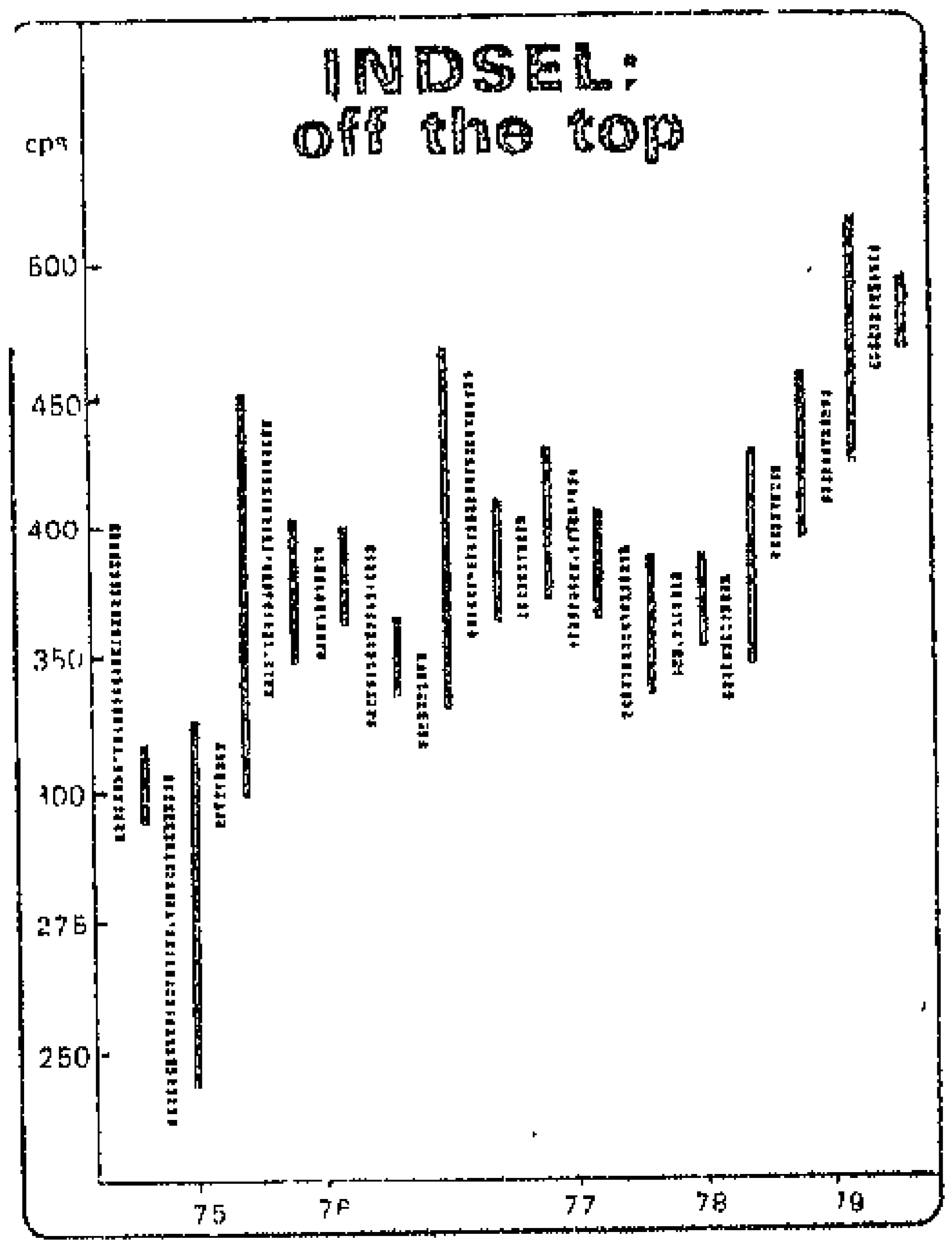
But Indsel, with its R51m portfolio, has a 10-year compound growth rate on earnings of 16,2%. Over the past five years the rate averaged 11,3% Natsel with its R49m portfolio, has, in the past five years, halved its 10-year growth rate of 12,5% to 6,1%. For shareholders this is not academic. In the year to June 30 1979, Indsel increased its dividend 15% to 46c while Natsel raised its payout only 8,7% to 50c a share.

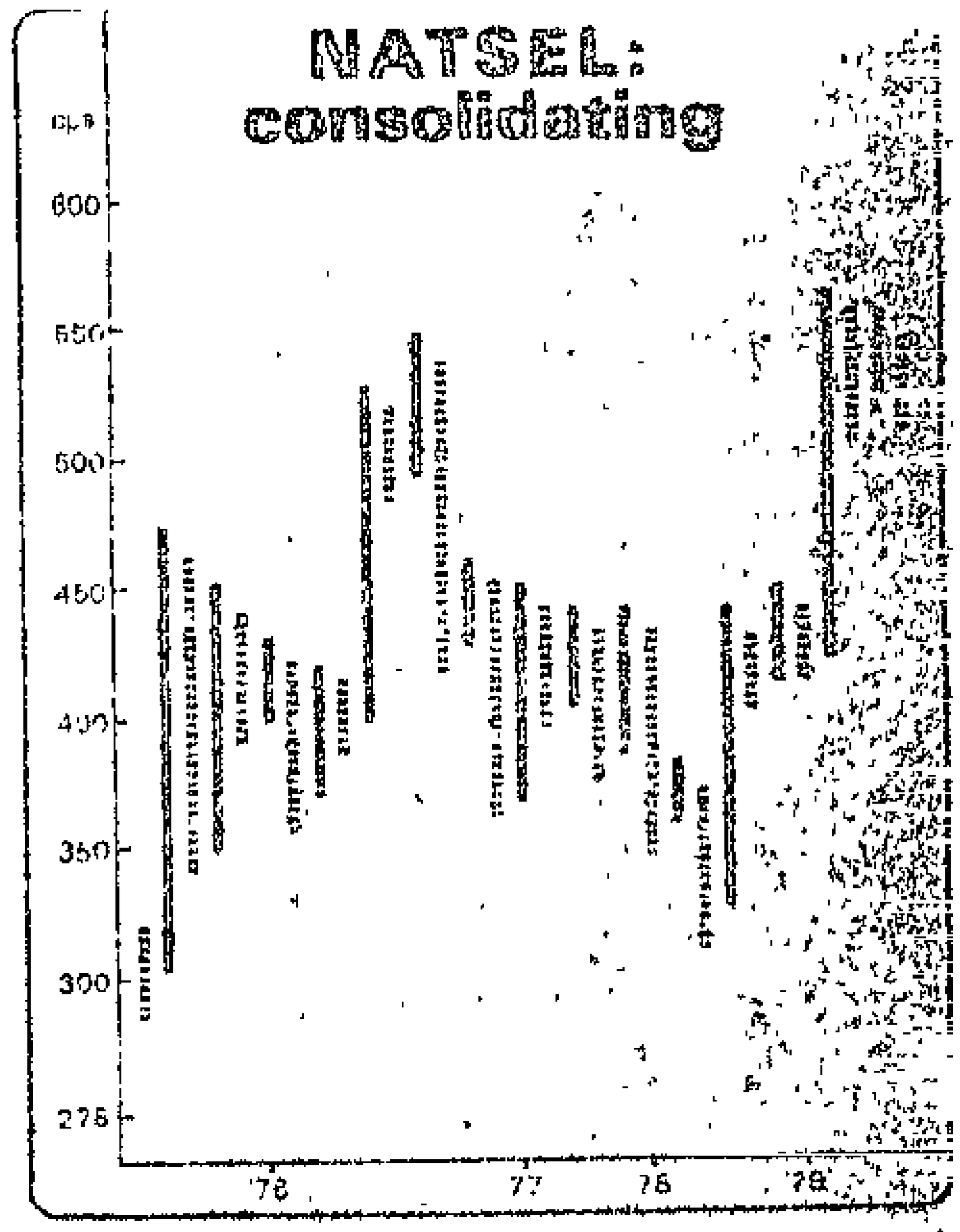
Indsel was able to increase its payout after pre-tax income, mostly tax-free dividends, rose 24,1% to R3,9m. Tax was only R44 000 and earnings thus rose 24,2%. Natsel, however, which has a more concentrated portfolio, increased pre tax income by 19,7% to R3,5m. After a tax provision of a minimal R4 000, attributable earnings are 21% up

While Natsel has 57,7% of its investments in quoted stocks, Indsel has 58,3%, and Natsel has only one investment which Indsel does not — 50 000 shares in unquoted Natal Thread. The thrust of Natsel's portfolio, however, is that it is more heavily committed in stocks such as Fedmis, Palamin and Safmarine. Apart from Indsel's small debenture redemptions during the year, changes were identical for both trusts. Both converted 603 000 unquoted Impala Plats into 2,9m quoted Impala Plat Holdings. This bumped both portfolio valuations up R2,7m.

Indsel has all the stocks in Natsel's portfolio plus a wider coverage of blue-chip industrials. In addition, Indsel's parcel of unquoted stocks excludes Natal Thread but includes Delfos, Gubb & Inggs and Natal Oil.

So Indsel's portfolio spread, in both quoted and unquoted stocks, appears more attractive. On returns on assets, its performance is now outstripping that of





stablemate Natsel whose growth has slowed considerably. Indsel can be bought on a 37,1% discount to nav while Natsel discounts nav by 35,5%. Both are good holds at current prices while Indsel looks an attractive buy.

The shares have a touch of speculative attraction in that both trusts have first options on many IDC-sponsored companies, some of which are highly profitable. And this is an attraction few other trusts have.

Ian Muil

DATES TO REMEMBER

Last day to register for dividends:
Friday August 10: Cusaf 8c; Metal Closures 10c; Tongaat 16c; Vereeniging Refractories 16c; Wit Nigel 1,5c.
Meetings:
Tuesday August 7: Asmar (O&S); NFS Motors (S) (Kroonstad).
Wednesday August 8: Chloride.
Thursday August 9: Boumat (O&S); Monis & Farfis; Saficon; Sakers Finance.
Friday August 10: Charter (London).
All meetings are in Johannesburg unless otherwise stated
O&S - Ordinary and special meeting.
S - Special meeting.

MERCHANT BANKS

pm 3/8/79

Pin-striped needles

Sensitivity among merchant banks over the shaving of fees, tariffs and commissions is running unusually high. Although no bank admits to fee-cutting itself, most are quick to point fingers at their competitors. Volkskas Merchant and Hill Samuel are most often mentioned.

Against the background of a tighter capital market, with issuing houses finding it increasingly difficult to place loans and find new borrowers, and the sharper competitiveness of some of the smaller banks and brokers, it is not surprising that bankers' suspicions about their competitors have been aroused.

Financial Mail August 3 1979

But this does not necessarily mean that the aggressive merchant banks are breaking any laws. UAL MD and current chairman of the Merchant Bankers' Association Johan Nel points out that the Association has no power to enforce maximum and minimum fees which banks may charge their clients. The Association's major objective, says Nel, is to serve as "a forum for discussion."

As far as fees and commissions are concerned, says Nel, the Association can only lay down "guidelines — and there are certainly no penalties involved if these are ignored". On public sector loan issues, for instance, the current practice for issuing houses is to charge a 0,25% commission, while the usual commitment fee on an unutilised acceptance facility is 1%. Fees for private sector debenture issues and company mergers vary widely, in the latter case depending on whether the merchant bank initiates the deal or whether it merely acts as adviser to the companies involved.

Nel concedes that fee-cutting is frowned upon. "What the Association is concerned about is whether, by undercutting fees, banks will later be able to follow through on their service to clients when things get tight and the extra financial muscle is needed."

What of the accusations levelled at UAL for shaving commissions to win the tender for Johannesburg's R25m issue earlier this year? (The city's loan was underwritten by UAL and Senbank at 9.19% — a good 10 points below the going rate for similar borrowers at the time.) Responds Nel: "There is no way that merchant banks want to carry public sector stock and for that reason we certainly don't cut fees. Our whole package for the Jo'burg issue was built into the final tender price."

Although Nel concedes that UAL and Senbank were "on the defensive because we didn't want to lose the account," he is adamant that his bank will not show the same enthusiasm for future tenders. In fact, all the bigger merchant banks are known to be opposed to municipal tenders.

Argues Nel. "Treasurers should realise that they could come unstuck this way. The market can change pretty quickly leaving the bank on the hook. And if the municipalities expect the bank to bear the underwriting risk, treasurers can expect to pay up to 2,5% in commissions in future instead of the present 0,25%."

Nel's argument may fall on deaf ears. Following Jo'burg's successful issue, the city's council is said to be keen on another tender when it next goes to the market in September. According to some capital market insiders. other large municipalities, including Cape Town, are looking closely at the tender system.

FM 3/4/78

MARSHALL INDUSTRIALS

Red faced banks

When a company is put into liquidation, creditors salvage what they they can from the wreck and shareholders kiss their investment goodbye. Not so with Marshall Industrials which was put into final liquidation on February 8 1978.

For some time it has been known that creditors would be paid in full. The remaining question was whether there would be much over for shareholders. The answer has been short-circuited by an offer made last Friday by a group of Durban businessmen, headed by accountant Gerard de Rauville, proposing a scheme of arrangement. Readers of the Alice stories would recognise it immediately as one of those offers where "everybody has won and all shall have prizes".

All creditors will be paid in full plus statutory interest due up to December 31. In the first distribution 53c was paid and a 37c second distribution is pending. The final 10c payment will cost R570 000 plus about another R700 000 interest. Besides the distribution account payments, about R2,5m has been paid to creditors.

The company's capital structure is fairly complex but the offer is designed to let shareholders, other than the Marshall family, take their money and depart. Owners of the 2,84m fully-paid ordinary shares are offered 52c each for their shares which were quoted at 40c on the JSE before suspension and delisting. Par value is 50c. Holders of the partly paid ordinaries will receive the amount they have paid up. The money will be paid to the liquidators not later than December 31.

The 250 000 6% cum prefs will be converted to redeemable prefs and paid the same arrear dividends which would have been due on winding up. The capital will be redeemed at R2 par value in equal instalments on December 30 1980 and 1981.

The 7,5% cum red prefs will be converted to 8,5% redeemable prefs from January 1, will have arrear dividends paid on June 30 and redeemed at par in five equal annual instalments from December 31 1980. There are 500 000 such shares.

The 1m 10% cum red prefs will have arrear dividends paid on June 30 and be redeemed at the R1 par value in five equal annual payments starting on December 31 1980.

A capital reduction will take place in the ordinaries which will have the effect of dividing control of the company between the offerors and the Marshall family.

What all this boils down to is that if the offer is accepted, Marshall will come out of liquidation with a spread of property interests and the Massey Fergusson tractor operation. Without knowing the value of these assets it is impossible to assess the merits of the offer. The liquidators hope to express their view to creditors in about three weeks However, it does offer shareholders an escape from an unlisted company with uncertain prospects. Moreover if liquidation proceeded to a conclusion, additional expense would be incurred which would not be in their interests.

If the banks which put Marshalls into liquidation do not have red faces now they never will have.

Michael Brown

PRESCAT

FM 3/8/79

Recovery stock

Activities: *Investment holding company, whose subsidiaries manufacture, import, design, supply and instal catering and refrigeration equipment. 66% owned by T&I.*

Chairman: *I J Jacobson.*

Capital structure: *3,2m ordinaries of 7c. Market capitalisation: R2,2m.*

Financial: *Sixteen months to June 30 1979. Borrowings: long and medium term, R25 000; net short term, R1,3m. Debt:equity ratio: 64%. Current ratio: 1,57. Net cash flow: R425 000. Capital commitments· Nil.*

Share market: *Price: 68c (1978-79: high, 108c; low, 28c; trading volume last quarter, 78 000 shares). Yields: 24,1% on earnings; 7,7% on dividend. Cover: 3,1. PE ratio: 4,1.*

After falling profits in the preceding two years, Prescat turned around during the last 16 months, with a 37% improvement in taxed income to R693 000 (R520 000 annualised). The year end has been changed to June 30 to fall in line with that of parent T&I which increased its stake from 11% to 66%.

	'76	'77	'78	'79*
Return on cap %	25,7	15,5	19,2	27,3†‡
Turnover (Rm)	6,5	6,5	8,0	9,8
Pre-tax profit (R000)	1 032	551	672	1 192
Earnings (c)	19,0	9,9	12,0	21,9
Dividends (c)	9	45	5	7
Net asset value (c) ..	92	97	103	65

*16 months to June 30 †Annualised. ‡After capital reduction.

On an annualised basis, turnover fell 8%. The improved profit picture resulted from improved margins. With the annualised turnover drop came a 168% increase in accounts and bills payable to R1,2m, indicating the use of short-term credit to finance growth in earnings. The debt:equity ratio has doubled since 1978, with term loans being reduced at the expense of increased short-term advances. The reduction in share capital also contributed to increased gearing. During the year the company repaid 50c per share to shareholders.

This was done because T&I felt the company was overcapitalised and therefore not earning adequate returns on equity.

During the period Prescat purchased F H Hodgkison for R71 000, thereby acquiring the SA franchise for Hobart Equipment, a "world leader in the sales of catering equipment."

Although turnover has been restrained by a depressed building sector, sales of mass-feeding equipment are reasonably insulated from economic fluctuations. The company aims to increase exports by its manufacturing arm which contributed a lower 17,6% (19,2%) of group net income.

Dividends were increased to 7c (5c) last year, covered 3,1 times. Management's objective this year is to restore the historic 2,3 times cover, a situation which would have arisen had the company declared its dividend at the previous year end. The historic yield of 7,7% looks low but reflects the market's feeling that under new management, steady growth should be attained. At this stage, however, there is no reason to rush into the shares.

Jonathan Bader

Contd. from previous page:

FM 3/6/79 (58)

TRADE & INDUSTRY

Spreading the base

Activities: *Financial services, including domestic and international trade finance, instalment credit facilities and corporate finance services. Holds 66% of Prescat and 39% Svenmill. Directors control 66% of equity.*

Chairman and managing director: *I J Jacobson.*

Capital structure: *3,2m ordinaries of 30c. Market capitalisation: R9,8m.*

Financial: *Year to June 30 1979. Borrowings: long and medium term, R6,5m; net short-term, R8,0m. Debt:equity ratio: 178%. Current ratio: 1,9. Group cash flow: R2,6m. Capital commitments: Nil.*

Share market: *310c. (1978-79: high, 310c; low, 115c; trading volume last quarter, 25 000 shares) Yields: 20,4% on earnings; 5,8% on dividend. Cover: 2,9. PE ratio: 4,9.*

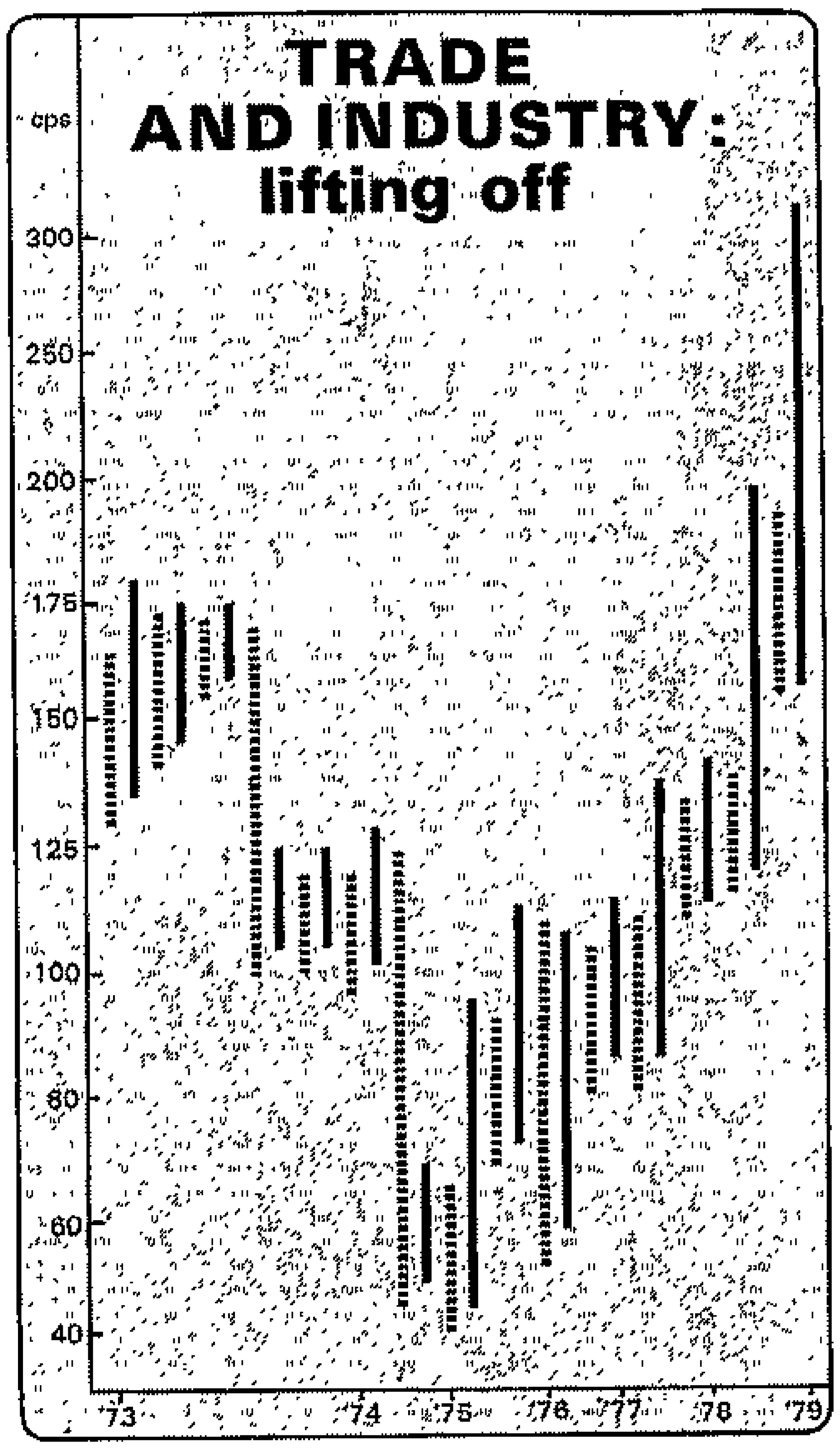
T&I has experienced a 31% compound annual growth in after tax earnings over the past five years, with an equivalent growth in dividends. Last year put the company onto a marginally improved 38% growth in after-tax income to R2,2m (R1,6m) with a 20% growth in total assets reflecting improved in the utilisation of the asset base.

Financing activities, the traditional "cash cow", contributed 86% of after-tax earnings last year. Trading subsidiaries Prescat and Svenmill contribute the remaining 14%. The bulk of attributable income was derived from returns on receivables which grew 18% last year to R44,6m. A further R10m, excluded from this amount, represents unutilised confirmations and letters of credit on confirmed orders yet to be shipped.

Gaining effective control of Prescat and Svenmill were moves toward diversification from the traditional financing activities of the group.

At Svenmill major reorganisations have resulted in a turnaround being achieved. Last year it showed a profit before and after tax of R340 000 (loss R353 000). Although attributable after-tax income from Svenmill and Prescat was a shade below R300 000, this represents a marginal impact on the total group earnings of R2,2m. Gearing as indicated by the accounts is around 200%, but because debts attributable to trading subsidiaries are not shown, the group figure is higher. The company also reinsures receivables which in turn helps lower effective gearing. Including contingent liabilities, effective gearing is around 400%. The potential exists, however, to increase debt and materially improve return on equity.

Management has followed some shrewd financial policies over the past three



years, reducing Prescat's and T&I's share capital. The affect in both cases was to improve return on equity as, especially for Prescat, returns were inadequate. This largely accounts for the dramatic rise in eps of T&I in 1977.

	'76	'77	'78	'79
Return on cap %	19,1*	20,6	25,3	24,7
Gross profit (Rm)	3,8	4,7	5,3	6,1
Receivables (Rm)	34,8	44,7	37,8	44,6
Total assets (Rm)	20,2	24,1	24,4	29,5
Earnings (c)	17,6*	38,8	48,9	65,9
Dividends (c)	8,5*	13,0	16,5	22,5
Net asset value (c)	110*	153	191	281

* Calculated on 5,6m shares

Last year the Capcar interest was sold and 15% of Dan Perkins acquired at end-June 1979.

With improved export and investment allowances the group paid tax at a lower rate of 28% (31%) last year. Svenmill's assessed loss benefited the trading subsidiaries' overall tax rates, with a 20% effective rate paid.

Dividends are covered 3,4 times and high retentions will eventually give the group a relatively large equity base from which to gear up.

Financial Mail August 3 1979

Union assets 'seized by angry workers'

Lost keys, 50 black workers

By RIAAN DE VILLIERS
Labour Correspondent

MRS MAGGIE M[illegible]bane, acting general secretary of the Black S[illegible] and Allied Workers' Union, laid a complaint with the police at John Vorster Square yesterday in an effort to recover union assets which have disappeared under mysterious circumstances.

The assets — including all union records and a vehicle — have been removed from the possession of Mr Shakes Sikhakhane, a leading trade unionist who was sacked recently as general secretary of the union.

Mr Sikhakhane was to have handed over the union's assets to Mrs Magubane by 12 noon last Friday.

Instead, his lawyer has claimed in a letter that Mr Sikhakhane was unable to hand over the assets as they had been removed by "angry workers".

This is the latest in a series of incidents since Mr Sikhakhane, director of the Urban Training Project and chairman of the Consultative Committee of Black Trade Unions, was sacked as general secretary of the union at an executive committee meeting last month.

Mr Sikhakhane, with three members of the 16-man executive supporting him — including the president and vice-president — refused to accept his dismissal as valid. He repeatedly refused to hand over the union's assets to Mrs Magubane, who had been appointed acting general secretary.

On Wednesday last week an executive committee meeting was held in the presence of lawyers representing both parties.

Resolutions were passed confirming Mr Sikhakhane's dismissal, Mrs Magubane's appointment and ordering that the assets be handed over to Mrs Magubane.

Mrs Magubane was also authorised to take legal action to recover the assets if Mr Sikhakhane failed to hand them over.

The resolutions were all passed by 13 votes to three. It is believed Mr Sikhakhane accepted that they were valid.

On Thursday a lawyer's letter was sent to Mr Sikhakhane, requesting him to hand over the assets by 12 noon on Friday or face legal action.

Mr Sikhakhane, however, failed to do so.

On Monday his lawyer wrote a letter claiming that some of the assets had been removed by "angry workers", but undertaking that the rest would be handed over on Tuesday.

[illegible] the lawyer [illegible] in a further letter that all the assets had been [illegible] and that Mr Sikhakhane was no longer able to hand them over.

The issue, it was expected, would be discussed at a union executive meeting last night.

(53)

DIAGONAL

Expected reaction

"Come back Rudyard Kipling — all is forgiven." That is the cry of some analysts as they watch investors lose their heads and rush to dump gold and gold shares. They take the view that if investors can keep their heads, then over the next six months there should be some rich pickings in the gold market.

At least this time round, the US appears to have orchestrated a successful attack on bullion. But it remains to be seen whether the initial success which chopped bullion's London gold quote from last Wednesday's $303,35 to a $290,10 afternoon fix on Wednesday this week can be sustained.

So what did the US do to cause the rush?

For a start it has apparently re-activated its dollar support swap arrangements at a time when bullion holders were psychologically prepared for a gold price set-back. Once that had sunk in, stop-loss sales of margined Comex gold positions were automatically activated, accelerating closures of further speculative positions.

In addition, with gold above $300, many analysts had been expecting a substantial over-subscription for this Wednesday's IMF bullion auction. If that was to take place with average bids in excess of $300, the dollar's image would have taken another battering. Nor, in this case, would large bidders necessarily have been happy. So, while there is no way of

Financial Mail August 3 1979

confirming it, some London analysts feel that longer-term gold holders may have sold bullion to help precipitate the current reaction.

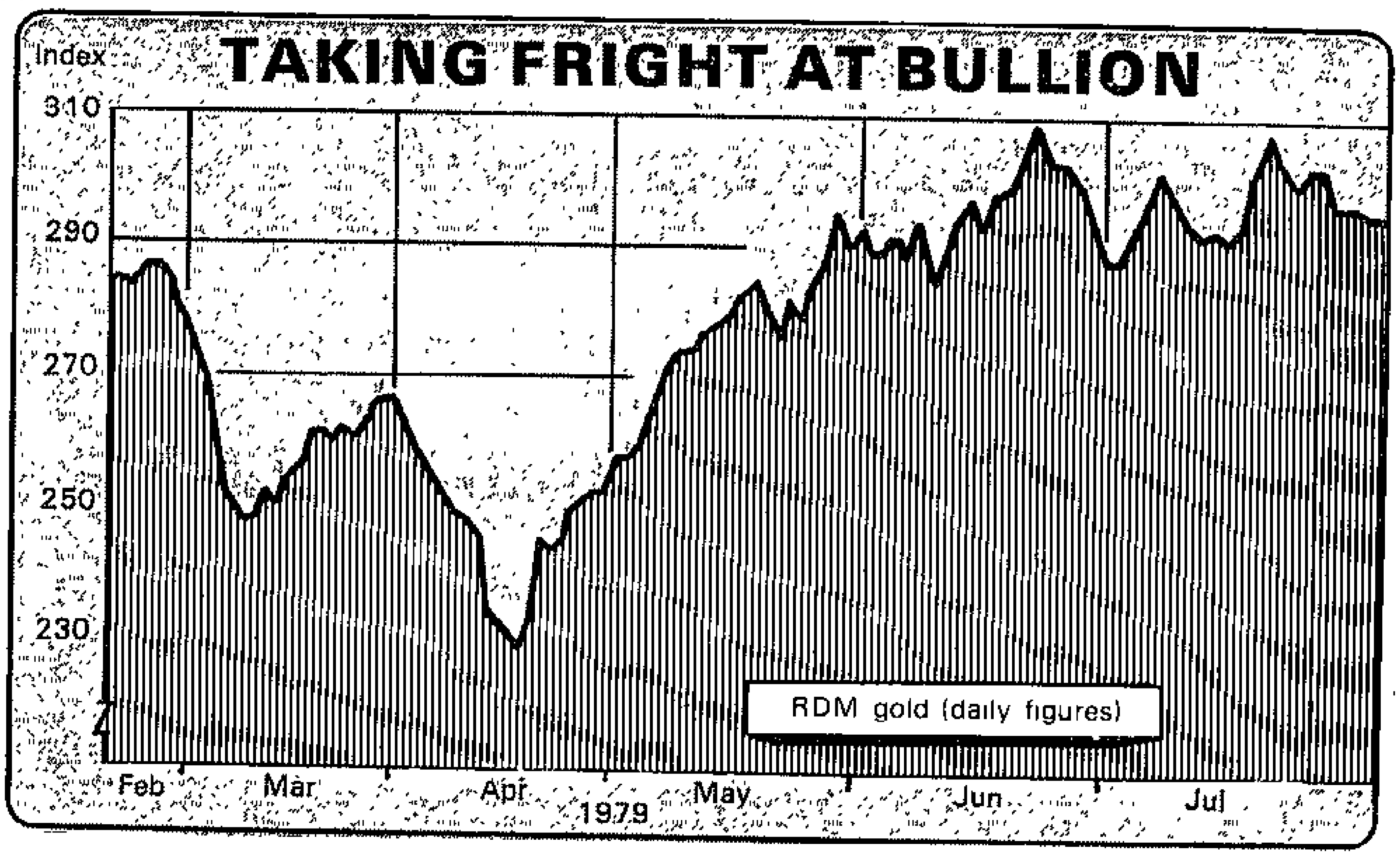
At the time of writing, results of the auction were not available. But general opinion was that instead of a heavy over-subscription, buyers fearing further downside potential will be reluctant to make "scatter-gun" bids and be out of cash for the two days their money is tied up by the IMF.

Perhaps that smacks too much of the yelps of investors with burned fingers. But they would be crying even more if they were forced to unwind positions at even lower prices.

At this stage, bullion seems to be set for a further move towards $280. On Wednesday, the share market was apparently prepared to accept this possibility. Despite a weakening financial rand, the gold board closed on Wednesday well down on a week earlier. From last Wednesday's 297,3, the *RDM* gold index reached 296,0 on Tuesday and was hammered this Wednesday at 286,3.

Paradoxically some marginals such as Grootvlei and SA Land closed on Wednesday higher than they had been a week earlier.

Perhaps this time round the market is correctly indicating that bullion's fall has been overdone. Gold has, after all, only fallen less than 5% on the week. And that sort of percentage fall would probably have raised only a few eyebrows this time last year when bullion was hovering



around $200.

Despite tough talk on US financial rectitude by the Fed's new chairman Paul Volcker, nothing meaningful has yet been done to rectify the factors weakening the dollar and causing the flight into gold. US June oil import figures were well down on earlier months, but there is still the build up in oil imports ahead of winter to work through into the US and would economic systems. If that results in increasing US trade deficits — mitigated though they might be by additional grain sales to Russia — gold's set-back need only last a month or two.

Preliminary reports are that despite pending heavy grain purchases, Russia, at least temporarily, ceased gold sales as the price fell through $300. If that continues, shortages of physical metal could soon reflect in higher prices.

There are few analysts prepared to forecast a gold price below $300 by the year end, with many targeting a rise to at least $320.

As overseas interest in golds waned, the FR closed the week at US 85c to 85,5c compared with an opening level of 88,75c to 89,5c. The effect was also noticeable on De Beers, which rose 8c to 825c as foreign selling to create FRs dried up.

Des Kilalea

Volcker plans thrust at inflation's heart

By JIM SRODES: Washington:

MERICAN interest ates are likely to spike" under Paul olcker's chairmanship t the Federal Reserve.

According to Wall Street ana-'sts who have reacted to the rst week of Mr Volcker on the ›b as American Central Bank hief, there will probably be a apid run-up in short-term US ates, followed by an equally harp plunge that could put the ollar into a new downward piral as well.

The tall, balding economist as already served notice that e intends to quickly crack own on the inflationary money upply growth that has been elling the double-digit infla-on that persists in America espite clear evidence of a re-essionary slowdown.

Mr Volcker told the Senate ommittee hearing his nomina-on that he believes there is a irect link between interest ates and the future inflation xpectations of Wall Street.

At this point, he added, he ees a need for a "low growth ate" for the M-1 (cash in cir-ulation plus cheque account eposits) money supply mea-ure

Paul Volcker ... committed to strong dollar

charges commercial banks for reserve borrowings.

The Fed has already forced up the Federal funds rate banks charge each other by nearly 0,5% to nearly 11%, while certificates of deposit and commercial paper rates banks purchase are trading at 10% or better.

A conservative monetarist, Mr Volcker advocates flexible exchange rates that promote stability and is committed to maintaining a strong dollar within the world monetary system.

Business Times looks at the World Scene

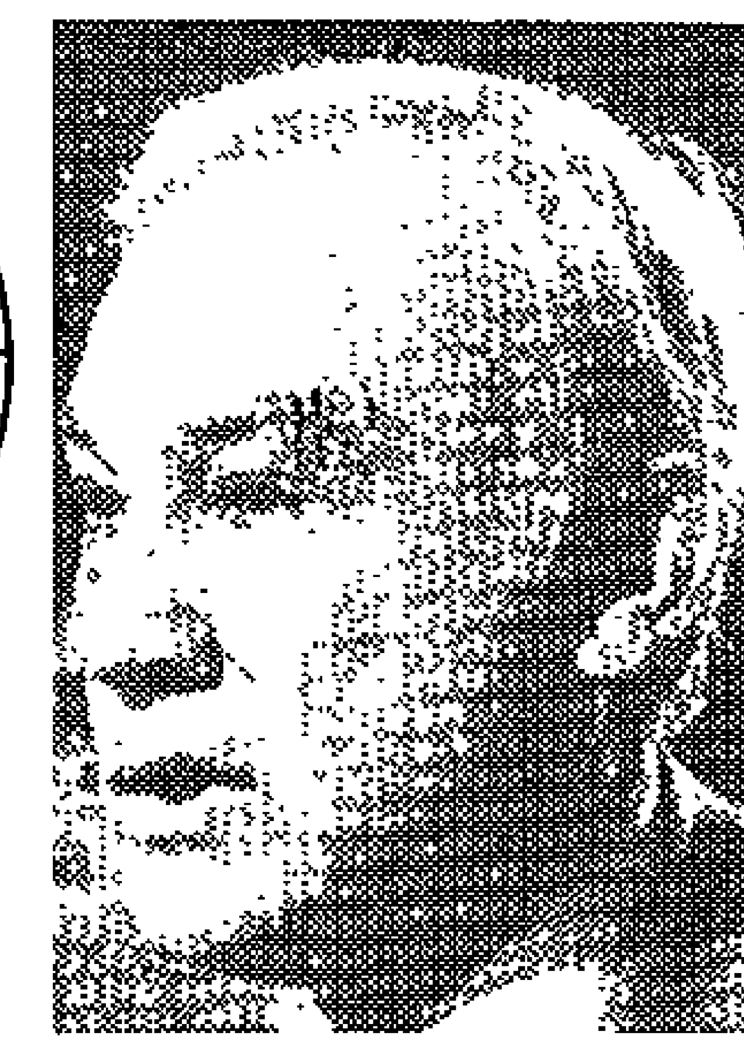
Money supply growth will be first target

to Mr Carter and renewed confidence in his energy programme than it was to official confirmation that a recession is underway.

The pervasive worry is especially visible in US money markets and banking circles where the nomination of Federal Reserve chairman William Miller to succeed Mr Blumenthal is being taken as a signal of a weaker government commitment to dollar defence and anti-inflation strictures.

banks charge each other from 10.25% to 10,5%.

The point is that both moves were long overdue. The basic M-1 money supply measure (cash in circulation plus cheque deposits) surged by $3,2-million in the latest week.



William Miller ... laggard on monetary front

In truth, that key indicator has been expanding at a better than 11% annual rate or roughly three times the pace mandated by Mr Miller's Fed for anti-inflationary health, for at least the last 90 days while the Fed stood by.

Meanwhile, much mischief has been done. The 9,5% discount rate encouraged the banks to borrow from the Fed rather than pay higher money market rates.

This has fuelled the inflationary business demand for credit along with a dangerous 41% explosion in the commercial paper market.

The indictment is that Mr Miller and his Central Bank majority have known all this for months but have preferred a gradual approach rather than risk tilting the economy into a deeper recession.

All of which brings us to Mr Miller as US Treasury Secretary.

One of his chief virtues at the Fed was that he was unafraid to use the political security of the post to criticise White House economic policies. He is giving up that security and it can be fairly inferred that he is joining the White House ranks as a team player.

That measure has grown at a better than 11% annual rate recently, three times the level mandated, but never achieved, by the Fed under William Miller's chairmanship.

Under questioning about his interest rate policies, Mr Volcker responded: "I don't want interest rates any higher than they have to be but if we don't deal with the inflation problem in the overall context, I unfortunately don't know of any way to keep interest rates as low as they used to be."

Mr Volcker's comments came as a growing number of market analysts began to warn clients in New York that yet another rise in the bank prime rate — up to the 1974 record level of 12% — will result from an upcoming round of Fed credit tightening.

The Central Bank is expected to add at least 0,25% — to 10,25% — to the discount rate it

His appointment was widely praised even by long-time critics of the Fed. Congressman Henry Reuss, chairman of the house banking committee and a sometimes policy foe of Mr Volcker called the nomination an excellent choice: "International bankers being what they are, his appointment should quiet the dollar."

Mr Volcker was an advocate of breaking the world currency system's fixed link with gold and advocated development of the "managed float" arrangement that kept the monetary system functioning at that time.

Aside from Mr Volker's appointment and the quip that ousted US Treasury Secretary Michael Blumenthal has asked for his severance pay in Krugerrands, there has been very little to smile about on Wall Street.

The fact that the dollar was granted a reprieve was due less

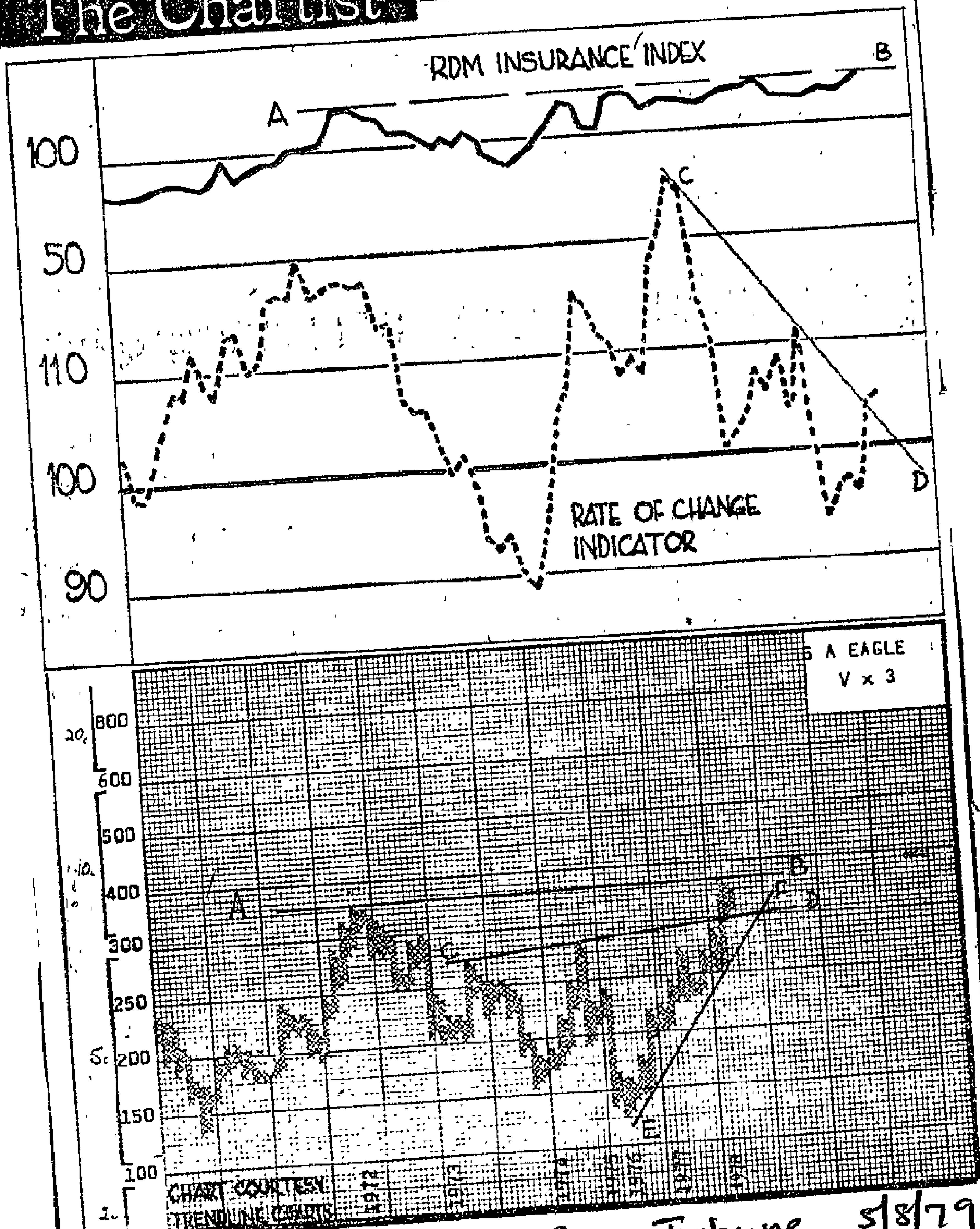
At best US businessmen and brokers are confused over what Mr Carter is trying to tell them about America's economic future. More pessimistic minds have concluded that the White House is about to stress the realities of re-election politics rather than sound economics.

That Mr Miller has been a laggard on the monetary front was demonstrated coincidentally with the announcement of his shift to the Treasury.

Before the appointment of Mr Volcker to succeed Mr Miller at the Fed, about the only good news the dollar markets and Wall Street had was Mr Miller's decision to boost the Fed's discount rate for reserve borrowings by commercial banks from 9,5% to a record 10%.

At the same time, the Central Bank moved into the credit markets to soak up liqudity and send the Federal funds rate

The Chartist TONY HENFREY



Sun Tribune 5/8/79

Industrials on the move and just see insurance

(58)

INDUSTRIALS are once more on the move. One sector that caught my eye is insurance. The insurance sector has been in the news recently with Volkskas taking a big stake in unlisted Legal and General which, no doubt, caused securities analysts to look for other potential takeover situations.

I have reproduced a weekly line chart of the insurance sector over the past 70 weeks to see if there is anything happening to the sector as a whole. And indeed there is

The top chart shows the index pressing hard against barrier line AB which is holding back the advance around 120. The index (currently 121,3) needs to rise to 125 to break above line AB and confirm that insurance shares have resumed their advance. In this event, the index should rise to around the 150 level.

The broken line below the index is a rate of change indicator which oscillates either side of the neutral line (marked 100). Over the past few weeks this indicator appears to have made a bottom.

The fact this indicator is about neutral means that in the event of insurance shares attempting to break up, they would have a reasonable amount of upside potential before the indicator becomes "overbought".

SA Eagle (340) presents an interesting picture. Notice how the shares broke up through the barrier line CD but then failed to get appreciably above the old high at 350. The shares subsequently declined, but line CD managed to contain weakness at 300. This is bullish action and gives rise to the possibility of the shares now managing to break above line AB. If they succeed then the way will be opened for a significant rise in the price of the shares.

Wave of arrests soon in R275 000 swindle

Sun. Exp. 5/8/79

(58)

By KITT KATZIN

SIX prominent Johannesburg businessmen and a senior Government official are expected to be arrested soon on foreign currency charges involving payments of at least R275 000, deposited on their behalf in Swiss bank accounts and "front" companies abroad.

The Government official, who has made a full confession, holds a senior position with Armscor.

Another two businessmen, I understand, may also be arrested, bringing to nine the known conspirators who spearheaded the three-year swindle.

However, most of the R275 000 will have been routed back to South Africa by the time Commercial Branch detectives and Reserve Bank investigators complete their probe.

The businessmen involved, who have also made full confessions, are co-operating with the authorities, and several thousand rands were re-[illegible]

BUSINESSMEN CONFESS TO [illegible]

[illegible] company export TV sets to South Africa.

The money was to have been paid out to Government officials granting permits for 20 000 sets to be imported every year.

A document outlining the deal and naming the six businessmen concerned was obtained from the offices of Mr David Abramson, former chairman of Hortors, a publishing and printing company.

Mr Abramson, who purchased a controlling interest in a British publishing house with a R1-million interest-free loan from Dr Eschel Rhoodie, the former Information Secretary, ceded his royalties in the TV company for R100 000

● Mr Abramson . . . answers wanted

which is controlled by British auditors acting as trustees for Mr Abramson.

Deposits were also made in Mr Abramson's [illegible]

creditors at the time, Mr David Rubenstein, former chairman of Glen Anil, the giant property company.

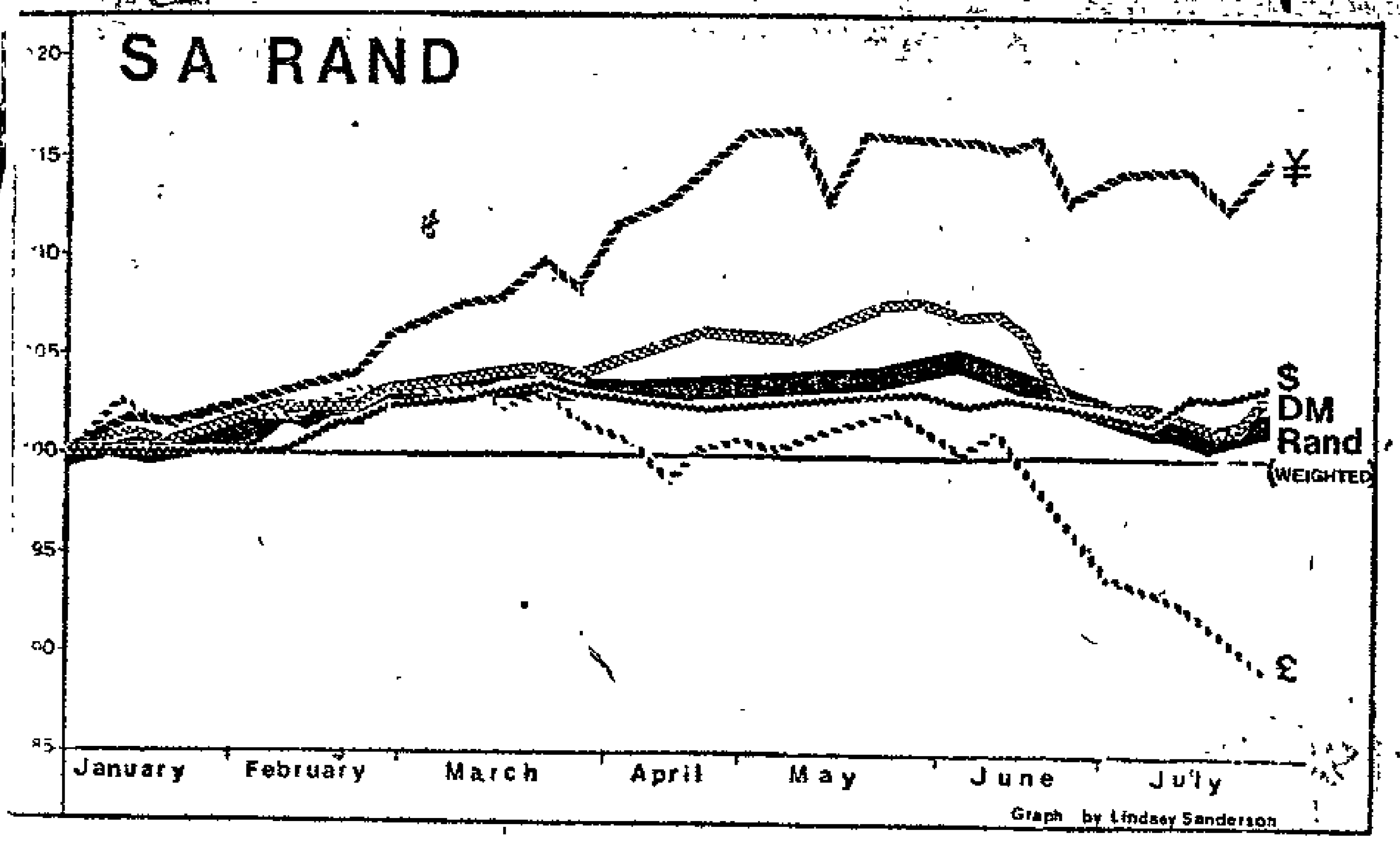
But Mr Abramson, who left South Africa last year, would still have to answer questions about the original transfer of the money, a Reserve Bank spokesman said.

This week Mr Abramson claimed the TV company had agreed to pay over R1-million in bribes to Government officials to get permits for the 20 000 TV sets.

But investigating officers have so far found no evidence to back Mr Abramson's claims.

● Since the original agreement the subsidiary [illegible]

Star 6/8/79 (58)



This graph shows the marked increase in the value of the rand since the Government's introduction of the De Kock Commission's proposals to allow the rand to float. The basis of the index is the rand's value at the beginning of the year. The value of the other currencies is shown in terms of their rate against the rand, and the weighted rand was established by Barclay's International Division by giving a proportionate share of the rand's value to each of South Africa's major trading partners.

Rand buys more on world markets

By Pieter de Vos

The rand's value in terms of a basket of weighted currencies shows an increase of more than one percent this year. This is despite the relatively weak adjustments of the rand to the dollar since the dollar started its strong decline on the international foreign exchange markets the end of May.

Barclays' weighted rand shows the rand has 2,59 percent less value in international trade compared with the rate the end of May, but it is still more than one percent up on the beginning of the year.

Had the De Kock Commission's proposals not been accepted, the rand would have tumbled with the dollar on the foreign exchange markets at a fixed rate of 1,15 dollars per rand. Now the Reserve Bank could adjust the rand's dollar rate more in keeping with the market forces of supply and demand.

The rand could possibly be in an even stronger position, were it not for the fact that the Reserve Bank hesitates to revalue the rand further because of the effect on South African exporters and the possibility of a further fall in the price of gold.

The weighted rand reached its peak in revaluation against a basket of other currencies at the end of May, when its value showed an increase of almost five percent compared with the end of January.

The rand's increase in value against the yen was particularly strong. At the end of last month its value in terms of the yen was more than 15 percent higher than at the beginning of the year.

Pound sterling shows a devaluation of 11,32 percent compared with the rate at the beginning of the year. The reason is sterling's strong increase against the dollar due to Britain's relative immunity from the world's energy problems because of its supply of North Sea Oil.

Sterling has a weight of almost 20 percent in the establishment of the weighted rand. It shows how strong the rand's increase against the other currencies had to be to still show a revaluation.

After a sharp turnabout in the revaluation of the rand against the German mark in June, the rand still shows an increase of more than 3 percent in value against this currency. The dollar was gradually devalued against the rand from the beginning of the year till the end of July, when the rand had increased its value by just under 4 percent to the dollar.

Because the rand is first converted into the dollar before its conversion into any other currency, this increase played a crucial role in the improvement of the rand.

Growth rate of 3,7pc predicted

7/8/79 58

Mercury Correspondent

JOHANNESBURG — A real growth rate of 3,7 percent in 1980 against a projected growth rate of 3,1 percent for this year is predicted in the August issue of the Standard Bank Review. It is expected that the present upswing will continue until the fourth quarter of next year, when it will start to slow down.

Manufacturing production will grow at a slower rate than this year's 5,1 percent. It is expected to grow by only 4,2 percent because of emerging limitations on existing productive capacity and a slowing down in the rate of exports, investment and Government consumption expenditure.

Unemployment is expected to fall next year. Inflation, however, will rise from this year's estimated 12,3 percent increase in the consumer price index to 13,4 percent because of higher oil prices, structural changes in food prices and sharp increases in the money supply.

But in spite of inflation, Standard Bank economists foresee real consumer spending rising sharply in 1980. For this year the increase is put at 2,3 percent. But next year it is expected to move sharply higher to a 4,3 percent growth rate to become the prime factor in the overall expected growth of the economy.

While the sales of durables will show almost no real growth this year because of an anticipated drop in car sales, offset to some extent by increases in other consumer durables, 1980 is expected to show a positive upsurge of 3,8 percent with non- and semi-durables more than doubling this year's projected 2,3 percentTotal fixed investment which is forecast to go up by 2,7 percent in 1979, primarily as a result of infra structural projects, is not expected to show any increases in 1980.

Big swing

But a big swing in inventory build-up is on the cards.

This year total inventory investment is expected to fall by R185-million. Next year there should be a big swing around — an increase of R166-million.

It is this and the upsurge in private spending which is expected to take up the present surplus capacity of the manufacturing sector. Exports are looked to for a 22,2 percent rise this year as both price and volumes go up, with gold earnings 42,4 more than last year.

Imports are expected to grow at 26,9 percent next year, that is at the same rate as this year.

Deficit forecast

But while this year's current account of the balance of payments is expected to produce a surplus of nearly R2 000-million, a deficit of R760-million is forecast for next year.

Interest rates are seen as continuing to ease throughout this year, with a bottoming out forecast at the beginning of 1980.

Long-term rates could then harden progressively through the year.

Star (58) 10/8/79

Woman stole from bank

A woman who stole more than R3 000 from the Standard Bank, was today jailed for 15 months, suspended for five years, by a Johannesburg Regional Court.

Catherina Pretorious (23), of Florida, pleaded guilty to stealing R3 217 from the Standard Bank in Fordsburg, between February 1 and July 13.

She was ordered to repay the money.

JAARVERSLAG

1978

SENTRUM VIR INTERGROEPSTUDIES

(Geregistreer as The Abe Bailey Institute of
Inter-Racial Studies Limited
(Beperk

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INLEIDING

Gedurende die eerste nege jaar van sy bestaan het die Sentrum vir Intergroepstudies gereeld 'n jaarverslag oor sy werksaamhede gepubliseer. Om die Sentrum se 10de verjaarsdag op 1 April 1978 te vier is die jaarverslag in 1977 vervang deur 'n Oorsig oor die Eerste Tien Jaar.

DIE OORSPRONG EN DOELSTELLINGS VAN DIE SENTRUM

Die Sentrum word grootliks gefinansier deur die Abe Bailey-Trust wat ingevolge die testament van Sir Abe Bailey gestig is. Dit is geregistreer as The Abe Bailey Institute of Inter-Racial Studies Limited (Beperk deur Garansie) - 'n maatskappy beperk deur garansie en sonder 'n aandele-kapitaal kragtens die Maatskappywet 1973 (Wet Nr. 61 van 1973).

DIAGONAL STREET

58 FM 10/8/79

Golds beat bullion

This week, golds by far outperformed bullion. During the past two weeks the gold price declined from $307,75 to a low of $282,70 — a decline of 8,1% — on Monday, when the trend was reversed. By Wednesday afternoon, the metal was fixed at $289 in London. In the same period the RDM gold index declined from 297,8 to 294,6 — 4,4%. Bullion's reversal caused a flurry of activity on the JSE, with London investors, who were hitherto net sellers, becoming net buyers on Wednesday. The financial rand had moved downwards, also helping matters. The FR's weakness was attributed to the recent lack of foreign demand for golds and, particularly, to the completion of General Motors' acquisition of R20m in the FR market. The lower rate did not entice much buying from the US and Europe, although one arbitrageur says there was some nibbling. It is believed that the ADR quota is sufficient to cope with current US demand for golds.

Overall, there appears to be a generally optimistic atmosphere among local brokers expecting the upward trend in bullion and golds to continue. After all, the shares and metal have experienced a long-awaited reaction and the stage is set for a further period in which the bulls are likely to dominate.

On the local scene, institutional investors appear to be coming back into the market, particularly after the attention devoted to the Southern Sun and the Sasol issues. Normally, institutions are a cautious crowd, often looking after "widows and orphans" funds, but they appear to have had a change of heart and some are now prepared to buy golds. And, it is about time. The yields being offered by the top flight gold mines are often three times those of blue chip industrial stocks. For instance, Vaal Reefs is on a 12,4% prospective yield if it can increase its final to 250c after paying a 190c interim. Compare this to an impeccable industrial such as Barlows, currently on a 5,6% prospective yield and likely to pay a 24c final for a 36c total, putting the share at 591c on a 6,1% prospective yield.

One pension fund manager believes that if the Standard Bank's belief that the balance of payments is likely to turn into a deficit (excluding gold receipts) in the first quarter of next year, it is on the cards that share prices will decline shortly thereafter. This is a classical situation for a bear market. So, who is going to buy Barlows at current prices?

However, the reversal in the trend in long-term gilts and semi-gilts may have increased the attraction of industrials. Certainly in the past week industrials have been buoyant. The RDM 100 rose from 315,3 to 321,5 by Wednesday and some analysts believe that if the present interest-rate trend continues, the index could reach 350 by the year-end, implying a not too far-fetched 10% rise. However golds could easily better this.

Des Kilalea

signposts

	Current	Week ago	Month ago	Year ago
RDM 100	319,0	315,3	303,8	257,3
% change on	—	1,2	5,0	24,0
P/E ratio	4,8	4,8	4,8	4,9
Div yield	7,4	7,5	7,6	8,4
UK FT Ind	466,6	484,2	475,7	507,0
% change on	—	2,7	—1,9	—8,0
P/E ratio	7,2	7,0	7,8	8,3
Div yield	6,9	7,1	6,6	5,3
US Dow Jones	859,8	846,4	850,3	889,2
% change on	—	1,6	1,1	—3,3
P/E ratio★	8,2	8,1	8,1	9,8
Div yield★	5,1	5,2	5,2	4,7
Gold price (in US $ on London)	283,9	298,9	291,1	206,8
% change on	—	—5,0	—2,5	37,3
Krugerrand (Rand)				
Public selling price	273,3	284,8	282,0	206,9
% change on	—	—4,0	—3,1	32,1

★ Standard & Poor Index.

Public buying price in 10% below, subject to negotiation.

BRISTOL

Not ship-shape

FM 10/8/79

Activities: *Property investment group. Holding company (54%) is Sher family-controlled Textile & General.*

Chairman: *J Sher.*

Capital structure: *10,3m ordinaries of 12,5c. Market capitalisation: R1,9m.*

Financial: *Year to February 28 1979. Borrowings: long and medium term, R2,8m; net short term, R290 000. Debt:equity ratio: 75,3%. Current ratio: 0,2. Net cash outflow: R93 000.*

Share market: *Price: 18c (1978-79: high, 22c; low, 9c; trading volume last quarter, 178 000 shares). Yields: 9,4% on earnings; 15,6% on dividend. PE ratio: 10,6.*

	'76	'77	'78	'79
Turnover (R000)	473	495	502	507
Pre-tax profit (R000)	260	250	309	230
Earnings (c)	2,2	2,0	1,8	1,7
Dividends (c)	1,5	1,5	1,5	2,8
Net asset value (c)	47	43	43	43

Thirty-three years ago Bristol Industrial Corp was listed to perform industrial and property functions "similar to those performed in SA by a mining house in respect of mining companies." Last year the company started writing the epitaph on that attempt — it started paying back shareholders their money. Not from profits, which have been meagre for some time, but from retained earnings.

Now no more than a rent-collecting agency, Bristol almost doubled dividends to 2,8c a share last year by dipping into reserves.

Many of the company's properties have purchase options granted to the tenants. During the year one of the properties was taken up giving a surplus of R26 000. Between now and 1981, properties which cost Bristol R1,9m may be sold for R2,4m — a small gain on purchase price but probably a considerable discount to current market values.

It is this company policy of paying out as much as possible which is straining cash flow, but with a 3,6% gross return on capital employed, any money funnelled out of the company is money well used.

Gearing is high but is unlikely to have any of the normal benefits for shareholders as poor management decisions in the past tied too many of the properties to long-term, low-escalation contracts. Sales under option, cover to a large extent, long- and short-term borrowings.

Minority shareholders should use this month's agm to question the company's continued existence — break-up could be more profitable. In the meantime the share's major attraction is for the technical traders able to catch the ups and downs.

Ian Muil

GENERALLY ACCEPTED ACCOUNTIN

APPLIED EXAMPLES

QUESTIONS

DEFERRE

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FS DEVELS

Mineral rights

Activities: *Investment ... group with investment ... metals. Holds mineral ... OFS. JCI and group ... 49,3% of the equity.*

Chairman: *B J Jackson*

Capital structure: *3,6m ... 50c. Market capitalisation ...*

Financial: *Year to June ... cash: R242 000. Current ...*

Share market: *Price ... high, 285c; low, 130c ... last quarter, 109 000 shares ... 9,2% on earnings; 5,9% ... Cover: 1,6. PE ratio 10,...*

'76

Investments:	
Book value (Rm)	4,3
Market value (Rm) ..	8,4
Investment income (R000)	443
Earnings (c)	5,3
Dividends (c)	9
Net asset value (c) .	232

Management is clearly satisfied with the balance of FSD's portfolio. ... there were no sales, while ... rikander Lease, 10 000 ... and 4 000 Rooiberg were added to the ...folio. At the same time, to take advantage of potential tax-free capital gains, almost the entire holding of Rustenburg ords was switched into the deferreds.

At year end, golds comprised 47% of the portfolio's market value. Dividends from golds showed a healthy increase of 78% over the previous year, accounting for R289 000 of the total dividend income of R763 000. Except for the Samancor investment's contribution, which fell by R25 000 to R137 000, dividends from all other mining stocks advanced.

For the moment the portfolio seems well balanced. But with bullion's advance the speculative attraction of the mineral rights has increased. Though the board has nothing concrete to add on them, prospecting options held by Jeannette on adjacent farms have been extended. Eventually, it seems likely that at least some of them and Jeannette will be incorporated into a greater FS Geduld.

During the year, JCI advanced a further R734 000 to jointly-owned Jubilee Prospectors, increasing that company's loan capital to R1,5m. The R734 000 was used by Jubilee to subscribe for 3% of an issue of R10m in equity and R10m of convertible loans issued by Consolidated Metallurgical Industries. Jubilee holds 3% of CMI.

Chairman Basil Jackson tells *FM* that CMI is now profitable following two years of losses since inception. Whether or not this means that FSD will exercise its options by 1982 to take up JCI's 50% of Jubilee remains to be seen. At present, this would cost almost R1,7m and exercising the option could be a major restraint on FSD's distributions.

In general, there is probably little to choose between the share and others in the sector. Turning the mineral rights to account is probably some years off but, unless gold collapses, they add speculative appeal. Dividends will advance this year, but investors might find direct investment in gold producers more profitable.

Edward Hung

FS DEVELS
gearing up to ...

881

...rt against the taxable
000? Draw up the
erral method is used.

...t the company has a set
) 000 in 19.8.

the 19.8 financial year

b) deferral method

Assume the tax rate remains 42%

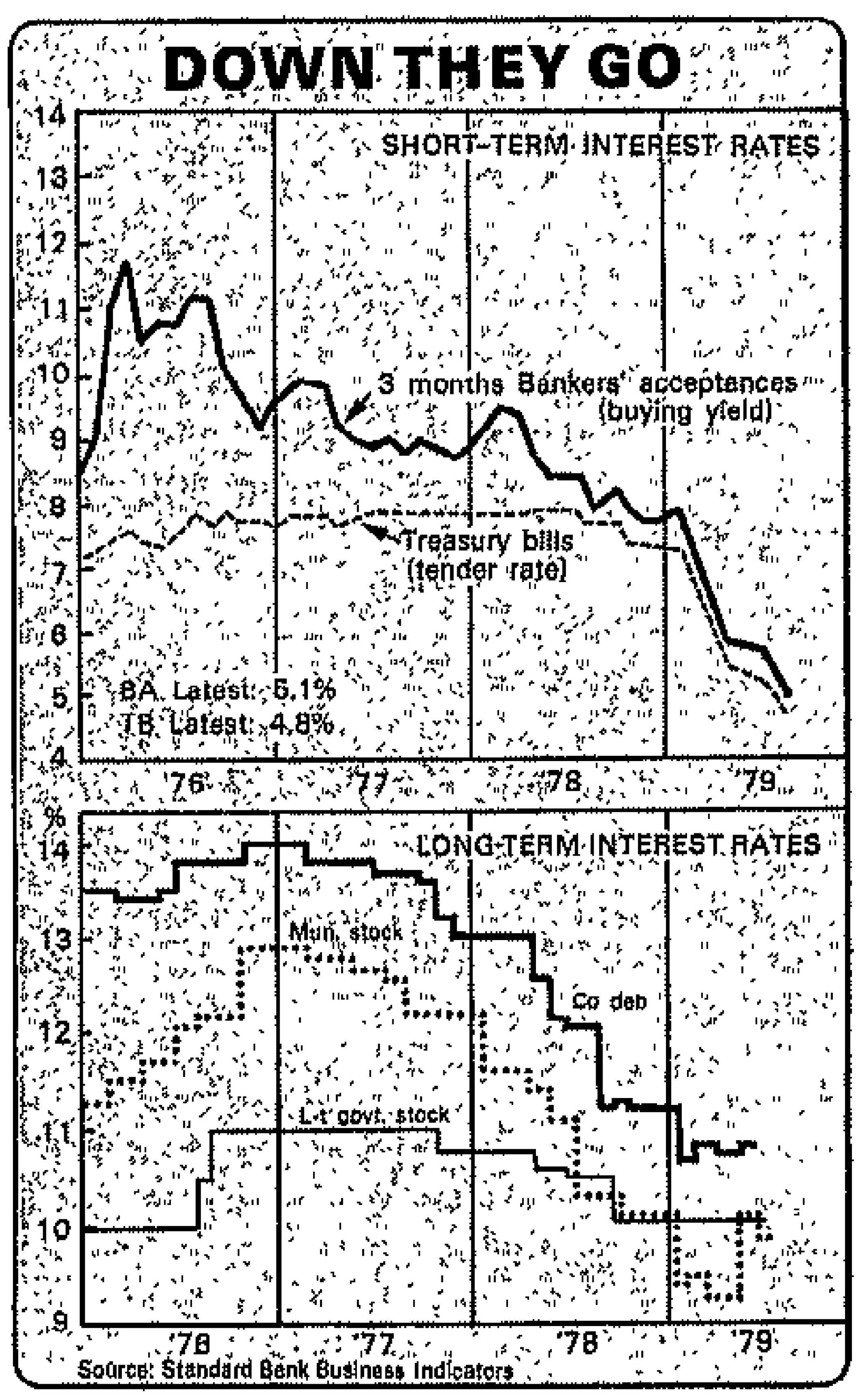
(58) FM 10/8/79

INTEREST RATES

Where's the bottom?

Short-term interest rates took another sharp tumble this week, following the 18 point drop in the Treasury Bill tender rate. The bottom may not yet have been reached.

TBs are down to 4,80% while three-month bankers' acceptance and NCD rates have fallen to about 5,10%. The discount houses have chopped call rates to 4,7% and most banks have cut call and short-term deposit rates by 0,5%: banks now pay only 3% for call money on amounts over R250 000.



Money brokers attribute the plunge to the continued build up in liquidity during most of July and early August. Besides the R125m pumped into the market by government stock redemptions, liquidity was boosted by the Reserve Bank's financing of Land Bank paper for maize crop purchases, balance of payments inflows and the pick-up in government spending.

For the first time since October 1977, the discount houses needed no Reserve Bank accommodation over the July month end. Reserve Bank sales of short-dated paper during the past two weeks, estimated at R40m-R50m, have done little to mop up liquidity.

Not surprisingly, money market experts anticipate no major shortfalls at the end of August when gold-mine taxes of R400m-450m fall due. And some operators foresee no significant liquidity shortfall before mid-1980.

In its latest economic forecast, Standard Bank says "short-term interest rates are expected to continue easing until October/November 1979 because of the likelihood of substantial increases in liquidity." The bank adds that "the market should tighten over the November month-end, and remain persistently tight throughout December and the first quarter of 1980". But "the second quarter of 1980 should once again see an easier trend," although rates "will probably not fall to the same low levels experienced in October/November 1979 . . . By this time the symptoms of the cyclical upswing will begin emerging with some strength."

Brokers point to an anomaly in the current pattern of short-term rates. Even after Wednesday's 0,5% cut in fixed deposit rates, building societies still pay 7% on one-year deposits, compared to the 5,9% offered by the banks. Many institutions are thus offloading their surplus millions on to the societies.

Even capital market men who predicted a few months ago that the tighter market would continue for some time, report signs of easier long-term rates. As Standard Bank says, "rising liquidity within the institutions and falling money market yields have prompted investors to return to the capital market on an increasing scale."

The average trading rate on Escom stocks has eased from around 10,1% in mid-July to 9,85%. Returns on long-term RSA stock have softened from about 9,6% to 9,45%.

But some gilts traders, while forecasting a further easing in long-term rates, caution that there is not much downside potential. In its forecast, Standard Bank says capital market rates "can be expected to ease during the third and fourth quarters of 1979, but will probably bottom out in the first quarter of 1980. Thereafter they are expected to harden until the end of 1980."

PURCHASING OFFICE

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BUILDING SOCIETIES

58

Cryptic comments

fm 10/8/79

Finance Minister Owen Horwood's provocative remarks recently on the future role of the building societies were discussed at a meeting this week between Registrar of Financial Institutions, Wynand Louw, and the chairman of the Association of Building Societies, Roy Canning.

According to building society managers, Horwood's claim that societies need to carry out a "fresh appraisal" of their aims, created some confusion. "We just hadn't expected a statement of this sort at the function (celebrating the SA Perm's achievement of R2 billion in assets). We were unsure whether he was chastising us for having moved too deeply into the banks' traditional territory or whether he was giving us licence to define our own limits," observes one executive. Others were worried that the statement was a sign that the authorities plan a restriction on the number of building societies.

Louw replies that there was nothing sinister in Horwood's speech. "The Minister wasn't referring to anything specific," he reckons. "The speech should be seen in the light of the De Kock commission, which has been instructed to look into all matters of this kind. It is just that a situation has arisen which requires some decisions. But it is a situation — not a problem." Indeed, he adds cryptically, most organisations are fairly satisfied with the role of the societies, but the future course of the movement needs a new assessment.

Association of Building Societies director David Alston agrees that the squall caused by the Minister's speech was "a storm in a teacup." The meeting with Louw on Monday has opened the door to later discussions with the De Kock commission, he adds.

Roy Canning . . . please explain, Mr Horwood

A freed Mitchell faces trial in SA

Suns Times 12/8/79

58

By RIC WILSON

FORMER Assocom president Richard Mitchell, who stole R2-million in travellers' cheques, will be a free man in three months' time.

But as he emerges from the Swiss prison which has been his home, he faces immediate extradition for trial in South Africa and the grim prospect of another — perhaps even more severe — jail term.

The head of the SAP commercial squad, Brigadier Theo Scherman, said this week that the Swiss authorities had officially informed him that Mr Mitchell, 42, would be released in November.

He was given a three-year sentence by a Swiss court in August last year but he is due for remission for good behaviour.

Brig Scherman said all the necessary formalities had been complied with and the extradition procedure would automatically begin as soon as Mitchell had completed his sentence.

He said he did not expect any dispute with Switzerland over the matter.

"The Swiss have said they would consider our application for Mitchell's return to South Africa.

"They have said right from the beginning that they would recognise the extradition treaty.

"All the documents have been handed over and the next move is up to them."

Mitchell, former head of the prestige Johannesburg men's outfitters Levisons, is expected to fight the extradition request.

This means it will go to court in proceedings similar to the Rhoodie case.

Mitchell and a friend and business associate, Bernard Morris, plotted for more than a year to steal the blank travellers' cheques from Johannesburg post office.

They were arrested in Geneva shortly afterwards when they cashed some of them.

JAARVERSLAG

1978

SENTRUM VIR INTERGROEPSTUDIES
(Geregistreer as The Abe Bailey Institute of Inter-Racial Studies Limited (Beperk deur Garansie))

Posadres:
p/a Die Universiteit van Kaapstad
Rondebosch
Republiek van Suid-Afrika
7700

Kantooradres:
Leslie Social Sciences Building
University Avenue

Die Sentrum word grootliks gefinansier deur die Abe Bailey-Trust wat ingevolge die testament van Sir Abe Bailey gestig is. Dit is geregistreer as The Abe Bailey Institute of Inter-Racial Studies Limited (Beperk deur Garansie) - 'n maatskappy beperk deur garansie en sonder 'n aandele-kapitaal kragtens die Maatskappywet 1973 (Wet Nr. 61 van 1973).

Disappeared

Morris, who is also wanted by police in South Africa, was given an 18 month suspended sentence and expelled from Switzerland.

"Morris has just disappeared — but we are still interested in him," said Brigadier Scherman.

"He has not returned to South Africa, as far as we know.

"He would be arrested if he did.

"This is one of the things we want to talk to Mitchell about.

"Perhaps he can tell us where we can find Morris."

Brigadier Scherman said he would probably send an escort to Switzerland to fetch Mitchell once his extradition was confirmed.

During his trial in Geneva, Mitchell said he stole the travellers' cheques because of the "deteriorating" political situation in South Africa and the sight of many of his friends either leaving the country or getting their money out.

His wife Marlene, who is still living in their Hyde Park, Johannesburg, home, is holidaying on the Greek islands with friends.

Her mother, who is looking after the couple's two adopted children, said she did not know if Mrs Mitchell planned to visit her husband in prison.

SQUAT[...] The Star [...] THE VELD

13/8/79

Banks likely to cut prime rates, say analysts

(58)

By Stephen Suckley

The South African Reserve Bank's cut in the bank rate to seven percent from 7,5 percent will lead to a reduction in commercial banks' prime overdraft rates by possibly the same amount, according to analysts.

This will make money cheaper to borrow but this may lead to the financing of price increases.

According to one analyst, the reduction in the bank rate in itself does not really mean a great deal but is just an indication to the individual banks that they should revise their overdraft rates.

DECLINE

The latest move by the bank follows the rapid decline in money market rates over the past few months but should not be seen as an indication that the authorities are condoning further falls in rates on the market.

In fact, according to one analyst, the Government is not keen to see further falls in money market rates.

Once the banks bring their rates into line with the general trend of rates on the money market, businesses will be more inclined to take up extra money.

But as yet consumers have not started to spend. And before this happens analysts would expect further stimulatory measures in the economy like the removal of the loan levy and other fiscal measures.

Banks so far have not reacted to the reduction in the bank rate by lowering their overdraft rates but according to sources in the banking industry the position is being assessed.

Friday's treasury bill tender which drew applications totalling R137,01m saw the rate drop a further eight points to 4,72 percent.

DECLINING

This rate has been declining fairly rapidly in recent months and analysts are looking for a bottoming out around the four percent level.

There is a great deal of money around, which is conducive to further falls in short-term rates.

Cape Times

Crossroads dwellers welcome new plans

8 April **Staff Reporter** 1979.

AT a mass meeting yesterday, Crossroads residents welcomed Dr Piet Koornhof's plans for their resettlement as a promise of new hope for them and their children.

The joint committees of Crossroads convened the meeting to explain the implications of Dr Koornhof's statement to residents.

Dr Koornhof, the Minister of Plural Relations, last week announced plans to resettle most of the 20 000 Crossroads residents in a new township to be built between Nyanga and Guguletu.

Mrs Regina Ntongana, chairlady of the women's committee, said the residents had put their trust in Dr Koornhof to do as he had promised.

"Everybody was so excited because at least they now know what is going to happen to them. Since 1975 we have struggled with no results and now there seems to be some future for us and our children."

Weekend newspapers welcomed the minister's proposals in their editorials.

Rapport commented that "full marks can be awarded to Dr Koornhof for his handling of the Crossroads dilemma. He chose to allow human considerations to prevail instead of rigid ideology."

CROSSROADS

The way out?

13 April Financial [...]

The policy implications of the Cabinet decision on the future of the Crossroads squatter camp are puzzling — not least that they appear to contradict what is happening in other parts of the country, such as the East Rand, where the houses of squatters in Daveyton were summarily demolished last week.

But if what the *FM* has been told is correct — and not simply a public relations exercise designed to still criticism over what has become a closely-watched international issue — the policy implications could be far reaching. Final judgment on whether government has had a change of heart, however, must await publication of the Riekert report.

Although Plural Minister Piet Koornhof stressed that Crossroads was a once-off *ad hoc* solution to a delicate human problem — to be accompanied by measures "to prevent similar ones from arising in future," the manner in which he tackled it suggests that he has succeeded in convincing the Cabinet that a new approach is necessary to reconcile irresistible forces of urban pull, rural push on the movements of people with nationalist political ideals.

Some people believe that the method of the Crossroads settlement indicates that the Cabinet may have decided in principle to dump the old Verwoerd M C the concept of male migrant labour, and to opt instead for a policy accommodating migrant labour family units. Such a decision can become policy without amending legislation.

Big if

Contract migrant family units can be accommodated by making greater use of section 10 (1) (d) of the Urban Areas Act so that employers would have access to this category of labour only if they could provide housing. This, however, is a very big if.

One of the decisive issues that clinched Koornhof's Crossroads settlement was a firm undertaking from Cape employer groups that they would help control black labour accretions to the urban areas by not only adhering to the existing provisions, but by getting involved in the provision of housing, where necessary.

In view of the high cost of capital relative to owner occupiers' ability to pay, it is clear that the Cabinet will soon be up against another fundamental decision.

If private domestic and foreign sources of capital are g[...] housing develo[...] permit departi[...] public sector ho[...] site-and-service[...]

In his Cr[...] Koornhof was [...] Cabinet colle[...] Steyn, to agree [...] vement in settl[...] between Nyang[...] from his state[...] agreed to this, [...] the people of C[...] to build houses [...]

Although C[...] can supply sub[...] more expensi[...] probably be m[...] site and-service[...]

