FINANCE — 1987

JANUARY — MARCH

STOCKBROKERS' RATINGS

58 FINMAIL 2/1/87

Maintaining the pace

***They work hard at understanding their industries, they have great contacts inside the companies they follow, they do tolerably well at forecasting earnings, and if only they knew how to pick stocks that go up, their customers could all be rich* — Fortune, October 1984.**

Moves between firms and emigration do not seem to have weakened the competition between Diagonal Street's investment analysts. Soaring capitalisations of some sectors may have influenced the overall ratings, but it took all-round strength to do really well.

On the face of it, the investment analyst's job may look deceptively easy in a bull market. But as the investing institutions well know, markets don't go up forever, and nor can share prices of even well-managed companies be relied on to keep rising just because earnings improve.

Even when times are good on the JSE, performance is paramount, and the large institutional investors take keen interest in the quality of research material they receive from stockbroking firms. Judging by the response to the *FM*'s annual survey of stockbrokers — this is the 10th — competition has remained as intense as ever.

Notwithstanding the musical chairs and emigration of the past two years, there does not appear to be any strong feeling that quality of work has deteriorated. Some 60% of the respondents said the overall quality of research was the same, 27% said it had improved, and only 13% said it had deteriorated.

As usual, the survey is based strictly on opinions of financial institutions on investment research produced specifically for institutions. It does not attempt to assess the often quite different research and other services aimed at the individual investor. Many firms target their business largely at the individual. These, therefore, could not be expected to come out on top in a survey based entirely on the views of institutions.

For the third year now, instead of the one-man-one-vote system, certain of the replies from participating institutions have been weighted. Of the 46 institutions and pension funds that received questionnaires, we selected a Top 10 and a second group of 10 — an "A" team and a "B" team, with a "C" team represented by the remainder.

Although the questionnaires are confidential, and the returns cannot usually be linked to specific organisations, we were able to identify which of the replies fall into each category. Replies from the "A" and "B" team were weighted, those from the "A" team more heavily.

Obviously, this means that a relatively small number of institutions, essentially the larger ones, bring a substantial influence to bear on the results. Their influence is made even stronger by their relatively high rate of returns. Questionnaires were returned by 80% of the "A" team and by 70% of the "B" team. Incidentally, the overall return rate was 52%, about the same as last year. Here, we would like to thank all those who participated.

Given the importance of each of the replies from the weighted respondents, we did not simply rely on our own judgment when deciding who to weight. To make the weighting as objective as possible, this time we asked eight stockbroking firms to submit their own lists, and from these we drew a consensus which was used as the basis for the final list.

A couple of points should be noted when looking at the ranking of overall leaders. In previous surveys, when calculating overall rankings, each broking firm's performances in the various market sectors have been weighted according to market capitalisation. That method was used again this time.

However, because it is impossible to attach a realistic weighting to non-equity categories such as economic trends and technical analysis, we have departed from the usual format. In compiling the overall leaders table, no account was taken of market movement and timing, technical analysis, economic trends, and international markets.

All of these are important and are shown separately elsewhere. But the overall table is now intended simply as a ranking of research performances in sectors listed on the JSE. The latest overall rankings cannot be compared directly with last year's, so previous positions were omitted. Still, it's interesting to note that the top three positions are unchanged.

Another point is that weighting sectors according to market capitalisation may work to the advantage of some firms and to the disadvantage of others. Substantial increases over the past couple of years in the capitalisations of gold, diamonds and mining financials may have helped tip the scales for some firms. Yet that does not alter the fact that a good overall performance is needed to do really well in the overall table. This, more than anything else, is what ensured that Martin and Ivor Jones, Roy comfortably retained their first and second places — Martin having been the top-rated research firm since the first *FM* survey in 1977.

Two new sections were added this year: firms are rated for their ability to judge market movements and timing; and both firms and individual analysts are rated under property and property trusts, whose capitalisation has increased substantially in recent years.

Some may feel that market movements and timing are covered well enough under technical analysis. However, it can be convincingly argued that a much broader cate-

OVERALL LEADERS

— Equity research

1. Martin
2. Ivor Jones, Roy
3. Fergusson Bros, Hall, Stewart
4. Frankel, Kruger
5. Mathison & Hollidge
6. Max Pollak & Freemantle
7. Simpson, Frater, Stein & Strong
8. Davis, Borkum Hare
9. J D Anderson
10. Ed Hern, Rudolph

Note: These rankings are based only on ratings for research on sectors listed on JSE. Gilts, technical research and economic trends are excluded.

DEALING

1. Davis, Borkum Hare
2. Ivor Jones, Roy
3. J D Anderson
4. Martin

ADMINISTRATION

1. Davis, Borkum Hare
2. Martin
3. J D Anderson
4. Max Pollak & Freemantle

Martin's winners (l to r): Von Glehn, Mills, Maynard, Pengilly

Weak rand leaves medical aid societies in crisis

(299) (58) SMN 6/1/86.

Faced with a cash crisis and collapse, members of the medical aid industry must make three crucial choices this year or run an increasing risk of liquidation.

Mr Barry Simpson, chairman of the scheme serving South Africa's largest corporate group, the R16 000 million Barlow Rand conglomerate, the crisis has been precipitated mainly by the collapse of the rand — making imported ingredients for medicines far more expensive.

And the number of claims by members has skyrocketed.

"Either we've been markedly more sick this year, or there's been an element of irresponsibility among members, who have adopted the attitude: 'The medical aid will pay for everything'."

Thirdly, the cost of treatment has leapt.

Mr Simpson says the choices most widely accepted in answer to these problems are:

- Medical aid societies and schemes can attempt to substantially increase members' contibutions yet again. Last year contributions were increased two or three times, in each instance by at least 20 percent.
- Societies might have to reduce benefits. "This would almost certainly lead to individual hardship," said Mr Simpson.
- The third choice is a combination of the first two.

Mr Simpson said: "None of the alternatives will be popular. So it's really up to members to think twice before seeking medical assistance if it's not really essential."

Interviewed in the latest issue of Barlows's publication, *Barlows 86*, Mr Simpson said that, like other schemes, the Barlow Rand Medical Scheme (BRMS) is looking at ideas like a sort of "no-claims bonus" for members whose total annual claims are below the average.

"Unfortunately, an obstacle to many of the developments we've considered is that the statute regulating medical schemes does not permit many of the new ideas to be implemented."

He sid the BRMS was financially sound "for the moment".

"But to remain viable we've had to increase our 23 000 members' contributions twice in a year — by 20 percent last January and by a further 20 percent in October."

This represented a cumulative total of 44 percent — twice the rate of inflation.

Mr Simpson said professional fees — doctors, specialists, dentists and hospitals — have had dramatic increases.

He added: "Regarding medicines, an insignificant proportion of the ingredients is produced commercially in South Africa. This means that we have to rely heavily on imports.

"Consequently, the decline of the rand against overseas currencies has pushed up prices very significantly."

Referring to the treatment of members, Mr Simpson said: "The average number of treatments per member has risen considerably above 1985 levels.

"This suggests we have either been markedly more sick or there's been an element of irresponsibily on the part of some members.

"Our graphs show clearly the large increase in number of treatments. Our analyses also show that there has been a substantial growth in so-called minor ailments.

"It's possible that the psychological state of the nation has has been a factor in more frequent visits to doctors, but I'm not aware of any statistics or research to prove it.

'DRAMATIC RISE IN OVERSERVICING'

"Certainly we've noticed a large increase in medication dispensed. This trend has been marked for a few years now.

"But 1986 suggests that a dramatic rise in overservicing has also occurred."

Mr Simpson acknowledged that many specialists send patients to expensive private clinics without considering the financial status of the patient, who often has to "pay in" for treatment.

He commented: "If the patient's problem is serious or urgent and cannot wait — as in heart by-pass and bad trauma — the important thing is to get the quickest and best treatment.

"However, if there's a low urgency factor, I believe the time has now come for members to develop the habit of negotiating the cost.

"Some specialists are also shareholders in private clinics, and it's only natural that they promote these clinics ahead of those in which they do not have a direct interest.

"The final choice, however, ought to be what suits the patient most. If he's in doubt, he should refer back to his general practitioner in very much the same way as he would get a second opinion.

"We shop around when we buy consumer goods. We've got every right to get value in our health care too."

Of the breakdown in communication between the medical profession and medical aid schemes, Mr Simpson said: "Until recently, the Medical and Dental Council would hear evidence for tariff increases and make a ruling. But this system has changed.

"Currently, for example, where doctors increase their charges, the Representative Association of Medical Schemes (RAMS) must review its tariff in three months and may adjust tariffs.

"Thus we see Press reports of furious rows developing between RAMS and the associations representing various branches of the nation's health services.

"Obviously, the argument relates to conflicts over what are excessive fees.

"At present, Rams has not offered doctors who charge tariff rates (contracted in) any increase for 1987.

"Therefore, the way for them to fight inflation is to cut costs, increase the number of visits per patient per day or, possibly, to dispense medicines."

The other option is for them to charge above the tariff. In this case, the medical scheme will usually only reimburse the patient at the tariff rate and he then has to settle the doctor's account in full himself.

"However, the currently adverse financial situation cannot be solved just by controlling external cost increases.

"We are all simply going to have to exercise more restraint over the number of visits we make to doctors and specialists, the treatments received, and presciptions dispensed." — Sapa.

BUSDAY

Changes spell tighter control of SA banking

4/1/87

58

ALAN SENDZUL

TIGHTER control over SA's foreign banking operations will follow from changes in the banks reporting procedures gazetted last week.

The improved flow of timeous and more penetrating information called for under the new regulations will give the central bank supervisory control, bringing SA closer to internationally accepted standards.

Foreign branches of local banks now have to comply with all the new SA banking requirements and will have to report their foreign exchange positions regularly to the Reserve Bank.

This will prevent any build-up in the banking system going undetected by the SA authorities who have ultimate responsibility to the foreign central bank.

The regulation also requires the balance sheet of foreign and homeland branches to be consolidated with

To Page 2

New controls over SA foreign banking

BUSDAY 58 4/1/87

From Page 1

the parents' accounts.

A major change for which all banks have been preparing is basing banks' capital and reserves on the risk profile of their assets (their advances and discounts) and not on their liabilities such as deposits.

This adaptation to international standards comes after two years of consultation between the authorities and the banking sector and will instil greater confidence in the SA banking system.

"The regulations will virtually move us in line with the Basle Concordat's specifications for control over foreign and domestic banking activities," says Reserve Bank senior deputy governor Japie Jacobs.

The revamped returns which the banks and discount houses will submit to the central bank are likely to be free of previous ambiguities which had led to banking institutions openly interpreting currency limits to the detriment of the exchange rate by taking positions against the rand.

Optimistic prediction of $0,50

Dealers bullish about near-term rand prospects

58

HAROLD FRIDJHON

IN the past few trading days the rand has shown a burst of strength which has taken it from $0,4495 to $0,4630. And the chief dealers of the major banks are bullish about the near-term prospects of the currency.

Head of forex of a major bank said yesterday that he could see the rand going to $0,49/50 "in the next few months", but his is far from a consensus view. Others are more conservatively optimistic.

The average forecast for the next few weeks is a rand trading around $0,47, with one banker suggesting that when it does break above the $0,47 mark importers would be advised to take advantage of this level and buy forward cover. This should not be misconstrued as his being bearish at that level but merely acting prudently because the strength of the rand is directly related to the weakness of the dollar and its reaction to the price of gold.

Although most views on the dollar are currently very bearish, one foreign exchange analyst commented that until the New York foreign exchange market opened yesterday one could not talk dollars with any certainty. Forex trading worldwide has been very thin over the holiday period with dealers shying away from taking open positions.

The bear run against the dollar appears to have been triggered off in Europe and followed through in the Eastern markets. Yesterday the dollar picked up a little strength in uneven trading; the markets were not yet in their swing.

The local bulls in the forex market were quick to point out that gold price movements were steadier than those in the dollar and a major bank chief dealer whose predictions in the past have been reasonably accurate spoke confidently about the price of the metal reaching $500 during 1987.

He based this forecast on the dollar falling to 1,80 German marks and possibly going lower. On this basis he said that he could see the rand reaching $0,48.

Dollar weakness, he said, stemmed from the US trade and fiscal deficits as well as from uncertainty generated by the long run up to next year's presidential election — with the Democrats doing all that they could to discredit the Republican administration. The yen would strengthen.

But a completely contrary opinion was expressed by a usually conservative forex manager who said that a European contact had told him that the Germans and the Japanese were most concerned about the dollar weakness, which made their exports expensive in dollar terms. Reduced foreign earnings at a time when the oil price could start to rise again could affect their payment balances.

The central banks of these two countries would act to prevent the dollar sliding too low.

The rand has been nudged higher by the Reserve Bank, which appears to be trying to establish the currency on a higher level than that on which it has been trading during the closing months of last year. And the thinness of the post holiday markets has enabled the central bank to sustain this support without any difficulty.

The local market has seen very few corporate importers and with export proceeds coming into the market — and with dollars being offered by the Reserve Bank periodically through brokers — the rand had to go higher.

With the gold price moving up in the closing days of last month the end-of-December Reserve Bank statement should reflect a very strong reserve position, which suggests that the rand can be given whatever support is deemed necessary.

Extend banking to all, says HSRC

BUS DAY 7/1/87 58

EXTENDING modern banking facilities in SA to First World clients and withholding them from the Third World majority could increase the gulf between the two economic systems, the Human Sciences Research Council said yesterday.

Senior researcher Dr Ros Hirschowitz, who had studied technological developments in banking, found that all the segments of society should be considered when technological changes were adopted.

"The greatest concern in South African banking is the possible further division that can occur in a society in which a small minority have access to the new banking facilities and the majority do not," the HSRC said in a news release.

Computer-based technology had changed the face of banking in SA. Even the nature of bank managers' jobs had changed. They no longer dealt with routine aspects, as these were handled by computers, leaving only deviations to managers. — Sapa.

Capt Times 7/1/87

Mortgage rate cuts welcomed

58

Financial Editor

CUTS in the mortgage bond rate announced yesterday by the United Building Society (UBS) and Natal Building Society (NBS) will save the average family between R44 and R64 a month in repayments.

Estate agents said yesterday that they would also make it possible for people at the lower end of the market to qualify for a bond, as building societies normally grant one on the basis of repayments being a quarter of the breadwinner's salary.

Sapa reports that both the UBS and NBS will cut the mortgage rate for new borrowers to 13,5% from 15%, and UBS will cut the bond rate on existing loans to 14% from April 1.

This means that they are both above the rate of 12,5% currently charged by the Standard Bank. But estate agents said they expected to see building society rates drop still further.

Mr Jonathan Durr of Durr Estates, Mr Raymond Dunlee of Pam Golding Properties and Ms Joan Aronowitz of Real Estate 7 all said they expected to see the bond rate down to 10% by the end of the year.

Ms Aronowitz said the drop would have more than a psychological effect on prospective buyers. "An extra R44 a month can mean a lot to some young families."

She noted that repayments at 13,5% or 14% would seem low to people who had become accustomed to rates of between 18% and 19,5% a year ago.

A family with a bond of R40 000 over 20 years were paying R663,87 a month at 19,5% at the start of 1986.

They are now paying R526 at the current 15%. A drop to 14% will mean a payment of R497,50 and at 13,5% they will pay R482,92.

Mr Dunlee said the lower rate would also encourage investors to buy a house for letting, since they could expect a reasonable return.

□ More good news yesterday was that the gold price rose to $401,55 an ounce and the rand closed at $0,4645 after rising briefly to $0,47. — See Page 8.

Injured policeman dies

Cape Times 7/1/87

Staff Reporters

A POLICEMAN who was critically injured when he was hit by a stone on Sunday after an alleged racial incident in Laaiplek, died in Tygerberg Hospital last night.

Dr P Rossouw, the medical superintendent on duty at the hospital, said Constable Pieter J Van der Merwe, who sustained serious head injuries, died at 10.15pm in the intensive care unit.

He was married and lived in Vredenburg.

□ Comment, page 6

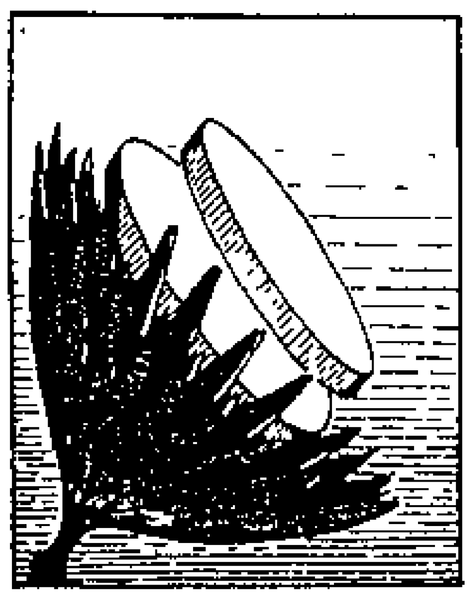
BUSINESS BRIEF

Gold (close)	$401,55
Rand	$0,4640/50
FT index (close)	1334,30
BD 100	1534,70

Fleeing taxi ...

58 FINMAIL 9/1/87

At full throttle



The new issue market sprang back to life last year. But institutional cash flows outstripped the supply of paper, and — together with a healthy gold price — should bring further appreciation in share prices.

Diagonal Street refurbished a long-neglected machine in 1986. After years of occasional use, the JSE's capital-raising mechanism roared into life and began churning out new listings like a Japanese production line.

Stockbrokers are generally pleased with the way the market handled the change of pace — one comments that 1986 silenced critics who condemned the JSE as a secondary market, more effective as a trading floor than a capital raising mechanism.

The amounts raised weren't that large — about R1,3 billion from 68 listings — but oversubscriptions were commonplace, and largescale stagging indicated the presence of crowds of small investors. The biggest beneficiary was the Development Capital Market, which began 1986 with only five listings and ended with 32.

Says Fergusson Brothers' William Bowler: "On a total return, equities have outperformed inflation long term — as more and more people realise." Adding weight to that theory is the 66% rise in the overall index from December 1985 to September 1986.

Overall, some 1,6 billion shares valued at R11,5 billion traded in 1986 compared with 956m shares valued at R6,4 billion in 1985.

While new listings were conspicuous crowd-pullers, many analysts will remember 1986 as the year of the gold share. From December 1985-September 1986 the JSE Actuaries all-gold index gained 85%, as the gold price topped US$440 — a 40% rise in nine months. A slow backwards somersault in the last three months saw many gains reduced and the all-gold index shed 10%, as gold dropped to about $390/oz and the rand price of gold fell from about R1 000/oz in September below R870/oz.

If gold share performances were impressive, diamond stock De Beers was spectacular, more than doubling. Analysts pinpoint it as the primary growth stock of 1986, certainly among blue-chips. The share has quadrupled in two years. Analysts continue to punt it for fundamental growth reasons, although the future advance might not be as dramatic as the share is no longer in a recovery phase.

Most analysts are also bullish on gold shares, although some say that at year end gold shares were marginally overpriced relative to the gold price. Gold's advance in the first few days of January went some way to substantiating December's prices.

Mathison & Hollidge's David Gleason expects "an average gold price of $430 in 1987. My reasons are falling US interest rates; a weakening dollar; steady double-digit money supply growth; and good prospects for a Democratic victory in the US in 1988: all of which add up to higher inflation and thus a higher gold price. New markets for gold are also opening up in the US and Far East."

Bowler says: "We continue to favour the mining sector with the possible exception of coal shares, which are still under question."

A higher gold price traditionally exerts a pull on the industrial sector. While it couldn't match mining gains, the industrial index beat inflation with a 38% increase in the nine months from December 1985.

While bullish on gold shares, Gleason is bearish on industrials. "The industrial market has crept up as a result of four coinciding factors — rising inflation, fear of inflation, anticipated real growth and falling interest rates, real and nominal. I don't believe the same coincidence will recur in 1987."

However, Bowler thinks financial and industrial shares will be dragged along by the buoyant mining sector and supported by fair growth in earnings and dividends. "Corporate profits will come through strongly, thanks to operational and financial gearing."

Re-rating of yields continued. The overall dividend yield is now 3,9%, against 4,9% a year ago and 5,8% at end-1984.

Max Pollak's Alan Hill feels: "There is still value in some areas. Yields may drop a little, but earnings performance of some companies has been good. I expect that to continue." Martin & Co expects earnings growth of 25%-40% over the next two years.

Simpson Frater's Charles Booth says: "The substantial earnings turnaround has been largely but not fully discounted. I am reasonably confident that the industrial index will rise by about 30% in 1987."

While there are hardly enough bears in the market to make a picnic, some voices of caution are to be heard.

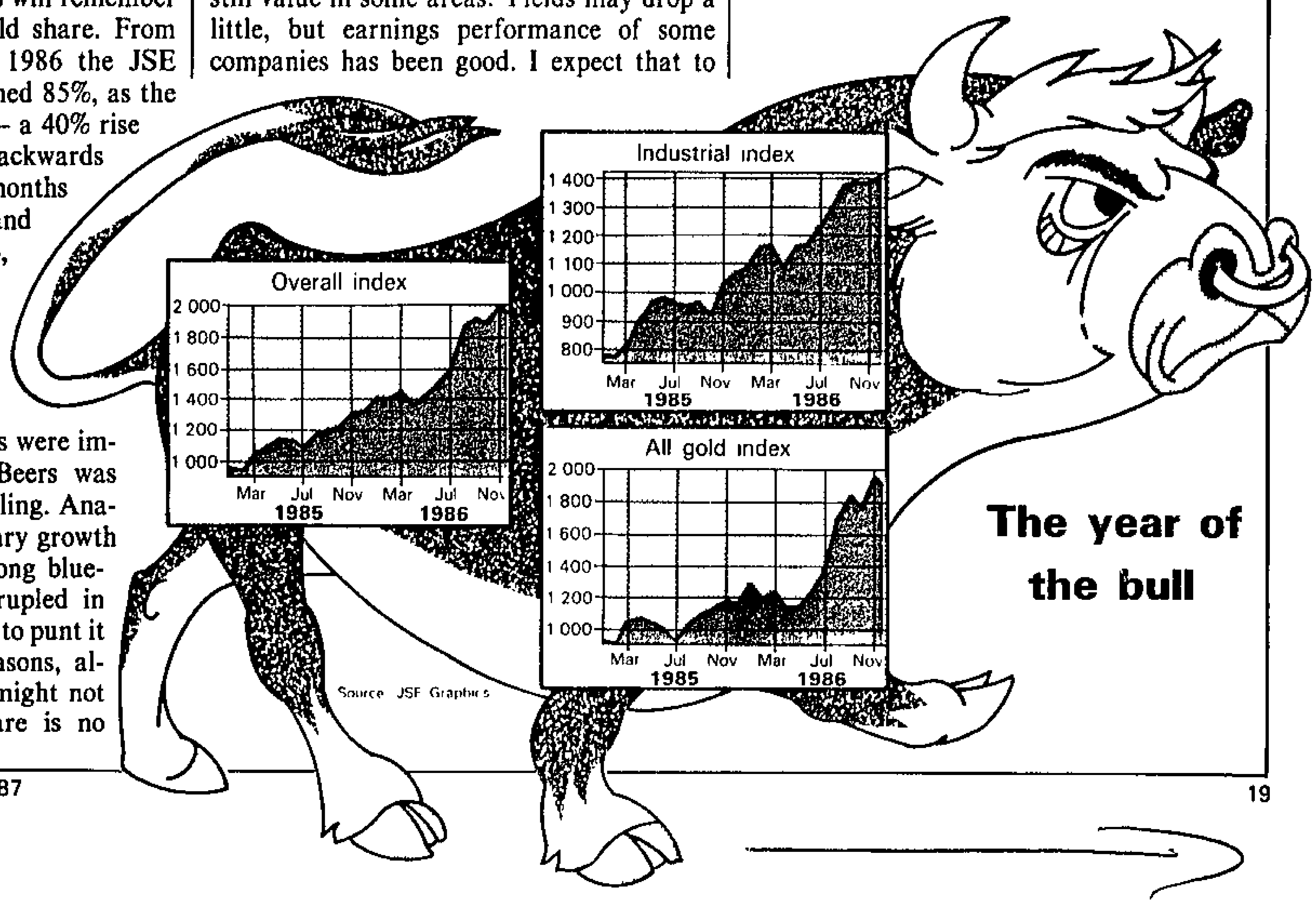
Leon Campher, a director of Syfrets Managed Assets, is fairly bullish on the mining board and mildly bullish on industrials, but warns investors to watch the financial rand as it could influence prices. He adds that there must be some uncertainty ahead of the election — elections are normally not good for the market — though there could also be buying opportunities.

The issue of privatisation also raises some questions. "If big financial institutions are asked to put funds aside for potential privatisation, it could affect sentiment even though the funds won't necessarily be deployed in the near future," says Campher.

Some investors are concerned about how the Margo Commission recommendations might affect the JSE. Recent incidents where profits made by share trusts have been taxed have heightened concern.

But Campher points out that in the case of individual portfolios, one is never sure whether profits will be taxed; a capital gains tax would at least bring a measure of certainty. He doesn't believe this would have much impact on the JSE, especially as a lot of trading is in untaxed portfolios — those of life offices and pension funds, for example.

The JSE boom in 1986 was overshadowed by sanctions and the increasing number of corporations jumping on the bandwagon



The year of the bull

heading out of SA. There is some concern that if there are more withdrawals of the size of the R526m Barclays Plc pull-out, there might be a siphoning off of institutional funds.

Estimates of daily institutional cash flow now range around R40m — half going into government stock, the rest into property and equity. Estimates for 1987 put institutional cash flow at about R16 billion.

Warns J D Anderson's Randall Carter: "Disinvestment is one factor that might slow growth in the industrial market in 1987, especially as hard-pressed consumers on their own will not be able to keep domestic expenditure on the move."

But Gleason says: "The traditional mop of surplus liquidity is the long-term gilt market. As long as Treasury holds its 3% borrowing rule, you won't see government coming with great demands for cash. So institutions will have surplus liquidity which they will use in the disinvestment area."

There has also been consistent net selling of South African shares by foreigners, according to Booth, who estimates their average net sales at about R50m a month in 1986.

JSE . . . not enough bears for a panic

Hill reckons net buying and selling have been within 10% of each other in the past few months. "The stampede is over, but interest won't return in a hurry. For that you need a blow-off in the gold price; I believe that will come later rather than sooner."

So while international markets are expanding into global, 24-hour trading, the JSE is facing increasing isolation; as Gleason says, "Not by design, but by exchange controls and the increasing disillusion with which the world views us."

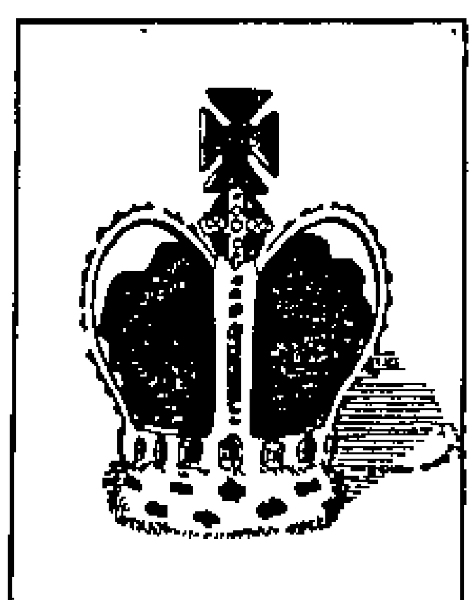
However, the market is attempting to follow some foreign trends. Brokers expect more freedom to advertise and still greater institutional involvement in the JSE. As long as exchange control traps institutional funds within SA there will be a need to create more scrip to absorb cash flow. Hill says the number of management buy-outs on the books of merchant banks is "astronomical" and expects a lot more paper to come to the market.

Whether new issues in 1987 will be greeted with the same euphoria remains to be seen. But I wouldn't bet against it, if the comments of some heavyweight analysts are anything to go by.

Kerry Clarke

THROGMORTON STREET

A tougher year ahead



The London Market closed 1986 at a historic high. But as the next UK general election looms, investors could become more cautious. And the long-term consequences of Big Bang will also start to emerge.

It passed almost without comment, but as the London stock market closed after a thunderous year of revolution, takeover battles, insider trading scandals and soaring turnover, the *Financial Times*-Actuaries All Share index (730 stocks) scraped to a new high.

It was a cheering (if inconclusive) end to eight months of indecision during which Throgmorton Street traded on a bumpy plateau after the spring eruption shared by other markets. In London's case, the confluence of takeovers and oil price euphoria sent equity indices up by an average of 26% from the mid-January low to early April. After that, they swung uneasily in a 10% range, threatening the long-term bull trend stretching back to the great bear market of 1974.

The final rally — the third since the May correction — started in anticipation of Big Bang on October 27. With help from a post-Bang jump in equity turnover to back over £1 billion a day (after it had wilted to around £600m), the market steamed upwards.

The privatisation of British Gas — calling for £2 billion of the £5,6 billion issue value — was satisfactorily swamped by 4m applications and opened at a 30% premium to the partly-paid price. There was also a margin of help from the only big bid of the second half, conglomerate BTR's £1,2 billion hostile offer for glassmaker Pilkington.

The closing nudge owed as much to firm oil prices ($17,80 a barrel) after Opec's agreement and a firm pound which gave hopes of lower interest rates, as to betting on an early election. With an emphatic lead in the opinion polls and a populist tax-cutting budget in the offing in March, Premier Margaret Thatcher is expected to seek (and win) a third term in office before the expected current account deficit forces the government to squeeze credit in the third quarter.

So there was some confidence that the other main equity indices, the *FT*-30 share blue-chip indicator and *FT*-Stock Exchange (100 biggest stocks), would track the most broadly based measure into new ground above the April peaks. The *FT*-Actuaries' 23,5% gain on the year was almost matched by 20% on the FTSE. But hobbled by Guinness (which is being investigated over methods used in the £2,5 billion takeover of Distillers), the *FT*-30 could only manage a 15,4% improvement.

While commentators were expressing anxiety over the hesitancy of the past eight months and the high reverse yield gap (6,8% against a more normal 6%), the market proved remarkably resilient in the face of a flood of new issues. Rights issues alone raised £10 billion, up by 66% on 1985. To that was added British Gas, the final tranche of £1,2 billion on British Telecom and the £1,5 billion Trustee Savings Bank flotation. In total, more than £17 billion in new issues of all kinds hit the market.

Remarkable, too, was a new feature: failed megabids. Takeovers valued at £8 billion were pending when 1986 dawned. And in the first-half height of the fever they totalled £15 billion (much financed by paper which required underwriting).

But then came the blockages or defeats. While Hanson Trust won Imperial Group and Guinness eventually secured Distillers, the GEC bid for Plessey was stymied by the Monopolies Commission; chain store Woolworths beat off a £1,6 billion assault from Dixon's; and Standard Chartered Bank was rescued from Lloyds' £1,2 billion by a group of white knights. In all cases, share prices of the target group lapsed badly afterwards.

The same may happen to Pilkington, which is mounting a vigorous defence — outside forecasts of a 75% profits rise may put the glassmaker out of BTR's reach.

The market is also partly underpinned by forecasts that with oil prices recovering, total corporate profits could rise by 16% this year — dropping the average p:e from 13,5 on 1986 earnings to 11,5, the rough norm since 1981. Consumer spending will be kept running by the 4% rise in real earnings — although forecasts of inflation rising by 1,5 points to nearly 5% will tend to narrow that later and sustain GDP growth of 2,7%.

Against that, privatisation will continue apace: British Airways this month, Rolls-Royce (aero-engines), and BAA (the air-

Upward trend expected in March

Instalment credit mostly slow — banks

(58) BusDay 9/1/87

LINDA ENSOR

DECEMBER demand for instalment credit by both the public and corporate sector was generally weak, although one bank experienced an upsurge in corporate business and another was well above budget.

December is normally a quiet month, particularly for corporate business, and volumes are expected to only resume their modest upward trend from March.

Wesbank's new-vehicle business increased 3% for November but showed no increase over December 1985, while Stannic's and Nedfin's new business remained static and Volkskas experienced a 13% decline in corporate industrial finance over December 1985.

Barnib and Trust Bank, however, were pleased with December volumes. Trust Bank's total instalment finance was 15% above budget and about 12,5% above the December 1985 figure.

Barnib MD Viv Bartlett said its December volumes had soared by 54% over December 1985, while for the whole of 1986 business had increased by 60% over the "disastrous" previous year.

"It was the second-highest volume figure ever — despite the fact that it is normally quiet in December," he told *Business Day*.

"The upturn which began manifesting itself strongly in September has carried through very nicely, and January is also looking reasonable."

The December increase in business volumes was experienced across the board in most aspects of the bank's business. It also took place in all parts of the country, even in the depressed Eastern Cape.

Bartlett attributed the upsurge to the critical need for companies to replace office equipment, computers and fleets and said the fact that Barnib's figures were out of line with general experience of the sector was probably due to the fact that it was moving off a smaller base and had taken a small share of the market.

Dun & Bradstreet's Paul Edwards agreed the upward trend in hire purchasing was due mainly to replacement expenditure.

Credit demand for plant and equipment throughout the sector is still slack.

9/1/87.

58 STAR

The Perm sends its congratulations

By Gerald L'Ange,
The Star's Africa News Service

LUSAKA — A congratulatory message from Mr Bob Tucker, head of the Permanent Building Society, was among telegrams and letters from bodies in several countries read at the ANC's 75th anniversary celebrations in Lusaka yesterday.

While armed Zambian soldiers watched from the balcony inside the Mulungushi Hall, a birthday cake iced in the African National Congress colours of black, yellow and green was carried in to the ANC president, Mr Oliver Tambo.

A choir in green and black uniforms sang as Mr Tambo received the cake. Through a thicket of TV cameras President Kenneth Kaunda could be seen beaming and waving the white handkerchief that has become his personal symbol.

The presentation of the cake was a light moment in an otherwise serious celebration of the organisation's 75th anniversary.

The highlights were speeches by Mr Tambo and President Kaunda and a news conference by the ANC leader for the large contingent of foreign journalists who came to Lusaka to cover the event. Mr Tambo's remarks cannot be published in South Africa because he is banned.

Security was tight and ANC officials suggested they half expected some sort of attack from South Africa, with the entire ANC hierarchy gathered in the hall and forming a tempting target.

The journalists and members of the public were searched before being allowed into the hall.

Midway through the ceremonies the sound of two explosions came into the hall from somewhere outside. Curious glances were exchanged but the proceedings continued uninterrupted.

Later, official sources said the explosions came from army field guns practising a 21-gun salute for the coming opening of Parliament.

Top officials of Swapo and the OAU Liberation Committee also spoke at the celebration.

Other messages of congratulation came from organisations in several countries, including the Palestinian Liberation Organisation, the World Council of Churches, the central committees of the Communist Parties of the Soviet Union and China, President Fidel Castro of Cuba, Australian trade unions, Socialist International, the United Nations Special Committee Against Apartheid and King Moshoeshoe II of Lesotho.

Members of the local diplomatic corps attended.