The Urban [...] have $7,5m or[...] banks, with the[...] if needed, at ra[...] ditional upo[...] Clearly, this sc[...] resettle the pe[...] they are give[...] government gu[...]

A site-and-[...] tenure is clear[...] government re[...] qualify for forei[...] hurdle, therefo[...] promise between the 99-year leasehold scheme and the tough opposition of the Cape Nat caucus to extending the long lease policy to the Western Cape. It is reliably understood that efforts are to be made to get members to accept a 40-year leasehold scheme for the region.

Although it may yet turn out that the Crossroads settlement will not be without a price — tougher application of influx control and the pass laws, etc — it is significant that luminaries like General Mining's Wim de Villiers and Dr Piet Meyer, of the SABC, have been urging policy shifts away from paternalism over urban blacks to "more realistic and egalitarian community patterns" in which workers and their employers and the institutions could be allowed to determine their own solutions to housing problems.

Greater private sector involvement (including owners) in black housing development would remove yet another source of unproductive allocation of [...]

[...] townships or in other squatter camps. Clearly, 2 575 erven at the new Crossroads township will not accommodate all the African heads of household and their families who fall into the "qualifying" categories mentioned by Koornhof. Will they be sent away?

The unofficial answer seems to be that if they have jobs and a reasonably long and crime free track record of residence in the Western Cape, ways will be found of fitting them into the settlement plan.

[...] THE VELD

[...] 4 April 1979

[...] their shacks demolished by police, slept [...] began putting up their shacks yesterday

[...] "Phumlamqashi" by the squatters was demolished [...] Police and the East Rand Administration

[...] the police took away the corrugated iron [...] of the squatters was left in the open veld. [...] for the squatters told POST yesterday that [...] go on Tuesday night and they had to spend

[...] the police have destroyed our homes. Unless [...] as possible, we are not leaving "Phumlam-

[...] provided with accommodation by good Samarit- [...] veld."

[...] "Phumlamqashi" until the East Rand Admi- [...] accommodation," he added.

[...] their only problem at the moment was getting

[...] "mqashi" most of the squatters were busy erect- [...] kinds of material.

[...] said they slept in the open veld.

[...] moves by the thousands of homeless families [...] he was questioned by four Security Policemen. [...] shanty town

[...] of the board Mr S J van der Merwe said: [...] Sunday evening that certain persons had [...] adjoining Daveyton

[...] Daveyton met on Monday, April 2 and adopted

[...] East Rand Administration Board for the promise [...] move away peacefully.

[...] those concerned, and of a visit by the de- [...] Mosloo MP on Monday, April 2, when he also [...] of the Management Committee of the Davey- [...] led to assist the squatters on Tuesday April 3, [...] residence"

[...] squatters co-operated and the entire re-trans- [...] Strict instructions were given that the re- [...] amount of inconvenience to those concerned

[...] to any person who squats after the above re- [...] terms of the relevant legislations. The possi- [...] sed by one or more persons is being investi-

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Times 10 April 1979

[...]: STATE[...] [...]ITS [...]ME'

[...]ourt Reporter

[...]AL statements from [...] dealing with the [...]vention exercise at the [...]ds squatter camp last [...] handed into the Wyn[...]ast Court yesterday

[...]atements were handed [...] the inquest into the [...]r Sinde'e Ndiela who [...]dead during an exer[...]ptember 14, resumed

[...]ng to Sergeant Pat[...]ry, who fired a shot at [...] Mr Ndiela had thrown [...] at him and Mr Ndiela [...] a dune towards him in [...] ning manner

Yesterday Sergeant Edward Norman another member of the patrol said he and other members were asked to make statements about the events leading up to the police withdrawal at a parade some days after the exercise at Bishop Lavis police station.

He said that he had written his statement on his own and had later signed a typed copy.

He said he had not offered any help to anyone else in the writing of their statements nor had he received any in the writing of his.

In his statement, Sergeant Norman said he had gone to Crossroads in a platoon commanded by Warrant-Officer Louis Albertus Botts and that after coming under a stone attack, he had withdrawn.

He said he had heard a shot but had not seen the shooting.

It was then put to Sergeant Norman by Mr G Bizos, for the Ndiela family, that his evidence concerning the statements was totally wrong.

Sergeant Norman was asked whether he had assisted four other policemen with the writing of their statements or whether they had helped him.

When he said no, the statements of the four other policemen were compared to his and he agreed that except for different names, identity numbers and one word which differed in some of the statements, they were exactly the same as his.

Earlier in the day, the second in command of the riot squad on the night of the exercise, returned to give further evidence about the exercise. (Another exercise was made on September 6.)

Arrests made

When the hearing was adjourned in January, Captain Hewitt Wright was asked to return with details of the arrests made during the two exercises.

He told the court that on the first exercise 513 people had been arrested in connection with alleged pass violations. Five other people had been arrested on other charges.

He said on the second exercise 411 people had been arrested on pass offences and 86 on other charges. Of those 77 were arrested for attending an unlawful gathering.

The hearing continues today.

Mr G A De [...] is on the Bench. Mr S Schock is leading the evidence. Mr A Ch[...] S[...], assisted by Mr G Bizos instructed by Ma[...]inick, Bess, Bohman, [...] and Company, is appearing for the Ndiela family. Mr J Swart is appearing for the Minister of Police and/or members of the police.

Communities

58

Rate cut, but no drop in mortgage payments

Argus 13/8/79.

Argus Correspondent

PRETORIA — Home-owners hoping for a drop in mortgage repayments following the weekend cut in the bank rate are in for a disappointment.

Building societies are unlikely to drop either deposit or lending rates after the 0,5 percent cut.

'There is a limit to which we can cut deposit rates,' said Mr David Alston, director of the Association of Building Societies. 'If we are to cut mortgage rates, we would have to cut deposit rates.

MANY MORE

'We have a responsibility to both our investors and to our borrowers and there are many more investors than borrowers. We dropped our fixed deposit rates on Thursday and we cannot see our way clear to making further adjustments,' he said.

'We cannot continue to penalise loyal investors and the rates on our four types of shares are unlikely to change,' he said.

All the societies' rates were cut when the bank rate was last cut in March. But on the previous occasion, in February, they dropped deposit rates without altering the mortgage rate.

Commercial banks are expected to drop both their overdraft and deposit rates today.

A spokesman for the Post Office said today the interest rates on savings accounts would remain the same.

Govt action needed to boost growth — Nedbank

Star 14/8/77 (58)

If the Government is still looking for a growth in real gross domestic product of four percent in the current year then it can be expected that some action will be taken to compensate the reduction in personal disposable income.

This is the view expressed by Nedbank in its latest Economic Round-up covering the broader trends in the economy.

PETROL PRICE

The bank says tax concessions to individuals as announced in the Budget probably would have been enough to increase real private consumption expenditure during the year to a level more than three percent higher than in 1976.

But the most recent increase in the price of petrol has changed all this. This disposable income will suffer because the rate of inflation is likely to be 2.5 percent higher than it would have been.

Individual consumers will now spend less and if nothing is done to offset the negative effect of petrol price rises then real G.D.P. will not rise by much more than 2.5 percent.

And, the bank adds, the Government is not left with many short term means to compensate with. The most feasible would be the early repayment of the 1976/77 loan levy which amounts to R130m.

Also the loan levy which is presently being paid by individuals could be abolished but it would take about three months before benefits would be felt in pay cheques.

The bank says not much can be expected before the next budget but the combined effect of earlier and more recent rises in export earnings together with the concessions in the recent Budget should impart some momentum to the economic upswing.

It believes however that the monetary environment should remain conducive to growth.

The balance of payments is in good shape and the state of Government finances bodes well for next year's Budget.

Covering broad trends the round up concludes that for all these reasons the mood should improve and the economy can grow faster next year.

o) Ander lede:

Mnr K. Rosman

Mnr H.W. Middelmann

Friends (Quakers) en van die American Friends Service Committee deurgebring. Hy het 'n aantal konferensies in verskillende dele van die land bygewoon, baie vergaderings toegespreek en senior beamptes van die Carnegie Corporation, van Community Relations Services van die Departement van Justisie van die Amerikaanse regering, van die American Friends Service Committee en kollegas verbonde aan verskeie universiteite besoek.

Gedurende Augustus en September het die Direkteur Engeland, Nederland, Switzerland, Swede, Israel en Zambië besoek. Hy het vooraanstaande joernaliste, Suid-Afrikaanse diplomate, senior amptenare van die Suid-Afrika-Stigting en verskeie regerings betrokke by Suid-Afrikaanse belange ontmoet. Hy het besprekings gevoer met stigtings, trusts en opvoedkundige verenigings. As gevolg van sy besoek aan Nederland het hy 'n toelae vir die Konstruktiewe Program ontvang van die Algemeen Diakonaal Bureau van die Gereformeerde Kerken in Holland.

Professor J.L. Boshoff, ere-Fellow van die Konstruktiewe Program, het met 'n aantal instansies, wat universiteite in Natal en Transvaal insluit, en met verskeie handels- en industriële firmas in Natal, kontak opgebou.

(b) Konferensies

Gedurende 1978 het die Direkteur die volgende konferensies bygewoon:

Jaarlikse Konferensie, Nasionale Uitvoerende Komitee- en Raadsvergadering van die Suid-Afrikaanse Instituut vir Rasseverhoudinge, Kaapstad (Januarie).

Suid-Afrikaanse Jaarlikse Vergadering van die Religious Society of Friends, Stutterheim (April).

Negende Wêreldkongres van Sosiologie, Uppsala, Swede. Verhandeling voorgelê in Werkgroep 6 en vergaderings bygewoon van die Raad van die Internasionale Sosiologiese Vereniging as die amptelike afgevaardigde van Suid-Afrika (Augustus).

Star 14/8/79 (58)

Bank rate cuts welcomed

By Jean Moon

"At a time when inflation is public enemy number one the reduction in bank lending rates [illegible] with efforts to reduce [illegible]" says Dr Conrad Strauss, [illegible] of Standard Bank.

Dr [illegible] the Clearing Banks' [illegible], says bank [illegible] got out of line with [illegible] lines of credit available to prime borrowers.

"[illegible] percent [illegible] with [illegible] to five percent.

Nedbank, Barclays Trust Bank and Standard have all adopted a new prime overdraft rate of 9,5 percent. The date at which the new rates will become effective have been staggered between August 16 and August 24.

A [illegible] Barclays has made an announcement on a reduction in its deposit rates [illegible] with [illegible] be reduced from [illegible] to 8,5 percent and [illegible] rates will be [illegible] in line [illegible] rates [illegible] be reduced by 0,5 percent.

The [illegible] has welcomed the [illegible] the drop in interest rates is likely to

'Fighting public enemy Number 1'

encourage additional long-term equity investment. Yields offered by many shares are far higher than those now obtainable from banks and building societies.

Good [illegible] are expected in the near future.

The short supply of scrip will be aggravated which in turn will force share prices even higher.

Householders hoping for a drop in mortgage rates are likely to be disappointed.

"We have a responsibility to both our investors and to our borrowers," says Dr [illegible] Alston, director of the Association of Building Societies. "And there are more investors than borrowers."

"Fixed deposit rates were cut on Thursday and there is a limit to how much they can be reduced by. We cannot see our way clear to making further adjustment."

Mr Alston feels [illegible] investors cannot be further penalised and rates for the four types of shares are unlikely to change. He points out that the societies' rates were cut along with the bank rates [illegible] the previous occasion in February, societies dropped deposit rates without altering the mortgage rate.

Standard Bank announced this morning that reductions for borrowers enjoying rates in excess of the prime rate would be made selectively depending on their credit tradition, but the interest rate applicable to virtually every Standard Bank Revolving Credit account would be reduced by 0,5 percent.

This move would ensure the benefit of the rate reduction was not confined solely to the corporate sector.

The new Standard Bank deposit rates concerned are: Special saving (Plus Plan) five percent, 185 days notice six percent, six to 11 months fixed six percent, 12 to 23 months fixed seven percent, 24 to 35 months fixed 7,5 percent, Standard Bank Card five percent. The ordinary savings bank account, usually conducted by the smaller depositor, will continue to bear interest at 5,5 percent.

Riot insurance causing problems

Star 17/8/79 (58)

The Government's political riot insurance scheme is still causing insurance men problems. Anomalies have not been ironed out and further administrative difficulties have been added, say brokers.

A pool of insurance companies known as the South African Special Risks Insurance Association was established by the Government earlier this year to cover damage caused by political strife.

Purpose of the cover was to fill the gap between conventional insurance against loss or damage to possessions (including vehicles) and that provided by the Government under a fund which may be established in terms of the War Damages Insurance and Compensation Act.

Criticism against the riot cover include:

- Blacks pay a premium that is five times higher than that of whites.
- Coloured and Indian premiums for insurance cover are three times higher than the rate for whites.
- Businessmen with offices in cities pay the same premium as industrialists whose premises are often close to townships.
- Occupants of blocks of flats in which shop-owners are also tenants pay the same premium for cover against damage to their possessions, while other flatdwellers pay a quarter of the premium.
- Holders of all-risks policies only pay a premium that is four times higher than that of holders of householders' policies.

19/8/79

Sunday EXPRESS **Property** EDITED BY TERENCE MEYER

Building societies' chiefs head for conference in SA

58

MORE THAN 100 of the world's leading building society and savings and loans associations executives will arrive in South Africa later this year for the annual meeting of the International Union of Building Societies to be held in Johannesburg.

The executives will represent organisations collectively worth hunderds of billions of rands in assets, and the union's decision to hold the meeting here is considered a major achievement for the local movement.

Local association director David Alston tells the Sunday Express that there has not been an international meeting here since 1959, and the agreement to hold this year's conference here is a major breakthrough.

The annual conferences don't attract as many delegates as the union's trienennial congresses (usually about 3 000 delegates), and the movement hopes it will someday again be given the opportunity of hosting an international congress.

South Africa has the fourth largest building society movement in the world after the US, Britain and West Germany, Alston points out.

In most other countries, home loans are made by all sorts of institutions including the banks, which dilutes the relative importance of their building societies.

The International Union has about 774 corporate members worldwide, representing hundreds of thousands of empoyees and investors, says Alston.

The association has opted to tie in this meeting with a high-level symposium scheduled for October 18, this year.

JAARVERSLAG
1978

SENTRUM VIR INTERGROEPSTUDIES
(Geregistreer as The Abe Bailey Institute of
Inter-Racial Studies Limited
(Beperk deur Garansie))

Posadres:
p/a Die Universiteit van Kaapstad
Rondebosch
Republiek van Suid-Afrika
7700

Kantooradres:
Leslie Social Sciences Building
University Avenue
Groote Schuur Campus

Telefoon: 65-4145; 69-8531 Uitb. 766

INLEIDING

Gedurende die eerste nege jaar van sy bestaan het die Sentrum vir Intergroepstudies gereeld 'n jaarverslag oor sy werksaamhede gepubliseer. Om die Sentrum se 10de verjaarsdag op 1 April 1978 te vier is die jaarverslag in 1977 vervang deur 'n Oorsig oor die Eerste Tien Jaar.

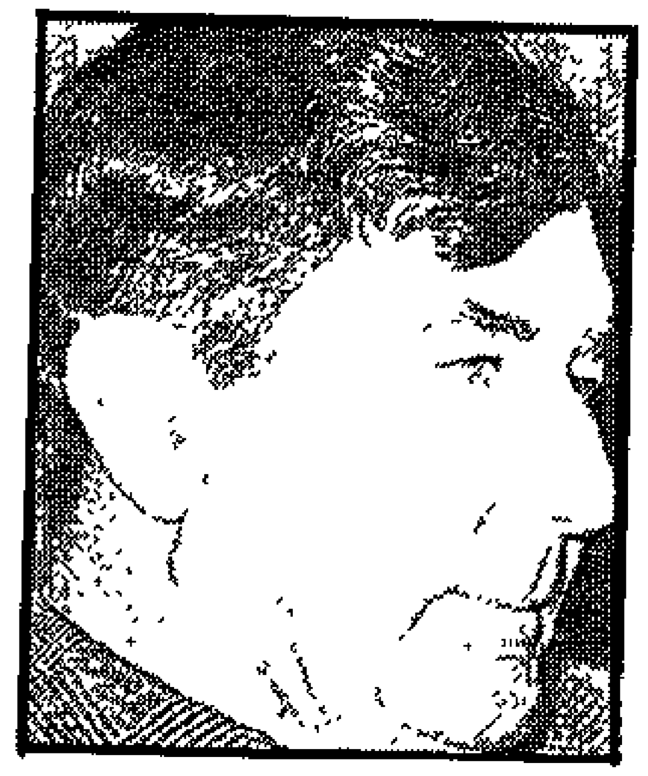
DIE OORSPRONG EN DOELSTELLINGS VAN DIE SENTRUM

Die Sentrum word grootliks gefinansier deur die Abe Bailey-Trust wat ingevolge die testament van Sir Abe Bailey gestig is. Dit is geregistreer as The Abe Bailey Institute of Inter-Racial Studies Limited (Beperk deur Garansie) - 'n maatskappy beperk deur garansie en sonder 'n aandele-kapitaal kragtens die Maatskappywet 1973 (Wet Nr. 61 van 1973).

Sunday EXPRESS Business

Hedge your gold bet warns economist

WHY DR CLOETE DISAGREES WITH



SENATOR HORWOOD ABOUT THIS ...

AN 18 carat row on the future of gold blazed this week as Barclay's chief economist, Dr Johan Cloete, warned that Government could no longer afford to stake the country's future on indefinite high bullion prices — and Senator Owen Horwood predicted $1 000 an ounce by the end of the century.

Some leading stockbrokers reflected Dr Cloete's mid-term prophecy of a dive for the gold price with their expectation that the metal would soon settle at $280 — down from last week's top $301.

Other brokers reacted vehemently to Dr Cloete's argument, predicting that $400 an ounce was on its way.

Unrepentant, Dr Cloete told Business News: "We have been extremely lucky — if it hadn't been for gold and other mineral exports, our growth rate would be down to minus four or five per cent.

"Frankly, most of our domestic policies have been disastrous and we have very little control over the gold price.

"Yet plenty of people in Pretoria take credit for our lucky break on gold, but our good fortune is bad luck for others and we cannot expect them to do nothing about it," he said.

"My view is not in immmediate terms, but we must expect a new US monetary stance to come to terms with the continuing depreciation of the dollar against gold and what could be a serious recession," he said.

By DEREK TAYLOR

Finance Minister Sen Owen Horwood told the Natal National Party congress, this week, that the gold price was linked in ratio to the price of crude oil and would stay in that ratio.

His theory: the gold price moved in a ratio of 10 or 15 to 1 against the barrel price for oil.

Right now, said the Minister, the gold price was still low in terms of this ratio and would continue rising.

By the end of the century, gold could reach $1 000 an once, he told the congress.

Dr Cloete's four reasons for covering our bets on gold:

- The adverse impact on the dollar of continuing US current account deficits and the latest oil increase has now been largely discounted in the 115% rise in gold between August 1976 and the end of 1978, together with the further 36% increase to the end of July this year.
- Short term money and credit rates are high in the US following the Federal Reserve discount rate increase to a 10% peak. This, with a general anti-inflationary tightening of the US money supply should bolster the dollar.
- With the dollar's heavy depreciation against other leading currencies over the past few years, harder currency countries can be expected to start rescue operations for the dollar — to prevent a constantly eroding dollar from threatening their competitive position against American goods in the international market.

Added to this is the fact that the US is less dependent on oil imports than its two greatest export rivals, Japan and West Germany, which should also prompt these countries to give significant help in supporting the dollar.

- The American economy appears to be on the brink of what could be a serious recession — such a recession or even fears of it should strengthen the dollar by reducing oil imports and thereby slowing down further Middle East oil price increases.

"Thus there are good reasons why a continued depreciation of the dollar — or, conversely, a continued increase in the gold price — cannot be taken for granted.

"On the contrary, after rising more or less continually for three years, it is probably realistic to expect a fairly sharp retreat in the gold price as well as other commodity prices in the near term future — especially if a marked slowdown and even recession should develop in the industrialised countries under the impact of oil prices and renewed inflationary pressures everywhere," he said.

Gold's jump after the 1973 oil price rise was followed by deep recession and measures to combat it in the US — in response to the dollar strengthening, gold dropped sharply by 54% in eighteen months.

Bank rate cut won't hit top banks' profit

BARCLAYS' and Stanbic's profits will not be hit by the cut in the Bank rate which is leading, in turn, to lower overdraft and other bank lending rates, according to their managing directors, Bob Aldworth and Henri de Villiers, respectively.

In addition, both report a big improvement in foreign exchange earnings, which were previously devastated by the inadequate implementation of the De Kock Commission's recommendations exchange rate policy.

Normally, when the Bank rate is cut, commercial banks like Barclays and Standard are not easily able to reduce the cost of their deposits to the lower income from overdraft rates, resulting in lower earnings margins for the banks.

There are two reasons for this. One is that the overdraft rate cut is immediate, while deposits have to mature before the interest rate the banks pay on them can be reduced.

Another is that the larger commercial banks have about 30% of their total deposits in the form of current accounts, on which no interest is paid but which are expensive to administer.

These costs, too, cannot be easily reduced to coincide with a sudden drop in income from overdrafts.

The consequent squeeze on margins might have been expected to have been greater at present as the banks have said that lower lending rates will apply to all borrowers and not just those few borrowing at prime overdraft rate.

Some banks, like Nedbank, are less vulnerable to this type of squeeze because they depend to a larger extent on the money market, rather than depositors, for their loanable funds.

On the other hand, a bank like Volkskas would, theoretically, be more vulnerable because it depends to a larger degree on depositors for its funds and only very recently began to operate in the money market to any significant degree.

Barclays and Stanbic foresaw changes

It does, however, have a stable base of relatively cheap savings deposits to provide it with something of a cushion.

But Mr Aldworth explains that Barclays foresaw the Bank rate cut and shortened its deposit mix in advance. So even the commercial bank will be able to recoup interest lost on overdrafts, especially as money market rates have fallen extensively.

Barclays has just completed a study indicating that, because of advanced action, group profits will not be affected. Standard expects much the same finding.

An investor buying these shares buys the group, so enjoying also the usually beneficial result of falling interest rates on other banks in the group that lend on a fixed term basis and will not suffer an earnings loss until these loans mature.

But those banks that have a greater proportion of interest-free deposits than the others, may not emerge unscathed if there is another bank rate cut, especiallyif it were greater than 0,5%.

Both Mr Aldworth and Mr De Villiers report foreign exchange profits recovering nicely, thanks to wider margins and greater volumes in recent months.

Mr Aldworth is more enthusiastic than Mr De Villiers, saying forex profits last month were "very near the all time pre-De Kock record." This suggests Barclays has increased market share after the shakeout.

Stanbic's results last week indicated that banks have had a very good run. There is more to come. The banks have bought NCDs and other instruments in the money market at very low rates, while their lending rates have fallen less dramatically.

In addition, bad debt provisions have plummeted. So one would expect results for the next year to be very good, even though demand for credit is low. Standard's advances rose only 8%, which was a decline in real terms.

Now borrowing from banks is cheaper, credit demand should revive, especially if consumer spending is given a further boost Bankers want massive tax cuts to get the economy moving.

The banks also want the credit ceiling lifted. There is certainly no justification for the ceiling at the moment and Reserve Bank Governor Bob De Jongh is expected to raise it soon.

Mr Aldworth says Barclays has frequently been over its ceiling recently and paid the fine.

"When you have advances of R3 000-million and changes of R100-million a day it's not easy, when you aim at being fully lent, to control advances and keep them narrowly under the ceiling."

If the base of the ceiling were lifted 5%, Barclays' lending capacity would inrease R100-million, Mr Aldworth reckons. The banks' capital surplus would allow even greater lending.

Another point is that a great deal of bank group lending has been done through hire purchase and leasing subsidiaries that operate in markets where margins are wider (especially if their cost of deposits is averaged within the group) and where the vulnerability to sudden interest rate declines is much less.

The inference seems to be that the highly rated banking sector will continue to demand a premium in the market and that relative ratings will not change significantly.

22/8/79 DM

Banks' credit ceiling raised by 4 per cent

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DR DE JONGH

JOHANNESBURG — The governor of the Reserve Bank, Dr T. W. de Jongh, does not appear to be overly happy with the state of the South African economy.

His mood was evident in his annual address yesterday when he said: "There is certainly no obvious solution for the problems which confront South Africa at the moment."

He defined the problem: to attain a higher economic growth rate and consequently a lower unemployment rate under conditions of a high and increasing inflation rate and possible balance of payments problems.

Dr De Jongh has certainly tried to make his contribution to ease the problem. He has raised the banks' lending ceiling by 4 per cent and has made other adjustments to bankers' capacity to lend.

These concession will make about R350 million of new bank credit available from the end of the month.

It would seem that the easing of the restraints on the banks is more a psychological gesture to try to encourage investment and expansion than an actual stimulant because as Dr De Jongh noted: "There is substantial room within the ceilings for credit creation by the banking system as a whole — and considerable credit can also be created under concessions granted outside the ceilings".

He had taken this step because money supply had not increased excessively in spite of a strong rise in bank credit to the private sector and because some banks had been experiencing ceiling problems.

It was obvious that Dr De Jongh had some misgivings about making more credit available if it was not used constructively.

At one point in his address he appealed to banking institutions to ensure that the additional credit given by them would be used for the expansion of real economic activity.

And later, he added, it was essential that the high measure of liquidity which already existed now work through to production and not become tied up in share and land speculation as in 1968/69.

As in past years, Dr De Jongh expressed himself strongly on the inflation problem. He made three points:

- A high and increasing inflation rate did not promote growth and could even impede it seriously because of the detrimental effect it had on consumption and investment.
- It created expectations of rises rather than decline in long-term interest rates.
- The persistence in a country of a higher inflation rate than those of its trading partners would inevitably adversely affect its trade balance with those countries

Dr De Jongh said he would be neglecting his duty if, "in the light of the threatening danger of inflation, I did not warn against the idea of growth at all costs".

Turning to gold, he said there appeared to be less reason now than in 1975 for a sharp decline in the gold price.

Dr De Jongh said there was room for optimism about the long-term prospects for the metal, but in the short-term the price could fluctuate considerably.

Commenting of Dr De Jongh's address, the president of Assocom, Mr R. J. Wood, said the association shared the basic analysis given by the governor on the prospects and problems facing the South African economy at present.

"Assocom agrees with the Reserve Bank that, although high inflation is damaging to the growth potential of the economy, the inflation is of the 'cost push' type and not the result of excess demand.

"We therefore believe the present policy of growth with financial discipline is the correct one and that our economic performance can only be improved through the implementation of constructive economic policies."

— DDC-SAPA.

Hierdie projek is 'n paar jaar gelede aangepak. 'n Ondersoek onder die kleurling bevolking van die Kaapse Skiereiland is onderneem. 'n Aantal tydelike navorsings-

erican Friends Service
'n aantal konferensies in
bygewoon, baie vergader-
ptes van die Carnegie
tions Services van die
e Amerikaanse regering,
e Committee en kollegas
eite besoek.

het die Direkteur Engeland,
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ste, Suid-Afrikaanse dip-
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nale Uitvoerende Komitee-
e Suid-Afrikaanse Insti-
Kaapstad (Januarie).

ergadering van die Religious
erheim (April).

osiologie, Uppsala, Swede.
Werkgroep 6 en vergaderings
bygewoon van die Raad van die Internasionale Sosiologiese Vereniging as die amptelike afgevaardigde van Suid-Afrika (Augustus).

SUNDAY TIMES, Business Times, August 26, 1979

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Tory money policies facing a severe test

By CLIFFORD GERMAN: London

THE stringent monetarist policies of the Conservative Government in Britain face a tough test in the next six months.

The unions are limbering up to fight for pay rises of 20% to 30% when the next wage bargaining season gets under way in September, and traditional Conservative supporters in industry and commerce are becoming increasingly critical of the government's attitude.

In the past week, both the Confederation of British Industry, the main manufacturers' organisation, and the London Chamber of Commerce, which represents business as a whole, have complained that official policies are squeezing profits through a combination of high interest rates and a strong pound, which makes exporting unprofitable.

Meanwhile, employers are left to negotiate pay rises with their labour force without any guidelines or official support if employees threaten to strike.

So far, the situation has not become critical. Demand has been sustained by a consumer spending boom which is only just coming to an end, and stock market confidence has been sustained by the belief that the government will relax monetary policy and cut interest rates before the industrial situation gets too ugly.

The market gambled on a relaxation at the end of June, but did not worry too much when interest rates stayed high. Now the optimism is building up again for another test of nerve.

The Bank of England dislikes the controls on bank lending which inhibit free competition, but is committed to maintain the controls and reinforce them with dear money on government orders until bank lending comes under control.

It will be another three weeks before the next figures appear, and if they are inconclusive, the authorities will have to decide whether to call off the tough policies, or hold on until October. If they wait too long, the government could find both unions and employers united against them, with only a handful of political and economic theorists on their side.

One of the problems of basing policy on statistics is that no statistic ever reflects a single simple trend. Bank lending to individuals is already plunging as the consumer boom comes to an abrupt stop and high interest rates begin to bite.

But companies are still having to borrow heavily because profits are being squeezed, and it will take much longer for their borrowing to start falling.

The job of slowing the growth of the money supply is also complicated by high interest rates which are still bringing more money into Britain and holding the pound at least 20% above its "real" worth.

op [illegible] die huidige ampsdraer is Biskop A.W. Habelgaarn. Terwyl geen verpligtinge aan lede opgelê word nie, word hulle geraadpleeg in verband met sake wat die Sentrum se program raak.

NAVORSING

Gedurende die verslagjaar het die navorsing van die Sentrum die volgende behels:

A. Mobiliteit en Politieke Verandering in Suid-Afrika

Hierdie projek is 'n paar jaar gelede aangepak. 'n Ondersoek onder die kleurling bevolking van die Kaapse Skiereiland is onderneem. 'n Aantal tydelike navorsings-

Gedurende 1978 het die Direkteur die volgende konferensies bygewoon:

Jaarlikse Konferensie, Nasionale Uitvoerende Komitee- en Raadsvergadering van die Suid-Afrikaanse Instituut vir Rasseverhoudinge, Kaapstad (Januarie).

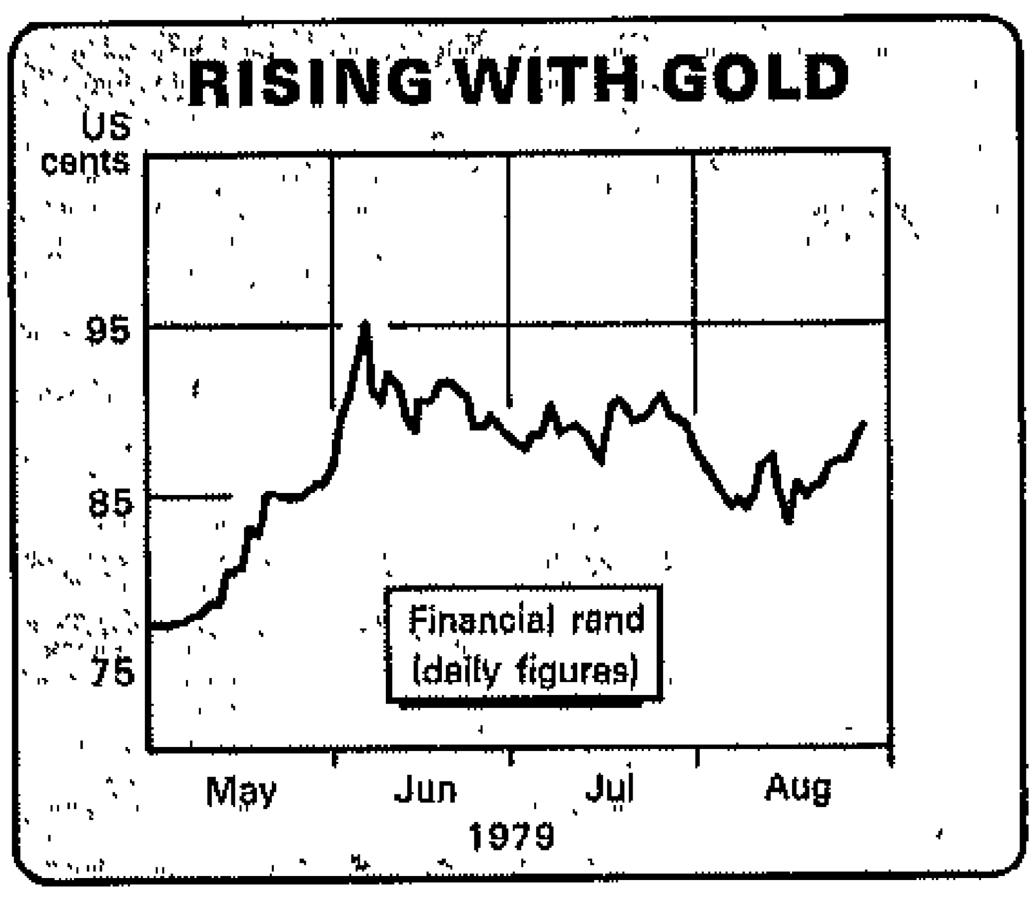
Suid-Afrikaanse Jaarlikse Vergadering van die Religious Society of Friends, Stutterheim (April).

Negende Wêreldkongres van Sosiologie, Uppsala, Swede. Verhandeling voorgelê in Werkgroep 6 en vergaderings bygewoon van die Raad van die Internasionale Sosiologiese Vereniging as die amptelike afgevaardigde van Suid-Afrika (Augustus).

significant quantities.

In diamonds, investors are likely to welcome the CSO's announcement of a 13% price hike on large stones. De Beers, which has suffered from its stodgy first half performance, rose 10c to 870c on Wednesday.

The market reacted favourably to the sparkling set of results from the Anglovaal group of industrial companies, showing that it is still receptive to good news Holding company South Atlantic put on 20c to 220c by the close on Wednesday; Steelmetal was 15c harder at 250c buyers; Consol added 10c to close at 625c on its excellent results and T W Beckett registered a 5c gain to 235c. Elsewhere in the Anglovaal stable, I&J remained unchanged, despite the 28,5% increase in dividend to 9c as investors continued to digest the thought that the group is becalmed following large increases in the costs of operating its fishing fleet and distribution arms.

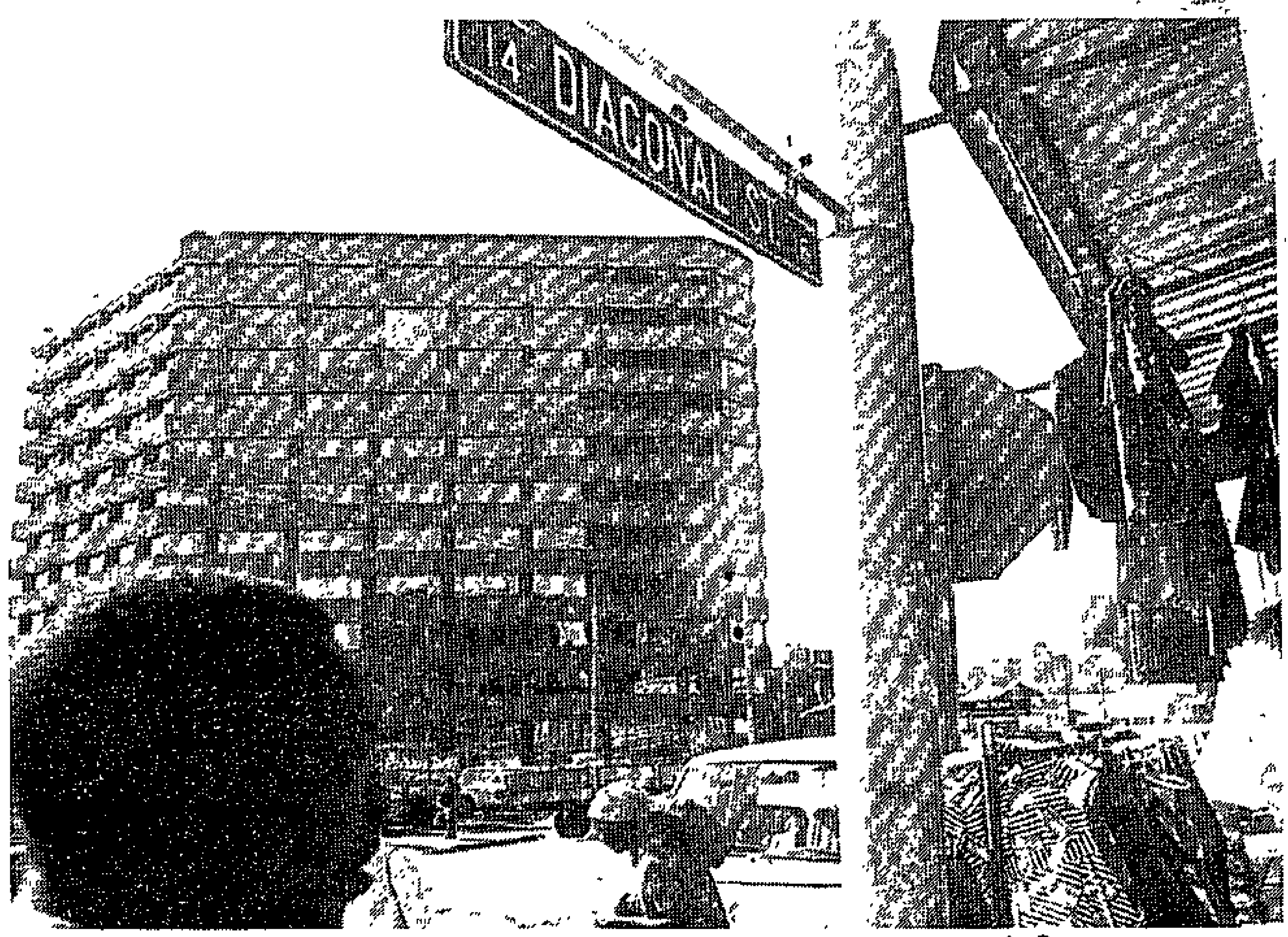


Friday's $30 platinum producer quote rise to $380 will not reflect in Rustenburg's results for the year to end-August. Even so, following Impala's substantially better results, Rustenburg seems to fully discount near-term prospects.

On the back of capacity being increased to 1,2m oz this year, operating profits next year are set for a solid rise, but dividends could be tempered by heavier capex commitments. With the balance sheet a lot cleaner, the company could pay a 20c final putting the share on an 8,4% prospective yield.

In industrials, SA's first gambling stock, Southern Sun, brought a flurry to the market on Wednesday, when it appeared on the board for the first time. Dealers clamoured for stocks following a 195c opening price. However, stags prevented the share trading higher than 205c, before it moved back to close at 199c. The interest shown in this stock is reflected in the 839 000 shares traded. Brokers expect this share to continue to forge ahead with the stags out.

Peter Pittendrigh



Diagonal Street . . . is it running out of top quality scrip?

88

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VII DISEASES OF THE CIRCULATORY SYSTEM

	W M	W F	A M	A F	C M	C F	B M	B F
0-1	0,51	0,33	1,10	0,21	1,80	1,59	0,13	0,10
1-4	0,05	0,06	0,02	0,10	0,15	0,17	0,02	0,04
5-24	0,07	0,06	0,09	0,10	0,14	0,17	0,11	0,13
25-44	1,09	0,44	1,31	0,70	1,54	1,27	0,73	0,78
45-64	9,75	4,44	14,76	10,70	10,33	8,25	4,61	5,01
65	42,19	32,93	55,30	47,72	43,12	40,90	13,55	14,21
ALL	4,70	3,81	3,22	2,25	2,74	2,69	1,14	1,20
NO.	9752	7926	1135	804	3114	3140	2390	1921

VIII DISEASES OF THE RESPIRATORY SYSTEM

	W M	W F	A M	A F	C M	C F	B M	B F
0-1	2,90	2,22	7,81	4,85	32,20	28,78	13,54	14,15
1-4	0,22	0,28	0,90	0,69	5,32	5,45	2,46	2,13
5-24	0,05	0,06	0,17	0,11	0,21	0,23	0,18	0,16
25-44	0,20	0,12	0,37	0,33	0,94	0,72	0,66	0,52
45-64	1,46	0,92	3,33	1,85	4,88	2,14	2,75	1,72
65+	11,52	7,89	16,51	13,42	20,07	10,49	9,32	6,19
ALL	1,12	0,97	1,22	0,79	2,87	2,22	1,37	1,24
NO.	2336	2019	430	282	3270	2588	2858	1951

(58) 31/8/79

DIAGONAL STREET

(58) FM 31/8/79

Turnover gallops

As gold pulled back from its all-time \$316,75 high of Tuesday, golds retreated. Besides signs of an overbought situation in golds, US investors pulled in their buying on news of a lower than expected \$1,1 billion trade deficit. But following Wednesday's gold fix decline to \$314,75, by midday New York was back as a net buyer again. Paris, however, continued as a net seller. The feature of the week was high turnover. The JSE's computer registered a record of R5,7m in golds, metals and minerals alone, of which R4,5m was gold, on Tuesday. Underlining local demand, Monday's R5,4m mining turnover was largely on local buying as US buying was low and London was on holiday. But they estimate that arbitrage easily exceeded these volumes.

The correction in golds was expected to continue for few days on profit taking. But, with US investors back in the market, golds soon moved up again. The RDM gold index closed at 337,6 on Wednesday, 18,1 up on the week.

But, if brokers have assessed the market correctly, there is sure to be a scramble for golds early next week. Certain analysts believe this is the start of a second-phase bull market which is likely to match the 1974 situation.

Increased overseas buying has been reflected in the strengthening financial rand which traded up to US 88,5c on Wednesday. Arbitrage brokers expect this trend to continue as foreign investors re-enter the market in golds as the bull trend becomes more evident.

Three recent events point to a bouyant industrial market. The Sasol issue has emphasised that institutuions are awash with cash — far more than was realised. And, in the last month, Iscor increased its loan stock issue to R60m at 9,96% after the lists opened closed on Tursday. This was a 21-year stock. Escom stock rate has dropped dramatically from 10,3% to 9,7%.

Analysts believe interest rates will continue to decline until the middle of next year. This should result in a switch from the shorter-dated and building society stocks to long-term gilts, semi-gilts and industrial shares. Furthermore, there is now a shortage of short-term paper. Industrials should start to look increasingly attractive as gold and platinum shares rise. Currently yields on golds are still inordinately high in relation to industrials, but the gap is narrowing. So the bull market in golds should rub off onto industrials.

Industrials should also be helped by the increased interest being shown in the market by the man in the street. Although brokers still assess this interest to be low at some 25% of the total market volume, individual interest is growing Certainly, volumes have increased strongly lately. In the last week, turnover in industrials, exceeded R2,4m on three days. The RDM 100 fell to 345,8 on Wednesday.

Institutions appear to be settling for high-yielding second rankers and blue chips as stocks become available. One investment manager tells the *FM* that

more paper is becoming available. However. there is still a shortage of mining financial scrip.

For instance, Middle Wits is expected to come out with strongly improved results shortly and the underlying portfolio by far outweighs the 600c share price.

Another mining financial offering good value is Anglovaal, but here too institutions are unable to lay their hands on

P.T.O.

signposts

	Current	Week ago	Month ago	Year ago
RDM 100	348,8	348,3	315,3	262,4
% change on	—	—0,4	10,0	32,2
P/E ratio	5,3	5,3	4,8	5,0
Div yield	6,8	6,8	7,5	8,2
UK FT Ind	464,8	464,6	454,2	505,8
% change on	—	0,1	2,3	—8,1
P/E ratio	7,2	7,2	7,0	8,4
Div yield	7,0	7,0	7,1	5,3
US Dow Jones	884,6	886,0	846,4	880,2
% change on	—	—0,2	4,5	0,5
P/E ratio★	8,5	8,5	8,1	9,9
Div yield★	4,9	4,9	5,2	4,8
Gold price (in US \$ on London)	314,9	302,6	298,9	204,3
% change on	—	4,1	5,4	54,1
Krugerrand (Rand)				
Public selling price	303,4	288,1	284,8	199,6
% change on	—	5,3	6,5	52,0

★ Standard & Poor index.
Public buying price in 10% below, subject to negotiation

P.T.O.

(58) 31/8/79

(58) FM 31/8/79

BANK QUARTERLIES

Leasing in the lead

Judging by the banks' latest quarterly returns, the bigger groups are relying heavily on leasing, hire purchase and merchant banking licences to generate new business.

In the 12 months to June, four of the big five experienced particularly slow growth in normal commercial advances. Nedbank's 14% jump in lending was substantially above the growth of the other four. Volkskas's and Trust's lending grew particularly sluggishly, reflecting the slackness in demand for credit from virtually all sectors, except borrowing by individuals.

THE BIG JUMP

(Leasing & hire purchase)

	Rm	% change★
Stannic	635	28,3
Wesbank	477,5	39,4
Nedfin	227,4	11,7
Santam	202,1	52,9
Bankovs	118,9	—
Boland	97,2	30,0
Volkskas Ind	47,4	90,4

★ June 1978-June 1979.

Bankers point out that at a time of high liquidity and falling money market rates, commercial bank advances are dented by busy grey market activity. Large companies can often borrow more cheaply on the grey market than from banks, even at prime rates.

A feature is the marked increase in NCDs issued by banks. As money market rates have eased, banks have taken the opportunity to buy in cheap funds. At the

WHO'S AHEAD?

	Cheque deposits Rm	NCDs Rm	Total deposits Rm	Risk lendings Rm	Capital† surplus Rm	Capital‡ ratio %
Barclays	1 027	218	3 438	1 869	23,6	6,7
% change★	12,1	—19	8,6	9,1		
Standard	887	180	2 819	1 420	0,7	6,0
% change	11,7	75,8	7,9	7,7		
Volkskas	546	35	1 921	798	6,9	6,4
% change	13,7	—	9,2	4,0		
Nedbank	233	142	1 367	537	16,9	7,1
% change	8,2	38,1	22,3	13,9		
Trust	115	114	1 047	751	—3,9	5,6
% change	16,1	51,7	4,1	4,2		

★ % change over June 1978. † Based on effective capital requirements at the end of the June quarter. ‡ Net paid-up capital and unimpaired reserve funds at June 30 as a percentage of total liabilities reduced by surplus liquid assets for June and 50% of remittances in transit.

same time they have lengthened the maturity of their liabilities, by buying 12 to 24-month deposits.

When the long-awaited economic upswing materialises, hopefully later this year and during 1980, and demand for credit firms, banks should also be able to take advantage of higher interest rates on their advances

In the 12 months to June, Standard pushed up its NCD issues by nearly 76% to R180m, while Nedbank and Trust, which rely more heavily on the money market for funds, also increased their NCD business substantially. Barclays was the only bank among the big five to reduce its NCDs, the reason being that it at one stage accounted for nearly 60% of all NCDs issued, and decided to shift some of these funds into fixed deposits.

Surge in acceptances

In sharp contrast to commercial banks merchant banks have posted hefty increases in their advances. The big two, Senbank and UAL, saw their acceptance facilities jump by 30% and 16,5%, while the smaller Volkskas Merchant and Standard Merchant pushed up acceptance business by over 90% and nearly 80% respectively.

With three-month prime acceptances now trading at below 5%, a large slice of the higher acceptance business is due to the switching of trade finance from foreign sources to the domestic market.

The most spectacular lending growth has taken place among banks involved in hp and leasing. Among the bigger houses, Wesbank recorded a 40% hike in its leasing and hp receivables (to R478m), while Stannic's book jumped by 28% to R635m, excluding business generated by Standard Bank Corporate Finance (previously UDC). If the latter is included, Stannic shows a 56% growth rate

Apart from Trust, none of the big commercial banks have had problems meeting their capital requirements. However, Trust's growth continues to be hampered by capital shortfalls, which amounted to R3,9m in June. In Standard's case, most of the surplus capital is held in the bank's holding company, Standard Bank Investment Corporation (Stannic), which means the individual banks within the group seldom show sizeable surpluses.

Since June banks have been subject to a ratio of capital to acceptance liabilities of only 6% (instead of 10%). This means that returns on acceptance business have become more attractive. The trend is particularly evident in the Nedbank group's latest returns

(59)

FM 7/9/79

DIAGONAL STREET

Bully for bullion

Caution, caution and more caution. That is the message on gold here and overseas But the time for caution may not be just yet. The reasons for gold's recent performance are quite clear to operators in US futures markets The smell of badly singed bear fur tells most of the story.

As gold advanced towards $300, and Volcker's strong-man image was built up by US publicists, the overwhelming trend in US futures markets was towards shorting gold. Trade in US futures had been so large that it had dominated the gold price. But the trans-Atlantic bears miscalculated the strength of the then less important spot market as did, it is rumoured around London, some Swiss banks.

So when Dresdner Bank scooped the last US Treasury auction pool — reportedly on behalf of Middle Eastern clients — spot shortages became particularly acute Futures operators who had been operating on margins of as low as 5% found that willy-nilly they were being forced to cover. Inevitably that boosted spot prices to such an extent that New York commission houses, which had allowed clients to trade forward on then-conservative margins of 15%-20%, started tightening the screws bringing in a further spate of short closures. In addition the Chicago Mercantile Exchange announced on Wednesday increased cover requirements for gold trading — adding to the bear squeeze.

So where does gold go from now? Not down near-term is the signal from overseas stock markets. Overseas gold share quotes accurately predicted the gold price breaks of last November and of 1975-1976 But they have yet to signal a break this time around

Currently there is considerable unsatisfied demand to be filled. Unsuccessful buyers at the Dresdner-dominated US Treasury auction last month are still in the market and unlikely to be satisfied by this Wednesday's 440 000 oz IMF offering

The Middle East is still heavily into the spot market as are industrial users in Europe. And if the widening premium of the Paris gold quote over London is anything to go by, a spate French buying could be round the corner. In that country, the vaunted Barre plan to control inflation was slated to have bitten by September.

It has not, and with inflation still on its merry way and prospects of widespread industrial unrest facing France this winter, gold is increasingly the safest haven. Couple that with expectations of some substantial Opec oil price increases this northern autumn, and no gold price let-up seems likely by the year-end

It is all very well for US interest rates to advance But any expected movement of funds into the dollar has yet to start. Though UK interest rates are holding steady, no-one who is into currencies wants to abandon the pound in favour of the greenback

Elsewhere, Hong Kong gold markets are reflecting increasing edginess over products of more hostilities between China and Vietnam as well as weakness of the Hong Kong dollar

Of course, once the last bear has been squeezed out, part of the pressure on the spot market will be released, with a consensus that gold will advance to the $340 area over the next couple of weeks before retreating to the $300-$310 range. Once that correction has been negotiated, however, the underlying bull trend is expected to resume, with a steady rise to the $340 range by end-December.

So what should investors do? The *RDM* gold index rose 11 6 points to 349.2 in the week to Wednesday, with activity especially heavy in the "marginal" mines They should maintain their upward momentum until bullion corrects and there are still profits to be made by short-term investors In this sort of environment, patience may be at a premium as investors scramble into golds But for investors who are looking towards the

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... expenditure data according to the objectives to which it is directed. Thus, projects to combat TB would be grouped together, geriatric problems, sanitation programmes, etc.

This is necessary:

(a) to know the cost of pursuing each objective;

(b) to group together activities with the same objectives which can be compared by cost-effectiveness analysis;

(c) to know the effectiveness of a given amount of money when spent on different objectives, so that choices can be formulated in ...

... practitioners are very apt to muddle the medical and economic arguments when it suits them, and the politicians and administrators equally so when it suits them, but the economist's concern is to keep them separate".[9]

Programme budgeting, then, entails the attempt at this separation, sorting out from the multiplicity of decisions those which can be made on the basis of administrative or economic, together with medical-technical criteria, and those in which the role of the public through political

DIAGONAL STREET

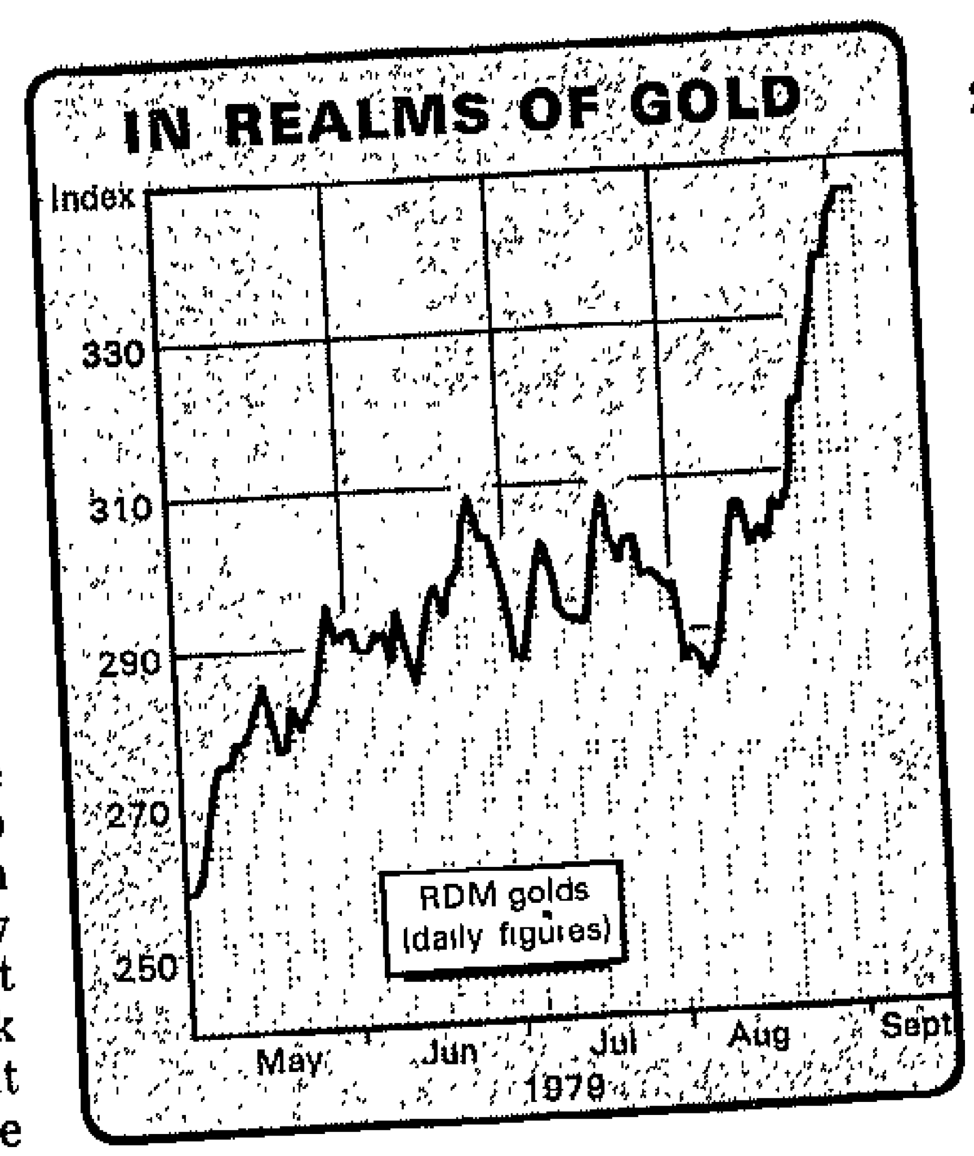
to be satisfied by this Wednesday's 440 000

year-end, best advice might be to hold back purchases until gold's expected correction bites — and then climb in.

Two US brokers, Drexel and Hutton, were paying fancy prices for Harmony for Cape delivery. But on the whole, overseas interest was mixed with neither sellers nor buyers getting the upper hand. One arbitrageur points out that the dealing was mainly jobbing with little investment interest being shown. The FR rate rose to US 89,3c and dealers are expecting a stronger increase to 100c.

Locally, investors also appear to have stayed away, leaving the trading floor to jobbers. Short sales started to crop up on Monday as investors took a bearish view on bullion. One bear sold Grootvlei short at 390c on Monday of the previous week and another short sale was registered at 450c on Tuesday this week. Could it have been the same bear hedging his bets when the price advanced on the back of the higher gold price? Grootvlei traded at 465c on Wednesday, up 100c on the week. But even at this price the share is on a prospective yield of over 20%. A short sale was also registered on East Drie at 1 670c.

Other golds on higher-than-average yields are St Helena, Western Holdings, Leslie and President Steyn — all with September year-ends. With the exception of Blyvoor, Buffels and Harmony, the shares with December year-ends are on lower yields with investors climbing aboard for the next dividend. Certainly,



more investors are recognising the value of golds.

On Thursday last week, as investors scrambled for mining stocks, turnover rose to R5,8m. This was followed by R5,1m on Friday. This week, trading has not been as hectic but, as the smaller investor made his presence felt, turnover in the mining sector approached R5m. Despite higher bullion, some investors have become reticent, probably awaiting a stronger rise above $330. Again arbitrage is estimated to have at least equalled the volumes registered on the JSE computer.

In coppers, Messina rose from 183c to 215c and Botrest 10c to 65c following an advance in the London copper price. On Tuesday, copper wire bars were trading at £957/t on the LME, up £52 on the week. Palamin traded 40c higher at 1 040c.

A feature of the industrial market was the decline in Powertech to 110c after moving up to 125c on Friday on rumours that it was negotiating a controlling stake in Asea. The rumour has so far been denied. Southern Sun continued to attract attention and traded between 209c, and 212c on Wednesday, after closing at 199c the previous week.

By contrast, Uniewyn, which traded at 93c on take-over expectations declined further to 70c after SA Breweries was prevented from making a bid for control by the government. A counter bid has not been forthcoming from Remgro, despite some pretty strong rumours. But brokers feel such a bid appears unlikely as it could unnecessarily embarrass the authorities.

After an indifferent set of results, Hugh Parker rose a surprising 13% to 34c on the week.

As expected, turnover in industrials was buoyant. on Thursday last week turnover of R3,6m was recorded and the rest of the week did not lag far behind. Industrials appear to becoming more attractive in the face of declining interest rates.

Overall, market turnover almost reached R11m on Thursday and Friday last week.

Peter Pittendrigh

LOCAL BORROWING

(53) FM 7/12/79

Nice 'n easy

The Reserve Bank has quietly eased the restrictions on local borrowing by foreign controlled firms, in line with the De Kock commission proposals. Though there has been no change in regulation 3if, a Church Square spokesman says it is now being "applied less strictly". The De Kock commission suggested a more flexible application of the regulation in cases where "expanded business activity and employment are best financed by local borrowing."

Exchange control restricts the local borrowings of a company which is entirely controlled by non-residents to 25% of its total effective capital. Where there is some SA participation, the limit may be increased on a sliding scale. But the authorities have the right to amend these limits in particular cases. Bankers are not aware of any unusually large borrowings in SA by foreign-owned firms. Says one: "We know of a couple of cases where exemptions have been granted, but then the exchange control authorities have always had that right." Says another: "The authorities seem to have been a little easier on the oil companies because of the increased prices they face."

Even with the low interest rates prevailing in SA, financing expansion by borrowing domestically may not be as attractive as bringing in new money at a discount through the financial rand. One of the earlier users of the financial rand was Volkswagen. Says financial director Adam Bage: "From a group point of view, the financial rand was a very attractive vehicle for financing capital expansion." VW bought its FR at an average discount of more than 30%. Adds Bage. "We have never had an application for local finance turned down by the authorities. But we have always done our homework; our requests have been reasonable and within the prescribed limits."

INTEREST RATES

Wary of a hiccup

(58)

FM 7/9/79

How far from the bottom are long-term interest rates? Following the hiccup in rates from May to July this year, when long-dated Escom stocks were traded up to around 10,1%, these rates have since slipped back by between 40 and 50 points. Some traders now think that, as soon as the Escom rate falls through the 9,5% mark, anything between R40m and R80m worth of stock could be offloaded by institutional investors.

According to one stockbroker, this point could be reached in early October. However, other traders reckon a significant turnaround in long-term rates is unlikely before November this year, or perhaps even March next year.

Over the short term, asserts one merchant banker, "the market is convinced rates will fall further." Since short-term rates are becoming less and less attractive, he adds, institutional investors are switching out of short- to medium-term stocks into longer-dated paper. Some of the major unknowns which previously held back investors, such as the Sasol issue, are now known, thus generating more confidence.

However, those traders warning of a reaction in the next couple of months point to sizeable volumes of stock held by banks and some of the larger money market operators, few of whom are final investors. One banker confirms that large chunks of recent primary issues have been taken up by banks themselves with a view to selling before the next upturn.

One of the bigger stockbrokers trading in gilts reckons there is "very little by way of a speculative overhang" in the market at present. Most investors, he thinks, are buying to hold because they foresee a steady liquidity build-up coping adequately with capital demand for some time to come.

Over the longer term, agree traders, it is unlikely interest rates will continue falling after April or May next year. For long-dated Escoms, 9,25% is seen as the bottom. If the inflation rate persists at its current high level, institutional investors are likely to show less enthusiasm for fixed-interest securities; instead, say capital market experts, the discretionary portion of their cash flows could increasingly be channelled into property and equities.

Market liquidity also depends crucially on the gold price, which indirctly affects government's borrowing requirements. According to one analyst, government will need to borrow around R1,4 billion in 1980 to redeem existing loans. Add to this the R600m or so that other public sector borrowers are expected to siphon off, and total public sector demand next year could top R2 billion. Measured against institutions' expected cash flows for 1980, long-term interest rates "certainly won't fall very much," he concludes.

Financial Mail September 7 1979

the cost of raising the necessary funds has to be taken into account. The funds themselves are already justified by comparison with the alternative methods of provision, but there are ad... raising them: interest on loans, or administ... of raising taxation. These are normally ins... project, but may affect the overall amounts a... budget.

Where the methods of providing a given servic... sources in different proportions, the decisio... by means of Linear Programming, though health ... usually be presented in the simplified way re...

2. CHOICE OF PROGRAMMES

So far, we have discussed methods of choosing ... objective. But what tools are available to ... ives themselves? Can anything be said on th... to be given to particular diseases or age groups, whether to allocate more to child welfare clinics or care of the aged?

Overall criteria are needed, and they have to be expressed in such a way that they can guide these detailed questions. Essentially, the problem is not only to relate resources used to objectives achieved, but to relate the various objectives to each other.

There are various means of doing this; but all of them require that expenditure be accounted for by the ends it is expected to achieve.

2.1 Programme Budgeting

Programme budgeting, also known as budgeting by objectives, involves the presentation of expenditure data according to the objectives to which it is directed. Thus, projects to combat TB would be grouped together, geriatric problems, sanitation programmes, etc.

This is necessary:

(a) to know the cost of pursuing each objective;

(b) to group together activities with the same objectives which can be compared by cost-effectiveness analysis;

(c) to know the effectiveness of a given amount of money when spent ... ...t choices can be formulated in ... atric

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He adds:

"In practi... distincti... utilities ... question ... community ... whatever ... group? ... good thing ... the medica... politicians and administrators equally ... but the economist's concern is to keep them separate". [9]

Programme budgeting, then, entails the attempt at this separation, sorting out from the multiplicity of decisions those which can be made on the basis of administrative or economic, together with medical-technical criteria, and those in which the role of the public through political

Insurance cuts for motorists

Sun. Times 9/9/79 (58)

A MAJOR insurance company has substantially reduced comprehensive insurance premiums for private motorists — and its action may force other insurers to do the same.

By KEVIN STOCKS

The reductions were announced by Mutual and Federal Insurance Company because it anticipates cars will be used less, and there will be fewer accidents as a result of the low speed limits, the high price of petrol and the restricted selling hours for petrol.

Other insurance companies said they had no intention of cutting their premiums until figures proved a drop in the accident rate had actually taken place.

However, Mr Bill Lepann, deputy chief executive of the Automobile Association, pointed out that if one company began taking a disproportionate share of the market as a result of lower premiums other insurance companies would have no choice but to match its rates.

"On the other hand, the company concerned could burn its fingers badly if the accident rate does not fall and could be faced with hastily raising its rates again," he said.

Statistics

Mr Lepann supported the policy of the AA's official insurer, the AA Mutual Insurance Company, which has no intention of cutting its rates. The AA is represented on the company's board of directors.

A spokesman for the AA Mutual told the Sunday Times that very careful statistics on accidents were kept. The AA Mutual had no intention of cutting premiums until the statistics showed a cut was justified, he said.

Mr Lepann said that even if there were fewer accidents other factors, such as higher repair costs, had to be considered in setting insurance premiums.

A spokesman for Mutual and Federal, Mr Ken Fuller, admitted his company was taking a risk in cutting premiums in anticipation of a drop in claims.

Major firm leads way

"But we realise the private motorist is facing increasing costs and because of our prediction of a lower number of claims we feel we can at least offer him lower insurance costs," he said.

Mr Fuller said the amount of the reduction depended on the size of the car being insured. Basically the following reductions would apply for a driver living on the Witwatersrand:

- Small car: premium reduced from R149 a year to R113.
- Medium car: reduced from R187 to R142.
- Large car: reduced from R251 to R165.

Mr Fuller said the reduction applied only to private cars and not to company cars or cars used for business or professional purposes.

58
Star 8/9/79

69 boom back on JSE—but it's 'cool'

By Jean Moon

After burning his fingers badly ten years ago, the man in the street is back in the stock market — and trading last month moved way beyond the wild days of the 1969 boom.

In May 1969, trading totalled R338,4-million. Last month it was R579,5-million — meaning R241,1-million more was spent in transactions on the Johannesburg Stock Exchange than at the height of the boom a decade ago.

The August total was made up of R415,7-million in gilts, R163,6-million in equities, and R811 638 in Krugerrands.

The difference between 1979 and 1969 is that the small man who is climbing into the market now has learnt his lesson. He is far more astute than the fellow who mortgaged his home and ran up a huge overdraft ten years ago to get a share in the bonanza.

Today there is none of the wild buying with housekeeping money in the hope of making a profit in weeks. Investors study the companies they are buying in, and keep their shares for much longer.

Heavy buying by the public over the last two to three months has been prompted by the drop in building society and bank rates. This time people are investing money they actually have available.

Once considered a rich man's investment, Krugerrands have become a highly popular buy. Brokers began trading in the coins earlier this year.

JSE figures show that the man in the street bought 40,8 percent of the shares traded in July. Their value was 32,9 percent of the total.

The main difference between today's market and 1969 is the true value of shares.

For example, in May 1969 De Beers cost the equivalent of 1 120c and offered a yield of 1,2 percent on an earnings yield of 2,8 percent. At 900c today, De Beers has a 7,2 percent dividend yield and a 21,6 percent earnings yield.

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...ns gefinansier deur die Abe Bailey-Trust wat ingevolge die testament van Sir Abe Bailey gestig is. Dit is geregistreer as The Abe Bailey Institute of Inter-Racial Studies Limited (Beperk deur Garansie) - 'n maatskappy beperk deur garansie en sonder 'n aandele-kapitaal kragtens die Maatskappywet 1973 (Wet Nr. 61 van 1973).

ASPARAGUS TART

Sharon Young, Rondebosch

Crust:

1/4 lb grated cheese	1/4 lb grated butter
1/4 lb flour	1/2 t baking powder
salt	

Press together with hands, and press into baking dish.

Filling:

1 tin salad asparagus	2 T butter
4 T breadcrumbs	4 T grated cheese
2 cups milk	liquid from asparagus

Pack asparagus in the raw crust. Then breadcrumbs, then cheese. Make white sauce with the rest of ingredients. Cool. Beat 1 egg into it. Cool. Pour over. Bake for ± 25 minutes at 350°F.

---oOo---

CURRIED EGGS

Mrs W. Hayter, Sea Point

2 ...
3/...
1/...
2 ...
1 ...
sal...

Fry ... ha... rem... cu... ri... lea... for... the frying pan, add the diced app... and cook gently until soft. Add the curry powder, stir well, pour on the remaining stock and simmer until the sauce is thick and smooth. Test for seasoning. Add more water to the rice if it absorbs all the liquid before it is cooked. To serve, turn the rice into a dish, top with the hard-boiled eggs and pour the sauce over.

---oOo---

CHILLI CON CORNE

Martha King, East London

1 pkt Royco tomato vegetable soup	500 g minced meat
1 small tin baked beans	40 ml (2 T) cooking fat
5 ml (1 t) curry powder	250 ml (1 cup) water
	clove garlic, crushed

Fry the garlic in heated fat for a minute. Add the meat and fry lightly. Blend the soup powder and curry powder with water and stir into meat. Bring to boil and add baked beans. Cover and simmer gently for 30 minutes.

---oOo---

FLUFFY TOPPED BOBOTIE

Sharon Young, Rondebosch

1 - 2 medium sized aubergines (eggplants)	2 - 3 T chopped blanched almonds
1 - 2 large onions	Topping:
3 - 4 large tomatoes	6 T (1/2 cup) very smooth mashed potato
2 - 2 1/2 T oil	2 T thin cream
2 lbs meat from leg of lamb	3 eggs
1 t curry powder	1 - 2 T finely grated Parmesan cheese
seasoning	seasoning
1/2 pt (1 1/3 cups) brown stock	
bouquet garni	

Dice the aubergines (eggplants), the peeled onions and tomatoes and toss in the oil. Dice or mince the lamb and mix with the vegetables. Add the curry powder, seasoning and stock. Simmer for about 15 minutes, stirring well to mix the meat with the vegetables. Transfer to an oven-proof dish, add the bouquet garni and nuts. Cover the dish and cook in the centre of a very moderate oven, 325 - 350°F, ... mix well, turn into a buttered pie dish, sp... dot with butter. Bake in a quick oven till nicely brown.

---oOo---

CHEESE RING

Janet Brown, Ridgeworth

350 g flour	2 eggs
5 ml salt	125 ml milk
15 ml baking powder	250 g cheddar cheese cut into small cubes
125 g margarine	

Heat oven to 350°F. Sift dry ingredients together. Rub in margarine. Blend to dropping consistency with the eggs and milk. Fold in the cheese and drop into greased ring tin (approximately 20 cm). Bake for 30 - 35 minutes.

---oOo---

Bank's cure for slack economy

RDM 11/9/79

58

Financial Reporter

THE most effective way of promoting a higher growth rate in the South African economy would be a significant reduction in the inflation rate.

Second best would probably be government expenditure on black housing, thereby substantially boosting employment. Both methods would raise total real disposable incomes which is what the economy needs, writes Dr Johan Cloete, chief economist of Barclays National Bank in the latest issue of "Barclays Business Brief".

He states that with the inflation rate likely to accelerate even further, it will not be easy to maintain, let alone improve on, the current unsatisfactory growth performance of the South African economy.

It might be possible through fiscal and monetary stimulation and with the help of gold and other mineral exports to push up the growth rate moderately and in the short run. But any improvement in the growth rate in the prevailing situation is also likely to be accompanied by a further acceleration of the inflation rate.

Dr Cloete suggests that the crux of the problem currently facing the economy is how to raise real disposable personal incomes to a higher level and a sharp reduction in the inflation rate appears to be the most effective way of raising real disposable personal incomes and so consumption expenditure and the growth rate.

And the only way of reducing cost-push inflation without seriously damaging the growth rate is by persuading the main price setters in the economy to avoid excessive price increases and also to avoid granting wage increases in excess of labour productivity growth.

In the absence of a direct reduction of costs and of inflation through a prices and incomes policy, the only real alternative is through expansionary fiscal and monetary action — tax reductions (or subsidies), or an increase in government expenditure of the kind that has the least impact on inflation.

As far as raising real disposable incomes through tax reductions and subsidies was concerned, the hands of the Minister of Finance were largely tied until the next Budget.

He could however repay a further loan levy or abolish the current loan levy on individuals. He could reduce general sales tax or excise duties on necessities but the positive impact of these measures on real disposable incomes would be limited.

Dr Cloete says it thus seems that an increase in government expenditure — of the kind that would create new employment and new incomes on a large scale — is the only expansionary measure that might raise total disposable incomes in real terms sufficiently to support a significantly higher level of real consumption expenditure and of growth at present.

"There is probably no better way for government to embark on such additional expenditure than to spend the money on black, coloured and Indian housing," suggests Dr Cloete.

STUFFED CABBAGE SALAD — May Bennett, Ridgeworth

1 fresh green medium size cabbage
onions
carrots
tomatoes
fresh pineapple
radishes

Cut the centre from the cabbage, leaving the outer leaves to form a bowl. Wash well. Chop onion. Peel and cube the carrots and pineapple. Cube tomatoes. Thinly slice some of the inner leaves of the cabbage leaving the stalks. Place the carrots, pineapple, tomatoes, sliced cabbage and the finely chopped onion in a bowl adding any juice from the tomatoes, pineapple and add salt and black pepper to taste. Toss well, then pile the salad into the cabbage "bowl". Garnish with radish roses and a small bowl of mayonnaise for those who like it. To make the radish roses, cut across the tops in a double cross, then put them in iced water until the radishes open up.

---oOo---

GERMAN POTATO SALAD — Ethne Beard, Port Elizabeth

boiled potatoes
cooked bacon
mayonnaise
chopped onion
salt and pepper

Cube the potatoes while still hot. Chop up the bacon, mix with the potatoes, onion and mayonnaise. Season with a little salt and pepper. Use hot or cold.

---oOo---

EGG SALAD — May Bennett, Ridgeworth

hard boiled eggs
salanaise
salt and pepper
paprika and parsley

Cut eggs in half and lay on a flat salad platter; cut side down. Pour over salanaise.

---oOo---

CHICKEN AND CUCUMBER SALAD — S. Drury, East London

1 cup cooked chicken, diced
4 T finely chopped walnuts
French dressing/mayonnaise
lettuce
1 cup cucumber, pealed and diced
1 cup cooked green peas

Marinade chicken, cucumber, nuts and peas with French dressing. Serve on lettuce with mayonnaise. Cover with greaseproof paper and refridgerate until ready for use.

French dressing:
Blend together 6 T salad oil and 2 T lemon juice.

---oOo---

SPRING GREEN SALAD — May Bennett, Ridgeworth

58/182 DD 12/9/74

Transkei acts on building society

JOHANNESBURG — The Transkei Government is underwriting a R7 million issue which will fund the formation of a national building society.

Rand Merchant Bank and a Johannesburg stockbroking company, Jeanne Sterianos, said the R7 million issue would comprise 8 per cent indefinite period tax-free paid-up shares, 9 per cent indefinite period paid-up shares and 9.5 per cent 1984 fixed period paid-up shares.

All but the tax-free shares are available to South African investors.

The dividend rates on the shares are all one per cent higher than those available on similar investments from South African building societies.

The invitation to invest in Transkei's building society has been done with the approval of the South African authorities, who provided technical advice to Transkei's financial authorities.

The issue is being done by way of a private placing by Rand Merchant Bank and Jeanne Sterianos, but any investment demand from private South African investors is likely to be accommodated.

In addition to the R7 million being sought from the South African and Transkei publics, founder shares worth another R1 500 000 have been placed. More than R1 million of this is believed to have come from South African sources.

The Transkei Government guarantees the investments for life.

To start with, the new building society will have branches only in Transkei. But moves are afoot to open Transkei Building Society branches in South Africa to cater for Transkei citizens working in South Africa.

Mr Roy Canning, president of the Association of Building Societies in South Africa, and Mr B. V. Caldecott, managing director of The Standard Building Society, will join the society's board.

A leading personality — as yet unnamed — in the South African building society movement will join Transkei National Building Society as chief executive. — DDC.

---oOo---

APPLE TUNA TOSS SALAD

1 medium head lettuce, torn in bite-size pieces (4 cups)
2 cups diced apple
1 11 oz can (1 1/3 cups) mandarin orange sections, drained
1 6 1/2 or 7 oz can tuna, drained and broken in large chunks
1/3 cup coarsely chopped walnuts
1/2 cup mayonnaise or salad dressing
2 t soya sauce
1 t lemon juice

In a large salad bowl, combine lettuce, apple, orange sections, tuna and nuts; toss together. Combine mayonnaise, soya sauce and lemon juice; mix well. To serve, add dressing to salad; toss gently. Makes 4 - 6 servings.

---oOo---

FM 14/9/79

(68)

DIAGONAL STREET

Skipping a beat

Although the *RDM* **gold index declined 5,6 to 343,6 on the week,** enthusiasm for golds has not abated. Foreign buying and local volumes declined throughout the week, but brokers and analysts are still recommending golds as buying opportunities.

Smaller investors have returned to the market. According to one broker this should push prices up on relatively small volumes as it did in past boom periods.

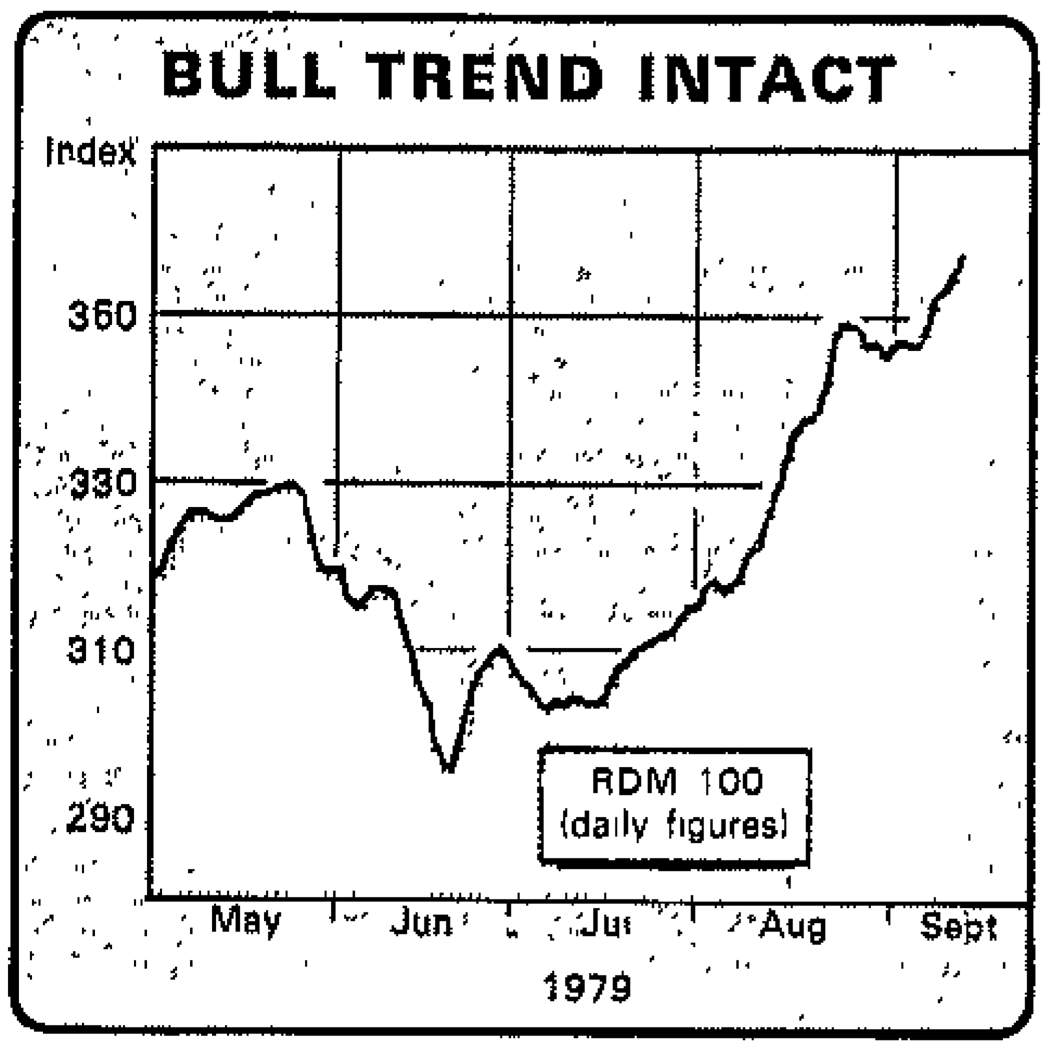
However, smaller investors are also capable of churning up a high turnover on small buying orders as they did in 1969 when the institutions were pulling out of the market.