Aussie insurance group to sever all ties with SA

Dispatch Correspondent

JOHANNESBURG — The Australian-based international insurance group, Colonial Mutual, is about to sever all ties with its South African operation.

In a carefully-worded announcement yesterday, in which the word "disinvestment" was not mentioned, Colonial Mutual's general manager in South Africa, Mr Doug Cleland, said it was "in the process of becoming an independent South African operation".

Answering questions, Mr Cleland said that Colonial Mutual, which has its South African head office in Cape Town, was having exploratory talks with several other "established South African organizations offering complementary strengths" with a view to a possible merger.

Possible partners would not necessarily be Cape Town-based.

Asked if the link-up could be with a building society, Mr Cleland said: "At this stage we don't know."

He said that any merger or other relationship would be considered as an opportunity for expansion rather than rationalisation.

Colonial Mutual is South Africa's second oldest life assurer. It employs 800 people in this country, where it has total assets of more than R500 million and branch offices in every major city.

Although it is at present still part of an international group it is officially recognised in this country as a South African assurer controlled by a local board.

All funds from South African policy holders are retained here and secured by investments in this country.

Border post chaos

BATHO — Chaos reigned at the Ramatlabama border post yesterday, the first day of new visa requirements imposed on Botswana citizens entering Bophuthatswana.

Large crowds gathered at the border gates, but by mid-morning only 11 people had been allowed into Bophuthatswana. — Sapa

9/1/87 BUSDAY (58)

Foreigners ditch R850m of JSE shares

HAROLD FRIDJHON

FOREIGN investors offloaded JSE-listed shares worth R850m last year, according to stock exchange president Alastair Martin, compared with a net outflow of R350m in 1985.

At first glance it would appear that 1986 saw a marked acceleration in the rate of disinvestment in SA gold and mining financial equities. But Martin said yesterday that in the first four months of 1985, offshore investors were heavy buyers of these shares and it was only later in the year that they turned sellers to the tune of R650m.

A study done by brokers Davis Borkum in 1985 showed that US investors then held about R16,9bn worth of SA mining and mining financial equities. Adjusting this figure for the sharp increase in share prices and making allowance for net sales over the past 18 months, it is reasonable to assume that the current value of the US holding of SA equities is about R30bn.

PRICE MOVES AT A GLANCE

REUTERS

KEY MARKET MOVEMENTS — JANUARY 7 to JANUARY 8

Gold			JSE	Previous			Latest		Johannesburg Stock Exchange		
$/oz	$/oz	R/oz	Krugerrand	$/R Comm	$/R Fin	DM/$	£/R	3 months BA	All Gold BD Index	BD Indust Index	JSE Ov'all Index

Australian group to sever SA ties

Colonial Mutual explores merger, independence

Cape Times 10/1/87

58

By AUDREY D'ANGELO
Financial Editor

THE AUSTRALIAN-BASED international insurance group, Colonial Mutual, is about to sever all ties with its SA operation.

In a carefully-worded announcement yesterday, in which the word "divestment" was not mentioned, Colonial Mutual's GM in SA, Doug Cleland, said it was "in the process of becoming an independent SA operation".

'Exploratory talks'

Answering questions, Cleland said that Colonial Mutual, which has its SA head office in Cape Town, was already having exploratory talks with several other "established SA organizations offering complementary strengths" with a view to a possible merger.

Possible partners would not necessarily be Cape Town-based.

Asked if the link-up could be with a building society, Cleland said: "At this stage we don't know."

He said that any merger or other relationship would be considered as an opportunity for expansion, rather than rationalization.

Colonial Mutual is SA's second oldest life assurer. It employs 800 people in this country, where it has total assets of more than R500m and branch offices in every major city.

Although it is at present still part of an international group, it is officially recognized in this country as a South African assurer controlled by a local board.

All funds from SA policyholders are retained here and secured by investments in this country.

'Alternatives'

In yesterday's statement Cleland said that in anticipation of Colonial Mutual's parting from the international group and with the approval of the group board, the SA board and management were "investigating alternatives to strengthen the society's position in the SA market".

"It goes without saying that the traditions of the society will require that any decision we reach will take full and careful account of the interests of all those whom we serve — our policyholders, staff and business associates," Cleland said.

12/1/87
STAR

Barclays met ANC

The Star Bureau

LONDON — Barclays Bank has confirmed that it had talks with the African National Congress, as reported by a British newspaper at the weekend, but denied the claim that the meetings were tied to its recent withdrawal from South Africa or its desire to protect its R2 450-million loan exposure to the country.

The last meeting was in July, a bank spokesman said.

It also said Barclays' loans to South Africa were subject to the same 18-month repayment moratorium as loans by other banks.

A meeting took place with the ANC in Lusaka in 1985 and other contacts were made in London with ANC leader Mr Oliver Tambo, the bank said.

Ban on ANC ad cancels IFF counter

58

The Government's ban on "pro-African National Congress" advertisements has forced the International Freedom Foundation to cancel a counter advertisement which was to have been published at the weekend.

In a statement to The Star on Friday, the Johannesburg branch of the IFF said it had intended placing its own advertisement in local newspapers to counter the ANC's "disinformation campaign".

The IFF said it regretted the Government's overhasty action in banning the ANC advertisement placed in several newspapers last week by the United Democratic Front, the SA Council of Churches and several other organisations.

"This will naturally have the negative effect of curtailing discussion about the true facts regarding ANC terror," the IFF's Johannesburg executive chairman Mr Russel Crystal said.

He added that it had been the intention of the IFF to place its own advertisement in The Sunday Star, The *Sunday Tribune*, *Rapport* and *The Sunday Times* in order to reveal the facts of the "continued disinformation campaign of the UDF and other organisations concerning the ANC."

.ce.

Bank to hold talks

From JOHN BATTERSBY

LONDON — Barclays Bank and the London-based Anti-Apartheid Movement (AAM) have agreed to hold talks about the continued boycott of Barclays following its decision to withdraw from South Africa.

A Barclays spokesman said yesterday that the bank welcomed the decision by the AAM at its annual meeting in London at the weekend to accept the bank's invitation to discuss the matter.

An AAM spokesman said yesterday that the talks would begin soon.

The AAM also announced at the weekend that it had earmarked Shell as the next major target of its South Africa boycott campaign in 1987 and that it will soon begin picketing Shell petrol stations in Britain.

An AAM spokesman said yesterday, however, that the boycott of Barclays would continue although active campaigning had effectively been suspended for six months.

The AAM is demanding that Barclays sever all its credit lines to South Africa and the repayment of its frozen loans.

A spokesman for Shell said yesterday that there would be no change in policy as a result of the intensified anti-apartheid campaign.

"We believe that Shell is a positive force in bringing about the end of apartheid," a Shell spokesman said.

She said Shell believed it could achieve more by staying in South Africa and using its influence for change than by pulling out.

0D 3/11/87 58 59

CAPE TIMES 13/1/87 58 (60) 280

Bank, AAM to negotiate Barclays ban

Own Correspondent

LONDON. — Barclays Bank and the London-based Anti-Apartheid Movement (AAM) have agreed to hold talks on the continued boycott of Barclays following its decision to withdraw from South Africa.

A Barclays spokesman said yesterday that the bank welcomed the decision by the AAM at its annual meeting in London at the weekend to accept the bank's invitation to discuss the matter.

He said Barclays wanted to explain its position to the AAM and to put its case for having the boycott called off.

An AAM spokesman said yesterday, however, that the boycott of Barclays would continue, though active campaigning had effectively been suspended for six months.

The AAM is demanding that Barclays sever all its credit lines to South Africa as well as the repayment of its frozen loans, thus forcing Pretoria to default formally on its foreign debt.

Mr Mike Terry, secretary of the AAM, said yesterday that unless Barclays was prepared to cut its remaining links the AAM would resume active campaigning against the bank in the second half of the year.

Barclays yesterday also defended past contacts with the banned African National Congress and said that such contacts would continue in the future.

A Barclays spokesman said, however, that there was no question of discussing "financial matters" with the ANC and insisted that the repayment of R2 300-million in outstanding loans to South Africa was strictly a matter between Barclays and the SA government.

The AAM also announced at the weekend that it had earmarked Shell as the next major target of its South Africa boycott campaign and that it would soon begin picketing Shell petrol stations in Britain.

A spokeswoman for Shell said yesterday that there would be no change in policy as a result of the intensified anti-apartheid campaign.

"We believe that Shell is a positive force in bringing about the end of apartheid," she said. "We do not disagree with the AAM in its objective of dismantling apartheid, but merely on the means of how this can best be achieved."

(60) (58) (#A)

Barclays held talks with ANC leaders

LONDON. — Barclays Bank, which pulled out of South Africa recently, has held talks with leaders of the African National Congress (ANC.)

A spokesman for Barclays was confirming a report which appeared in the Independent newspaper on Saturday.

"Whilst we had an interest in Barclays National Bank in South Africa, we did have the occasional meeting with members of the ANC," the spokesman said.

He said the bank would keep in touch with the ANC "from time to time".

The Independent reported that Barclays was anxious to protect the £766 million (about R2 300m) owed to the bank in South Africa by persuading a future ANC government to honour the debt.

Barclays is unable to get this money back to Britain because of the South African government's freeze on debt repayments.

The spokesman said Barclays wanted the money back as quickly as possible.

"The reason for the meetings was simply to make contact with all those groups who could play a part in the future of the country," he said.

The spokesman said the first meeting between the bank and the ANC took place in 1985 in Lusaka and other meetings had been held since then in London with ANC leader Mr Oliver Tambo.

"Those meetings were private, rather than secret," he said.

The chairman of Barclays, Sir Timothy Bevan, who announced the decision in November to sell the bank's 40,4% holding in Barclays Bank South Africa, said the move was prompted mainly by commercial considerations.

Mr Bevan said the bank's involvement in South Africa had cost it business, particularly among students. — Sapa-Reuter

13/1/87 BUS DAY

AAM agrees to meet Barclays over boycott

JOHN BATTERSBY

LONDON — Barclays Bank and the London-based Anti-Apartheid Movement (AAM) have agreed to hold talks soon about the continued boycott of Barclays since its withdrawal from SA.

A Barclays spokesman said yesterday the bank welcomed the AAM's acceptance of the invitation to talk.

He said Barclays wanted to put its case for having the boycott called off.

The AAM also announced at the weekend it had earmarked Shell as the next major target of its SA boycott campaign in 1987 and it would soon begin picketing Shell petrol stations in Britain.

An AAM spokesman said, however, the Barclays boycott would continue although active campaigning had effectively been suspended for six months.

The AAM is demanding that Barclays sever all its credit lines to SA and the repayment of its frozen loans, thus forcing Pretoria to default formally on its foreign debt.

AAM secretary Mike Terry said unless Barclays cut its remaining links the AAM would resume active campaigning against Barclays in the second half of the year.

Barclays defended past contacts with the ANC and said such contacts would continue.

"As a major bank in black Africa Barclays would expect to continue to have contact with the ANC as with other leaders of opinion," the spokesman said.

A Barclays spokesman said, however, there was no question of discussing "financial matters" with the ANC and insisted the repayment of R2 300m in outstanding loans to SA was strictly a matter between Barclays and the SA Government.

The first meeting between Barclays directors and ANC leaders took place in 1985.

The last publicly acknowledged meeting took place in London in July last year during a visit by ANC president Oliver Tambo.

The meeting included Barclays' chairman Sir Timothy Bevan and two directors — Sir Martin Jacomb and Sir James Spooner — and Chris Ball, MD of Barnat and Tony Bloom, a director of Barnat.

Tambo was accompanied by senior ANC executive members including ANC secretary of information Thabo Mbeki, Jacob Zuma (former chief representative in Maputo), Mac Maharaj and Aziz Pahad.

The Barclays spokesman said he was not aware of further contacts between Barclays directors and the ANC since the decision to withdraw from SA was announced last month.

He also denied the contacts with the ANC had influenced the bank's decision to withdraw or that the ANC had been informed in advance of the decision.

Although Barclays was not prepared to confirm that it is expanding its business in the Frontline states, it is clear Britain's largest bank is out to improve its image in black Africa generally by capitalising on its decision to quit SA.

A spokesman for Shell said yesterday there would be no change in policy as a result of the intensified anti-apartheid campaign.

"We believe that Shell is a positive force in bringing about the end of apartheid," a Shell spokeswoman said.

"We do not disagree with the AAM in its objective of dismantling apartheid but merely on the means of how this can best be achieved," she said.

Metals' upsurge paves way

JSE records tumble in shares spree

58

BUS DAY 13/1/87

MERVYN HARRIS
and BRIAN ZLOTNICK

SHARE PRICES powered their way to fresh peaks on Diagonal Street yesterday in the wake of a renewed upsurge in the price of precious metals and further dollar weakness.

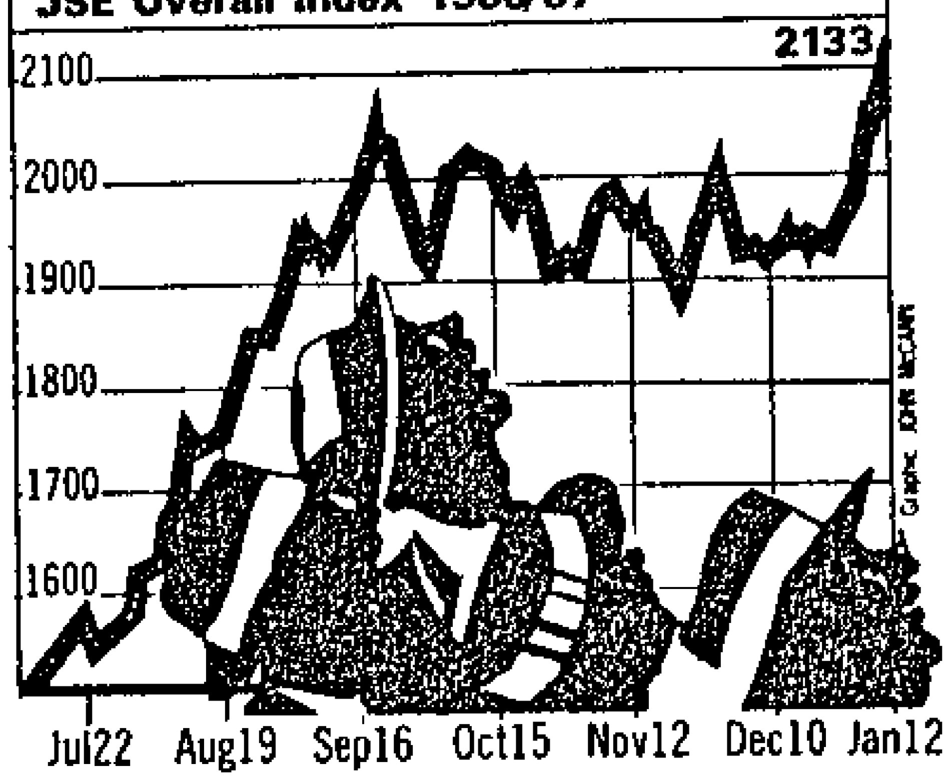
Records tumbled with the JSE overall index leaping 45 points to a new high of 2 133, reflecting the 49 point surge in the all gold index to a record 2 117 — surpassing the previous peak of 2 079 on September 22 last year — and the 12 point advance in the industrial index to an all-time high of 1 448.

Other mining, mining financials and mining house stocks covered new ground with De Beers at R40,25 and Anglo at R75,50 scaling previous heights.

The surge in gold stocks was sparked off by the swift upward move in the gold price through the chart-resistance level of $405 to $411.

Gold's latest rise was fuelled by the dollar crumbling to a six-and-a-half year

AT AN ALLTIME HIGH
JSE Overall Index 1986/87



low of below 1,90DM, a $31 jump in the platinum price to $536 and firmer oil prices.

Share prices moved vertically higher despite the commercial rand strengthening to $0,4760, its highest level since May last year, which acted as a brake on the rand gold price which continued to lan-

● To Page 2

BUS DAY

JSE shares hit new highs

58

13/1/87

● From Page 1

guish at about R865 — a far cry from the R1 000 it last reached in September.

Furthermore, the slightly improved finrand at $0,2250 had no effect on share prices of foreign-held stocks.

Lesser price gold stocks made the running in lively trade with Bracken shooting up 95c or 10,2% to 1 025c.

Dealers said it was more a retail (private clients) than an institutional market and generally noted little institutional interest although there was some profit-taking at the higher levels.

London remained a net seller but dealers noted that offloading appeared to be drying up.

William Bowler, head of research at stockbrokers Fergusson Bros, said: "There is a lot of strong buying pressure and, as long as the dollar gold price continues to firm, the market will go higher.

"What worries me is that if the dollar gold price falters, there could be a greater percentage fall in the downward adjustment of gold shares. The market, therefore, requires a little caution.

"The market has been overheated for some time and the more it goes ahead the more heated and nervous it becomes. This overbought position can persist for quite a while but it looks dangerous in the near term."

Richard Jesse, of Martin & Co, said the booming stockmarket was largely a question of there being no other good alternative avenues of investment.

He said: "At this time last year, investors could get 20% by putting their money on call as opposed to only 8% today, well below the inflation rate. There is an oversupply of property so there is no incentive in putting money into that.

"International currencies are looking hairy and unstable. This is essentially good for gold and its surge above $400 helps to boost confidence."

Jesse expects the market to go higher, fuelled by a shortage of gold scrip on an international basis, while industrials will remain on a firm as company strong profit growth comes through this year.

New issues will also keep the market on the boil.

The shattering of records on the JSE has occurred in tandem with major world stockmarkets hitting new highs.

However, should Wall Street fall sharply, some money might find its way into gold and further boost Diagonal Street.