But turnover dropped

Turnover in mining shares declined from R6,4m on Thursday last week to R3,3m on Wednesday.

Some brokers believe the decline in golds was due to profit taking. They point out that the gold price has held up, with the Wednesday afternoon fix at $337,10. There is a bullish atmosphere on the floor, with brokers generally confident that bullion is in a strong uptrend. Pointers to this trend in golds are that marginals are outperforming heavyweights, golds are outperforming bullion and that smaller investors are starting to talk shares.

But, some analysts believe that the entry of the small investor could bring the



bull trend to an abrupt end as they are inclined to push prices up too far too fast. One broker says it will last six months at most. It could also be fanned by further fears of oil crises as war appears to be looming in Iran, which could result in the oil price rising sharply again.

Some brokers are expecting the ZR situation to have an adverse effect as agreement appears unlikely. This, they believe, could result in a full-scale assault on ZR. But this seems a bit far-fetched, as the country has been locked in war for some years now.

The political event which could knock the market sideways is the US presidential election run-up, with candidates bashing SA's policies in an effort to woo the black vote.

In diamonds, Anamint moved up strongly from 9 600c to 9 900c on the week while De Beers remained relatively constant at 908c.

Copper's decline

The decline in the copper price hardly affected copper shares. But now it transpires that London stocks of the metal have been declining due to Zambian and Zairean producers buying up London inventories to fulfil contracts. According to London sources these producers continue to experience transport problems. Some users point out that the supply situation is not as critical as the £937/t record on Monday, may suggest. Germany also appears to have been stocking up on wirebars pending curtailment of operations by the country's only wirebar producer. Supply problems could keep the copper price buoyant for some time.

- 17 -

Palabora declined 100c to 1 075c but Messina rose 5c to 215c.

In a relatively stable and quiet coal sector Natal Coal gained 30c to a new high of 150c before profit-taking pared the price to yesterday's closing 140c. With no news from the mine to support the move it appears the price is rising on renewed hope that Graham Beck's Kangra Holdings is set to take out the minorities left in the company when Kangra gained control from Anglo American

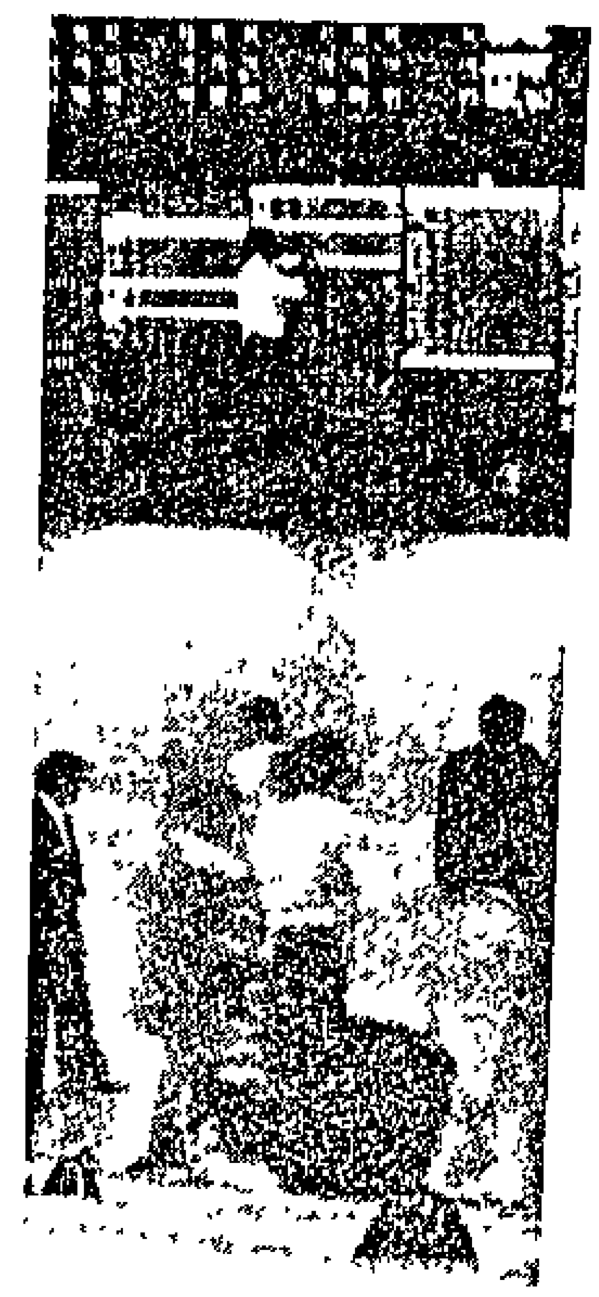
The *RDM* 100 rose to 356,8, up 7,2 on the week, on daily volumes ranging from R3m to R3 5m.

In industrials, blue chips were in strong demand and Barlows, SA Brews, Remgro and Amic hit new highs

Triomf was pushed to a new high of 405c on anticipation of higher phosacid prices According to a Swiss source, Brazil is still buying at cif price of R370/t. This is disappointing as the price was expected to be above R400 by the year-end.

Protea was lifted to 215c, 18c up on the week following its annual report. This share could move up further in this market.

Home builder Gough Cooper moved up to 68c from the 50c the share has lounged at since the company recently announced a massive loss for the first-half of the current year. Market watchers have speculated that the share is currently at a signifi-



Turnover

cant discount to bo
future earnings poten
possible suitors have
has officially denied a
this home builder to i
tion operations.

In the stores secto
off the fact that no
from Finansbank and
at 145c on Tuesday
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intrinsic worth of t
downtown stores and
Consulting Group ha

- 2 -

Peel brinjals and cut into Julienne strips.
Put into enamelled pot and cover with white vinegar
and bring to the boil. Cook for as short a time as

Sunday EXPRESS Business

58

Edited by DEREK TAYLOR

CHALLENGE!

IT'S time for the life assurance industry to back its promises of profits-in-the-sky to the people who spend millions of rands a month on policies they hope will keep their retirement money's value.

This week I rang seven major insurance companies — as a private inquirer for policies of life assurance with profits and assurance contract-linked to investment programmes.

I asked them some tough questions.

The essential question was this: if you are able to promise very large benefits of growth from your contract-fund or with-profits policy — how about disclosing full details of your success or failure on such investments over the last 10 years?

With one exception, I got no answers.

Some said: give us time and we'll give you an answer. Perhaps some of them will follow through on their promises.

We ask insurance men: Are you living up to your promises?

SUNDAY EXPRESS BUSINESS INVESTIGATION

By DEREK TAYLOR

They will have the chance. The Sunday Express is challenging the insurance industry to answer three questions — and we will publish a comparison of the answers, or the non-answers.

These are the questions we are delivering by hand or registered post to the executive heads of every major insurance company in the country this week:

- What evidence can you produce to demonstrate that your life office has produced competitive returns for policyholders over the last 10 years?
- What is the guaranteed minimum percentage of profits you offer to policyholders — and what have you delivered over the past 10 years?
- On your investment-linked contract policies, how many of the following facts are clearly declared in the quotation and the policy document:

1 The expense charges payable to the life office out of each premium.
2 The charges which your life office will deduct from the investment portfolio each year.
3 The shareholders' share of investment income and capital growth earned by the portfolio.
4 The charges which will be recovered from the policyholder if and when he discontinues premiums.
5 The type of investment portfolio in which the premiums will be invested — property, equity, fixed interest or balanced?
6 Is the policy contractually linked to investment or is it a mongrel that offers "profits" but does not commit proportions of return to the policy holder?

So far, the Prudential is the only company that has made an immediate and unqualified offer to answer these questions.

An employee of the company passed me on to the Pru's assistant GM Dorian Wharton-Hood.

"Certainly we will give you details of performance on any of our policies' investment programmes," he said. "Call in and ask what you will.

"Off the top of my head, for instance, I can tell you now that our with-profits policy guarantees a minimum of 90% of profits and in recent years it has never fallen below 93% to 95% or more," said Mr Wharton-Hood.

Told that his was the first of seven insurance heavyweights to offer full disclosure on investment performance for the policyholder, Mr Wharton-Hood said: "Some do, some don't — we do."

A main impression of the investigation so far has been the agreement by three senior independent insurance brokers that a proportion of the insurance industry is relying upon the ignorance of the man-in-the-street assurance buyer — and maintaining that ignorance.

The Sunday Express intends to find out which companies are prepared to stand up, out of that category.

Next chapter: the first results.

● Is this where the insurance promises stop?

BLACK DOCTORS 'A BAD RISK'

Black and white doctors . . . equal in hospital, but not in insurance.

By ZWELAKHE SISULU

A LEADING firm of insurance brokers, which has a special scheme for hospital employees, has excluded black people from the scheme — because no insurance company will insure them.

Although the firm, Plus Insurance Brokers' claim that no local insurance company is prepared to back the scheme because of the high risk factor in black areas, the Transvaal Medical Society has accused the firm of discrimination.

"No insurance company in this country is prepared to back the scheme — we have been to all of them," Plus Brokers' Mr L P Kriek sasy.

"We even went to American companies operating in the country — since they have a lot to say about discrimination — and we wanted them to put their money where their mouths were. They were not prepared to start such a policy," he said.

The policy, which exists for white hospital employees gives insurance coverage for cars, houses and personal policies at favourable rates.

A spokesman for the Transvaal Medical Society this week said various black hospital employees had approached the firm to enquire about the policy and were told that one was being prepared for black people.

A statement by the Medical Society said: "We reject totally the concept that we are not eligible for the insurance scheme because we are a high risk group.

"We detect an underlying conflict of outlook, as insurance companies freely underwrite policies of black people outside the hospital, but regard black people as a high insurance risk group when it is convenient for them," the statement said.

"We cannot see black people having any further involvement with companies which are not clear in their attitudes, and who regard black people as third rate citizens for reasons beyond their control," the statement said.

However, Mr Kriek was adamant that it was the risk factor and not [illegible] which was stalling the underwriting of such policies to black people.

"There are more thefts and robberies in black areas and therefore the risk factor has to be higher," he said.

His firm was presently negotiating for a group scheme for the South African Teachers' Association, a coloured group.

HONEY CAKE — Jan

1 cup flour
4 t baking powder
2 T butter
1 egg
½ cup sugar
¼ t salt
½ cup milk

3 T honey
1½ T butter

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but
but
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mir

Mel
ove
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NU

4
¼ lb sugar
¼ lb ground almonds (or hazelnuts)
½ t baking powder
½ T flour
¼ grated lemon (skin & lemon)

Beat yolks with sugar until creamy, then add nuts, flour, baking powder and lemon. Fold in stiffly-beaten egg-whites. Bake at 350°F for ½ hour.

Serve with whipped cream.

BLACK BUSINESS

Complex issues

(58) FM 14/9/79

What did Co-operation and Development Minister Piet Koornhof really tell a black chamber of commerce delegation about the fate of the controversial white-owned shopping complex about to go up on Soweto's doorstep?

There was jubilation in the township a few weeks ago when the National African Chamber of Commerce (Nafcoc) announced that its delegation had met Koornhof, who said that the 21 ha site would be incorporated into Soweto. This was seen as a black victory over white developers in their long-drawn battle over the complex.

But it looks as if the township businessmen have not won much of a victory. Says one of the complex developers, Aaron Cohen: "For 16 years we have been battling for the land to be incorporated into Soweto. Ownership of the complex will still be in our hands." In fact, Cohen sees the incorporation as a blessing in disguise. "It will save us the trouble of applying for permits for the black businessmen who have already applied to rent space." The R21m complex has already had 300 applications for its 250 shops, Cohen tells the *FM*.

Solomon Lesolang, a Nafcoc member and director of the black-owned Black-chain supermarket group which opens its first R1,5m supermarket in mid-November opposite Baragwanath Hospital, argues that if white businessmen are keen to invest their money in black areas it should be lent to Nafcoc "because we want to do these things by ourselves."

The white-owned complex is seen as an encroachment. For months now black businessmen have been arguing that they are only just emerging from the stranglehold of years of government restrictions.

Cohen has indicated that his company will go public with half the shares reserved for blacks (*FM* June 8). To which Lesolang counters: "We are still going to oppose that white-owned complex."

if it is too thick. Chill in a large bowl. Before serving pour on sour cream and sprinkle with chopped chives.

BEAN SOUP (Serves 8)

1 pkt sugar

... slowly. Put a few reserved ... in each serving bowl. Sprinkle with Worcester sauce. Cover with soup. Garnish with cream and crumbled bacon or croûtons.

PRESERVED BRINJALS — Sue J

brinjals
white vinegar
olive oil
garlic
fresh marjoram

Peel brinjals and cut into Julienne strips.
Put into enamelled pot and cover with white vinegar and bring to the boil. Cook for as short a time as

NEW WITS

58 FM28/9/79

Cautious projection

Activities: *Investment company 49%-owned by GFSA with portfolio of listed and unlisted investments. Has mineral rights in the OFS and Transvaal.*

Chairman: *A M D Gnodde.*

Capital structure: *11,6m ordinaries of 50c.*

Market capitalisation: *R41,8m.*

Financial: *Year to June 30 1979. Net cash: R894 000. Current ratio: 1,0.*

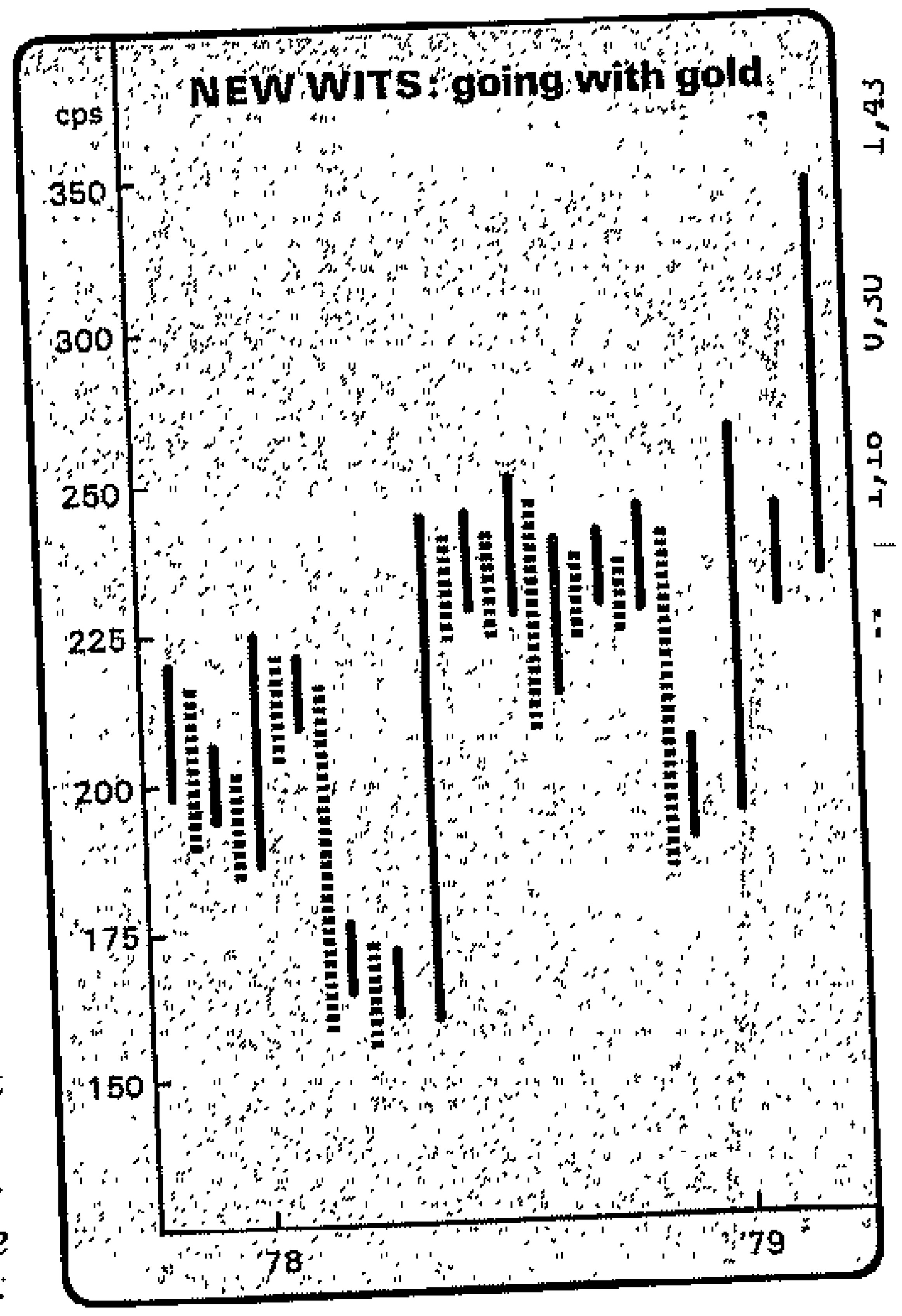
Share market: *Price: 360c. (1978/79: high, 360c; low, 160c; trading volume last quarter, 252 000 shares). Yields: 8,8% on earnings; 6,70% on dividend. Cover: 1,3. PE ratio: 11,4.*

	'76	'77	'78	'79
Quoted investments.				
Book value (Rm) ...	12.9	12.2	12.7	14.1
Market value (Rm) ..	23.9	20.2	28.4	43.6
Investment income (R000) ..	2 544	1 943	2 378	3 626
Net profit (R000)	2 089	985	2 455	3 665
Earnings (c)	18.1	8.5	21.3	31.7
Dividends (c) ..	18	15	16	24
Net asset value (c)	248	211	286	421

Higher dividends particularly from the gold and tin investments produced higher income in the year to end-June. And even if the bullion price should react downwards, it seems safe to assume that the average price for the current year will be higher than last year's $228, again pointing to higher income.

Chairman Dru Gnodde says current fluctuations in the gold price are indicative of international economic problems for which he foresees no quick solution. On the bases of a higher bullion price and improved productivity on the mines, Gnodde's projection that New Wits could "distribute slightly increased dividends" this year seems highly conservative.

Changes to the gold portfolio and a general rise in prices meant the market value of gold/uranium shares held at end-June was R24,1m (R17m) with a current value approaching R30m. Changes included switching out of Randfontein and FS Saai into Kloof and Welkom, while stakes in East Drie, Libanon and Winkels were increased. Gold/uranium investments contributed 61,7% (57,0%) of total investment income of R2,8m (R1,8m), although at end-June their total value was only 49,2% (52%) of the total



portfolio. The rising gold price since then has, however, pushed this figure to 54%.

Mining financials contributed 17,1% (21,2%) of investment income as the A T Cons and Mid Wits holdings were sold. However higher share prices meant that the remaining GFSA and Vogels comprised 24,7% (21,9%) of the market value of the portfolio at end-June.

Other major changes included the purchase of an additional 45 000 Rooiberg, which pushed the holding up to 121 800 shares or 5,1% of the portfolio.

New Wits also sold its 30 000 De Beers and bought 400 000 Cusaf shares. R600 000 of the R1,5m commitment on Sasol shares is due this month, the balance being payable in instalments before end-January 1981.

Gnodde has nothing to say on possible exploitation of mineral rights, but parent GFSA is drilling on ground partly held by the company near Beisa in the OFS and elsewhere. Presumably New Wits would simply participate with an equity stake if any new mine is established on this ground, but this is an added speculative attraction.

Des Kilalea

MOSES MAUBANE

Out of the cold

"You can't speak about free enterprise where blacks are concerned," says Moses Maubane, executive director of the National African Federated Chamber of Commerce (Nafcoc). "Somehow that seems to be the white man's domain and it stands to reason that we're going to be suspicious of intentions and motives when he talks about an integrated economy; it just doesn't exist for blacks."

There could however be a slight breath

Maubane . . . there'll be some finger burning but we've got to learn

of change. After meeting with Nafcoc leaders, Department of Co-operation and Development Minister Piet Koornhof halted development of the controversial R21m white-owned commercial project planned for the white Klipspruit enclave in Soweto. Koornhof also instructed his department to incorporate the area into Soweto, thereby allaying fears that government was willing to stand aside and watch white affluence and privilege thwart black entrepreneurship. At the same time the move opens the area to black businesses.

"We were encouraged by Koornhof's pragmatism," says the man who describes himself as a self-taught professional and has been in the Nafcoc driving seat for the past 18 months. "Most of my friends went straight to varsity — I wanted to go into business." His first taste of this was as a schoolboy assistant in his uncle's photographic studio. A host of clerical and sales jobs followed while studying for a CIS "and various other management qualifications" by correspondence. These became Maubane's ticket to an accountancy lectureship at the Swaziland campus of the University of Botswana, Lesotho and Swaziland.

Nafcoc has no set ideas on what it will do with the Klipspruit enclave, but "will look at it in context of the priorities of black business and opportunity." Will this rule out the possibility of white participation in any complex there?

Maubane adopts the official Nafcoc line: "Right! As fledgling businessmen we can do with the infusion of white capital and expertise, but we feel that this will inhibit us. Sure there'll be some finger burning but we've got to learn how to use our wings."

Maubane also maintains the black retailer has to be given the opportunity to rid himself of the image of profiteer. "Look, most black traders don't have the buying muscle to compete with the massive white chains and their prices are bound to be higher," he points out, emphasising the role that the embryonic cash-and-carry Blackchain outlets will play in assisting black retailers and consumers alike.

There are about 4 000 "formal sector" businesses and 10 000 backyard operations in a place like Soweto according to Maubane's estimates, but "if you look at the hard realities of the situation, we don't meaningfully belong to the commercial infrastructure in urban areas." He cites reams of laws, difficulties in obtaining premises and licences to trade together with unfair government competition — "the cinemas, beerhalls, breweries, buses" — which are all there to hamper the businessman who doesn't want to move into the homelands.

While he says there hasn't been a manifest willingness on the part of organised commerce to assist in the development of black private enterprise in the past, Maubane thinks there are a few encouraging signs that a change of heart is occurring.

Although he believes government is at last beginning to listen, he feels there has been no shift in real terms towards what black businessmen want: less interference and the right to trade without restriction and competition from the State. "The intention might well be there but Koornhof has still to come up with a categorical and clear commitment on his government's stand on its participation in black private enterprise."

... Age and cause specific death rates. Age specific rates were grouped into twenty year intervals except in the early years of life.[10] To avoid inconsistencies caused by differences in the revisions of the ICD over the years, the causes of death have been collated into twelve categories,[6] which are summarised in Table I.

The age and cause specific mortality rates for the years 1941, 1951 and 1960 had previously been calculated by Preston *et al*[8] and this data has been used in the present study.

an ethnic category is a highly dubi
defined. It would appear tha
'coloured' lies not in the area of
within the South African legal syst
terms of reference laid down by Sou
viduals form a community which can
of its relationship with other grou
'coloured' is for the present purpo
written presentation, it affirms th
cular South African racial category

Africa have been published separately.[6]

Complete censuses were held in South Africa during 1911, 1921, 1936, 1946, 1951, 1960 and 1970; for whites only they were also performed in 1918, 1926, 1931, and 1941. Life tables are available for the complete census years.[7]

The causes of death have been classified according to the International Classification of Disease (I.C.D.). There have been many revisions of the I.C.D. during the period of this study, from the third revision which was used in 1922 to the eighth revision which has been used since 1968. Between 1939 and 1962, mortality data was only published according to an intermediate list.

SHORT-TERM INSUGERS

Rating the Top Ten

FM 21/9/79

Long- and short-term insurance companies hold assets worth over R7,7 billion at market value. According to returns submitted to the Registrar of Insurance, domestic short-term insurers hold R774m or just over 10% of this total. The basic reason short-term insurers have so small a proportion is that they normally have to meet claims within the next twelve months, whilst life policies last for anything up to 40 years or more before the claim is presented. Obviously this requires a different investment policy.

Investments by short-term insurers are dictated by force and choice. In terms of the Insurance Act, they are required to invest 33% of their assets in prescribed investments, of which 15,5% has to be in government stocks and loans. How the remaining 67% is handled is determined by individual preferences.

The Top Ten short-term insurers (in terms of total asset value) account for 63% of the industry and have done so for the past three years. With the exception of Assura (Santam and Sentinel insurance are wholly-owned subsidiaries), Mutual & Federal and Unsbic, all other returns, disclosed in tables 1 and 2, are for the year ended December 1978.

SA Eagle tops the table with assets of R89m, ahead of Santam's R77m. These two giants have consistently held 22% of the industry's assets over the past three years. Both maintained an asset growth rate of approximately 12% in 1977, compared with 20% growth for the previous period. Yet their investment policies are completely different.

Last year, Santam had R21m in outstanding premiums and another R15m in claims against individuals and other organisations, which together comprised 46% of total assets. Santam's general manager, Paul Von Zeuner attributes the high claims and outstanding premium levels to its large gross premium income of R113m and net premium income of R84m. By comparison, SA Eagle's gross premium income of R87,2m and net premium income of R60,4m resulted in R17m (18%) outstanding premiums and claims. None of the other eight came close to Santam as far as holding such a large proportion in this class of assets.

Another distinguishing feature of Sanlam is its high percentage of mortgage bonds — R11m (14%). By comparison, SA Eagle held R3,4m (3,8%). Besides Santam, AA Mutual is the only other insurer

HOW THEY SHAPE

Domestic insurers	Asset values* 1976	1977	1978
	Rm		
SA Eagle	67	79	89
Assura (Santam)	57	69	77
Rand Mutual	30	39	58
M&F	36	44	58
Cusaf	35	40	48
AA	32	38	44
Guardian	28	35	41
Prosure	23	26	29
Aegis	24	25	26
Unsbic	16	18	23
	348	413	493
Others (total)	213	256	281
	561	669	774

All figures are for the year ended December 31 1978 except for Santam (September 30 1978) and M&F and Unsbic (June 30 1978)
**Calculated in accordance with Section 15 of the Insurance Act*

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with selected major categories of disease. Clearly, this is an entirely hypothetical situation. However, these competing risks life tables not only provide an indication of the relative importance of various disease categories to both the overall mortality experience and also to expectation of life of the three communities, but also, since there is an approximately linear relationship between the reduction of mortality and the percentage increase in life expectancy, any improvement will give rise to a proportional improvement in the expectation of life. Thus, if the included in Fig. 6 are re- tion of life will be 50%

Diseases of the Circulatory to gain most from measures diseases included in Fig.6. d Parasitic Diseases, implementation of relatively

onial Mutual Life assistance.

GF PROPS

PM 21/9/79 (58)

Now for Sub Nigel

Activities: *Property and investment company owned 43,7% by GFSA. Owns Luipaardsvlei dumps and Sub Nigel mine and has a 25% share in profits generated by WR Cons from Luipaardsvlei mine.*

Chairman: *A M D Gnodde.*

Capital structure: *10,2m ordinaries of 2,5c.*

Market capitalisation: *R16,4m.*

Financial: *Year to June 30 1979. Borrowings: long and medium term, R3,7m. Net cash: R1,7m. Current ratio: 1,6. Capital commitments: R5 000.*

Share market: *Price: 155c (1978/79: high, 203c; low, 95c; trading volume last quarter, 396 000 shares). Yields: 6,5% on earnings; 3,9% on dividend. Cover: 1,7. PE ratio: 15,5.*

Chairman Dru Gnodde expects a further "modest" dividend increase this year to end-June on the basis of improving rental income from the group's R6,5m property portfolio and higher dividends from investments.

Last year, the company sold the Luipaardsvlei mining rights to WR Cons for R3m cash and 25% of pre-tax profits after payment of a quarter of the estimated R1m capex needed to upgrade WR Cons' plant to 90 000 t per month. Initial uranium-bearing Bird Reef tonnages were extracted towards the year-end. But Gnodde expects no income from Luipaardsvlei until the end of the current year.

The R3m cash received from WR Cons has been used to add to the listed share portfolio. As a result, by end-June the portfolio's market value was R6,8m (R1,8m). Apart from adding to its gold holdings, GF Props bought 30 000 Amcoal, 30 000 Rooiberg and 400 000 Cusaf. This year 500 000 Sasol shares will be added to the portfolio with R400 000 of the R1m total cost to be paid this month.

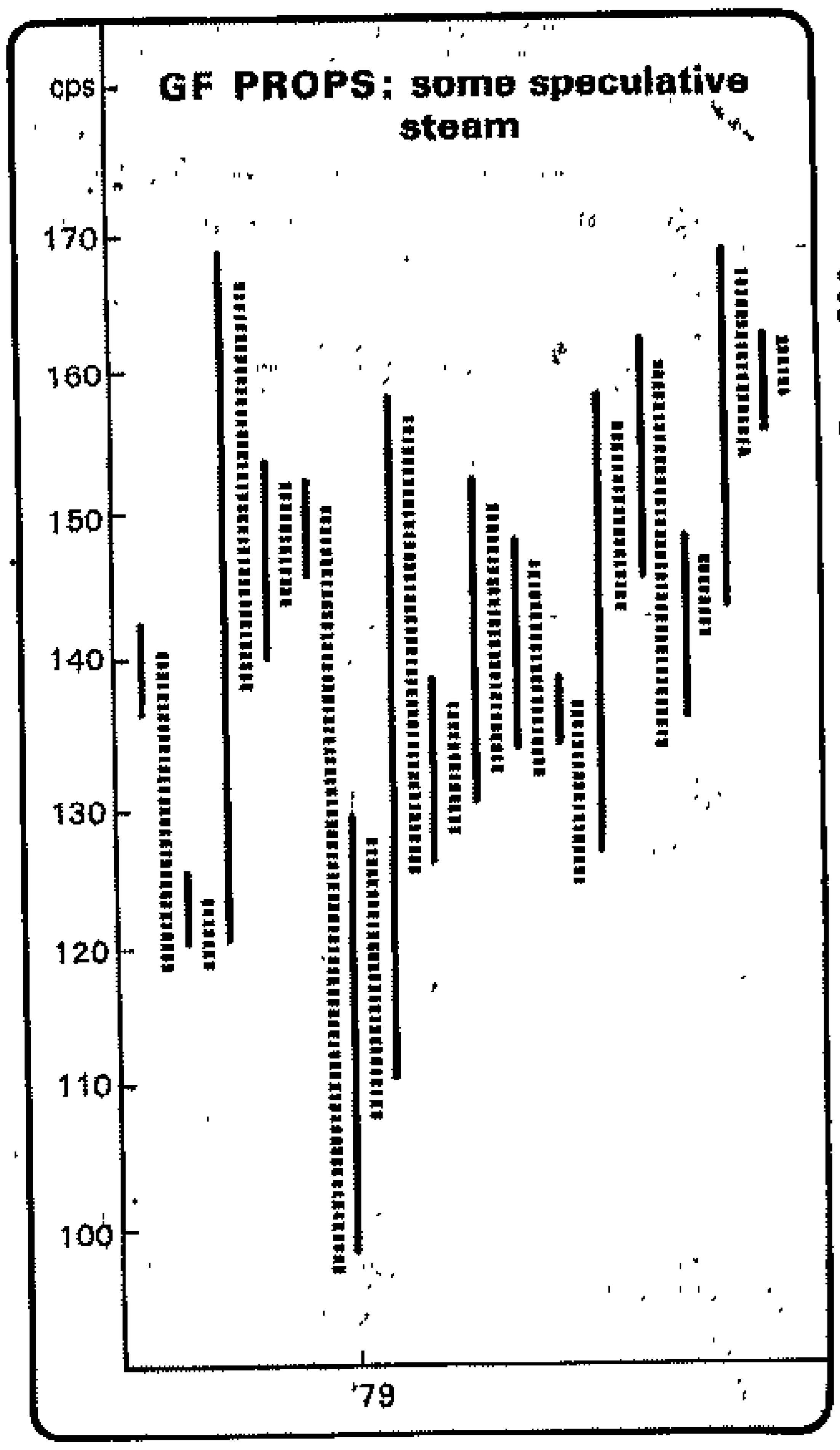
A large number of residential township developments remain on the back burner until the property market improves. However profit on township and property sales improved to R298 000 (R107 000) last year. Rental income has a built-in escalation and last year contributed R1,5m (R1,1m), or 48,7% (38,3%) of total revenue. Gnodde says as a result of the sound tenants and escalation clauses "one can look forward to further increases in rental income each year".

Property and investment income should increase this year, but no major cash inflow is likely from Luipaardsvlei. Next year the benefits should start flowing, and with current investigations into the feasibility of exploiting the East Rand dumps and dams in conjunction with neighbouring mines, a further benefit is possible.

	'76	'77	'78	'79
Turnover (Rm)	6,8	6,1	4,9	5,0
Pre-tax profit (Rm)	1,9	2,4	1,2	1,5
Earnings (c)	13,4	10,5	6,9	10,0
Dividends (c)	8	8	5	6
Net asset value (c)	128	126	132	188

With the future of Luipaardsvlei resolved, part of the share's speculative appeal has been removed. No benefits are likely from the mine this year but on the basis of uranium recoveries of 0,4 kg/t, at a price of $43/lb, gold recoveries of 1 g/t, 480 000 t mill throughput and unit costs of about R30/t, Luipaardsvlei could contribute about R1,3m pre-tax next year.

Still in the wings is Sub Nigel. There are unconfirmed reports that GF Props has declined a R6m offer for its dumps. If so, and if market talk of further dump re-treatment operations is correct, an additional income source is possible.



For the moment, the share's 3,9% historic yield discounts much of the future. However an announcement on Sub Nigel could provide some near-term excitement.

Des Kilalea

SENTRUST

Balancing acts

Activities: *Investment company owned as to 33,0% by General Mining. Sanlam has an 11,9% stake. Has 10% net participation rights in any new business undertaken by General Mining. Owns mineral rights in the OFS and Transvaal*

Chairman: *J L van den Berg.*

Capital structure: *18m ordinaries of 10c.*

Market capitalisation: *R96,3m.*

Financial: *Year to June 30, 1979. Borrowings: long and medium term, R0,5m; net short-term, R2,3m. Current ratio: 0,4.*

Share market: *Price: 535c. (1978-79: high, 555c, low, 330c; trading volume last quarter, 255 000 shares). Yields: 8,5% on earnings: 7,1% on dividend. Cover: 1,2 PE ratio: 11,9.*

Though Sentrust has maintained its reputation as one of the most actively managed investment companies. some of its portfolio changes may have been regretted by the June 30 year-end. For example in the gold sector, though the Buffels holding was unchanged, its market value fell from R5,1m to R4,8m over the year. Meantime, President Steyn was reduced, while its market value advanced to R4,9m (R3,5m). The same was true of Harties and Western Deep.

	'76	'77	'78	'79
Listed investments				
Book value (Rm)	33 5	34 9	39.4	49.8
Market value (Rm)	44 7	45 8	60 6	89.5
Pre-tax profit (Rm)	5 7	5 5	6.3	8.3
Earnings (c)	31	30	34	45
Dividends (c)	30	28	30	38
Net asset value (c)	344	331	421	576

Any regrets will have been shortlived Since the year-end, Buffels has advanced faster than other golds which were sold, emphasising the problems of evaluating the portfolio on a continuous basis.

Sentrust made its mark in the early Seventies when it plunged into golds such that, at end-June 1974, the listed portfolio had a market value of R87,9m of which R72,2m was in golds. At end-June this year, the listed portfolio was worth R89,5m of which only R38,2m was represented by golds.

In the meantime, the market value of industrial holdings has increased 3,6 times to R13,9m (1974: R3,9m). The view last year appears to have been to increase steadily industrial exposure, presumably both to obtain a broader investment spread and because, all things being equal, there could be better medium-term scope for growth in this sector than in mining.

In base minerals, the Msauli holding was reduced to 796 700 shares (963 700 shares), while the Gefco stake remained unchanged. So, unless the Msauli were shifted elsewhere in the group to maintain the overall controlling interest, the group view appears to be that the future for longer blue asbestos is better than that for the shorter white. Even so, the market value of the Gefco stake dropped to R4,7m (R5,1m), while that of the smaller Msauli holding advanced to R2,7m (R2,2m). Again, since end-June, Gefco has declined while Msauli has advanced.

SENTRUST'S TOP TEN

Share	End-June market value (Rm)
Fed Myn	5,3
Vaal Reefs	5,3
Pres Steyn	4,9
Buffels	4,8
Gefco	4,7
Southvaal	4,6
Trans-Natal	4,3
Randfontein	3,8
Tavistock	3,3
AT Colls	3,2

Sentrust is managed as part of the overall General Mining group, and shifting investments within the group could be part of a policy aimed at attaining an optimum distribution of assets.

The board reports nothing new on the company's mineral rights. Any quantum increase in royalty income from the Lucas Block is still a couple of years away when Buffels will have developed the area. However, though drilling of Vermeulenskraal Noord in the OFS ended somewhat inconclusively a year or two ago, bullion's advance has led the house to re-evaluate the results.

It appears that Sentrust is reaching a stage where major portfolio changes are increasingly difficult if buying and selling are not to greatly disturb the market. On this basis, rather than aim at spectacular asset growth through rapid shifts in investment emphasis, policy could be to maintain a portfolio well balanced between mining and industrial shares, thereby achieving steady and sustainable growth.

This year, if gold does not collapse, earnings from this source are set for a sound advance. But, on the back of heightened investor interest in gold, the share has advanced to a level where yield is not altogether attractive. The share is probably best suited to investors prepared to take a two-to-three-year view on mining and industrial earnings.

Jim Jones

DIAGONAL STREET

Golds ablaze

Observers of US futures markets might be forgiven for feeling that all the old teddy bears in the country are in town for a day's shopping. The great gold bear squeeze has left the floor covered with stuffing and not a few arms and legs of the weaker brethren. But underlying the carnage must be a nagging fear that the bears are getting things together to launch a recovery operation.

Chicago has raised its margin requirements on gold future contracts and now allows the metal to move $25 on the previous day compared with the previous $10, while Comex has set its futures limits at $20 and doubled minimum margin requirements for non-hedging accounts to $3 000.

But at least for the next week, the speculation which rocketed bullion $24 on Tuesday and led to a record $376 London fix on Wednesday morning will probably not come off the boil.

World-wide, gold market managers are looking for bullion to take a breather, but bearish predictions of a near-term reaction to $300 or below seem less and less likely. The basic factors underpinning this year's bullion advance remain.

For a start, the Opec surplus countries are increasingly reluctant to hold reserves in suspect paper currencies. It is not enough for Iran to declare that it has no plans of switching its reserves out of dollars when Saudi Arabia is reported to have bought 60t of Russian gold (more than a month's production from SA) specifically for reserves. And there is still the run-up to the September 27 Opec oil ministers' meeting when it is almost inevitable that there will be demands for oil payments in something else but dollars.

Prospects of pushing through further oil price hikes seem better than good. Nigeria has already thrown its hat in the ring, while some Opec members have been in the market to weaken the dollar and hence strengthen their case for oil price hikes.

At least near-term, rapid interest rate advances in the US have not taken international pressure off the dollar. And if the US does not move into a deep recession and inflation in that country keeps ploughing ahead, there is little hope for the greenback.

"That is all very well," bleat the mangled bears. "Remember 1974-75 when bullion halved in price. It could happen again especially if the whole world is dragged down by a US recession."

But things are not the same as five years ago. Then the dollar was to all intents and purposes still omnipotent and, in any event there were such things as SDR's to bring order out of any monetary chaos. Now the failure of the SDR is apparent. No central banker is his right mind will pin his reserve hopes on it, leading to a growing movement worldwide to complete the remonetisation of gold.

Near-term, gold buyers have learned the lessons of the previous US Treasury auction. On Tuesday this week, no one was ready to be pipped at the buying post by one buyer, resulting in bids averaging $377,78. Spot demand remains, and since Dresdner bank scooped the last pool, there have been some hungry consumers around.

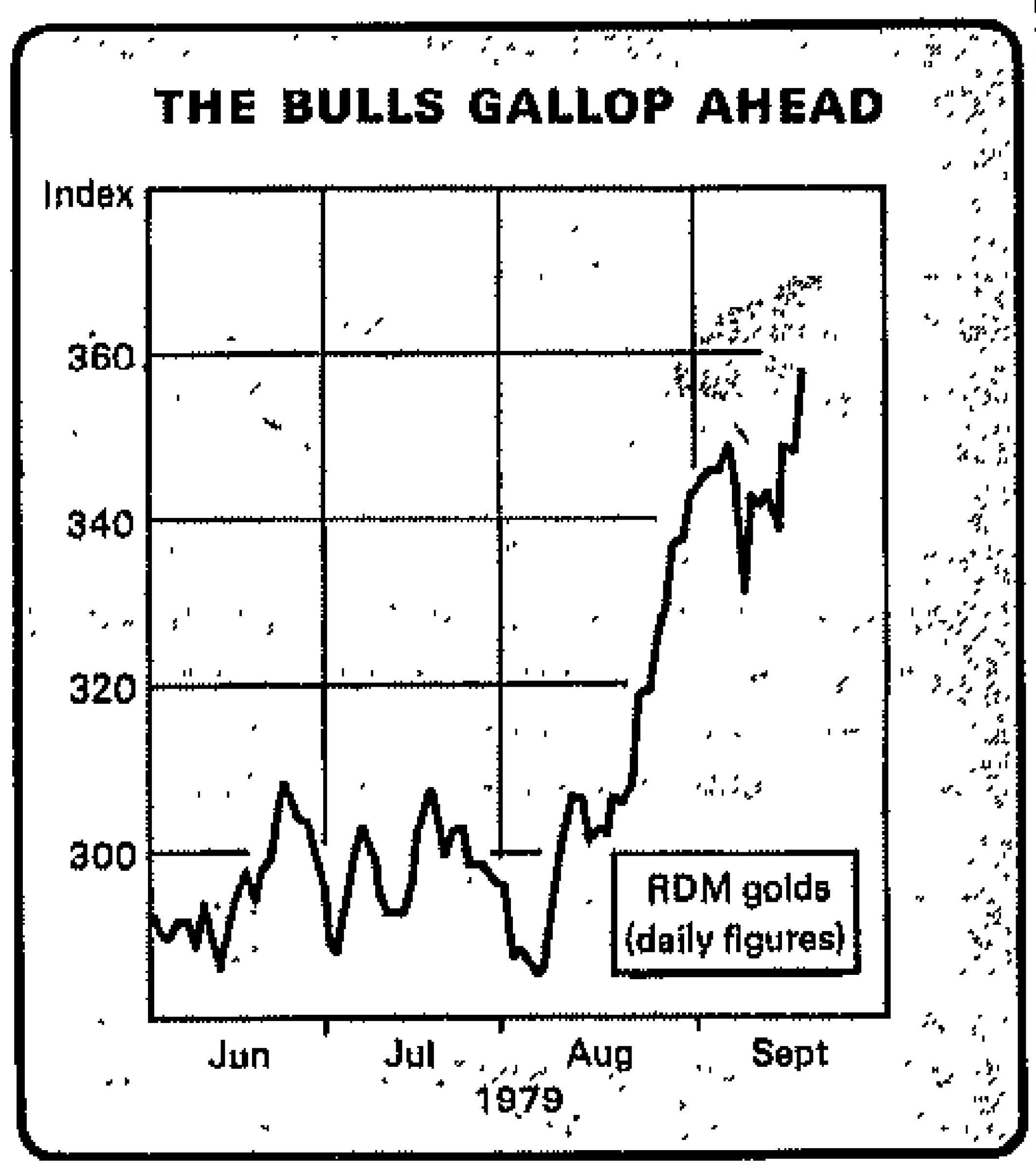
While the bullion rush goes on, short-term profit taking and nervousness have retarded gold share advances. Interest in golds started the week on a quiet note with daily turnover of about R3m. But as bullion continued breaking records, daily trade increased to a high of R8,4m on Tuesday before profits were taken. On Tuesday the financial rand also topped at US 89/90c for a 24% discount.

Tuesday's list of highs comprised mainly gold shares, both marginals and heavyweights, with heavy overseas demand. Dividends declared by the Union Corp mines generally reinforced market views that if the gold price holds to an average of about $350 for the year, then better mines promise yields of up to 20%.

But these views are tempered with nervousness. Until Tuesday, the JSE gold index confirmed bullion's rise, increasing 5% to 349,4, before pre-empting bullion's Wednesday afternoon fall to $369 as brokers expressed fears about the rapid rise of the metal. Profit-taking saw the index close on Wednesday night at 343,4 as most major counters dropped up to 50c in fairly quiet trade. The top loser was Winkelhaak which earlier rose on the strength of the 125c (76c) dividend and the bullion price. The share closed the week at 2 000c after Tuesday's 2 150c high.

Mining financials followed golds by moving lower on Wednesday. Amgold, which had posted a high of 5 400c on Tuesday, closed on Wednesday at 5 350c.

After the Wednesday afternoon fix, —



down $7 on the morning's record high — there may be fewer jitters in the gold share market. Any reaction in the metal could attract buyers back to the market.

Surprisingly, platinums did not benefit

23/9/79

58

Death policy is paid after call

SUNDAY EXPRESS BUSINESS EXCLUSIVE

By DEREK TAYLOR

THIRTY-SIX hours after the Sunday Express asked a major insurance company to explain its delays in paying out on a partnership death policy the company rang back to pledge that the R50 000 cheque was being drawn and would be flown to Johannesburg that night.

Earlier this week an irate broker had given details of his efforts to get the company to pay up after the death of a young businessman in a collision between two motorcycles on July 19.

The company was supplied with the claim, the man's death certificate, birth certificate and policy copy seven days after the accident.

After an initial delay, the company asked for a certificate of identity and a discharge of claim from the dead man's partner. They were supplied by August 17.

The company pointed out that the policy had still a month to run on a clause excluding suicide at the time of the insured's death, and demanded a certificate from the deceased's family doctor.

But the company had contracted the policy and accepted the premiums for 23 months, knowing that the dead man had declared on his policy application that he had no regular or family doctor.

He had supplied a physician's certificate of examination which the company had accepted.

But the company still wanted to know if there had been any failure by the deceased to disclose his full medical history.

Meanwhile, two other insurance companies had paid out their polices.

"Any suggestion of suicide was, of course, patently ridiculous in view of the type of accident," said the broker.

"But the delays went on — as the deceased's partner said: 'A partnership policy is supposed to protect a business from this kind of disruption, if our business had been in trouble this delay could have ruined it — so what's the use of insurance?" he said.

Then the company demanded a statement from the deceased's widow certifying that he had never had a regular doctor.

Express Business News asked the company for comment. Thirty-six hours later a representative had — since our inquiry — found a doctor who had once treated the deceased. He had syringed some wax from his ears.

This, said the representative, had satisfied the company and the cheque was to be flown to Johannesburg on Friday night.

DAILY DISPATCH, TUESDAY, SEPTEMBER 25, 1979 — 15

58

Black housing loans poised for lift-off

EAST LONDON — Loans for black housing, in terms of the 99-year leasehold scheme, could be poised for a dramatic lift-off following the United, the country's largest building society, granting its first bond under the scheme.

Hitherto, the United, one of the main protagonists of home loans for blacks, has refrained from advancing money for this purpose because of initial problems in connection with the scheme.

The United say that, apart from the bond already registered, a further 10 are expected shortly.

In addition, the society has interviewed more than 400 prospective borrowers and is currently considering 50 housing loan applications.

The United has also visited more than 70 employer groups and contacted many more by post to establish the possible assistance these groups could give to employees in the form of cash deposits.

"Building societies are allowed to erect dwelling houses on a limited scale for sale to the public," explained Mr Peter Richardson, managing director of the United. "Through the UBS Development Corporation we are developing 50 sites in the Sebokeng Township. Selling prices will range from R9 000 to R11 000."

He added that the society was at present negotiating with the Dobsonville authorities for sites to develop a township and it was hoped to proceed early next year with the construction of about 100 houses.

"With the development of a housing market, the services of black estate agents will obviously be required, and we hope to encourage the establishment of this profession in the townships," said Mr Richardson.

"We will shortly discuss the possibility with training centres and hope to design a suitable course under their guidance. The estate agents would be suitable for appointment as building society accredited agents and would qualify for the usual commission and allowances."

Mr Richardson admitted that progress made in connection with the 99-year leasehold system might appear to be slow, but the United intended to promote it to the full now that the initial legal and other problems had been overcome. — DDC.

JAARVERSLAG

1978

SENTRUM VIR INTERGROEPSTUDIES

(Geregistreer as The Abe Bailey Institute of Inter-Racial Studies Limited (Beperk deur Garansie))

Posadres:
p/a Die Universiteit van Kaapstad
Rondebosch
Republiek van Suid-Afrika
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Kantooradres:
Leslie Social Sciences Building
University Avenue
Groote Schuur Campus

Telefoon: 65-4145; 69-8531 Uitb. 766

INLEIDING

58 STAR 27/9/79

Nafcoc 'no' to whites in business

By Derrick Thema

The National African Federated Chamber of Commerce has rejected a Government plan to set up a partnership of black and white businessmen to operate chain stores in Soweto and other black townships.

Mr Moses Maubane, an executive director of Nafcoc, said today such a partnership could only exist and thrive in a climate of equality and mutual trust.

He said there were existing wealth and opportunity disparities among various races which were a handicap to the emergence any partnership between black and white businessmen.

For such a partnership to exist it would only be fair that blacks be allowed to trade in white areas, he said.

"Benefits must filter back into the entire black community," he said.

DIAGONAL

Up across the board

58 fm 28/9/1979

Despite pre-weekend doom predictions of a reaction to $330, gold went to $380,40 on Monday afternoon.

Initially the strong upward move caught most investors by surprise and it was only the uninitiated and super bulls who were trading last week.

Although an air of nervousness still prevailed earlier this week, turnover in golds picked up sharply to R4,0m on Tuesday against R2,6m on Monday, despite a decline in bullion to $375,90 on Tuesday morning. But investors appeared to be encouraged by the price holding up above $375.

The reason commonly given for bullion's rise was initially that short covering by bears, but as it became clear that the price was holding up, brokers were telling clients that the Arabs are buying and there is a general flight from currencies, hard or soft.

The strong rise in golds, with the *RDM* gold index rising 22,0 points to 374,9 on the week, sparked some foreign interest, but bullish Dow expectations on Wall Street and a preference for holding gold physically or trading in the futures markets has tended to dampen the shares' attractions.

This is reflected in the FR rate, which has been bogged down at 87,5c for the last few weeks as local buying from overseas holders predominated.

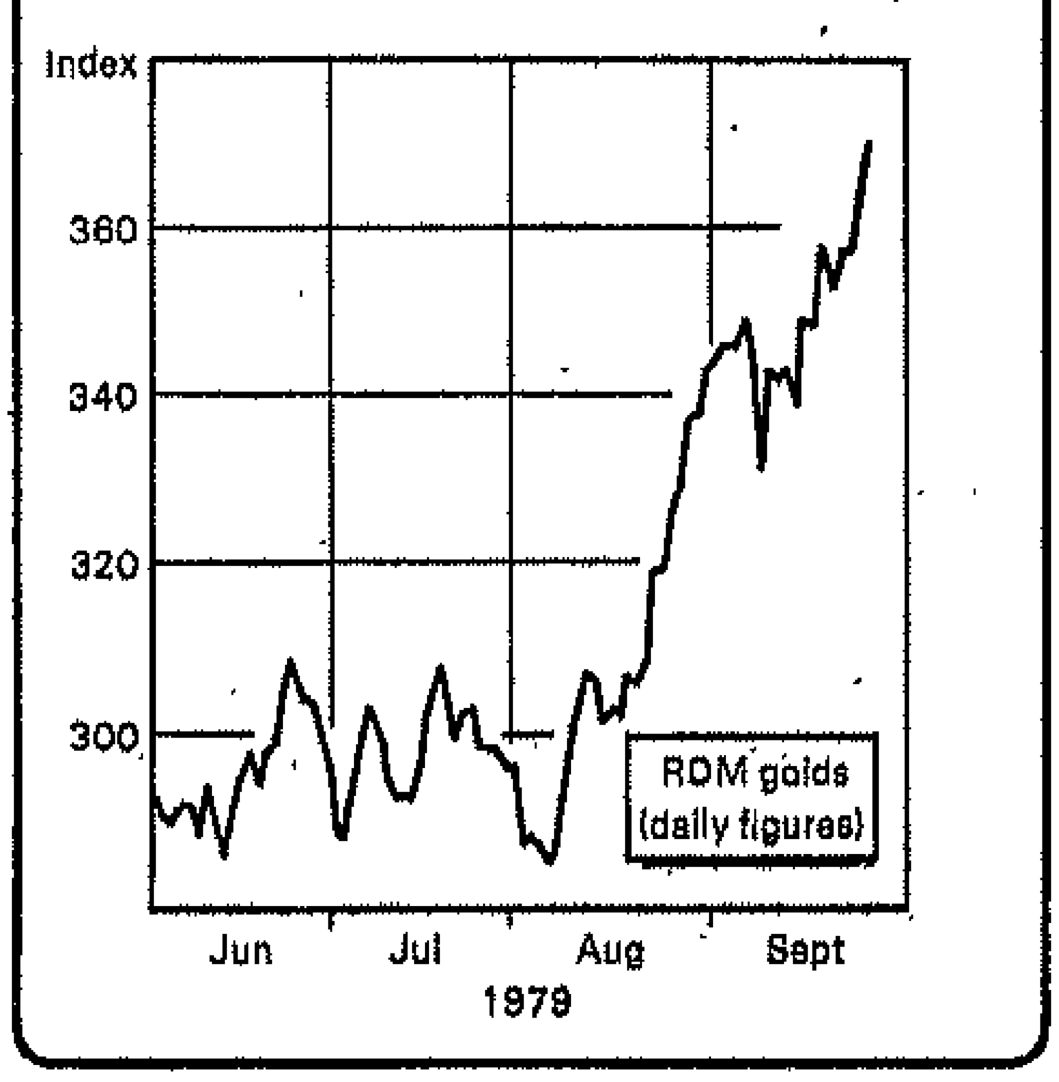
While foreigners may be marginally less interested in golds, they are becoming increasingly attracted to the Sasol issue. Judging by the flood of foreign enquiries arbitrage brokers are expecting a flood of overseas subscriptions for the issue.

This has interesting implications for the FR. Firstly, it would be in strong demand as prospective investors create FR to back their subscriptions. So, if anything the FR rate could rise strongly in the next few weeks.

But, what happens if the issue is, say, 20 times oversubscribed, which is not beyond the bounds of possibility? Foreigners, having failed to secure their required Sasol shares, could sell large quantities of the investment currency into the rather unwilling market. Consequently, the Sasol allocation could be followed by a sharp downward movement in the FR rate.

East Rand rumours that Vlakfontein is poised to join forces with associates Vogels and GF Props to establish an Ergo-type operation appear to have captured investors' imaginations. On Friday 278 000 Vlakfontein shares were traded and the price moved 42c higher to 217c on the week. GF Props advanced from 155c to 180c and Vogels from 220c to 250c. There is some substance in the rumour, as Vlakfontein could use surface material from Vogels and Sub Nigel later. This was confirmed by Vlakfontein's chairman, who added that there is no hurry to treat neighbouring mines' dumps. They will not blow away. He added that the company has no immediate plans to increase the treatment plant's capacity and will continue to treat its own dump material at a monthly rate of 60 000 t. This material, which grades between 1 g/t and 1,3 g/t and should last for another three years.

NO FEARS ON BULLION



Platinums advanced 10% on the back of a firm free market platinum price, following details of heavy second quarter metal purchases in the US despite slack auto sales and falling platinum stocks. The free market price rose 17% to $516 as speculators bought the metal in line with the dollar's weakness and the firmness of other precious metals. This resulted in active demand for local platinum shares by both local and foreign investors, pushing Lydenburg up 12% and Impala and Rustenburg 11% higher.

Coppers, particularly Messina, saw active trading last week as the copper price advanced to a £1 010 high and rose the permitted limit in New York futures trading on two consecutive days. The metal opened the week around £925 and advanced as buyers fears of a recessionary demand fall-off abated. The best performer on the copper board, Messina, rose 14% to 245c (215c) while Botrest appreciated 7c to 77c. Both MTD and Palamin were 4% firmer.

Elsewhere, Cons Murch was also a strong performer with the antimony price firm around $3 050 and talk news of new antimony and base metal developments near the mine. The share price put on 55c to 710 last week in fairly quiet trade.

Higher bullion impacted on industrials and the *RDM* Industrial index rose 19,7 points to 369,1.

After the lifting of some fuel restriction measures, the motor sector was harder across the board. Toyota, which dropped after the poor interim report, rose to 175c compared with 157c a week earlier.

The market was obviously not prepared for Alderson & Flitton's loss. The share moved up 33,3% to 40c on the week. The Gentire transaction resulted in Cap-Auto trading 40,4% higher at 80c.

Bromain's 40% rise to 80c before falling back to 77c, was exaggerated by take-over speculation. What appears to have happened is that the improved results and prospects attracted investor interest but the sharp rise in volumes traded attracted speculators attention.

Peter Pittendrigh

signposts

	Current	Week ago	Month ago	Year ago
RDM 100	**365,2**	**355,8**	**346,8**	**266,0**
% change on	—	2 6	5,3	37,3
P/E ratio	5,6	5,5	5,3	5,0
Div yield	6.5	6.6	6,8	7,8
UK FT Ind	**469,8**	**468,7**	**464,8**	**514,2**
% change on	—	0.2	1 1	—8,6
P/E ratio	6,9	6,8	7,2	8,9
Div yield	6.9	7.0	7.0	5,2
US Dow Jones	**886,2**	**874,2**	**884,6**	**868,2**
% change on	—	1.4	0,2	2,1
P/E ratio★	8.1	7,7	8,5	9,6
Div yield★	4.9	5.0	4.9	4,8
Gold price (in US $ on London)	**377,0**	**374,0**	**314,9**	**217,3**
% change on	—	0,8	19,7	73,6
Krugerrand (Rand)				
Public selling price	**360,1**	**356,5**	**303,4**	**218,7**
% change on	—	1,0	18,7	64,7

★ Standard & Poor index.

Public buying price in 10% below, subject to negotiation.

STAMP DUTIES FM 28/9/79 (58)

Snubbing the JSE

Why does Pretoria insist on maintaining the 1% stamp duty payable by foreign buyers of SA shares? Despite "ongoing representations," according to one broker, "the authorities appear unmoved."

In this year's March budget, Finance Minister Owen Horwood cut the duty by 0,5% to 1%. But, say brokers, this has had no impact on the vast volume of business still bypassing the JSE.

A senior Treasury spokesman tells the *FM* that the feedback since March indicates "we're moving in the right direction" but that the duty is unlikely to be lowered "unless we have fresh representations and the broking community convinces us it (the duty) needs to go."

He points out that any proposed changes in taxation must be approved by Parliament. Therefore, if the decision should be taken to reduce stamp duty further, or even have it abolished, this cannot actually be done until next March.

Brokers claim the JSE could attract a "substantial" slice of overseas dealing in SA shares if the duty on foreign transactions were abolished. Moreover, they say, the duty generates only minimal revenue for the fiscus. So why retain it?

Treasury, however, insists that "some form of taxation mechanism must be maintained." And even if buying costs were equal in SA and abroad, argues the Treasury spokesman, many dealers would still prefer to do their buying overseas. Presumably, because of the convenience of local markets.

But, brokers argue, the tax discriminates against dealings on the JSE: when a deal takes place between two foreigners in one of the overseas markets — for example in the US — the American Depository Receipt (ADR) changes hands without any stamp duty being payable to the SA fiscus. Similar arrangements exist in Europe.

Under current regulations, if a foreign buyer deals through the JSE on an agency basis, he pays the normal 1% marketable securities tax (mst), but is exempt from stamp duty on the transfer of shares.

But if, for instance, a New York broker expresses interest in a particular share and the local broker then buys on his own account (ie, dealing as a principal), no mst is payable.

However, when the shares are subsequently registered — for US buyers in ADR form — the 1% stamp duty is payable. These shares are then transferred to a nominee company which takes custody of the scrip on behalf of the foreign buyer. The New York depository issues the shares in ADR form to the US broker.

ADR agents in SA include Barclays, Standard, Nedbank, French and Citibank.

In the case of French buyers, the shares are registered by French Bank of SA in the name of Sicovam — the sole French nominee company in SA — which also attracts the 1% tax.

On balance, as the fiscus has little to lose and the JSE something to gain, government should seriously consider abolishing the tax.

MICOR

58 FM 28/9/79

Ploughing back

Activities: *Holding company with subsidiaries active in finance, international and domestic freight, travel and insurance. Directors hold 62% of the equity.*

Chairman and managing director: *C B Kaplan; deputy managing director: M J Delahunt.*

Capital structure: *2,6 ordinaries of 50c. Market capitalisation: R3,1m.*

Financial: *Year to June 30 1979. Borrowings: long and medium term, R287 000; net short-term, R3,1m. Debt:equity ratio: 109,5%. Current ratio: 1,4. Net cash flow: R506 000.*

Share market: *Price: 120c. (1978-79: high, 120c; low, 47c; trading volume last quarter, 32 000 shares). Yields: 28,1% on earnings; 9,1% on dividend. Cover: 3,1. PE ratio: 3,6.*

	'76	'77	'78	'79
Return on cap %	19,4	23,8	25,7	25,5
Turnover (Rm)	5,3	5,6	6,0	6,9
Pre-tax profit (Rm)	0,7	0,8	1,0	1,3
Gross margin %	21,5	20,6	24,4	24,9
Earnings (c)	14,9	18,7	23,6	30,9
Dividends (c)	7,0	8,0	*9,0	10,0
Net asset value (c)	66,8	78,2	91,9	113,0

Despite record earnings of R811 000 (R595 000) Micor's pursuit of a "policy of providing additional funding from internal resources for the purposes of future growth," led to the dividend being increased only 1c to 10c (9c).

Freight continues to be the main contributor, providing over 60% (64%) of the group's pre-tax profit. Deputy MD, Michael Delahunt, tells the *FM* the increase in fuel prices, which affects mainly the long-haul transportation side, will not materially affect earnings.

As a result of exporter's and investment allowances, current taxation was reduced by R116 000 (R66 000) to 33% of pre-tax profit; adding an extra 4,5c (2,5c) to earnings. Surpassing the interim forecast, earnings for the year increased by 36% to 31c (22,8c). However, dividend cover was raised to 3,1 times (2,5 times).

At least 50% of group funds were used to increase net current assets by R432 000 (R388 000). Gearing decreased slightly, resulting in a debt:equity ratio of 109,5% (120,0%). This also accounts for the fall in the ratio of total liabilities to total shareholders' funds to 2,4 (2,7), "which is conservative in comparison with the ratios achieved by the group in the past."

Micor thus looks ship-shape to sail to another record year if past trends are anything to go by. For 1980 the group will probably again add another cent to its dividend, bringing the payout to 11c. At 120c yielding a prospective 9,2%, the tightly held shares are unexciting. *Edward Hung*

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TRADE FINANCE

(58) FM 28/9/79

Switching becomes respectable

In recent months, there has been a dramatic reversal of government policy towards the hundreds of millions of rands that are flowing out of the country as result of the switching of trade finance from expensive foreign money to cheap domestic sources.

Pretoria even seems content that local banks are actively encouraging the process in order to assist their clients and, at the same time, expand their own lending more profitably.

Until last January, this switching was a major source of anxiety and preoccupation to the Reserve Bank, because of the insidious erosion of the reserves that it caused.

In response, the bank had attempted to hold domestic interest rates artificially high, despite falling demand for domestic credit, to discourage the process.

Moreover, the forward cover recommendations of the De Kock Commission, which were implemented immediately they became government policy in January, were specifically designed to scotch it without the need for an inappropriate domestic credit policy. And for a while they did. They involved the sale of dollars by the Reserve Bank for forward delivery at a 2% discount, thereby equalising the cost of trade facilities in New York and Johannesburg. Later the discount was widened to 2,5% as rates in the two centres continued to diverge.

But so wide has the divergence now become that this discount hardly even goes halfway towards bridging the gap. And almost each week it has been growing.

Edging up again

During the past week, the US prime lending rate edged up another 0,25% to 13,25%. Prime "clean" acceptance rates on three-month paper in New York have recently risen to about 12,5%. Add to this at least 0,5% in bank commissions and subtract the current 2,5% forward dollar discount and the cost of offshore trade finance to SA borrowers becomes 10,5%.

The local cost of acceptance facilities is a good 3,9% lower — prime three-month bankers' acceptances are currently trading at around 4,8%, to which must be added 1,8% acceptance commissions, bringing the total cost to some 6,6%.

Another aspect of this foreign and local interest rate divergence is that exporters find it more profitable to delay the repatriation of their foreign earnings, which also has an adverse impact on the reserves.

But while it is in their own and their clients' immediate interests to encourage this switching, not all bankers are without concern for what they believe to be the possible consequences of its continuance.

Fear for the reserves

Looking back to what happened five or so years ago, they fear that if the gold price should suddenly decline, thus reducing the inflow of foreign currency earnings, either the rand will have to be devalued or its international value will have to be defended by the authorities dipping into the reserves. At R330m in August, the cash content of the reserves is hardly equal to the task.

Of course, one way of curtailing the switching would be for the authorities to increase the forward dollar premium. But that, points out Nedbank's Arrie van Vliet, would discourage exporters as the discount they have to pay for forward rand would rise correspondingly.

It would also mean that the Reserve Bank's currency exposure from forward dollar sales at a higher premium would increase accordingly.

Van Vliet's answer is for the Reserve Bank to sell tap issues of official securities in sufficient quantities to reduce domestic liquidity and thus push up local interest rates. So far this month, the bank is estimated to have sold about R200m worth of stock into a hungry market.

But, of course, this means that the Treasury would be borrowing even more money at a time that it is relatively flush with funds and thus burdening the taxpayer with additional interest payments.

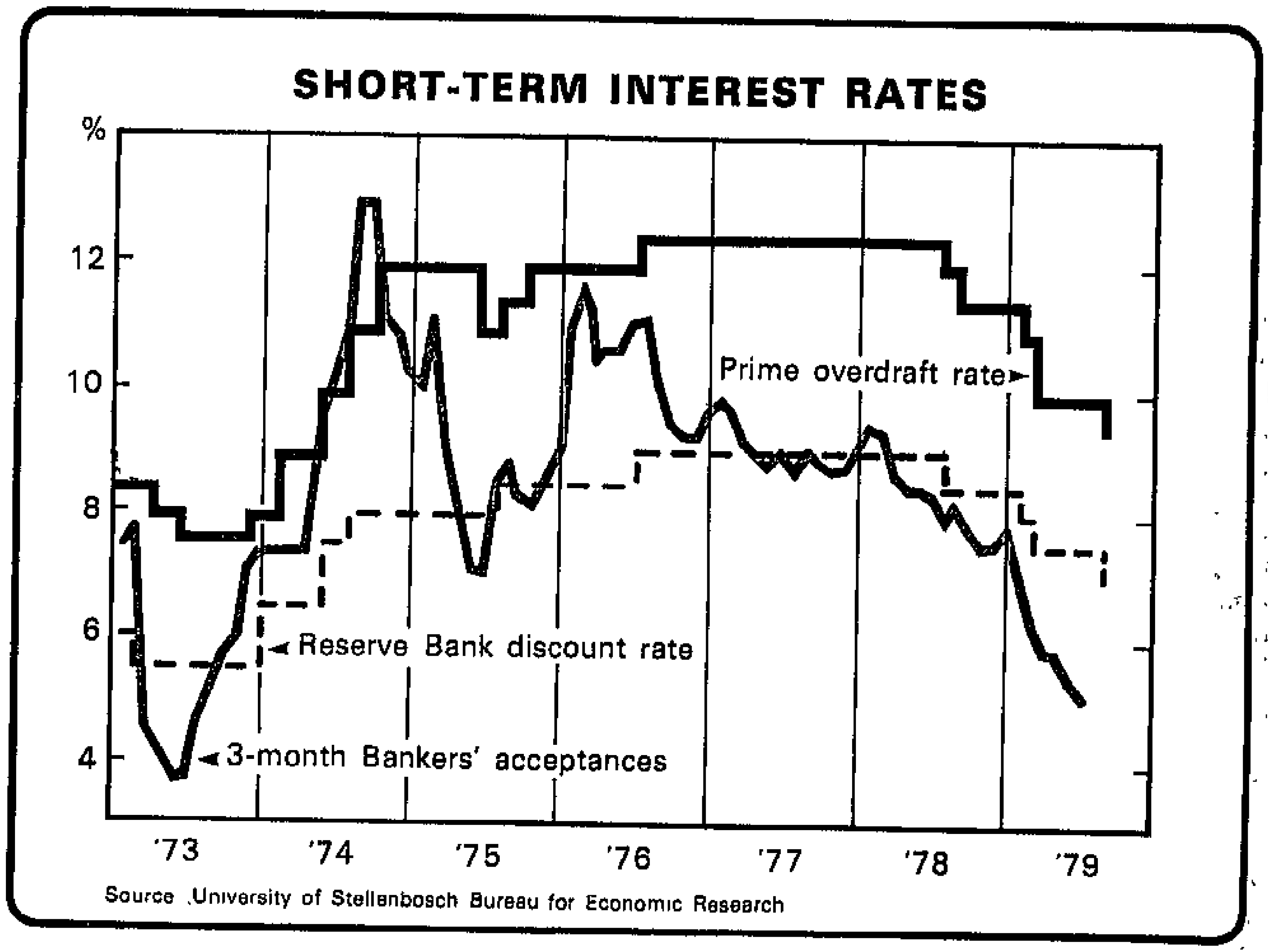
The reason for Church Square's new found complacency over switching is that, largely as a result of the soaring gold price, the country's export earnings surplus is at present so overwhelming that it covers this outflow without placing additional strain on the reserves. This calendar year is likely to see the surplus on the current account of the balance of payments reach a record R2 500m.

The outflow of switched short-term capital is also helping to reduce the surplus liquidity in the financial system without the Treasury having to borrow excessively.

Moreover, now that Finance Minister Owen Horwood has restored the March Budget's stimulus, it is hoped that, as economic growth picks up, so interest rates will eventually rise, making switching progressively less attractive.

Indeed, the Reserve Bank estimates that the return flow of capital from a reversal of this switching could reach R1 000m next year, which should easily offset any decline in the trade balance caused by higher imports as business activity gingers up.

Nor is there a danger — as occurred five years ago — that if gold earnings



Source .University of Stellenbosch Bureau for Economic Research

HESPERUS

58

Solid issue

FM 28/9/79

Activities: *Investment holding and financial company with quoted and unquoted investments. Holds 13,6% of Unisec*

Chairman: *B Mansell.*

Captial structure: *4,8m ordinaries of 50c.*

Market capitalisation: *R9,4m.*

Financial: *Year to June 30 1979. Borrowings: long and medium term, R185 000; net short-term, R52 000.*

Share market: *Price: 195c. (1978-79: high, 225c; low, 120c; trading volume last quarter, 77 000 shares). Yields: 9,1% on earnings; 6,9% on dividend. Cover: 1,3. PE ratio 11,0.*

	'76	'77	'78	'79
Investments:				
Book value (Rm)	8,8	9,7	9,8	10,9
Market value (Rm)★	7,2	7,8	9,6	11,3
Dividend income (R'000)	727	822	848	909
Earnings (c)	15,7	16,7	16,6	17,7
Dividends (c)	11,5	12	12,5	13,5
Net asset value (c)	159	158	195	222

★ Including directors' valuation of unlisted investments

On the back of a 7% rise in dividend income to R909 000 (R848 000) came a marginal drop in total income to R1,02m (R1,05m), resulting in the main from a 50% fall in interest receipts to R91 000 (R178 000). Income from unlisted investments was marginally depressed, probably the result of divestment of Hespion, which was acquired by departing director Eric Tenderini.

In 1978, the Hespion holding represented 23% of the directors' valuation of unlisted shares, or R246 000. The net effect of the sale, coupled with a write-down of Mountain Homes to a nominal R1 (R99 750), was a reduction of the directors' valuation of unlisted shares to R698 000 (R1,1m).

During the year, the company increased its holding in Unisec by 1,76m shares, giving it an effective 13,6% stake in that company and equivalent to 81% of the end-June listed portfolio. Also sold were the entire holdings in Anglo and OIL redeemable prefs which were partly replaced by De Beers. The sale of OIL probably caused the fall in returns from fixed investments.

According to the board: "The major policy of the directors is to develop an investment portfolio with growth and long-term income potential." Because of the portfolio's strong bias towards property investments and Unisec, compound earnings growth has been only marginally greater than 4% since 1976, with dividend growth slightly better at 5%.

Recently, the company announced a 2-for-5 rights issue which will be pitched at 180c, and will bring in about R3,5m. By beefing up its Unisec holding, the company geared up considerably, and the rights issue will make for better equity base and improve the gearing platform. It is possible, too, that some of the money will go towards further strengthening the Hesperus/Unisec/Tolux alliance. Tolux, for example, recently acquired 600 000 shares in Hesperus, a 12,5% holding, and it will have to find over R400 000 to follow the rights issue.

Although the growth rates in earnings and dividends over the past few years have not been spectacular, the emphasis of the group appears to favour quality, low-risk earnings. This is borne out by the strong Unisec link, and the subsequent Unidev connection, which gives Hesperus an indirect stake in good income yielding properties.

Last year, the company declared an improved dividend of 13,5c (12,5c) but, with the higher issued capital, it is unlikely that this will improve much this year. Even so, with the property market looking better and Unisec a solid share, Hesperus has little downside risk and good potential. It is currently trading at a 14% discount to nav and, with the rights pitched at a 23% discount, the issue should prove successful.

Jonathan Bader

Mortality rates greater than 5/1 000 appear in italics in Table I. For all of these major causes of mortality, the Asian and 'coloured' mortality rates exceed those of the whites.

However, in this context, what requires emphasis is that by using the major disease classification a certai … st. For example, despite the fact that the overa … the circulatory system are comparable for white … , within this broad category the mortality ra … vary markedly. Table II provides th… … jor circulatory … . Whilst … n the white and … cause of Circu… … ory is examined … ause of mortal… … ortant cause in … eds' is … e … A … r … th … ig … n . … ne

of life for women in comparison t… ties. However, what is of inter… life for the three communities. … ratios are 1:0,91:0,76 for males … of 45 these are 1:0,91:0,86 for m… The 'coloureds' are less disadvan… males and females, a difference w… infant mortality rate in this comm… Asian females have the worst expec… communities, which is in marked di… at e_0 and males at e_{45}. The fact … women have the highest mortality r… …atory, circulatory, digestive, genito-urinary and ill-defined causes of death (Table I) may contribute to this anomalous situation.

Fig. 7 summarises the percentage improvement in the expectation of life at birth subsequent to the total elimination of the mortality associated

the South African population from all causes of death. The proportional contribution of the seventeen major disease categories of the International Classification of Disease (8th revision) to the overall mortality of the various communities is summarised in Fig. 5. The whites show a typical 'developed' country spectrum of mortality with Infectious and Parasitic Diseases being of minor importance (2,0%) and Neoplasms (15,6%) and Diseases of the Circulatory system (50,5%) being of major importance. For urban Africans and 'coloureds', Infectious and Parasitic Diseases make an important contribution to the overall mortality (19,5% and 23,5% respectively), with diseases of the respiratory system and certain causes of perinatal mortality also being of importance. Within the category of Infectious and Parasitic Diseases, diarrhoeal diseases and tuberculosis are the most important causes of mortality. The 'coloureds' experience an interesting combination of 'developed' and 'underdeveloped' mortality with a high death rate from enteritis and diarrhoeal diseases in the young and circulatory diseases in later life. What is also of interest is the relatively large number of symptoms and ill-defined conditions, particularly in the … 5%). This provides some indication of the pro… of medical services to Africans in the urban areas. … have a spectrum of mortality intermediate between … and and the 'coloureds' and Africans, on the other.

…on of the cause specific mortality data as propor… …eals a certain amount of information. Table I … d analysis of these data in the form of cause … s for defined age groups by sex, in the white, Asian … ies.

(Table I) are compared with the proportional mortal… major disease categories (Fig. 5), it will be … elatively minor proportional contribution made by … the 'coloured' community, the actual rates for … r than those of the whites. The reason for this … s that the mortality rates for Infectious and Para… … so high that they effectively swamp the proportional mortality of the Circulatory Diseases in the 'coloured' community. In the white community, the mortality rates for most causes of death are so low, the importance of the Circulatory diseases become disproportionately exaggerated.

MONEY MARKET

(58) Tm 28/9/1979

Month-end worries

Reserve Bank open market operations over the past few weeks seem to have succeeded, at least in part, in holding up short-term interest rates. The Bank is estimated to have sold around R200m worth of stock this month.

The Treasury Bill rate firmed by five points last week, from 4,31% to 4,36%, largely as a result of the Reserve Bank's selling. And some dealers reckon the TB rate may well edge up another five to 10 points this Friday.

But other dealers point out that TB offerings this week will mature just before December 31, when discount houses and banks will be looking for cash.

This week three-month bankers' acceptances have traded fairly actively at the official rate of 4,8%, and dealers report an improved supply of paper. Three-month NCDs were quoted marginally softer at 4,75%, compared with 4,85% last week. One-year NCDs traded at 5,25% to 5,3%, against about 5,4% last week. Two-year NCDs have been popular, with rates of up to 7,24% on offer.

High coupon RSAs were also in demand early in the week, with rates on 25-year stocks easing from 9,32% to 9,22%.

However, the discount houses found themselves fighting a rate war in midweek, and their call rate jumped from 4,6% to 4,9%. One dealer reports that the apparent cash shortage in the houses followed Tuesday's sudden withdrawal of funds, probably in connection with large import payments.

Others attribute the shortage to normal month- and quarter-end pressures. Money market men warn that September-end tax payments could push up the discount houses indebtedness to the Reserve Bank to at least R300m.

Dealers reckon downward pressure on rates could resume again in October. Sharply higher gold receipts will certainly boost liquidity.

Financial Mail September 28 1979

1256

(58) FM 28/9/79

SHARE MARKET

Re-enter the small investor

Banner headlines in daily newspapers and extensive TV coverage charting bullion's meteoric rise, have tended once again to focus Jan Publiek's attention on that elusive pot of gold that is the JSE. There is nothing like rising share prices, and office gossip about a friend of a friend who has just made a killing in Powerspec, to speed the return of the small investor to the market.

To whet his appetite further, there have been several successful new issues yielding well-publicised stagging profits and, according to the JSE, companies have not been backward in coming forward to take advantage of the situation. Several more new listings are said to be well advanced.

Embarrassed by meagre returns from fixed investments when all about them friends are reporting weekly killings, the private investor is plunging in once again. That he — and she — has finally gone over the top is confirmed by the latest six-monthly JSE study of buying patterns. During one week in July, the small investor registered the highest proportion of share purchases since 1969, accounting for 40,8% by volume and 32,9% by value compared with 32,2% and 24,5% respectively during a similar study in January this year. Sales by private investors also increased, from 28,8% by volume and 23,4% by value in January to 35,9% and 30,1% respectively in July.

Is it (for brokers) a false spring? If not, where did the newcomers suddenly come from and what are they buying? Are they in fact the same hardy breed that burnt their fingers a decade ago? Or are they a new generation confident that they can succeed where their forebears failed?

Over a long period, these random JSE checks have, by and large, correctly predicted trading trends; and most brokers who cater for smaller investors agree that there has been an upsurge in new clients. All agree, however, that, so far, there has not been the enormous rush that typified 1969.

Latest cocktail tip

That was the last time that shopkeepers, secretaries, butchers and the medical profession flooded the floor with orders for the latest cocktail tip. Then, they typically accounted for 45,9% of all transactions on the JSE.

The root cause of their return, say industrial psychologists, is greed. But, at this stage, there are also a host of positive factors to help overcome their basic fear of losing hard-earned savings.

Watching bullion's performance, many have thought that there must be money to be made, especially when one SATV commentator sagely remarked that, in one afternoon, anyone invested in gold could have made 5% on his outlay. Evidently, this prompted a rash of calls to bankers for advice.

Rightly or wrongly, the Soweto riots are now but a nasty memory, reflected upon as an aberration in the smooth order of things. Nor has the taxman yet to take some gilt off with a capital gains tax. Perhaps it is the realisation that, for SA, the fuel crisis is not that catastrophic. After all, they say, none of us have experienced queues for fuel, as have Californians. Nor do we, yet, have rationing. Coal has been elevated to the status of black gold and more money is coming in from bullion sales than is going out for oil, even at politically punitive spot prices.

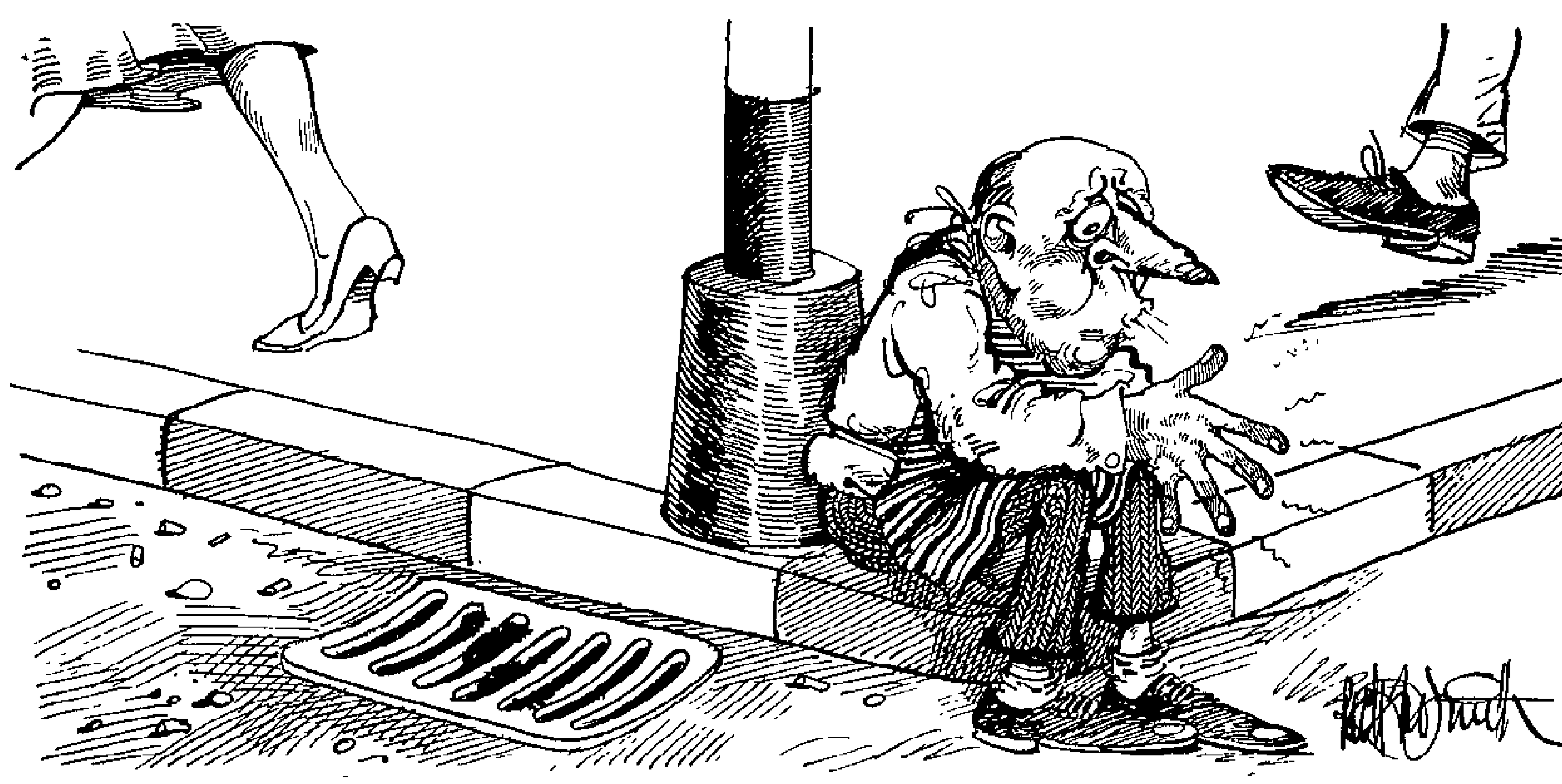
Could it be that the rising property market and government's pragmatic attitude to exchange control has had a more positive effect on the man-in-the-street than could possibly have been envisaged?

For example, more than one widow is known to have taken advantage of a more buoyant property market to sell that empty albatross, pick up her skirts and hightail it for Diagonal Street.

Historically, the private investor is always the last one to catch the boat, and inevitably the one that goes down with it. This time round, however, the prognostication is for fair weather ahead. Corporate profits are growing much faster than our muted economic revival would suggest, and share dividend and earnings yields are a lot saner than in 1969. By and large, the newcomers are being referred by bankers and existing clients; and they appear to be asking for advice. Whether they heed it or nor is another matter.

Not all may be that new, either. Back in 1969, there were 81 broking firms to choose from. Now there are but 42. So some may be veterans of the 1969 debacle who are coming back through different brokers.

One broker, who handles mostly institutional business, admits to getting some old clients as well as some new faces. Basically, however, business is so good that those with only a few hundred rand to invest get short shrift. "They are a pain in the ass and we suggest they go see a bank. They are more trouble than they are worth as they continually want us to update their portfolios of one share."



Another claims to be gaining one new client every second day, adding: "These clients, who normally have R5 000 or so to invest, are not simply changing brokers. They have never held a share before." As for taking advice, he says "they haven't a clue. If you mention a name — they buy it. One new client came in to pay for her shares last week. She had already made 10% and should have been happy. Unfortunately, I got the impression that she thought this normal."

As for individuals, one recent business school graduate, now into his first full-time (paying) job, admits to having given the market more than a passing thought. "Essentially, I am looking for a quick buck. I could not be bothered with long-term investment. I see prices going up and figure that there is still time. Industrials are attractive, especially the big movers in stores and packaging."

Another investor, less qualified and less adventurous, has formed that epitome of clubbiness, a syndicate. He and his partners are applying what discretionary cash they can collectively muster to what they regard as shares of the future, electronics.

At the entrepreneurial level, my butcher, who still hopes forlornly that the Botrest he bought back in 1969 for 1 200c (they are now 70c), will someday vindicate his judgment, has nevertheless come back into the market. This time its marginal gold mines and sand dump processors. "Times are different," he pleads, "the greenback is weak, we have alternative fuel sources (have you read about ethanol and sunflower power?) and gold is about to be fully remonetised."

My GP, on the other hand, claims to have been finally cured of greed. Unless, of course, I can recommend something "safe." No, he is not pondering all that new found wealth as a result of recent fee increases, he has been charging higher rates for some time.

While newcomers, as almost always, have missed a large portion of the market's rise, the consensus amongst analysts is that industrials still have a considerable head of steam. And who is brave enough to say that $500 for bullion is out of reach? Certainly, the yields on high grade gold mines and industrials still stand the acid test of comparison with alternative investments. But what the private investor has yet to demonstrate, however, is that he can keep his head.

Volkskas riding high on merchant banking boom

Sun. Times Bus. 30/9/79

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By JOHN SPIRA

SOUTH AFRICA'S merchant banks are experiencing dramatic growth — a sure indication of the quickening tempo of the economy.

This was highlighted by today's exclusive release to Business Times of the interim report of Volkskas Merchant Bank, which has doubled its net income to R600 000 in the six months to September 30, 1979. Net income for the year to March 31, 1979, was R750 000.

Banks do not, of course, disclose the amounts transferred to contingency reserves and, judging from VMB's heady progress, it seems likely that the published figure was an understatement of the bank's true performance.

Total assets, at R151-million, are 100% higher than at this time last year and well up on the end-March, 1979, figure of R107-million. Dividends declared amounted to R260 000 (R100 000).

Bankers' acceptances increased from R32,9-million on March 31, 1979, to R68-million on September 30, 1979.

VMB's corporate finance division has been handling several takeovers and capital issues, with its most noteworthy achievement being that of lead bank of the consortium of issuing houses which are handling the Sasol share issue.

It also handled a rights issue by Metkor, a debenture issue by Edgars and the acquisition of SAG Ceramics by Cullinan Holdings.

During the past six months VMB's capital market division "increased its market share substantially" and was involved in issues amounting to R250-million.

"Steady growth in net income is anticipated for the second half of the financial year."

VMB managing director Laurie Korsten tells me that only

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Volkskas riding high

28% of the bank's business is Volkskas-related.

He adds that while the volume of business available to the merchant banking sector as a whole has been expanding, VMB has been steadily expanding its market share.

Managing director of Barclays National Merchant Bank, Rodney Zank, confirms that merchant banks are enjoying rapid growth.

"The past year has been one of our busiest ever in the spheres of corporate finance and capial market activities."

He says Barclays Merchant has been extending its slice of the merchant banking cake since 1973 — the year in which the bank got off the ground in its present form.

Mr Zank nevertheless stresses that merchant banking remains highly competitive.

By and large, customers tend to maintain alliegances to their merchant bankers, although (especially in corporate finance) certain changes have taken place, with companies seeking assistance from other banks which might offer specialised expertise in a particular area.

UAL's Johan Nel noted that with the exception of acceptance credits, which were lagging in line with the lending experience of the commercial banks, the merchant banking cake was getting bigger — particularly in the private sector. And UAL is "at least holding its own."

He says the relatively large number of new share issues which took place in 1979 (Kimet, Commercial Union, Southern Sun, Caravans International) have added to the buoyancy of the merchant banking sector.

"Many companies are now setting themselves up with long-term capital and although this might not yet have found its way into fixed investment, the private sector is, in general, equipping itself for future expansion.

"To this extent, I agree that the growth in merchant banking activities can be looked on as a barometer of the economy."

Mr Nel points to a new factor affecting merchant banking — the tendency for more than one bank to be involved in the raising of fresh finance.

This is especially the case in the public sector.

Standard Merchant Bank's Eddie Theron underlines the growth in his bank's advisory services, along with the expansion of corporate finance and investment activities.

Mr D H Anderson, general manager of Senbank, says the bank has enjoyed a good year.

He points out, however, that the demand for facilities are still at a relatively low level and that higher levels of utilisation are necessary for the bank to operate closer to its optimum.

Pretoria blacks reject white finance

3/10/79

Pretoria Bureau

The Mamelodi Traders' Association has called a public meeting of all local traders and businessmen to discuss the black and white partnership business issue, proposed by the Government, at the Mamelodi Community Centre today.

According to one of the conveners, Mr H M Pitje, a local cinema owner and the publicity secretary for the black National African Chamber of Commerce (Nafcoc), blacks were not yet in a position to establish business undertakings in partnership with whites in black residential areas.

"We have always been told that whites would come with their money and expertise. But I don't think we need it at all. We have got our own people with the necessary expertise and money and therefore we reject the idea which is only interested in exploiting blacks for the benefit of whites," Mr Pitje said.

"As it is we are going to establish a finance corporation which will have more than R200 000 which will be needed in assisting those black businessmen who need financial assistance."

Mr Pitje was one of the founder members of Nafcoc in 1964 when blacks had no national businessmen's organisation.

Nafcoc has since grown in strength and the only black bank in the country, the Afribank, was established by the same group about two years ago with the first branch situated in Garankuwa.

There is already a branch in Soweto and other branches will soon be opened in other large black residential areas.

During his numerous trips to the United States, Mr Pitje was struck by the economic independence which has been displayed by black Americans and this instilled in him a sense of confidence and convinced him that blacks back home could make it.

His cinema, Thebu Cinema in Mamelodi, is the only black-owned cinema in the whole of Pretoria and has proved to be more successful than the one which was, until recently, run by the Central Transvaal Administration Board. The Khudu cinema has since been transferred to an Atteridgeville local, Mr Dan Mashao.

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TABLE I

ITY RATES FOR THE 17 MAJOR DIVISIONS OF THE ICD (8th REVISION)

te: There are no tables for divisions V, XI, XII, XIII
cause of the small numbers in each of these categories).

INFECTIVE AND PARASITIC DISEASES

DIAGONAL STREET

58

Golds hesitate

RDM 5/10/79

With further short-covering pushing gold over $440 last week, golds dominated trading as both foreign and local buyers chased scrip no-one wanted to sell. But the IMF meeting, and profit-taking caused nervousness with golds closing below their highs across the board.

Bullion opened last Thursday at $397 and climbed to daily highs as the dollar crumbled against the D-mark and Swiss franc. Gold responded to rumours that Opec might switch to basket-of-currency pricing, and discounted talk that the US might try additional bullion sales to bring the price down. This caught many traders who had shorted bullion ahead of $400. As bullion broke through $400 they rushed to cover in, pushing the price into a $443 - $448 range on Tuesday.

The gold rush coincided with the IMF annual meeting in Belgrade where worries were being expressed about world economic order. Gold bulls ignored the comments on monetary instability, especially when the dollar plunged to its second lowest level against the D-mark of 1,7365 — 0,008 off last October's low. The greenback also dipped to an 11-month low against the Italian lira.

But after the high price on Tuesday, reports from the IMF suggested that various European countries might sell gold to counter the rising price, and that the US might introduce another dollar support package. When asked about what steps the US might take to support the dollar, Treasury Secretary William Miller said the US had $100 bn worth of gold at current prices, and that "selling off $1 bn here and $1 bn there does not affect the stockpile too much," adding that gold sales aided the balance of payments by offsetting imports.

According to reports from Belgrade, participants at the meeting have become so anxious they are beginning to sound out their partners over international co-operation to dampen the gold price. The reports said Switzerland and Holland are amongst the countries who believe some consideration should be given to efforts to restore stability to the gold market. However, a bullish comment came from French Economy Minister René Monory who said France had no intention of selling its gold stock to force the price down. So, although no unanimity was reached on future gold policies, the market became nervous as weak holders took profits with bullion reacting on Wednesday afternoon to $402.

Earlier in the week, both London and New York were strong buyers of golds and mining financials. Amgold in particular was actively sought by New York which pushed the share price up 6 950c from 5 700c between Thursday and Tuesday before closing off the top at 6 600c. Demand from abroad was mostly for heavyweight gold shares and with local buying of lesser priced issues, daily volumes on the mining boards rose strongly. And orders were not small, with individual investors looking, for example, for West Drie in blocks of 10 000 and more.

Peak turnover on the mining boards during the week was on Tuesday when 1,8m shares worth R13m changed hands. This compared with the previous high last Friday of 2m shares worth R10,3m. On Tuesday 24 new highs were posted.

Gold fell $24 overnight on Tuesday, boosting profit taking on Wednesday. In London golds came severely under the whip and some heavyweights fell up to $8 in hectic trading. Amgold lost 775c while West Drie, Randfontein and Western Holdings lost between 550c and 675c. Johannesburg opened weaker with "busy and confused" selling from most centres. This resulted in the JSE Actuaries Gold Index closing at 377,7 — an overall 6,4% fall on the day compared with a 10,5% gain the previous four days.

According to the charts the financial rand looks set to move to US 100c in the next few weeks now that it has broken through the 91c level. This week the currency rose 5c to US92,5c mainly as a result of increased foreign buying, particularly from the US.

This interest is likely to continue. Arbitrage brokers speculate that the correction likely to follow lower bullion could be seen as a buying opportunity. Certainly, the jobbers are in this market boots and all, so this speculation could prove to be right.

With the exchange authorities now prepared to allow foreign subscribers to the Sasol issue to borrow locally instead of creating FR's to back their subscriptions, it is no longer necessarily true that there will be downward pressure on the FR rate once the allocations have been made. Depending on the allocations to foreign investors, the FR rate could rise as they create the currency to pay for their allotted shares.

In line with the firming of the dollar on Wednesday and the weaker gold price, platinum lost $30 to $570 which pulled a previously 6% stronger platinum board lower. Rustenburg lost 15c to 370c, Impala 27c to 470c and Lydenburg 30c to 230c, erasing all the gains they had made on the week.

Copper has been a strong market with the metal peaking at £1 108 on Tuesday before falling £96 on Wednesday. The follows bullish sentiment in the UK and US on improved demand and a lower LME stockpile. The stockpile opened September at 161 000t, but by last week had fallen to 157 000t as physical shortages developed in the wake of heavy speculative buying which caused a slight backwardation at one stage. In New York, the price jumped to 98,5c compared with an average price in the first-half of the year of 90c/lb. As a result copper shares came off on Wednesday leaving only Messina higher than a week ago.

Coals had another good week, but came off marginally with the rest of the market on Wednesday. During the week, Apex, Clydesdale and Trans-Natal hit new highs, and analysts see further longer-tern vances in the sector

Industrial shares hit an all-time high this week as the RDM 100 topped out at 374,3 compared with the previous high in May 1969 of 371,4. Profit-taking, believed to be short-term in view of good corporate results still being announced, brought the advance to a head and the JSE Actuaries Index dipped less than 1% on Wednesday in moderate trade. Brokers say they had expected some reaction, but the uptrend is thought to be intact.

During the week average daily turnover at the industrial board was 2,1m shares valued at R3,5m.

Des Kilalea

signposts

	Current	Week ago	Month ago	Year ago
RDM 100	**374,3**	**365,2**	**347,2**	**264,7**
% change on	—	2,5	7,8	41,4
P/E ratio	5.7	5,6	5,3	4,9
Div yield	6,4	6,5	6,8	7,9
UK FT Ind.	**469,1**	**469,8**	**468,6**	**505,2**
% change on	—	—0,2	0,1	—7,2
P/E ratio	6.9	6,9	7,3	8,9
Div yield	6.8	6,9	6,9	5,3
US Dow Jones	**885,3**	**886,2**	**872,6**	**867,9**
% change on	—	—0,1	1,5	2,0
P/E ratio★	8,1	8,1	8,3	9,5
Div yield★	4.9	4,9	5,0	4,8
Gold price (in US $ on London)	**424,0**	**377,0**	**325,1**	**222,1**
% change on	—	12,5	30,4	90,9
Krugerrand (Rand) Public selling price	**409,1**	**360,1**	**311,2**	**220,1**
% change on	—	13,6	31,5	85,9

★ Standard & Poor index
Public buying price in 10% below, subject to negotiation

(58) 7/10/79

The enemies of the road

SOUTH Africa is back to 90 km/h and the world is suddenly a wonderful place. Even the traffic chiefs are delighted.

"We never liked the 70 km/h limit. Thank goodness its all over," said one.

But a problem remains that has lived with motorists since the old days of 120 km/h (do you remember them?)

Traffic cops and motorists are still behaving as though they are arch enemies instead of co-operating in the tedious business of keeping traffic moving in an orderly and legal fashion.

It's time now to come to our senses and slip velvet gloves over the mailed fists of the traffic officers, says the Transvaal Provincial Administration which has just completed a seminar with public bodies to see how this can be done.

Mr G W van der Veen, chief of the Provincial Inspection Services, says that traffic officers want nothing more than the motorist's co-operation.

"The meeting with the various bodies produced some very encouraging and positive thinking, including suggestions for better pay for traffic officers; better screening before appointment; overhaul of Road Traffic Ordinances to bring them in line with modern trends; and more positive support of legislation by the Press," he said.

One of the main bones of contention is the readiness of various municipalities to prosecute speeding offenders.

One municipality will allow a 5km/h margin before prosecuting while the next one allows no margin at all. Another might offer 2 km/h.

"We are aware of this and agree that there is a need for municipalities to reach some measure of agreement as to the tolerance they are prepared to allow before prosecuting," said Mr Van der Veen.

"I can assure you that the Transvaal Provincial Administration will not prosecute anyone who exceeds the limit by not more than 10 km/h. But we cannot speak for the attitudes of the various municipalities. They fix their own policies.

"But anybody exceeding the specified limits will always be liable for prosecution and that is where the motorist must co-operate by being reasonable."

One difficulty is clear. Traffic officers are trained to exercise tolerance in their dealings with motorists, but motorists are free to vent their spleen on the traffic cop.

Said Johannesburg's acting traffic chief, "Ollie" Olivier: "You will get the traffic officer who starts his day well and behaves courteously to the motorists who exceed the limits.

"Then comes along the driver who has had a fight with his wife, or something has gone wrong and he hauls the traffic officer over the coals calling him names that would provoke any self-respecting individual.

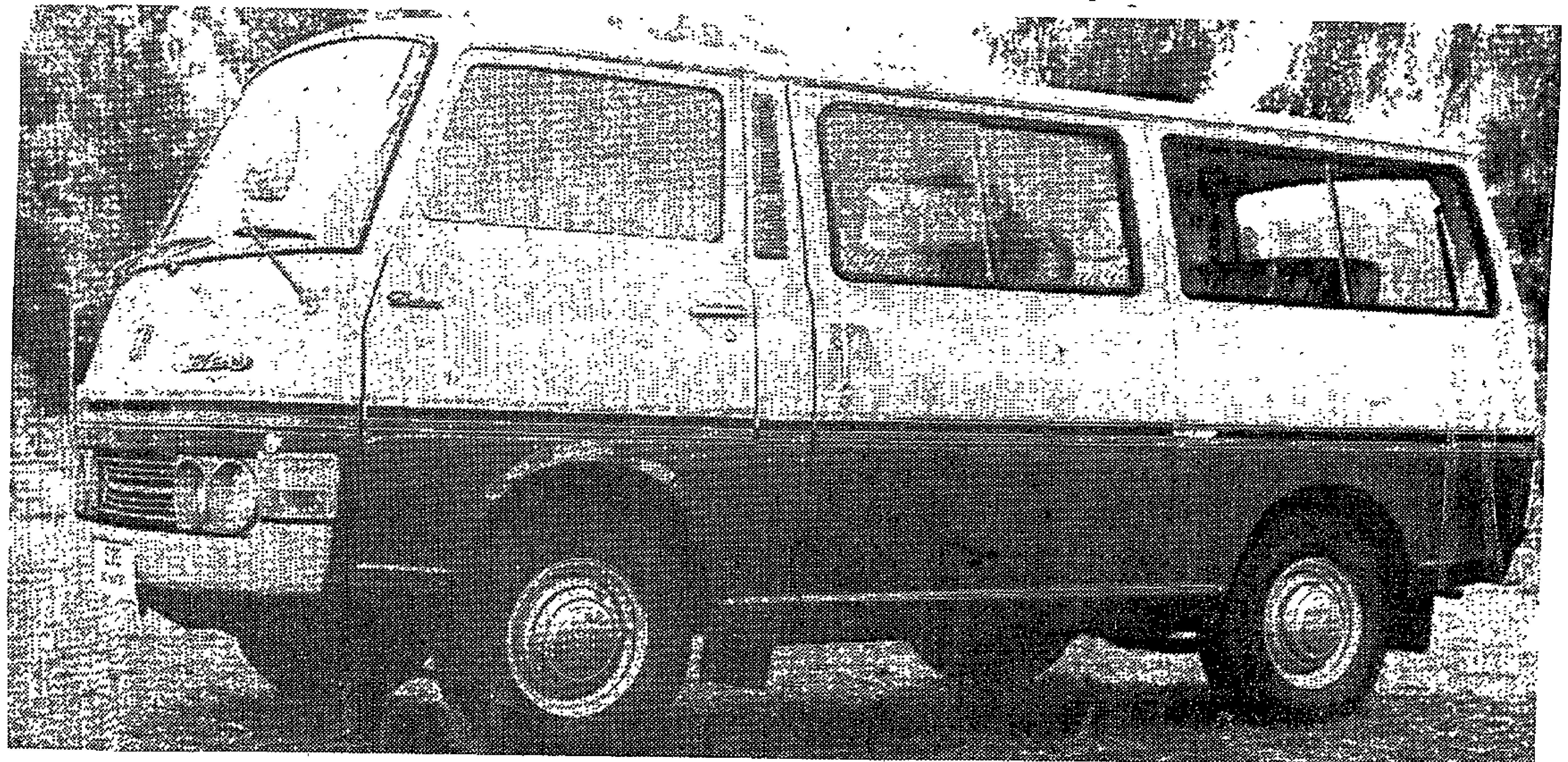
"That motorist has now soured the traffic officer for the rest of the day. The traffic officer should not let that affect his relationships with other motorists.

"In the majority of instances, the angry motorist knows that he is wrong and is shouting at the traffic officer to relieve his feelings.

"What the traffic officer needs is co-operation. The motorist can give him that, we know. For our part, the motorist can accept that we are working on the problem the whole time. We have been for years.

"Traffic officers go through various phases of training, and then further advanced training in the same fields based on their accumulated experience.

"It's a continuous process and every traffic officer goes through it."



This E20 Econobus is the standard version with mag wheels an optional extra

Read the small print in insurance policies

58 S Times (Motoring) 7/10/79

INSURANCE cover is becoming a veritable minefield for unwary motorists who may, for instance, find claims for personal accident invalid unless seat belts are worn; that teaching a 17-year-old how to drive involves additional cover; and that there is a way of staying mobile after a driving licence has been confiscated by the law.

The "buckle up or lose out" warning is nothing more than that at the moment but insurers round the world are showing little sympathy for crash victims who fail to wear their seat belts.

And it could happen here.

One firm of insurance brokers, J H Minet, says that the compulsory wearing of seat belts in South Africa is still relatively recent. Clear legal precedent has not yet been established.

"In Britain, the courts have, in some cases, reduced awards for damages because the victim had not buckled up, and insurers are taking such decisions into account when negotiating settlements," said a spokesman.

"Insurers feel that the victim is breaking the law when he doesn't wear his seat belt, thereby contributing in some degree to his own injuries."

The A A comes in with its warning to parents of prospective learner drivers to check their comprehensive insurance policies.

"Most comprehensive policies exclude driving by teenagers unless the insured accepts a heavy excess," says the A A.

"Moreover very few companies insure drivers under 25 years of age at normal premiums because of their high insurance claims record."

According to figures released some time ago by the American Insurance Rating Board, the average cost per claim of cars driven by 17-year-old unmarried males was almost four times that for drivers over 29.

For the 25-year-olds, the claims cost was nearly double that of the older groups.

It was the probability of more frequent and more costly accidents which had prompted insurance companies to impose high compulsory excesses on young drivers.

There is the further possibility that school symbols for 17-year-olds will decline as driving privileges are extended.

"A study in America, involving 20 000 high school students, showed that those who do not drive, or who do so only over weekends, have the best symbols," says the A A.

"If the car is used more than two days out of five, symbols begin to fall."

The A A has also introduced an extended warranty insurance cover for members owning cars up to five years old.

The insurance takes over from the manufacturer warranty and, after the car has been inspected and passed by the A A technical department, can cover all expensive components such as the engine block, cylinder head, crankshaft, automatic and standard transmissions.

Premiums are R65 annually for a four-cylinder car and R100 for two years; and R85 annually for five and six-cylinder cars and R130 for two years, with an excess of R30 and R50 depending on age.

Perhaps the most novel insurance is for the driver who loses his licence.

For a monthly premium of about R4,60, Guardian Insurance will compensate a driver who loses his licence and the use of his car, and cover the policyholder for incapacitating injuries that prevent him driving and for loss of income through injury in a motor accident.

Compensation amounts to around R40 a week — enough to cover the cost of alternative means of transport. For about R10 a month, a driver can buy cover of R120 a week.

At least the motorist need not deprive his employer of his services.

"A disability or licence disqualification which precludes a driver from driving can be ruinous," says marketing manager, Reg Rimmer.

The plan is already used in Europe and is endorsed by the authorities in Britain where 35 000 motorists and 1 000 companies are involved.

According to a South African attorney, even a first offender will lose his licence for six months if he is convicted of reckless driving, or driving under the influence of alcohol.

If he has a previous conviction for either of the same offences, the court is obliged to withdraw his licence for at least a year.

With a convicted negligent driver, the court has discretion in ordering a licence endorsement, suspension or cancellation.

Apart from drivers who lose their licences in court actions, an average of 300 Transvaal motorists a year cannot get a licence when their driving ability is retested after an accident, according to figures from the Transvaal's MEC in charge of licensing, Danie Hough.

Econobus an attractive family proposition

MANY enlightened motorists have realised the obvious attraction of a mini-bus that can swallow up the luggage and seat a family of six in comfort, plus gran, servant and the family pet if necessary.

What better way of covering those otherwise expensive transport bills for the family holiday!

One problem is that having acquired this super transporter, one might then have to chug around town in it, commuting, shopping and generally hauling a large volume of empty space.

The Datsun E20 Econobus is, perhaps, as good an example as you will find for planning an annual touring holiday on a shoe string.

It resembles a scaled down bus and yet has a compactness that does not make it an unreasonable proposition for private use.

The one I tested had attractive colour styling and trim, with low profile radials on exclusive looking mag wheels.

It looked anything but utility transportation and was smart enough to adorn any northern suburb driveway.

Driving the Econobus is a totally new motoring experience, since one is elevated to appreciable heights in reaching the driving seat, situated above the front wheel.

The engine is in a compartment between the two front seats, as is the radiator when topping up becomes necessary.

Good insulation reduces noise to a reasonable level but the two-litre, four-cylinder engine is always obviously present when driving.

Conversation is by no means drowned, but the Econobus is not one of those vehicles that can pass as a well-heeled sedan.

The driving position is good, and the steering column gearchange encourages experimentation in selecting changing sequence.

Being a two-litre engine, and travelling light as a commuter vehicle, it is possible to pull away in second and then into top, without using intermediate gears.

This technique can be used in a wide variety of situations when travelling empty without causing undue strain on the transmission, saying much for a willing engine.

Whatever driving method was used, I was unable to beat 13 litres 100/km for fuel consumption in town work.

This sounds high, and works out at R6,62 per 100 kms for petrol costs, but I would guess that this is the most you will pay at any time, fully loaded or not.

The cost per head obviously shrinks the more people you carry.

One drawback when driving solo is that bumpy roads create considerable bounce compared with a normal sedan.

I found it more comfortable to keep a wary eye open for those bumps and try to avoid them. A loaded vehicle is appreciably more stable

Passengers gain access through a sliding side door and the luggage compartment at the back has a massive tail door which opens up the entire rear of the vehicle for obstruction-free loading.

The Econobus is intended for companies requiring staff transport. In this executive trim it is an attractive proposition for domestic use.

Tread carefully with tyres in the rains

WHEN the rains come — particularly the first of the season — it frequently means some nasty multi-car pile ups, especially on roads with dense traffic.

One might be inclined to attribute this to poor driving skills on wet roads (and sometimes that is correct) but it is really a story of peaks and valleys and tyres.

Tyre care, tyre wear and tyre awareness often form a major gap in the ordinary motorist's knowledge, and this is combined with a fairly unusual phenomenon which is the result of both our climate and our road construction.

The latter, which is the "peaks and valleys" story, can be described like this:

South Africa is internationally renowned for its sunny climate. What that means is that our rainfall patterns are sharply seasonal, with a long, dry spell inbetween.

During this dry period (winter in the Transvaal and summer in the Cape) motorised "fall-out" in the form of oil and rubber fragments are deposited on the roads — the former from dripping sumps or the breather pipes of badly-tuned engines and the latter from ordinary tyre wear.

True enough, most of these deposits are pushed to the sides of the roads by other vehicles. However, quite a lot isn't.

If one magnified a cross-section of a typical South African tarred road it would appear as a series of sharp peaks with definite valleys and indentations in between.

The oil and rubber sludge collects in the valleys and lies there waiting for it to rain.

When the first rains occur this slimy compound floats up to just above the level of the peaks.

It doesn't need a vivid or overly technical mind to imagine what happens next.

Cars driven by motorists who have been that way before and are accustomed to a certain amount of friction resistance from that section of tar, suddenly find complete loss of adhesion . . . and they skid.

The vehicles behind also have no adhesion when brakes are applied so they skid . . . and so on.

This particular set of circumstances has been described by a world tyre technician who visited South Africa as one which produces a far more serious loss of adhesion than any other road condition he knew of — including black ice in Europe and the frozen mud in North America.

Of course, in such demanding conditions, the car with the better tyre tread adhesion has the better chance of getting through unscathed.

Again, because of the seasonal aspect, the long dry seasons are inclined to lull the motorist into feeling that his tyres are quite good enough for the wet months. But are they — and how can he tell?

The prime consideration is tread depth. There is a legal requirement for tyres never to wear beyond a minimum tread depth of 1 mm.

It is a punishable offence to drive a car with any of its tyres in this condition. It's not only illegal, it's dangerous.

This is one of the most reliable ways of assessing whether your car's tyres are suitable for rainy weather ahead.

In nearly every other respect, South African motorists have a highly responsible and competent tyre manufacturing industry to thank for some of the highest quality tyres in the world — and tyres which, specifically, have excellent wet-road adhesion properties.

They get this adhesion from both the design of the tread pattern and (primarily) from the specific compound formulae developed by the industry for local conditions.

It is an interesting and important fact that a rubber compound formulated for use in, say, Europe, can frequently be found to be almost useless for South African road and climatic conditions. The same applies to the United States.

And the same applies in reverse. Rubber compounding is a complex subject — and one which our local tyre makers have mastered, to the benefit of the South African wet-weather motorist.

For his part, though, he's got to check the tread.

HONEY CAKE

Jan

1 cup flour
4 t baking powder

3 T honey
/butter

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, and a
ents an
approx

s butter
Serve

MONEY MARKET

TBs lead slide

(58) FM 12 Oct 79

Money market liquidity received an additional fillip this week as a result of the changed cash position of the oil companies.

Cash transfers from the Oil Equalisation Fund to these companies meant they were no longer borrowers of funds. Some R200m is reported to have entered the system in this way.

Following last Friday's sharp fall in the Treasury Bill rate from 4,38% to 4,11%, twelve-month NCDs this week eased from 5,1% to around 4,95%, with three-month paper trading slightly softer at 4,5%. The official 90-day bankers' acceptance rate remained at 4,6%, after falling from 4,8% two weeks ago.

Dealers ascribe the continued rate slide to a combination of excess liquidity and expectations of a further drop in rates over the next few months. "The institutions have to invest," says one dealer, "and there are few alternative channels."

Liquidity is being maintained at high levels by increased government spending and the first inflows from the soaring gold price — although there has been some delay in delivery of these proceeds.

Last month's record increase in gold and foreign exchange reserves, which jumped by R723m over the previous month, also contributed to the liquidity pool.

Financial Mail October 12 1979

4 eggs
¼ lb sugar
¼ lb ground almonds (or hazelnuts)
½ t baking powder
½ T flour
¼ grated lemon (skin & lemon)

Beat yolks with sugar until creamy, then add nuts, flour, baking powder and lemon. Fold in stiffly-beaten egg-whites. Bake at 350°F for ½ hour.

Serve with whipped cream.

if it is too thick. Chill in a large bowl. Before serving pour on sour cream and sprinkle with chopped chives.

BEAN SOUP (Serves 8)

Cat

1 pkt sugar beans
in or soupmeat
r bacon bones
lery chopped

with 8 cloves
ped

o taste

er with water, bring to boil.
ites. Remove from heat and soak
ing to boil again, add rest of
Simmer till beans are tender. Cool.
d 1 cup beans. Purée remaining
r. Heat slowly. Put a few reserved beans in each serving bowl. Sprinkle with Worcester sauce. Cover with soup. Garnish with cream and crumbled bacon or croûtons.

PRESERVED BRINJALS

Sue J

brinjals
white vinegar
olive oil
garlic
fresh marjoram

Peel brinjals and cut into Julienne strips.
Put into enamelled pot and cover with white vinegar and bring to the boil. Cook for as short a time as

58 FM 12/10/79

MONEY SUPPLY

A matter of definition

Many economists, be they monetarists or Keynesians, agree that steady growth of a nation's money stock is over time a prerequisite for real economic growth. But, according to the latest Reserve Bank quarterly bulletin, SA's broadly defined money supply, known as M2, declined by R68m during the second quarter of the year. (M2 includes cash and demand deposits, known as M1, plus other short and medium-term deposits.)

In fact, says the Bank, when seasonal fluctuations are eliminated, M2 declined at an annual rate of 2% during this period.

What does this mean for economic growth prospects? For the moment, not too much, according to some economists.

They argue that there is enough "potential" money in the economy which could be mobilised at reasonably short notice. Or alternatively that money watchers may be paying too much attention to the measured or defined money supply at the expense of unmeasured money resources. The problem is partly one of definition, asserts Old Mutual economist Nigel Purchase.

Purchase points to the US money supply as an example: M2 is "fictitiously low" because of the established trend for depositors to withdraw funds from the banking system and place them in savings and loan associations. Moreover, the depositor's ability to make automatic withdrawals from savings and time deposits to top up current or cheque accounts means current account balances are lower than they would otherwise be. Therefore the "potential" money supply is considerably greater than defined money.

Similar problems in measuring the money supply exist in SA. Purchase points to the recent deposit drift out of the banks into the building societies. Lower interest rates, for example, have encouraged a move into longer term deposits, which fall outside the official definition of MI, and bank credit cards facilities are as yet an unquantifiable addition to the effective money stock.

Certainly, for the present the availability of credit is not a restraint to economic growth. The banks have plenty to lend at relatively cheap interest rates.

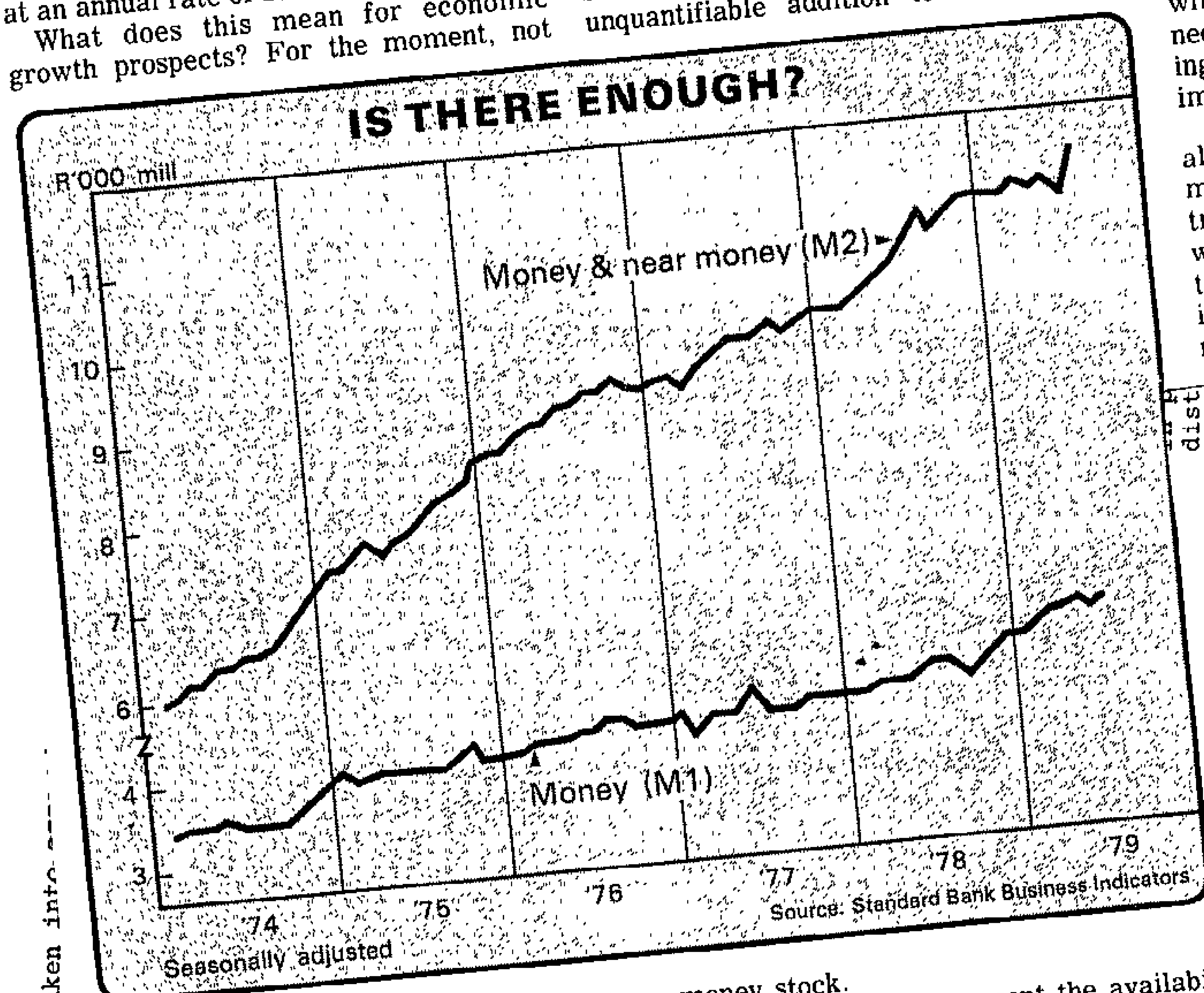
At the same time there is every indication the monetary authorities would not like to see the money stock continue to decline for the rest of the year. For as business activity begins to rise in the months ahead, so surplus liquidity will decline

Government itself plays a key role in the creation of money and during the first six months of the year government borrowing from the private banking sector — one of the most important contributors to money growth — fell by R482m.

The method in which government finances its borrowing requirements in November will be an indication of its concern, as it will determine whether it adds to or subtracts from the money supply. A long-term stock issue largely subscribed to by non-banking financial institutions will shrink the money stock; a short-term issue taken up mainly by the banks, which use it to gear up their lending capacity, will expand the money stock.

Nevertheless, some economists hold the view that, despite the recently restored budget deficit, additional gold revenue will substantially reduce government's need to borrow anyway, so how the declining deficit is financed will make little immediate difference to the economy.

Be all that as it may, economists are also quick to warn against reading too much into monthly money supply statistics. In recent years they have fluctuated widely. What is more important is the trend over a fiscal year or longer. And it is a bit too early to get an accurate measure of that.



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the cost of raising the necessary funds has to be taken into

The funds themselves

Programme budgeting, also known as budgeting by objectives, involves the presentation of expenditure data according to the objectives to which it is directed. Thus, projects to combat TB would be grouped together, geriatric problems, sanitation programmes, etc.

This is necessary:

(a) to know the cost of pursuing each objective;

(b) to group together activities with the same objectives which can be compared by cost-effectiveness analysis;

TRUST BANK

(58) FM 12/10/79

Are things improving?

Activities: *SA's fifth largest bank with 149 branches nationwide. Bankorp holds 60,6% of the equity.*
Chairman: *Dr F J du Plessis.*
Capital structure: *47m ordinaries of 50c, 25m 11,5% cum red prefs of R1. Market capitalisation: R26,8m.*
Financial: *Year to June 30 1979. Capital commitments: R940 000.*
Share market: *Price: 57c. (1978-79; high, 70c; low, 24c; trading volume last quarter, 869 000 shares) Yields: 1,2% on earnings; nil on dividend. PE ratio: 80,3.*

	*'75	*'76	†'77	'78
Deposits (Rm)	981	1 042	1 120	1 125
Advances (Rm)	646	644	775	802
Taxed profit (Rm)	7.0	7.1	2.3	3.2
Earnings (c)	19.4	15.1	‡3.4	‡0.7
Dividends (c)	7	7	—	—
Net asset value (c)	121	128	70	87

* 12 months to December 31
‡ After pref dividends
† 18 months to June 30

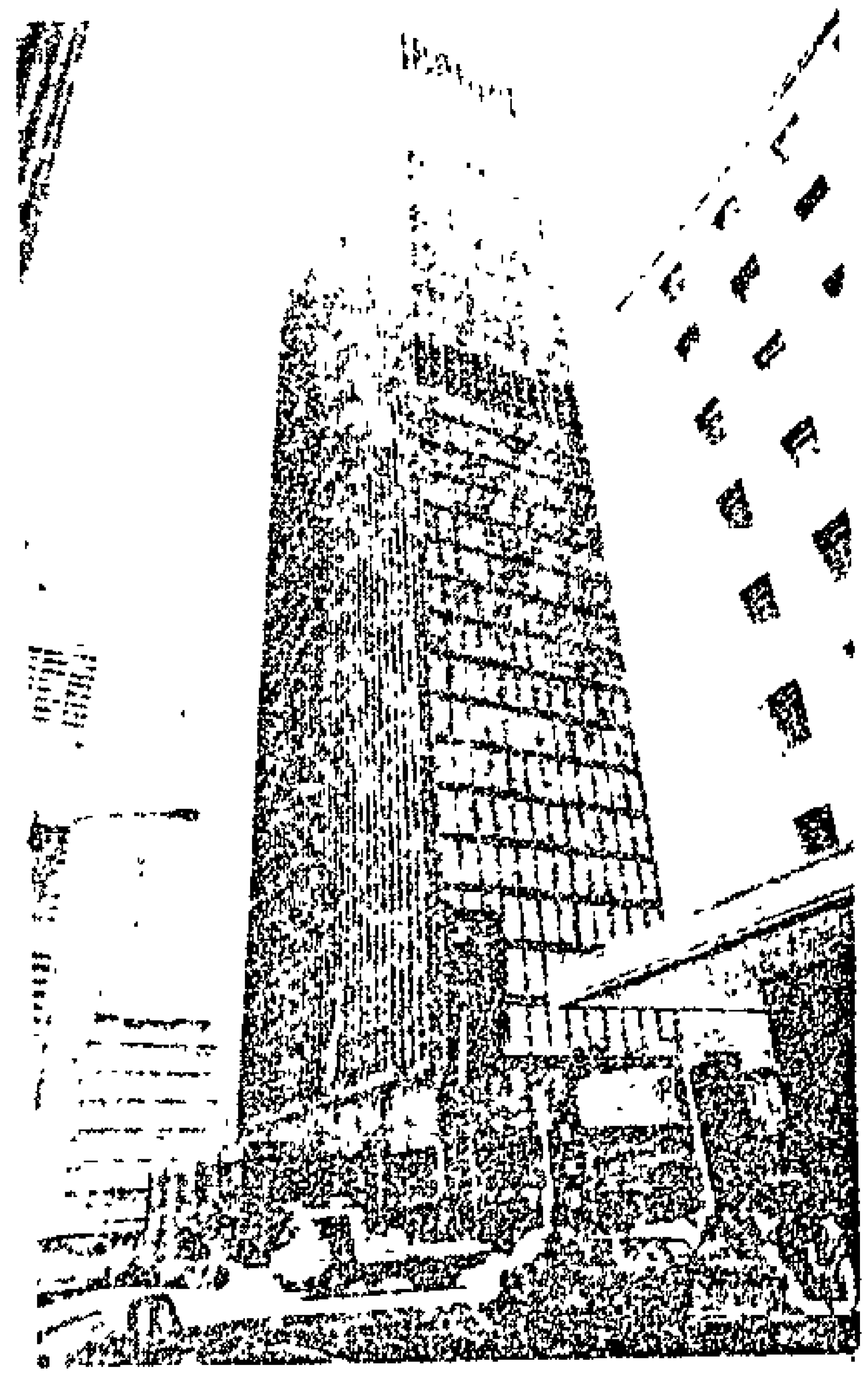
Despite an inferred improvement in Trust Bank's strength and profit potential, a purchase of the shares remains very much a matter of faith. And it will remain so until the board vouchsafes more information to shareholders.

Chairman Dr Fred du Plessis has much to say of a morale boosting nature on staff matters in his report. But, "because of their confidential nature," he is "unable" to disclose details of the arrangement made with the Reserve Bank that will contribute to a satisfactory financing of the real estate portfolio. Which is all very well, but it is a point that, above all others, shareholders would probably like to see detailed. And it is a revelation to which the Reserve Bank can hardly object in the light of its support of banks which have run into problems recently.

Du Plessis does say that implementation of the new property financing structure means the bank will have no difficulty living with its real estate exposure. But he also makes the point that this "living with" will last until the property exposure is reduced to a level which will no longer impede the bank's profitability and growth. I understand that to mean that profitability will be under restraint for some years.

But, until the bank moves towards fuller disclosure of results, it is an interpretation impossible to quantify.

In any event, there is going to be no let-up in the use of profits to strengthen contingency reserves, while management continues to take a "long-term view" on recoverability of property advances and "no interest is charged where doubt exists as to the recoverability of such interest." The problem is just how quickly undisclosed profits are recovering for, on that and the amounts needed to be placed to reserves, depends the timing of a resumption of dividends. Perhaps one indication is the growth in deposits and advances. The former advanced a mere R5m, while over the year advances moved ahead R27m. But, though the deposits increase came mainly from cheaper short- and medium-term accounts with a marginal decline in the more expensive long-term liabilities, the rate of increase too slow to permit substantial continuing growth in interest-earning advances.



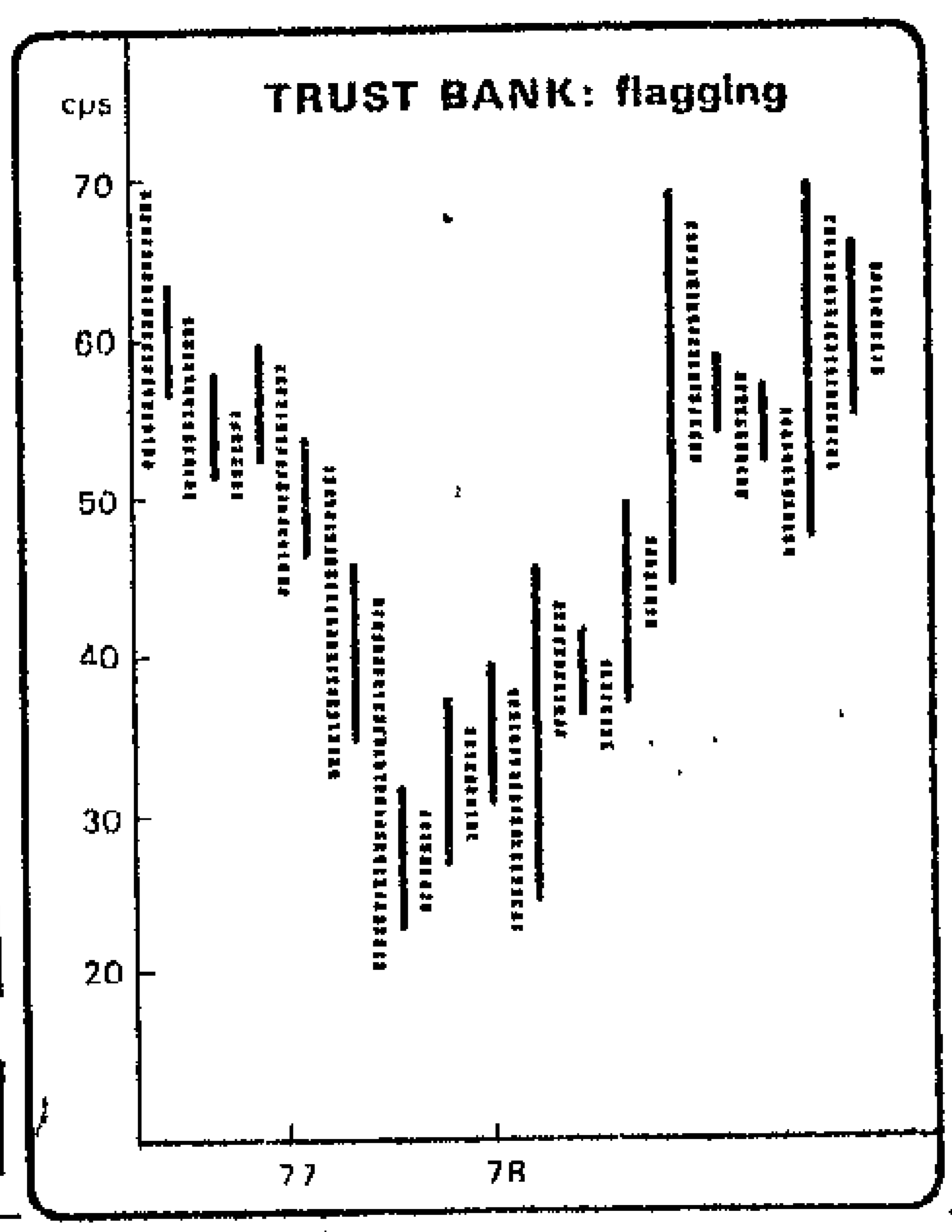
Trust Bank's property remains a drag

The bank's BA9 return shows little growth in HP advances and secured and unsecured loans — the most profitable assets. A further problem is that, ahead of the recent R14.6m ords and convertible pref issues, the bank was pushing against liquidity ceilings, which acted as a growth restraint. The situation will have been alleviated by the new share issues but, even so, liquidity ceilings could mean relatively pedestrian undisclosed earnings growth.

As Du Plessis indicated in his 1978 chairman's statement, dividends are unlikely until at least 1982. And the latest results give little hope that this target will be beaten.

Unless undisclosed profits are advancing at a faster rate than competing bankers believe, within the next few years further capital raising exercises could be on the cards. On that basis and with the likely continuing dividend famine, the share is unattractive unless and until the property market takes off.

Jim Jones



87 NEOPLASMS II

	W M	W F	A M	A F	C M	C F	B M	B F
0–1	0,17	0,13	0,00	0,21	0,06	0,16	0,04	0,06
1–4	0,03	0,07	0,07	0,00	0,07	0,05	0,03	0,04
5–24	0,09	0,05	0,07	0,05	0,06	0,04	0,05	0,04
25–44	0,26	0,33	0,21	0,26	0,54	0,56	0,34	0,36
45–64	3,01	2,58	1,47	2,19	5,10	2,68	2,32	1,91
65+	12,24	7,26	4,70	5,18	12,59	7,51	6,16	[illegible]

	M	F	M	F
0–1	0,09	0,05	0,06	0,21
1–4	0,03	0,01	0,00	0,05
5–24	0,01	0,01	0,01	0,01
25–44	0,02	0,02	0,08	0,08
45–64	0,09	0,12	0,39	0,88
65+	0,39	0,59	1,61	2,59
ALL	0,05	0,08	0,12	0,18
No.	114	173	43	63

TABLE II

	WHITE		ASIAN		COLOURED		BLACK	
	Male	Female	Male	Female	Male	Female	Male	Female
Rheumatic Heart Diseases (390-398)	115 1.2%	121 1.5%	28 2.5%	15 1.9%	120 3.9%	139 4.4%	49 2.1%	56 2.9%
Hy[illegible]	212 [illegible]	389 [illegible]	115 [illegible]	127 15.8%	190 6.1%	276 8.8%	273 11.4%	212 11.0%
I[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	148 6.2%	66 3.4%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	772 32.3%	749 ~~39.0%~~
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2390 100%	1921 100%
Motor Vehicle Accidents (E810-E819)	750 38.0%	287 42.4%	122 36.6%	28 26.9%	572 26.3%	161 24.7%	282 15.1%	59 18.2%
Suicide (E950-E959, E979) *	485 24.6%	104 15.4%	42 12.6%	13 12.5%	84 3.9%	18 2.8%	76 4.1%	11 3.4%
Homicide (E960-E969)	59 3.0%	41 6.1%	41 12.3%	2 1.9%	680 31.3%	167 25.6%	806 43.1%	89 27.5%
Total Accidents, Poisoning and Violence (E800-E999)	1973 100%	677 100%	333 100%	104 100%	2175 100%	652 100%	1868 100%	324 100%

* E979 "Suicide and self inflicted poisoning by motor vehicle exhaust gas" is a code used in South Africa which does not appear in I.C.D. (8th revision). See Ref. 13.

BLACK BUSINESS (58) FM 12/10/79

Rights in Diepkloof

Much more capital may now become available for black-owned supermarkets in Soweto as a result of Wrab housing director Nico Malan's recent assurances that 99-year leasehold rights will be granted to Blackchain's Diepkloof development.

Malan gave this undertaking to Heilbron Majola, MD of this wholly black-owned supermarket chain.

Financial institutions have been wary of extending loans to township developments because of difficulties regarding security and vagueness in the law over foreclosure.

Wrab's promise of leasehold, set out in a letter to Blackchain, has enabled the group to secure building society loan finance for the Diepkloof shopping centre, thereby effectively short-circuiting the need to bring in the retail giants whose trump card is their liquidity.

"This is all we've been waiting for," enthuses Majola, who declines to name the building society in question.

National African Chamber of Commerce (Nafcoc) leaders have stoutly opposed any partnership arrangements with the retail giants ever since such plans were mooted following government's nod to this key Riekert proposal, which stipulates that blacks must hold a 51% shareholding in such ventures.

Reasons for the Nafcoc and Soweto Traders Association rejection of white participation stem in part, from fear of perhaps having to succumb to a new class of white landlord, "unfair competition" and "lack of mutual trust."

"If your cattle can graze on my land, why can't my cattle graze on your land?" queries Majola in a reference to black traders' exclusion from the CBDs.

With different problems in mind, Soweto council chairman David Thebehali, on the other hand, would welcome white partnerships in the development of township commercial centres "tomorrow" were it possible.

Financial Mail October 12 1979

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DIAGONAL STREET

Taking a breath

FM 12/10/79

Bullion crashed more than $60 last week to $372 as talk in Belgrade about possible measures to stabilise world currency markets was followed over the weekend by new US measures to fight inflation and strengthen the dollar. But, by early this week, bullion was well on the way to recouping earlier losses. By Tuesday evening, it was trading at $390 and looking set to test $400 within days.

Gold was fixed at $402,50 last Wednesday afternoon — down from that week's $437 high — and bottomed at $367,50 on Friday morning, as US officials hinted that larger gold sales or other dollar-saving measures might be introduced. The close of the IMF meeting saw metal markets nervous, which led to hesitant trading in Diagonal Street.

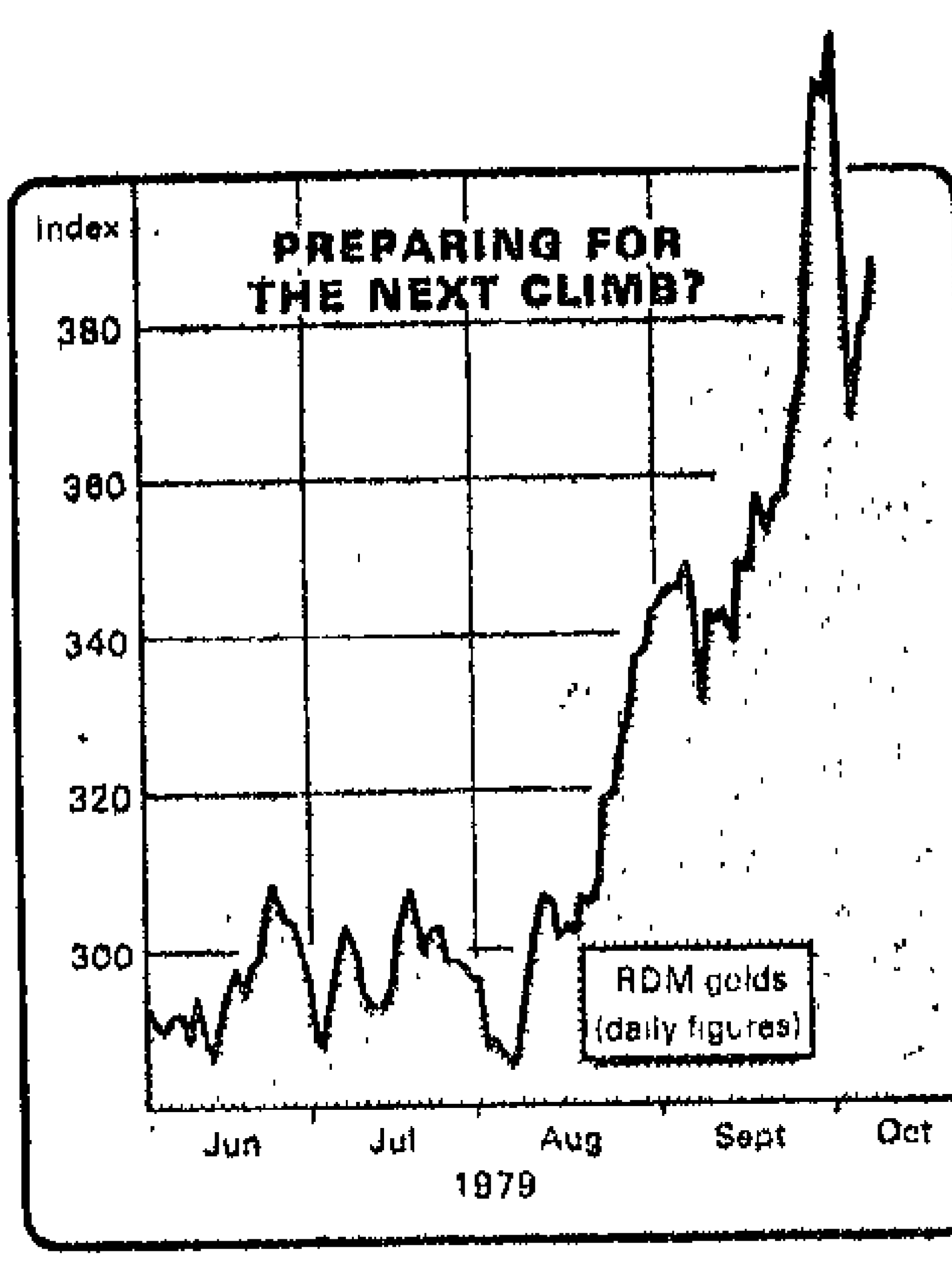
Measures concocted to defend the dollar, which fell to its second lowest ever quote against the D-mark and an 11-month low against the lira the previous week, kept bullion in a $372-$377 range. But, even as the dollar made headway, buyers jumped in to take advantage of gold's setback.

Immediate prospects for the metal appear uncertain, although Johannesburg brokers believe the price should safely remain in the $350-$400 range. More conservative (but apparently minority) views put the lower end around $300.

US Treasury Secretary William Miller said this week that the US would continue to monitor carefully foreign markets and would be prepared to take other complementary actions when and if appropriate. He added. "We want to maintain a sound dollar. We are determined to maintain exchange stability in the dollar in terms of individual major currencies". That the gold price advanced after these comments appears proof of a longer-term uptrend, say brokers, as well as continuing disbelief in the US' ability to put its house in order near-term.

Gold analysts and bulls are quick to point out that last November's moves by the US to defend the dollar by doubling monthly Treaury offerings to 1,5m oz were not successful and the original 750 000 oz offering quickly re-instated. Bulls also suggest that SA government officials indicated there would be no change in the sales policy. To consolidate the view that the latest US measures will not be sufficient to counter the dollar's weakness was a statement from Swiss Bank Corp GM Walter Frey that gold would rise again in the near future. World inflation is not slowing and oil prices could be in for substantial near-term hikes

Earlier this week, local and foreign selling of gold shares moved the JSE Actuaries index lower as bullion weakened. But, from Thursday afternoon, small buying of golds by local and overseas investors pulled prices higher, with the result that the index closed the four-day trading week 6% higher at 372,5 (351,7).



But the uncertainty regarding bullion reduced average daily trade on the gold board last week to an average of 1,1m shares worth R6,3m, compared with 1,7m shares worth an average R9,7m the previous week.

After quiet trading on Monday, Tuesday's higher bullion price boosted volume and London buyers bid for parcels of selected golds. This followed on broker Strauss Turnbull's advice earlier that shares such as Western Holdings, West Drie, Western Deep and President Steyn were on 16%-19% prospective yields with gold at $310, and that, at $384, the yield improved to between 20% and 22%. Brokers also noted fairly active demand for mining financials

While gold shares advanced moderately, platinum counters came under the whip as the free market price fell to $527 from the previous week's $645 high. Platinum shares fell between 5% and 13%, with Rustenburg 9,6% off at 357c and Impala down 5,3% at 445c, as the implications for dividends of heavy capex were digested.

Although the LME copper price has remained over £1 000, coppers dipped an average 10% last week. To counter bullish sentiments regarding LME stocks and metal demand is the rumour that the US Congress might soon authorise the sale of 35 000 t of non-strategic copper. The only copper counter to advance was Messina, which put on 12c to 260c for no apparent reason except weekend press comment on a possible takeover

After a quiet week, there appear to be signs that the industrial market reaction is near its end. Prices began to pick up on Tuesday, helped partly by foreign buying of Barlows, SA Breweries and Ovenstone. Local institutions obviously regard the industrial market as still offering fair value.

Des Kilalea

(58) 232 FM 12/10/79

BANKORP

No-growth areas

Activities: *Holding company for Trust Bank, Santambank and Senbank. Has an indirect 63,6% interest in Mercabank. Sanlam holds 51,1% of the equity.*
Chairman: *Dr A D Wassenaar; managing director: W S Pretorius.*
Capital structure: *30,7m ordinaries of R1, 25m 11,5% cum convertible prefs of R1. Equity market capitalisation: R70,6m*
Financial: *Year to June 30 1979. Capital commitments: R1,2m.*
Share market: *Price: 230c. (1978-79: high, 230c; low 144c; trading volume last quarter, 222 000 shares). Yields. 16,0% on earnings; 7,0% on dividend. Cover: 2,3. PE ratio 6,3*

	'76	'77	'78	'79
Deposits (Rm)	538	513	2 009	2 245
Advances and other accounts (Rm)	401	383	1 387	1 605
Total assets (Rm)	727	764	2 422	2 871
Taxed profit (Rm)	6,5	7,1	9,5	11,4
Earnings (c)	31,6	34,7	*35,1	36,8
Dividends (c)	12,5	14	15	16
Net asset value (c)	276	295	*369	349

* 3,5m shares issued for Santambank exluded

Determining just how well Bankorp is coping with its problem investments and developing its other activities is, as usual, difficult because of the incomplete disclosure of profits and reserves. So any recommendations to shareholders have to be hedged with qualifications.

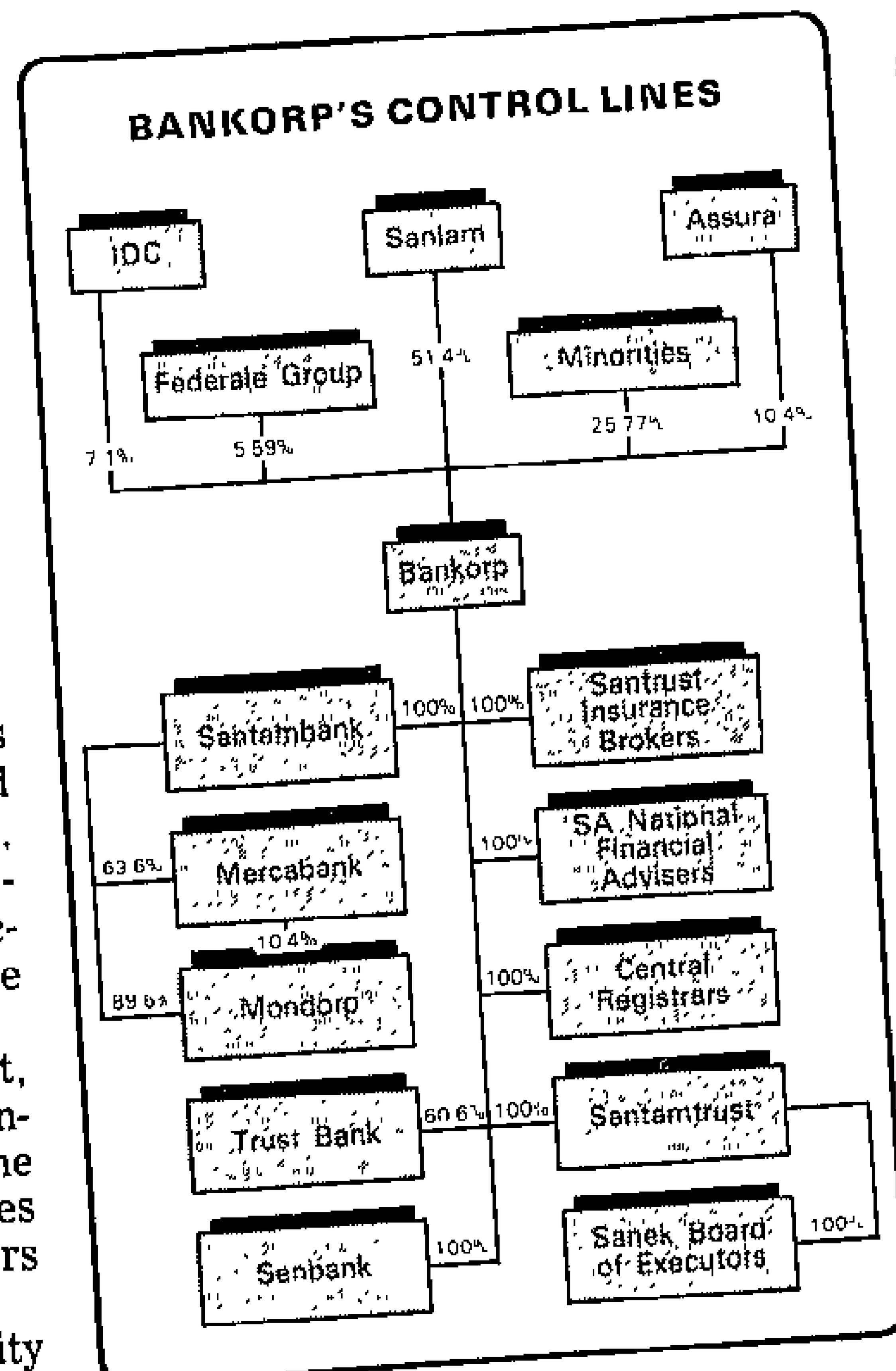
No matter which way one looks at it, real growth in attributable disclosed earnings is still some years away. In the meantime, the group and its subsidiaries may again have to turn to shareholders for additional funds.

Perhaps what matters most to minority shareholders is Bankorp's dividend potential. As things stand, this is not particularly entrancing. Major investment Trust Bank is unlikely to pay an ordinary dividend, which would be distributable in Bankorp's hands, for at least three years. And, though Bankorp is following Trust's ordinary and pref rights issues, it is having to fund this investment by a R15,6m 9.6% cum convertible pref issue of its own. That means income from the new holding in Trust prefs is already earmarked, with no immediate benefit to ordinary shareholders.

Revamped Santambank has disclosed a 43,5% increase in consolidated net income to R6,5m (R4,5m). But its growth will be restrained by further necessary reorganisation of direct subsidiaries Mondorp and Mercabank.

As with Trust Bank. Mercabank is apparently not generating sufficient funds internally for its own development. Net profits are being transferred fully to contingency reserves and will continue to be so for the foreseeable future. Even so, Mercabank has since the year-end found it necessary to raise an additional R3,5m through an 8% cum convertible pref issue.

Santambank's other major subsidiary, Mondorp, still has to feel any benefit from an improving property market, and there is no certainty when it will make a significant contribution.



What it means is that shareholders will depend on disclosed earnings by Santambank's banking operations and those of Senbank for the bulk of distributable earnings. At least near-term, Senbank's advance may be retarded by skilled staff shortages following the departure of several key executives to greener pastures. If that is the case, the current year could see a lesser increase in disclosed taxed profit than last year's 34,4% advance to R4,57m (R3,4m).

Chairman Dr Andreas Wassenaar's cautious 1978 forecast of maintained earnings and an unchanged dividend policy was, in retrospect, not unduly conservative. In his latest report, apart from saying that a firm foundation has been laid for the group's banking and other financial services, Wassenaar is non-commital on near-term prospects.

Advances have been made, but further rationalisation and strengthening is needed. And that will inevitably impact on ordinary distributions. At 230c, Bankorp yields 7% compared with 5,4% for Barclays, 5,2% for Nedbank, 5,6% for Standard and Volkskas. And, over the past year, the yield differential between Bankorp and the Big Four has widened, reflecting the market's caution on the restraining influence of a still high property exposure.

Once property investments do recover strongly, there will be benefits accruing to Bankorp. But, until then, disclosed returns on the overall disclosed asset base will probably remain less attractive than for other major banks. This year, the banking sector should again report solid earnings advances but, except for investors prepared to wait three years for an attributable earnings recovery, Bankorp is probably the least attractive of the major shares in the sector.

Jim Jones

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2.1 Programme Budgeting

Programme budgeting, also known as budgeting by objectives, involves the presentation of expenditure data according to the objectives to which it is directed. Thus, projects to combat TB would be grouped together, geriatric problems, sanitation programmes, etc.

This is necessary;
(a) to know the cost of pursuing each objective;
(b) to group together activities with the same objectives which can be compared by cost-effectiveness analysis;

Financial Mail

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FM 12/10/79 58

THE RAND

Let's undo the $ link

"The frenzy in the gold markets may be only an illusion of crowds, a modern repetition of the tulip-bulb or South Sea Bubble. On the other hand, it could be a sign that we are headed for a new upsurge in the inflation rate. Any bets?" **The Wall Street Journal**, September 24 1979.

The dollar price of gold over the past week has shown considerable resilience But, even though it may still swing wildly, the heights to which it has been in recent weeks will have two unavoidable consequences — both of which could push up, even further, rising domestic prices in this country.

First, it is signalling a widespread lack of confidence in the US authorities' ability to contain the inflation eroding the international value of the dollar. And as the dollar largely determines the strength of other currencies pegged to it, of which (notwithstanding the new exchange rate policy) the rand is one, South Africans will find the prices of their foreign purchases rising in unison.

Second, the massive increase in foreign earnings which the high gold price will bring to this country will inevitably in the coming months add further steam to rising business activity here. And traditionally when that happens in our economy, imports rise steeply — as so much of what we need in order to produce our mineral exports and to satisfy consumer demands has to be imported.

As this is likely to occur while prices are rising — some very fast — in some of the larger Western economies, the degree of imported inflation that pushes up domestic prices — which is already considerable — will increase markedly.

If that is allowed to be anything more than short-lived, the much-needed acceleration in economic growth in this country will be severely hampered.

Of course, very soon the discipline imposed on government spending and the reduced money supply ought to be seen to be containing domestic cost inflationary pressures — a process that has been delayed here, as in France, by a programme of price de-control. In other words, as the officially administered prices of energy, food and other essentials are allowed to rise to meet production costs, sharp adjustments — long artificially delayed — have to be suffered.

But judging from the expected price rises in some Western countries and in the US in particular, the consequent incidence of imported inflation here could further delay the process towards more stable domestic prices.

Neverthless, apart from the firm grip government already has here on its own spending and the money supply, it is also within the bounds of official endeavour to take effective steps to limit the impact of imported inflation. It has been done before by the Germans, the Japanese and the Swiss and is being done now by the French.

Increasingly inflationary

The answer lies in the application of an appropriate exchange rate policy.This need be no more than the implementation of the "managed float" of the rand, which in fact became official policy more than eight months ago. For it is patently clear that the rand's continued link to the ailing dollar is becoming increasingly inflationary as it pushes up the cost of imported goods.

Simply put, the rand has been devaluing in line with the dollar while the prices of this country's most important exports — both gold and other — have been booming.

Certainly, the rand has moved up in fits and starts against the dollar since January 25, when the new exchange rate policy was adopted, but the extent of the upward movement has been sharply circumscribed by arbitrary official action.

Moreover, as dollars have poured into this country from rapidly rising gold earnings, creating a record trade surplus, the rand's value in terms of the major trading currencies has in recent months actually fallen.

The Governor of the Reserve Bank, Dr Bob de Jongh, explained recently that the rand's weighted value against all other major currencies appreciated by 3,9% between January and May but subsequently depreciated and was only 2,3% higher on August 16.

Yet by August the gold price was soaring to new heights, the trade balance was in record surplus and the Reserve Bank was being swamped with dollars.

In fact, by that time the inflow of foreign currency was so large — even although gold had not reached its peak — that Church Square saw fit to abandon its policy of discouraging the switching of trade finance from foreign to cheaper domestic sources.

For even after the substantial switching took place, enough foreign earnings were flowing in to keep the reserves sweet.

All this points to the fact that, as Pretoria University's Professor Jan Lombard told a business conference in Johannesburg last week, the international value of the rand in recent months was a reflection of "official opinion in the Reserve Bank rather than market orientated movements."

All that had happened to exchange rate policy since January, he explained, was that the variable pegging of the rand to the dollar had become more variable.

However, even if the Reserve Bank has set its mind squarely against a managed float — and, as Professor Lombard says, there is no way it can be brought to administer a managed float if it prefers a variable peg — there is an alternative. It may not be as good, but it is better than the present inflationary arrangement.

It involves linking the rand — in some sort of variable manner — to a stronger rather than a weaker currency. As Citibank economists Harold Cleveland and Thomas Huertas write, in the latest *Foreign Affairs*, of France's decision to link the franc to the DM in the European Monetary System. . ." the ability to maintain a fixed rate with a currency whose purchasing power is known to be stable disseminates important information: it indicates that French monetary policy is following a course which will bring the

HOË GOUDPRYS KAN RENTEKOERS STREM

(58) Sake-Rapport 14/10/79

INDIEN die goudprys vir die volgende jaar of wat op die huidige vlak van 400 dollar per ons bly, kan dit die reeds groot likiditeitsprobleem in die land aansienlik vererger. Dit kan ook tot 'n wesenlike vertraging in die styging van rentekoerse lei.

Sommige markkenners het die laaste tyd begin hoop om 'n ommekeer in die afwaartse tendensie van rentekoerse teen die middel van aanstaande jaar te sien. Hulle glo nou dat die ommeswaai nie voor die einde van aanstaande jaar sal voorkom as die goudprys op die huidige vlakke hou nie.

Hierdie ekstra likiditeit hou nie net rentekoerse laag nie, maar bemoeilik ook die finansiële instellings se beleggingstaak.

Versekeringsmaatskappye en pensioenfondse het vanjaar reeds 'n diskresionêre bedrag — dit is die geld wat oorbly nadat die verpligte voorgeskrewe beleggings gemaak is — van tussen R1 200 miljoen en R1 400 miljoen om te belê.

Die normale groei kan dié bedrag aanstaande jaar tot minstens R1 750 miljoen verhoog.

Die herstel in die ekonomie was tot dusver nie sterk genoeg om die vraag na geld te verhoog nie, want anders sou rentekoerse immers nie so laag gewees het nie.

In die meeste bedrywe bestaan steeds heelwat onbenutte produksievermoë, wat dit onwaarskynlik maak dát groot bedrae geld vir nuwe uitbreiding benodig sal word. Dit word weerspieël in die bedrae wat die openbare korporasies en genoteerde maatskappye deur middel van uitgiftes trek.

Met die hoë inkomste uit goud is dit ook onwaarskynlik dat die staat groot bedrae uit die stelsel sal trek.

Einde 1977, verlede jaar en vanjaar het die instellings al meer in aandele begin belangstel en hulle het groot beleggings daarin gemaak.

Met die uitsondering van die laaste paar weke het die beleggingsgeleenthede hierin kleiner begin word. Die instellings se eie transaksies het groot blokke aandele van die mark verwyder en verder is die groot buitelandse houers van nywerheids- en finansiële aandele vroeër deur die politieke toestand uitgeskud.

Uitsonderings bestaan natuurlik. Nie alle instellings is meer ewe geïntresseerd om meer aandele te koop nie. Sanlam se beleid om te verkoop, terwyl Ou Mutual tot onlangs nog baie gekoop het, is voorbeelde hiervan.

Daar is ook instellings wat minder of meer likied as ander is.

In geheel gesien is die hoeveelheid beskikbare diskresionêre geld nou groter as wat aan die begin van die jaar verwag is. Hierdie bedrag kan al hoe groter word namate die hoë goudprys al meer geld die land inbring, sonder dat geskikte beleggingsgeleenthede daarvoor gevind word.

---

a) deferral method

b) liability method?