58

Bullish mood for SA currency

Forex activity adds punch to a strong rand

HAROLD FRIDJHON

CURRENT activity in the foreign exchange market is contributing to a stronger rand which reached a high of $0,4760/70 yesterday before easing marginally at the close.

Although appreciating under the influence of a rising gold price and a weakening dollar, the rand was sustained in a busy day by the activities of importers and exporters.

While importers were cancelling their forward contracts because they believe there is still room for the rand to go higher and hoping to renew their forward deals nearer the expected peaks, exporters hastened to offload their dollars which diminish in value as the rand approaches the $0,48 mark.

The mood in the market is distinctly bullish for the rand as most dealers feel there is room for the dollar to drop lower than the 1,89 Deutschemark (at which it was trading at the time of writing) to test the DM1,80 level.

But it must be emphasised that forex dealers are not prepared to take a long view on the rand. While most recommend that, at present, importers need not take forward cover on short-term dollar commitments, they are hesitant to project six months ahead.

In *International Comment*, Standard Bank warns that the future performance of the currency hinges on the extent to which the 1987 foreign debt obligations can be met by the projected surplus on the current account of the balance of payments. But the warning is ameliorated by the comment that the downward pressures on the rand from debt negotiations may be less than in 1986.

On the other hand, if the election shows a swing to the right, foreign creditor banks may increase their demands for the repayment of loans falling outside the debt moratorium.

Standard sees the average exchange rate for the year averaging between $0,40 and $0,43. (With the rand currently as high as it is, and expected to hold for several weeks, this estimate suggests that during the year, it could break down to about $0,37 which is not a comforting thought).

The Standard forecast is based on assumptions that:

- The US dollar will follow a declining trend;
- Higher oil prices will induce inflationary trends impacting on the gold price;
- The SA current account will show a surplus of R2,8bn;
- The SA political environment will not deteriorate; and
- The foreign debt repayments, to be discussed in April, will be less than the current account surplus, with much of the unfrozen debt being rolled over.

Some downward pressure might be exerted against the rand in the build-up to the foreign debt negotiations, otherwise Standard expects that the rand will remain stable to firmer at levels above $0,45.

However, the shorter-term view in the market is that the rand could reach anywhere between $0,48 to $0,50.

But one forex manager considers $0,50 as a maximum ceiling because a stronger rand would have a deleterious effect on exporters. He considers the sanctions-threatened coal trade will become very vulnerable at that level particularly with the easing of international coal prices.

He is convinced that the Reserve Bank would carefully manage the currency if it shifted up into the "danger zone" and would retard any movement which may take it too high.

With the dollar appearing to be vulnerable, importers with payables aginst the dollar in currencies such as the Deutschemark, the Swiss franc and the yen, are advised by Standard to take out forward cover on future commitments. Exporters in this category could stay out of the forward market.

Plans going ahead for excess fee hike on cars

13/1/87 EP

By KEVIN CARLEAN

MOST insurance companies in Port Elizabeth are going ahead with plans to increase excess fees on policies for cars without anti-theft devices.

The new measures are being introduced countrywide by many insurance companies concerned about the dramatic increase in car thefts over the past year.

One company claimed that payouts for stolen cars had rocketed by more than 100% and police figures reveal that an average of 133 vehicles are stolen every day in South Africa.

The regional manager of IGI, Mr Keith Gafney, said the steps were designed to give some initiative to policy holders to minimise losses.

"If losses are not minimised, premiums will shoot up to unpayable levels," he said.

IGI was insisting that "high value" vehicles be fitted with burglar alarms as a condition of acceptance for motor insurance.

Anti-theft devices for other vehicles would be optional, but an additional R500 "theft excess" would be imposed if a stolen vehicle was not protected.

Santam would not be imposing a general security requirement for insurance cover, but had isolated certain "problem areas" where anti-theft devices would be required, the senior underwriting manager, Mr Piet Bester, said today.

In Johannesburg, new policies would stipulate that anti-theft devices be installed, but requirements in Port Elizabeth would be "less strict", he said.

In PE a R500 theft excess would be imposed for vehicles not locked in garages overnight.

Mr Bester said policy requirements in the rural areas would "remain largely unchanged".

SA Eagle may have to increase premiums for motor insurance or "even go so far as not granting cover" in certain cases, the general manager, Mr Brian Wilkinson, was quoted as saying in a Sunday newspaper.

The assistant manager of Mutual and Federal in Port Elizabeth, Mr P Lehman, said he was waiting for underwriting policy directives from head office, but the managing director, Mr Ken Saggers, said a compulsory theft excess of R500 or 5% of the insured vehicle's value would come into effect from March 1.

Commercial Union was one of the only companies not requiring anti-theft provisions as a condition for the acceptance of motor insurance.

The assistant manager, Mr Barry Mountford, said that in certain situations or in certain areas where vehicles where not locked in garages, special security arrangements might be stipulated, "but not as a general requirement".

Six die in three separate smashes in Western Cape

A FINN, Mr Hannu Olavi Kokko, 24, died after his car overturned on the midnight.

Those killed were Mr Wesley Haupt, 23, Mr

Overdose of slimming

Perm takes Sisulu to court

14/1/87 Sowetan

THE detained editor of the *New Nation*, Mr Zwelakhe Sisulu, was yesterday ordered by the Rand Supreme Court to repay a building society R21 000 or have his Dube home sold to meet this debt and costs of bringing the application.

The SA Perm had brought an application against Mr Sisulu before Mr Justice G Gordon.

Mr Sisulu, who is in detention, did not contest the application.

Costs

In papers before the court, the Perm said summonses had been served on Mr Sisulu.

Nobody was at his home so the deputy sheriff pinned them to his door.

This was on December 17, 1986.

The premises were locked, according to papers before the court. The summonses related to outstanding payments in a bond the Perm holds on the house.

Order

A default order was granted against Mr Sisulu.

He has to repay the full debt and the rights to the leasehold were given to the Perm. The Perm was also granted costs.

• Late yesterday Mr M J Grobler, public relations officer for the Perm, told the *Sowetan* his company would not continue with the execution of the order given by the court.

Detained

This was after we asked the company why it sought an order against a man who was in detention.

Mr Grobler said they had not been aware that Mr Sisulu was in detention and they would withdraw the action.

"He said the building society would instead try to meet the Sisulu family over the debt.

Motlana, V d Ross on Southern Life board

Cape Times 16/1/87. (58)

Financial Staff

THE Western Cape executive director of the Urban Foundation, Mr Benedict van der Ross, and the founder chairman of the Soweto Committee of 10, Dr Nthato Motlana, have been appointed to the board of the Southern Life Association.

Dr Motlana

Mr Van der Ross

Mr Van der Ross, who was born and bred in Cape Town, obtained a diploma in law at the University of Cape Town in 1969 and was admitted to the Cape Side Bar the following year.

He practised as an attorney for 16 years before joining the staff of the Urban Foundation full-time.

He has served on the board of governors of the foundation since its inception.

He is also a permanent member of the board of directors of Garden Cities and is on the Cape board of the Standard Bank of SA, the Cape Town local board of the Natal Building Society and the board of trustees of the University of the Western Cape.

Dr Motlana, who has been president of the Soweto Civic Association since 1977, is chairman of the Lesedi Clinic in Soweto, Gatehead (Pty) and the Gatehead Foundation. He also serves on the board of the Educational Opportunities Council.

He is a BSc of Fort Hare University and completed his medical studies at the University of the Witwatersrand. He has been in private practice since 1956.

58 FINMAIL 16/1/87

THE RAND

Counting the costs

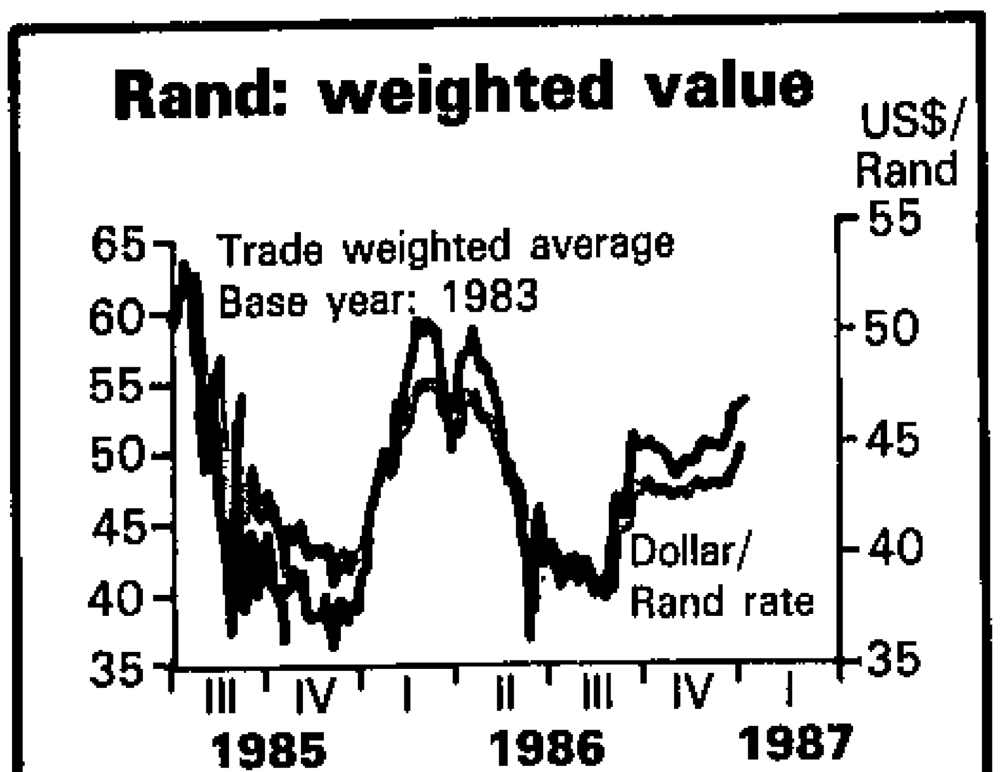
South Africans have worried about the effect of a depreciating currency for so long that examining the consequences of a rising rand is enough to induce a state of vertigo.

Improved prospects for gold — on the back of a weakening dollar — promise to pull the rand out of the doldrums. It's a refreshing idea.

But we now have to ask what the impact will be on a fragile economy that relies heavily on a surplus in current account to compensate for outflows on capital account.

Indeed, can SA afford a rand worth US50c?

As a barometer of the health of the economy, a higher rand is always encouraging. One thinks with nostalgia of 1980 when it was worth US$1,33. But the calculation is complicated by numerous variables. Like Topol, economists can only go from the one hand to the other.



Source: Standard Bank

Exporters may be divided into two: producers of commodities, largely denominated in dollars; and manufacturers whose goods are priced in rands.

For the first, volumes and receipts in dollar terms, all other things being equal, will remain the same while rand income will fall. Gold, minerals and coal fall into this category.

In the case of manufacturers who charge for goods in rands, receipts will remain the same, but only if the foreign importer is prepared to foot the higher dollar price — otherwise volumes will go down.

One of the most vulnerable sectors is coal, handicapped by a rate of inflation more than double that of Australia, for example, a major competitor. SA producers have been slashing prices to compete internationally.

Indeed, coal exports have performed far better than expected, according to the latest *Standard Bank Review*. If Opec manages to sustain higher oil prices, it adds, the coal market could firm, limiting sanctions damage to SA.

This hope must be balanced against a further appreciation in the rand.

MD of the Transvaal Coal Owners' Association Leslie Weiss points out that prices negotiated for delivery over the next few months were not based on anything like a rand worth US50c. "Whether people have taken forward cover I don't know but I think the tendency has been to remain open as far as possible."

However, in the longer term, lower prices of imported plant and equipment could benefit coal mines.

The other side of the coin, domestic manufacturing industry, also has to face hostile international markets with stiff competition from highly successful economies such as Korea and Taiwan — their currencies have not improved as much as the rand.

The increase of the rand against third currencies has not been as dramatic as against the dollar, so prices of SA goods in Europe and Japan may remain competitive. This is just as well, as research has shown considerable consumer sensitivity to price increases.

From a macro-economic viewpoint, the crucial question is how will a US50c rand affect the BoP? Lower revenues will, of course, be offset by lower import costs. It is difficult to compute the final outcome because information on imports provided by the Department of Customs and Excise is inadequate.

Will lower prices increase the marginal propensity to consume imported goods, thereby reducing BoP surplus? One analyst believes not significantly because, on the whole, demand for imports is not price-elastic. The bulk are indispensable — like crude oil, armaments and machinery.

A move from 45c to 50c would, of course, contribute significantly to reducing prices of imported goods, which could have a deflationary impact on the local economy.

"The relative effects on export income and inflation are not proportional," says Warren Smith, GM of the SA Foreign Trade Organisation. This is because of the time lag between the immediate reduction in export revenue and the benefits of lower costs of imports.

Whether the effect of lower prices or lower income will prevail remains to be seen.

Even were it possible to count the ultimate cost of a rising rand, there is a limit to how far the authorities could hold it down, should gold continue to rise in the face of a weakening dollar. The Reserve Bank, which officially has no target value for the rand, could slow the rise by buying dollars (as it seems to have this week) but, in the end, would have to allow market forces to dictate the price.

Many believe that a major mistake of the past was to keep the rand artificially low when gold went up to $850/oz.

"The result," says Azar Jammine, director and chief economist of Econometrix, "was a massive internal credit explosion, leading to many of the problems we are now facing."

It is to be hoped that lessons have been learnt. ■

☐ See *Leaders* and *Markets*

chain reaction spreading and multiplying the impact, cutting a path of devastation through the global economy.

To deal with both the known and the unknown hazards, central banks of the major Western countries are attempting to monitor banking activity more closely. Starting with the original Basle Concordat in 1975, they have devised and refined guidelines to ensure sound prudential requirements and supervisory practices throughout the world.

In 1978, SA was invited to participate in these discussions to ensure that supervisory standards were raised and co-ordinated, and that all banks were subjected to prudential control. Ideas were exchanged between the Reserve Bank and the banking industry in SA.

In 1985, the task of amending the Banks Act, 1965, was assigned to the Technical Committee, under the chairmanship of Reserve Bank Senior Deputy Governor Japie Jacobs.

The abolition of prescribed investments in July 1985 was the first fruit of the new legislation, followed by the introduction of new definitions of liquid assets and a new required ratio of these assets to liabilities. After a phasing-in period of one year, the new requirements were imposed in September 1986. Though the ratio required was actually reduced, a new method of calculating liabilities substantially increased the latter, effectively increasing the extent of banks' compulsory liquidity.

At the start of this year, another change became effective with the consolidation of reporting on domestic and international operations. This should prevent a recurrence of the situation in which the New York branch of Nedbank found itself a few years ago, when it was able to operate unsupervised by either South African or American banking authorities.

Also introduced this month were new capital adequacy requirements which have set higher standards of solvency. These will now be based not on the size of aggregate liabilities to the public, but on the risk profile of assets plus contingent liabilities.

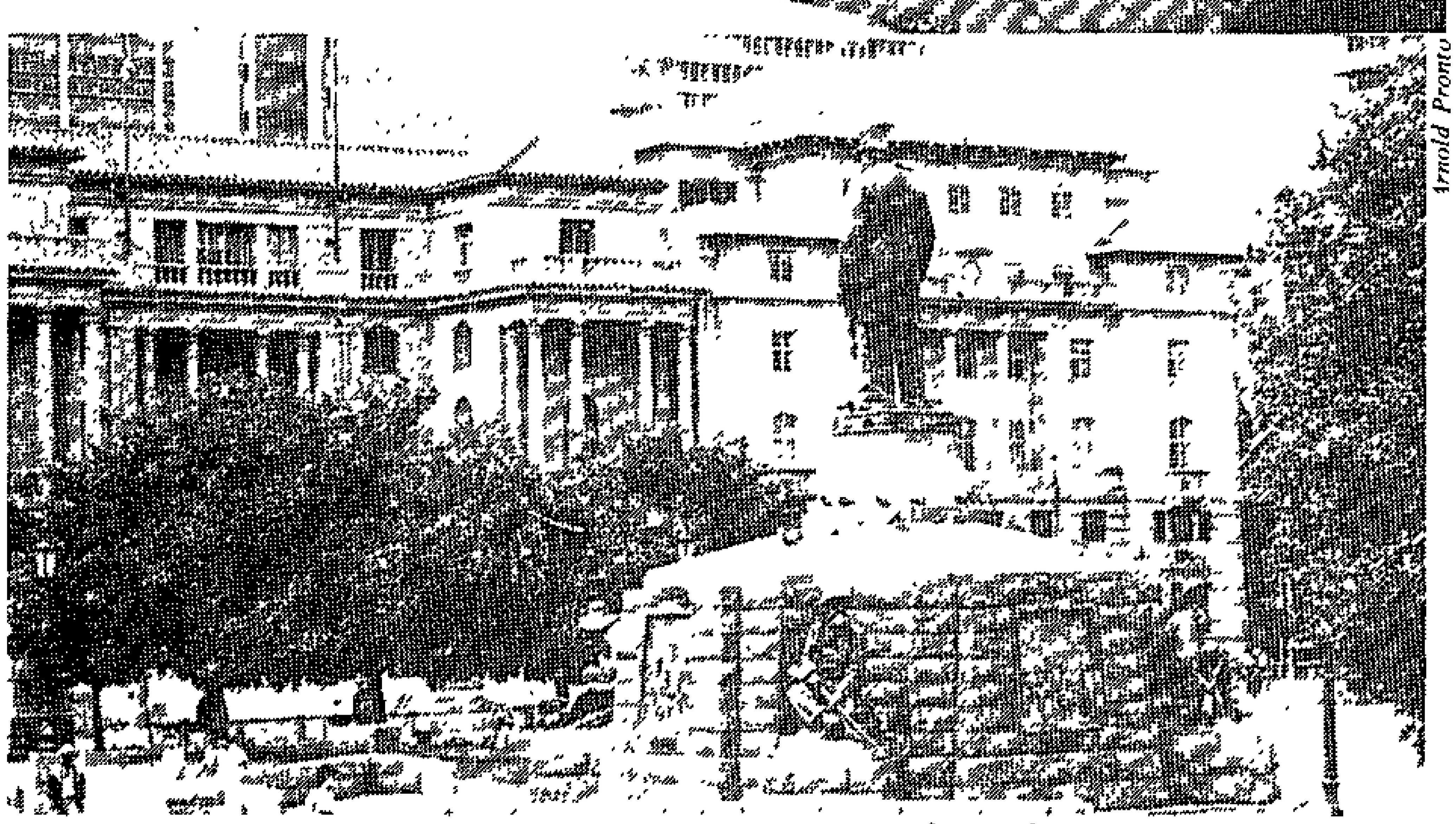
Crucial to establishing the ratio of capital required is, of course, the definition of capital. The emphasis in SA is on primary capital, but 20% may be secondary (subordinated) capital in the form of approved debentures. And a recent concession by the authorities has allowed the inclusion of undisclosed reserves.