2. Show how the tax charge will be disclosed in the income statement for the year ended 31 December 19.7, assuming

   a) deferral method

   b) liability method

   (assume there are no other items causing timing differences)

3. How will the answer to 2. be affected by the existence of an extraordinary gain on disposal of a division of the company, amounting to R70 000, all of which was taxable, in the 19.7 financial year?

4. How does the answer to 3. change if the R70 000 is now a deductible loss, which can be set off against the taxable income from other sources of R50 000? Draw up the income statement assuming the deferral method is used.

5. Further to Note 4, assume now that the company has a set profit before depreciation of R60 000 in 19.8.

   Draw up the income statement for the 19.8 financial year under a) liability method

   b) deferral method

   Assume the tax rate remains 42%

Sasol se openbare uitgifte ontplof

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Sake-Rapport 14/10/79

DIE openbare uitgifte van R35 miljoen se Sasol-aandele het ontplof. Die verwagting is dat totale aansoeke om die aandele R700 miljoen kan oorskry. Anders gestel: die uitgifte sal waarskynlik meer as twintig keer volskryf word.

Dit beteken dat baie voornemende beleggers minder as 5 persent van die aandele waarom hulle aansoek gedoen het, of nog aansoek wil doen, gaan ontvang.

Die klompie gelukkige instellings wat met die private plasing R490 miljoen se Sasol-aandele ontvang het, kan nou rustig lippe aflek. Die vraag na die aandele is so groot dat byna enige hoeveelheid seker teen 250c verkoop sal kan word teenoor die uitgifteprys van 200c. Voorwaar 'n lekker wins van meer as R100 miljoen vir hierdie instellings!

Die gewildheid van die Sasol-uitgifte is waarskynlik ook een van die belangrike redes waarom aandele op die Beurs einde verlede jaar so swak vertoon het.

Die buiteland is besig om op groot skaal die aandele van De Beers asook die goudmyne te verkoop om die nodige finansiële rand te skep om op geweldige groot skaal aansoek te doen om die Sasol-aandele.

Die Sasol-aandele is so gewild dat dit bykans onmoontlik is om 'n raming te maak van hoeveel aansoeke ontvang gaan word. Gerugte is egter dat die Franse Bank en Barclays elk namens hul kliënte om minstens R100 miljoen gaan aansoek doen.

Leen

Intussen kan die kleinman feitlik by enige bank groot bedrae leen — en ons praat hier van R50 000 tot R100 000 — vir aansoeke om Sasol-aandele.

Die banke sien dit as 'n nuwe vraag na krediet, hoewel tydelik, en staan dit glo heel geredelik toe.

Intussen is baie makelaarsfirmas van mening dat byna al hul klein of private kliënte om die aandele aansoek gaan doen en is daar nog geen einde in die vraag na die prospektusse en aansoekvorms vir die aandele nie.

Onderstaande tabel toon ons ramings van hoe die aansoeke om die aandele moontlik daar kan uitsien.

Moontlike aansoeke om Sasol-aandele

Aansoeker	Konserwatiewe skatting	Meer realistiese skatting
Private individue	R70 miljoen	R150 miljoen
Groter aansoeke van SA instellings	R150 miljoen	R200 miljoen
Buiteland	R150 miljoen	R250 miljoen
Totaal	R370 miljoen	R600 miljoen

Bostaande skattings is waarskynlik uiters konserwatief en daar moet onthou word dat die heel groot instellings wat reeds met die private plasing aandele ontvang het, nie nou weer aansoek behoort te doen nie.

Sasol het reeds vroeër aangedui dat die kleiner private beleggers voorkeur sal geniet by die toekenning van die aandele. Dit lyk egter of die heel kleiner aansoekers teruggesny moet word.

Ons raam dat sowat 50 persent van die 17,5 miljoen, of dan 8,75 miljoen van die aandele, aan kleiner beleggers toegeken sal word. Dit sal R17,5 miljoen kos.

Maar as die klein beleggers gaan aansoek doen om R70 miljoen se aandele gaan hulle ten beste maar 75 persent van die aandele waarvoor hulle aansoek gedoen het ontvang. Dit kan egter so min as 10 of 15 persent wees.

Die buiteland en die ander groter belegers in Suid-Afrika sal tevrede moet wees met 8,75 miljoen se aandele met 'n waarde van R17,5 miljoen. Hul aansoeke sal egter waarskynlik minstens R300 miljoen wees, en kan soveel as R500 miljoen wees.

'n Toekenning van tussen 3,5 en 5,5 persent sal dus gemaak kan word.

Die vermoede bestaan ook dat die buitelandse aansoekers dalk marginaal bevoordeel sal word bo die ander groter binnelandse beleggers.

Sasol is seker gretig om op hierdie stadium reeds 'n stewige buitelandse verspreiding van sy aandele te verkry met die oog op 'n latere notering in London of selfs ander buitelandse beurse.

Voorsprong

Indien die buiteland wel om R200 miljoen se aandele aansoek doen, beteken dit dat daar op die oomblik potensiële buitelandse beleggers is wat graag risikokapitaal in Suid-Afrika wil belê en is dit nie onmoontlik dat hierdie beleggers ná die Sasol-uitgifte bereid sal wees om meer objektief te kyk na die ander beleggingsmoontlikhede wat die Suid-Afrikaanse ekonomie tans bied nie. Goudaandele kan dalk hier bo aan die lys staan.

● Die uitgifte is besig om anders te verloop as wat of Sasol of die ses aksepbanke wat die uitgifte hanteer vroeër kon voorsien.

Verreweg die grootste gedeelte van die uitgifte is vooraf by wyse van 'n private plasing aan sekere groot instellings gebied en slegs R35 miljoen is uitgehou vir die publieke uitgifte.

Aanvanklike beplanning wou hierdie bedrag beperk tot R25 miljoen, maar dit is gelukkig later verhoog na R35 miljoen.

Die gelukkige instellings gaan waarskynlik reeds met die notering van Sasol se aandele 'n wins van meer as R100 miljoen toon.

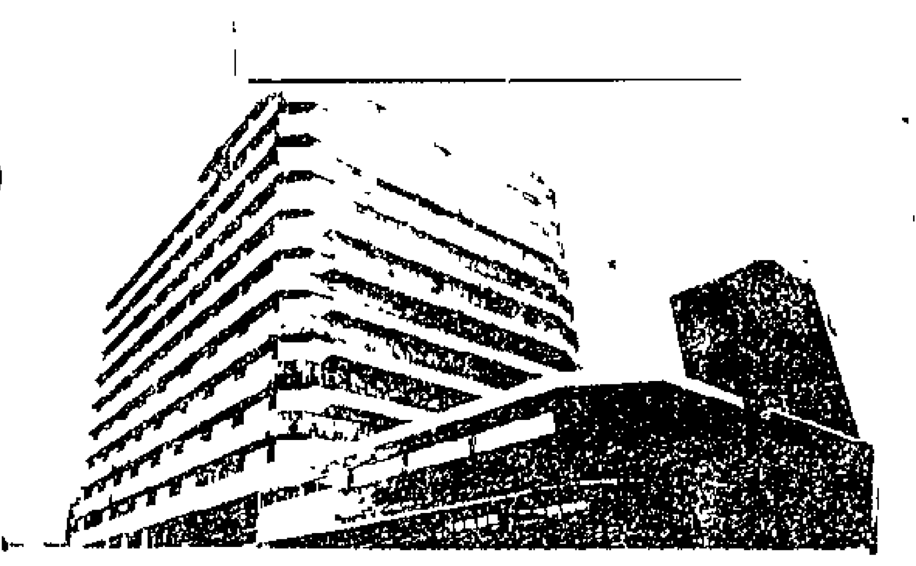
Ons wil nie vandag 'n vinger wys en sê dat sekere beleggers bevoordeel is bo die publiek, wat immers Sasol se brandstof gebruik nie. Ons glo nie dit was die bedoeling nie, maar die feit van die saak is dat 'n sekere klomp beleggers nou 'n lekker voorsprong het.

Ons kan maar net vertrou dat Sasol in toekomstige uitgiftes sal onthou dat sy eie kliënte in werklikheid met die eerste uitgifte van sy aandele aan die droë speen gesuip het en dat dit nie onvanpas is om hulle posisie later te verbeter nie.

TES, Business Times, October 14, 1979 (58) 14/10/79

Sunday Times

Dynamic Volkskas has put profits before power and politics



WHILE the big four banks are on similar dividend yields, some analysts think Volkskas is cheap relative to the rest.

It is on a [illegible] of 4.9, they point out, compared to Barclays' [illegible] Standard's 8.[illegible] and Nedbank's 9.1

Volkskas fans argue that the bank has undergone an amazing metamorphosis in the past two years.

Whereas the group was a rather fuddy duddy backveld [illegible] — almost a branch of the public service — now [illegible] and farmers are in the background and a [illegible] motivated management is in control

[illegible] power or politics [illegible] the first objective [illegible] Volkskas backers [illegible] expect it to outperform other banks over [illegible].

In the past two years [illegible]:

- Bought 27% of Price [illegible] English leader [illegible].
- Launched [illegible] successful merchant and industrial [illegible].
- [illegible] and all [illegible] Bonuskor [illegible] the Knock-[illegible].
- [illegible] restructured [illegible] modern [illegible] group [illegible].
- [illegible] and effective [illegible] another ultra-[illegible] institution Legal and General Assurance.
- [illegible] set its long-term [illegible] penetration with the purchase of 29% of Momentum Life.
- Taken near control of Metkor Iscor's industrial interests, at effectively a [illegible] on 50c per share

No other banking group [illegible] matched this dynamism.

If Volkskas is still conservative [illegible] can be said only [illegible] positive sense. It was [illegible] the only bank to emerge almost totally unscathed by the property crunch

Its ultra-conservative dividend policy is another recommendation, as it should ensure growth through thick and thin.

Volkskas has other things going for it

Barclays and Standard are so big they have virtually saturated their markets. Their growth therefore depends on macroeconomic variables over which they have little control

Urban market

The spread between borrowing and lending rates, the money supply and demand for credit are greater curbs on these banks than on Volkskas, which has only started penetrating the urban market.

While customer loyalty and conservatism are very real, the proximity of a bank is all-important to corporate and individual client

Volkskas is well placed to increase penetration merely by opening more branches in financial centres It is at a definite competitive advantage among Afrikaans-speaking potential clients and is gathering more English-speaking clients all the time

Diagonal Street

By DAVID CARTE

The bank strongly denies it has a special relationship with Government and semi-Government, but history suggests otherwise and this is a real bull point for the share

Volkskas has been hard up against its lending ceiling and will probably therefore benefit more than other banks by the recent 4% lift in this ceiling.

The ceiling is particularly prejudicial to Volkskas because it was set on an inconvenient base date, December 31, 1975. So if, as expected, there are further concessions — perhaps even the removal of the ceiling — Volkskas stands to benefit more than the others

Banks declare profits equal to between 12% and 16% of equity They probably earn a bit more than this and put the excess into reserves

Nevertheless, earnings yields on Volkskas's industrial investments are probably better than 20% And industrial assets, unlike money assets, such as advances to clients, grow and are not whittled away by inflation

So Volkskas's industrial interests make it more inflation-proof than other banks

How are the industrial interests performing?

General manager Dr PR Morkel says it may take some years but Bonuskor will again make R6-million after tax and pay dividends on the old scale

Bright

Not only are prospects bright for timber, Midmacor — the Honda agent — is performing well

Dr Morkel is enthusiastic about prospects for Metkor (discussed on this page last week) I would expect history to show that these two investments were real coups

Transvaal Malleable Foundries goes from strength to strength Transvaalse Suikerkorporasie is unlikely to match last year's record profit but since the recovery of sugar prices, should not fall far short

Legal and General and Momentum Life were bought on longer term considerations but both were first class investments.

Volkskas has a much greater portion of its assets in uncleared cheques than other banks There is R400-million tied up at any one time in the clearing system

If this unutilised asset could be cut by half into line with other banks' figures, Volkskas could earn an additional R2.4 million a year in interest

But Dr Morkel says it would be hard to reduce this figure as 80% of the bank's business is already on-line to computer clearance

It is the bank's rural nature that makes it hard to improve the situation but over the long term, as urban banking becomes more important, Volkskas should improve its asset utilisation

There is only one shadow over the group — an impending rights issue Managing director Danie van Huyssteen and Dr Morkel say a rights issue is likely within the next year.

I would expect the bank to take advantage of the strong market and launch an issue early next year.

Volkskas will have to earn 21% on the new capital if earnings are not to suffer This should be easy

The bank was able to declare a R5.9-million or 35% increase in taxed profits last year almost entirely on the strength of upturns in the industrial interests and the merchant and industrial banks

The commercial bank's profits would obviously have grown but Volkskas did not show this The proceeds presumably went into hidden reserves

One thing is certain With the dividend covered at least 3.6 times, not even a huge rights issue will slow dividend growth

Metcash's Lucky Seven chain blasts off with 800 stores

NEARLY 800 shops turning over R60-million a year have joined Metro Cash's Lucky Seven chain of discount convenience stores since its inception three weeks ago

In terms of the number of outlets, it is already the biggest chain in the country And managing director Lionel Katz says the Metro group sales are already "up significantly"

With this chain of stores, comprising mainly its customers Metro aims to increase its turnover by making the neighbourhood cafe or trading store more competitive with the big chain stores.

Metro will use its R400-million a year buying power to obtain merchandise cheaply for Lucky Seven stores and see to it that they keep their margins low to optimise turnover.

While the cafe, trading or convenience stores' prices will not quite match those of the big chains, they will come close and housewives, black and white, are expected to patronise the stores for convenience and to save travel.

Metro will provide national promotion for the chain in the Press, on radio and on TV. Lucky Seven will make attractive nation-wide special offers to lure housewives into cafes and trading stores

"Remember, if housewives spend only R10 per month in these stores instead of the R5 they are spending now, sales will double," enthuses Lucky Seven managing director Michael Pentopolous

Metro intends to upgrade many small stores into supermarkets and will help Lucky Seven store owners obtain finance for store expansion as well as vehicles.

Arrangements have been made already for Lucky Seven store owners to be able to hire a bakkie at R110 a month instead of the normal R160. Fittings will also cost less because Metro will buy them on behalf of store owners

Store owners will get cheap fire, theft and riot insurance and Metro will train store owners in modern merchandising and bookkeeping and advise on store layout.

It plans to spend R1-million a year administering the scheme Store-owners will invest a total of R30-million to R40-million in the scheme.

Metro plans to have 3 000 to 4 000 stores nation-wide in the chain in two years

Most of the 800 shops which have joined so far are in Soweto and other black townships but more than 200 white cafes have also signed.

About 250 shops are already decked out in Lucky Seven colours and the first big promotional campaign starts this month. All, so far, are in the PWV area

Metro aims to boost Lucky Seven turnovers by 20%, suggesting R12-million of additional sales to itself And this is just the beginning.

With Bingo and the traditional cash and carry wholesale stores still booming, Metcash is one highly-rated store group that deserves its current low yield

b) deferral method

Assume the tax rate remains 42%

58

Kapitaalmark moet sy sak skud

58 Sake-Rapport 14/10/79

kapitaalmark moes vandeesweek sy sak skud twee lenings wat tot voordeel van swartmense sal word.

SAUK wil R15 miljoen leen vir die van 'n televisiediens vir swartes en die van Qwaqwa het R1,5 miljoen se kapitaal gehad.

AI en Volkskas bank sê in die se prospektus die televisiediens sal vir swartes wees en nie as Januarie in werking tree. Dit vyf tale aangebied deur middel van senders wat die grootste metropoligebiede dek.

kapitaalbehoeftes stigtingskoste (hoofrente, personeelopleidingskoste) voor aanvangsdatum sal middel van lenings word.

SAUK sal hom voldie prospektus weer doel tot die kapiwend want die fondsbehoefte voor beloop R80 miljoen. uitgifte word deur van twee lenings Op effekte met 'n van elf jaar word van 9 persent aangebied. In die

Kapitaal- en geldmark

ander lening word effekte met 'n looptyd van 23 jaar met 'n rentekoers van 9,55 persent aangebied. Net dié koerse geld want geen makelaarsloon of kommissie kan verdien word nie.

Die uitgifte van Qwaqwa is deur Jeanne Sterianos en Rand-Aksepbank behartig en na verneem word, is die geld reeds verkry. Die effekte het 'n looptyd van twintig jaar en 'n allesinsluitende rentekoers van 9,7 persent. Die koers word aangebied hoewel die effekte 'n staatswaarborg het, maar dit moet in ag geneem word dat Qwaqwa se effekte nuwelinge op die kapitaalmark is.

Die uitgifte sou oorspronklik vir R2 miljoen gewees het, maar is tot R1.5 miljoen verminder.

In die kapitaalmark is vroeër gekla oor weerstand van beleggers teen die rentekoerse wat op Kaapstad se uitgifte aangebied was, maar Vrydag is gesê dat die volle R15 miljoen verkry is wat van die publiek geïn moes word. Nog R3 miljoen se effekte sal deur die munisipaliteit self opgeneem word. Senbank het die uitgifte behartig.

Kaapstad het 'n allesinsluitende koers van 9,59 persent op sy langtermyneffekte aangebied.

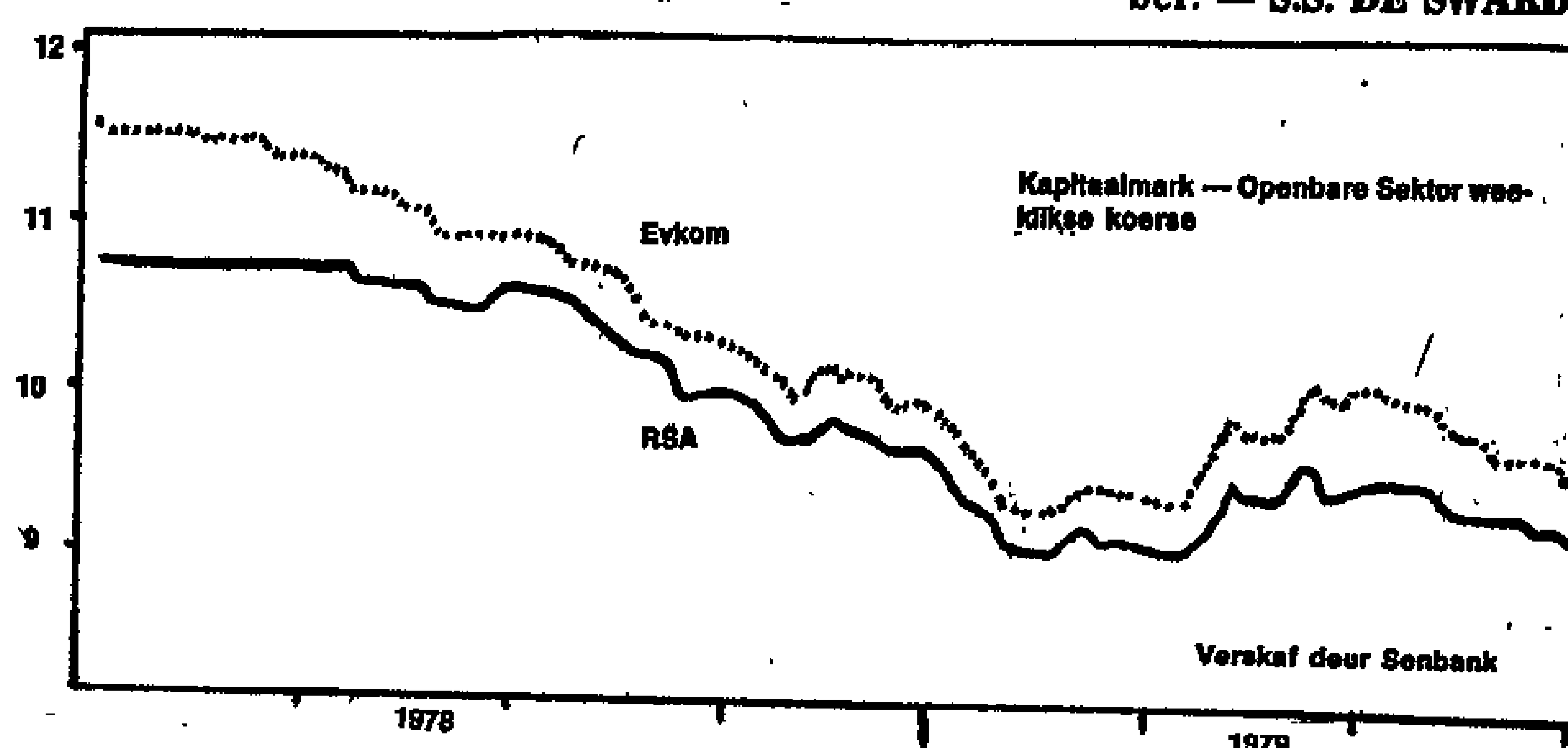
In die geldmark word die goeie verwaghinge wat vir Oktober gekoester was, meer as bevestig. Die gemiddelde tenderkoers vir skatkiswissels het Vrydag tot 3,93 persent gedaal, nadat dit die vorige Vrydag reeds sterk tot 4,11 persent gedaal het.

Dit het die weg vir die diskontohuise geopen om hul koopkoers vir bankaksepte van drie maande van 4,6 tot 4,4 persent te verlaag.

Anders as in die sekondêre kapitaalmark, waar die rentekoerse die afgelope week min verander het, het ander rentekoerse in die geldmark ook vandeesweek gedaal. 'n Goeie vraag na onder meer korttermynstaatseffekte het teweeg gebring dat sulke effekte teen al laer koerse verhandel is.

Die diskontohuise kon Vrydag hul rentekoers vir aanvraaggeld tot 3,8 persent verlaag, nadat dit op die maandeinde nog 4,9 persent was.

Heelwat optimisme bestaan oor die verloop van sake in die tweede helfte van Oktober en November. — S.S. DE SWARDT.



(assume there are no other items causing timing differences)

3. How will the answer to 2. be affected by the existence of an extraordinary gain on disposal of a division of the company, amounting to R70 000, all of which was taxable, in the 19.7 financial year?

4. How does the answer to 3. change if the R70 000 is now a deductible loss, which can be set off against the taxable income from other sources of R50 000? Draw up the income statement assuming the deferral method is used.

5. Further to Note 4, assume now that the company has a set profit before depreciation of R60 000 in 19.8.

   Draw up the income statement for the 19.8 financial year under a) liability method

   b) deferral method

   Assume the tax rate remains 42%

Sunday EXPRESS **Business**

Edited by DEREK TAYLOR

Insurance challenge: the first chapter. . .

58 Sunday Express 14/10/79

RESPONSE to the Sunday Express' challenge to the insurance companies to disclose information on their performances for their policyholders has been mixed.

Most of the top 20 companies replied — and a smaller company volunteered the information.

But some of the initial answers did not include vital information. We followed up the initial inquiry with telexed requests for particulars on conventional with-profits retirement annuities.

The majority of companies gave us what we asked for.

But some companies failed to answer at all, others did not give full answers and a few responded too late to be included in the first analysis.

Nothing seems to be simple in the insurance industry — and some companies appear to want to keep it that way.

The Sunday Express believes that the facts and figures of this inquiry speak for themselves.

THE STORY BEHIND THE INSURERS' SMALL PRINT

SUNDAY EXPRESS EXCLUSIVE

By DEREK TAYLOR

And it urges everyone who buys insurance to read them carefully — and insist on asking for similar disclosures before they sign with any company.

It is astonishing, but true, that some buyers of insurance are prepared to sign a with-profits policy contract and hand over their premiums without even asking what proportion of profits the insurer guarantees to allocate to policies.

This is as reckless as accepting an overdraft after being told the interest rate will be secret until you are called upon to pay it.

This week's examination concentrates on with-profits policies. Next week, we shall deal with policies wholly or partially-linked by contract to investments.

ESTIMATED VALUES vs ACTUAL PAYOUTS

Based on a contribution of R1 000 a year payable for 10 years into a pure endowment with profits retirement annuity fund

TABLE A	1969-1979 ESTIMATES		1969-1979 PAYOUTS		1979-1989 ESTIMATES	
Company ranked by overall size	Estimated Retirement Fund as at 1/10/79	Order of Merit	Actual Retirement Fund as at 1/10/79	Order of Merit	Estimated Retirement Fund as at 1/10/1989	Order of Merit
	R		R		R	
SA Mutual	+14,835	1	+15,730	4	*16,279	5
Sanlam	+13,528	5	+14,969	9	*16,270	7
Southern Life	+12,979	10	+15,192	7	*16,303	4
Legal & General	x13,317	8	x15,557	5	x15,947	9
Prudential	*13,233	9	*15,142	8	*16,466	3
Federated	+13,513	7	+16,412	2	*16,709	1
Colonial Mutual	+13,990	3	+15,998	3	+16,566	2
Commercial Union	x14,144	2	x16,648	1	*16,078	8
Norwich Union	+13,527	6	+15,256	6	*16,273	6
Metlife	+13,572	4	+13,737	10	+15,604	10
Standard General	+12,592	11	+12,810	11	+14,176	11

Note

1 1969-1979 Estimates did not include any projected terminal bonuses.
2 1969-1979 Payouts include terminal bonuses applicable to claims as at 1/10/79.
3 1979-1989 estimates are all based on the assumption that the rates of reversionary *and* terminal bonuses applicable for 1979 will remain unchanged for 10 years.
4 Death Benefits: Three types of death benefits are involved in the above contracts.
x Indicates a benefit equal to a return of contributions paid without interest.
+ Indicates a benefit equal to a return of contributions paid plus 4% per annum compound interest.
* Indicates a benefit equal to the greater of contributions paid plus 4% pe annum compound interest and the "reserve" or surrender value of the contract.

● EXPENSE RATIOS

The expense ratio of a life office directly affects profits. It can be calculated in a variety of ways, each illustrates a different aspect of the company's relative business efficiency.

Expense ratios also vary considerably with the age of the company and its mix of individual annual premiums, single premiums and group business.

Older companies will tend to have lower expense ratios because of the greater volume of relatively inexpensive renewal income which they have.

A company with a large amount of pension business will also tend to have a lower expense ratio because such business is economical to administer.

The following example shows total management and operating expenses — including commissions — as a percentage of net premium income for the 1977 financial year (the latest figures available) of a number of major insurers.

African Eagle..........48,02
Colonial Mutual.........39,54
Commercial Union...17,00
Federated................11,82
Guarantee Life.........50,36
Legal and General Volskas.................32,30
Liberty Life.............24,48
National Mutual.......31,99
Ned Equity..............35,79
Norwich Union.........27,82
Prudential................18,26
SA Mutual................18,51
Sanlam 15,84
Southern Life...........18,42
Standard General.....27,70

● WHAT YOU GET FROM PROFITS

Gross profits, or surpluses, can be distributed by an insurer to three main areas. An amount can go to reserves to protect the future interests of policyholders: Another amount can be given to with-profits policyholders in the form of reversionary bonuses: And, in joint-stock companies, the balance of surplus can go to the shareholders as a dividend.

Historically, most companies have given their policyholders a guaranteed minimum participation in what is left of their surpluses after any transfers to reserves.

But the insurance industry in South Africa has two basically different types of life offices — the mutual office which has no shareholders and is 'owned' by its policyholders; and the proprietary or joint-stock company which has shareholders.

Mutual companies claim to distribute all their surpluses to policyholders while the proprietary or joint-stock companies have obligations to their shareholders as well as their policyholders.

The following mutual companies responded to our challenge and all confirmed that their policyholders enjoyed 100% participation in their distributable surpluses: Colonial Mutual, National Mutual, Norwich Union, S A Mutual, Sanlam and Southern Life.

The proprietary companies in Table B also responded. All had with-profits policyholders who participated in their distributable surpluses to varying degrees.

Companies such as Liberty Life, African Eagle, Guarantee Life and Momentum, who are perhaps no longer reversionary-bonus orientated, seemed to have ignored the facts that, through mergers and takeovers, they inherited with profits policyholders of long standing.

These people are entitled to obtain fair value from their participation in the distributable surplus of the company still taking their premiums.

Liberty Life did eventually supply information regarding reversionary-bonus rates applicable to the Sun Life and Manufacturers Life policyholders now in their charge — but without showing any guarantees other than the maintenance of the company's old bonus rates.

● PAST PERFORMANCES:

First, unit-linked retirement annuities. Not enough companies have offered

TABLE B

Company	Guaranteed min % of surplus to policyholdersS	Latest actual % of surplus to policyholder
African Eagle	not stated	not stated
Comm Union	95	95
Federated	90	95,3
Guarantee Life	not stated	not stated
Legal & General	90	94
Liberty Life	not stated	not stated
Momentum	not stated	not stated
Ned Equity	not stated	not stated
New Zealand	90	not stated
Prudential	90	93
Standard General	90	not stated

TABLE C UNIT LINKED RETIREMENT ANNUITIES — INVESTMENT PERFORMANCE FIVE YEARS

	Company	Type of fund	Name of fund	Equivalent level annual yield achieved over 5 yrs to 31/12/78 — Mode of payment: Annual % p.a.	Monthly % p.a.	Single % p.a.
1.	Prudential	Equity	PRAF	17,50	19,30	11,20
2.	Prudential	Managed	Prubond	16,65	18,12	11,70
3.	Federated Employers	Managed	Fedlink	14,80	15,90	9,80
4.	Southern Life	Equity	Gain	14,70	16,50	9,70
5.	Sanlam	Managed	100 +	14,45	15,47	10,41
6.	Guarantee Life	Equity	Gemini	14,27	15,40	8,88
7.	Liberty Life	Equity	VIP	14,17	15,33	10,95
8.	S.A. Mutual	Managed	Perf. Profits	14,13	14,41	10,51
9.	African Eagle	Managed	ENP	13,53	14,46	10,10
10.	Guarantee Life	Property	Prolific	10,30	10,49	9,80

The above tabulations were compiled by Minet Financial Services from data submitted by each company.

F.M. 19/10/79 (58) (210) (232)

ANGLO AMERICAN GROUP

Re-structuring the centre

That the Anglo/De Beers group is in the throes of rationalisation has been common cause for more months than one cares to remember. But, though group consolidation and restructuring plans announced this week are comprehensive, few analysts doubt that further developments are planned — and perhaps soon. The guts of the latest deal are that:

- Minorco becomes the group's vehicle for developments in the Americas and, to a lesser extent, Australia;
- Charter takes on a more clearly defined roled as the UK and European arm;
- Potentially debilitating future commitments for Selebi-Pikwe have been removed from Minorco and relocated in De Beers where they can be far more easily funded;
- Charter's funding commitment for Cleveland Potash has been taken over by Anglo and Charter gets a much-needed cash transfusion from De Beers and Anglo;
- Minorco is to receive a 10% stake in Anamint from Charter;
- Control of Anglo itself is tied up more firmly; and perhaps most importantly, the ground appears to have been laid for further tightening of control of non-managed interests and as a base for acquisitions.

But first things first.

With the transfer of its 5,9% stake in Anglo to De Beers, its 4,2% interest in Rustenburg to Anglo, and the 10% Anamint holding to Minorco, Charter has effectively completed its SA asset disposal programme. Free of the "taint" of SA-sourced earnings, Charter is now a more acceptable political animal for developments in its allotted geographical areas. At the same time, its indirect Australian and Brazilian interests have been turned over to De Beers and 16,7% of the 24,8% interest in Anglo Canada passed to Minorco.

In exchange, Charter is let off the hook for any further commitment to the troubled Cleveland Potash mine in Yorkshire. Previous Cleveland co-owner ICI has been bought out for a nominal sum by Charter and Anglo, with ownership of Cleveland now equally split between the two. But Anglo will pay all of Cleveland's costs until it is either closed or turned to profitability, for which it will get its pound of flesh in the shape of 25% interest on its advance and repayment of the loan before Charter qualifies for a 50% profit share.

In return for the shares transferred, Charter receives 28% of Johnson Matthey (previously held as to 22,7% by JCI and 5,3% by Anglo) and £46,6m (R83,6m) cash from Anglo and De Beers, though £5,9m of that is immediately payable to Minorco.

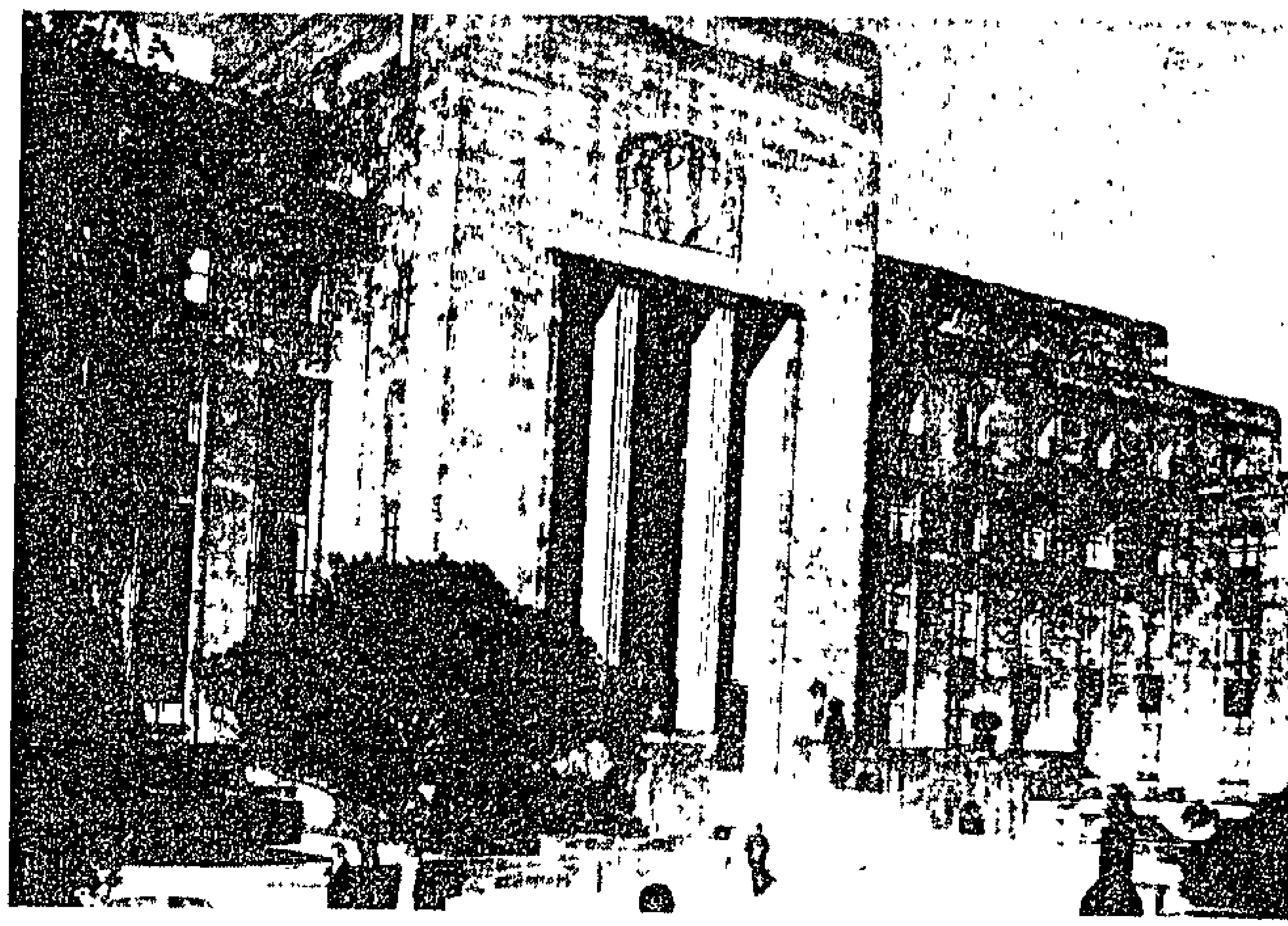
With the transfer of the stake in Johnson Matthey — the marketing agent for Rustenburg's platinum — the group's control over platinum marketing has been tightened up and, possibly, the stage set for a greater management say by Anglo in platinum.

It is hard to see any other reason for this. The sale of JCI's strategic stake in Johnson Matthey for R44,3m for transmission to Charter can hardly have been at JCI's request. At the time of its R40m pref issue in August, JCI said that the company had no immediate capex plans and that the R40m pref issue was only then being made to take advantage of attractive interest rates. So why, shareholders might well ask, does JCI need R44m additional funds now to the extent that it has to sell a long-standing strategic holding?

To my mind, the move indicates just how much independence JCI's management has when Big Daddy decides that sacrifices have to be made for the good of the Anglo cause. And the move could be a straw in the wind as to where management of Rustenburg and JCI itself will eventually be located.

But that is a digression at this stage.

Getting back to the Anglo group itself, Minorco's shareholders will no doubt be relieved that De Beers has freed their company of its Botrest (Selebi-Pikwe) funding commitment albatross. The move makes sense as the Botswana government has been worried by the loss-making mine for many years. The country has heavy loan repayment commitments to international agencies connected with necessary infrastructure for the mine. And, in a squeeze, there would have been little that De Beers (which now relies on Botswana for approaching 50% of its diamonds) could have done if the Botswana government had demanded a larger diamond rake-off to help meet its own commitments.



The hub of Anglo . . . and now the spokes have been strengthened

Minorco gets its loan to ZCI repaid with interest. And, though Anglo executive director Gordon Waddell tells me there are no such plans at present, it is feasible that Botrest's copper nickel matte could be refined at the new facility currently being established in SA by Rustenburg and Johnson Matthey. That would make financial and technical sense, especially as Amax's Louisiana refinery (which currently treats Botrest's matte) is apparently inefficient when it comes to recovering precious metals from refinery sludge. But, again, that is a digression.

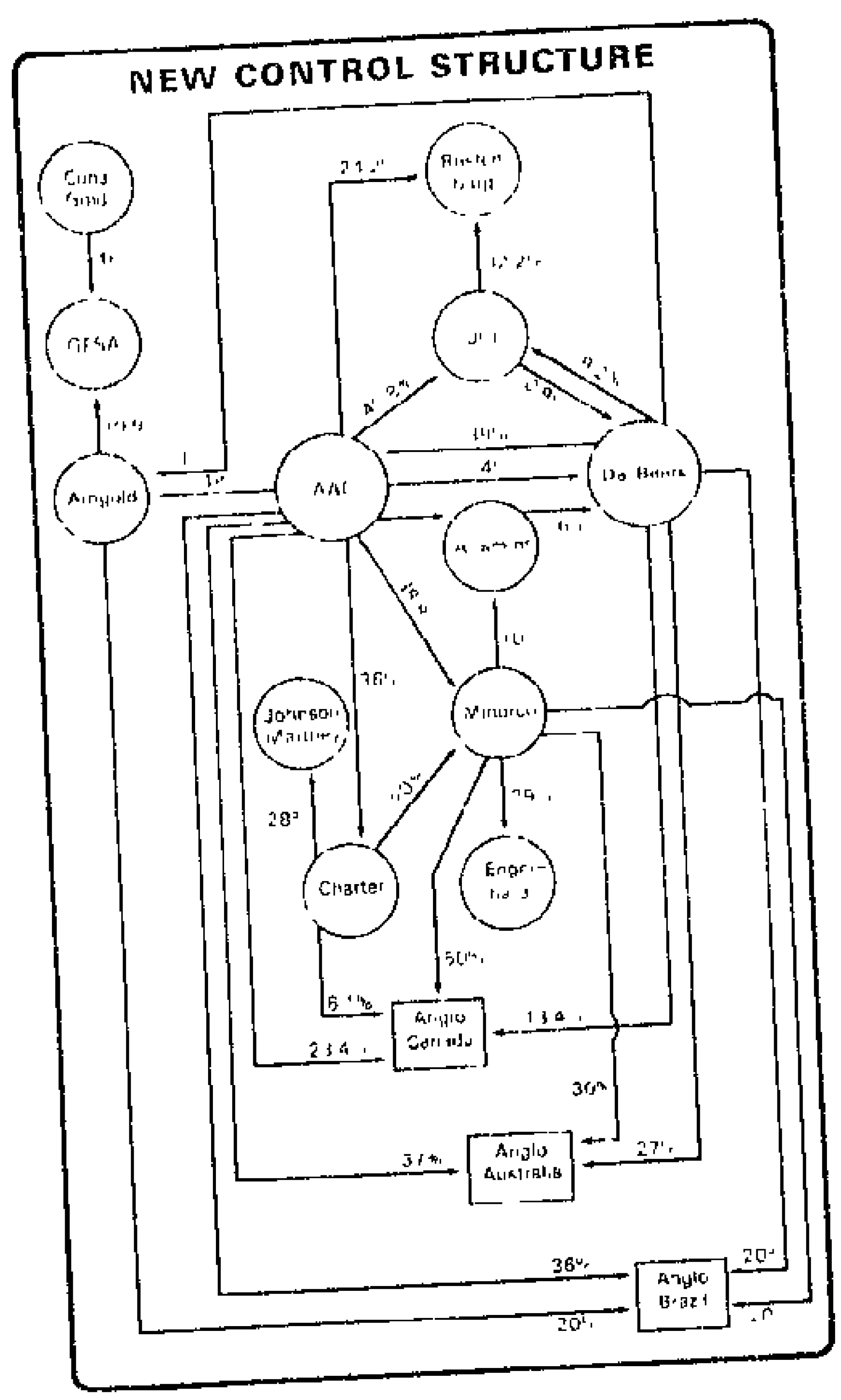
Apart from its newly-acquired 10% stake in Anamint, Minorco will now have

P.T.O

no SA interests. The reorganisation plan also gives Minorco £5,9m cash and 18,7% of Anglo Canada from Charter, in exchange for the issue of 26,2m new shares in itself to Charter. It will also acquire a further 31,3% of Anglo Canada from De Beers and Anglo for US$32,3m cash. Effectively that leaves Minorco with 50% of Amcan, but it is having to raise a US$50m multi-currency loan to cover the payment to Anglo and De Beers and provide funds for future developments. And the new Minorco shares are being passed directly to Charter's shareholders on the basis of one Minorco for four Charter.

As for Anglo and De Beers, they have shouldered all the problems and tightened control over the empire. But what comes next?

In SA, there remain the "loose ends" of Rustenburg and JCI. Had Anglo passed on Charter's 4,2% Rustenburg stake (valued at £9,6m) to JCI in part payment for that company's Johnson Matthey holding, one might have been prepared to believe the mandarins of Main Street had no further designs on JCI and its managed platinum interests. But that is not the case. Anglo's stake in Rustenburg is now 24,2% compared with JCI's 32,2%, and Anglo does not receive any of the lucrative management fees charged to Rustenburg by JCI. Nor is Anglo yet in direct control of a major part of world platinum production and distribution.



Taking Rustenburg out of JCI, no matter what the reasons given, would raise tremendous opposition from the JCI minority shareholders. But it is a possibility and could be coupled with predatory moves by Minorco on US platinum distributor Engelhard.

And there is the unfinished business of Cons Gold and GFSA (*FoX* May 4). Cons Gold's new top management has been busy this year canvassing potential London-based institutional shareholders in a move aimed at eliminating that group's open control situation. But there is still no reason why either Minorco or Charter (which would not be subject to any veto by the SA authorities) could not put together a bid package for Cons Gold. And winning that provides the key to GFSA and its SA mines.

Anglo has consolidated its centre — next will come extension of the empire and consolidation of the remaining outposts.

Jim Jones

Table 2

Annual Species present at Bushman Rock Shelter and minimum number of individuals per level

Species	Level 2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	Total
Homo sapiens sapiens		1																1
Lepus [illegible]							1								1			2
cf. Acinonyx jubatus					1													1
Large carnivore					1	1				1								3
Small carnivore					1			1	1								1	4
Orycteropus afer		1						1	1							1		4
Procavia capensis		1	1		1			1	2			1	1					8
Equus burchelli			2	1	3	2	1	2	2	1	1	1	2		1	1	1	21
Phacochoerus aethiopicus			1	1	1	2	1	1	1	1	1	1	2	1	1	1	1	17
Hippopotamus amphibius										1								1
Sylvicapra grimmia	1	3		2	1	1		1	1		1							11
Raphicerus campestris	1		1	1					1									4
Oreotragus oreotragus	2		4	1		1	1		1	1								11
Oreotragus/Raphicerus		2		2	1		2											7
Pelea capreolus									1									1
Redunca arundinum	1		1			1	1			1	1							6
Redunca fulvorufula	2		4	2		3	3	2	1	2					1	1		21
Aepyceros melampus					2	1			1	3								7
Hippotragus niger					1				1									2

2/ ....

P.T.O

BUILDING SOCIETIES

Changes in the pipeline

No one could ever say that building society managers have been precipitate in adjusting deposit rates and the mortgage rate. That is as it should be, for they are the guardians of a great deal of personal savings and the financiers of the bulk of this housing. But there is a danger that ... should turn into ... the public interest might not always be best served.

Happily, evidence was given last week in some thoughtful papers at the Association of Building Societies' symposium that the societies are alive to the need to adapt to changing requirements in a ... industrial society that is becoming more egalitarian.

This new spirit of self-examination may well be linked to the fact that their future ... and development is currently under ... of the De Kock Commission into Monetary Policy and the Monetary System, especially insofar as their activities have a bearing on monetary policy. And, while conscious of the need to change, have they done much about it?

Like many large institutions in which managers are not sufficiently accountable to owners and have thus become self-perpetuating hierarchies, building society chiefs sometimes appear to overlook the fact that their own interests are not always synonymous with those of the public at large or, for that matter, with government's moves to regenerate a spirit of free enterprise.

One example of this is the absolute lack of competition between societies in spite of the contention by Allied's Jimmy Dodds that they "are an integral part of the private sector." There is no material reason, other than for convenience or service, why a depositor or a borrower should choose one society instead of another. They all offer the same returns on their deposits and shares and charge the same for home loans.

Partly because they are able to offer tax exempt returns to investors, they have in this country become inordinately large and thus have been ... special pleading, at times to obtain ... of financial controls that ... their activities but ... other financial institutions.

Ostensibly this is done to assist in the financing of housing, always a sensitive political issue despite the distortion to the optimum allocation of resources in the economy that this type of interference with market forces inevitably brings.

Moreover, as the societies have grown larger, so they have progressively shed

UNSBIC (58)

Low rating. FM 26/10/79

Activities: *Composite insurer operating in both short- and long-term markets. Holding company is South British Insurance (New Zealand).*
Chairman: *H E van Santen.*
Capital structure: *3,2m ordinaries of R1. Market capitalisation: R6,4m.*
Financial: *Year to June 30 1979. Net cash: R2,4m. Current ratio: 0,96. Capital commitments: R1,3m.*
Share market: *Price: 200c. (1978-79: high, 220c; low, 150c; trading volume last quarter, 21 000 shares). Yields: 28,4% on earnings; 8,8% on dividend. Cover: 3,2. PE ratio: 3,5.*

	'76	'77	'78	'79
Gross premium income (Rm)	27,9	33,3	37,8	39,4
Life Fund (Rm)	1,7	2,5	19,8*	23,5
Taxed Profit (Rm)	0,96	0,82	1,7	1,8
Earnings (c)	4,8	41,2	54,5	56,8
Dividends (c)	7,5	15,0	16,0	17,5
Net asset value (c)	158	184	248	327

* After takeover of Pearl Assurance.

"We must act with responsibility, realism and circumspection with regard to rating if we are to continue to fulfil the important role our industry plays in the economic development of our country"; thus Harold van Santen, referring, in his chairman's statement, to the premium war being waged among short-term insurers.

It is this factor, together with a lack of capex in the economy, which is causing growth in the short-term side of the industry to lag. Only the lack of any substantial claims has allowed the short-termers to keep their heads reasonably above water, but Van Santen states that present rating levels cannot provide adequate margins for the build-up of reserves, necessary to meet insurance demands following "the multitude of claims" which arise after "major climatic disturbances of a serious nature."

Nevertheless, Unsbic managed to improve its performance last year, albeit marginally. Net income after tax was 7,3% up at R1,8m (R1,7m), with income from life operations 15% higher at R5,2m (R4,5m). Premium income from short-term operations, which represents 87% of gross premium income, was a pedestrian 2,6% ahead at R34,1m (R33,3m). Besides the drastic effects of rate-cutting, premium income was adversely influenced for Unsbic by higher costs of reinsurance, up nearly 15% to R6,7m (R5,9m), as well as a temporary reduction in cash flow caused by many clients converting to monthly rather than annual payment schemes.

Clearly, Van Santen is not keen to participate in rate cutting, judging from his comment that "it is not our policy to underwrite business at unrealistic premiums merely to increase premium income." Obviously, though, he has had to follow suit to a large extent. Last year pre-tax underwriting profit attributable to the fire, marine and accident revenue account was 32% down to R923 000 (R1,4m), but net investment income from short-term assets increased by R292 000 to R1,2m.

It appears that, provided no large claims are lodged in the near future, Unsbic will continue on its uninspiring growth path. Last year, short-term claims against the company were 5% up at R14,4m (R13,7m) and those for the long-term division marginally down to R953 000 (R984 000). If anything exciting is to happen within the group, the long-term aspect will have to be emphasised in the future, at least until a degree of normality with respect to short-term rates returns. Also, coups like Pearl do not occur very often.

At 200c, the market is not overly keen on group prospects. The yield of 8,8% is high for the industry but also represents the risk inherent in a company operating in a highly competitive [illegible] market.

92 [illegible]MPTOMS AND ILL-DEFINED CONDITIONS

	A M	A F	C M	C F	B M	B F
	2,10	1,24	7,00	6,86	19,69	19,83
	0,21	0,35	0,75	0,77	2,58	2,48

(58)

NEDBANK

Skills bonanza

FM 26/6/79

If any proof of the Nedbank group's management skills were needed, it is certainly provided by the preliminary report of a 28,3% taxed income advance to R49,1m (R38,3m) during the year to end-September. And, while management prefers to reserve details of each operating arm's results until pubication of the annual report, it is reasonably clear that there have been no major laggards.

That a repeat performance can at least be expected for the current year is in little doubt. With domestic interest rates likely to decline further, coupled with increased demand for commercial banking, hp and merchant banking services, Nedbank is on a sound base to aim for increased market penetration.

Policy continues to be maintenance of twice-covered dividends, and last year that resulted in shareholders' funds being beefed up by retentions to around R222m (R197,9m). Which is good enough in itself, but the solid 21,3% return on year-end shareholders' funds is a clear reminder of how well the overall group has performed.

If anything, Nedbank tends to rely less on deposits than its competitors and, compared with the statutory maximum deposits:own funds ratio of 16,6:1, by end-September the group's ratio was probably not much greater than 11:1. Details will become available with the annual report, but there is clear scope for an increase in deposits with further expected lendings advances this year.

Not that the commercial bank has been letting the grass grow under its feet in this respect. According to the end-June BA 9, the first three quarters of the past year resulted in a total medium-term savings deposits advance to R404m from R374m at end-September 1978. During the same period short-term deposits increased to R410m from R355m.

Even so, as Nedbank remains more of a wholesale bank than its three major competitors, it has probably scored handsomely with the general decline in the cost of borrowed funds last year. And though there is substantial room for increasing the deposits:funds ratio, any quantum change seems unlikely except in the longer term.

Nedbank's Gerry Muller . . .
beefing up performance

Nedbank's aim is not a tremendous splurge on more retail outlets. Rather than aiming for increased retail turnover for turnover's sake alone, management emphasis will continue to focus on efficient asset and liabilities management. And that is where shareholders will score in terms of earnings and dividends.

Last year's performance was at the upper end of most analysts' expectations and the share has responded with a 170c price advance to 465c over the past 12 months. On an historic basis, this has meant a dividend yield drop from 7,2% to a current 5,4%. This year, though earnings will be hard pushed to reach 70c, an advance to the high sixties is in prospect [illegible] a total payout of about 34c not unlikely.

At least for the time being, the share's rerating has probably run its course. On [illegible] 34c dividend estimate the share yields a prospective 7,5% which is attractive to investors looking for a return to respectable economic growth during the next few years.

	W M	W F	A M	A F				
0-1	0,85	0,69	0,70	0,31	1			
1-4	0,49	0,21	0,31	0,27	0,			
5-24	0,71	0,22	0,68	0,20	1,			
25-44	1,18	0,30	1,43	0,37	3,			
45-64	1,25	0,42	1,55	0,40	2,			
65+	1,26	0,71	1,34	0,91	2,1			
ALL	0,95	0,33	0,95	0,29	1,9			
NO.	1973	677	333	104	2175	652	1868	324

ALL CAUSES

	W M	W F	M					
0-1	21,76	16,18	40,4					
1-4	1,17	0,94	2,4					
5-24	1,05	0,46	1,3					
25-44	3,02	1,47	4,3					
45-64	17,46	9,49	26,2					
65+	73,62	54,55	92,20					
ALL	9,44	7,40	8,03					
NO.	19600	15374	2828	1967	16632	12847	18348	13062

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SANTAMBANK

Generalising

(58) FM 26/10/79

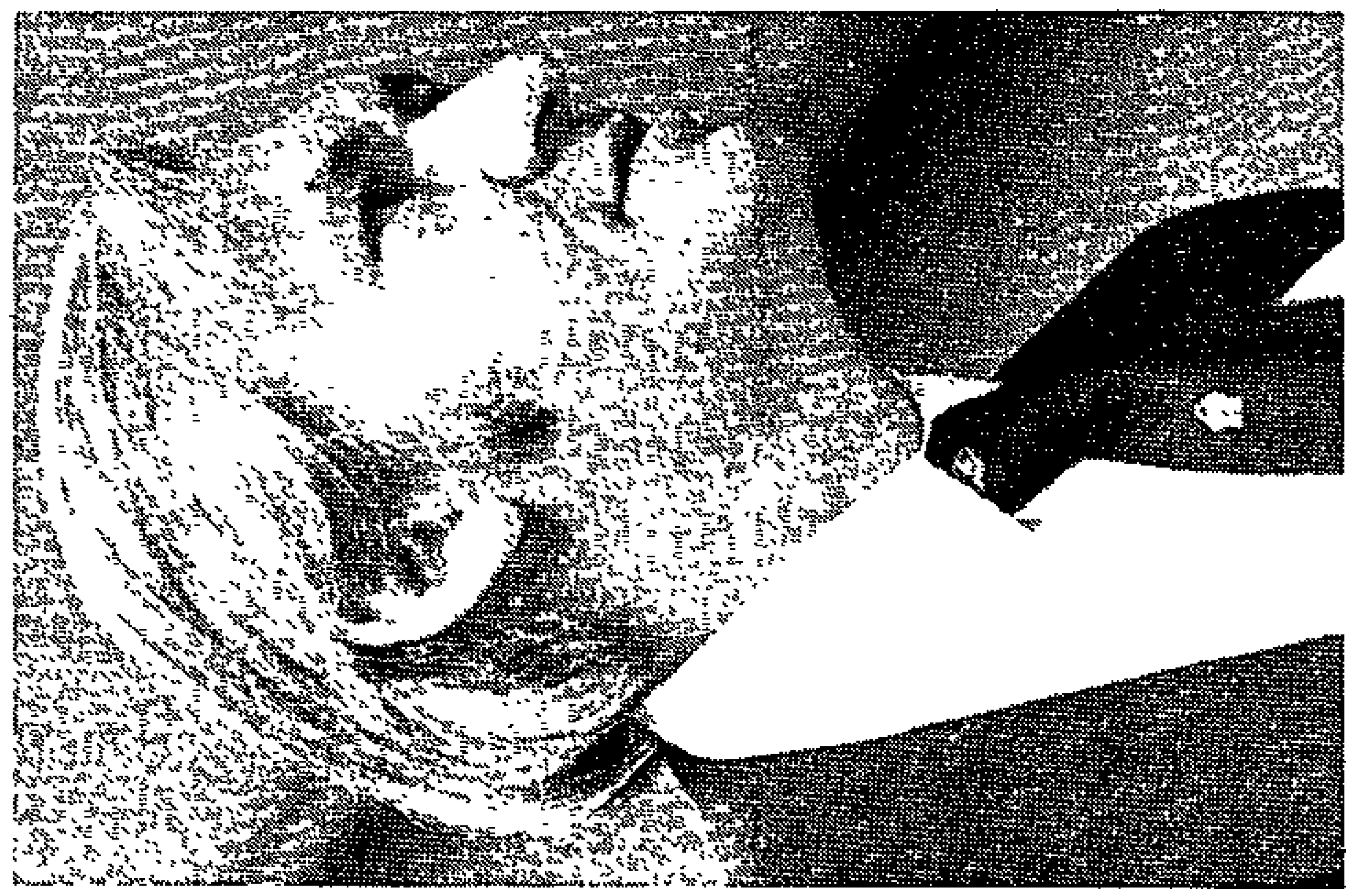
Santambank will shortly introduce a full-scale credit card service and "limited" cheque account facilities, reports chairman Fred du Plessis in the bank's annual report.

Bank officials were not available for comment, but the opening of chequeing account facilities points to an element of inter-group competition with stablemate Trust Bank. The credit card operation will bring the total number of cards in SA to five, following Nedbank's similar announcement. Financing credit cards is a costly exercise and makes sense for the larger banks who have the resources to finance them at a lower average cost. However, one assumes that MD Roeland Perold will utilise his experience as the original manager of Barclaycard in SA to good advantage.

The bank announced an after-tax profit increase of 42% to R6,45m in the year ended June 1979, but strict comparison with the 1977/78 year is not possible. The recent financial year is the first full year of operations for the enlarged Santambank, which incorporated the Bank of Johannesburg and Credit Bank on July 1 1978.

With assets approaching R1 000m, Santambank now ranks fifth in the big league of SA banks. Its ratio of advances to deposits rose from 0,73 to 0,80 in the twelve-month period, suggesting that the rationalisation after the merger has gone relatively smoothly.

Instalment credit business appears to be booming, with R202m on the books at the end of June — 53% up on a year earlier. This growth rate is a comfortable second to Volkskas Industrial's massive jump of 90% in HP and leasing finance over the same period.



Santambank's Du Plessis . . . time for a credit card

Both white and 'coloured' females have shown an increasing life expectancy at the age of 45, and although this has been small, it contrasts with the downward trend of both white and 'coloured' males.

Although it is apparent that the Expectation of Life at birth for the 'coloureds' has shown a marked improvement between 1941 and 1970, it is salutary to note that neither 'coloured' males nor females, at either e_o or e_{45}, have reached expectations of Life in 1970 which are as high as the whites were in 1929. What also gives some cause for concern is that although the expectation of Life cannot be expected to improve indefinitely, it would appear that the 'coloured' life expectancy is levelling off at a much lower age than has occurred in the white community.

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GILTS TRADING FM 26/10/79 (58)

Lower JSE turnover

The JSE's turnover in gilts and semi-gilts has fallen dramatically during recent weeks. Trading during the first nine months of 1979 totalled R868m, reaching a record of R488m in August. September's turnover dropped to around R380m, a fall of 22% on August.

Since then, weekly turnover has been averaging around R40m. However, stockbrokers are confident that trading during the latter part of October will rise to around R60m a week. Treasury's decision not to roll over R230m of debt in November has already led to a sharp drop in long-dated RSA rates. This week, RSAs fell some eight points, to 9,12%, while Escoms eased only marginally to 9,52%.

Liquid government stock (not more than three years to redemption) also came under heavy buying pressure as commercial banks sought to find liquid assets for reserve requirements following the Treasury's announcement. Short-dated rates crashed by a massive 50 points, with May 1981 RSAs down to 4,25%.

Dealers are now confident that an easier trend in long-term rates will emerge. This should encourage more active trading, both on the JSE and through the banks, discount houses and other dealers.

Brokers attribute the lower trading volumes of the past seven weeks to two main factors. First, September saw a number of big issues come to the market, particularly Escom's. This meant investors could pick up large chunks of their requirements in the primary market. Second, interest rates tended to level off during September in reflection of investor uncertainty over the direction of long-term rates.

Despite the drop in turnover, there are few frowns around Diagonal Street. Brokers have lost little of their enthusiasm for this market and there are indications that the 12 broking firms currently engaged in gilts trading will see a few more added to their ranks. And the drift of experienced dealers from the banks and institutions to the JSE is by no means over.

"There's still a lot of money to be made in this market" smiles one broker. And well he might — that is, as long as rates keep sliding. Brokers claim an estimated 60% to 65% of total turnover now takes place on the Exchange. Brokers no longer have to charge a specific brokerage fee. Instead, they are permitted to take a turn on both the buying and selling legs of the transaction.

If the nominal value of the deal does not exceed R20 000, the broker can take a maximum 0,05% from both buyer and seller. (The turn is worked out as a percentage of the yield to maturity.) On amounts up to R100 000, a maximum 0,03% can be charged, 0,02% on deals over R100 000 and 0,01% on amounts over R0,5m.

Discount houses and banks, however, claim to have maintained their own turnover levels. If anything, greater trading at the shorter end of the market has boosted their business.

Says Discount House MD Colin Dunn: "We do not see the brokers as being in competition with us. We welcome their increased participation in expanding the market because this also means more business. Brokers do a lot of dealing with us."

He does not see the possibility of a cut in institutions' prescribed investment requirements as having any significant effect on the volume of secondary market trading at this stage. After all, he reasons, even at current interest rate levels the alternative avenues for investment are pretty limited.

Discount House's Dunn . . . brokers help expand the market

Dunn also makes the point that, irrespective of a reduction in institutions' legal requirements, investors will continue to buy gilt and semi-gilt edged stocks. And with management of these portfolios likely to become more sophisticated, an active secondary market will be maintained.

Over the longer term, of course, secondary market trading in fixed-interest stocks — whether on the JSE or through financial institutions — will depend on whether the public sector is prepared to continue paying market related rates on its borrowings. This would obviate the need for a captive market.

INSURANCE BROKING (58) FM 26/10/79

PFV's deal with Hoskins

SA's largest firm of insurance brokers, Priceforbes Federale Volkskas, is locked in negotiations to buy a share in one of the largest independent brokers, IGI associate Hubert Hoskins.

If the deal goes through — it is expected to be finalised next week — the enlarged PFV will have an annual premium income of between R150m and R160m on the short-term side.

IGI's Michael Lewis says both parties are "very willing" and the Registrar of Financial Institutions, Wynand Louw, has apparently already approved the deal. Louw is known to be wary of underwriters owning brokers and a merger such as this will take Hoskins out of the control of an underwriting group.

While PFV is partly owned by Volkskas, who this year bought control of the British-owned underwriter, Legal & General, it is not as much under the wing of an underwriter as is Hoskins currently.

One of the factors motivating the deal, according to market sources, is the possibility of Escom's business being moved from Hoskins to PFV. The loss of an account that size could make Hoskins Consolidated Investments, which owns Hubert Hoskins, a willing seller of a sizeable interest in order to continue to share in a lucrative account.

Speculation, therefore, is that at least 50% of Hubert Hoskins will be sold. Lewis, however, is tight-lipped.

IGI would probably also be anxious to have a close association with a broker the size of PFV, from whom it presumably would hope to receive additional business.

With the recent cut in broking commissions, which are in any event declining as the insurance rate war continues, it is likely that this will not be the last broker amalgamation to materialise.

On balance, therefore, it looks as if Hoskins has the most to gain from a deal. Rumour has it that for some time it has been seeking a tie-up with a bigger broker. For it, PFV would be out of the top drawer.

Registrar Louw . . . approves of the deal

BARCLAYS FIRED ME

Bank denies Zwide residents' representative was victimised

A TOP official of the recently-formed Zwide Residents' Association, Mr Daile May, has accused Barclays National Bank of firing him because of his association with the civic body.

The allegation, strongly denied by Barclays Bank officials, follows the suspension of Mr May, a father of two, on the day of the inaugural mass meeting of the Residents' Association on October 17.

SUNDAY POST Reporter: Port Elizabeth

In a statement to SUNDAY POST, Mr May, who is the general secretary of the Zwide Residents' Association, said that he had not even been allowed five minutes to sort out his belongings after his supervisor in the bank's head office branch had told him he had been fired.

In an affidavit given to SUNDAY POST, Mr May, who holds a first class junior certificate, said he had begun work at the bank on March 23, 1977, as a labourer and risen to assistant record clerk.

According to the affidavit, Mr May obtained permission from his senior, a Mr B Ferreira, to attend a meeting with Mr L C Koch, chief director of the East Cape Administration Board, as a member of a Zwide residents' deputation.

"The following day I was warned by my supervisor, Mr F S Strange, to choose either to concentrate on my duties or to join the committee. In reply I said 'I don't understand you sir'."

On October 17 Mr May said he became involved in a dispute with a woman employee, a clerk, at the bank over a file.

"I was called by the supervisor who told me that the accountant had dismissed me there and then and that I had to take my jacket and vacate the premises forthwith."

Mr May said he could only believe that his firing was a result of his involvement with the Residents' Association and its parent body, the powerful Black Civic Association.

A spokesman for the bank in Port Elizabeth, after consulting with the head office in Johannesburg, issued a short statement refuting the allegations.

"Mr May has been fired from his post in Barclays Bank because his work was not satisfactory. We are not even aware of his involvement with the civic association and his dismissal has absolutely nothing to do with the involvement."

Mr May said although he worked as a filing clerk he was paid R185 a month which he claims was the salary of a labourer. Mr May, who is due to write examinations to obtain a diploma in accountancy, business economics and typing, firmly believes that he had been victimised.

BARCLAYS

MARKETING NEWSLETTER

NUMBER 37
OCTOBER, 1979

Never forget our dignity!

AS reported elsewhere in this paper we are starting a new feature entitled "Dignity Watch". The purpose of this feature is to protect the dignity and personality of our people against those who undermine these, simply because we are black.

We are vigilantly going to use the processes of the law to ensure that racists, bigots and their disorientated allies are brought to the glare of this nation.

In this we are going to need the support and commitment of our people. They must be sensitive to anything that denigrates. They must refuse to participate in their racial discrimination. And they must refuse any man any right to insult them.

If a man or a woman calls you a "kaffir" or "boy" or "girl" please let us know immediately. If possible take their details, name, address etc, and let our news editor know immediately.

If any business house treats you differently from their white clients please let us know. We will attempt to put the issue right.

For too long we have let people strip us naked of our dignity. This must come to an end. We are going to stand up for our rights. We are going to defend our dignity. These white South Africans who are sensitive to these issues — and there are hundreds of them around — we invite them to join us in this endeavour.

They, like many of our people, constitute the silent majority. The time has now come for that majority to stop being silent. For the sake of our country.

This is the time for all good men and women to stand up and be counted.

Watch out for Dignity Watch!

AS FROM next Monday, POST will publish Dignity Watch — a follow-up to our previous and popular Dignity Lane.

In Dignity Lane we published situations of insults to our dignity and how to react.

We advised readers to avoid places where they are being discriminated against, and also not to go to places where they are belittled. We advised readers not to accept crumbs or concessions when the whole was rightfully theirs.

We have decided to go a step further.

Readers must now write to tell us of instances of degradation and discrimination in their daily lives and we will act. We will investigate the allegations and publish.

This means that if a shop treats blacks like dirt, we will investigate this and after doing all the necessary investigations we will publish, naming the company.

If you wait for hours on end in some queue, please write and tell us. We will take the necessary action. We will even go to the extent of publishing pictures of people and names involved in discriminating against our people.

If some rent clerk thinks he is a lord of some sort and treats you disgracefully, please let us know. We know what to do.

If some superintendent treats your mother like his tea girl, please let us know. We will cut him down to size.

Watch out for those shops that treat blacks like "boys" and "girls" though they are patronising these shops. Watch out for those shops that accept your money but treat you different.

Watch out for those dirty cafes that swear at you incessantly simply because there is no other shop you can patronise and you must buy from them.

Watch out for those rude clerks who will make you wait.

All the above are things that belittle us. We must eradicate them. Write to us and tell us about them.

Send your letter to the News Editor, Dignity Watch, POST, P O Box 6663 Johannesburg 2000.

Please note we will treat what you tell us as confidential and will not publish your name unless you tell us to.

Page 2 of the newsletter ... the first page warned of "slips" reaching the Press.

Don't get us in the papers

By ZWELAKHE SISULU

BARCLAYS BANK has warned its employees to be careful in their customer contact, lest any unpleasant "slip" should reach the media and POST's Dignity Watch.

In its October Marketing Newsletter, the bank warns that "one small slip" in customer relations could have an adverse effect on the company.

Attached to the newsletter is a copy of POST's column, Dignity Watch.

The newsletter advises staff members to be sensitive to people's likes and dislikes and adds: "The task of dealing with people is further complicated by racial prejudices and religious and political beliefs."

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RAPPORT 28/10/79

58

NEDBANK se syfers vir die jaar tot 30 September, 'n styging van 35 persent in toeskryfbare winste en 'n dividend wat met 30 persent verhoog is van 21c tot 27c, beklemtoon die krag van hierdie bankgroep en terselfdertyd onderstreep dit die belangrikheid van gespesialiseerde bankwese.

Vir bankiers bly die vernaamste winste in die gespesialiseerde velde verhuring, huurkoop, die grootskeepse finansiering van groot projekte, aksepbankwese en so meer.

Dit is veral die geval soos in die huidige wanneer rentekoerse kwaai gedaal het en likiditeit sterk toegeneem het. In dié omstandighede help dit nie om te verwag dat oortrokke rekenings die winste gaan verskaf nie.

Gerugte doen die ronde dat die bankkoers binnekort weer verlaag gaan word, nie net om oorvloedige likiditeit te absorbeer nie, maar ook om nyweraars aan te moedig om hul produksievermoë uit te brei.

Met inflasie op sy huidige vlak is die leen van geld sekerlik die grootste winskoop van die afgelope dekade. En Nedbank beskik wel oor die vermoë om te leen. Met ses maande van die jaar agter die rug is die verhouding tussen aandeelhouersfondse en deposito's 1:10,9 — heelwat laer as die statutêre perk van 1:16,6.

Dit wil voorkom dat die groep oor 'n groot surplus beskik, moontlik 'n bedrag van ongeveer R40 miljoen. Die huidige ekonomiese klimaat bied aan Nedbank baie geleentheid om verder vooruit te gaan.

Vir die belegger is dit interessant om te weet waar die winste vandaan gaan kom, al het die huidige ekonomiese oplewing nie massiewe nuwe investering in nywerheidsvermoë tot gevolg nie.

Hier het Nedbank blykbaar die verbruiksektor baie goed bekyk. Ondanks inflasie is daar tekens van 'n boom van een of ander soort in hierdie sektor. Nedkrediet is 'n fynbeplande konsep wat op presies die regte tydstip van stapel laat loop is. Dit trek byvoorbeeld voordeel uit die verlengde betalingstydperk ten opsigte van die huurkoop van motors.

Korporatiewe finansiering en aksepbankiering bly uiters belangrik en dit geld ook vir verhuring, waar Nedfin 'n sleutelwinsgebied sal wees.

Vanselfsprekend sal die ander banke ook voordeel uit die verbeterde ekonomiese toestande trek. Maar dit is Nedbank wat moontlik die vinnigste groei in die bankwese gaan toon.

— BEN TEMKIN

means by which the function of prehistoric artefacts may be inferred. Information obtained from the microscopic examinat with ethnographic and other archaeological evidence are usef which may help to suggest what experiments should be undertal it is important to realise that in order to produce a fully reference collection it would require prior knowledge of prec information we are trying to derive. Other weaknesses of the approach are given in (Semenov S.A. 1964). Despite the limit experimental studies have been undertaken, (Tringham R. 1974; 1977; Keeley L. 1977; Kay M. 1977; Brink J. 1978) mainly usi of raw material covering a wide range of simple tasks; some a ledge the possibility of complex use but little experimental done in this area. To be of value experiments must be controlled, systematic and repeatable and the implements cleaned, recorded and examined in the same manner as the prehistoric material.

8. Interpretation

Often the most difficult, but most rewarding stage of the process. The basic guideline offered is that interpretations based on an examination of prehistoric material itself must be the prime consideration. Secondary evidence from comparative studies, other site evidence and ethnographic

analogies should not be allowed to dominate the interpretation, its value lies in providing support for the primary source data. Interpretations ... to understand and reconstruct prehistoric societies.

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sites in the Transvaal. The raw
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Nearly fifty years ago results from microwear studies prompted Bonch-Osmolovsky to write 'We can confirm from these examples that material from Palaeolithic sites is by no means as dead as is often thought, it is the object seeking formal typological approach, carried to the point of dogma which kills it'.(Bonch -Osmolovsky G.A. 1931)

CT 31/10/79

(58)

SA's black employers need assistance — Motsuenyane

LONDON. — An appeal to foreign leaders and businessmen to assist black South Africans to become entrepreneurs and job creators was made here last night by the chairman of the African Bank of South Africa, Mr Sam Motsuenyane.

Addressing a South Africa Club dinner, Mr Motsuenyane said that since 1976 there had been visible and heartening changes in regard to black participation in South Africa's economy.

"The passing of the 99-year Leasehold Act, which will enable blacks in the urban areas to secure the necessary collateral for acquiring funds from financial institutions, the government's approval of the major part of the Wiehahn and Riekert commissions' recommendations, and also the generous concessions extended to urban black traders during the past three years indicate a definite reorientation of government policy.

"As a result, both the earning and spending power of blacks will no doubt accelerate."

Mr Motseunyane, who is president of the National African Federated Chamber of Commerce, added: "The assistance of foreign leaders and businessmen would be welcomed by black businessmen in South Africa."

Every year some 250 000 blacks entered the labour market, and this would have increased to 360 000 by the year 2000.

"In order to cope with this inordinately large demand for jobs, some 1 500 new jobs per day will have to be created.

"It is absolutely necessary that more blacks become involved as entrepreneurs and job creators, because it is unrealistic to expect four million whites in South Africa to cope with the country's unemployment problem."

South Africa was faced with a number of vexing socio-economic problems, "the solution of which can only take place if the indispensable support and goodwill of the international community is maintained".

Mr Motsuenyane said there were some important areas in which the assistance of foreign leaders and businessmen would be welcomed, especially in the field of training. — Sapa

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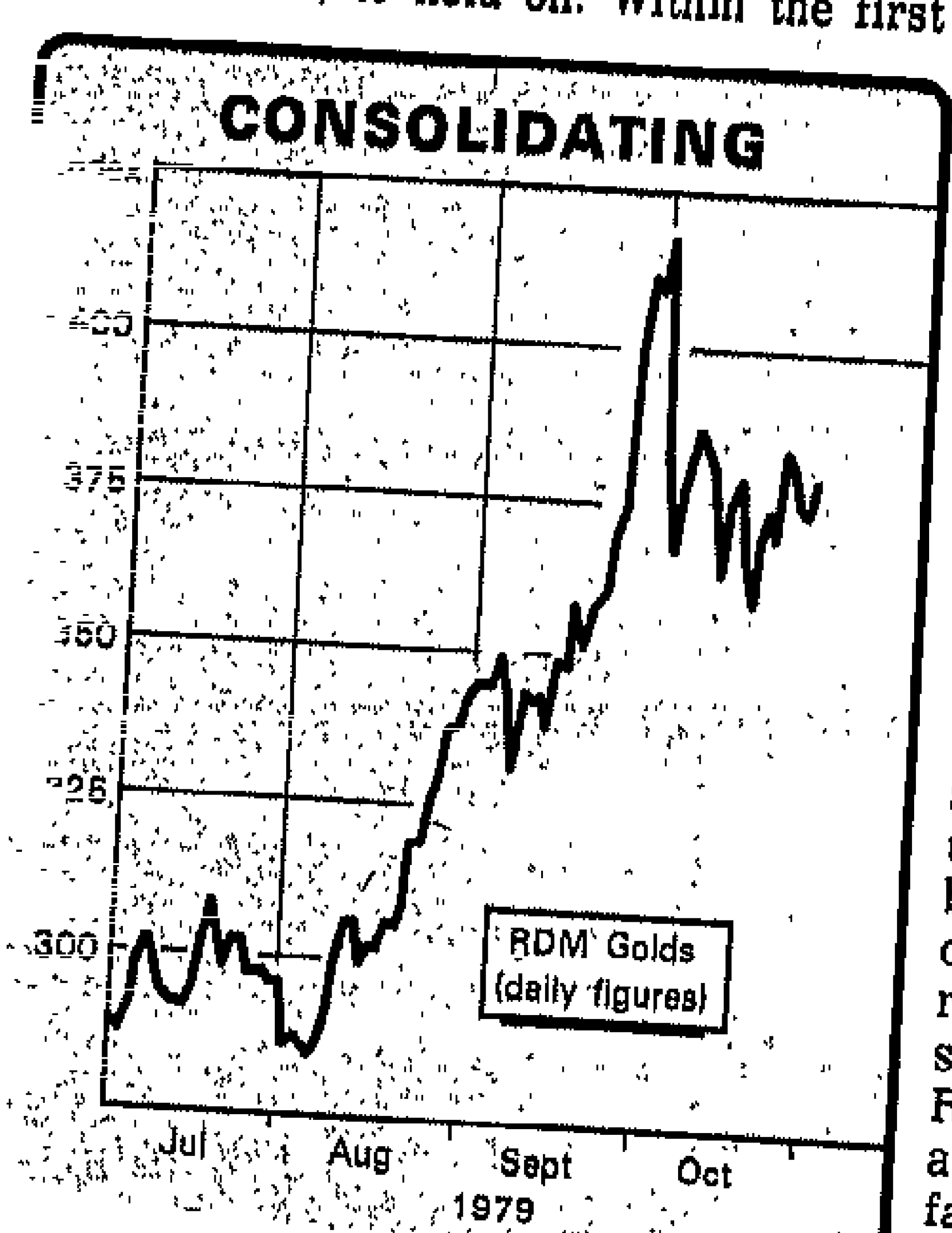
DIAGONAL STREET

Sasol fuels

(58) FM 2/11/79

If government wanted any proof of the theory that it should have no fingers in country's business pie it was given the message loud and clear at 10h00 on Wednesday morning. At that time, the listing of the public issue of 210m Sasol shares opened amid a mad scramble not seen since the heady days of the Ergo opening.

The shares, more than 30 times oversubscribed, opened at 300c for a heady 50% premium on the issue price. This gives Sasol a lead in the premium stakes for this year's somewhat meagre list of new issues. Trading was hectic, with brokers reporting a large order build-up from private investors and institutions. At the same time most brokers appear to be advising clients, the majority of whom hold extremely small parcels of Sasol scrip as a result of a controversial allocation formula, to hold on. Within the first few minutes of trading the share price touched 315c before settling back to around 305c. The method of allocation has upset the investing community, and particularly overseas investors who were reported to be prominent among sellers in early trading.



One broker described the allocation formula as "disgusting and stupid." One of his clients had an application cheque for R800 000 returned. And it was this sort of treatment of the more serious investor which has apparently upset the overseas applicants. Yesterday's trading included a substantial number of shares placed on the market by foreign holders not prepared to hold "piffling" stakes.

But buyers there were. By mid-day Wednesday over 2,2m Sasol shares had changed hands in 1 199 deals. In the morning, Sasol volume alone was valued at over R6,7m which compares with the previous day's total traded value of R2,8m. The issue has served to confirm that government can and should relinquish its commercial/industrial assets and the success of Sasol is likely to see some speeding up of the process of dis-involvement from the private sector. Some now predict another Sasol-type issue next year.

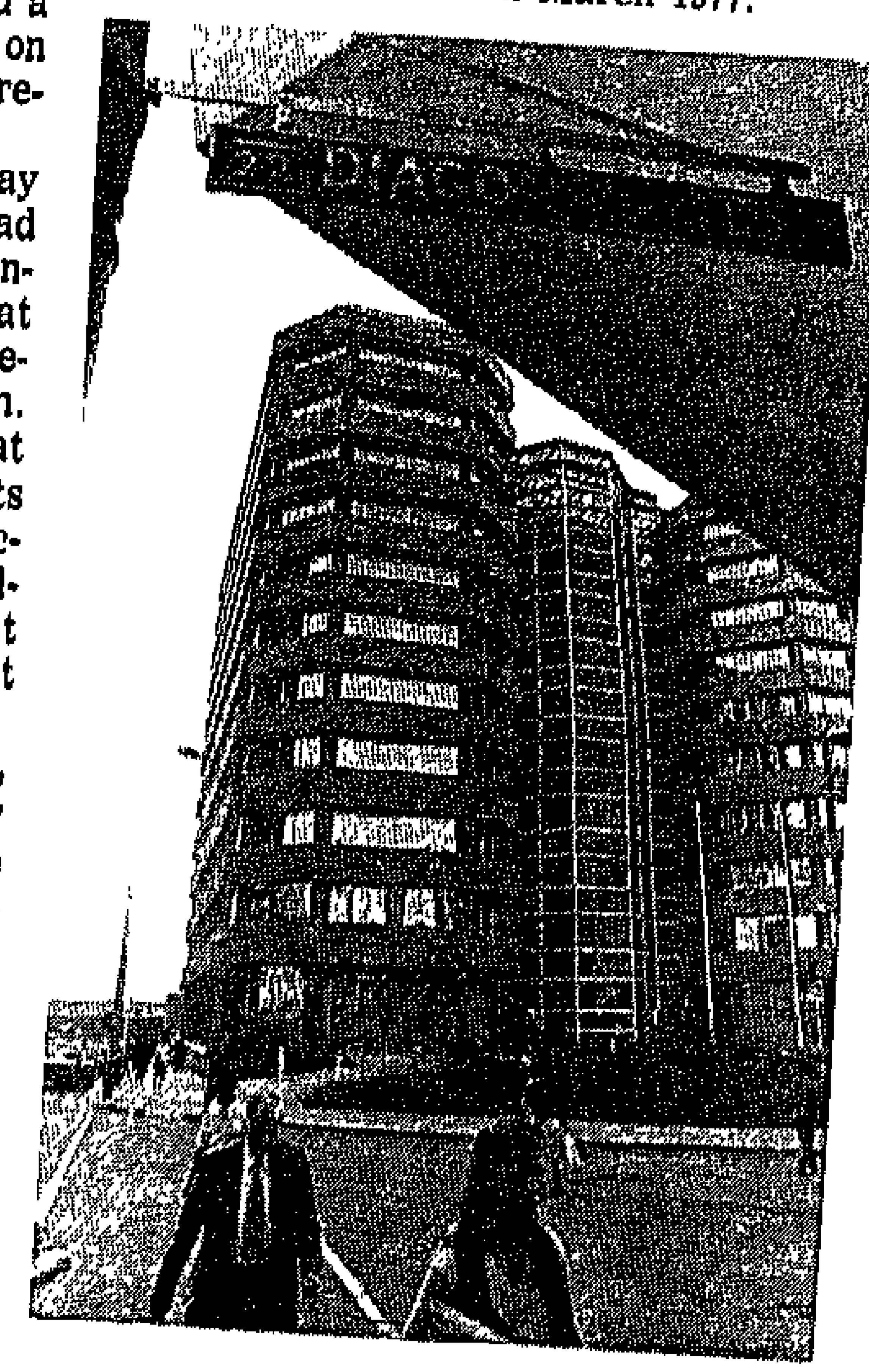
Apart from overshadowing the market, Sasol has impacted more psycholgically than otherwise and few brokers believe that unborrowed Sasol money was withdrawn from the market to any great extent. In fact the interest created by the issue will have national impact and will spotlight attention on the JSE in a way which makes the broking community's eyes light up with Rand signs.

Away from Sasol, the week saw two major events which will be of consequence to the market over the next few months. One was the financial rand movement down from 87c at the week's start to 81c late this week. The other was the solid trading base of about $380 for gold ahead of Thursday's 1,25m oz US Treasury auction.

As the financial rand increased its discount so Johannesburg prices were supported, but speculation on the widening discount mounted. One theory linked the revived Cons Gold takeover bid rumour with Sanlam's recent offloading on the market. Sanlam, so the theory goes, could have been off-loading locally some of its UK-held scrip and demand for FR's was consquently lessened.

Then the firmness of the gold price ahead of the auction supported those who still believe the gold sector to have much upward mobility. The week saw more net buying from local investors, however, as overseas holders withdrew to await the results of the auction and, longer term, some settlement indications for Zimbabwe Rhodesia and SWA. Political considerations continue to be an over-riding risk factor in overseas investment judgment. However, the new mood of P W Botha-led optimism has led a number of brokers to suggest the "flood-gates" may open at any time and advantage will be taken of the relaxed UK exchange controls, relatively high FR discount and increasing gold mine dividends.

Institutional buying is once again a factor on the floor and it was largely domestic orders which pushed the combined gold index up from last week's 665,8 to 684,8 at Tuesday's close. The JSE Actuaries closed at 457,4, almost treble the 177 low reached in March 1977.



Diagonal Street . . . brokers in a twist over Sasol

The week's trading threw up some strong specific situations which were largely overshadowed by the global events. Confidence in the long-term future of coal is unabated but the sector continues to be viewed as overpriced. The sector gained less than 4% on the index.

After having touched the heady high of 150c earlier this year, Natal Coal speculators have become bored waiting for Graham Beck to produce the goods and the share price dipped 13c to 107c.

Among golds, higher priced counters tended to drift while some of the speculative issues gained. So while ERPM put on no more than 5c at 1 175c and Randfontein gained about 350c to 6 650c, more speculative stocks such as South Roodepoort climbed 50c to 400c.

The industrial sector continues to attract interest and the current spate of good results, with dividends well covered, is prompting renewed confidence among those who preached doom only months ago. Tedelex, for instance, has moved

P.T.O

patriumst = patrium est (patrius -a -um - pertaining to a father, translate: 'a father's duty')

consuefacere: to accustom

alienus -a -um: adj. derived from alius, translate: 'of someone else'.

interest ac: he differs from.

(e) It is dangerous to go to the barber Antiochus!

Qui nondum Stygias descendere quaerit ad umbras
    tonsorem fugit, si sapit, Antiochum.

(Martial XI.84)

Stygiae umbrae: the underworld

tonsor -oris (masc.): barber

sapio -sapere - sapivi: be wise.

64. What is indicated about the person of the verb of the relative clause in the following?

(a) Adsum qui feci.

(b) Pater noster, qui es in caelis ...

(c) Venite ad me omnes, qui laboratis et onusti estis.

65. In the following examples, some important stylistic usages of the relative pronoun are indicated. Try to d[illegible]

over 200c this week for a 40c gain. The company has gained the sole distribution rights for Blaupunkt in Israel and in SA all divisions "are firing on all cylinders", chairman Bennie Slome tells me.

With the SA Breweries stable reporting this and next week, buying interest in these companies has been strong. Coming up for its interim debut next week, Southern Sun gained 16c to a new high of 225c. This suggests an expectation of a total dividend payout of 12,5c and earnings of close on 20c.

On last week's announcement of an 88% earnings increase, Amrel gained 10% to 440c. On the more earthy performance turned in by Afcol, the market was pretty spot-on in its predictions. The share gained 5c in anticipation of this week's announcement of a 57% increase in earnings.

SA Breweries is expected to record nothing less than sizzling results, one analyst tells me, as the company has begun producing beer at full capacity for the year with no overhanging problem of excise duties now that the trend is towards gst. The share price increase of 20c on the week puts SAB at 218c for a new high but with an historical yield which suggests there may be some movement prior to next week's announcement.

In properties, Retco and Government Areas stood out for different reasons. Retco, with its solid office block portfolio and high gearing, gained 7c to 53c as buyers saw the advantage of buying into the property rental turnaround at a discount. Government Areas, traded more for its gold mining activities than its property operations, was unchanged at 140c despite rumours that Ergo could take over its underground operations because of an old option in Ergo's favour.

Government Areas felt compelled to point out that the agreement is void because of vagueness and no offer for the mineral rights has been made. The company has started mining underground but is contemplating offering the rights to Ergo without any obligation. The rights are valued at R20m.

In stores, Scotts has bounced back with a vengeance. After touching a low of 80c late last year, when the company hit stormy trading waters, the share price has recovered to 195c this week for a 55c gain on the week.

A strong chemical sector saw demand for Triomf which pushed the price up to 500c for a 110c gain on the week. This follows reports that the company is boosting sales strongly at a time of high phosacid prices worldwide. On equally strong demand for chemicals of any kind institutions went after Sentrachem and pushed the price up to 570c after last week's ex-dividend 540c.

	Current	Week ago	Month ago	Year ago
RDM 100	405,3	382,5	374,3	280,7
% change on		6,0	8,3	44,4
P E ratio	6,1	5,9	[illegible]	5,0
Div yield	5,9	[illegible]	6,4	7,6
K FT Ind	439,1	462,0	469,1	478,9
% change on		5,0	5,4	8,1
P E ratio	6,7	[illegible]	[illegible]	8,4
Div yield	7,6	7,3	[illegible]	5,7
US Dow Jones	823,8	806,8	885,3	792,5
% change on		[illegible]	[illegible]	3,9
P E ratio★	7,6	7,5	8,1	8,7
Div yield★	5,3	5,5	4,0	5,2
Gold price (in US $ on London)	379,0	385,0	424,0	242,1
% change on		1,6	10,6	56,5
Krugerrand (Rand) Public selling price	358,1	366,5	409,1	243,0
% change on		2,3	12,5	47,4

★ Standard & Poor index

Public buying price is 10% below, subject to negotiation

SHEEP STEALING (56) 2/11/79

Banks on warpath

"Sheep stealing" is rife in the banking industry. A few months ago there was a pronounced drift of bankers to the JSE. But the banks have wasted little time filling these positions by simply drawing on the ranks of their competitors within the industry.

According to some bankers, Trust Bank is currently among the keenest bidders for experienced personnel. Stannic admits to having recently lost "a couple" of its branch leasing men to Trust, while the Nedbank group claims some of its senior managers have received "good offers" from Trust, "although none has accepted."

In fact, the *FM* learns, so concerned are some banks about the number of staff switches between them that the matter was even raised at the last meeting of the Association of General Banks and Finance Houses. According to Association members (who wish to remain anonymous), Stannic, Wesbank and Nedfin are "working towards a written agreement not to steal one another's staff". However, Trust apparently indicated that it saw no reason why it should not take advantage of a free market to "buy" staff.

According to bankers, one of the most important reasons why they attempt to keep senior staff is because of the personal relationships built up between specialists in certain categories of banking and their clients. Often, when a senior employee leaves a particular bank to join another, they claim, he takes many of his clients with him.

Bankers say they are not worried about their "secrets" being revealed to competitors: there is little by way of new techniques one banker can teach another in a specialised field.

Nedbank's AGM in charge of personnel, Phil Bacchioni, says he is unaware of any strategy on the part of major banks to prevent poaching. "We can't protect our staff by agreements", he says. "If a man is a banker by profession it would be unwise and immoral for us to inhibit his career by colluding with one another. We do our best to look after staff in a normal market situation".

Bacchioni notes that the old unwritten "gentleman's agreement" between banks not to tout for one another's business or entice the competitor's staff "has long since fallen away". Indeed, he adds, "competition is a very healthy thing".

Nonetheless, some bankers are unhappy about "flagrant, wholesale, sheep stealing". Explains one: "We're suddenly waking up to the fact that very soon there will be only one skilled worker for every one-and-a-half skilled jobs available". Another admits: "Buying in senior personnel from your competitors is the most convenient way of avoiding training costs."

But the pin-striped profession has long been wise to the tricks of its trade. Acutely aware that many in its ranks are destined only to attain lower or middle-management status — implying a gray routine for much of their working lives — the industry relies, unashamedly, on generous fringe benefits to "lock-in" staff.

"There is no doubt about fringe benefits", admits one veteran, "they're our golden handcuffs".

Financial Mail November 2 1979

FINANCIAL RAND

(53)

Down it comes

PM 2/11/79

The financial rand has fallen sharply over the past two months — by just under 10% — despite the country's record trade surplus, the strength of gold and the upsurge in industrial shares, which logically should have caused it to appreciate.

Moreover, the fall has accelerated over the past two weeks when, with the removal of exchange controls in the UK, there was a general expectation that British investment in SA would be rising.

Ostensibly, therefore, observers might be tempted to reason that either the capital flight from apartheid has not abated or that the commercial price of the rand is being held artificially too high. Both views are substantially wide of the mark.

Over the past two months there has been a decline in demand for SA shares from non-residents, partly as a result of expectations that the gold price was likely to react and that this would be reflected in an easing of share prices. Moreover, as local demand kept share prices rising nonetheless, some non-residents decided to sell and take capital profits.

More recently, in relation to the size of the market, there has been heavy local buying of Consolidated Goldfields shares by residents from non-residents (see *Fox*) as strategic positions are being built up.

The allotment of Sasol shares has also most likely helped to create a larger supply of financial rands at present than there is demand for them. First, when foreign investors learned that they would be able to bridge their subscriptions by borrowing from local banks until allotments were made, they discontinued building up their financial rand holdings in anticipation of the issue.

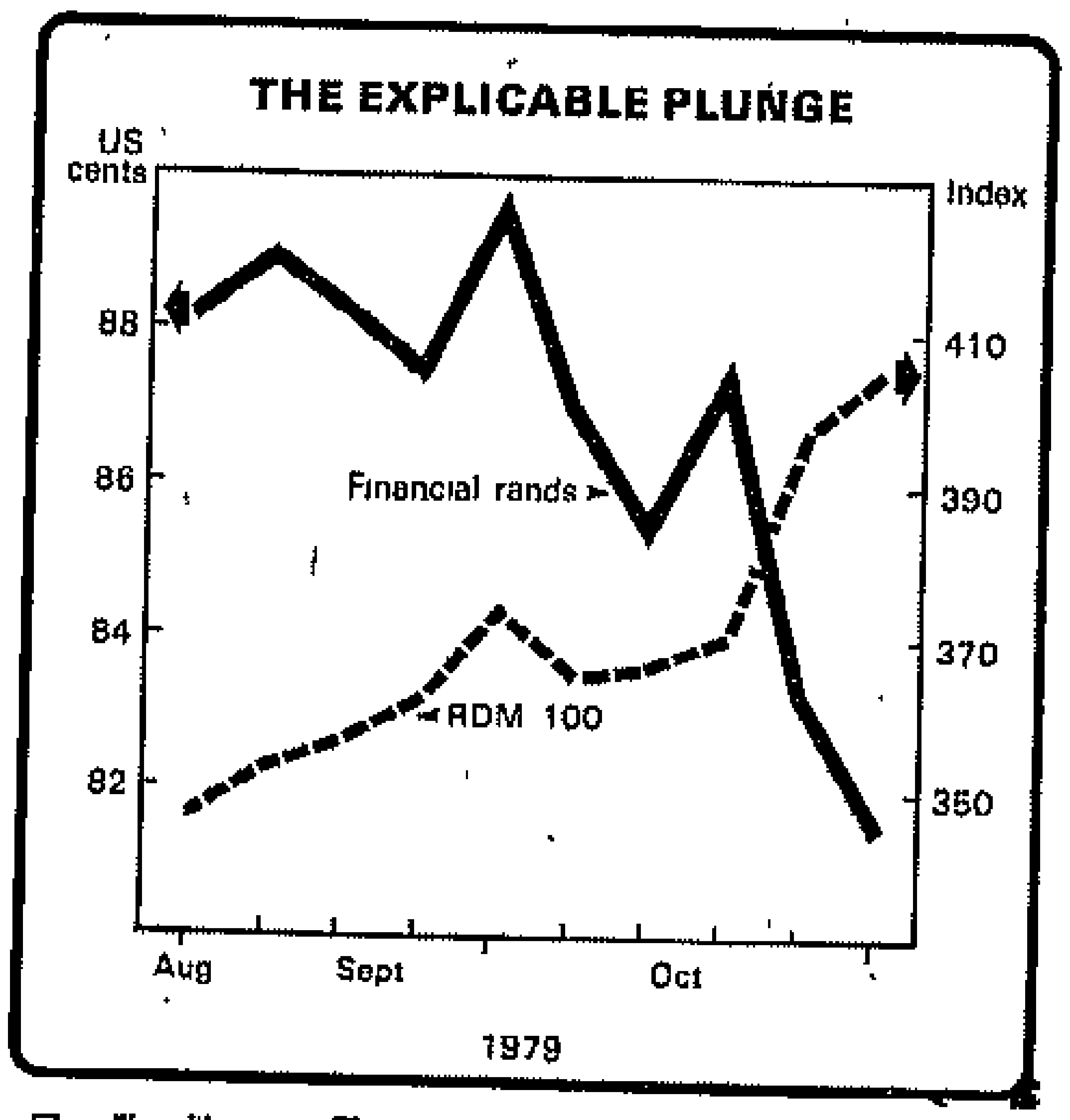
Then, with allotments much smaller than expected, some of these investors have found that their earlier acquisitions of financial rands are more than adequate to meet their Sasol share purchases. Finally, there has been a small amount of non-resident stagging in Sasol shares. These factors, moreover, tend to be exaggerated in a market as thin as that in financial rands.

Stockbrokers and bankers with close ties with British investors believe that a few weeks will be needed for reorientation to international investment opportunities after so many years of foreign investment restrictions.

Clearly, therefore, once the future ownership of Consgold has been decided one way or the other, the price of financial rands should begin to rise again, encouraged by the attractiveness of local investments yields to non-residents as a result of the currency's relative cheapness.

It would be misleading to equate any decline in the financial rand's price brought about by these factors with any necessary loss of international confidence in the commercial rands, which, as their value is largely determined by the Reserve Bank and not market forces, might easily be masked.

There is some reason to believe, in view of this country's broad economic situation, that the commercial rand is far too cheap and will appreciate in the months ahead. Indeed, in anticipation of a rise, exporters have been selling future dollar earnings as far forward as possible.



The shortage of dollars in the local foreign exchange market this week might not appear to bear out this view, especially as by rationing foreign currency to the banks the Reserve Bank brought down the dollar value of the rand slightly as the dollar itself firmed on world markets.

But this, too, is probably a temporary situation that has been aggravated by the reduced flow of Krugerrand earnings into the market. These flow directly to the banks from the selling agency and are not filtered through the central bank. The more this supply of foreign currency decreases, the more the market is subject to the whim of the Reserve Bank.

More important, however, is that the bank does appear to have accepted the fact that rand's link to the dollar must be severed if growing imported inflation is to be avoided. It is a view put forward by the *FM* three weeks ago, and is supported by Cape Town University economist Brian Kantor in an article in the latest edition of *Businessman's Law*.

Kantor argues that without an appreciation in the rand's exchange rate, the automatic link between increases in world prices and in rand prices cannot be broken. He expresses the view that the rate of inflation here has remained high because it is widely believed that the managed float of the rand will not lead to any substantial appreciation.

He recommends that, in view of the Reserve Bank's poor record in predicting the value of the rand, there should be no attempt to manage the float. Instead, the authorities should announce a target growth in the money supply in relation to the potential rate of growth of the real economy and ensure that it is adhered to. Once market opinion — both here and abroad — was convinced of the authorities determination to do this the rand would rise and the rate of inflation fall.

P.T.O

SOWETO CENTRE (58) FM 2/11/79

Cohen torpedoed

Black businessmen have successfully torpedoed the R21m white-owned regional shopping centre planned for the borders of Soweto. Department of Co-operation and Development officials, acting on the instructions of Minister Koornhof, have served an official expropriation order on prime-mover Aaron Cohen.

Wrab confirmed the expropriation to the *FM* this week. It means, says spokesman Jan Bosman, that the board is now the official owner of the site. But that doesn't mean the drawn-out dispute is at an end. There's still the question of compensation, and Cohen says this won't be decided until some time in December. It looks like government is going to have to pay plenty.

Cohen and his associates in Western Regional Centre have worked for several years on the project. Applications for shops, they claim, far outnumber the 200 available units. That will add strength to the argument that the site is worth more than just any undeveloped 21-ha tract with shopping rights.

Western Regional has also spent a lot of money on planning and admin and was ready to move builders on site just before the notice was issued. So what will happen to it now?

Koornhof has already committed himself to incorporating the land into Soweto and Wrab confirms that the formalities are being attended to. At this stage, says Bosman, there is no set plan. First step will be to talk things out with the interested black parties. That means the Soweto Traders' Association (STA), which has been particularly virulent in its opposition to the centre, and the National African Chamber of Commerce (Nafcoc).

Black businessmen complain that they don't have business rights in white areas, so object to white rights in theirs. Even though the land has hitherto been outside Soweto, the idea was to direct trade exclusively at black custom. Cohen's plan was to let to both black and white tenants.

That was partly responsible for the black ire. STA chairman Vela Kraai says the competition from the big white-owned discounters would have dealt a death blow to black merchants "who are only just learning to stand on their own feet."

That would include Nafcoc's own embryo Blackchain multiple, which is still struggling to get off the ground. Now the competition is eliminated. The pity is that 4 000 new jobs and more competitive merchandising are going to disappear with it.

Editorial.

This magazine is called Octet because it contains eight poems.

It is a departure from previous English Department publications in that each poem is accompanied by:
1) a criticism by a member of a panel of four critics; and
2) by a short statement by the poet on his intention and theme. It will be interesting to see to what extent the criticisms and the poet's own ideas coincide, though we would like to emphasise our reluctance to consider the poet the best judge of his own work.

The critical panel will change with each issue, and applications are invited from prospective critics. Future issues of Octet will have a correspondence page for further comment, suggestions, objections to criticism and so on. We also need more poems for the 2nd Semester issue - if you have anything that you would be prepared to submit, or any queries, please contact the English Department secretary.

Please support this venture - we feel that it has considerable potential and should generate interest and enthusiasm, as well as making a valuable contribution to literature on campus.

(58)

BLACKS IN BUSINESS FM 2/11/79

Pretoria's promptings

The private sector has come under increasing pressure to play a major role in bringing about socio-political change in SA — far more so than in other countries.

This stress stems from the realisation that sound economic growth is central to

Financial Mail November 2 1979

countering rising black unemployment. The Free Market Foundation's conference in Johannesburg, on the theme of "Free Enterprise and Socio-Political Change", reflected this. The major discussions revolved around the issue of black participation in the free enterprise system.

In a speech read on his behalf, Co-operation and Development Minister Piet Koornhof told the conference that "a major question confronting us is how to create the necessary jobs and raise the necessary capital. As I have said," he continued, "it is government policy that this should be done mainly by the private sector."

Koornhof's views were echoed by Committee of Ten member Leonard Mosala, who told the *FM* that "it's evident that one way of reducing the total disability — social, economic and political — experienced by blacks could be to open up economic opportunities ... This could have a direct and far-reaching bearing on most of the racially discriminatory laws that have so far kept concentration of economic benefits in the hands of the white community."

Professor Gideon Jacobs, of Wits's Graduate School of Business, who recently lamented the calibre of black graduates, has called for the launch of a massive crash programme to enable blacks to participate more effectively in the economy. Mosala was more specific: "Technical education should be placed in the hands of the private sector, which will determine the syllabuses and standards, while the government is not released from the financial responsibility. It is important for business to look specifically at the expansion of institutions that offer quality education to blacks and expand bursary programmes. This is still possible within present day constraints."

A controversial issue is that of business operations across rural boundaries. Though there have been indications from government that white capital should move into black residential areas, especially the urban centres, organised black entrepreneurs have raised objections to this, citing their continued exclusion from the central business districts.

Nigel Mandy, Anglo American Property Services' executive director, commented: "The black urban areas are crippled satellites of the white cities ... only the most rudimentary forms of corner grocery shop and other convenience business have been developed ..." Mandy added that "if the black urban areas are to be developed with the necessary speed, then white capital, expertise and experience need to be injected."

Mosala summed up: "The business community is at the crossroads. It must choose whether it will join hands with the black entrepreneur on equal terms at all levels, or force blacks to develop what can be called a black economy, which will be an exclusive economy focusing on black ownership and control."

MONEY SUPPLY (58,

New emphasis

An encouraging aspect of Reserve Bank Governor Bob de Jongh's address to the National Finance Corporation this week is that he appears to expect the money supply to grow more appropriately in line with the economy's growth potential.

In the first eight months of this year, the money supply grew at an annual rate of only 9%, which with inflation at about 14%, indicates a real reduction in the money stock, a situation hardly conducive to economic growth.

But De Jongh reports now that "most of the main factors which affect the quantity of money and near money are currently making positive contributions." The reserves are rising, bank credit to the private sector has increased, long-term deposits of the private sector with the banks are not the constraint they were, and there has been an increase in net bank credit to government.

Another encouraging point is that despite the almost doubling over the past year of deposits with the NFC (the borrower of last resort) to R1 067m on August 16, these were not used to inhibit the decline in the Treasury bill rate, as has so often happened in the past. In fact, the corporation's holdings of these bills is sharply down.

The extent to which the Reserve Bank has conducted open market operations to absorb excess liquidity is also a feature of his report. The total supply of investment paper by the Reserve Bank to the market was R1 020m for the period from June 30 to October 26 this year.

De Jongh says, too, that the bank could in addition issue its own securities if need be to mop up excess liquidity.

The change of emphasis in the bank's attitude towards open market operations to implement policy objectives and away from direct controls — a change that has been evident to a lesser degree in recent years — most certainly gained momentum this year. For this the Governor deserves praise.

What is disconcerting, however, is his closing remark. "The need for mopping up will depend mainly on developments in government finance, which will play a crucial role in the coming months."

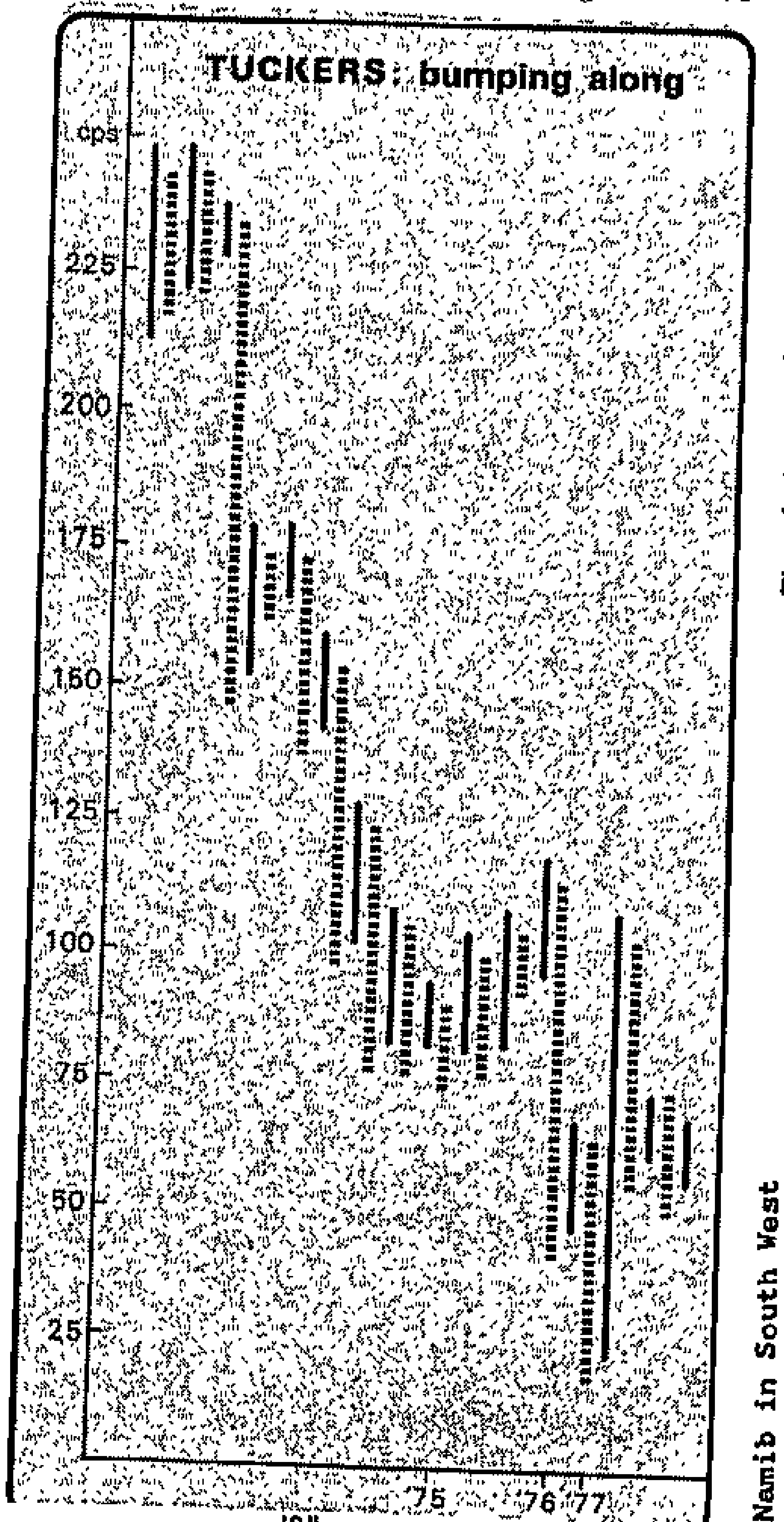
Does this mean that if bank credit to government increases, thus increasing the money supply, he will flood the market with long-term securities to reverse it? Hopefully he would not be so misguided.

Finance Minister Owen Horwood assured the Assocom congress in Bloemfontein only a few weeks ago that the budget deficit before borrowing would be financed in a manner that would not frustrate economic growth objectives. In view of the negative growth in the money supply so far this year, it is important that he and the Governor are held to this undertaking.

TUCKERS (58) PM 2/11/79

Ringing the till

Activities: *Holding company with interests in township development. The directors beneficially own 12,6% of the equity.*
Chairman: *Dr S P du Toit Viljoen; managing director: H Tucker.*
Capital structure: *6,6m ordinaries of 50c. Market capitalisation: R4,3m.*
Financial: *Year to June 30 1979. Borrowings: long- and medium-term, R3,1m. Net cash: R6,1m. Debt:equity ratio: 24,0%. Current ratio: 8,0. Net cash flow: R1,8m. Capital commitments: R17,9m.*
Share market: *Price: 65c (1978-79: high, 110c; low, 20c; trading volume last quarter, 97 000 shares) Yields, 37,1% on earnings PE ratio 2,7.*



	'76	'77	'78	'79
Return on cap %	0	1,3	3,2	3,1
Turnover (Rm)	1,6	0,1	0,3	1,6
Pre-tax profit (Rm)	1,7	0,1	1,8	1,9
Earnings (c)	6,8	20,7	57,1	24,1
Dividends (c)				
Net asset value (c)	288	226	253	248

Could investors make a killing on Tuckers? With an improving property market and the group's large discount to nav, they might in the medium term. But near-term prospects are not too bright.

The dearth of buyers in the stand market, the high cost of township development and the heavy-handed treatment meted out to some customers, have damaged Tuckers' rating. Tuckers has shown little mercy to clients who renege on contracts often landing them in court, or finding itself being taken to court.

However there is good in all companies and Tuckers is no exception. Firstly, the group values its unsold stands in proclaimed and unproclaimed areas at R30,1m and its farmland, held for future development, at R12,1m. While there is no guarantee these amounts will eventually be realised, the directors are confident that the group will not have to sell its property uneconomically to pay for development projects. They point out that development projects have been fully financed with equity and long-term loans. So, indications are that this figure could be bettered in time.

It also has R33,7m to come in from deed-of-sale debtors — providing the group with most of its cash flow — of which R5m has been written off as bad debts. The directors feel that this provision is sufficient.

The balance sheet has been substantially improved due to the policy of not paying dividends. This has enabled the group to reduce its short-term loans to R879 000 (R2,6m) and increase its cash assets to R6,8m (R6,0m). Long-term borrowing have been maintained at R3,1m.

Assuming that land is realised at the directors valuation, and all debts are paid to Tuckers, it could eventually have its nav — some R16,5m, or R2,48 a share — in cash.

This is arrived at after deducting R54,7m (R52,9m) in provisions and deferred tax, of which R45,0m (R43,2m) has been set aside for future developments. This figure is updated on an annual basis.

The company has often been accused of under-providing for the installation of services, though the directors claim provisions are sufficient. The question is, however whether inflationary cost increases will eat into the shareholders' fund to the extent that they are eventually left with very little or nothing.

A counter argument is that the property market will improve and provide the group with an additional cash flow to cover the higher costs. But the directors do not believe the market will recover strongly this year. However, although they forecast a continuation of adverse trading conditions Tuckers' sales increased 394% to R1,6m (R0,3m).

Hymie Tucker . . . holding on to cash flow

With the slack being taken up in the housing market, it may only be a matter of time before stands experience the same sort of price escalation.

Although the directors have indicated that Tuckers is not likely to sell stands at uneconomic prices, the small rise in pre-tax profit to R1,9m (R1,8m) shows that margins were cut finely last year.

So even if sales could rise strongly this year, this need not be translated into improved earnings. In any event the company would probably prefer to continue conserving cash to finance future development.

The share could offer some upside potential, but investors may be wise to wait before buying.

Peter [illegible]

OCCUPATION PATTERNS DURING EARLY TO LATER S
SOUTHERN NAMIB DESERT

1. INTRODUCTION

The presented paper gives the preliminary r
carried out in the last 2 years in the Spe
Consolidated Diamond Mines in the southern Namib in South West
Africa. T . The interesting part o
investigat area is the possibility of finding sites in situ during
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analysis
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help to
between
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was concerned about the preservation of archaeolog
mining area before they became completely destroyed.
tion in the field, within the numerous cuttings and p
mined area, is the primary task in the writer's contr
mine and has priority over the analysis of the data,
that not much time was left for the proper analysis o

The area of investigation is, therefore, more or less
the coastal mining area from the Orange River mouth r
Chameis and to the prospecting area on the northern
River. Some work, mainly palaeontological exploratio
in the Bogenfels area and in the Elizabeth Bay and Gr
south of Lüderitz. This work was intended to relocat
recorded Miocene fossil sites from the Lüderitz area

TRIO-RAND

Retentions needed

Activities: *Investment company with subsidiaries in printing, publishing and stationery manufacture. Directors control 67% of the equity*

Chairman: *D J A Zandberg; vice-chairman: T Myburgh*

Capital structure: *3,1m ordinaries of 25c; 50 000 6% cum participating prefs of R2. Market capitalisation R1,9m.*

Financial: *Year to June 30 1979. Borrowings: long- and medium-term, R2,6m; net short-term, R3,1m. Debt equity ratio, 159,3%. Current ratio 1,4. Net cash flow: R1,1m*

Share market: *Price 62c (1978/79: high, 65c; low, 25c). Trading volume last quarter, 131 000 shares. Yields, 30,8% on earnings, 4,8% on dividend. Cover 6,5. PE ratio 3,2.*

	76	'77	'78	79
Return on cap (%)	9.6	2.1	12.2	17.4
Turnover (Rm)	16.[illegible]	17.3	19.9	22.4
Pre tax profit (loss) (R000)	272	(729)	211	920
Gross margin %	7.9	2.9	1.0	8.2
Earnings (c)	9.9	(26)	5.8	19.1
Dividends (c)	12	–	–	3
Net asset value (c)	14[illegible]	109	99	114

Trio-Rand has returned to the dividend lists with its financial ratios in better condition than a year ago. By selling investments, converting short-term borrowings into long-term debt and conserving cash, the company ended the year healthier, although gearing still appears too high.

Last year, R82 000 was generated by the disposal of fixed assets and investments, including the small listed portfolio. The previous year, sale of assets, investments and subsidiaries generated R854 000.

The changed debt structure meant the group ended the year with R5,8m (R6,6m) total borrowings, of which 44,3% (23,6%) was long-term. However, even on this lower borrowings total, the gross cover on the interest leasing bill was unchanged at 1,6 times, and it would take nearly five years to repay borrowings from gross cash flow.

Improved trading saw turnover up 12,3% to R22,4m (R19,9m), and pre-tax profit up more than 300%. This plus a continued low tax rate of 7,7% (27,9%) — because most income is in the form of dividends — allowed the annual dividend to be resumed, albeit at only 3c, as well as bringing pref payments up to date.

Another profit increase is forecast, which could well mean a hike in the dividend. The company, however, might be best advised to hold fire on dividend increases until the debt equity ratio is lower. At 62c, for a 4,8% historic yield, the share has fully discounted the expected advance.

precipitation when water was more available in pans and small watercourses, though we do not know yet when, during the late Pleistocene, such periods had occurred.

...s work go to the ... Stocken and also ...arly to Sue Hasland,

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BUILDING SOCIETIES PLOT WAR ON BANKS

Sun Tribune 4/11/79 (58)

By COLIN VINEALL Property Editor

THE BATTLE for your money between the building societies and the banks is on. And the pace is likely to become even more testing during the coming year, according to Jimmy Dodds, newly elected president of the Association of Building Societies.

He believes the societies, battling from a surfeit of funds, mainly from institutional money taking advantage of the high interest rates which have been offered by the movement, will have to tackle the banks' competition fair and square.

One snag facing the societies is the time it takes to adjust their rates because of a somewhat "clumsy process" and a reluctance to juggle the rates up and down for human reasons.

Dodds said: "We have a reputation for being the repository for the savings and investments of the man in the street and we are very conscious of it.

"If we reduce interest rates, we reduce the cash flow and income of so many people who have come to put their trust in us. We feel we have a moral obligation to them — there are those who say we should merely follow market trends, but we believe we cannot do that all the time. We have just as much responsibility to the investor as to the borrower."

At present, building societies have to give notice to investors and shareholders if they want to reduce rates and notice to borrowers if they want to increase them.

Dodds is worried about the future of the institutional money invested with the building societies, whose annual meeting was told recently that they had R848-million surplus to statutory requirements. It is generally accepted that money which comes in quickly can go out just as fast.

"I believe that when the economy really gets off the ground, we shall lose a considerable amount of the surplus funds from institutional sources. When that time arrives we will have increased competition from the other financial institutions.

"The banks who are already in fierce competition with us will compete even harder. That and the exodus of some of the institutional money will create an added burden on societies to attract funds."

Dodds pointed out rising building costs would mean whatever money they had for mortgages would not go as far, and if black housing gets off the ground (See Page Five), home ownership will be available to an even wider spectrum of people.

Dodds pointed out banks had made inroads into the savings field, improving their share from 39 percent in 1971 to 51 percent in 1978. The building society share had dropped from 37 percent to 35 percent.

Dodds conceded banks had more outlets and pursued an aggressive marketing policy.

"I can see quite a lot of competition ahead. Our big problem will be to get sufficient money in to meet this competition.

"With call deposit rates as low as they are and other factors, we are getting less than the mean rate we are paying investors. This is not a profitable operation and means our profit margins are going to be reduced this year compared with last year.

"We will have to do some soul-searching to see, on the one hand how we can improve revenue and how we can cut costs.

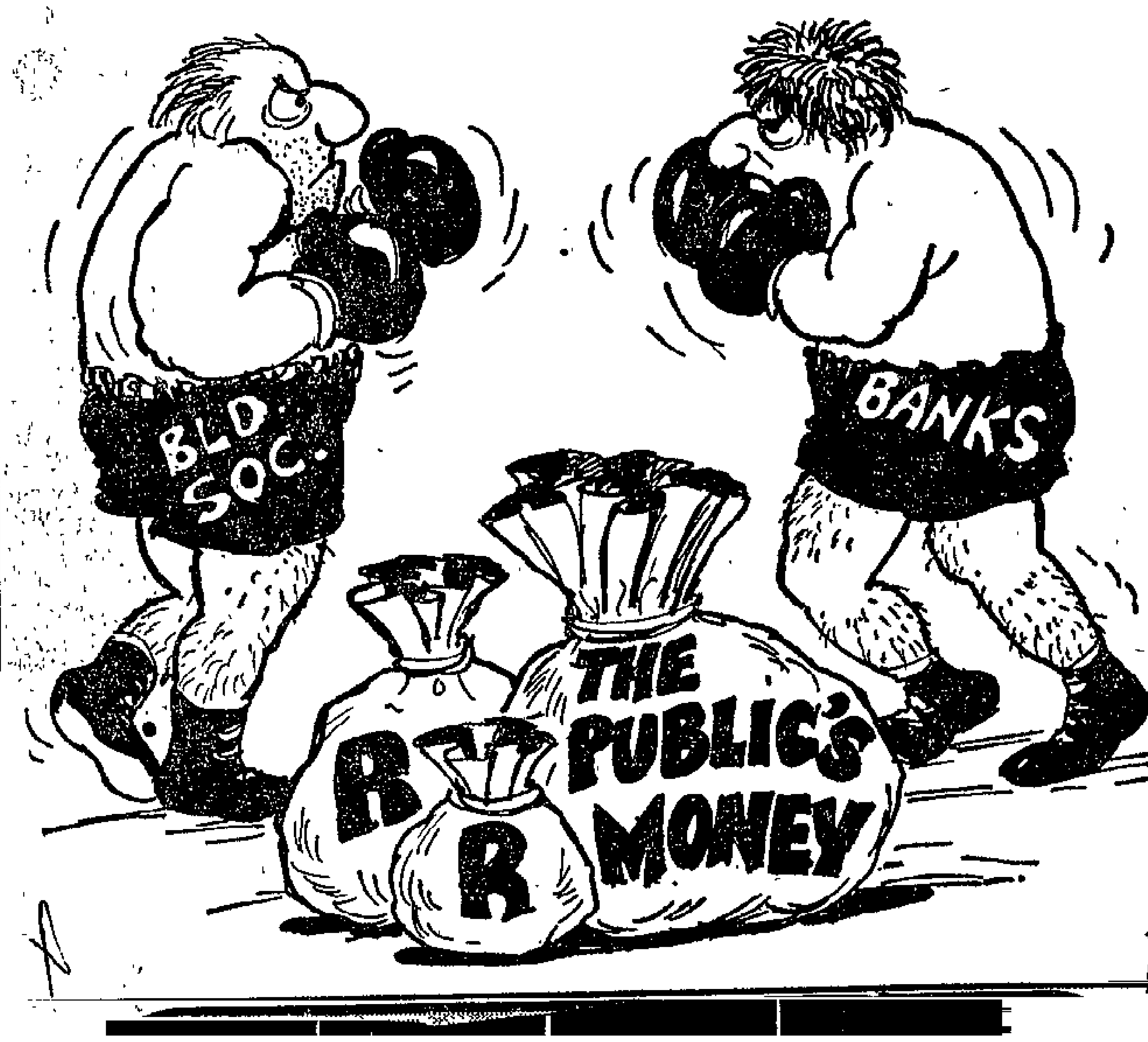
"Unless we have profits we cannot put satisfactory sums to reserves, and we are inhibited in our innovations. We have to make money to provide the services we think the public not only needs but deserves."

Dodds said services included the provision of computers on which building societies must have spent millions of rands. One of the points which came out of a recent international seminar in Johannesburg was the mixed feelings from overseas delegates about certain aspects of the electronic fund transfer systems (EFTS).

"Some people see this as a counter to the competition from the banks, while others look on it as a somewhat expensive service. It doesn't necessarily attract more funds to the coffers of the societies.

"We have the Building Society Data Bureau which accepts salary credits on magnetic tapes and tapes for bulk payments which we believe is a necessary service.

"Developments are going to be point-of-sales terminals in shopping centres, which could be something of an answer to chequebooks and credit cards.



Yours sincerely,

O METCALF
for Registrar

POST HOUSING

Building Societies are springing up all over Soweto

IMPRESSIVE buildings are springing up all over Soweto these days — and several of these beautiful structures are building societies — whetting homelands' appetites to beautiful homes.

It is a refreshing development which was pioneered about two years ago by the Natal Building Society. The society opened its second branch in Soweto last week just next to an equally imposing United Building Society branch in Dube.

According to Mr Tim Hart, regional manager of the NBS, a chain of NBS branches is planned for Soweto. Much business is expected at this branch, says Mr Hart, who says he is basing his expectation on the strong support their branch is getting in Diepkloof.

Building society branches in Soweto are not doing much of their traditional business in the townships yet — that of lending money for building purposes They are establishing themselves by providing supporting services like savings banking and stop order facilities for home services (eg payment of rents, etc).

The societies hope to take off as soon as the Government irons out the problems relating to the 99-year lease. When that is settled and people are in a position to mortgage their homes as security for loans, then, say societies things will happen.

In the meantime, there's more of those places to save or withdraw money without having to rush into town.

The latest building society branch to open in Soweto — the NBS. More of these types of financial institutions are planned for other black townships.

83

Mortality rates greater than 5/1 000 appear in italics in Table I. For all of these major causes of mortality, the Asian and 'coloured'mortality rates exceed those of the whites.

However, in this context, what requires emphasis is that by using the major disease classification a certain amount of detail is lost. For example, despite the fact that the overall rates for diseases of the circulatory system are comparable for whites, Asians and 'coloureds', within this broad category the mortality rates for specific diseases vary markedly. Table II provides the proportional contribution of the major circulatory diseases for the whites, Asians, 'coloureds' and Africans. Whilst Ischaemic Heart Disease is the major Circulatory Disease in the white and Asian communities, Cerebrovascular Diseases are the major cause of Circulatory Diseases in the 'coloured' and African communities.

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Banks make use of grey market

S-Times 11/1/79 (58)

By PENELOPE MORGAN

BUSINESS is booming in the grey market and the banks are using it for their own purposes.

Professor Diederik Goedhuys, professor of banking and finance at Wits University says: "In view of the low yield on the banks liquid assets and prescribed investments there is a considerable inducement for them to get involved in grey market activities."

However, a Barclays Bank spokesman disagrees. "By definition banks cannot operate in the grey market because the banks are the market. These transactions would have to be included in the monthly returns to Pretoria.

"But banks are profit-making institutions so it is not surprising that in view of the prevailing high liquidity and declining interest rates certain banks search for higher yields on their assets."

The grey market is usually loosely defined as the market for the lending and borrowing of money outside the official monetary and banking institutions

It appears that currently certain banks are matching rates offered in the grey market so as not to lose business The banks are in fact competing with the grey market.

This week, in a speech to the Pretoria branch of the SA Institute of Bankers, Prof Goedhuys outlined the reasons why the grey market was particularly active at the moment.

The prime reason, he claims, is the gap between prevailing deposit rates and the overdraft rates

The reasons for the large gap between deposit and overdraft rates are not clear but in this country various Government regulations contribute strongly

The high liquid asset and prescribed investment requirements as well as the credit ceiling and deposit rate controls play an important part

Prof Goedhuys claims that the "buy back" activities prevailing on the grey market will continue only as long as they are profitable — that is, while interest rates are declining in the very liquid market

Money brokers outside the banking sector are speculating on falling interest rates by buying and selling bonds, whose value they expect will appreciate, on a buy back basis

However, he believes that as long as the gap between deposit and overdraft rates remains wide the banks will have the incentive to match borrowers and lenders outside their books.

He points out that if a bank acts as an intermediary between a corporation wanting to lend funds at a good rate and a company or individual wanting to borrow funds at a rate lower than the current overdraft rate, the transaction does not necessarily pass through the banks books. This type of activity need not be reported to Pretoria.

If a bank guarantees the loan it becomes a liability and must therefore be disclosed to the Registrar of Banks.

Because grey market transactions take place outside the official banking system the country's official financial statistics reflect an inaccurate picture of credit flows.

Credit is a vital indicator used by money policymakers.

SANLAM

Market views

FM 9/11/79

Do you believe that Sanlam has been selling shares ahead of predatory moves on Cons Gold? If so, you may still be proved right. But perhaps more to the point, Sanlam's recent investment strategy has been based on a carefully thought out analysis of the market. And though super bulls may not go along with Sanlam in the near-term, the company's views are relevant to investors looking beyond end-1979.

Few analysts disagree with Sanlam's view that SA interest rates are likely to bottom within the next few months. Sanlam feels they will start rising next year and stand between 1% and 1,5% higher than at present in 1981.

It is difficult to fault that, especially as improving economic growth could soon exert pressure on availability of funds. Next year, excluding gold, SA's balance of payments could deteriorate in line with overseas recessionary trends. And by then the gap between high foreign interest rates and SA's low levels should have narrowed. Which is all very well, but if you are Sanlam, there is no way you can offload large blocks of shares anywhere near the top and ahead of a reaction. Since January, the group has sold about R40m from its R300m equities portfolio, and sales continue.

Sanlam concedes that this is likely to result in a loss of near-term income. But assurance companies are not in the game for near-term gains alone. And though there have been porfolio sales, in the last twelve months the group has ploughed R47m into Federale Mynbou, Sankor and Sasol. Those investments are currently worth around R84m.

But what about the near-term income loss?

As Sanlam sees it, dividend yields currently average 5,4%. If dividends grow at an 20% average for the next two years while, meantime, the cash balances only earn an average 5%, income loss over the next two years only amounts to 3%. Thus, Sanlam's view goes, the market only has to fall 3% from current levels to justify the present liquidity strategy.

The same applies to fixed interest stocks. If interest rates on semi-gilts rise from their current 9,5% average to 10% over the next 14 months, it pays to stay liquid if cash earns 5%. If cash earns 7%, it pays to stay liquid for up to 25 months.

Meantime, fixed interest investments have been increasingly concentrated in short- and medium-term stocks.

Outside the market, Sanlam has taken a positive view on property prospects. It may have been criticised for "over-exposure" to new developments. But the group contends that construction costs have escalated much faster than rents and that rents will increase sharply once fast shrinking vacant office and flat space is taken up. On this basis, Sanlam's lease agreements are largely short-term or longer-term with provisions for review at short intervals.

So confident is Sanlam of its rent projections that it has earmarked a major proportion of next year's cash flow for investment in flats and office blocks.

Whether Sanlam's investment team will be proved correct remains to be seen. Gold may take off and carry SA into a boom while the rest of the world wallows along. But there is no good reason to count on that and a major assurance company cannot operate on a short-term view. It could pick up profits, but they may well be small and outweighed by longer-term trends.

STUFFED CABBAGE SALAD May Bennett, Ridgeworth

1 fresh green medium size cabbage
onions
carrots

tomatoes
fresh pineapple
radishes

EGG SALAD

hard boiled eggs
salanaise

salt and pepper
paprika and parsle

Cut eggs in half and lay on a flat salad platter;
down. Pour over salanaise.

---o0o---

CHICKEN AND CUCUMBER SALAD S. Drury, Eas

1 cup cooked chicken, diced
4 T finely chopped walnuts
French dressing/mayonnaise
lettuce

1 cup cucumber, pe
1 cup cooked green

Marinade chicken, cucumber, nuts and peas with F
Serve on lettuce with mayonnaise. Cover with gr
and refridgerate until ready for use.

French dressing:
Blend together 6 T salad oil and 2 T lemon juice.

---o0o---

SPRING GREEN SALAD May Bennett, Ridgeworth

1 medium size lettuce
2 onions

1 cucumber
mint (fresh)
scallions

the lettuce, chop onions finely and parsley;
es for garnishing. Wash cucumber peel and cube.
and cut tops off leaving a short piece of the
Toss the lettuce, parsley, cucumber, onion and
her, salt and pepper. Pour over a little French
rve in a glass bowl. Garnish with a few sprigs
sley.

---o0o---

AN SALAD Mrs Futter, East London

en beans

1 d salt, level
2 cups water
1 heaped T flour

sliced) with salt and onions till cooked, then
er.

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BARCLAYS NATIONAL 58

Forging ahead

FM 9/11/79

Having fared well in the current business cycle, "Barclays is set really to forge ahead as investment spending gathers momentum.

With liquidity high and demand for investment capital lagging way behind consumer spending, Barclays has done well in the 12 months to September 30 to earn a 21,4% increased pre-tax profit of R73,1m (R60,2m). A lower tax rate following the two separate Richards Bay leasing agreements, together worth R120m, and other leasing arrangements, resulted in a 30,4% taxed profit advance to R48,0m (R36,8m). The tax offsets arise from investment allowances accruing to Barclays through its ownership of leased plant and equipment. MD Bob Aldworth tells the *FM* the leasing division accounted for a large part of the bank's increased lending.

Bob Aldworth . . . bucked by performance

He points out that the bank was not able to increase overdrafts in line with the consumer-led economic expansion. In the past year, total overdrafts have increased only 2% to R1,5m. However an increase in instalment debtors and loans to R441m (R313m) made up for some of the overdraft growth restraint.

Initially, competitors thought Barclays would suffer in the period of declining interest rates due to its large branch network, which constitutes a fixed cost. However, Aldworth is bucked at the way the bank offset the high fixed costs through improved money management.

Wesbank improved its market share throughout the 12 months and is now making a substantial contribution to the group. Latest management figures show that Wesbank's instalment debtors and loans have risen to R402m (R278m).

Another division which has benefited from the increased consumer spending is Barclaycard. Aldworth says that the wider use of the card has resulted in a strong expansion in turnover. Recently card usage was inaugurated in supermarkets, leading to greater card demand, particularly among housewives. The home improvement scheme and budget travel plans have continued to assist this operation's sales.

But, perhaps most surprisingly, the forex division's performance is now ahead of pre-De Kock Commission levels, when margins were much higher. The improvement is due to higher exports, particularly Krugerrands, over the period, and greater market share. Aldworth attributes Barclays' improved market share to the open of the market.

The merchant banking arm has had its best year ever. And that despite the fact that Barclays does not participate in the burgeoning grey market. Even so, the merchant bank increased its return on funds raised and used, while commissions on corporate finance also improved.

With the main thrust of investment demand still to come, the property arm looking sounder than ever before and interest rates bottoming ahead of increases next year, Barclays will no doubt do even better next year.

Meantime two interim dividends totalling 26c have been paid from earnings of 90,1c (69,1c) during the first 12 months. In the three months to the new December 31 financial year-end, 25c earnings and a final 20c dividend are possible. At 725c the share is a buy to yield a prospective 6,3%.

Peter Pittendrigh

MUTUAL & FEDERAL

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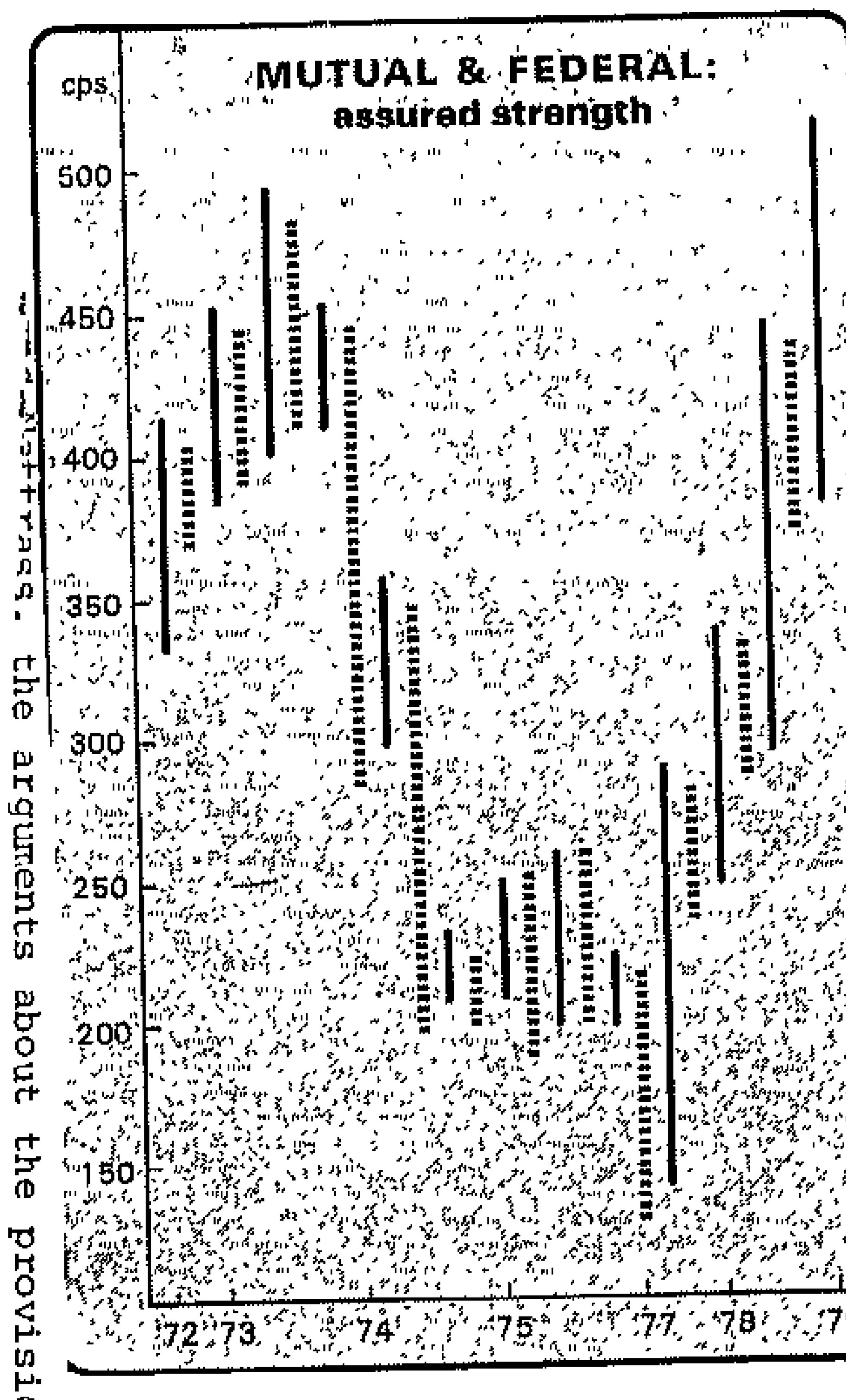
Under-priced

FM 9/11/79

Activities: *Short-term insurer in SA and SWA. Immediate holding company is Mutual & Federal Investment, whose shareholders are Old Mutual (51%) and Royal Insurance of the UK (49%).*
Chairman: *J G van der Horst; managing director: R A Isaac.*
Capital structure: *4,6m ordinaries of 50c. Market capitalisation: R25,8m.*
Financial: *Year to June 30 1979. Return on cost of investment portfolio: 9% (8,5%). Underwriting surplus-/gross premium income: 5,5% (2,5%). Taxed return on shareholders funds: 16,2% (18,5%).*
Share market: *Price: 560c. (1978-79: high, 560c; low, 290c; trading volume last quarter, 36 850 shares). Yields: 21,3% on earnings; 7,9% on dividend. Cover: 2,7. PE ratio: 4,7.*

	'76	'77	'78	'79
Earned premiums (Rm)	37,0	42,7	47,5	52,7
Insurance expenditure (Rm)	37,1	41,6	45,4	47,8
Underwriting surplus (deficit) (R'000)	(60)	1 147	2 025	4 897
Investment income (R'000)	2 138	2 594	3 629	4 763
Pre-tax profit (Rm)	1,8	3,3	5,4	7,9
Taxed profit	1,8	3,3	4,2	5,5
Earnings (c)	39,5	75,4	90,1	119,2
Dividends (c)	25	30	38	44
Net asset value (c)	262	289	489	737

It had to happen, of course. No sooner had Mutual & Federal chairman Jan van der Horst enthused that the year to June 30 "was free of catastrophes with a low incidence of major losses" and there was an "exceptionally light incidence of claims", than M & F gets hit with a R21m claim from Sigma Motor for hail-damaged cars. Needless to say, that claim falls outside the 1979 financial year and there is sufficient re-insurance, MD Reg Isaacs tells me, to prevent any sleepless nights at M & F.



But the incident does underline the dangers inherent in short-term insurance. It also serves to add emphasis, perhaps, to Van der Horst's oft-repeated plea that it is time for the industry "to return to more balanced premium rates if acceptable standards of service, growth in reserves and general stability are to be maintained." While the talk of rate-cutting must have foundation, anyone recently looking at the costs of renewing short-term insurance will wonder where the so-called price war is being waged.

Jan van der Horst . . . taking a cautious view

M & F did particularly well in terms of both investments and premiums during the 1979 year. Premium income, net of re-insurance, rose by a pedestrian 14,6% to R55,7m but the low incidence of major losses and "moderate expenditure on claims" saw the underwriting surplus more than double to R4,9m. Van der Horst's team deserves praise for its performance in keeping the expense increase down to half the inflation rate and the ratio of general expenses to net premiums actually declined from 16,1% to 15,3%. This is a fair industry average but the jump to 30,7% (32,2%) for the proportion of general expenses and commission to net premiums suggests that the industry is still struggling, despite a Commission of Enquiry, with the bugbear of commission expenses.

The relatively claim-free period gave the group breathing space almost to double the underwriting surplus as a percentage of earned premiums. What can be deemed better-quality growth, however, stemmed from the R53m investments which provided R4,8m (R3,6m) income — an increase of 31,2%. M & F foresaw the upturn in the stock market and raised exposure to equities by an extra R11m. At the balance sheet date, the company was still committed in these areas and Van der Horst forecasts "healthy growth" in investment income.

Judicious financial policies have built up reserves and assets to a level where the solvency margin, the ratio of shareholders funds to net premiums, is an impressive 62%. This strength provides some buffer for what could be stormy times ahead. The law of averages, as any actuary will tell you, says that crises must happen and are most likely after a period of no crises. M & F has provided for this to some extent by steadily raising dividend cover over the years (1,6 times in 1976 and 2,7 times in 1979) and by spreading the risk as much as possible between fire, accident, marine, motor and personal.

The 4,7 PE ratio is below the average for short-term insurers and way below the 11,2 times average for the insurance sector. The ability of the long-term life assurers to even out risk over the years accounts for some of the difference in market rating but the gap between the short-term average and M & F's PE suggests the share is under-priced — current claims notwithstanding.

Ian Muil

TRENCOR/MOBILE

Looking Better

Activities: *Investment holding company in the road and air transport sector in the Cape and SWA, as well as trading and manufacturing. Mobile Industries holds 49,3% of the equity, while the directors directly and indirectly hold 28%.*
Chairman: *N J Jowell*
Capital structure: *1,4m ordinaries of 50c. Market capitalisation R6,8m.*
Financial: *Year to June 30 1979. Borrowings long- and medium-term, R5,6m, net short-term, R3,1m. Debt equity ratio: 74,5%. Current ratio 1,7. Net cash flow: R4,2m. Capital commitments R683 000.*
Share market: *Price: 490c. (1978-79 high 490c; low, 310c, trading volume last quarter, 8 000 shares). Yields: 42,1% on earnings, 9,0% on dividend. Cover 4,7. PE ratio 2,4*

	'76	'77	'78	'79
Return on cap %	20,0	25,7	15,3	17,7
Turnover (Rm)	44,2	54,8	51,1	68,5
Pre-tax profit (Rm)	3,6	4,5	2,7	4,2
[illegible] margin %	[illegible]	[illegible]	7,4	8,2
Earnings (c)	124,3	162,2	121,3	206,5
Dividends (c)	32	35	35	44
Net asset value (c)	670	791	884	1 076

MOBILE

Share market: *Price: 160c. (1978-79 high 160c, low, 95c, trading volume last quarter, 10 000 shares). Yields: 36,9% on earnings, 8,4% on dividend. Cover, 4,4. PE ratio, 2,7.*

	'76	'77	'78	'79
Earnings (c)	11,0	44,1	37,9	59,0
Dividends (c)	9,5	10,5	11,0	13,5
Net asset value (c)	211	221	270	333

Despite operating in an industry affected by the recent fuel conservation measures, Trencor lifted pre-tax profit 53,9% to R4,2m (R2,7m) and improved trading margins. And chairman Neil Jowell expects the prime profit source, trailers, to increase its contribution again.

The big improvement in group sales and profits stemmed from a recovery in the Henred-Fruehauf trailer division, which reported buoyant trading despite slack private sector demand. The reasons for the improvement were that public sector orders offset lack of private demand, and the container facility, opened in August last year, beat target. This factory, in KwaZulu, operated at a profit after three months, and was up to full capacity by the [illegible]. Container sales contributed largely to higher exports by the group as well as leading to higher debtors, although this situation is being rectified.

During the year Trencor increased its stake in Henred-Fruehauf to 75,1% (58,5%) in return for Fruehauf International taking just under 25% of the properties presently occupied by the trailer manufacturing business. This year a further profit advance is expected. Jowell says public demand and good container sales should offset the slack private business.

Trencor's transport division is again budgeting for a reduced profit contribution, although improved conditions are expected once the company begins hauling mineral concentrates from Black Mountain. Last year the expected profit shortfall was offset by mining developments in the north-western Cape.

The tyre division, which last year increased its contribution to earnings, is looking for better results. The abolition of retail price maintenance is not expected to affect profitability adversely in the longer-term, says Jowell.

TAXED PROFIT CONTRIBUTION (%)

	1979	1978	1977
Engineering	38,0	1,3	29,9
Trading/other	41,4	38,7	24,1
Transport	20,6	60,0	46,0

Significant changes took place in the balance sheet. Working capital was bolstered by additional long-term borrowings, raised when rates were more favourable, and the result was a better balance between long- and short-term money. Long term borrowings, including the new R3,7m 11,1% debentures and a R1,6m loan, comprised 65,7% (54,4%) of the R13,1m (R8,1m) total borrowings. Despite this increase, the group remained liquid with a higher 1,7 (1,6) current ratio and a 3,9 (3,5) times cover on annual interest and leasing payments. And annual gross cash flow covers total debt 0,4 times.

Increased borrowings and creditors financed higher stocks of R11,6m (R10,6m), and a 29,4% higher fixed asset balance, comprising extensions and additions to manufacturing capacity, and vehicles. Last last year's higher trading profits saw the return on capital employed rise to 17,7% (15,3%), and it should rise again this year.

Capex for the current year is planned at R2,6m, which will be financed internally. The increased dividend cover last year and additional finance arranged in conjunction with this year's cash inflow should mean these plans do not hinder dividend potential.

Mobile Industries derived R302 000 last year from its 49,3% interest in Trencor's dividend disbursement, accounting for 33,5% of pre-tax income. This proportion could well increase as Trencor appears set for a good year and should pay a higher dividend. Finance income is the group's other main profit source.

Trencor at 490c is on a 22-month high yielding an historic 9,0%. Mobile also at a high of 160c, yields 8,4% and trades more freely offering an easier way into Trencor.

es from Transkei (Frankish, Vol.2) showed that educa-
harge did not lower the number of deaths occurring
h it did alter knowledge of nutrition and gardening.
cal about the value of health education for mothers
ren; she found that it was only necessary to bring
derweight children for them to thrive. However,
etimes extra mothering and stimulation was needed to
ildren grow.

ei and Liz Clarke for KwaZulu (Vol.2) confirmed the
ip between malnutrition and the desertion of families
rs. The relationship of various factors to malnutri-
the following Table.

Father unemployed
Low income
No. in household
Availability of lan
Guardian's educatio
Health knowledge

XXX : Strongly re
R : Related
r : Weakly rel
Blank space

Sources: 1. Thom
S A Med

Clarke suggests a community development approach to malnutrition aimed at the reduction of the social problems which are at its root. In this she sees a role for education in the broadest sense (not merely health education).

Aninka Claassens (Vol.2) examines the working of some small 'self-help' projects in an area of Ciskei, to discover the potential for raising the food supply available in rural areas by vegetable gardening, poultry raising, dairies and creameries oriented to marketing the products, etc. However, she finds that lack of markets, transport and capital in the rural areas makes it unlikely that such projects will succeed on such a scale as to provide full support for a family. Moreover, class divisions within the rural society mean that traders, teachers and others tend to raise outside finds for 'community projects' which in fact benefit only the few who have

(SB) FM 9/11/79

Shouting the odds

Real experts will again be shouting the odds on the stock market, interest rates, property and the economy at this week's *FM* Investment Conference, which has attracted 235 delegates — more than ever before. Last year's 131 attendance figure was itself a record.

While increased attendance is to some extent a function of the greater general interest in the stock market, it is equally a function of the excellence of speakers over the years.

Reflecting the real expertise to be found at the Conferences, Glicor's Roy McAlpine foresaw the mid-year rise in interest rates, Sage's Rob Conway, who talked about prospects for equities, found compelling arguments to support extreme optimism and Anglo American's Gordon Waddell showed that SA's economic growth would be blunted by the lack of foreign capital.

Waddell put investment in SA in perspective by showing that its performance as seen by foreign investors had worsened. He said a comparison with more developed primary producers, such as Brazil, Spain and Turkey, would illustrate that SA had fallen behind in both GNP and GNP per capita between 1960 and 1974.

To Waddell, the acceptance of the proposals put forward by the De Kock, Wiehahn and Riekert Commissions were imperative to show outsiders that SA was prepared to change politically and financially. This would bring about growth of between 6% and 8%. Carrying on as we have been since 1948 would result in a low growth of, at most, 4% which would only be delaying the inevitable Armageddon.

In his keynote address, Finance Minister Owen Horwood, conceded that SA's growth rate was too low and that there was a negative capital outflow, partly due to repayment of trade credit and IMF loans. However, he pointed out that despite this the trade surplus had resulted in SA being the only primary producing country showing a balance of payment surplus last year.

At that stage he had asked the De Kock Commission to look into ways of stimulating foreign investment. The Commission recommended that the Financial Rand market be opened to entrepreneurs wishing to invest directly in capital goods. It is now history that these recommendations were implemented resulting in more than R260m in investment capital being injected into the economy in a short space of time.

Upswing continuing

Horwood was satisfied that the economy was in a moderate upswing which had not yet gained momentum but showed every sign of continuing. He was not satisfied with the negative private sector fixed investment and indicated that government would attempt to stimulate this growth through tax concession and limiting State spending.

Conway foresaw improved investor confidence and corporate profit performance in view of expected economic growth following government's stimulatory policy. Consequently, he did not consider the then 7,7% historic composite yield on industrials to be relatively high as it did not convey the predicted improvement in dividend payouts.

The record now shows that Conway was substantially correct in this assessment. In particular, consumer oriented companies have shown strong profit improvements and have increased their dividend payouts.

In the stores sector Pick n Pay boosted its interim pre-tax profit 27,9% to R7,8m (R6,1m) and raised its interim payout to 44c (34c). Exploiting the Christmas season to the full Edgars improved its performance with a 23,3% improved year-end gross profit of R26,5m (R21,5m) and a 285c (235c) total payout. Cash and carry wholesaler Metcash improved its interim pre-tax profit 34% to R5,0m (R3,8m). In the strategic bank sector Volkskas lifted its payout to 26c (22c) on the back of a 35,2% gain in net profit of R22,8m (R16,8m). And industrial giant Barlows beat its forecast by declaring a 26c (21c) final dividend for a 38c (30c) total.

At that stage, there were other factors suggesting an improvement in equities. These included the favourable outlook for gold, an expected improvement in world trade, easier liquidity conditions and consequent declining interest rates.

Bullion had then risen to $216 and further increases were forecast. These favourable expectations were based on the expected continued weakening of the dollar following further US trade and budget deficits, the massive Eurodollar overhang, continued high world inflation, expansionary policies in hard currency countries and the threat of oil price hikes.

This view was confirmed by another speaker, Deutsche Bank gold manager Fritz Plass, who said the gold price would eventually be equivalent to the value of producing the metal and would, therefore, reflect inflation. He also explained that countries tended to hoard gold in an attempt to maintain the purchasing power of their assets, particularly in the face of

P.T.O.

world crises. So, he concluded "the world is too ugly for gold to be weak." How right he was.

Economists were then forecasting a R400m surplus on SA's 1979 balance of trade, following a R1 000m surplus the previous year. The forecast, based on a $190 gold price, assumed a deficit in the final quarter. However, Conway pointed out that 1979's surplus could be even higher, say, R1 000m on the strength of an average $220 gold price.

This has so far been wide of the mark. Trade figures, excluding gold exports and imports of oil and arms, recently published by Customs and Excise show that in the first three quarters SA had exported goods worth some R6,9 billion and imported around R5,2 billion. This means that the trade deficit is already above R1,7 billion. With gold exports and other items included, the figure could rise to a total of over R3 billion by the year-end as was forecast by Finance Minister Owen Horwood in London in July.

As far as interest rates were concerned, Conway believed improved bullion's cushioning effect on the balance of payments could obviate government's need to artificially support short-term interest rates in order to prevent trade switching. Following the De Kock Commission's interim report, a new method of deterring trade finance switching was devised through forward cover arrangements.

He also correctly forecast that SA's economic recovery could be slower than expected, thus delaying the demand for funds, and putting further downward pressure on interest rates.

Adding to this pressure, he foresaw an increase in the money supply aimed at stimulating economic growth, following a cut in the bank rate, prime lending rates and mortgage rates. This, he said, would lead to increased liquidity which would in turn assist equity prices. Looking back, few could argue with this view. Certainly, Sasol's 30-times over-subscription and low allocation to institutions illustrates the extent of excess liquidity in the economy.

The long-term gilt rate declined from 9,78% to 9,13%, while short-dated gilts declined from 8% to 5%. This, together with improved investor confidence, has indeed had a strong influence on industrial yields.

The composite industrial yield declined to 5,9% this week. With dividends improving it is now not surprising the *RDM* 100 rose to almost 410.

Horwood . . . forecasting a boom

A year ago, on the strength of the evidence before him, Conway stuck his neck out a long way to forecast that equities would make an assault on the *RDM* 100's "magic" 370 level — last seen in May 1969 — before this week's Conference. Therefore, he felt the answer for 1979 was "thrash, not crash."

As it turned out, the index broke through this barrier by end-September.

Now, with forecasting more risky than a year ago, Conway tells the *FM* he believes the *RDM* 100 could make 460 in the next six to nine months. He feels interest rates are close to their bottom area. Although the gold price could decline to, say, $300, this should not impact unfavourably on the industrial market. Its effects should be mainly psychological and provide a buying opportunity.

McAlpine, who spoke on the prospects for the gilt market, believed last year that interest rates on long-dated stocks would not decline more than 0,5% before turning up. This belief was based on the expected impact of inflation and increased demand for capital due to economic stimulation.

So far, his predictions have proved substantially correct. The decline was reversed and rates rose 1%, before again declining. The strong rise was so severe that Armscor cancelled its loan stock issue.

According to McAlpine, everything was going according to plan, but his longer term prognostications on interest rates were put out by the strong rise in bullion, which he had not foreseen at last year's Conference. In fact, he says he was out by $100.

Higher bullion has led to increased liquidity, resulting in indigestion in the money market, which has overflowed into the capital market, depressing interest rates on long-dated stocks.

He concedes that this has necessitated adjusting his forecast, but he is unshakable on the eventual direction of interest rates. He points out that nobody in his right mind would believe he could become wealthy by investing in government stocks at 9%. This is an even greater negative yield in relation to the inflation rate than a year ago and it is only a matter of time before the high liquidity and surplus on the balance of payments dries up. This should result in long-term rates moving up. But he is not prepared to say how long we will have to wait before this happens.

REAL ESTATE

Overrun with mice

The dream of quick riches has attracted nearly 4 000 new salesmen to the housing market in the past two years. They've come from virtually everywhere — offices, factory floors, suburban kitchens, even doctors' rooms and lawyers' chambers.

The old pros have seen it all before. Like in '69 when the trade was overrun with what one leading agent disparagingly calls the "rats and mice." It happened again in 1975 but, in each case, falling markets prompted the adventurers to disappear as quickly as they had arrived.

The phenomenon is nothing new but this time it has been officially monitored because the Estate Agents Act requires all salespeople to register and take out fidelity certificates.

The figures are startling: there were 5 960 registered in August 1977; by November last year enrolment had risen to 7 416 and at the beginning of this month the figure stood at 9 594.

The lure of house-selling is strong. After all, where else is such good money to be made without formal training or experience? Yet that's a fallacy, as many new boys are finding out.

Some agencies have doubled turnovers in the past 12 months, so there's money to be made all right. Several salesmen will crack the R100 000 gross commission mark this year and net pre-tax personal incomes of more than R50 000. As far as the *FM* can establish there's not a newcomer among them.

All the really big earners are experienced, trained agents who have stuck to

NEW CENTRAL WITS

Inactive

Activities: *Investment company in the Anglo American group, with main interests in mining financials and golds*
Chairman: *J N Clarke*
Capital structure: *1,8 [illegible] ordinaries of 50c. Market capitalisation [illegible]*
Financial: *Year to [illegible] Net cash R294 500 [illegible]*
Share market: *Price [illegible] high, 500c, low, 2[illegible] [illegible] last quarter, 67 [illegible] Yields 6,7 [illegible] on earnings, 6,6 [illegible] on dividend. Cover 1,0 [illegible] E ratio 14,9*

	'76	'77	'78	'79
Portfolio value (Rm)	4 [illegible]	4,5	[illegible]	10,1
Investment income (R 000)	3[illegible]	[illegible]	[illegible]	[illegible]
Net profit (R 000)	[illegible]	[illegible]	[illegible]	556
Earnings (c)	[illegible]	[illegible]	[illegible]	[illegible]
Dividends (c)	[illegible]	[illegible]	[illegible]	[illegible]
Net asset value (c)	2[illegible]	254	39[illegible]	[illegible]

[illegible] 14 months [illegible] Year to June 3[illegible]

Once again management contented itself with sitting on its thumbs and watching earnings grow. No shares were traded — though that is hardly unexpected as the company is simply a convenient repository of some of Anglo's shares. In line with high precious metal prices and gold mining profits, the total value of the portfolio at end-August was 43,1% ahead at R10.1m (R7.1m). Earnings advanced 64,1% to 31,5c (19,2c annualised) and the dividend to 31c (18,9c annualised).

Chairman John Clarke says prospects this year look good. Most of the company's investments should report maintained or improved earnings, with particular benefit arising from the spread of gold holdings. Which is all very well, but minority shareholders are entitled to ask whether management will do anything to protect the portfolio if the market turns down.

Despite last year's gold price advance end-August direct gold mine holdings comprised only 9,1% (9,8%) of the total portfolio. The market-value gain came from the mining finance investments, particularly Amgold, which accounted for 31,2% (29,9%) of the total portfolio at end-August. Mining financials comprised 42,1% (41,1%) of the year-end portfolio market

VAST FLUCTUATION IN PREMIUMS FOR IDENTICAL COVER

Insurance: What you might waste

Sun. Express Business 11/11/79 (58)

SUNDAY EXPRESS BUSINESS EXCLUSIVE

AN INVESTIGATION into rates, limits on claims and excess-charges for household, all-risk and motor insurance has revealed huge variations in the premiums charged and conditions set by insurance companies.

Most important, especially for householders and small businessmen, the inquiry has shown that an energetic insurance broker can save policy-buyers large amounts of premium money each year — and get them better insurance.

To test the power of brokers, the firm of Gulan, Allen and Co was asked to bid against the rates and conditions offered to off-the-street customers by some of the biggest insurance companies.

Their quotes confirmed that a good broker can get for his customers:

- Vastly reduced premiums for household and car insurance.
- Higher limits on single-item claims against household and all-risks policies.
- Better no-claim bonuses.
- Much lower excess payments for car damage claims.

There are many reasons for the extremely wide variations in insurance companies' charges.

A company may be disinterested in certain types of insurance and for that reason may deliberately set rates for such cover at unattractively high levels.

But this disinterest does not, in our experience, extend to advising an ignorant customer that he can get the same insurance for his house or car somewhere else for much less money.

To some companies, it's a matter of what the traffic will stand in a type of business which is not pursued but which comes in and is renewed automatically — usually because a customer buys other insurances and wants all his cover to be undertaken by one company.

An insurer may have taken heavy losses in a certain sector and partially compensate by raising tariffs on that kind of business.

In some cases, an insurance company may quote high rates because it is experimenting with a new type of business — later, the rates may come down.

Whatever the reasons, the tables of comparison published here illustrate vividly the urgency for careful shopping around when buying any kind of insurance.

This is where the smaller broker can be of immense help — but shop carefully for your broker. Some brokers are merely agents of one or two insurance companies and their only claim to be a broker is the fact that they have put the word on their doors.