Assets, the other element in the ratio, are divided into categories — ranging from cash and Treasury Bills, with a coefficient of 0%, to investments in certain types of shares, stocks and debentures, with a coefficient of 100%.

Current loans and advances, which are a bank's staple business, attract a capital requirement of 5%, as do bankers' acceptances; while leasing transactions and certain types of instalment sales have a coefficient fo 6%.

The capital requirement will be phased in over six years and, according to the formula suggested by the Technical Committee, banks will have to achieve 75% of their capital requirement at the end of 1987 and a further 5% every year until, at end-1992, they have 100%.

Jacobs believes few banks will have difficulty in complying with the 1987 target. In many cases, however, reaching the necessary level of solvency will depend on rights issues. Low demand for money in the past two years has depressed turnover, while inflation has increased expenses. These have combined to reduce profit growth. Now, future growth opportunities will be restricted by the need to keep assets in line with capital. This could give rise to a chicken-and-egg situation in which a bank can't add to capital without making profits, and can't make profits without disturbing capital adequacy.



Arnold Pronto

Reserve Bank and Deputy Governor Jacobs (inset) ... a fresh game

Most affected will be the major money-centred commercial banks which make large advances, thereby expanding assets; and also those groups which have previously made profits by diversifying into other areas.

The heavy impairment on investments in non-banking business will force groups like Volkskas, which had a wide (and recently unprofitable) involvement in industry, to reassess portfolios. Volkskas has already divested itself of most of its non-banking interests. And there will be every incentive for banks to stick to banking and the provision of bank-related services rather than diversify into other areas.

Price margins

An alternative to rearranging portfolios is ensuring larger margins. Although, right now, banks are reluctant to offer less or charge more than competitors, there will eventually most probably be a general adjustment in pricing.

It will be some time before all the results of the changes are known, and the Reserve Bank may have to accommodate unintended consequences. For instance, to hold down asset growth, banks could restrict credit facilities — which would counter the expansionary policies of the monetary authorities.

But whatever the implications for profits and monetary policy, the requirements are generally seen as prudentially sound. And Jacobs believes that the phasing-in period will give banks time to overcome their initial problems. He contends that far from being severe, the new requirements are a minimum.

While new solvency and liquidity standards have been catered for by changes in legislation, one important guideline of the revised Basle Concordat of 1983 is absent here. This deals with matching maturities of assets and liabilities. Banking analyst Johann Blersch of Ed Hern, Rudolph, points out that maturities have received little attention from the authorities and are not detailed in returns made by the banks. (Jacobs contends that the liquid asset requirements take care of this; and foreign operations are recorded in the BA forms 10 and 11.)

Also from January 1, contingent liabilities — such as guarantees, letters of credit and foreign exchange exposure — will be disclosed (below the line) on the balance sheet. This will finally bring SA's supervisory practices largely in line with principles and guidelines set out in the Concordat and place it ahead of many Western countries in respect of capital solvency requirements.

Ironically, now that legislation designed to make supervisory standards of South African banks internationally acceptable is finally in place, we are effectively isolated from the rest of the financial world.

However, the need to ensure the viability of the domestic banking system is unchanged. And when, at some future date, we rejoin the world, we will do so with an effective and sophisticated banking system. ■

Divestment not in long-term SA interests — Liberty Life

Cape Times 17/1/87

58

JOHANNESBURG. — In spite of "uninformed comment" claiming that "the withdrawal of foreign investments in South African subsidiaries could be favourable to SA", Liberty Life says in its latest Economic Review that it "firmly believes that disinvestment cannot be in SA's long-term interests".

The group adds: "It is to be hoped that other international companies will withstand the inevitable pressures that will be brought to bear on them to follow suit."

The report says that one of the main effects of current disinvestment is that "the country's already scarce savings and managerial skills are being diverted into 'buying back the farm' instead of being channelled into the vitally important areas of new ventures and job creation".

In the short term, however, "a slightly better picture (of prospects in 1987) is unfolding".

In spite of restraints like falling personal disposable incomes and an onerous tax structure, Liberty says it believes that "private consumption expenditure will show a modest real growth in 1987".

Factors likely to support increased consumer spending include:

- Higher revenue receipts from the sale of gold and other precious metals.
- Good prospects for the agricultural season.
- A generous round of wage and salary increases for civil servants.
- The possibility of fiscal stimulus "in the form of some reduction in personal taxes".

Liberty says that "as a result of the better outlook for private consumption expenditure, together with other positive factors, such as inventory rebuilding and increased fixed investment in both the private and public sectors, a real growth rate of 3% should prove to be attainable this year".

However, it should be appreciated that "the country is no nearer to overcoming its structural problems, which have stultified growth in the 1980s".

These problems centre on:

- The unacceptable rate of inflation.
- Excessive government expenditure.
- Above all, the political impasse, for which a solution acceptable to all parties appears to be a remote possibility.

"Thus, although the prospect for growth in 1987 appears reasonable, the outlook for 1988 and beyond remains extremely cloudy." — Sapa

Gold shares seen as 'expensive'

$0,40/42 rand punted for '87

CAPE TIMES 17/1/87 88

By AUDREY D'ANGELO
Financial Editor

THE RAND is unlikely to rise above $0,50 and will probably sink as low as from $0,40 to $0,42 this year, in the opinion of one of Cape Town's leading investment advisers.

The alternate director of Syfrets Managed Assets, Neil Cochrane, said in an interview yesterday that he also thought gold shares expensive in view of the mines' rising production costs.

Petrol price

But, in spite of a recent warning by a cross-section of investment analysts, Cochrane said he did not expect to see a major correction on the Johannesburg Stock Exchange (JSE) which would bring shares tumbling, "although it may well pause".

Discussing prospects for the rand, Cochrane said he did not expect it to weaken before the general election in April — particularly as this would cause a rise in the price of petrol.

He expected to see it "significantly weaker" before the end of the year but he thought that between $0,40 and $0,42 would be the bottom line.

Discussing prospects for the equity market, Cochrane said he did not see a major correction. There was nowhere else for investors to put their money — "certainly not in gilts, with their declining interest rates".

Cochrane said the institutions were behaving very responsibly in the market.

He thought gold shares were expensive now. "The rand price for gold is only up by 3%, the mines' working costs are up by 25% compared with an inflation rate under 20% — and the index is up by 80%.

"Clearly, there is something wrong somewhere and it is probably the index."

He said he would be quite happy to hold quality gold shares, which could absorb rising costs, but "the marginal mines look expensive".

Industrial shares looked more attractive than gold, now that interest charges had come down.

"I do not really see interest rates going up again so quickly. Where will the demand come from?

"I do not think we shall see all that much of a recovery, to absorb all liquidity."

However, there would be some rise in interest rates. "We would not be in long Escom stock."

Cochrane's forecast that the rand will come down fairly soon matches that of economist John Banos of Simpson, Frater, Stein & Strong, who says he does not expect it to break through the $0,50 mark and believes it will depreciate during the year even if the gold price improves to average about $440 an ounce.

Banos points out that although the rand has appreciated against the weaker dollar, it has depreciated by more than 29% against the Japanese yen and the average trade-weighted rand was 13,2% lower in 1986 than in 1985.

Sanctions

He says some of the factors which have pushed the rand up against the dollar are temporary, including a net inflow of capital of R43m during the last quarter of 1986, which is not likely to be repeated this year.

Banos also expects sanctions to have more effect on some exports this year.

And he thinks it unlikely that the authorities would like to see the rand appreciate above current levels.

He points out that they will want to build up foreign exchange reserves rather than strengthen the rand, which would harm export markets.

Perm drops charges against detained Sisulu

Cape Times 17/1/87

By HILARY VENABLES

THE SA Perm has dropped all legal action against detained New Nation editor Mr Zwelakhe Sisulu for failing to make a bond repayment on his home.

A Johannesburg court this week ordered Mr Sisulu to make immediate repayment of his outstanding bond commitments of more than R21 500 to the building society when he failed to pay a monthly instalment on the debt.

Mr Sisulu had been unable to settle the account because when he was detained several weeks ago, he had his building society deposit book in his possession.

The Perm turned down an earlier appeal from Mr Sisulu's lawyers for more time to make the payment and his mother, Mrs Albertina Sisulu, immediately deposited a cheque with the society.

But the cheque, meant for the Perm's bonds and mortgages department, failed to reach its destination after getting "lost in the system", according to the Perm.

By the time the society realized what had happened, the court had already ruled against Mr Sisulu.

The Perm immediately recalled the summons on Mr Sisulu's house and said in a statement yesterday that it would renounce the judgment.

Perm spokesman Mr Peter von Broembsen said yesterday his company would treat "sympathetically" any case of hardship brought to its attention which prevented a client from making a repayment.

"If we lack the knowledge of our client's circumstances, however, we will presume that he is in deliberate default," he said.

18/1/87

R300m African Bank docket

SUN TIMES

58

By Udo Rypstra

POLICE have completed their investigations into alleged foreign-currency dealings by at least five African Bank officials.

The docket is being studied by the Attorney-General of the Witwatersrand, who says a decision on prosecution can be made only in a month or two.

Klaus von Lieres und Wilkau, SC, says the allegations concern transactions involving about R300-million and a "profit" of about R100-million.

If anyone is charged, the trial will be the biggest-ever in SA relating to fraud and foreign-currency charges.

Suspended

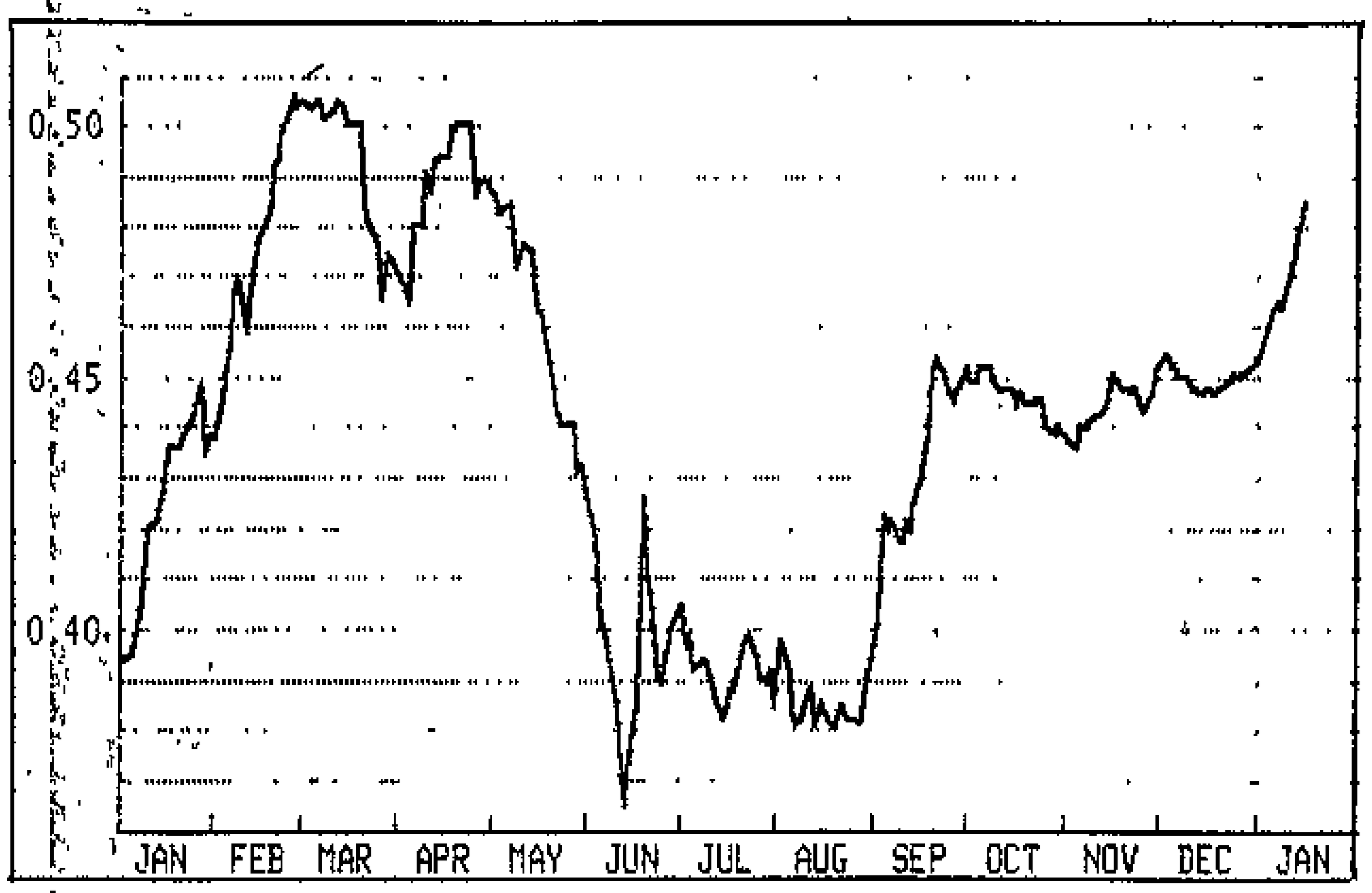
Nine officials were suspended in May last year after African Bank announced a profit of R6-million for the half-year to March. The previous year's profit was only R120 000.

It is believed that Reserve Bank officials were aware that something was amiss, but did little about it

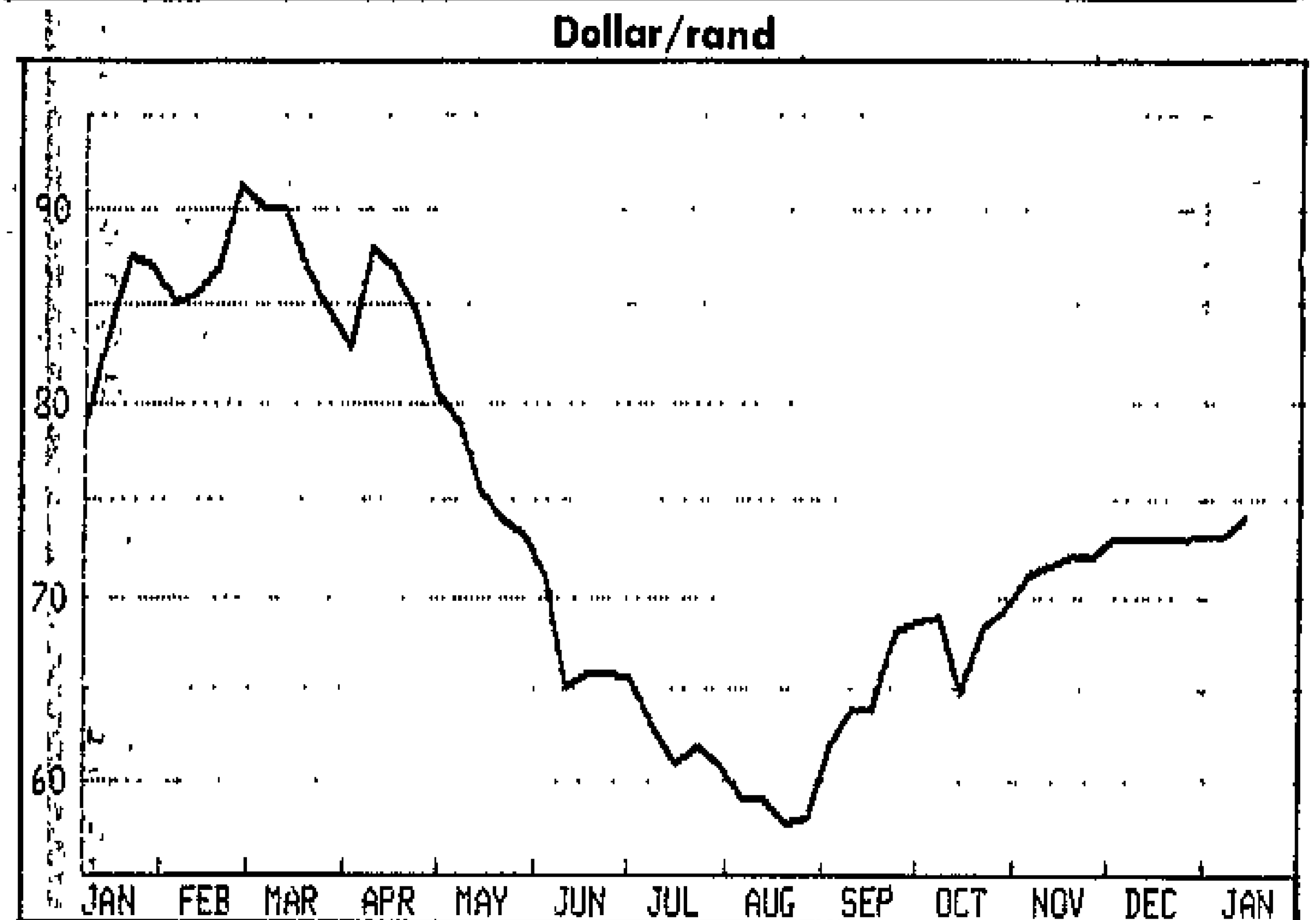
Investigations led by Brigadier Nollie Hulme, of police headquarters in Pretoria, started in May. The bulky docket was handed to Mr van Lieres's office late last year.