The broking industry does not license examine or enforce any code of ethics or integrity on people who claim the title — anyone can set up in business and claim to be a broker.

NEW CARS
COMPREHENSIVE COVER
1979 VW Golf GLS, VALUE R5 500

Company	Premium	Excess
STANDARD GENERAL	R313	R75
GENERAL ACCIDENT	R285	R100
UNSBIC	R285	R75
AEGIS	R283	R100
IGI	R255	R100
COMMERCIAL UNION	R249	R75
AA MUTUAL*	R243	R75
SANTAM	R240	R100
GUARDIAN	R239	R75
NEM	R233	R75
SA EAGLE	R230	R75
PROTEA	R220	R75
GULAN,ALLEN & CO	R125	R75

* Not AA member.

NEW CAR
1979 DATSUN 280L, VALUE R6 000

Company	Premium	Excess
STANDARD GENERAL	R360	R75
AEGIS	R354	R100
UNSBIC	R345	R75
IGI	R333	R100
GENERAL ACCIDENT	R325	R100
COMMERCIAL UNION	R305	R75
SANTAM	R303	R100
GUARDIAN	R295	R75
SA EAGLE	R290	R75
NEM	R284	R75
AA MUTUAL*	R278	R75
PROTEA	R275	R75
GULAN,ALLEN & CO	R157	R75

* Not AA member.

NEW CAR
1979 BMW 730 VALUE R20 000

Company	Premium	Excess
AA MUTUAL*	R837	R825
GENERAL ACCIDENT	R799	R250
STANDARD GENERAL	R780	R350
NEM	R734	R575
IGI	R688	R150
PROTEA	R670	R575
UNSBIC	R667	R225
GUARDIAN	R612	R725
AEGIS	R608	R500
COMMERCIAL UNION	R585	R400
SANTAM	R580	R100
SA EAGLE	R580	R275
GULAN,ALLEN & CO	R385	R75

* Not AA member.

ANNUAL HOUSEHOLD, ALL RISKS

Contents	R25 000
All risks not specified	R2 000
All risks specified	R5 000

Company	Total Premium
AEGIS	R652.00
SANTAM	R552.00
GUARDIAN	R460.00
MUTUAL & FEDERAL	R450.00
NEM	R445.00
UNSBIC	R440.00
SA EAGLE	R432.50
IGI	R427.50
PROTEA	R422.50
AA MUTUAL	R415.00
COMMERCIAL UNION	R407.50
GENERAL ACCIDENT	R395.00
GULAN,ALLEN & CO	R297.45

MONTHLY HOUSEHOLDERS & ALL RISKS & MOTOR

CONTENTS	R11 000
ALL RISKS	R1 100
1978 MAZDA 323	

Company	Any item, all risks	Premium monthly
SANTAM MULTIPLEX	R200	R46.91
GENERAL ACCIDENT	R200*	R41.49
NEM	R100	R37 47
IGI	R200	R36 15
UNSBIC	R200	R35.26
SA EAGLE	R110	R34.96
GUARDIAN	R200	R34.44
PROTEA	R200	R34.37
COMMERCIAL UNION	R200	R33.89
AA JUMBO	R200	R32.40
AEGIS (R13 000 cover)	R500	R30.78
GULAN,ALLEN & CO (R13000 Cover)	R1 300	R25.75

* Payable for 10 months + 10% deposit.

INDCOM/I&I (58)

Broadening base

Activities: *Investment company with subsidiaries in motor trading, property, hydraulic trading and manufacture. Also holds a small listed portfolio. Held 82,4% by Issues & Investments. Directors hold 73,2% of the equity of Issues & Investments.*
Chairman: *N M Cullinan.*
Capital structure: *1,4m ordinaries of R1,50. 75 000 7% cum prefs of R2.*
Market capitalisation: *R6,9m.*
Financial: *Year to June 30 1979. Borrowings: long- and medium-term, R1,7m; net short-term, R4,7m. Debt: equity ratio: 45%. Current ratio: 1,6. Net cash flow: R1,3m.*
Share market: *Price: 500c (1978-79: high, 500c; low, 210c; trading volume last quarter, 1 000 shares). Yields: 24,1% on earnings; 8% on dividend.*

	'76	'77	'78	'79
Return on cap %	16,1	16,5	15,8	16,3
Turnover (Rm)	15,9	16,3	29,1	38,2
Pre-tax profit (Rm)	1,6	1,7	2,3	2,8
Gross margin %	11,9	12,3	9,3	8,4
Earnings (c)	87,7	72,5	101,9	120,5
Dividends (c)	21	24	33	40
Net asset value (c)	599	682	876	1 027

I&I

Share market: *Price: 1 500c (1978-79: high, 1 500c; low, 755c; trading volume last quarter, nil). Yields: 32,9% on earnings; 8,3% on dividend. Cover: 4,0. PE ratio: 3,0.*

	'76	'77	'78	'79
Return on cap %	15,5	16,3	15,7	15,2
Turnover (Rm)	15,9	16,3	29,1	38,2
Pre-tax profit (Rm)	1,6	1,7	2,3	2,5
Gross margin %	11,7	12,1	9,2	8,3
Earnings (c)	265,5	2,9	420	4,9
Dividends (c)	65	76	100	125
Net asset value (c)	2 572	2 838	3 730	4 394

Cover. 3% PE ratio 4,1

The Issues & Investments-Industrial & Commercial Holdings group generally receives little publicity because the shares do not command a ready market on the JSE. Indcom is held 82,4% by I&I, which itself has only 1,4m shares in issue, of which the directors control over 1m.

It is a pity the companies have had neither a rights issue nor a share split in recent years as the group has a good profit record, with management forecasting another earnings advance this year.

The bulk of group profits comes from the motor division which holds Mercedes-Benz distributorships, as well as agricultural machinery operations. Last year this division's performance was marred by the drought, fuel price hikes and the need to grant extensive credit to customers. In addition, cash was tied up in larger used vehicle inventories necessary to maintain

Indcom chairman Cullinan . . . maintaining a tight hold

market share in the face of falling new vehicle business.

The passenger car division suffered from a lack of smaller vehicles in its range. However, the group notes that the ... retention after the mid-year fuel price increase appears to have abated and sales are recovering from the lows of June and July.

The outlook for this division now appears more favourable with better weather conditions and improved car sales. Earnings last year amounted to R523 000 (R611 000). The property division contributed fixed profits of R320 000 (R313 000).

To avoid relying over much on the property and motor divisions the group has been expanding its hydraulics operations. Subsidiary Duneb bought SA Actuators during the year which allows rationalisation possibilities. And, with further expansion, the group intends to enter ... the R... market. It is hoped that cost cutting and discontinuation of unprofitable lines along with higher demand will ensure a better result this year. Its earnings contribution more than ... to R2... (R105 000) last year.

THE EARNINGS SPLIT

	1978 %	1979 %
Motor	53,1	38,6
Property	27,2	23,6
Hydraulics trading and manufacture	9,1	21,4
Investment	10,6	16,4
	100,0	100,0

There were few changes to the group's listed investment portfolio — valued at R... (R1,6m) at end-June. The directors ... share dealing profits will become less significant as the focus swings to larger stakes in fewer companies. Last year's changes generated a profit of R45 500 (R13 000).

Group finances remain strong with low gearing, a five-times gross cover on interest leasing payments, and a 1,6 current ratio. This last figure rises to around 1,9 if the listed portfolio is included as a liquid asset.

As the shares are tightly held, any purchase is almost bound to nudge the price of either share higher. However, in view of the record, either might be worth following for a longer term hold.

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s for the vesting of the management of th
on of the Court, in the final judicial man
rs and the accounting by the provisional
cial manager and the discharge of the pro
cessary;
s as to the rate of remuneration of the fina
er directions as to the management of the
1 thereto, including directions conferring
the power, subject to the rights of the cre
ney in any way without the authority of
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ry the terms of such order on the applicatic
representative acting on behalf of the gen
d by virtue of a resolution passed by a maj
meeting of those creditors.

nal judicial manager.—A judicial manager
ndum and articles of the company concerne
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r from the provisional judicial manager and
ompany;
such management, subject to the orders of t
ay deem most economic and most promoti
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with any direction of the Court made in the
any variation thereof;
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been obliged to comply if the company ha
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TRAVEL

Blacks biting?

Are blacks having an impact on the travel industry? Lizwe Jubilee Maluleka thinks so. Maluleka, MD of Soweto National Travel — a recently established travel agency in Soweto — tells the FM: "I have every reason to believe that blacks a[s] travellers have arrived."

In similar vein, Pam Newman, director of The Original Holiday Club, says travel is catching on with blacks. Out of her 50 000 multiracial members, 1 000 are black.

Newman argues that, over the past few years, blacks have seen an "increase in earning power and the disposable income at their disposal." Accordingly, the enjoyment of travel is on the upswing.

Maluleka arranges individual or group package tours locally, or for any country in Africa. His feeling is that blacks are gradually becoming sophisticated travellers. Accordingly, "We must be thorough in what we are doing."

Mauritius, Swaziland and Lesotho are favourites among blacks. "Blacks prefer the neighbouring territories, probably because they are cheaper," Newman says. "Maybe it is because of our low rates," she adds.

Newman's custom comes mainly from large black organisations like the National African Chamber of Commerce (Nafcoc) and the National Union of Clothing Workers. It is the middle class that is doing most of the travelling. Newman agrees: "We have most of our business from black businessmen, nurses, and teachers."

Not everybody, however, is certain of a big black travel boom. Neville Palmer, of Lufthansa — which annually arranges the pilgrimage to the famed Newport Jazz Festival at the US's Rhode Island — says: "I would not say blacks have a sizeable impact on the industry."

Despite this caution, there does seem to be scope for snapping up ever larger numbers of would-be black travellers. But, as Newman notes: "In this business one has to win credibility among blacks."

712

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meetings and ...
a vacancy in the office of liquidator.

(3) Subject to the proviso to subsectior ... as provided in this section, the Master may a ... or as liquidator to fill such vacancy.

378. Leave of absence or resignation of ... the Master may permit him to absent himsel... the Master may think fit.

(2) At the request of a liquidator the ... him to resign, upon such conditions as the ...

(3) Every liquidator who is permitted ... is relieved of his office by the Master or so ... the *Gazette*.

379. Removal of liquidator by Master a... a liquidator from his office on the ground—

(*a*) that he was not qualified for ... that his nomination or appoir... he has become disqualified fro... or has been authorized, speci... vote for or on behalf of a cre... creditors, members or contri... liquidator and has acted or p... general power of attorney; or

(*b*) that he has failed to perform ... by this Act or to comply with a lawful demand of the Master or a commissioner appointed by the Court under this Act; or

(*c*) that his estate has become insolvent or that he has become mentally or physically incapable of performing satisfactorily his duties as liquidator; or

(*d*) that the majority (reckoned in number and in value) of creditors entitled to vote at a meeting of creditors or, in the case of a members' voluntary winding-up, a majority of the members of the company, or, in the case of a winding-up of a company limited by guarantee, the majority of the contributories, has requested him in writing to do so; or

(*e*) that in his opinion the liquidator is no longer suitable to be the liquidator of the company concerned.

(2) The Court may, on application by the Master or any interested person, remove a liquidator from office if the Master fails to do so in any of the circumstances mentioned in subsection (1) or for any other good cause.

380. Notice of removal of liquidator.—The Master shall give notice in the *Gazette* of the removal of any liquidator.

380 ... ene ... he ... or ... nt ... rs ... id ... of ... ed ... or ... tor ... as ... ect ... ho ... in ... ove ... or ... hat ... tor ... to ... of ... the ... or

DIAGONAL STREET

(58)

Still moving FM 16/11/79

Diagonal Street continues to defy those analysts who predicted a correction, once the *RDM 100* index reached 400. This week it put on 16.1 points to close on Wednesday at 424.2. And with a continued flow of good corporate results, downside looks minimal at present. In fact with anticipated boom spending this Christmas, there is no reason for the market to correct although a sideways movement is possibly on the cards.

But gold remains the market's focal point. And although bullion has yet to hit $400, developments in Iran and the US could push it through $400 and strength.

What we have seen is a rules change unprecedented since the war. It was all very well for President Carter to announce a curtailment of US oil purchases from Iran. But when he retaliated to the Ayatollah Khomeini's threat to pull $12 billion out of the US by freezing Iranian assets, he called the viability of the US as an investment home into question. And though it was all good patriotic material, once the implications are absorbed, the security of dollar holdings will be that much more doubtful. Of course even if the US lifts its freeze and Iran pulls out its funds they could easily recycle through the international banking markets.

The immediate impact was a $2.80 advance in bullion to $390 on Wednesday. And on Diagonal Street golds responded with a 35.4 point advance to 129.8 in the *RDM* golds index. And that could only be the start. Sentiment is fast swinging towards bullion approaching $400 by the year-end accompanied by an index advance to at least 450.

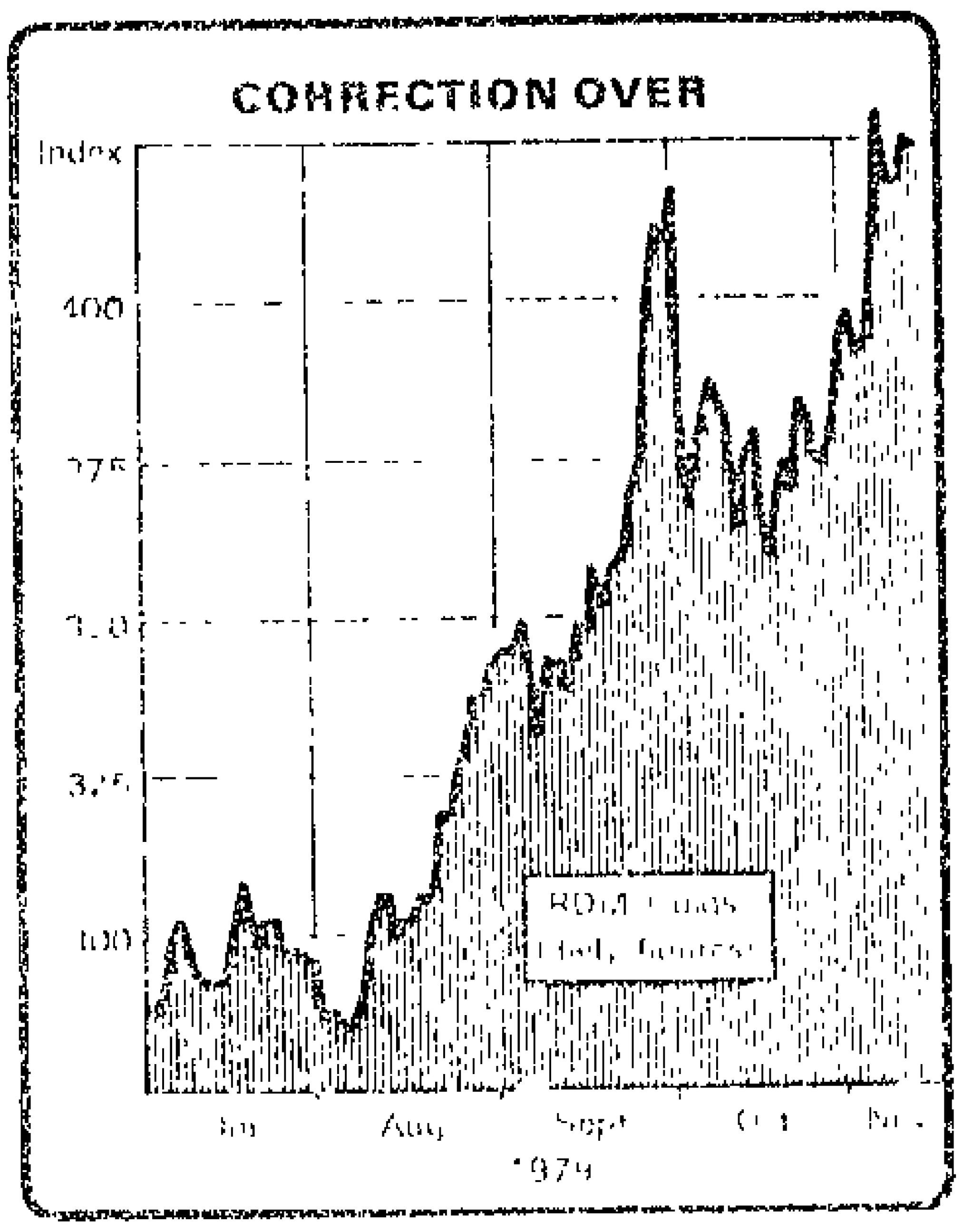
Major industrial talking point of the week, inevitably, was the SAB Rembrandt deal. But announcement of details led to confusion and on re-listing SAB opened at 260c, moved up to 272c and then fell to 250c.

Despite the market's strength there are some warning signals. Improving corporate results provide the fools for a market advance, but there is the damper of an eventual advance in interest rates once economic growth mops up surplus cash in corporate hands.

Interest rate increases will probably not occur this year and they may well be restrained by higher national gold income. But a strong advance in gold revenue will further boost economic growth and increase demand for borrowed funds for industrial expansion projects.

For the moment the market is choosing to ignore interest rate implications. However, major institutions, such as Sanlam, have built them into investment strategy.

[illegible] Bader



Amsterdam

	Nov 13 1978	Nov 5 1979	Nov 2 1979	Yield %
[illegible]	131	78	77	3.9
Philips	25	22	22	8.[illegible]
Robeco	16[illegible]	161	160	8.3
Royal Dutch	1[illegible]	148	141	7.4
Unilever	1[illegible]	11[illegible]	115	7.7
CBS General index	94	69	69	

Well down in quiet markets

Frankfurt

	Nov 13 1978	Nov 5 1979	Nov 2 1979	Yield %
BASF	13[illegible]	138	136	6.9
Daimler	3[illegible]	243	243	5.9
Deutsche Bank	[illegible]	29[illegible]	2[illegible]	5.6
[illegible]	[illegible]	253	[illegible]	6.0
[illegible]	11[illegible]	[illegible]	7[illegible]	8.0
Commerzbank index	82[illegible]	720	705	

[illegible] in thin volume

London

	Nov 13 1978	Nov 5 1979	Nov 2 1979	Yield %
[illegible]	908	364	356	5.5
[illegible]	34[illegible]	370	[illegible]91	6.0
[illegible]	367	3[illegible]9	325	8.[illegible]
[illegible]	2[illegible]	21[illegible]	235	10.4
[illegible]	[illegible]	114	[illegible]	2.8
[illegible]	[illegible]	[illegible]	193	6.4
[illegible]	[illegible]1	[illegible]	[illegible]	4.[illegible]
[illegible]	1[illegible]	164	16[illegible]	6.6
[illegible]	[illegible]	283	[illegible]	6.1
[illegible]		[illegible]	4[illegible]	7.1
[illegible]	[illegible]	440	440	6.1
[illegible]	[illegible]	462	463	7.0
[illegible]	[illegible]	29	[illegible]	12.5
[illegible]	40[illegible]	[illegible]9	4[illegible]	

New York

	Nov 13 1978	Nov 5 1979	Nov 12 1979	Yield %
Alcoa	4[illegible]	40	38	4.7
Amer T&T	60	51	54	9.3
ASA	[illegible]	29	31	4.[illegible]
Bank of America	21	26	26	5.1
Chase	[illegible]	36	37	6.5
Engelhard	[illegible]	47	45	4.4
Exxon	49	57	59	7.5
Firestone	[illegible]	9	[illegible]	6.7
Ford	4[illegible]	36	37	10.8
Gen Electric	4[illegible]	48	48	5.8
Gen Foods	31	34	3[illegible]	5.9
Gen Motors	[illegible]4	56	56	9.[illegible]
Homestake	3[illegible]	34	4[illegible]	4.0
IBM	210	[illegible]	63	5.5
Inter Nickel	15	19	19	[illegible]6
ITT	27	26	2[illegible]	8.5
John Deere	[illegible]	36	37	4.9
Newmont	[illegible]	[illegible]	29	4.5
Phelps Dodge	[illegible]1	24	24	4.2
US Steel	23	20	19	8.4
Dow Jones	785	80[illegible]	81[illegible]	-

Paris

	Nov 13 1978	Nov 5 1979	Nov 12 1979	Yield %
[illegible]	60	64	63	9.0
Paribas	204	216	220	4.6
[illegible]	89	96	94	8.0
Saint Gobain	1[illegible]	13[illegible]	12[illegible]	11.3
Usinor	[illegible]	14	[illegible]	
Paris Bourse index	74	94	91	

Broadly lower in moderate dealings

Sydney

	Nov 13 1978	Nov 5 1979	Nov 12 1979	Yield %
Broken Hill	[illegible]	9.80	10.00	3.4
CRA	[illegible]	3.83	3.60	2.8
[illegible]	[illegible]	[illegible]	1.57	6.9
[illegible]	[illegible]	15.50	14.2[illegible]	
Western Mining	1.62	3.46	3.35	2.1
All Ordinary index	573	698	699	--

Well maintained in good turnover

Tokyo

	Nov 13 1978	Nov 5 1979	Nov 12 1979	Yield %
[illegible]	[illegible]	585	570	1.3
[illegible]	12[illegible]	162	158	3.8
[illegible]	660	655	650	1.2
Sony	[illegible]	1[illegible]	1700	1.1
Toyota	557	869	838	1.2
New Stock Exchange index	442	448	445	—

[illegible] mixed and very active

Zurich

	Nov 13 1978	Nov 5 1979	Nov 12 1979	Yield %
Brown Boveri	1610	1830	1810	2.8
Ciba-Geigy	[illegible]	12[illegible]	1230	1.8
Credit Suisse	[illegible]	22[illegible]0	2230	3.6
[illegible] Bearer	800	[illegible]	774	4.5
Swiss Bank	[illegible]	3[illegible]	389	2.6
[illegible]	[illegible]	338[illegible]	335[illegible]	3.0
Swiss Bank Corp index	232	3[illegible]	305	--

[illegible]

(58) FM 16/11/79

After the ball is over

Another roaring success. That is how one investment manager described this year's *FM* Investment Conference. This was partly reflected in the record attendance of 235 paying delegates. In fact, JSE past president Max Borkhum, in the chair on the last day, said the impressive list of delegates reads like a Who's Who of the SA financial world. At one stage there were 330 people listening to a subject close to many hearts — chief taxman Mickey van der Walt expounding the virtues of taxing fringe benefits and capital gains.

But perhaps the best tribute came from Finance Minister Owen Horwood. In his keynote address he made no bones about the importance of the conference on the financial calendar, adding that authoritative addresses considerably influence business and investment decisions. An important reason for this, he said, was the inclusion of overseas speakers.

While Horwood had no earth-shattering news for the conference, he did give delegates insights into the direction they could expect government economic policy to move and what sort of growth could be expected next year. He is satisfied that demand management is under control and expects growth in real consumption expenditure to be between 4% and 5% next year, after a forecast 3% this year and an historic 2% last year.

A basic aim of the policy is to generate economic growth through increased personal take-home pay, resulting in an accelerator effect on investment expenditure, which in turn should act as a multiplier on consumption. Horwood forecast a 5% rise in real domestic fixed investment as surplus capacity in the private sector increases and public investment on Sasol and Escom continues. This is bound to lead to increased demand for bank credit and loanable funds resulting in higher interest rates.

COYNE'S COIN

At the Conference, J Aron's Herbert Coyne kindly offered yet another Krugerrand, this time to the delegate or guest who most closely forecasts the price of bullion at next year's Investment Conference. That is, at the first fix on Thursday November 13 1980.

As a number of delegates had left the hall before this was announced, those who have NOT made their forecasts are asked to do so by November 30. Send your forecasts, in an envelope marked "Coyne's Coin" on the front, to: Yvonne Courtney at the *FM*, PO Box 9959, Johannesburg 2000.

Another effect of this growth could be to increase imports, which should not be frightening as it will tend to confirm that the economy is moving into a rapidly expanding phase. This should to some extent be offset by surpluses on the capital account due to growing foreign investment in SA.

But, it is less likely to be offset by rising exports as a tendency towards recessionary conditions in other countries could dampen further export growth. Recently, exports have been growing at an annual 25%. However, the value of gold output is expected to be higher than this year's forecast R5,8 billion.

Concerning the all-important inflation rate, Horwood believes the government's six-point plan should go some way to improving the position and demand inflation should not flare up, influenced by increased economic growth. However, it could be greatly influenced by international economic developments, particularly further oil price rises.

Standard Bank economist André Hamersma, in his address on economic prospects for 1980, shares Horwood's optimism on economic growth, but not on the inflation rate. He believes that economic growth will accelerate next year. Consumer spending will rise 4,4%, with food and

clothing leading the way, and he expects investment spending to increase by 4%.

Because of high levels of liquidity he anticipates further inflation and continued easing of interest rates on long-term stocks for most of 1980.

As the balance of payments moves into deficit in the second half of 1980, a more mature economic expansion phase will have been reached and fixed investment can be expected to grow strongly. This should be accompanied by a reversal in the current bull trend in both equities and fixed interest stocks. By late 1980, or early 1981, a fully-fledged boom should have developed and all prudent investors should be holding cash to protect the capital value of their assets, he says.

Sanlam's Dr Fred du Plessis appeared to be defending a cautious market approach on the strength of an expected upturn in interest rates and easier equities next year.

While he agrees that individuals should aim at the ideal of selling out on the day before the market turns, the market is too small to allow institutional investors with their massive funds to follow this approach. So, his organisation has been selling its shares into the current bull market since the beginning of the year. However, the extent of this selling has been relatively small. Du Plessis admitted topping up with Sasol shares, an opportunity which Sanlam felt it could not miss. This resulted in Sanlam being more heavily invested in equities than before it started selling, suggesting that no more than R50m worth of shares were sold.

Du Plessis believes other intitutions will eventually follow his example, which also means buying in a bear market. This takes even more nerve. Du Plessis believes this would have a stabilising affect on the market and tone down the speculative element.

Taking an opposite view, Mathison & Hollidge's David Vanreenen believes rates could fall to as low as 8% on long RSA's — with Escom not far behind — due to the weight of liquidity, which takes little account of inflation in the short term. He bases his view on an expected continued bull market in golds, lasting until world inflation turns down. Locally, says Vanreenen, the new team of economists dictating government policy are monetarists opposed to overstimulation of the economy and, therefore, demand for investment funds should not be excessive. With some R800m surplus liquid assets in the banking system — rates could be expected to reverse at a R300m level — he expects the current economic upswing to last some six years.

The long period of recovery should be reinforced by Pretoria's philosophy of financial discipline. He believes the decline in rates could continue into 1981. The declining rate scenario will help the De Kock Commission free exchange control regulations, merge the commercial and financial rands and fundamentally change the liquid asset system of monetary control. This, he foresees, could be replaced by open market transactions.

A third view came from UAL's Alister Colquhoun, who believes the interest rate pattern could follow a flat curve over the next 12 months — first gently down then up to around 9,5% for government stocks. On the further assumption that dividends will rise on average by some 20%, he says equities look cheap at current levels, because the reverse yield gap, currently on a ratio of around 1:0,65 will then widen. So Colquhoun left delegates with an impression of optimism.

Green . . . Arab gold demand rising

On another plane, Anglo American's Nicky Oppenheimer, in his maiden public speech, said that SA's economy was moving away from paternalism with the advent of black unions and it was likely that this would lead to the rate for the job being paid — a rate that should be paid in any event.

He admitted that Anglo American had been disappointed with black advancement within the group, explaining that blacks background and education were inadequate.

In an attempt to stimulate greater interplay between the races, Anglo will be introducing a cadet scheme for black managers, but this is a long way down the road.

Author Timothy Green, standing in for *London Times* editor William Rees-Mogg, who had the welcome excuse of putting his paper back on the streets, said heavy official gold buying by various oil rich Middle Eastern countries could partially offset the loss of Iran to the bullion market. This year the Middle East's gold consumption can be expected to drop to 20% of SA's gold production, compared with 50% last year, he said.

In reviewing his positive but erroneous, 1975 forecast on bullion (because of negative expectations for the world economy and the inflation rate) N M Rothschild's Robert Guy, chairman of the London gold fixing, said he has been left with mixed emotions ever since. The question is should the performance of the gold price be viewed as a negative reflection of world economic prospects and the inflation rate? On the contrary, Guy feels there is place for gold in the international monetary system, in which case, he foresees the gold price moving to higher levels almost regardless of economic cycles.

Discussing bullion markets, Guy said that the futures markets had played an important role in sustaining interest in the metal. So, it was encouraging that the British authorities were now considering a futures market for bullion in London.

The US futures markets comprising the New York Comex and Chicago IMM also boosted interest in the metal. The futures market in gold started off at zero in 1975 and has grown to a monthly average of nearly 800 000 oz this year. Up to now, this market has underpinned the gold price. This is the view of New York metal dealer Herbert Coyne, who annually presents a Krugerrand to the delegate who most accurately forecasts the Thursday morning fix at the following Conference.

According to Coyne, new US legislation is likely to counter any adverse effects on gold flowing from the Federal Reserve's tighter monetary policy and indications that IMF and US Treasury auctions will continue.

Previously, under the "prudent man" rule, an institutional investment manager could be dragged off to court for investing in a risky venture even though the portfolio as a whole performed favourably. Now, this rule has been amended sweeping aside these legal constraints. This is likely to result in a new boom as investment managers, now looking for a tranche to protect the purchasing power of their funds, channel funds into gold.

On platinum, Lonrho's Syd Newman pointed out that unlike gold, there were no known stockpiles of platinum and demand had to be satisfied from production. SA is by far the biggest producer, with supplies from Russia small, probably in line with production, and Canadian production low due to the fall in nickel prices.

The main users of platinum are jewellers and motor car manufacturers. Japanese jewellery consumption accounts for 26% of non-communist world demand. US jewellery demand is also significant and Newman's analysis suggests that platinum could be vulnerable to recessionary conditions. Much to the "Rustenburg and Impala Mattas" chagrin Syd Newman gave away certain secrets. The most significant of these was the $120/oz cost of producing platinum.

CREDIT CONTROL (58)

Big brother FM 16/11/79

Bad news for those with a poor credit rating is that the SA arm of Dun & Bradstreet, the world's largest credit information organisation, is expanding. D & B, which has 2,5m-3m people and 75 000 bu-

sinesses on its records in SA, has taken over the only other big company in the commercial credit field Informa Confidential Reports (a 51% owned subsidiary of Credit Guarantee Insurance Corporation) for an undisclosed sum.

The pooling of the two companies' information resources will rationalise and upgrade their services, says D & B local MD Marco Naiman.

"We were both collecting the same judgments at the courts — and there are about 180 courts to cover," says Naiman.

D & B, already the biggest company in the R7m-R10m SA credit service market, is also putting in a R[illegible] computer installation which will improve its efficiency, says Naiman.

Consumer credit accounts for 60% of D & B's business, commercial credit for [illegible], publications for 10%, commercial debt collection for 5% and marketing services (mailing lists) for 5%, says Naiman.

In consumer credit, with 2,5m-3m people on its lists, D & B reckons to have a [illegible] hit rate — meaning that in 75% of inquiries a file on the person already exists. Although there are some 26m people in SA, the economically active population is about 10m and only a portion of those have ever had credit.

Acquisition

In the commercial credit field (covering businesses), the system operates in a different way. When an inquiry is made, a [illegible] is compiled. The acquisition of Informa is expected to increase D & B's turnover in the commercial field by about [illegible].

Credit Guarantee, which is also D & B's biggest customer, will be represented on the board by its MD Machiel de Klerck, while Informa's managers, Allan Liebenthal and Johann Bezuidenhout, will go across to D & B.

Computerisation dramatically reduces the time taken to handle an inquiry. D & B can now offer a seven-day normal service for a commercial report which previously took 10 days. But there is also a 24-48 hour priority service. Computerisation of the commercial bureau will take 2-3 years and will bring the response time down to minutes.

The time needed to make a check in the consumer credit bureau will be cut from 1-20 minutes to 1 minute when it goes fully on line within two years.

"[illegible] verse information," he says. "Sometimes people have judgments against them which they don't even know about and these could be rescinded."

Cash flow fine, but fall in fixed deposits

Sun. Express
18/11/79
(58)

WHILE the overall flow of funds to building societies remains satisfactory, it is significant that there has been a fall in the intake of fixed deposits, according to the Association of Building Societies of South Africa.

"This," the association says in its quarterly newsletter, "indicates that the 0,5% August reduction in interest rates applicable to this counter, with internal controls introduced by the societies, has had the desired effect of discouraging large institutional investments which do not usually represent ideal funding for building societies."

It adds that all pointers indicate that the current high level of liquidity will continue during the current quarter.

"Repayments in respect of unsuccessful applications for shares in Sasol, together with the early repayment of the 1977 loan levy," it notes, "will ensure that societies will have no difficulty in meeting loan demands during the remainder of this year."

It points out, however, that renewed business confidence could result in an increase in fixed and inventory investment and an upswing in consumer spending.

"These factors, coupled with the continuing high rate of inflation," the newsletter says, "might lead to a falling-off in domestic saving in the new year."

6 August THE USE OF HISTORICAL LABELS
as revealed in the terms
'ENLIGHTENED DESPOT' and 'ENLIGHTENMENT'

Students must direct their attention to the following:

1. Define what is meant by 'Enlightened Despotism'.
2. What were the reforms of the Enlightened Despots?
3. Why were they introduced?

Reading

Gay and Webb, pp.419-20, 423-435.
Rowen, 495-6, 502-512,531-516, 601-610.

13 August THE CAUSE AND COURSE OF REVOLUTION
as revealed in
THE FRENCH REVOLUTION

What answers would you give to the following questions:

1. What were the causes of the Revolution?
2. Was there a main cause?
3. Why did the Revolution continue (down to 1794)?

Reading

Gay and Webb, chapter 11.
Rowen, pp.424-432 and chapter 28.

20 August

They did themselves an injustice

Sun. Exp. Bus. 18/11/79 (58)

THINGS get so confusing in the insurance industry that you have to check not only for the best price — but also whether or not the employee you are dealing with actually knows the firm's rates.

Many of them don't.

In one of last week's comparisons of the wildly differing costs of insuring your house, goods and car a wrong figure was given to the Sunday Express researcher by the company concerned: an error which made that company look the worst buy instead of one of the best.

Compounding the error, the misinformation was given during a second phone call querying information — also finally proved to be incorrect — which the company had given previously.

Another company passed on a more mild error which was disadvantageous to itself over the telephone.

Here's what happened.

Our researcher asked Santam to quote its Multiplex rates for R11 000 householders, R1 000 all risks and motor car rates.

She was given a quote of R1,84 a month for R11 000 householder's cover, R4,40 for R1 100 all risks cover and R21 for car cover.

The rate seemed low and the researcher was told to contact Santam again to query this figure and the amount of all risks cover included in the package.

She was told that an amount of R500 all risks was included and — to bring it up to the comparison figure we wanted — another R600 all risks would cost an extra R2,40 making a total monthly rate of R25,45. Asked how much the motor premium cost, the clerk quoted R21,21 and omitted to state that this was included in the total.

This made a total, including stamps, of R46,91 a month — whereas the real Multiplex rate would be R25,70, making it the best buy in the comparison instead of the worst.

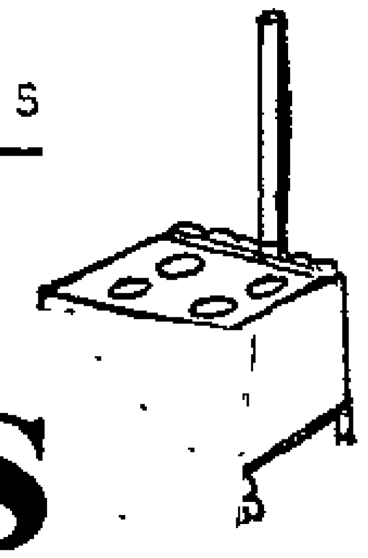
Guardian's clerk quoted an annual householders' rate of 1,1% for R25 000 of householder's cover. But she did not know that the rate is reduced to 0,62% for amounts above the R15 000 level. This means that Guardian should have quoted R48 less than they did — R412 instead of R460, which would have made the company fourth in that comparision instead of eleventh.

Moral: when talking to an insurer, make sure you get somebody who knows what they are talking about.

ONION RINGS — May Bennett, Ridgeworth

Peel and slice large onions, and separate the rings. Heat a pan; add oil. Dip the rings in milk and then coat with flour, and fry till brown in the hot oil. Drain the oil off on a paper towel, and season with salt and pepper.

---oOo---



Nedbank group's record year

58 24 C7 21/10/79

JOHANNESBURG. — Against a South African banking norm of less than 16 percent and a United States norm of about 12 percent, the Nedbank group achieved a 21 percent taxed return on shareholders' funds in the year to September.

This is revealed in the group's annual report published today.

Nedbank also reports the highest taxed profit ever by a South African banking group. The group made a taxed profit of R49,1m before minority interests and an attributable R47,4m.

Earnings grew 27 percent to 54,2c (42,6c), the best improvement since the Nedbank group was constituted in its present form in 1973.

The dividend was raised 29 percent to a twice covered 27c (21c).

Total assets grew 13 percent to R3 700m (R3 300m), deposits 11 percent — R2 600m (R2 300m) and advances to the public three percent to R1 400m (R1 300m).

The R49,1m profit, declared after transfers to hidden reserves, was achieved on a healthy capital surplus and despite a relatively depressed demand for credit.

With a 33 percent increase in taxed profit to R29,1m (R21,8m) Nedbank Ltd, the banking arm, put in the best performance in the group. The bank's contribution to total profits rose from 57 percent to 59 percent.

The directors report companies' cash flows as strong during the year under review and that many former borrowers became depositors in a more liquid economy.

Second biggest contributor to profits was Union Acceptances (UAL), which achieved a 24 percent increase to R4,3m (R3,4m). While utilization of acceptance credit and other short-term facilities improved, demand for other funds "remained at a low level."

But increased lending to the public sector, favourable interest rates and successful merchant banking generally, lifted profits. UAL raised R600m on behalf of private and public sector clients. This excludes the amounts it raised for Sasol.

Before the year end, Nefic received substantial loan repayments and the loan portfolio actually declined. But subsequently demand for loans picked up and once again the loan book is at record levels.

Growth in leasing and instalment credit for productive machinery and vehicles "outstripped any other in the financial sector,", hence the 28 percent improvement in Nedfin's taxed profits to R3,6m (R2,8m).

Syfrets

Excluding profits from stockbroking, Syfrets notched up a 23 percent improvement in profits to R2,9m (R2,3 m). The book value of funds under administration increased by R60m to R849m. The market value of these funds was more than R1 000m at the year end.

Nedbank chairman, Dr Frans Cronje, pointing to South Africa's fortunate position as an exporter of energy and food and government's recent deliberate withdrawal from the economy to make way for private enterprise, says:

"As we enter the new decade, the South African economic environment is likely to be one of export financed, consumer-led and private enterprise driven growth."

This, he concludes, will mean "greater prosperity for all." — Sapa

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ALL CAUSES

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33,70	119,02	91,30	88,18
17,22	16,21	10,23	9,93
2,26	1,25	1.64	1,12
8,80	4,96	4,78	3,70
24,27	17,87	18,06	15,57
96,90	71,79	53,38	45,89
14,62	11,00	8,77	8,13
16632	12847	18348	13062

F.M. 23/11/79 58 ~~170~~

PROJECT FINANCE

On the export trail

Hill Samuel's project finance operation has secured a R14m deal in Malawi. The financial administration of a new grain silo complex for the Agricultural Development and Marketing Corporation of Malawi has been taken over by Hillsam's Project Finance International (PFI).

PFI has put together a loan package, of which the major portion is an IDC export credit for R11m, insured by the Credit Guarantee Insurance Corporation, at the standard Malawi rate. The shortfall is being met by way of a $3m Euroloan. PFI's MD, Roger Grindy, will not reveal details of the loan, except that a "major international bank" is involved and the loan is at "competitive" rates.

Grindy is also reluctant to give details of the cost of PFI's services to Malawi. He says: "Providing project finance is becoming increasingly competitive and charges are assessed on a case-by case basis. Our charges for the Malawi deal are much more competitive than current market rates."

The current project involves co-ordinating the two loans at the one end of the contract and the six suppliers at the other end. Suppliers will be making monthly claims to PFI, which will consolidate them and approach the IDC for the money. Hillsam will then pay the suppliers.

PFI is marketing its services internationally, following the trail of SA exports. Areas where PFI is hoping to expand its operations include Africa, South America and the Far East, notably Taiwan and Sri Lanka. Explains Grindy: "The marketing of most of our services is through the exporter. But where tenders are involved, we try to get close to the sponsor."

XVI SYMPTOMS AND ILL-DEFINED CONDITIONS

	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	0,51	0,54	2,10	1,24	7,00	6,86	19,69	19,83
1-4	0,04	0,04	0,21	0,35	0,75	0,77	2,58	2,48
5-24	0,01	0,01	0,09	0,06	0,08	0,03	0,21	0,23
25-44	0,05	0,05	0,28	0,17	0,42	0,31	0,72	0,78
45-64	0,44	0,18	1,73	1,04	1,73	1,02	3,80	3,64
65+	1,84	1,95	8,32	6,56	8,55	5,71	14,69	14,84
ALL	0,22	0,23	0,56	0,38	0,83	0,65	1,80	1,96
NO.	463	485	199	134	943	761	3765	3145

XVII ACCIDENTS, POISONINGS AND VIOLENCE (EXTERNAL CAUSE)

	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	0,85	0,69	0,70	0,31	1,18	1,24	0,32	0,19
1-4	0,49	0,21	0,31	0,27	0,63	0,61	0,21	0,20
5-24	0,71	0,22	0,68	0,20	1,40	0,38	0,68	0,12
25-44	1,18	0,30	1,43	0,37	3,32	0,70	1,22	0,26
45-64	1,25	0,42	1,55	0,40	2,89	0,76	1,10	0,31
65+	1,26	0,71	1,34	0,91	2,19	0,90	1,02	0,53
ALL	0,95	0,33	0,95	0,29	1,91	0,56	0,89	0,20
NO.	1973	677	333	104	2175	652	1868	324

Mortality rates greater than 5/1 000 appear in italics in Table I. For all of these major causes of mortality, the Asian and 'coloured' mortality rates exceed those of the whites.

However, in this context, what requires emphasis is that by using the major disease classification a certain amount of detail is lost. For example, despite the fact that the overall rates for diseases of the circulatory system are comparable for whites, Asians and 'coloureds', within this broad category the mortality rates for specific diseases vary markedly. Table II provides the proportional contribution of the major circulatory diseases for the whites, Asians, 'coloureds' and Africans. Whilst Ischaemic Heart Disease is the major Circulatory Disease in the white and Asian communities, Cerebrovascular Diseases are the major cause of Circulatory Diseases in the 'coloured' and African communities.

Similarly, if the Accidents, Poisoning and Violence category is examined in greater detail, motor vehicle accidents are the major cause of mortality in whites, 'coloureds' and Asians, the second most important cause in the white community is suicide, whilst that for the 'coloureds' is homicide. For Africans, the latter is the main cause in this category.

The expectation for life at birth and at age 45 for whites, Asians and 'coloureds' is summarised in Fig. 6. It is not meaningful to calculate an expectation of life for urban Africans as this group is subject to a large measure of migration. The characteristically better expectation of life for women in comparison to men, is apparent for all three communities. However, what is of interest is the ratios of the expectations of life for the three communities. At birth, the white:Asian:'coloured' ratios are 1:0,91:0,76 for males and 1:0,88:0,77 for females; at the age of 45 these are 1:0,91:0,86 for males and 1:0,79:0,85 for females. The 'coloureds' are less disadvantaged at e_{45} as compared to e_o for both males and females, a difference which is largely attributable to the high infant mortality rate in this community. It is also noteworthy that Asian females have the worst expectation of life at age 45 of the three communities, which is in marked distinction from both males and females at e_o and males at e_{45}. The fact that for the 65+ age group, Asian women have the highest mortality rates for respiratory, circulatory, digestive, genito-urinary and ill-defined causes of death (Table I) may contribute to this anomalous situation.

Fig. 7 summarises the percentage improvement in the expectation of life at birth subsequent to the total elimination of the mortality associated

the South African population from all causes of death. The proportional contribution of the seventeen major disease categories of the International Classification of Disease (8th revision) to the overall mortality of the various communities is summarised in Fig. 5. The whites show a typical 'developed' country spectrum of mortality with Infectious and Parasitic Diseases being of minor importance (2,0%) and Neoplasms (15,6%) and Diseases of the Circulatory system (50,5%) being of major importance. For urban Africans and 'coloureds', Infectious and Parasitic Diseases make an important contribution to the overall mortality (19,5% and 23,5% respectively), with di[...] system and certain causes of perinatal

mortali[...] Within the category of Infectious
and Par[...]eases and tuberculosis are the most
importar[...] coloureds' experience an interesting
combinat[...]eveloped' mortality with a high
death r[...]al diseases in the young and circu-
latory [...] is also of interest is the relatively
large n[...]ed conditions, particularly in the
African [...]ides some indication of the pro-
vision [...]ices to Africans in the urban areas.
In gene[...] of mortality intermediate between
the whi[...]oureds' and Africans, on the other.

Clearly [...] specific mortality data as propor-
tional [...]mount of information. Table I
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MORTGAGE BONDS

Housing hike

F.M. 23/11/79 (58)

The long slide in interest rates on mortgage participation bonds (partbonds) seems at last to have come to an end, say scheme managers. The result could be a hike in the cost of building finance from the middle of next year

Stanbond MD Frank Mitchell reckons that the three-month period of notice which has to be given to partbond investors ahead of a rate cut, and the specific dates on which cuts may be made, means that the cut in rates about a month ago could be the last for some time. Unless, of course, long term rates suddenly begin plummeting again.

Association of Mortgage Participation Bond Managers vice-chairman Bert Olver reckons rates will tend upwards towards the middle of 1980. Investor resistance is already beginning to build up at current rates

Currently Stanbond charges 9,1%, and offers an effective 8,5% to investors. Its lending rate is six points lower than lending rates offered by Barclays, the Board of Executors and Syfrets — all at 9,7%, and well below Metboard's, which will be dropping its rate from 10,25% to 9,75% on December 1.

Scheme managers report that although building activity is beginning to pick up additional bond demand is "marginal" at the moment. Total funds invested in partbond schemes amounted to R1 094m at the end of June, some R26m down on June 1978, and the past few months are unlikely to have seen any significant improvement, says Olver

Mitchell reports that there has been a slight increase in interest in new development finance of late, with a growing amount of business going to the building societies. Most new partbond business, however, is in the field of re-financing.

THE RAND F.M. 23/11/79 (58)

The signs point upwards

Based on most current and expected economic variables, the rand should continue to strengthen. That is the view of local currency experts.

Barclays' international economist Sid Sharp, for instance, estimates the rand could rise by between 2% and 3% on a weighted average basis over the next four to six months. Moreover, Church Square is likely to continue its policy of managing the rand upwards.

Of course, there are endless unknowns facing any currency forecaster. Broadly speaking, the dollar has tended to move inversely to the gold price, while the latter has underpinned the rand. Unless there is a sharp, prolonged reaction in the gold price, therefore, which some analysts believe is a distinct possibility within the next few months, the rand should remain firm against most currencies.

Sharp warns of a possible 10% to 15% hike in oil prices around December or January, which could cause significant weakening in the dollar and yen. However, he doesn't foresee a prolonged slide in the dollar. Contrary to many other views, Sharp does not think the US Federal Reserve Board, having embarked on a policy of tight money, will suddenly relax credit in an election year.

He could be right. Judging by latest reports, it seems increasingly probable that President Carter will choose to run on a conservative economic ticket. And, point out analysts, Fed chairman Paul Volcker has so far exerted an unusual degree of independence from the White House in forcing through his stringent policies.

At the same time, Sharp is one who foresees an uptrend in the gold price round December — which would obviously be bullish for the rand. Moreover, Sharp is convinced the current account of the balance of payments will remain in surplus next year, despite the anticipated higher import bill following stronger economic growth.

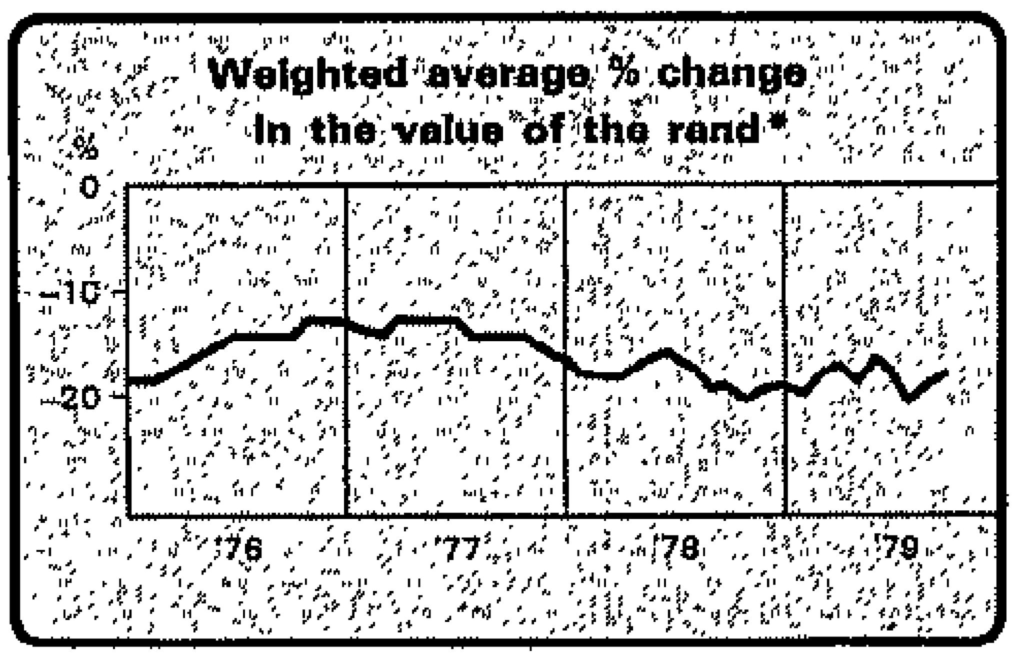
World prices rising

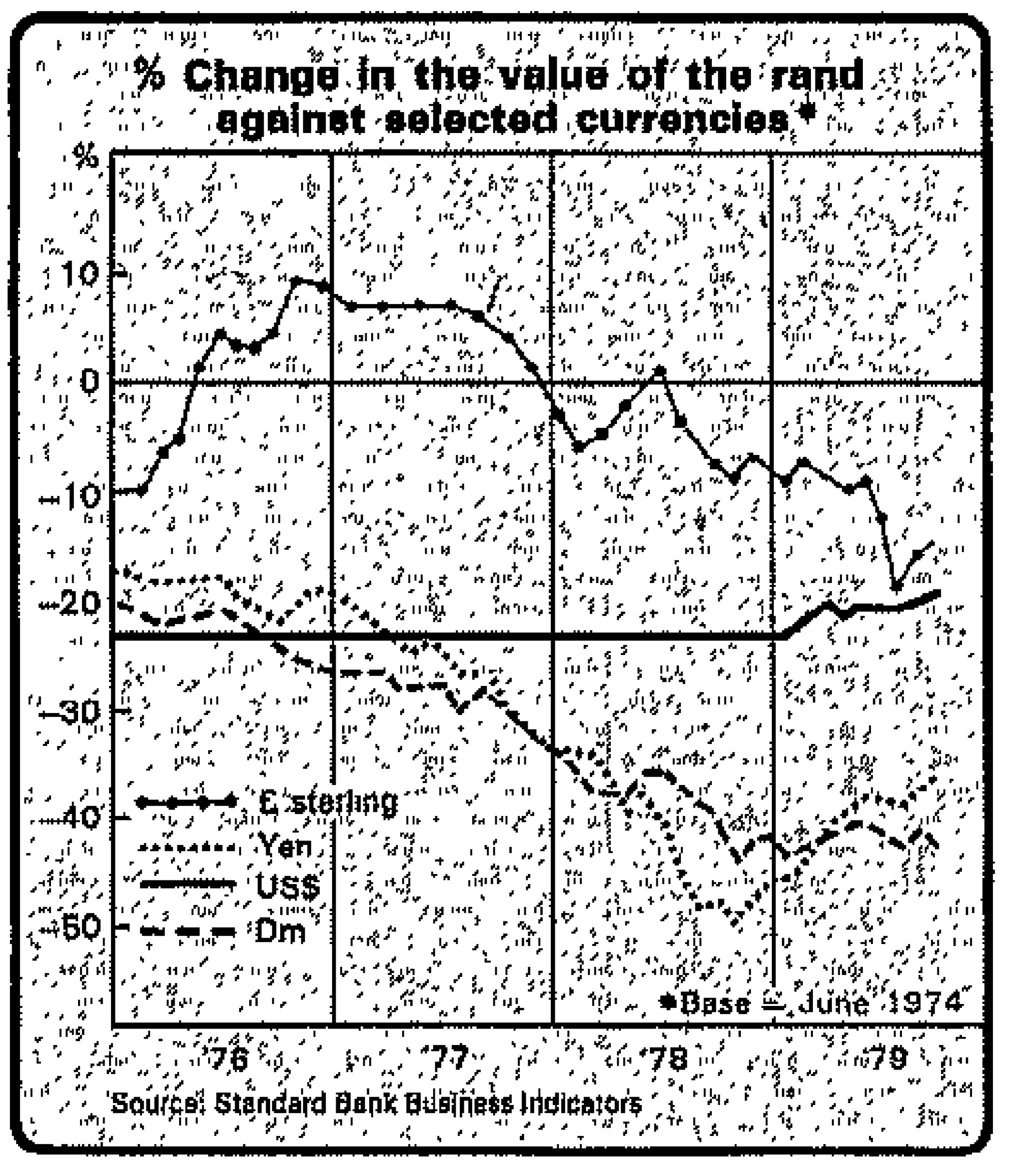
World prices will rise more rapidly next year, he thinks, and it is likely the SA authorities will rely on a strong rand to counter the effects of imported inflation.

Sharp is less optimistic about sterling. Expected UK labour demands for big wage increases at the beginning of next year, he cautions, will probably put sterling under severe pressure.

UAL's Tony Ross doesn't share Sharp's view on the dollar. US interest rates, he believes, have yet to peak, but the Fed will soon begin yielding to pressure and turn on the credit tap again. For that reason the dollar could remain weak during the election year. He agrees that prospects are bullish for a moderate strengthening in the rand against a basket of currencies over the next few months.

Ross also points to concern expressed by international bankers over Carter's





decision to embargo Iranian dollar balances in the US. Bankers think this could eventually lead to a substantial reduction in investment, particularly by the Arabs, in dollar denominated assets. This, says Ross, will further weaken the dollar, although these funds could well move into gold, thereby pushing up the price still further.

Concludes Ross: "There are still sufficient economic and political problems in the world to keep the gold price on the boil."

For SA exporters, the conclusion is that they would be well advised to continue covering forward their dollar proceeds.

BANK LENDING F.M. 23/11/79

Too much money (58)

Commercial bank lending dipped by 1,5% in September, compared with August, according to the latest Reserve Bank monthly release. Bankers say there are few indications of an upturn in demand for loans in the near future.

Commercial bank advances were worth some R4,9 billion in September, against R5 billion in August, while loans by merchant banks dropped from R443m to R432m — a decline of 2,15% over the month.

Bankers blame the slide in lending on the massive cash resources in company coffers, which has led to an increasingly active grey market. Most financiers report no improvement in demand since September, and a reversal of the current position is thought unlikely in the short term.

Only a sharp reduction in the gold price will reduce liquidity in the economy significantly, while a real economic upturn is still some time away. The Christmas period is hardly likely to make a dent in liquidity.

Some demand, says one banker, is coming from infrastructural development, such as Escom and Iscor, but although wholesalers and retailers may be restocking, their own cash resources seem, so far, to be more than adequate.

Santam Bank appears to be an exception, and MD Roeland Perold reckons there has been a definite upturn in loan demand in the past couple of months. Consumer demand for loans is sluggish, he admits, although the past couple of weeks have been brighter, but enquiries from companies were "especially good" in October and November.

Hire purchase lending is a different matter, and banks report strong demand. They add loans have not yet reached the levels of 1973 and there appears to be still some steam left.

Although the commercial banks say they are not granting loans at below the prime overdraft rate of 9,5%, financing by way of three-month bankers' acceptances, at an all-in cost of around 6,1%, and through short-term promissory notes at even lower rates, is increasing.

RIOT INSURANCE

F.M. 23/11/79

Who rules?

(58)

Building societies have begun to notify borrowers of the additional insurance premium which may be charged to cater for riot insurance. The cost of the extra cover is relatively small but friction has already arisen over both the size of the premiums and attempts by societies to make the new charges compulsory.

All the societies, except the Natal Building Society, have said that they will add the extra premium automatically to the amount of the bond. In most cases, they claim, the charge will be so small that the extra burden on the bondholder will not be noticeable. This, of course, is quite irrelevant.

Nevertheless, the societies admit they have no legal right to enforce this extra cover, and the dictatorial stance taken by the majority of the movement in this regard is inexcusable. If, perhaps, there were less close co-operation between the societies, competition would encourage them to bear the small extra cost themselves. Bondholders are perfectly entitled, legally, to refuse to pay the extra.

United Building Society GM Martin Keevy reckons the societies are justified in insisting on such cover in the light of the risk to which they could be exposed. Indeed, he claims, although the premium is only to be made "compulsory" from the next renewal date of the bond, many householders have already asked for it to be added before this time.

The NBS, on the other hand, reckons that the premiums to be charged are out of line with the market. A house in a white area, for instance, will incur additional premiums of only 25c per R1 000 — R12,50 a year on a house worth R50 000 — but a non-residential property in a black area, for instance a bottle store in Soweto, attracts a premium of an extra R5 per R1 000 — R250 a year on a sum insured of R50 000.

A concrete example of this discrimination, reckons NBS MD Roy Canning, is in Durban's Westville district, where similar homes on either side of the same road would incur widely differing premiums. A house on the "Indian" side would be charged 75 cents per R1 000, while on the "white" side only 25 cents per R1 000 would be added.

Because of this, says Canning, the NBS will leave the decision on cover to the householder for the first year, and the society will do its own research into high risk areas. "It's a form of market research," he adds, "and will give us a better idea of what our members think of the additional cover."

The movement's insurance companies met in Johannesburg this week to discuss the matter, but decided that no changes in premiums could be recommended until a claims history emerges.

Meanwhile, the householder, locked into a long-term bond with a particular society, is left with little protection against the cosy joint decisions of the movement and its chosen insurers. Except, of course, to decline to pay.

BANK LENDING F.M. 23/11/79

Too much money (58)

Commercial bank lending dipped by 1,5% in September, compared with August, according to the latest Reserve Bank monthly release. Bankers say there are few indications of an upturn in demand for loans in the near future.

Commercial bank advances were worth some R4,9 billion in September, against R5 billion in August, while loans by merchant banks dropped from R443m to R432m — a decline of 2,15% over the month.

Bankers blame the slide in lending on the massive cash resources in company coffers, which has led to an increasingly active grey market. Most financiers report no improvement in demand since September, and a reversal of the current position is thought unlikely in the short term.

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Although the commercial banks say they are not granting loans at below the prime overdraft rate of 9,5%, financing by way of three month bankers' acceptances, at an all-in cost of around 6,1%, and through short-term promissory notes at even lower rates, is increasing.

F. M. 23/11/79 (58) ~~300~~

COMPANY REPORTING

Accounting for pensions

A company's pension fund has long been regarded as a matter concerning the company and its employees, and one that is of relatively little interest to shareholders.

In recent years, that attitude has begun to change. First, there has been the need to "top up" pension funds as inflationary pressures on salaries have left gaps in the funding of those funds (the vast majority) where pension benefits are related to final salary. Although this has been felt in SA, it has had relatively minor impact here; but it has been particularly noticeable in the UK and the US, where a good deal of publicity has been attracted by the dramatic need to pump millions into funds to ensure their viability.

And those millions, paid to the funds by the companies, have, effectively, come straight from shareholders' pockets.

Another factor which will bring pension fund funding more to the forefront of corporate affairs is the issue of the preservation, and/or transferability, of pensions, and the related issue of the vesting (in the employee) of the employer's contributions when the employee leaves service.

Following the discussions of the past couple of years, the pensions industry now expects legislation on this subject within the next year or so. There is, in fact, almost no dispute on the desirability, even the need, to preserve pension rights of a departing employee, and to transfer those rights, if possible, to his or her new employer's pension fund. It is the technical difficulties, outside the scope of this article, which provide the snags.

The main objection to the present system, of repaying to the leaver his own contributions, with or without a nominal rate of interest, is that this lump sum is frequently squandered, rather than being tucked away for old age, as it obviously should be. Indeed, the availability of "the pension money" is all too often one reason for leaving job A — and blowing the lot on a first-class holiday, or on the settlement of debts — before starting job B.

The other side of this coin, however, is that staff turnover — turnover, that is, above the rate allowed for by a fund's actuaries — is a major source of "profit" to a number of pension funds. This is simply because the leaver is being penalised, and heavily at that. First, the company's own contributions in respect of his service — which at a minimum are equal to his, but frequently are greater — remain in the fund; and secondly, the rate of interest paid out on his own contributions, if interest is paid at all, will be at a nominal 2,5% or so, giving the fund an interest profit on the 10% or so that the money has actually earned.

Without these windfall profits — which by law will cease within the foreseeable future — many a pension fund would be under-funded. Hence it would — or rather, will — require a hefty subvention from the employer. Which means, of course, from the shareholders.

It is for these, and a number of lesser reasons, that the *FM*, together with the Bureau of Financial Analysis of the University of Pretoria, has decided to enter a controversial arena and include marks for pension fund reporting in the new rules for the Accounts Award which are currently in draft. Company finance directors and comptrollers have been invited to comment on the draft rules, and these comments will be considered by the Rules committee at the end of this month. The new rules, which will include marks for pension fund reporting on the lines set out below (unless modified in the light of readers' comment), will be published in the *FM* during December.

The present intention is to award, or deduct, four marks (out of a possible 100) for reporting in the pension fund area. It is a relatively small marking, but it will certainly suffice to help sort out the good from the very good reporters; Protea Holdings won this year's Award with 97%.

The new Accounts Award rules on pension fund reporting could well lead to a major breakthrough in the attitudes of the business and accountancy communities towards the treatment of pension funds in company reports.

Five heads are envisaged:

- No mention is made of the existence, or otherwise, of a company pension fund (this, at present, is the majority case) — 0 marks.
- Total assets of the fund are given, as Rxm — 1 mark.

Assets not applicable as the fund is insured or managed by an insurance company — 1 mark.

- Some information is given as to the cost of the fund to the company. Eg, "the company contributes 7% of wages and salaries to the fund" — 1 mark.
- Some information is given regarding the liability, or otherwise, of the company to the fund. "At a (recent) actuarial valuation, the fund was shown to be completely sound," or "The effect of transferability of pensions will be that the company will have to contribute Rx to the fund over the next Y years' —1 mark.
- Any additional information — 1 mark.

Under this head, one will look for information concerning the number of members, whether or not all races rank equally in the fund, changes in policy and/or benefits regarding the fund, and so on.

So as not to penalise the occasional company which, in this enlightened day and age, has no pension fund — the Accounts Award is, after all, concerned with company reporting only, not social or moral responsibility — lack of a pension fund will be "worth" 4 marks.

Preliminary discussions have indicated that these new rules will be welcomed, especially by analysts and merchant bankers.

So far as analysts are concerned, the fact that the market value of a pension fund can, and frequently does, exceed the market capitalisation of the company itself is only of passing interest, as pension funds assets are, by law, held separate from those of the company, and cannot be used on or for company affairs. (They can, however, be used to buy the company's shares, or to support projects in which the board, or the trustees, are interested. And, more importantly, management of pension fund assets can be used as a lever to secure loans.)

For the analyst, the big area of interest is the cost, and the potential cost, of the fund to the company. Commonly, funds cost companies 6,5% and upwards to 10% or even 15% of the total wage and salary bill — a cost which frequently exceeds the total cost of dividends. And subvention on a large scale, such as could occur in the event of any error (or, for a fund currently on a less than solid basis, when transferability becomes law) could shake the very financial foundations of the company itself.

For the merchant banker, there is another aspect. Fund benefits vary widely, and, of course, are rarely if ever published as things stand. But such differentials can have major impact in a merger situation, where it can conceivably cost wholly unexpected millions to bring up the scale of benefits of one of the merger companies to that of the other — as obviously has to be done over time.

It is a big subject, and this article has merely sketched in the outlines. The new Accounts Award rules could well lead to a major breakthrough in the attitudes of the business and accountancy communities towards the treatment of pension funds in company reports.

DISCUSSION

The crude death rates and the standardised mortality rates for whites, Asians and 'coloureds' and urban Africans are presented in Fig. 1. The interpretation of these figures is confounded by the differences in the underlying structure of the population. The population pyramids of the various groups were pictured in Part I with the exception of the urban Africans, which appears in Fig. 2. This population shows an excess of healthy working males and lack of elderly persons as a result of the migratory labour situation.

The standardised mortality rate provides a <u>single</u> figure for the mortality experience of a population which can only be fully expressed in terms of a series of age specific death rates. The SMR is calculated by multiplying all the age specific mortality rates in the observed population by the corresponding numbers in the standard population, adding the number of deaths so obtained and dividing the total standard population. While this figure is independent of the age structure of the observed population, the choice of the standard population will affect the weighting given to the deaths in the various age groups. The choice of an u[...] population as a standard will give great weight to infant [...] weight to deaths among the elderly, while a developed stan[...] will reverse the position. The choice of standard popula[...] ranking of the mortality between the observed groups. Th[...] answer. As the Duke of Wellington said: 'There are lies, [...] and statistics'!

Infant mortality rates are summarised in Fig. 3. Once age[...] is experienced in obtaining data for Africans. Birth stat[...] Africans are not published by the central government. The[...] cal officers of health[9] have estimated the infant mortality rates for their urban areas. These show considerable variation. (See also ref.15). A mean figure and the range are given in Fig. 2. These *de facto* figures should be interpreted with caution as sick infants are often brought to the cities from rural areas. An indication of the situation in the rural areas is given by a sample survey carried out in Cape Town and Transkei among Xhosa-speaking Africans.[12] An increase in infant mortality was observed with decreasing urbanisation, the figure for the completely rural areas being of the same magnitude as those parts of the world devoid of medical services. Fig. 4 summarises the age specific mortality rates of

rural areas or cause of deaths' according to the Bantu Reference Bureau (Personal Communication). At least 50 000 deaths among Africans were not registered. These occur mainly in the rural areas. It is estimated that about 10% of the deaths in the main urban districts are not registered for Africans.

METHODS

The following indices were calculated:

1. Crude Mortality Rates.
2. Standardised Mortality Rates. Two standard populations were used: England and Wales representing a developed population and Mexico 1960 for a developing one.
3. Age and Cause Specific Death Rates. Calculated mainly in five year age groups for the seventeen major divisions of the eighth revision of the International Classification of Diseases (ICD).
4. Proportions of Causes of Death.

[...] 0-4 age group. Allowance was made for migration.

For Africans, a different procedure was adopted as a population figure for only part of the country was required. The 1970 age distribution[10] by magisterial district was used, the numbers being adjusted by the 1974 gross population estimates by economic region.[11]

Banks pledge support

A CONSORTIUM of m[...] for South African banks yesterday pledged R300-million for large-scale black housing relief schemes throughout the country.

"The large cash injection was confirmed by the Building Industries Federation, which now wants to work out with the Cabinet a masterplan to build more than four million new houses for black families over the next 20 years.

According to Bifsa, the first move would be to hold talks with the Minister of Co-operation and development, Dr Piet Koornhof, to seek Government commitment to a short and long-term timetable to keep the programme on schedule.

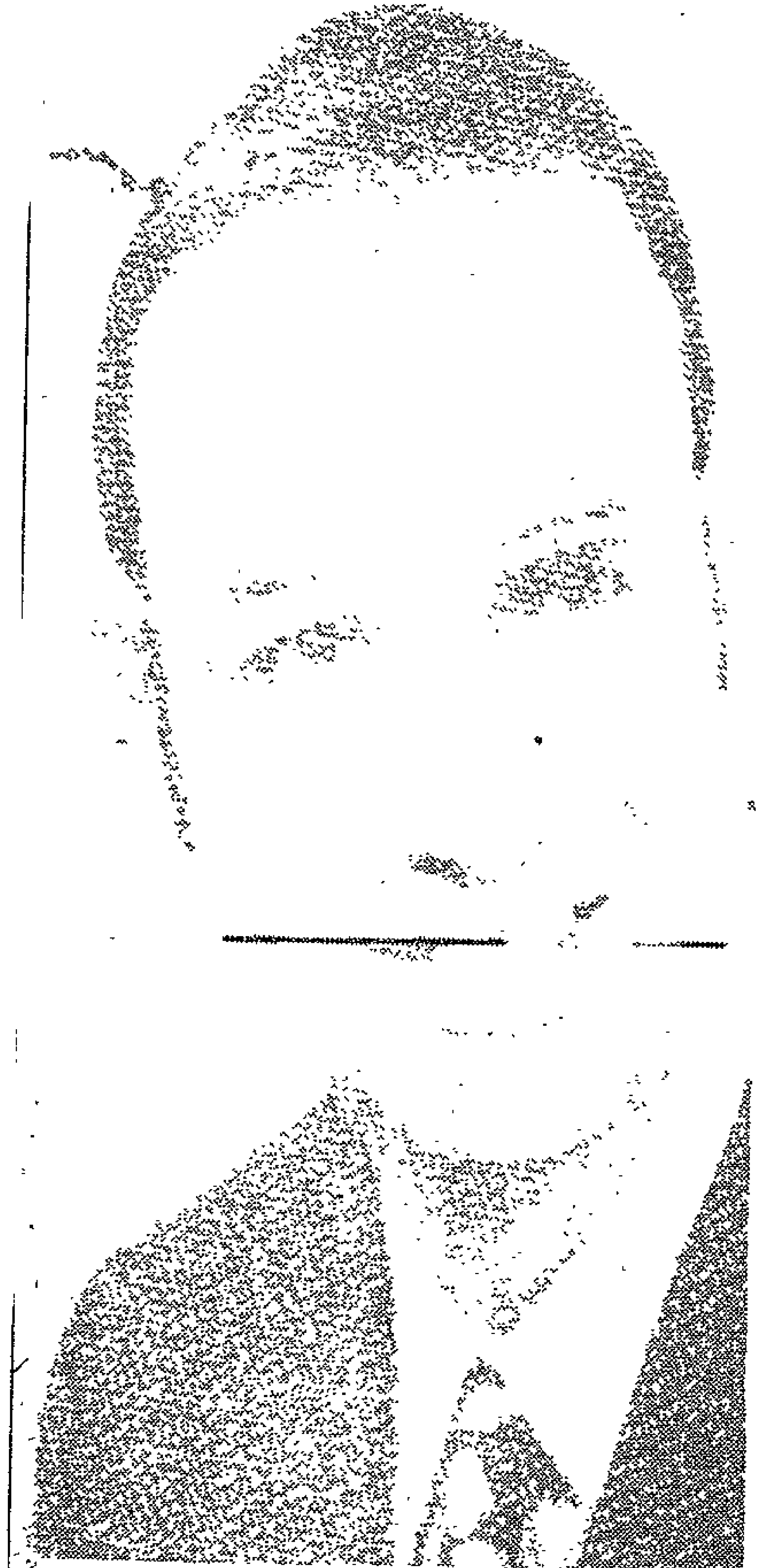
Mr Bob Stevenson, president of Bifsa, said yesterday he was totally confident the treasury would guarantee the R300-million offered by the private sector so that the first drawings could be made immediately.

"The building industry has the resources to make a start," he said.

58 The Natal Mercury, Tuesday, Noven
27/79

Bail application by extradited businessman charged with theft and fraud

How Mitchell stole R2m in cheques



MR. Richard Mitchell. The photograph was [illegible]n before he left South Africa two years ago.

Mercury Correspondent

JOHANNESBURG — A decision will be made on Thursday in a bail application brought in the Rand Supreme Court by Mr. Richard Mitchell (42), a former clothing store executive who has spent two years in a Swiss jail and was extradited on Saturday.

The elegant Mr. Mitchell sat impassively in the dock while counsel described how he had stolen two post office "advice slips", had used them to obtain R2 000 000 worth of travellers' cheques, and had gone to Switzerland to cash them but had been arrested on his first day there.

Mr. Mitchell, who is facing charges of theft and fraud, appeared before Mr. Justice Myburgh.

It was alleged that in November, 1977, Mr. Mitchell, acting with Mr Benjamin Maurice Morris or through an accomplice, stole the "advice slips" from the post office or American Express

Pretended

According to the indictment Mr. Mitchell then pretended to Mrs. M. Janse van Vuuren, a Post Office clerk, that he was employed by American Express and received from her 23 parcels containing travellers' cheques worth R1 944 800.

At the start of yesterday's proceedings Mr. M. van der Merwe, SC, for the State, applied for a postponement to February 18 next year.

Mr. I. A. Maisels, QC, for Mr. Mitchell, applied for bail.

The facts were largely common cause, he said. There would be no dispute on the facts at the trial. There would be a plea of "autrefois convict", based on the present indictment and the charges on which Mr. Mitchell had been jailed in Switzerland. He had not been convicted in Switzerland for exactly what was contained in the present indictment, however, and the charges would have to be analysed.

Mr. Mitchell has been in custody since November 24, 1977, when he was arrested in Zurich, Mr Maisels said.

He handed to the Court a report from the director of the jail at Regensdorff, where Mr. Mitchell was detained, which stated that Mr. Mitchell had discharged his duties diligently, kept his work tidy and never had to be disciplined.

Mr Maisels said that in Johannesburg Mr Mitchell had managed to obtain American Express travellers' cheques by means of a key which he had manufactured — to the post office box of American Express at the Johannesburg Post Office.

Mr Mitchell obtained two "advice slips" from the box then went in disguise "with a moustache" to the post office counter. He presented the slips, signed a name, and the clerk gave him not only the parcels of cheques sent on those slips but 21 other parcels as well.

"He was almost importuned to take the others and received many more than he thought he would get," Mr. Maisels said.

Cashing

Then Mr Mitchell and another man, a senior employee of his firm, went to Switzerland, where they set about cashing the cheques

Both men had false passports. Mr. Mitchell operated in Zurich and his employee in Geneva.

"It was a very short-lived operation because they were both caught the first day," Mr. Maisels said. They had already cashed about R180 000 worth of cheques, he told the Court.

The employee received a suspended sentence and went to England.

At Mr. Mitchell's trial the whole history was recited and he was sentenced to three years' imprisonment.

Mr Mitchell opposed the extradition application on the grounds that no extradition treaty existed and that extradition was sought for crimes for which he had already been convicted

Abscond

Mr. Maisels said the tests for the granting of bail were whether the accused would abscond or whether he would in any other manner interfere with the administration of justice

Mr Mitchell had already made a full statement and there were no witnesses with whom he could interfere, Mr Maisels said.

Mr. Mitchell had a wife and two children in South Africa, was a South African citizen and had lived in South Africa all his life. He did not wish to spend his life as a fugitive from justice.

Mr. K. van der Merwe, said in argument that there was a strong likelihood that Mr. Mitchell would abscond. The offences were of a very serious nature.

The offences were undoubtedly premeditated and Mr. Mitchell would probably receive a severe sentence.

Mr. Mitchell had already used false passports and he could use his knowledge and expertise to do so again, Mr. van der Merwe said.

Political

Before leaving South Africa Mr. Mitchell had said that the political situation in South Africa was getting worse. He might have wanted to ensure that he had a nest egg abroad, Mr. van der Merwe said.

Mr. Maisels suggested an amount of R25 000 as bail. Mr. van der Merwe su[illegible]

Nedbank Group Limited

10/1/17

Chairman's statement 1979

The Nedbank Group achieved, in the twelve months ended 30th September 1979, its largest year to year percentage gain in earnings since the merger which brought the banking group into being in 1973.

The financial results of the operating units are reported on in detail in the "review of operations" elsewhere in this report. The gain was broadly based. Consolidated income after tax, at R49 million in the book year reviewed in these accounts, was 28,4 per cent larger than 1978's R38 million. Taxed profit attributable to shareholders increased by 29,1 per cent (16,2 per cent in 1978) from R36 709 000 to R47 393 000; and earnings per share from 43 cents to 54 cents. The dividend cover was held at twice and the 28,5 per cent improvement in the dividend was matched by a R23 741 000 (R18 647 000 in 1978) retention of disclosed earnings. As in the past all group companies maintained their policy of absorbing losses, as they occur, out of current profits and in the banking companies making transfers to internal reserves before striking their profit figures.

Despite the group remaining well undergeared in terms of permissable capital ratios and so enjoying considerable scope for the expansion of its banking business, these results represent a 21,1 per cent (18,6 per cent in 1978) return on shareholders' funds. This, in turn, reflects an improvement in the return on total assets from 1,1 per cent in 1978 to 1,3 per cent in 1979. The gain in operating income, is a result of the provision of services which meet the varied needs of clients, a careful and imaginative search for additional quality lending, strict control over expenses; the reaping of additional advantages from the group's successful computerisation; and as in the past the benefits from total balance sheet management.

Objectives

As well as earning current profits each company in the group readied itself to maintain the pace of advance. Particularly careful attention was paid in all activities to the quality and sustainability of earnings; to sensible forward-looking regard to expenses; and to safeguarding the depth, breadth and efficiency of the people at all levels who make up the Nedbank Group. Management efforts to ensure that our banks and financial service companies remain well capable of adapting to a fast changing and more competitive environment were made more purposeful. In this way the Nedbank Group, now firmly established in the big league, has prepared itself to remain able to serve the increasing and increasingly complex requirements of its wide spectrum of clients.

These results were achieved because our companies showed that there is nothing clients require which smaller entities (via their expertise, flexibility and speed of decision making) or other bigger organisations (via their access to funds and to markets abroad) can offer which banks in the Nedbank Group cannot. The group, these results demonstrate, has grown into its potential. It is a total service enterprise in all circumstances able to compete in terms of the quality of its service.

I look forward to the years ahead with confidence. Our balance sheet is sound, our capital position secure and the management of our banks outward looking. Executives know the value of being client and service orientated. The approach is modern and innovative, advanced technology is sensibly applied and blended to the abilities of the people who are the bank. Continuous attention is paid to both sides of each bank's balance sheet, the structure and interrelationship of assets and liabilities is under constant senior review. Competitive aggression is tempered in the management teams by financial conservatism. This, I believe, in the appropriate environment is the blend which lends itself to rapid balanced real growth.

The decade ahead

The 1970s were a turbulent period for the South African economy. Inflationary pressures and balance of payments constraints necessitated restrictive monetary and fiscal policies to compensate for earlier excesses. Overall real growth rates were low, and times generally were difficult. The decade of the 1980s about to begin I am sure will be quite different and better in many ways.

The banking sector, being the channel through which monetary policy is conducted, was closely involved in the tightness of the middle 1970s. The manner in which the changes to come will impact on banks obviously is not yet clear. The tight monetary policy of the 1970s was not the only stricture on development. Direct methods of credit control were also employed and impaired the efficiency of the system. It now seems likely that monetary policy will be applied in a different and more market-related manner. The degree of competition in the banking sector no doubt will intensify. This is a challenge to be welcomed and one which in Nedbank we are ready and able to meet.