Limits to how much higher rand can rise

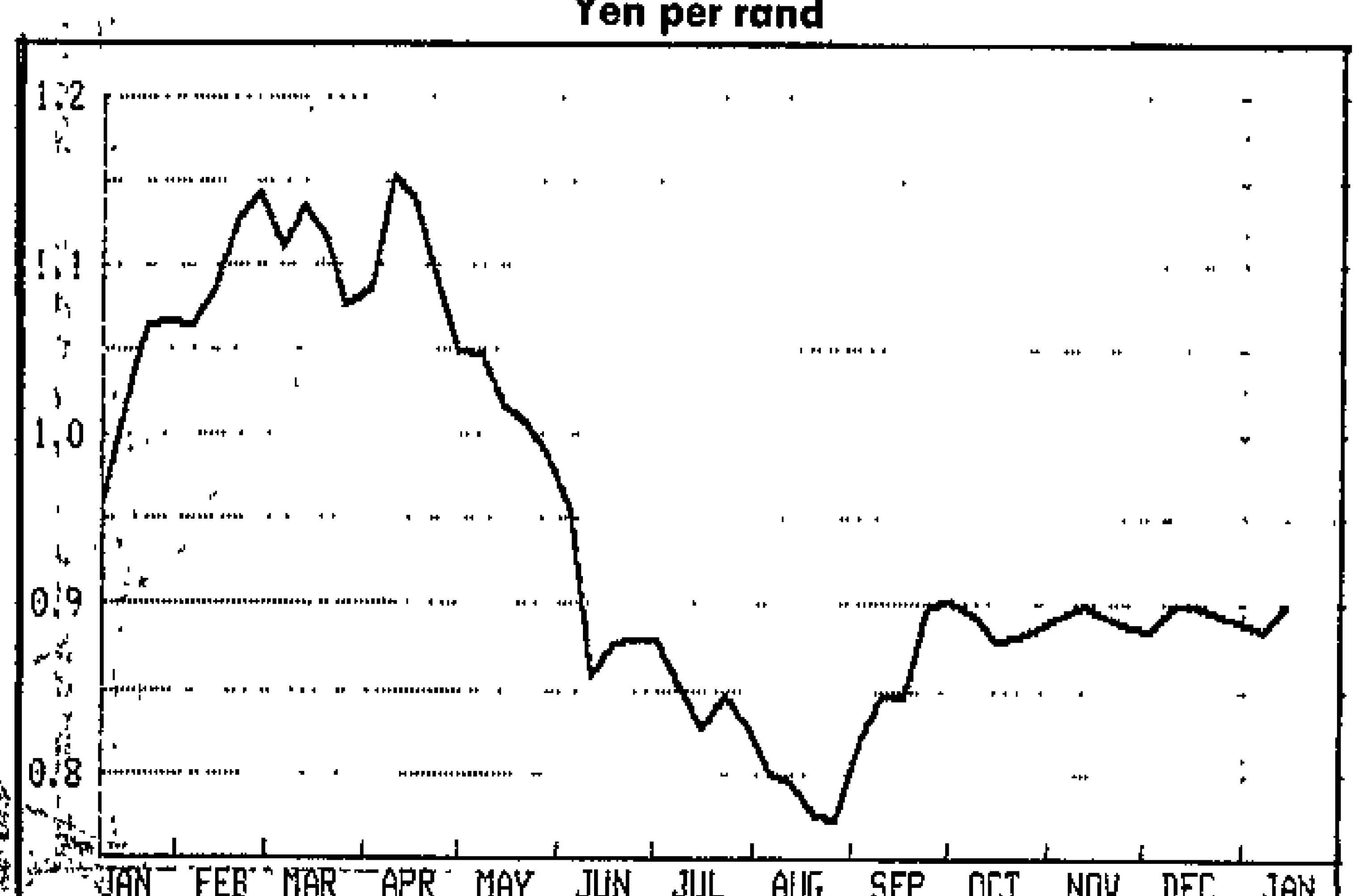
STAR 58 19/1/87



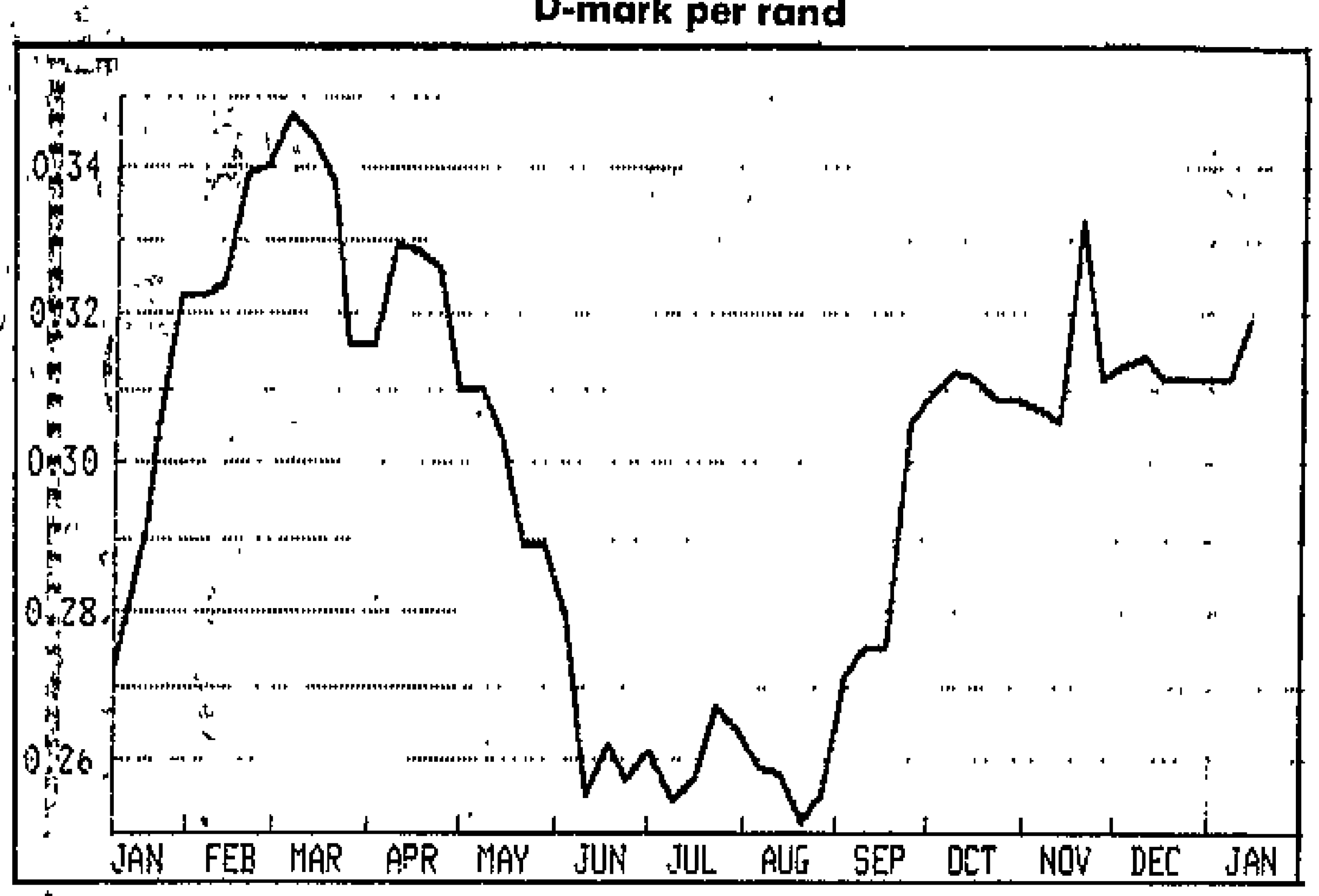
Dollar/rand



Yen per rand



D-mark per rand



Pounds per rand Graphs:Simpson Frater

By Magnus Heystek
Finance Editor

The rand is expected to rise even further against the US dollar this week, but fundamental factors weigh heavily against it remaining at its present high levels for too long.

Most economist still predict an average rate of between 40 and 43 US cents. Declines to below the 40 cents level later in the year cannot be ruled out.

While most dealers expect the present bull run in the rand against the dollar to continue past the 50 cents level, uncertainty about the next round of talks with creditor banks some time in April will soon start to have a negative impact.

Since its lower turning point in August last year, the rand has appreciated by more than 23 percent against the US dollar.

The primary reason for this reversal was a greater availability of dollars in the local foreign exchange market in the latter half of 1986. An increase in the gold price also had a positive impact on bearish market sentiment.

Also, most of the $420 million due to be paid back in terms of the accord reached with foreign banks in February last year, had been paid back by August. This left the local market even more flush with dollars.

No date has yet been set for talks with creditor banks, but a realistic evaluation of South Africa's foreign debt position leaves no doubt that the rand could come under considerable pressure.

More than $13 billion (out of a total of $24 billion) of foreign debt has already matured, of which $4,5 billion can be called up at any time by foreign creditors. This year another $2,3 billion matures, of which $1,1 billion falls outside the standstill net.

The outcome of the talks will be crucial. The most likely outcome is that a further five percent of South Africa's outstanding debt will have to be repaid. This will be possible if the gold price holds and sanctions and boycotts do not impact too negatively on foreign trade earnings.

Some commentators believe that certain foreign banks, especially American ones, will insist on repayment of more than five percent. It is unlikely that South Africa will agree to this, which makes a unilateral standstill a worst-case scenario.

Other factors making it unlikely for the rand to trade at around levels of 50 cents for too long include the need to build up a supply of dollars in the weeks and months leading up to the April talks. Such a build-up of reserves would enable the Reserve Bank to stabilize the rand in any future crisis.

With increasing international sanctions pressure, exporters desperately need the support of a weak currency. Last year the Minister of Finance, Mr Barend du Plessis, made it clear that exporters will not be left at the mercy of an appreciating currency.

This leads one to the conclusion that at some time the Reserve Bank will step in to protect the foreign earnings of exporters, some of whom are already under considerable sanctions pressure.

The rand's performance against other major currencies has been far from spectacular. Against the yen and the Deutschmark, hardly no progress has been made, as can be seen in the accompanying graphs.

For the motor industry in particular this is crucial. Virtually all of South Africa's motor vehicle kits and components are imported from Japan and West Germany.

At rates of 0,7 yen and 0,9Dm to the rand, motor manufacturers feel certain inflationary pressure will not emanate from those sources. But any exchange rate lower than this would contribute to higher local prices for new cars.

The same can be said about imports of appliances and other goods. If the rand stabilises at present levels, price increase can be held down to between 15 and 18 percent, industry sources say. Last year saw an average increase of 35 percent in the price of imported appliances and other white goods.

The good news, according to some economists, is that inflationary pressure due to a depreciating currency, is temporarily over. This means that once the impact of the rand's decline up to August last year has worked its way through the system, inflation can register lower year-on-year increases. This might even be evident in the rate of inflation for December, expected later this week.

(58) DD 19/1/87

Tutu: SA could fulfill criteria of a just war

JOHANNESBURG — The church could eventually be faced with a position where the violent overthrow of a government was the lesser of two evils, the Anglican Archbishop of Cape Town, Archbishop Desmond Tutu, said yesterday.

However, he told a press conference at his Soweto home after his return from an Australian tour that he still believed there was an outside chance of a "reasonably peaceful resolution" of the South African conflict.

The church had supported the armed struggle against Adolf Hitler as a lesser evil than that of the Nazi holocaust. This example could be applied to South Africa.

If all non-violent efforts to achieve a solution failed, the church would have no option, but to support violence.

Criticising the "distorted" manner in which his visit to Australia had been portrayed in South Africa, Archbishop Tutu said it was "really very sad for South Africa that only one side of the story was put across here."

He had a "wonderful, heart-warming reception" in Australia and people in that country would be amazed to hear of the type of coverage his visit had been given in South Africa, he said.

● The return of black children to school was one of the more positive developments in the country, he said.

Although government education was a "travesty", it was "better to receive even a very bad half loaf" than nothing at all.

● The Australian Journalists' Association (AJA) has sent a message of solidarity to South African journalists.

In a message read to reporters by Archbishop Tutu, the AJA said it expressed solidarity with and support for its colleagues in South Africa, especially those who had been jailed for their opposition to apartheid. — Sapa

Archbishop Tutu at the press conference at his Soweto home yesterday.

SA

COMPANIES

Old Mutual assets exceed R20-billion

JOHANNESBURG. — At the end of December 1986 the market value of Old Mutual's assets exceeded the R20-billion mark, having doubled on average every three years since passing the R1-billion mark.

Old Mutual is the first life office to reach this figure and has by far the largest asset base within the industry.

The R20-billion figure represents an increase of over R2-billion since June 30 last year and reinforces Old Mutual's position as the country's leading life office.

Old Mutual's total assets have doubled on average every three years since reaching the R1-billion mark in 1973. The R10-billion mark was reached during 1984 and again doubled to exceed the R20-billion figure by December last year.

These assets provide the security that Old Mutual will meet its future obligations to policy holders and beneficiaries. As a Mutual life assurer it has no shareholders and the assets are shared by more than 1,3 million individual policy holders and almost two million people covered by pension and group schemes administered by Old Mutual.

"Since becoming the first life office to pass the R2 000-million mark in premium income in April last year, Old Mutual's total reached R2241-million by the end of the 1986 financial year.

NEXT MILESTONE

"In our current financial year we are well placed to pass the next milestone of R2 500-million shortly," said Mr Mike Levett, managing director of Old Mutual.

More and more of the investing public are chanelling their money into life assurance companies in the belief that they will earn real long-term returns in excess of the high inflation rate, he said.

"A market-linked pure endowment with an annual premium of R2 500 taken out on 1 January 1977 had a projected value of R40 884 and paid out R82 439 (tax-free) on the same date this year — an after tax yield on investment of 21 percent during a period when the inflation rate averaged 14,2 percent," said Mr Levett. — Sapa.

The Perm withdraws Sisulu judgment

58

20/1/87 Sowetan

THE managing director of the South African Permanent Building Society yesterday said his organisation had acted responsibly in a very sensitive issue in the recent court action involving detained *New Nation* editor, Mr Zwelakhe Sisulu.

Mr Tucker said this as the controversy over the action continued in various circles.

In a statement he said management had acted immediately it became aware of the fact that judgment had been taken against Mr Sisulu.

He said: "Immediately we became aware we took the following action: All proceedings were stayed immediately. The attorneys were immediately instructed to withdraw the judgment and to arrange for publication of the withdrawal of the judgment in order to avoid damaging Mr Sisulu's credit standing.

"We did exactly what could be expected of us and in keeping with the Perm's attitude and responsibility to the community and sensitivity to the pressure exerted on it.

"It is obviously unfortunate that the judgment was taken in the first place but steps have been taken to avoid a similar recurrence.

"We look forward to the day when we live in an undivided society and all staff are sensitive to the pressures exerted on all sections of the community."

CM Times 20/1/87 (58)

Policy linked to unemployment

ONLY days after announcing an impending split with its Australian parent company, Cape Town-based Colonial Mutual (SA) yesterday launched an innovative new life insurance policy which allows payment to be suspended for a variety of reasons, including unemployment or study leave.

Assistant GM (life sales), Tim Wood, said Family Growplan had been developed in SA after extensive research into the needs of the society's main target market.

The policy is inflation-linked and it also acts as a savings scheme by providing regular tax-free cash payments, in addition to the large cash sum at the end of the investment period.

It includes inflation-linked funeral cover — this is Colonial Mutual's first venture into the funeral market — which covers the entire family and provides continuing benefits after the death of the breadwinner.

Police probe finance house

By MICHEL DESMIDT

THE operations of a Port Elizabeth finance house are being investigated by the police after receiving a complaint from a Grahamstown businessman who entered into a R4 000 loan agreement with the firm in September and has not yet received the money.

Mr Keith Brash, owner of Sketches Fast Food in Grahamstown, said the owner of the finance firm had repeatedly delayed payment of the loan, which he had required as part payment for his business.

He had applied for the loan in response to a newspaper advertisment in September. A company employee with whom he had dealt had guaranteed the money within two weeks on payment of a R400 "raising fee".

Despite repeated inquiries and promises that the money would be paid into his account on October 3 and then by mid-December, Mr Brash had received no money and his deposit had not been refunded.

The Eastern Cape police liaison officer, Major Eddie Everson, confirmed that the activities of the finance company were under investigation.

Mr Brash said he bought his business on the strength of the loan. When this had fallen through, he had salvaged the deal by undertaking to repay some of the former owner's debts.

Yesterday, when he came to PE to demand his money, the owner had asked for an extension till 1pm and then, when the money was still not forthcoming, till next week. He had then decided to lay a complaint with the police.

In an interview, the owner said she would repay Mr Brash his deposit on Friday. She denied a claim by Mr Brash that he had met at least eight people at the firm's offices who were demanding their loans.

She said clients were charged a 10% "raising fee" on loans, for which no interest was charged. She said Mr Brash had verbally cancelled the loan in a conversation with one of her former employees, but she could not say when.

BUDDA

58

Walking a tightrope between exporters and importers

Central bank expected to suppress rising rand

20/1/87

HAROLD FRIDJHON

BULLISH expectations for the rand are tempered by a strong market belief that the authorities will put a lid on its upward movement at about the $0,50 level to protect exports.

The hand of the Reserve Bank was seen in the market yesterday when the rand opened at $0,4935 from the weekend close of $0,4840. The central bank dampened market enthusiasm stimulated by a plummeting dollar and a soaring gold price. It pulled the rand down to $0,4895 and then allowed it to move up, slowly.

Standard Bank, in *International Comment*, says that in managing the rand, the Reserve Bank must also keep a watchful eye on the cross rates to ensure that a healthy current account surplus is built up in 1987 to meet foreign debt obligations.

Last week when the rand appreciated by 3% in terms of the US dollar it improved by only 1,9% against the basket of currencies. With the basket heavily weighted in favour of the dollar the rand has not made much headway against the other currencies.

The Reserve Bank forex managers have a high-wire task ahead of them. They will probably have to deal with a dollar flood if current perceptions about the currency are fulfilled. Dollars will flow in from gold and platinum. And Standard says exporters who have not covered future commitments might enter the forward market as sellers of dollars. This would tend to push the rand higher.

Exporters have, according to Standard, been reluctant to cover forward future dollar receivables because exchange-control regulations prevent the cancellation of covered export contracts.

Most banks are hesitant to predict the path of the rand this week. Volkskas sees it "trading above $0,48". Barclays' view is that it will move between $0,48 and $0,49. Standard is bolder; it envisages a trading range of $0,49 to $0,53 based on the premise that the dollar will continue to lose ground against the Deutchemark, the Swiss franc and the yen, with the gold price holding above $420.

Most forex dealers see the crucial area for exporters and importers as the dollar/other currencies transactions.

Banks warn that the recent steep fall of the dollar could bring a technical correction and this could affect traders' positions even if the adjustment is merely a hiccough.

Standard says importers with foreign currency payables against the dollar should consider forward cover even at current dollar levels. Exporters could stay out of the market. Barclays advises on this leg importers should take advantage of any dollar correction but confirms exporters could stay clear.

On rand/dollar commitments, Standard says importers would not be exposed to too much risk by staying out of the forward market, while exporters should take cover. Volkskas recommends at least 60% cover for exporters in the short term, but advises importers to maintain close contact with their bankers. Barclays suggests that, with negative pressures building up against the rand nearer to the April foreign debt negotiations, exporters could make use of forward cover facilities.

'Little growth in the white market'

Expanding black insurance sales

CAPE TIMES 20/1/87 58

By AUDREY D'ANGELO
Financial Editor

THE black consumer market for insurance is expanding rapidly, while the mainly white "top end" is showing little signs of growth at the moment, Colonial Mutual assurance society's new GM in SA, Doug Cleland, said yesterday.

"More than half our policies now are to black people. I think this is one of the most hopeful signs for the future of our country — it shows they have the confidence to commit themselves to an investment for the next 30 or 40 years in a company run mainly by white people."

Cleland, who took over as GM this month after four years as deputy, said Colonial Mutual — which is in the process of cutting ties with its Australian parent society — had "never been sounder or stronger".

One of the reasons for this was that the society, now 103-years-old and the second oldest in SA, aimed mainly at the lower income group.

Emigrating

This market was expanding while many upper-income white people were emigrating, or not, at present, taking out more insurance.

Cleland said Colonial Mutual was also employing a growing proportion of black and coloured people in senior positions.

He had many opportunities to speak to black professional people and was heartened to find that most of them, far from wanting violent change, "just want to get our political difficulties straightened out and get on with the business of living".

Discussing the future outlook for Colonial Mutual, which has said it wants to forge links with a complementary organization in SA after it has broken the tie with its parent company, Cleland said this was only to broaden its market base and the range of services it could offer and not because it needed financial support.

There was a trend towards financial institutions offering their clients complementary services across the board and this was the way in which Colonial wanted to develop.

Cleland said Colonial Mutual had been approached by several different organizations since announcing it was looking for an SA partner and although talks had been held, none had yet reached the negotiating stage.

Colonial Mutual was not necessarily looking for a complete merger and it would retain its identity.

A spokesman said the decision to break from the international group had been taken in SA, before more pressure was put on the Australian parent company.

The society released the text of a letter from Colonial Mutual's international chief GM, John Milburn-Pyle, which was distributed to staff in Australia after the announcement in SA of the impending split.

In the letter, Milburn-Pyle, who was formerly in Cape Town, said: "We have at no time been in doubt as to the morality of our position in regard to the operations in SA."

But he continued: "The decision to disengage does, however, reflect our view as to how the interests of policy-holders, including the interests of policy-holders in SA itself, will best be served in the environment which has developed in relation to multi-national organizations operating there."

Old Mutual chief calls on Govt for bigger concessions

'Lift limits on RA tax'

By DEREK TOMMEY
Finance Editor

RETIREMENT annuity legislation is in dire need of review, says Mr Mike van Greunen, general manager (individual life) of Old Mutual.

Investing in retirement annuity funds is one of the main ways which people who do not belong to a pension fund can make provision for their old age.

The Government even encourages this by allowing contributions to a retirement annuity fund, up to specified limit, to be exempt from income tax.

But while retirement annuities serve a valuable purpose their usefulness is declining because the tax-free contribution has remained unchanged for eight years, during which time the value of money has more than halved.

Therefore legislation regarding the extent of income tax relief on retirement annuity funds must be amended to meet the needs of consumers, says Mr van Greunen.

The Old Mutual believes that the legislation should be amended as follows:

- The current tax free limit should be increased from R3 500 to at least R7 500. Alternatively the Government should introduce an income related limit for those in 'retirement funding employment';
- The 15 percent limit on non-pensionable taxable income needs to be increased to at least 17,5 percent to provide some degree of parity with the total contribution rate payable under comparative pension funds;
- The limits applied to arrear contributions should also be increased to permit deductions which were not used during the preceding five years of assessment;
- The upper age limit for annuities must also be reviewed. At present the rules of an RA fund provide for the annuity to commence between the ages of 55 and 70, or earlier disablement.

"The current limit of R3 500 less deductible pension fund contributions (or R1 750 if greater) has remained static for eight years. This is the longest period without adjustment in the history of this deduction and happened at a time when we have experienced an average inflation rate in excess of 13 percent per annum," said Mr van Greunen.

nuities are people who do not belong to a pension fund and people who do belong to a pension fund but will have less than 30 years service with their last employer.

The incentive to invest in a retirement annuity is even greater if one pays a high rate of tax, has lump sums to invest and if inflation continues to erode savings and pension income.

Retirement annuity funds provide savers with a wide choice of savings plans. The Old Mutual's allows a member to vary the level of contributions and adjust the mix of capital accumulation and life cover to suit his changing circumstances.

As he gets closer to retirement he may, for example, reduce the level of cover to ensure maximum build-up of retirement capital over the last few years.

Automatic contribution increases can also be added at any time to maintain the real value of contributions. The member can also "top-up" the Flexi-pension policy with lump sum injections as required.

The tax relief was introduced to encourage private provision for old age. Since the early sixties the State has regularly increased the tax deductible limit in an attempt to keep pace with inflation but the extent of this encouragement has been significantly eroded over the years.

SUBSTANTIAL INCREASE

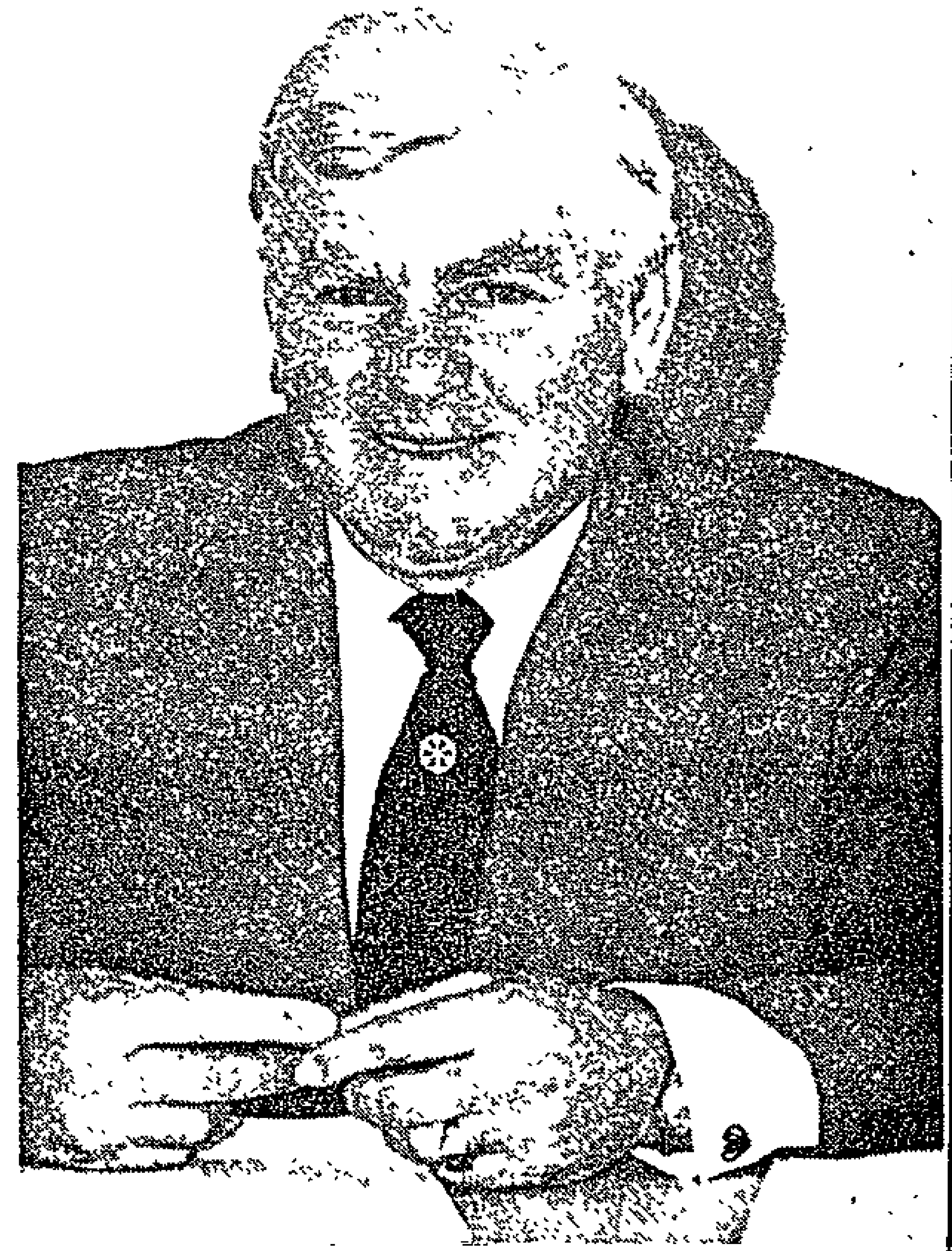
The time has come for a substantial increase in the amount of this deduction in order to restore credibility in the State's commitment to private pension provision.

"Immediate attention should be given to the above proposals to encourage private pension provision and to boost the dismally low level or personal savings in this country," Mr van Greunen stressed.

Retirement planning has never been more important than it is today and regardless of age or occupation, what one does today to build up capital for the future can make or break a lifestyle after retirement.

Two factors have significantly changed the need for active retirement planning. Firstly, it is no longer common to find employees staying with one employer for an entire working life. Statistics reveal that people going on pension have on average 15 years service with their final employer.

As the benefits derived from a company pension fund are partly determined by the number of years membership, it is unwise to regard a company pension as adequate when one has limited periods of service



Mr Mike van Greunen, general manager (individual life) of Old Mutual.

Secondly, the ever-increasing high levels of inflation which have been experienced over the past few years have eroded personal savings. Pensions have been hit in the same way and a pension which is not inflation-proof soon decreases in real terms.

To prevent a drop in living standards upon retirement, it is imperative for people make other plans to accumulate additional capital for retirement.

TAX-EFFICIENT

A retirement annuity (RA) is a very tax-efficient way of doing this. An RA is essentially a private pension plan where the individual tailors his own retirement programme.

Among those who should invest in retirement an-

13 new mutual funds approved

Cape Times 21/1/87 68

From ROBIN FRIEDLAND

JOHANNESBURG. — The office of the Registrar of Financial Institutions has approved the registration of no fewer than 13 new mutual funds, of which nine are specialized.

The Deputy-Registrar of Financial Institutions, Chris Mostert, said that approval for the registration of the new funds has now been granted to a total of eight applicants.

The number of equity mutual funds has remained static for quite a few years, although the total number of funds increased by one to 14 in 1985 when Hillsam Gilt was registered.

Specialist funds

Of the current 14 funds, two are income funds (Standard Income and Hillsam Gilt), one a mixed income and equity fund (Sandiv); eight general equity funds with slightly varying investment philosophy; one a gold fund (Standard Gold); one a mining fund (UAL Mining & Resources); and one substantially concentrated in metals and minerals (Trustgro).

The eight general equity funds are Old Mutual, Sage, NGF, Guardbank, Sats, Sanlam, Standard and UAL.

It has been general knowledge that the investment industry had put forward many requests for the registration of additional — particularly specialist — funds.

In general, there appeared no good reason to restrict competition within the mutual fund movement, provided management companies could meet the stringent requirements for financial stability.

The arguments for additional specialist funds, in particular, appeared unassailable to the private sector. The precedent of Britain and America is that an advanced economy generates a need for many variations of investment requirement, evident from the hundreds of specialist mutual funds.

Within SA, it was equally evident that the meagre number of specialist funds was unable to meet individual investment requirements.

However, the Registrar of Financial Institutions, Robert Burton, had — up to the end of 1986 — held up all new applications.

Sharp attitude change

It is believed that he was concerned that the share market was approaching another 1969 situation; and that investors would run grave risks in investing in new mutual funds.

Yesterday's disclosure from the Registrar's office appears to mark a sharp change in attitude.

The mutual fund movement over the last few years has achieved capital appreciation in its equity funds well ahead of the inflation rate — frequently up to twice as much.

This track record is strong evidence that for the small investor there is really no substitute for mutual funds as a means of preserving the real value of capital in inflationary conditions.

Cape Times 22/1/87 (58)

Business Report

Allied Bank opens 4 branches

Financial Editor

THE battle for custom between the commercial banks and building societies intensified yesterday when the first four branches of the Allied Bank opened in Johannesburg.

A spokesman said it was intended to extend the network all over SA by the end of this year.

The insurance arm of the Allied bought the French Merchant Bank in SA four months ago after changes to the Building Society Act widened the scope of activities building societies could undertake.

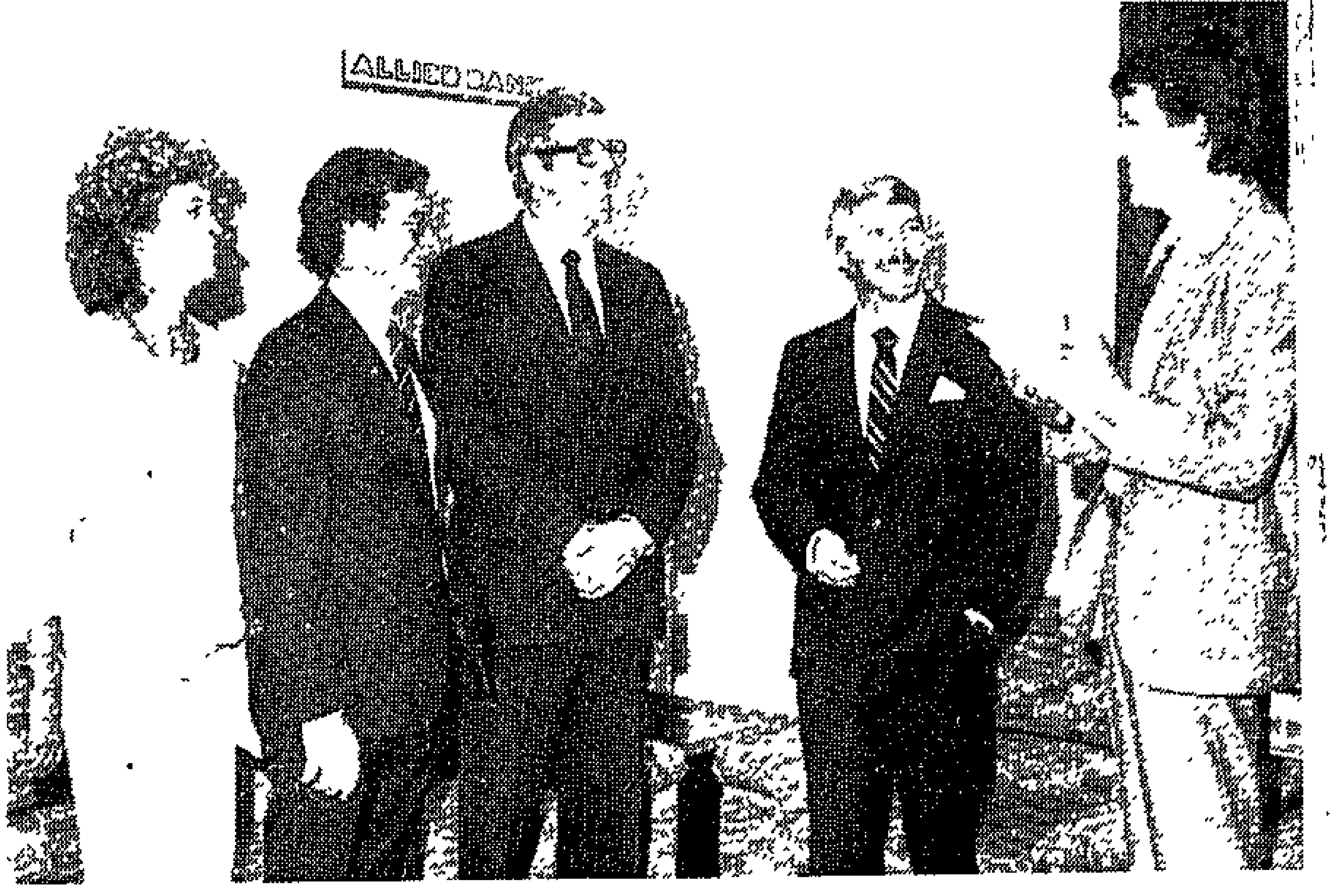
The spokesman said that in addition to the traditional range of building society services, the Allied group was now able to cater "for all a client's home-related needs" including loans to buy a car. He said the Allied Bank would have a different approach to loans, concentrating on "relationship banking" rather than the signing of ad hoc agreements.