There are several reasons for expecting the South African economy at large to be more brisk in the 1980s, one being closely related to why it performed generally sluggishly in the 1970s. The very big public sector spending on economic and cultural infastructure led to higher tax rates and contributed to the pressure which caused sharp increases in prices charged for the services and products of public authorities, business enterprises and corporations. It necessitated increases in the investment ratios prescribed for pension funds and insurance companies. The disproportionate increases in public sector spending had much to do with the large deficits on the current account of the balance of payments, the pressure on domestic resources and so directly and indirectly with the inflation experienced during these years. But the money and resources were not wasted. The investment, complementing as it does South Africa's rich endowment of natural resources, has created a fundamental economic strength. The economy now has more readily realisable potential than at any time during the past twenty years.

It now seems possible that the economy can grow rapidly in the 1980s without running into the type of balance of payments and inflation bottlenecks that dogged the experience of the 1970s. Some of the grounds for this statement relate to expected trends in the country's demand for imported goods: The South African economy is now at a more advanced stage of development, and it is possible that its further industrialisation could be relatively less dependent on imported capital goods than in the past. Another reason is that a major driving force in economic growth is going to be the expected further wide-spread growth in purchasing power. Consumer goods are a very small proportion of total imports, and a large share of typical consumer goods is produced with capital equipment that is already largely locally manufactured.

During the 1980s South Africa will be in the unique position of being a net exporter of both crude energy and food. Large export facilities have been created for coal and uranium. In an energy-hungry world South Africa is certain to continue to benefit greatly from its endowment of these minerals. At the same time the commissioning of two more oil-from-coal plants in the early 1980s will reduce the country's dependence on imported crude oil substantially. There should be a major improvement in South Africa's terms of trade with the rest of the world. South Africa's abundance of relatively cheap energy will provide the economy with a comparative advantage in its foreign trade. All these energy-related aspects will combine with the other developments I have mentioned to ensure that South Africa will not encounter difficulties on the current account of the balance of payments, even if we were to grow in real terms at a rate of over 5 per cent. The capital account of the balance of payments should benefit as well. South Africa in this world is likely to be an attractive area for foreign investment.

The direct role of government in the economy is being purposefully limited, as steps are being taken to restrict the public sector's claim on the country's resources. The interdepartmental Priorities Committee has recommended targets for the gradual reduction of the public sector's share of total fixed investment. Government has accepted these recommendations in principle. Current government spending is now also being carefully scrutinised. Measured in real terms, the average annual increase of 10,5 per cent between 1974 and

P.T.O

business as at the end of the financia ... the com-
pany for that financial year and shall ... d include
at least the matters prescribed by Sch ... d comply
with any other requirements of this ...

(4) (a) Any director or officer ... able steps
to comply or to secure compliance ... any other
requirements of this Act as to matte ... ts, shall be
guilty of an offence.

(b) In any proceedings aga ... under para-
graph (a), the defence referred to ir ... m.

287. Offence to issue incompl ... any financial
statements or circulars of a compa ... particular or
otherwise do not comply with th ... circulated or
published, the company and every ... to such issue,
circulation or publication, shall be ...

Accou

not taking the public for a ride and we welcome an investigation if it puts the public's mind at rest."

However Don Mateman, one of the co-ordinating committee organisers, says "All we really want is to ride without any hassles at prices we can afford. If the price hikes are indeed discovered to be essential for the company to operate efficiently, then perhaps the people and Putco can jointly approach government for a larger subsidy."

Button would not reveal the extent of Putco's government subsidy, but maintained that "despite other increases, scholar fares have not gone up. We have taken a decision to help black education by keeping those fares constant."

Commuter resentment and company defensiveness must be seen in the light of the fact that Putco is the largest passenger bus service operating in Southern Africa. The company operates 1 971 buses, which carried 295m African and coloured people last year. These communities, which, due to government policy, are often far from places of work, are heavily dependent on Putco for cheap and efficient public transportation. Increased costs are thus particularly sensitive.

288. Obligation to lay group ... g.—(1) Where at the end of its financial year a company, ... d subsidiary of another company incorporated in the Republic (including an external company which is a subsidiary of a company incorporated in the Republic), has subsidiaries, group annual financial statements shall be made out and shall be laid before the annual general meeting of the company before which its own annual financial statements are so laid under section 286 (1).

(2) Subject to the provisions of section 291 such group annual financial statements shall together with the company's own annual financial statements in conformity with generally accepted accounting practice fairly present the state of affairs and business of the company and all its subsidiaries at the end of the financial year concerned and the profit or loss of the company and all its subsidiaries for that financial year, as a whole so far as concerns the members of the company and shall for that purpose include at least the matters prescribed by Schedule 4, in so far as they are applicable and comply with any other requirements of this Act.

[Sub-s. (2) substituted by s. 24 of Act No. 111 of 1976.]

(3) (a) Any director or officer of a company who fails to take all reasonable steps to comply or to secure compliance with the provisions of this section or with any other requirements of this Act as to matters to be stated in group annual financial statements, shall be guilty of an offence.

(b) In any proceedings against any director or officer of a company under paragraph (a), the defence referred to in section 284 (4) (b) shall be available to him.

[S. 288 substituted by s. 13 of Act No. 76 of 1974.]

289. Group annual financial statements.—(1) (a) Subject to section 290, group annual financial statements may consist of consolidated annual financial statements in accordance with section 286 (2) (a) and (b) and being—

(i) a consolidated balance sheet dealing with the state of affairs of the company and all the subsidiaries to be dealt with in group annual financial statements; and

(ii) a consolidated income statement dealing with the profit or loss of the company and those subsidiaries.

(b) Where consolidated annual financial statements under paragraph (a) are not made out, group annual financial statements may consist of—

(i) more than one set of consolidated annual financial statements, that is to say, one set dealing with the company and one group of subsidiaries and one or more sets dealing with other groups of subsidiaries; or

HP AND LEASING

FM 30/11/79 (58)

Lucrative lending

Banks added R84,4m worth of hire purchase business to their books during the third quarter. While hp receivables grew by nearly 25% at an annual rate during this period, this growth rate was somewhat lower than that recorded by banks during the previous quarter (37,2% annually).

Barclays Western, which is now almost exclusively involved in hp and leasing finance for motor vehicles, demonstrated its current strength in this market by increasing its hp book by 10,2% to R366,4m MD Chris Ball reports that hp rates are still "highly competitive," with good clients now being able to borrow at between 15% and 17% — around 2% to 3% above the current inflation rate

The bulk of most banks' hp business still comes from discounting dealers' paper, which means the latter are also scoring handsomely. Customers going directly to dealers are liable to pay up to 21% on their hp contract, which means dealers pocket the difference between the rate at which the bank discounts the paper (as little as 14%) and the 21%.

Stannic has siphoned off large chunks of both its hp and leasing receivables to its sister bank, Standard Corporate Finance (Stancor). Since Stancor is classified as a small bank and therefore subject to lower liquid asset requirements, this move makes sense. However, their aggregate hp book grew by only 2 3% during the quarter, which reflects a sharp slowdown compared to growth in the previous two quarters.

Highest growth for the quarter was recorded by Bank of OFS (Bankovs), which expanded its hp book by nearly 24%. MD Eugene van Rensburg attributes this jump to the bank's recent drive to capture a greater share of the lucrative consumer market And a large share of the bank's business now comes from the Transvaal. Van Rensburg says his bank has also picked up a big slice of farmers' business: hp is considerably more attractive to farmers now that they are entitled to a full tax write-off of capital value in the first year.

Despite Bankovs' rapid growth in its lending book, the bank is unlikely to experience capital problems in the near future. It recently boosted capital by means of a R2m pref share issue, in addition to transferring R0,25m from internal reserves to capital.

LOANS PROGRAMME

Fm 30/11/79 (58)

A moderate rise

Public sector borrowers (excluding government and the Land Bank) are scheduled to raise a total of around R790m during 1980. According to the latest loans programme, just over R410m is to be borrowed during the first six months of the year.

Capital market experts doubt if the actual amount raised will in fact be as much as R410m; they estimate it is more likely to be around R350m. The scheduled figure of R410m would represent a 55% increase over the sum actually raised during the first six months of 1979. Sums of R301m and R310m were borrowed during the same periods in 1978 and 1977 respectively. The biggest borrowers scheduled for next year — each in two separate loan issues — are Escom (R170m), Iscor (R100m) and Armscor (R100m).

As was evident this year, next year's schedule is likely to see numerous postponements. And some of the bigger borrowers are unlikely to go ahead with their issues unless the long-term rate pattern tends to favour them at any particular time

Moreover, point out market watchers, if Finance Minister Owen Horwood decides to reduce institutions' prescribed requirements in his budget next March, borrowers scheduled later in the year could be faced with paying slightly higher rates.

5 CHRISTOPHER GOODMAN: HOW SUPERIOR POWERS OUGHT TO BE OBEYED (1558)

And although it appears at the first sight a great disorder, that the people should take unto them the punishment of transgression, yet, when the magistrates and other officers cease to do their duty, they are, as it were, without officers, yea, worse than if they had none at all, and then God giveth the sword into the people's hand, and He Himself become immediately their head (if they would seek the accomplishment of His laws) and hath promised to defend them and bless them.

6 JUNIUS BRUTUS: VINDICIAE CONTRA TYRANNOS (1579)

We have showed before that it is God that does appoint kings, who chooses them, who gives the kingdom to them: now we say that the people establish kings, puts the sceptre into their hands, and who with their suffrages, approves the election. God would have it done in this manner, to the end the kings should acknowledge, that after God they hold their power and sovereignty from the peopl[illegible] rather induce them, to apply and address the utmos[illegible] profit of the people, without being [illegible] they were formed of any matter more [illegible] were raised so high above others; as [illegible] sheep, or herds of cattle. But let t[illegible] of the same mould and condition as ot[illegible] voice and acclamations, now as it wer[illegible] unto their thrones, that they might a[illegible] the greatest burdens of the commonwea[illegible]

Now, seeing that the people choo[illegible] follows that the whole body of the peo[illegible] thing most evident, that he who is est[illegible] under him who has established him, and another, is less than he from whom he [illegible]

But since the kings began to exte[illegible] impossible for the people to assemble t[illegible] of their great numbers, which would hav[illegible] of the kingdom were established, who sh[illegible] of the people, in such sort notwithstan[illegible] required, the people might be assembled, as might by the most principal members b[illegible] [illegible] of the [illegible] body...

LOANS PROGRAMME 30/11/79

A moderate rise

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As was evident this year, next year's schedule is likely to see numerous postponements. And some of the bigger borrowers are unlikely to go ahead with their issues unless the long term rate pattern tends to favour them at any particular time.

Moreover, point out market watchers, if Finance Minister Owen Horwood decides to reduce institutions' prescribed requirements in his budget next March, borrowers scheduled later in the year could be faced with paying slightly higher rates.

(2) The directors' report sha … rial for the appreciation by the members of the … ess and the profit or loss of the company or of t … nd shall for that purpose be in accordance with a … by Schedule 4, in so far as these are applicable, a … f this Act.

(3) Any director of a compan … ensure compliance with the provisions of this se …

Auditor's Duties

300. Auditor's duties as to an … **rs.**—It shall be the duty of the auditor of a com …

(a) to examine the annual … ancial statements to be laid before …

[Para. (a) substitu …

(b) to satisfy himself that … by this Act have been kept by th … uate for the purposes of his audit … ted by him;

(c) to satisfy himself that … rs in respect of meetings of the co … e been kept in proper form as req …

(d) to satisfy himself that … d by section 240 has been kept an … the minutes of directors' meetings, …

(e) to examine or satisfy himself as to the existence of any securities of the company;

(f) to obtain all th … e best of his knowledge and be … out his duties;

(g) to satisfy himself … s are in agreement with its ac …

(h) to examine grou … nself that they comply with the …

[Para. (h) …

(i) to examine such of the accounting records of the company and carry out such tests in respect of such records and such other auditing procedures as he considers necessary in order to satisfy himself that the annual financial statements or group annual financial statements fairly present the financial position of the company or of the company and its subsidiaries and the results of its operations and those of its subsidiaries, in conformity with generally accepted accounting practice applied on a basis consistent with that of the preceding year;

[Para. (i) substituted by s. 21 (c) of Act No. 76 of 1974.]

(j) to satisfy himself that statements made by the directors in their report do not conflict with a fair interpretation or distort the meaning of the annual financial statements and accompanying notes;

(k) to comply with any other duty imposed on him by this Act; and

(l) to comply with any applicable requirements of the Public Accountants' and Auditors' Act, 1951 (Act No. 51 of 1951).

301. Auditor's report.—(1) When the auditor of a company has complied with the requirements of, and has satisfied himself as to the matters stated in, section 300, and has carried out his audit free from any restrictions whatsoever, he shall make a report to the

HP AND LEASING ; m 30/11/79

Lucrative lending

(65)

Banks added R81,4m worth of hire purchase business to their books during the third quarter. While hp receivables grew by nearly 25% at an annual rate during this period, this growth rate was somewhat lower than that recorded by banks during the previous quarter (37,2% annually).

Barclays Western, which is now almost exclusively involved in hp and leasing finance for motor vehicles, demonstrated its current strength in this market by increasing its hp book by 10,2% to R366,4m. MD Chris Ball reports that hp rates are still "highly competitive," with good clients now being able to borrow at between 15% and 17% — around 2% to 3% above the current inflation rate.

The bulk of most banks' hp business still comes from discounting dealers' paper, which means the latter are also scoring handsomely. Customers going directly to dealers are liable to pay up to 21% on their hp contract, which means dealers pocket the difference between the rate at which the bank discounts the paper (as little as 14%) and the 21%.

Stannic has siphoned off large chunks of both its hp and leasing receivables to its sister bank, Standard Corporate Finance (Stancor). Since Stancor is classified as a small bank and therefore subject to lower liquid asset requirements, this move makes sense. However, their aggregate hp book grew by only 2,3% during the quarter, which reflects a sharp slowdown compared to growth in the previous two quarters.

Highest growth for the quarter was recorded by Bank of OFS (Bankovs), which expanded its hp book by nearly 24%. MD Eugene van Rensburg attributes this jump to the bank's recent drive to capture a greater share of the lucrative consumer market. And a large share of the bank's business now comes from the Transvaal. Van Rensburg says his bank has also picked up a big slice of farmers' business: hp is considerably more attractive to farmers now that they are entitled to a full tax write-off of capital value in the first year.

Despite Bankovs' rapid growth in its lending book, the bank is unlikely to experience capital problems in the near future. It recently boosted capital by means of a R2m pref share issue, in addition to transferring R0,25m from internal reserves to capital.

Nedbank pushed up its hp book by 8% during the quarter. Following the launch of Nedkredit the bank is likely to continue seeing fast growth in its consumer credit facilities.

The growth in banks' leasing increased to 3,5% during the quarter, compared to only 2,8% in the June quarter. Barclays' R8,7m drop in leasing receivables was attributable to large rentals repayments during the quarter. MD Peter Springett confirms that Barclays will be active in small-ticket leasing from the beginning of next year and the bank is already training staff in this field.

Stannic MD Ken Gager says his bank should see an additional R90m by way of rentals flowing from the Iscor lease by August next year. New leases for the Iscor plant will be written in December this year and July next year. Rentals are to be adjusted in line with changes in Bank rate.

Savings placed with the banks over the past 12 months have grown by only 10,1% — significantly lower than the growth in lending. However banks have had little difficulty funding their fast-growing hp books by way of the money market. And, within the larger banking groups, branches often channel deposits over 12 months to hp banks.

Bankers report that hp business has been brisk during the first half of the current quarter. Most expect the volume of new business written to exceed their averages for the year so far.

Financial Mail November 30 1979

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(*b*) where a company has changed the end of ... 285 (2) (*b*) an additional interim report sh... from the beginning of the financial year so ... of the financial year before it was so change...

[S. 303 substituted by s. 24 of Act No. 7...

304. Provisional annual financial statements.—(1) E... share capital, other than a wholly owned subsidiary, whic... after the end of its financial year issue copies of its annu... of section 302 (1) shall not later than the date on which ... expires send to every member and holder of debentures ... provisional annual financial statements of the company fa... operations of the company or, in the case of a holding co... subsidiaries during that accounting period, and the results ...

[Sub-s. (1) substituted by s. 25 of Act No. ...

(2) If a private company has not issued its annual ... section 302 (1) within six months after the end of its finan... application to him in the prescribed manner, by any me... good cause shown, require that company by written notic... annual financial statements as referred to in subsection (1... of six weeks from the date of such notice and thereupon the said company shall, ... issues its annual financial statements within the said period, lodge provisional annual financial statements with the Registrar within the said period.

Rand too cheap against dollar

RDM 3/12/79

(58)

The Reserve Bank is keeping too tight a rein on the rand. It could be loosened if the bank drew a finer distinction between intervention and interference.

By HAROLD FRIDJHON

THE RAND closed higher against the dollar on the foreign exchange market on Friday, trading at $1,2060/70; but forex dealers believe the rand is still undervalued. They say the Reserve Bank is not giving the market the freedom which appeared to be implicit in the De Kock Commission's interim report.

Of course, nobody expects the forex to be completely free. It is tethered like a horse with a rope to a stake; it is free to go backwards and forwards but in a circle which is determined by the length of the rope. And it is the Reserve Bank which determines from time to time how long that rope will be.

If the Reserve Bank lets the rate rise too high South Africa's income in rand terms from exports, including the sale of gold at current prices, will be diminished and that might not be desirable. A high-priced rand in terms of dollars would hit exporters whose sales are usually dollar-designated.

On the other hand, if the rand were too cheap against the dollar, the present high liquidity position would be aggravated and the increase in money supply would give inflation an unwanted upward thrust. It would make exports like coal, chrome and manganese very competitive on export markets, but at the expense of the economy at large.

The Reserve Bank has to strike a balance, but say the forex dealers, the balance which has been struck undervalues the rand.

They consider that with the surplus piling up in the current account of the balance of payments, with the soaring gold price adding to that surplus and with the continuing weakness of the dollar, the rand is one of the stronger currencies in the world. And the dollar is looking weak and the pound is stronger.

The Reserve Bank, however, tries to take an over-view of the forex market. The monetary authorities are not only concerned with today's rand but the situation in the future as well.

In arriving at a price for the rand they try to take into account trade weighted averages of South Africa's major trading partners, the time-to-time shortages or surpluses of dollars as well as other factors which affect the country's external monetary position.

Dealers, however, take the view that this is cosseting the market and that by being over-protective, the central bank is inhibiting the development of the forex market. But they also accept that the forex cannot be allowed to run wild and that it is right for the authorities to intervene from time to time in the national interest. Intervene but not interfere.

At times the dividing line between intervention and interference might be dangerously narrow, but the central bank is always in the driving seat not only because of its power and authority but because it controls the major supply of dollars. The Reserve Bank sells the gold output and has dollars coming out of its ears — at present.

The market's view is that the bank does not trade effectively with its dollars but adjusts the rand rate by the dollar demand in the market itself without the gold dollars. The only golden dollars which the market sees directly are those earned from the sale of Krugerrands and when, as happened in October, the sale of Krugerrands goes soft the market finds itself short of dollars.

But this should not be. With exports soaring and imports flagging, the trading market should always be full of dollars. This means that the tendency would then be to want to sell dollars and the effect of this action would be to strengthen the rand against the dollar — at least temporarily until the demand for imports rises and the position is reversed.

This is probably one of the reasons why the central bank hangs on to its gold dollars and why it sets its face against a market-determined rand. It tries to fix a middle course between the feast and famine syndrome of the South African economy.

But having said this, there still is some justification for the rand being stronger than it is. Not by much. One dealer said that he thought that a rate of $1,21 would be more realistic.

Exporters won't like that, but then no foreign exchange rate has ever pleased everyone connected with forex markets and with a tethered South African market we are not likely to set a new standard here.

with selected major categories of disease. Clearly, this is an entirely hypothetical situation. However, these competing risks life tables not only provide an indication of the relative importance of various disease categories to both the overall mortality experience and also to expecta- [...] of life of the three communities, but also, since [...]

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Blacks 'must share in free enterprise'

NM 3/12/79 (58)

African Affairs Reporter

THERE would have been no better insurance policy for the free enterprise capitalist system than the involvement of Blacks at each and every stage of its development from the very outset, Chief Gatsha Buthelezi of KwaZulu said at the weekend.

Those who brought the free enterprise system to Africa and kept it as a White man's game in which Blacks had no place laid foundations for its destruction.

Speaking at the official opening of a R1 000 000 shopping complex at Esikhawini, near Empangeni, the chief said the present free enterprise system only opened avenues for races other than Blacks to exploit Blacks.

That kind of situation had all the foundations for future revolution.

He found it tragic and ironic that the Western people who brought the free enterprise system to Africa had proved to be the worst enemies.

"When we talk about the change we all desire to see in South Africa, we refer not only to our just desire to wield political power jointly with Whites, but we are also talking about economic order."

He said Blacks could not get capital, as banks were not prepared to give Blacks overdrafts. The pretext was that since there were no freehold rights for Blacks, Blacks were a bad risk.

Some banks had more Black money that White money as savings but that did not make any difference. This resulted in Black savings being used to make rich Whites richer, instead of uplifting Blacks from poverty, the chief said.

is consistently worse than that of the whites. The 'coloureds' have higher mortality rates for all the major causes of death apart from cardiovascular diseases and neoplastic diseases in men over 65 years of age, neoplastic diseases in women in this group, and cardiovascular disease in men 45-64 years of age during 1960 and 1970. Clearly the rate of 5/1 000 which has been chosen is entirely arbitrary but a similar pattern of mortality emerges if lower or higher levels are selected.

... of these age-cause specific mortality rates require emphasis.

...are the actual numbers
for those groups which
...tal population, for
...ferent demographic pro-
...in Fig. I, and this pro-
... and 'coloureds'.
...en 1941 and 1970 are,
...importance.

...are presented in Fig. 6.
... is speculative and is
...rrant inclusion. Two
(1) e_o - the expectation
...ife at 45 years of age.
...f life than men, and
'coloureds'. In fact,
females have a better
...aps of some concern is
...es and females is widen-
the 'coloured' communi-
ing. ...

ties, although it is particularly marked in the latter for whom Male:Female deficit of 1,0 years in 1941 at e_o has become 6,9 years in 1970. For whites a deficit of 3,7 years in 1929 has increased to 7,0 years in 1970.

Both white and 'coloured' females have shown an increasing life expectancy at the age of 45, and although this has been small, it contrasts with the downward trend of both white and 'coloured' males.

Although it is apparent that the Expectation of Life at birth for the 'coloureds' has shown a marked improvement between 1941 and 1970, it is salutary to note that neither 'coloured' males nor females, at either e_o or e_{45}, have reached expectations of Life in 1970 which are as high as the ... were in 1929. What also gives some cause for concern is that al-
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Dividend boost for golds

RDM 4/12/79 58 2/7

By ADAM PAYNE

GREATLY increased payments are expected from gold mines declaring dividends this month — most of them double or more than double those declared last December. This is not surprising when one recalls that the gold price at the beginning of the year was less than $220 an oz.

The average price this quarter is over $390; the average last quarter was $320 and that for the June quarter was $260.

Therefore a jump is expected in the December payments, not only compared with those of a year ago but by comparison with declarations in June.

However, with the rise in gold-share prices the yields, based on dividend projections by one of South Africa's leading analysts, are not as high as they were a few months ago.

Some yields remain high.

Grootvlei, for instance, is expected to pay a final of 55c (22c) to total 91c, yielding 11,9% on yesterday's share price.

East Driefontein is expected to pay 130c to total 185c, yielding 8%.

Durban Deep could pay 100c to total 140c, yielding 7,6%.

ERPM is forecast to pay a final of 80c, bringing the total to 90c, yielding 5,9%.

Stilfontein should do better with a forecast final of 100c bringing the total to 135c, yielding 10,2%.

Many eyes will be on Randfontein because of its recent uranium grade problems in the old section. The analyst forecasts a final of 350c, making a total of 600c to yield 10,2% which is not unsatisfactory when one considers that the mine's performance should greatly improve in the year ahead.

But it could be faced with heavy capital spending on a new shaft, which would inhibit payments.

Western Areas, which has a big capital spending programme, is expected to pay 36c, bringing to total to 48c, yielding only 7,55%.

The Anglo American Corporation mines — Southvaal, Vaal Reefs and Western Deep Levels — do not declare their final dividends until January. The analyst forecasts a final of 140c from Southvaal which paid no interim. This would yield 5,9%.

Vaal Reefs is predicted to pay 320c making a total of 510c, yielding over 9%.

Western Deeps could pay 180c totalling 275c to yield 8,9%.

Among the interim dividend declarations are the Gold Fields of South Africa mines. Kloof is expected to pay an interim of 90c, or three times the December 1978 payment. The interim was 80c.

Venterspost could pay 50c compared with last year's interim of 15c and the final of 30c in June.

Libanon should double its interim to 100c, but this figure is no higher than the June final.

Doornfontein is also expected to double the interim of last year to pay 40c this year — the same level as the final in June.

West Driefontein is forecast to raise its interim from 200c last December to 360c this year compared with the final of 415c.

ET Cons provides one of the more spectacular projections for an interim at 50c compared with 15c last December and a final of 35c in June. The share has risen strongly in anticipation of good results.

Hartebeestfontein should more than double its payment to 250c (110c). This compares with the final of 290c.

Interim dividends can vary considerably, according to company policy and considerations, such as the behaviour of the gold price at the time. Therefore projections of interims have to be accepted with the qualification that they could be off-beam.

RDM 5/12/79

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De Kock commission wins 'Mail' award

By SIMON WILLSON
Financial Reporter

THE importance of rapid economic growth in the private sector could not be emphasised enough at this juncture in South African history, Dr Gerhard de Kock, senior deputy governor of the Reserve Bank, said last night.

Accepting the 1979 Rand Daily Mail business achievement award on behalf of the De Kock Commission of Inquiry into South Africa's monetary system and monetary policy at a banquet in Johannesburg, Dr De Kock said sound money and financial discipline was crucial.

But he added: "I see no conflict between financial discipline and rapid economic growth — the two go very well together.

Dr De Kock said inflation was an evil which had to be countered with all the means at the Republic's disposal.

"Failure on our part to curb inflation could jeopardise the kind of economic and political developments essential to the successful implementation of the 'constellation of states' approach."

Praising the proposed "constellation of states" in Southern Africa — rightly hailed, he said, as one of the most important developments in decades — Dr De Kock warned that for the Prime Minister's new initiative to succeed, there were certain preconditions.

"One of these conditions is the attainment in South Africa of a well-functioning monetary system with efficient financial markets and effective monetary and fiscal policies.

"We must have an appropriate degree of internal and external economic stability and a strong rand," Dr De Kock said.

While unable to anticipate the findings of the Commission of Inquiry he headed, Dr De Kock said that, in accordance with the Prime Minister's new free enterprise approach, the Reserve Bank was looking closely at:

- The efficiency of South Africa's financial markets;
- The benefits and disadvantages of market-related interest rates and exchange rates;
- Open market operations and other forms of central bank intervention in financial markets, and
- The feasibility and desirability of dispensing with direct controls like credit ceilings and certain forms of exchange control.

● See Page 6

IV DISEASES OF BLOOD AND BLOOD-FORMING ORGANS

	W M	W F	A M	A F	C M	C F	B M	B F
ALL	0,06	0,04	0,07	0,06	0,25	0,14	0,17	0,12
NO.	128	85	26	23	289	164	366	187

VII DISEASES OF THE CIRCULATORY SYSTEM

	W M	W F	A M	A F	C M	C F	B M	B F
0-1	0,51	0,33	1,10	0,21	1,80	1,59	0,13	0,10
1-4	0,05	0,06	0,02	0,10	0,15	0,17	0,02	0,04
5-24	0,07	0,06	0,09	0,10	0,14	0,17	0,11	0,13
25-44	1,09	0,44	1,31	0,70	1,54	1,27	0,73	0,78
45-64	9,75	4,44	14,76	10,70	10,33	8,25	4,61	5,01
65	42,19	32,93	55,30	47,72	43,12	40,90	13,55	14,21
ALL	4,70	3,81	3,22	2,25	2,74	2,69	1,14	1,20
NO.	9752	7926	1135	804	3114	3140	2390	1921

VIII DISEASES OF THE RESPIRATORY SYSTEM

	W M	W F	A M	A F	C M	C F	B M	B F
0-1	2,90	2,22	7,81	4,85	32,20	28,78	13,54	14,15
1-4	0,22	0,28	0,90	0,69	5,32	5,45	2,46	2,13
5-24	0,05	0,06	0,17	0,11	0,21	0,23	0,18	0,16
25-44	0,20	0,12	0,37	0,33	0,94	0,72	0,66	0,52
45-64	1,46	0,92	3,33	1,85	4,88	2,14	2,75	1,72
65+	11,52	7,89	16,51	13,42	20,07	10,49	9,32	6,19
ALL	1,12	0,97	1,22	0,79	2,87	2,22	1,37	1,24
NO.	2336	2019	430	282	3270	2588	2858	1951

F. M
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BANK QUARTERLIES

Low rates help

The big banks experienced a pronounced shift into cheque deposits during the year to September. Trust Bank recorded nearly 30% growth in its cheque deposits, while Standard's rose by just over 25%, according to the September quarterly returns.

This shift clearly reflects the change in liquidity preference of both individuals and companies. The high level of liquidity in the economy, resulting in low interest rates, has meant that compensatory rates on call monies and other forms of short-term investments have not been sufficient to induce a move into longer-term balances.

Moreover, the trend towards cheque deposits also mirrors the higher level of economic activity during recent months

F.M. 7/12/79 (58)

PENSION FUNDS

A good investment?

After adverse publicity last year over the investment by two pension funds — the Metal Industries Group Life Provident Fund and the Metal Industries Group Pension Fund — in the then ailing Scotts Stores, "the blanket was shaken," Seifsa president Ronnie Shaw says. Seifsa, under the directorship of Errol Drummond, acts as secretary to the funds, which have now come under criticism for a R20 000 investment in The Citizen cumulative preference shares.

Shaw says the "cruel facts" are that the funds earn a comparatively good return "even higher than some of Seifsa's own members." The decision to invest in the Citizen shares, which cannot provide any return for at least the next two years was not a political one, but was one made with the full agreement of the trustees. Four of the trustees represent trade unions in the metal and steel industry, while the other four represent the Seifsa employer body.

"But, in any case, it is rather ridiculous to complain of an investment of R20 000 when you consider the total size of the funds," Shaw says.

The Citizen prefs were issued at R1 each, carry a coupon of 10% and are convertible into ordinaries at par on March 31 1982 or 1983. The R2m public offer was part of the survival package put together for the Citizen after its acquisition by Perskor, which has already taken up 20 000 ordinary shares and will take up another 2,9m by March 31 1982. Since incorporation, the Citizen has not made a profit and is expected, Perskor directors say, to lose R1m in the 11 months to March 31 1980. It is only then that profits, hopefully, will permit dividends on the cum prefs.

Drummond says the recent resignation from Seifsa by a Johannesburg engineering firm in protest against the investment in the Citizen was an "isolated" case. "In fact, we have had numerous phone calls from members applauding the decision," Drummond says. The firm which resigned had a history of complaints over the administration of the Seifsa medical aid scheme, he says.

The queries raised by Hillbrow MP Alf Widman over the risk attached to investment, and therefore the possible infringement of the provisions in the Financial Institutions Act, would not result in Seifsa taking any legal advice on the matter, Drummond tells the *FM*. "All that we know about what Alf Widman proposes to do for obvious political reasons is what we have read in the Press."

INSURANCE F.M. 7/12/79 (58)

Paying the piper

Old Mutual's insurance agents are up in arms because their commission rates have been adjusted to fall in line with those paid to brokers. But industry sources are asking why the change in rate patterns has taken so long to be implemented.

Under the old rate pattern, say Old Mutual insurance agents, if a policy was sold to a man under 35 years of age, the agent was paid an amount equal to one year's premium. The commission was paid out over two years — 60% in the first year and 40% in the second. If the policyholder was between the ages of 35 and 40, the agent received a commission equal to 85% of annual premium. Over the age of 50, the commission reduced from 60% by approximately 2% for every extra year.

The commission pattern has now been changed, and the agent will in future be paid a maximum of 83% of annual premium for new policy-holders up to age 48. Up to age 40, on the new scale, therefore, there is a drop in the rate of commission received. Some lower premiums were announced by the insurance giant last week, which, agents say, will further reduce their earnings.

There are lower premiums and lower commissions at the "younger" end of the market, explains editor of the forthcoming life assurance magazine *Vitae*, Stephen Bishop, and higher premiums and commissions at the "older" end. To the younger agent, in particular, this will mean reduced commission income because, claims Bishop, younger agents tend to sell to younger men, and vice versa. It will also make the attainment of incentive bonus targets more difficult.

As an example of the new premium scales, says Bishop, for a new whole-life policy of R10 000, if the age next birthday is 25, the annual premium drops from R195,60 to R173,60. If age next birthday is 35, the reduction is from R263,70 to R246,60.

Registrar Louw . . . it's not my fault

Old Mutual assistant GM, Theo Hartwig, however, strongly denies that the latest moves will be detrimental to the agents. He claims that calculations done on business actually written by Old Mutual in 1979 show that the company's commission payout under the new scheme would remain virtually unchanged on the amount paid under the old system.

In the light of these figures, he points out, it is clear the bulk of new business in value terms is written for the older age groups, and the new pattern will obviously help the agent. Hartwig points out that scales were laid down by the Registrar of Financial Institutions for brokers' commissions as far back as the beginning of 1978.

Since then, many particular agents' commissions have been out of line with brokers' rates, although the aggregate amount of reward may have been the same. The latest adjustments are merely an attempt to be more "specific" in equalising earnings among intermediaries, he reckons.

Registrar of Financial Institutions, Wynand Louw, says he had no hand in forcing a cut in commissions. "Of course," he adds, "reduced commissions as part of the process of free competition are desirable. The counter-balance is that these agents must merely go out and sell more insurance."

The cuts in premiums made last week, says Hartwig, are only partially financed by the new commission structure. "Probably only about 20% of the reduction in premiums is attributable to the effect of the new pattern," Hartwig says.

He adds that some additional commissions are also to be paid from now on. Full commissions, for instance, will now be paid to agents who write policies allowing for disability benefits. Previously, the agent received only 75% of the normal rate.

ALL	0,04	0,02	0,03	0,04	0,04
NO.	87	43	9	14	50

VOLKSKAS GROUP
Spreading out

F.M 14/12/79 58

As Volkskas is not on full disclosure, its reported first-half 22.1% attributable profit increase to R11.1m (R9.1m) probably again understates the banking arm's performance.

The directors say all Volkskas' subsidiaries contributed to the improvement, and 62,6% owned Bonuskor increased its attributable profit by R1,9m to R3,6m. After minorities and transfers to hidden reserves, Volkskas' net profit was only R2,8m higher. So it is probably safe to assume that almost all the bank's own profit growth went into hidden reserves.

Group earnings rose to 51,7c (42 4c), from which a 4 3-times (4 0) covered 12c (10,5c) interim was declared. But the increased cover, recent diversifications out of banking and Volkskas' increasing stake in Metkor, leave many unanswered questions.

Is Volkskas looking further ahead than most companies, and building a base from which to launch a major assault on the manufacturing industry and agriculture? For example, the way it is bolstering its financial muscle with the recent acquisition of an initial 70% stake in Legal & General, and its obvious intention of spreading its investments into manufacturing companies rather than mines, suggests it is. The group certainly believes in taking over lame ducks and nursing them back to health.

Bonuskor is a case in point. Last year when Saniam withdrew at 38c a share, Bonuskor seemed to be in an irretrievable situation having lost R16.5m in two years. But Volkskas quickly chopped out Bonuskor's dead wood, particularly the property arm Vesting, and is now left with a promising trading, manufacturing and agricultural company. With the increased stake in Metkor, Volkskas has increased its interest in heavy engineering, steel products, building and construction and mining supplies.

It is calculated conjecture that Metkor's operations could be rationalised with many of Bonuskor's, but Bonuskor MD André Botha says there are, as far as he is aware, no moves afoot to merge the two groups' activities.

Volkskas chairman Jan Hutter ... heading a diversification thrust

Volkskas' directors only go so far as to forecast that second-half earnings will be at least maintained at the previous second half's 60 2c. But this would be ultra-conservative even for Volkskas and total earnings of 115c are possible, from which a total dividend of 30c could be paid. At 530c, the share yields a prospective 5,7% which is marginally below the sector's historic 6,0 average. But with the group's diversification plans still developing, the share could be under-priced on a two- to three-year view.

1200

	W M	W F	A M	A F	C M	C F	M	F
0-1	12,46	9,07	16,92	11,55	29,22	24,78	23,16	22,23
1-4	0,02	0,02	0,02	0,02	0,02	0,04	0,04	0,00
5-24	-	-	-	-	-	-	-	-
25-44	-	-	-	-	-	-	-	-
45-65	-	-	-	-	-	-	-	-
65+	-	-	-	-	-	-	-	-
ALL	0,25	0,17	0,48	0,32	0,83	0,67	0,55	0,67
NO.	519	359	170	113	942	785	1143	1075

	M	F	M	F	C M	C F	B M	B F
0-1	0,02	0,03	0,00	0,10	0,25	0,10	0,04	0,06
1-4	0,01	0,01	0,02	0,00	0,12	0,14	0,02	0,04
5-24	0,02	0,01	0,04	0,04	0,02	0,04	0,03	0,02
25-44	0,02	0,05	0,06	0,09	0,17	0,13	0,06	0,08
45-64	0,23	0,19	0,44	0,37	0,36	0,36	0,34	0,25
65+	1,25	1,09	1,07	1,83	1,57	1,10	0,73	0,56
ALL	0,13	0,15	0,11	0,12	0,15	0,14	0,10	0,08
NO.	276	303	38	42	169	165	203	130

A M	A F	C M	C F	B M	B F
0,10	0,21	0,78	0,29	0,49	0,48
0,00	0,00	0,07	0,10	0,05	0,05
0,03	0,01	0,04	0,03	0,05	0,05
0,39	0,10	0,41	0,19	0,23	0,22
1,60	0,72	1,31	0,67	0,80	0,68
				14	0,91
				15	0,20
				3	329

XIV CONGENITAL ANOMALIES

FVB F. M. 14/12/79 (58)

Active catalyst

In pursuit of its policy to change from an investment group to that of controlling interests in strategic areas, and the establishment of an effective management team, Federale Volksbeleggings has made rapid strides

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	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	1,57	0,76	0,60	1,03	1,24	0,79	0,89	0,74
				0,05	0,05	0,02	0,04	0,05
				0,01	0,01	0,02	0,00	0,00
				0,00	0,00	0,01	0,00	0,00
				0,00	0,00	0,00	0,00	0,00
				0,00	0,00	0,03	0,00	0,00
				0,04	0,04	0,03	0,03	0,00
				14	50	33	54	47

INATAL MORBIDITY AND MORTALITY

	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	12,46	9,07	16,92	11,55	29,22	24,78	23,16	22,23
1-4	0,02	0,02	0,02	0,02	0,02	0,04	0,04	0,00
5-24	-	-	-	-	-	-	-	-
25-44	-	-	-	-	-	-	-	-
45-65	-	-	-	-	-	-	-	-
65+	-	-	-	-	-	-	-	-
ALL	0,25	0,17	0,48	0,32	0,83	0,67	0,55	0,67
NO.	519	359	170	113	942	785	1143	1075

IX DISEASES OF THE DIGESTIVE SYSTEM

	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	0,17	0,08	0,10	0,21	0,78	0,29	0,49	0,48
1-4	0,01	0,01	0,00	0,00	0,07	0,10	0,05	0,05
5-24	0,02	0,01	0,03	0,01	0,04	0,03	0,05	0,05
25-44	0,11	0,09	0,39	0,10	0,41	0,19	0,23	0,22
45-64	0,92	0,42	1,60	0,72	1,31	0,67	0,80	0,68
65+	1,80	1,16	1,61	2,44	1,91	0,75	1,44	0,91
ALL	0,31	0,21	0,33	0,16	0,33	0,17	0,25	0,20
NO.	653	430	116	56	370	201	533	329

X DISEASES OF THE GENITO-URINARY SYSTEM

	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	0,02	0,03	0,00	0,10	0,25	0,10	0,04	0,06
1-4	0,01	0,01	0,02	0,00	0,12	0,14	0,02	0,04
5-24	0,02	0,01	0,04	0,04	0,02	0,04	0,03	0,02
25-44	0,02	0,05	0,06	0,09	0,17	0,13	0,06	0,08
45-64	0,23	0,19	0,44	0,37	0,36	0,36	0,34	0,25
65+	1,25	1,09	1,07	1,83	1,57	1,10	0,73	0,56
ALL	0,13	0,15	0,11	0,12	0,15	0,14	0,10	0,08
NO.	276	303	38	42	169	165	203	130

is consistently worse than that of the whites. The 'coloureds' have higher mortality rates for all the major causes of death apart from cardiovascular diseases and neoplastic diseases in men over 65 years of age, neoplastic ... women in this group, and cardiovascular disease in men 45-64

contribute a comparatively large proportion to ... example 'coloured' children 0-4 years old. The ... files of the two communities for 1951 are pres... vides an indication of the age distribution of ... The changes in this distribution which occurre... for the purposes of the present study, of relat...

The expectations of life for 'coloureds' and wh... Although data has been published for Africans[5] not considered to be of sufficient reliability ... different expectations of life have been incluc... of life at birth, and (2) e_{45} - the expectation ... Characteristically women have a better expectat... Fig. 6 indicates that this is so for both white ... so marked is this difference that at e_{45} 'colc... expectation of life than white males. What is perhaps of some concern is that the gap between the expectation of life for males and females is widening. This trend is apparent in both the whites and the 'coloured' communities, although it is particularly marked in the latter for whom Male:Female deficit of 1,0 years in 1941 at e_o has become 6,9 years in 1970. For whites a deficit of 3,7 years in 1929 has increased to 7,0 years in 1970.

Both white and 'coloured' females have shown an increasing life expectancy at the age of 45, and although this has been small, it contrasts with the downward trend of both white and 'coloured' males.

...parent that the Expectation of Life at birth for the ...nown a marked improvement between 1941 and 1970, it is ... that neither 'coloured' males nor females, at either e_o ...hed expectations of Life in 1970 which are as high as the ...29. What also gives some cause for concern is that al... ...ation of Life cannot be expected to improve indefinitely, ...hat the 'coloured' life expectancy is levelling off at a ...ian has occurred in the white community.

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BONUSKOR 58 ~~232~~

Maintained recovery

John White

Bonuskor chairman Van Huyssteen . . . chopping out dead wood

On the back of motorcycles and timber, Bonuskor boosted its first-half attributable profit to R3m (R1,1m in the nine months to end-March 1979).

MD André Botha tells the *FM* he is happy with the group's performance and management has decided to stick to the group's current subsidiaries. Since Volkskas' take-over of Sanlam's 26,4% stake at 38c a share, Bonuskor has weeded out some of the loss-makers, such as SA Glazing, Republic Rubber and International Harvester. It also sold its plant-hire interests to Hudaco.

Currently, the group's main interests are in motorcycles and scooters through Midmacor. This company also distributes industrial machines, and hopes this side of the business will pick up. Botha says the market for industrial machines is beginning to show signs of improvement.

The mainstay of this subsidiary is the Honda agency, which has out-performed the rest of the group thanks to the fuel crisis and the consignment increased demand for two-wheelers. Vespa scooters would have done better had stocks not been depleted.

The other main contributor was the laminated flooring producer, Boskor. This sawmill benefited from increased local demand from the furniture and building industries and exports. The other sawmills also fared well, with Cape-based Densa fully on stream following its recent expansion programme. The sawmill now has a capacity equivalent to that of Boskor.

Capital spending has not yet resulted in significantly increased tool sales, but there are signs that the market is improving. So, Mitco Tool should improve its contribution to group profit. Tea plantation and processing operations have improved and the group is satisfied with this division's performance.

With the group's rationalisation programme almost complete, and the group firmly in the black, the directors forecast that the growth will continue in the second half, provided the current economic climate persists. If so, the first half's 11,2c (4,1c — nine months) earnings could be followed by 14c in the second half.

With a debt:equity ratio still around 140%, loans at R43,1m at the end-March balance sheet date and this year's cash flow likely to be about R8,5m, an early resumption of dividends appears to be out of the question. Even so, the share price rose to 95c this week.

Peter Pittendrigh

Cash piles up at the banks

RDM 14/12/79

58

By HAROLD FRIDJHON

IN SPITE of the accelerated growth rate in the South African economy during the third quarter of this year, loans and advances by the banks were lower at September 30 than they were at the half-year. This and higher deposits from the public give an indication of the extent to which the banking system is underlent.

Third-quarter total loans and advances — other than those on hire purchase — amounted to R5 108-million, compared with R5 184-million at the end of June. And this during a quarter in which there was an annualised growth rate of 5% in the real gross domestic product of the non-agricultural sector, according to the latest Reserve Bank bulletin.

The operative word is "real" because this is net growth, with the high inflationary factor eliminated. And the banks' advances are in current undeflated money which makes the drop in actual bank advances even more significant.

On the other hand, the public's deposits with the banks rose by R641-million to R15 331-million.

What did the banks do with this money?

They lent it to the discount houses and other banking institutions. This item in the September quarterly statement rose from R722-million at the end of June to R1 020-million at the end of the three months — an increase of R298-million.

And the discount houses invested some of these additional funds in Treasury bills and Government stock — neither of which helped to stimulate the business scene.

The banks' investment portfolio was also increased — from R4 390-million to R4 582-million. But apart from their statutory requirements, the banks generally do look to this portfolio for their major sources of profits.

But it is significant that the banks' investment in ordinary shares was up by nearly R90-million to R540-million. This could be a sign of the times, but it could also reflect bank policy to diversify and hold part of the action.

In their effort to stimulate business — for their clients as well as for themselves — the banks' financing of hire-purchase transactions gathered momentum. In the quarter hire purchase financing and discounting increased by R106-million to R1 630-million, with the general banks being the pace-setters. At the end of September they were carrying R1 426-million worth of HP paper.

Insurance: 'Set us free'

(58)

S. Times 16/12/79

By JOHN SPIRA

R2,5-billion could be released from gilts

BILLIONS of rands for investment will be released if the Government accedes to a major lobby from the R8 200-million life assurance industry to abolish its so-called "prescribed assets" straitjacket.

In terms of the prescribed assets requirements, life companies and pension funds are forced to invest a large proportion of their money in Government and semi-government loans — 33% of their liabilities in the case of the life companies and 53% for pension funds.

The Life Offices Association (LOA), which represents the vast majority of life companies in South Africa, has submitted a strong representation to the De Kock Commission.

The representation requests that the regulation requiring life companies to invest in Government and semi-government stock be scrapped.

If the lobby is successful, an estimated R2,5-billion could, over a period, be released for investment in areas other than gilts and semi-gilts.

Life company sources point out, however, that a fair amount of this money would stay in gilts as life offices would wish to retain a certain proportion of their funds in risk-free investments.

Dick Geary-Cooke, secretary of the LOA, tells Business Times that the rationale behind the approach to Pretoria is to remove compulsion from the industry and allow it more flexibility in its investment policies.

Negative

He stresses that the low returns which the life companies are receiving from their gilts translate into negative yields when inflation is taken into account. "This makes it extremely difficult for us to maintain the real value of policyholders' funds."

Mr Geary-Cooke firmly believes that now is the ideal time for the authorities to scrap the prescribed assets regulation, since Government is flush with money.

Money does not have to be forced into Government loans because the funds are simply not required.

"The original motive behind the imposition of prescribed investments on the life companies and pension funds was to ensure that a meaningful proportion of the public's money was invested in risk-free securities," he says.

"Pretoria has now conceded that the need for this has fallen away. The only purpose now served by the regulation is as a handy vehicle for raising funds via a completely captive market."

He adds: "We feel sure, moreover, that if our representation succeeds, only a reasonable amount of Government stock will be offloaded because a great deal of money was recently invested in gilts when interest rates were higher than they are now.

"The abolition of the prescribed asset requirement would create a far more active and less artificial market in gilts."

Should the regulation fall away, the spin-off could have significant ramifications for the stock market, as well as for property, debentures and municipal loans.

It could also produce meaningful benefits for South Africa's hundreds of thousands of policyholders, since higher investment income for the life offices will mean higher bonuses on insurance policies.

Deferred

The secretary of the De Kock Commission says that the matter is scheduled for discussion at next month's meeting of the Commission.

He doubts, however, that a firm decision will be reached at this meeting, since Commission members are still in the process of gathering the relevant facts and figures.

The matter will then be deferred to the February meeting.

He will not comment on when he feels the Commission will reach finality on a subject which certain members of the Commission support and others oppose.

by 1970, this figure had decreased to 15,7%, indicating that the whites had improved disproportionately to the 'coloureds'. Similarly, for children 1 to 4 years of age, during the period 1941 to 1970, the white mortality

(iv) Proportional Mortality, accounted for by specific conditions.

(v) Expectation of Life. This was calculated both at birth (e_o) ...d at 45 years of age (e..) for both males and females. It expresses the years an individual would be expected to live

...al mortality was the only index calculated.

...(IMR) and standardised mortality rates (SMR) are provided in Fig. 2 and Fig. 3. Whilst ... a steady decline in both of these indices ... after an initial decrease, show a comparatively ... increase in their SMR since 1960.

...e IMR has fallen from 50,9/1 000 to 21/1 000, During this period, the 'coloured' IMR has ... to 132,6/1 000, a change of only 19,7%. ...rm when it is appreciated that the greater the ... improvements be accomplished. The decrease ...970 were 28,4% and 25,7% for whites and

... rates are summarised in Fig. 4. Since death ... expected that decreases in the mortality ex-...oups will give rise to a corresponding increase ...ly persons. Thus, although it is to be expected ...coloureds' the mortality rates for persons over ...hown a rising trend, it is of some concern that ...lso increased between 1960 and 1970 for 'coloureds' ...rs age groups.

... age specific mortality rates of whites and ...r remained constant for persons between the ages ...r children less than 5 years of age, the gap ...reds' is widening. In 1941, white children under ...28,0% of the mortality of 'coloured' children;

CONTENTS

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DIAGONAL F.M. 21/12/79

Christmas cheer

(58)

With **gold hitting** $494 on Wednesday morning, it looks as if the new year could start with bullion above the $500 level. Following last week's oil price hike by Saudia Arabia and continued uncertainty surrounding production plans in Iran, Opec ministers in Caracas still have to decide on a unified oil price structure And there is nothing better than uncertainty to fuel bullion.

Though bullion continued to shoot through the roof. local investors failed to react with the enthusiasm of bullion speculators. The *RDM* gold index picked up 17,3 points to 524,5 on Tuesday. but still reflects investors' reluctance to commit themselves to sustained gold prices. And perhaps not without justification. This would not be the first time that the bullion price has shot ahead of oil price hike scares, only to correct later when a degree of sanity has returned to the international market. But this might not be the case this time Comex quotes for April delivery are well into the $500's, with

Financial Mail December 21 1979

P.T.O. for Continuation

51 Cleveland Road, Claremont 7700

I would like to subscribe to .... volume(s) of Peter Horn, *Silence in Jail.*

NAME ....

ADDRESS ....

....

(SRC Stamp)

....

Signature

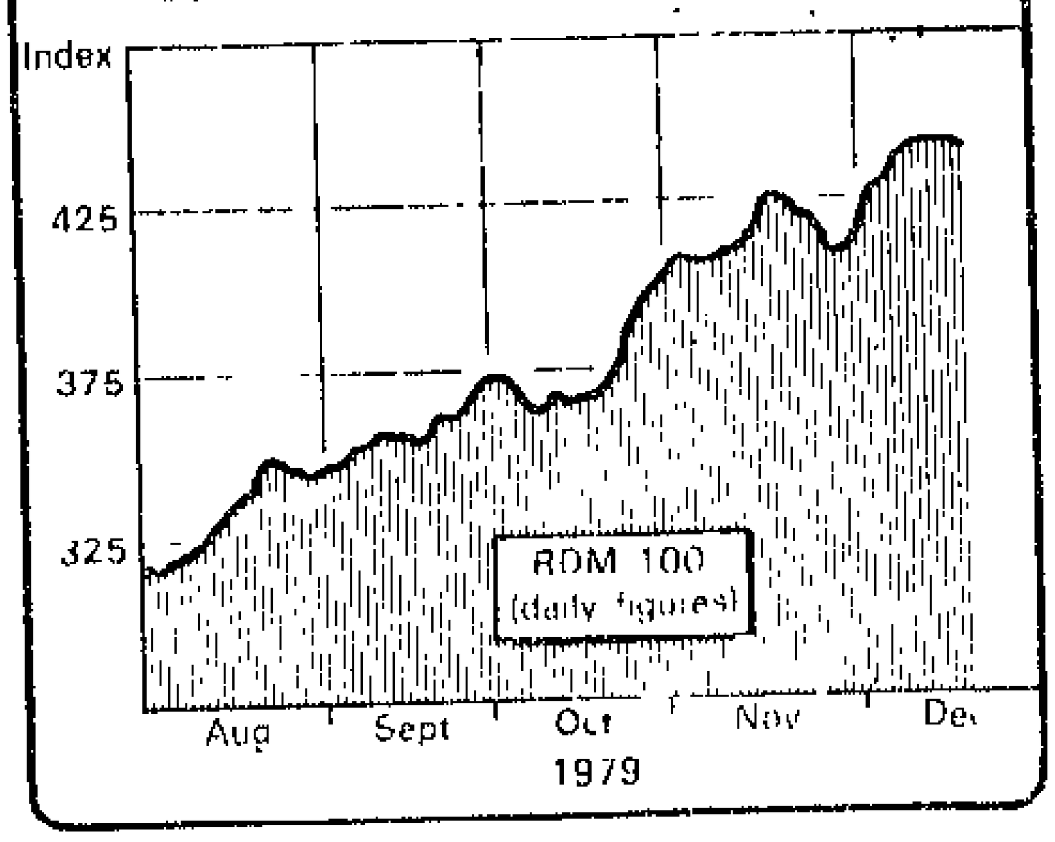
some bulls predicting a price of $600 within the first few months of next year

Meantime, other precious metals continue to make the running. With free-market platinum solidly fixed in the $570 range, Impala and Rustenburg boosted their producer quotes $40 to $420. Even so, Rustenburg only managed a 5c advance to 470c and Impala a 15c increase to 545c.

For the brokers the week was both a good one, but also a frustrating one. Most brokers have done particularly well during the year and 1979's family Christmas trees are going to be laden with goodies. But the complaint now is that though the money is there, market activity has gone up rather than down as a prelude to the holiday season and brokers have been hard-put to snatch shopping time.

The week's activity was strong, with mining shares, particularly gold, attracting most of the new and overseas money flowing into Diagonal Street. Industrials were steady with the *RDM* 100 closing only 0,7 points down at Tuesday's 441. The strength in industrials has surprised some analysts who have been predicting lower prices for both technical and fundamental reasons. But, with most of the institutions having wrapped up their 1979 portfolios, there is little selling pressure and a larger than usual number of individual buying orders to keep prices up. And with GNP growth next year expected to be up at 5% there are now those who see current

TAKING A BREATHER



prices as being reasonable value.

Special situations in industrials now abound, however, as speculators climb in to add to those topping up with portfolios liquidated in error earlier this year.

Barlow Rand, on news that it is to take control of the CG Smith sugar and industrial empire, gained only 12c to 790c reflecting the shares high marketability — this ensures full pricing on continual rating which currently discounts the short term for most corporate probabilities. Likewise C G Smith Investments gained 20c to 545c and C G Sugar closed unchanged at 1 000c.

Premier Cement, moved on the basis that it is doing extremely well out of its lime mining and expected to boost profits sharply next year as builders and civil engineers push cement orders through to cope with the expanding work they are now getting. The share gained almost 35% to 225c in active trading.

Salect, coming back to the boards after a lengthy lay-off during Mercabank's restructuring of the near-crippled company, moved 313% to 62c. This reflects the despondency at the time of de-listing and also the apparent success in the re-structuring operation which has given the group Skok as its main operating arm.

In furniture Russel slipped back after a somewhat heady reaction to the 45% profit and 50% dividend improvement announced last week. The share has come back to 200c at which it yields 6,5% compared with 5,6% for the sector. Also in this sector Tedelex moved on anticipation that the company will cream sales over the next few months. With increased margins on most of its household lines likely to be maintained during the bumper shopping period, the company is likely to improve profits by as much as 50% — dependent to some extent on the success of its new export ventures which will raise gross margins. Tedelex, which moved strongly this week to 205c for a 10c gain, is now only 20c short of its two-year high.

In the coal sector most prices remained steady, with few believing that with the index at 982 there are many bargains to be had

Ian Mail

	1978	1979	1979	%
Amsterdam				
KLM	113	79	75	4,0
Philips	24	21	20	8 5
Robeco	163	164	165	8,0
Royal Dutch	119	152	150	7,2
Unilever	117	114	113	7,8
Industrial index	78	68	66	—
Easier bias in quiet trading				
Frankfurt				
BASF	133	140	140	6,7
Daimler	321	245	245	5,7
Deutsche Bank	303	256	255	5 5
Siemens	284	259	257	4,9
Thyssen-Hutte	116	82	79	7 9
Commerzbank index	813	718	707	—
Generally weaker in slack markets				
Paris				
Imetal	51	61	63	9,0
Paribas	207	225	229	4,4
Pechiney	70	103	103	7,3
Saint Gobain	146	135	131	10 4
Usinor	14	13	13	—
Paris Bourse index	75	95	94	—
Inclined easier in thin turnover				
Sydney				
Broken Hill	8,60	10,35	10,90	3,1
CRA	3,45	3,78	4,50	2,2
Myer Emporium	1,67	1,53	1,56	6,7
Pancontinental	9,20	4,50	5,00	—
Western Mining	1,67	3,14	3,38	2,1
All Ordinary index	537	696	721	—
Surged to new all time peak.				

	1978	1979	1979	%
London				
BP	920	364	360	5 5
Barclays	362	406	418	5,6
ICI	365	368	365	7,2
GKN	253	253	259	9 6
GEC	328	327	332	2,7
Johnson Matthey	478	195	202	6,0
Marks & Spen	83	79	81	4,6
Reed	145	174	181	6,3
Rio Tinto	229	292	319	5,2
Rothmans	59	47	47	7,4
Stancha	430	451	468	7,6
Unilever	536	452	454	7,0
War Loan 3½%	30	28	29	12,1
FT index	*476	423	421	—
Tokyo				
Fuji	630	573	566	1,3
Mitsub	122	172	177	3 4
Nissan	655	697	700	1,1
Sony	1 500	1 720	1 690	1,5
Toyota	894	857	873	1,1
New Stock Exchange index	445	450	453	—
Narrowly mixed but quite active				
Zurich				
Boveri	1 645	1 735	1 705	2 9
Ciba Geigy	1 080	1 230	1 235	1,8
Credit Suisse	2 140	2 280	2 295	3 5
Swissair Bearer	790	780	781	4,5
Swiss Bank	335	394	403	2,5
Union Bank	2 970	3 435	3 535	8,0
Swiss Bank Corp index	284	304	304	—
Firm undertone in moderate dealings				

	1978	1979	1979	%
New York				
Amax	46	42	45	4,0
Amer T&T	60	54	53	9,4
ASA	24	34	36	6,7
Bank of America	26	27	26	5,1
Chase	29	39	39	6,2
Engelhard	28	53	64	3,1
Exxon	49	56	57	7,7
Firestone	12	9	9	6,7
Ford	40	34	33	12,1
Gen Electric	46	47	50	5,6
Gen Foods	32	36	35	5,7
Gen Motors	55	52	52	10,2
Homestake	32	40	42	3,3
IBM	270	66	65	5,3
Inter Nickel	15	21	21	2,4
ITT	27	27	26	9,2
John Deere	33	37	39	4,6
Newmont	22	32	34	3,8
Phelps Dodge	21	26	29	4,1
US Steel	21	18	18	8,9
D J index	790	834	839	—

Indices	Dec 18 1978	Dec 10 1979	Dec 17 1979
UK Industrials (FT) (1935 100)	476,1	422,9	421,3
Dividend Yield	6,1	7,7	7,7
Earnings Yield	15,8	19,1	19,2
UK Government Securities (FT) (1962 = 100)	68,6	64,1	65,1
UK Actuaries 672 Shares (FT) (10 4 1962 = 100)	222,7	230,3	232 1
US Ind (Std & Poor) (1941-43 = 100)	105,5	120,4	121,5
Dividend Yield	5 2	5,3	5,2
PE Ratio	8,6	7,6	7,7

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MONEY TRANSMISSION

Battle for savings hots up

The battle between banks and building societies for the public's savings will hot up early next year when the new bank charges come into operation (see *FM* last week).

This means that it could become increasingly cheaper for a company to hand over one wages and salaries cheque for all its employees and have a computer allocate the correct amount to each employee's individual account.

For at the heart of the forthcoming clash — which could amount to a charge-cutting war — will be the new cut-rate cost of administering company pay-rolls through the commercial banks' electronic funds transfer system (EFTS), the Automated Clearing Bureau (ACB).

These new charges should stimulate competition with the rival Building Societies Data Bureau (BDB) as they have been partially designed to push corporate accounts on to magnetic tape and if this happens handling charges are expected to drop sharply.

Although the BDB originally put forward proposals for magnetic tape transactions to be provided free of charge, bankers claim that this would have been too expensive to maintain in the long run. They believe that it was no more than a marketing ploy to gain customers.

The BDB contends that its magnetic tape receipts are as large as those of the banks, especially in the personal finance field. For instance, it says, there are as many as 32 government departments currently submitting salary tapes to the BDB for crediting to employees' accounts.

BDB manager John Adlard says the Bureau has made "a considerable dent" in the banks' traditional hold over money transmission. "The banks are processing around 1,5m transactions a month," he reckons, "but many of these are just conversions from old stop order transactions with insurance companies."

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Bankers respond that the ACB has also tied up contracts with government departments and, with the continual popularity of cheques, as opposed to building society payment facilities, they expect to keep their hold over the majority of the market.

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"However," he adds, "there cannot be service rendered just for the sake of rendering service, and if the man in the street wants certain facilities, then the cost of these must be met." The Association, he adds, will be meeting in the new year to discuss the implications of the new charges structure more fully.

Alston points out that the Standing Committee for Co-ordinating the Development of the SA Money Transmission Service (Motracom) is studying the implementation of EFTS to ensure the orderly entry of financial institutions into the market.

It is also possible that the De Kock Commission into the Monetary System and Monetary Policy will have to examine the whole question in the light of its task of instituting better control over the money supply, for the electronic funds transfer facilities offered by the societies most likely fall under the broad definition (M3).

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There is every reason to believe, therefore, that the whole issue could become a stormy controversy, with critical implications for building societies as they now exist.

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the South African population from all causes of death. The proportional contribution of the seventeen major disease categories of the International Classification of Disease (8th revision) to the overall mortality of the various communities is summarised in Fig. 5. The whites show a typical 'developed' country spectrum of mortality with Infectious and Parasitic Diseases being of minor importance (2,0%) and Neoplasms (15,6%) and Diseases of the Circulatory system (50,5%) being of major importance. For urban Africans and 'coloureds', Infectious and Parasitic Diseases make an important contribution to the overall mortality (19,5% and 23,5% respectively), with diseases of the respiratory system and certain causes of perinatal mortality also being of importance. Within the category of Infectious and Parasitic Diseases, diarrhoeal diseases and tuberculosis are the most important causes of mortality. The 'coloureds' experience an interesting combination of 'developed' and 'underdeveloped' mortality with ...

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BARLOW/C G SMITH

Taking control

58

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The deal will, it is projected, increase C G Smith's dividend-paying capacity by about R2 a share but will reduce Barlow's earnings by about 2,1c a share — less than 2%.

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GENERAL ERECTION

Maintaining growth

Despite earlier suggestions that Genrec might not be able to maintain its previous growth path, interim taxed profit for the six months to end-August advanced 22,1% to R1,8m (R1,5m), and earnings 18,6% to 38,8c (32,7c). In line, the dividend has been lifted to 7,5c (6c).

MD Hennie Esterhuysen explains that the profit improvement resulted from contracts completed in the first half and the build-up in short-term orders in the fabrication, mining and construction divisions. The construction division is believed to have been the best performer and, with further contracts awarded on the mining side following strong precious metal prices, the second half looks set to continue the profit improvement.

At the end of last year, the directors said the fabrication division was suffering from a shortage of longer-term contracts. Esterhuysen says the market is improving with a number of new contracts available.

Last week, Genrec announced it had agreed with US-based Fluor to set up a joint venture company in the process plant engineering industry. This is an area in which Genrec is not well represented, and the move is part of the stated policy of diversification and follows last year's acquisition of control of Alpret Automatic Systems.

The interim report offers no details on group finances after borrowings more than doubled to R10,7m (R5,3m) last year. Nor is there any indication of second-half prospects other than to caution against using the interim results as a yardstick.

The share, at 450c, has appreciated about 21% in the past three months to yield an historic 5,2%. It is not cheap but, with an upturn in the markets served by the group, it rates a hold. *Des Kilalea*

ASSENG

Well geared

Six months back Asseng reported a modest first-half earnings increase of 4,7%. Investors who took the directors at their word at the time now have some handsome capital gains to show for their faith. For the directors predicted "strengthening of the economic recovery" and an improved rate of increase for second-half earnings. The share price at mid-year was 300c and this has climbed to the 370c at which Asseng was ruling prior to announcement of results for the year to September 30 1979.

This movement was based largely on the increased dividend which, at 30c (26c) gives a yield of 8,1% which compares with the mid-year prospective yield of 7,4%. While the market may have hoped for even more growth in dividends than the 15,4% achieved, the higher dividend has in fact been paid on an increased share capital base of 3,2m (3,0m) shares.

As expected, margins increased during the six months and on sales growth of 20,1% to R67,3m profit before interest rose 26,6% to R5,5m. The interest bill was 49,5% higher at R1,3m because of funding needs for capex and new acquisitions N F Die Castings and Cymot. As tax shields are being reduced the tax rate has risen 16,2% to 28,3%.

Maintaining dividend cover at just over three times, the company has still been able to retain over R2m — exactly the amount earmarked at the start of the year for capex. Of the purchase price paid for the acquisitions, R142 000 was goodwill and this has been written off against retained earnings.

Shareholders will have to await the annual report for the divisional profitability breakdown and for the director's views on prospects. But with brighter signs now flashing in the motor industry and Asseng's timely decision to diversify, prospects look good. And with sound dividend cover and relatively low debt·equity (43% last balance sheet date) dividend growth of at least 15% over the short term seems assured. On this basis the share is a good hold but its short-term price movements could be sharp in anticipation of overall market movements. *Ian Mail*

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JSE golds tumble on US selling

RDM 21/12/79

(58)

By ELIZABETH ROUSE

GOLDS tumbled on the Johannesburg Stock Exchange yesterday in nervous selling as the gold price cracked on intimations of an American-Iranian settlement and speculation that the US intends holding weekly gold auctions.

New York started the slide by selling heavily overnight. Diagonal Street opened on New York's lower price levels, London jobbers started to climb out and selling accelerated as already nervous Johannesburg investors bailed out of their lower-priced favourites.

Brokers expect the slide to continue today. No operator would be willing or unwise enough to take up positions ahead of all stock markets' long trading break from today's closing until the JSE Thursday's opening.

The erosion on the gold board looks severe in selected issues which have already succumbed to profit-taking.

New York favourites, such as Vaal Reefs, Harties and Western Holdings, were off in the 275c to 325c range. Johannesburg favourites, such as Deelkraal, came of 50c, and the marginals were sharply lower.

Genmin and Unicorp made their reappearance on a most inauspicious day. Contrary to expectations, Genmin moved down 150c to 1 700c while Unicorp moved up 35c to 1 325c. This should please Unicorp bugs, but raises the possibility that Unicorp shareholders will quibble about the 80 for 100 offer.

High-flyer Anglo came under the hammer as well, and mining financials were generally weaker.

Coals were a firm spot in softer metals. Platinums were off in line with golds and ZCI reacted to profit-taking in coppers.

Industrials were a little wobbly in earlier trading because of the gold decline, but steadied later. Sasol remained on the decline, but selling momentum slowed.

Trans-Natal featured in coals with a 45c gain to 660c, and smaller-priced counters were up in the 5c to 15c region. Amcoal was unchanged.

De Beers crept up 5c to 1 030c as the financial rand steadied. Other diamonds remained dormant.

The punters' joys in the Witwatersrand sector were hard hit ER Cons came off 85c, Grootvlei shed 40c and Sallies and Vlaks fell 20c. Ranfontein lost 200c to R62.

Kinross was off 80c and Winkels was marked down 150c in Evanders.

Harties declined 325c, Buffels lost 225c, Vaal Reefs shed 275c and Southvaal eased 125c in the Klerksorp sector.

Western Holdings came back 300c to R53, Freguls and the two Presidents were marked down 100c. Unisel fell 45c to 990c.

West Deep retreated 250c, Libanon lost 225c and recent favourite Deelkraal closed at 550c, down 115c over four days.

Anglo American fell 75c to 1 340c and GFSA was marked down 125c. Amgold lost 225c. Cor Synd came off 40c and Duiker shed 20c. Rand London and Tweefontein firmed slightly against the mining finance trend.

ZCI shed 15c to close at 115c, but Botrest moved up 7c to 80c in coppers.

Implat and Lydplat were off 15c Rusplat eased 5c.

The asbestos counters were off 10c.

Sorec was a feature in properties, rising 10c to 150c in active trading.

Barlows was off 10c, with Rennies and Smiths gaining 10c against the weaker industrial holding trend.

Sasol came off 8c to 365c, but Senchem and Trek continued to advance in chemicals.

F.M. 28/12/79

(58)

EXCHANGE CONTROL

Easier on foreign companies

The effect of the Reserve Bank's recent circular to banks relaxing certain local borrowing restrictions on foreign companies could lead to some R200m in offshore trade finance being switched to local sources.

Bankers doubt that the amount that can still be switched back to SA is much higher than this, simply because the relatively expensive borrowing costs overseas have meant that most SA banks only have small outstanding foreign debts on their books.

The Bank has advised banks that bills and promissory notes directly related to current trade transactions between SA companies and foreign concerns could be discounted in local financial markets and that these discounts will be exempted from Exchange Control regulations — specifically clause 3(i)f. 1 and 3.

The relaxation on borrowing restrictions applies particularly to what are known as 3(i)f companies — namely part or wholly foreign-owned companies — which up till now have been restricted on how much they could borrow locally. If 25% or more of a South African concern's voting securities, capital or earnings is held or controlled by non-residents, its maximum borrowing level on the local markets is determined by the following formula:

$$\text{25\% of total effective capital} \times \frac{\text{SA participation}}{\text{Non-resident participation}}$$

Bankers report that the new regulation has already resulted in large scale switching out of overdraft financing into promissory notes. This is not surprising in view of the fact that the prime overdraft rate is currently 9,5%, while the cost of a three-month promissory note is only about 5,3% — roughly the same as the all-in charge on a 90-day Bankers acceptance facility.

According to bankers the Reserve Bank's reasons for deciding to relax the regulation at this stage is primarily motivated by the current high liquidity levels in the banking sector which have forced down domestic interest rates. The Bank apparently sees no reason why foreign companies here should not also benefit from lower borrowing costs

The Bank stipulated three conditions for the new dispensation:

- one of the parties to the bill must be an SA resident and the other non-resident or a local bank acting on behalf of the foreign concern;
- bills may only be discounted within 30 days of the arrival of the goods in SA or the dispatch of goods from SA;
- any other form of rand financing to foreign-controlled companies can ony be accorded within limits authorised by Exchange Control.

The relaxation is a move towards easing exchange controls as recommended by the De Kock Commission earlier this year and should help to encourage investment interest in this country.

The wonder is, with the trade surplus already well above record levels, that the authorities have waited so long before making a concession like this one

Financial Mail December 28 1979

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therefore, if they have any influence in the present case, must produce the opinion of a distinct, not of a continued existence; and in order to that, must present their impressions either as images and representations, or as these very distinct and external existences.†

That our senses offer not their impressions as the images of something *distinct*, or *independent*, and *external*, is evident; because they convey to us nothing but a single perception, and never give us the least intimation of anything beyond. A single perception can never produce the idea of a double existence, but by some inference either of the reason or imagination. When the mind looks further than what immediately appears to it, its conclusions can never be put to the account of the senses; and it certainly looks further, when from a single perception it infers a double existence, and supposes the relations of resemblance and causation betwixt them.

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e is not.

2. In a sense Plato's thoughts ceased when he died, but in another sense, they live on today. What are these 2 senses?

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CAPITAL MARKET F.M. 28/12/79

UAL on top

(58)

Union Acceptances has, for the second year running, been the issuing house that has raised the most fixed interest capital for public and private sector borrowers.

In a market which saw the volume of new public sector issues jump by over 27%, from R583,3m in 1978 to R743,8m this year, UAL increased its share to 36,3%. Volkskas Merchant made by far the most spectacular gain, increasing its volume of funds raised from R88,9m last year to R182,9m in 1979, and its share from 15,2% to 24,6%. Most of its gains were at the expense of Senbank, which saw its market share plummet from 33% in 1978 to 23% this year.

New entrant to the capital market, Rand Merchant Bank (RMB) in association with stockbroker Jeanne Sterianos and his ex-Senbank colleagues, also managed to pick up a couple of traditional Senbank issues. But the difficulty experienced by new entrants to this market in attracting clients is amply demonstrated by the fact that, after their initial successes, RMB/Sterianos failed to make further inroads, while French Bank's market share actually dropped this year. Since some of the larger merchant banks are refusing to handle issues jointly with stockbrokers, it now seems likely that Sterianos will concentrate on the lucrative secondary market in gilts and semi-gilts, a field in which it has already made its mark.

The total volume of private sector debenture issues jumped by 31% in 1979, from R161m in 1978 to R210,8m. UAL and Standard Merchant each managed to raise their market shares significantly, respectively from 36,7% to 41% and from 8,7% to 33,2%. Says UAL's Tim Sewell: "During the last six months of the year, we handled at least one issue every month. I can't remember when last we saw that many debenture issues."

MERCHANT BANK FUND RAISING

Bank	Public sector funds raised 1979 (Rm)*	% share '79	% share '78	Private sector 1979 (Rm)	% share '79	% share '78
Union Acceptances	269,9	36,3	35,8	86,5	41,0	36,7
Volkskas Merchant	182,9	24,6	16,2	8,0	3,8	12,4
Senbank	169,9	22,9	33,0	12,25	5,8	32,3
Standard Merchant	16,7	2,2	—	70,0	33,2	8,7
Barclays Merchant	8,1	1,1	—	28,0	13,3	7,5
Finansbank	30,7	4,1	4,6	—	—	—
French Bank	6,7	0,9	1,7	—	—	—
Hill Samuel	—	—	—	6,0	2,8	2,5
Rand Merchant/Sterianos	8,9	1,2	—	—	—	—
Independent	50,0	6,7	9,5	—	—	—
Total	743,8			210,8		

*Joint issues have been allocated equally between the issuing banks.

Bankers are confident the private sector market will be at least as busy during 1980, if not substantially more active. As the economic recovery gains momentum, more and more companies are expected to take advantage of what could continue to be a fairly receptive long-term capital market.

Meanwhile, Senbank, with the backing of the mighty Sanlam group, is unlikely to take things lying down in 1980. Its staff losses during 1979 most likely did prejudice the bank, and its competitors wasted no time muscling in.

If there is a lesson to be learnt from this, it is that SA's merchant banks must have a wide spread of skills among their managers and not place too much emphasis on the particular talents of a few key men.

UAL is one bank which proves the point: early on in the year it lost its senior GM in charge of corporate finance, Hugh Meggit, who was replaced by Tim Sewell. Later in the year, Nick Fredericksz moved from the bank's investment division to take over the capital market division from Bob Phipps, who was transferred to corporate finance. The fact that, notwithstanding this, UAL managed to increase market shares in both the public and private sectors reflects admirably on its management.

Open the windows on the JSE

RDM 31/12/79

58

By HAROLD FRIDJHON

WHEN the business history of 1979 comes to be written, this year, which is sliding to a close, will probably go into the records as the year in which South Africa re-discovered the private enterprise system. Businessmen who had increasingly been harried by politicians, bureaucrats, controls and skeins of red tape throughout the last two decades were suddenly given their freedom.

Pseudo-socialism was thrown on the ash-heap as South Africa lined itself on the right with capitalism, free enterprise and a market-related economy.

At least this is what our political lords and masters have been preaching ever since the De Kock Commission's interim report brought a breath of fresh air into what had been a suffocating hot-house atmosphere.

But how much freedom has been given to private enterprise and how much is lip service to a philosophy?

One of the pillars of a free enterprise society is freedom to communicate and among the many gags which have to be removed before real freedom to communicate is restored, is the cellulose tape which is effectively silencing investment opinion emanating from the Johannesburg Stock Exchange.

This, of course, is one of the major ironies in our somewhat strange society. The stock exchange, which is the heart-beat of the free enterprise system, is not only tightly controlled by the authorities, but its members also are prevented from expressing their opinions to as wide a circle as possible. And this is not a good thing either for the market or for the public, whom the authorities try to cosset and over-protect.

For many years brokers were condemned to anonymity. They could, of course, communicate with their clients to whom circulars, newsletters and analytical reports were sent — provided that they were endorsed "strictly confidential - for the information of clients only."

Chafing under restrictions which were unknown in many other major markets, stockbrokers let their material have a wider circulation; newspapers published the information but without mentioning authorship. It was a crazy situation which was born from the misbelief that by publishing their names brokers were advertising or touting for business, which is forbidden by the Stock Exchanges Control Act.

In August 1977, the JSE committee withdrew its objection to mentioning the names of stockbrokers and stockbroking firms in the Press. "Mail" deputy financial editor, Hamish Fraser, writing at the time said: "The twentieth century has hit Hollard Street." From that time until the axe fell in the first quarter of 1978 the public at large was not only informed about what brokers were saying about the market and the securities listed on the board, but they also knew who said what about which.

This free flow of published information could only lead to one thing: a better appreciation by the man in the street about the market. He was getting the same sort of information which was going to the institutions, which meant that he was not being disadvantaged. Unhappily this situation was short-lived.

A leading broker published a "solvency" analysis of the companies on the stock exchange list and came to the conclusion that many did not pass a strict solvency test. The Sunday Times intended publishing a review of this analysis but at the last moment it was decided that the findings might be libellous. The page carrying the article was destroyed, but The Citizen exploded the reason why the article had been destroyed.

Questions were raised in Parliament and the Minister of Finance said that the Sunday Times report had been aimed at showing that South Africa's economy was in bad shape, which it was not.

But it was not what was said in Parliament which led to the suppression of brokers' publications; it was the lobbying behind the scenes which ultimately ended the flow of information. The JSE committee agreed to brokers' being gagged, with the cellulose tape being applied more severely than at any time in the past.

Brokers' material may not get into the hands of newspaper writers and if they do get hold of circulars, they may not publish the contents which are copyright and "strictly for clients."

Just what has been achieved by this gag no one will ever know. It was applied when the Minister of Finance had a rush of blood to the head and followed the then Government policy which was to prohibit, ban or control rather than to reason and see the longer-term advantage which can be gained by the wider dissemination of information — even if it superficially might appear to be disadvantageous or critical.

That was back in the first quarter of 1978.

Since then, South Africa has moved a long way — and in the right direction. A further forward step would be to encourage a free market by the free flow of information such as enjoyed in London and New York. The more intelligent comment emanating from the stock exchange the more the share market become free, and free-trading, with everyone having equal access to material facts.

Perhaps not quite equal because obviously brokers' clients are entitled to received priority information. But once they have their circulars, the wider the circulation the better.

Perhaps Senator Horwood will re-think his 1978 stand in 1980. Times have changed and so have official attitudes. If his department exercises a little less control over the JSE it will be a clear indication that South Africa means what its says about the private enterprise system and that present policies are not window-dressing to create a favourable image in the West.