"The aim is to approve a line of credit for a customer rather than to approve credit for an individual item."

He said the bank's corporate division had been operational for some time and had already written R50m worth of business.

"The bank will direct its corporate marketing efforts towards the R1m to R2m corporate deals."

Heightened activity in the money market, he said, had "led to R30m worth of business, with new opportunities presenting themselves daily".



The first four Allied managers whose branches have been chosen to pilot the Allied Bank network are, from left, Heather Middleton, Clyde Bow, Walter Bonner and Hannes de Meyer. Colin Howell, who led their bank training, is on the right.

COMPANIES

Argus 2/1/87 (58)

Allied Bank launched

JOHANNESBURG. — The Allied Bank was officially launched in Johannesburg today following the buy-out of the French Merchant Bank by the Allied Building Society's insurance arm about four months ago.

Since then there has been intensive planning and preparation for the introduction of the full operational Allied Bank.

The Allied Group's banking debut follows last year's changes to banking and building society legislation, which facilitated the acquisition of a banking licence by a building society group.

FINANCING NEEDS

In addition to its traditional range of building society services, the Allied Group is now able to cater for all of the customers' home-related financing needs, including the financing of motor vehicles.

The full range of services is at present available at four Allied Building Society branches — in Sandton, Randburg, and in the city centre at Fox and Commissioner streets. The services will be extended throughout South Africa by the year end.

The Allied Bank's service will differ from that of other banks offering the same facilities because of the banks concentration on relationship banking rather than on the signing of ad hoc agreements.

The aim, a statement by the bank says, is to approve a line of credit for a customer, rather than to approve credit for an individual item.

To mark the launch of this area of its activity, personal letters have been sent to 8 000 Allied customers, inviting them to come in and do business.

Meanwhile, the bank's corporate area has been operational for some time. Already R50-million's worth of business has been written.

Heightened activity in the money market has led to R30-million worth of business, with further opportunities presenting themselves daily, the bank says. Workmen have begun work on the bank's new dealing area.

Since its inception, success in various negotiations has augured well for the new bank.

The renaming of the premises in which the bank's head office is housed, is one of such success. The Southern Life building in Harrison Street will shortly be renamed Allied Bank Centre.

The building society-bank link is proving fruitful, with advantage already flowing between the two, the statement says. — Sapa.

Barclays gets funds out soon

BUSDAY 22/1/87

GERALD PROSALENDIS
Economics Editor

BARCLAYS PLC expects to withdraw the R526m (£80m) from the sale of its 40,4% share in Barclays National Bank (Barnat) from SA within a year.

"We do not think this is an unrealistic target," a spokesman for Plc said yesterday in London.

The money was deposited on December 19 in a financial rand account held at Barclays Johannesburg.

Both Barclays Johannesburg and Plc in London are active in looking for financial rands flowing into SA to match against Barclays' money.

And disinvestment from SA could assist rather than hinder the flow of these funds from SA, especially if companies disinvesting bring in funds to settle debts before selling off subsidiaries.

"We are not aware of precisely in what form these proceeds are being held but they have certainly not been invested in SA government stock. We understand they are being held in short-term instruments because of the need to be able to move funds out of SA as financial rand become available," the Plc spokesman said.

Barnat Treasurer Sandro Burzacchi confirmed that most of the money was invested in the short end of the market.

"It would be foolish for Plc to invest in fixed interest securities in case the opportunity arose for them to move blocks of the funds out of the country," he said.

So far, Plc has not been prepared to disclose the amount that has already left the country.

Meanwhile Plc's withdrawal from SA

● To Page 2

Barclays Plc to withdraw funds

BUSDAY 22/1/87

● From Page 1

has failed to appease the Anti-Apartheid Movement (AAM) in Britain.

The Plc spokesman said the bank was still uncertain what the AAM wanted, but it appeared they were demanding that the bank calls up its loans to SA.

He said: "We believe they might try to continue their campaign because of our corresponding relationship with Barclays National Bank and outstanding loans to SA."

Loans worth about £756m, mainly in the form of credit lines to Barnat, are caught within the standstill net and subject to the interim debt agreement between the SA government and its foreign creditors.

The agreement will be renegotiated in April for another year.

Plc has written to the AAM offering to meet them to explain their position. "As yet they have not accepted our invitation nor replied to our letter," the spokesman said.

22/11/89

Repossessed houses go cheaply to societies

Dispatch Correspondent

JOHANNESBURG — Houses priced on the market at R80 000 are being sold in Johannesburg for as little as R150.

And in one case a house worth R40 000 sold for R10.

But the catch is that these prices are not available to the general public. They are what banks and building societies pay in some cases to buy repossessed houses.

When these houses are auctioned, the institution holding the mortgage bond bids against other bidders to ensure the price fetched is higher than the outstanding bond.

Where there is not much buyer interest in the property, the institution holding the bond is able to secure the deeds at bargain-basement prices.

"But", says Ian Wyllie, manager of repossessed properties for the Allied Building Society, "we don't want the properties back."

It is not often that financial institutions must buy back properties on which they have granted a bond.

"They are only trying to secure their investment," said the valuer for the Johannesburg municipality, Mr Nick Botha.

The majority of banks and building societies contacted said they made a loss on houses bought back at auctions.

"We are money lenders, not property owners," said the manager of the Johannesburg mortgage branch of the SA Perm, Mr John Grobler.

CAPE TIMES 22/1/87

Barclays sets funds withdrawal target

58/89

Own Correspondent

JOHANNESBURG. — Barclays Plc expects to withdraw the R526m (£180m) from the sale of its 40,4% share in Barclays National Bank (Barnat) from SA within a year.

"We do not think that this is an unrealistic target," a spokesman for Plc said yesterday in London.

The money was deposited on December 19 in a financial rand account held at Barclays Johannesburg.

Both Barclays Johannesburg and Plc in London are active in looking for financial rands flowing into SA to match against Barclays' money.

And further disinvestment from SA could assist rather than hinder the flow of these funds from SA.

"We understand they are being held in short-term instruments because of the need to be able to move funds out of SA as financial rand become available," the Plc spokesman said.

Barnat Treasurer Sandro Burzacchi confirmed that most of the money was invested in the short-end of the market.

Meanwhile Plc's withdrawal from SA has failed to appease the Anti-Apartheid Movement (AAM) in Britain.

The Plc spokesman said the bank was still uncertain what the AAM wanted, but it appeared they were demanding that the bank calls up its loans.

Allied Bank is brimming with innovative schemes

22/1/87

By Gareth Costa

(58)

Star

Allied Bank, officially launched last night, plans to market its innovative credit schemes to its parent building society's existing client base of 110 000 homeowners.

Through its three divisions (consumer, corporate and treasury), the bank will be able to cater for customer's fin ancing needs, including motorcars.

Allied Bank managing director Kevin De Villiers says that cheque facilities will not be offered for at least 12 months, and when the service is launched it will be something different. "We want a superior idea."

He says that the bank aims to set up a close relationship with each of its clients. Once a person has set up a line of credit this will remain and be annually adjusted, enabling him to receive instant finance for a purchase without undergoing a credit check.

The corporate division has already built up a book of about R50 million, mostly from leads established through the building society which the society could not handle itself.

De Villiers says that the bank is aiming to attract borrowers in the R100 000 to R2 million bracket in the corporate division. He adds that transaction banking with larger corporations is possible. "If we go to them with intelligent ideas they will respond."

On the treasury side, Allied has taken the existing client base it inherited by purchasing the French Merchant Bank licence, and doubled it to R60 million. Foreign exchange may be brought in as well if a licence is granted.

The bank will be funded through a mixture of money market and corporate deposits and, in a month's time, deposits from the man in the street that building societies cannot accept, typically those with a maturity of less than 12 months.

De Villiers says that he is a great believer in retail deposits and the bank will only rely on about a third of its funding from the money market, since general deposits offer far more stability.

De Villiers says that assets of the bank should be about R200-R300 million in 12 months' time, but he is not willing to forecast any further into the future.

He says that the bank is not directly limited in the size to which it can grow, but roughly speaking the amount of business that can be written is 15 times the bank's capital. About R200 million of business can be written before additional capital is needed.

At present, the bank is held through Allied Building Society's insurance company. However, once Allied Holdings is listed in June, the bank will be directly owned by the holding company.

Allied was the first building society to purchase a bank, and it wasted no time in luring De Villiers, one of the brightest young bankers in the country, to run the new bank.

The management team has some new and interesting ideas, which De Villiers believes will work. If they do, growth should be exponential for some time to come.

37% of equity changes hands

R16,2m Joshua shares deal

Cape Times 23/1/87

From BRIAN ZLOTNICK

JOHANNESBURG. — In one of the largest deals put through the market in many a year, 37% of Joshua Doore's equity worth R16,2m changed hands yesterday.

Tradegro, through stockbrokers Frankel Kruger, in a special deal sold 25,7m Joshua shares at 64c to several institutions.

The deal was struck at an enormous discount to the then ruling market price of 98c and the share finished the day unchanged at 98c.

Highest in a decade

In order to shift through the market such a high percentage of a company's equity — thought to be the highest in more than a decade — the seller often has to accept a much lower price.

Outside the market Tradegro sold 4,3-million shares to the triumvirate of management, New Bernica and Lifegro, which already had a 25% stake and the option to acquire from Tradegro a further 25,1% at net asset value a share before March 1989.

Tradegro CE Meryn King points out that management control of the furniture retailer was in the hands of David Sussman and Arnold Witkin even though Tradegro via Rusfurn had 68,9% of the equity.

King said that besides the management control situation, the other major reasons for the disposal were to reduce Rusfurn's gearing ahead of its listing later this year and because Joshua was the only stock in the furniture sector trading at a premium to net asset value a share.

The current net asset value is about 45c a share.

'Totally independent'

New Bernica CE Arnold Witkin said "we are delighted with the new shareholders and opportunity to increase our stake. Joshua Doore is now a totally independent company with strong shareholders and a dynamic management."

Joshua was brought to the market six months ago through a reverse listing into cash shell Consure.

Management expects turnover to pass the R100m mark and earnings to exceed the pre-listing forecast of 5,7c for the current financial year.

Pep Stores heads biggest-value list

Own Correspondent

JOHANNESBURG. — Pep Stores topped the biggest-value list on the JSE yesterday with 510 000 shares worth R5,35m traded in six deals.

The deals were handled by one broking firm, reportedly on behalf of an institution. They might foreshadow a move in the proposed Wooltru/Pep group merger.

The stock gained 25c to a high of R10,50.

Waddell's exit 'won't damage JCI'

JOHANNESBURG. — The surprise resignation of Johannesburg Consolidated Investment's executive chairman, Gordon Waddell, has caused disappointment in the South African financial community, but analysts say his departure will not damage the company's prospects.

They attributed Waddell's action to dissatisfaction with the country's political situation, but said his strong tenure ensured continuing good results for JCI, at least for the current fiscal year, ending next June 30.

"The resignation is very much a disappointment, but it was fairly well known around the market that Waddell was pretty disenchanted with the political situation here and looking to get out," said analyst Richard Stuart of Martin and Co Inc.

Several analysts predicted that per share results for the company, South Africa's fourth largest mining house, will show about a 20% rise over last year's R27,78 a share.

Waddell, in announcing his resignation yesterday, for "personal reasons", expressed optimism that JCI's profits and dividends "will continue to outperform competitors, certainly for the next year or two".

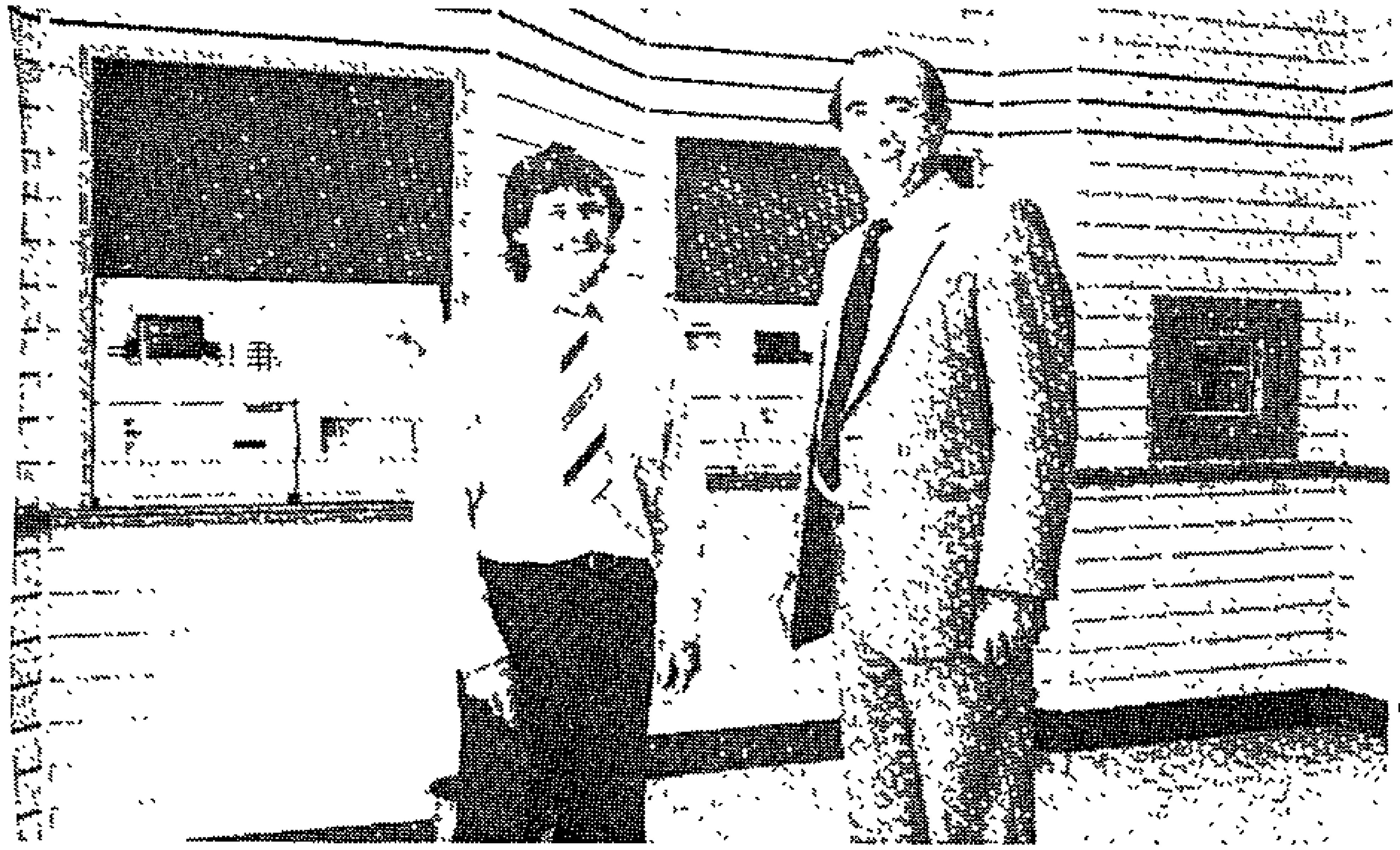
Analyst Stuart said Waddell had made the stock of JCI a "shooting star" by sharply improving the company's performance in recent years.

"The company was favourably re-rated during the years Waddell was in office. It still has a lot of momentum, but the scope for further re-ratings, now that he is leaving, is probably limited," Stuart commented.

JCI's dividend has risen from 600c to 1 200c in the past five years, while profits attributable to ordinary shareholders have increased in the same period from R86,1m to R204,8m.

The company's first half results reported on Wednesday included an interim dividend boost to 500c a share, from 325c the previous year.

Analysts said it was unlikely Waddell's departure would provoke an adverse reaction from local or overseas investors. "This is a company which a lot of people wish they owned more of," commented Stuart.



Willie Coetzee (left) manager of Barclays' first electronic bank in the Western Cape, with regional manager Bob Wood. The bank, in Warwick Street, Claremont, has an electronic lobby where virtually all types of every-day banking transaction can be carried out for 24 hours a day. There is also a wall safe where large sums can be deposited and a videobank of up-to-date financial information.

58 BUSDAY 23/1/87

SBDC reviewing its loans and rates policy

NORMAN SHEPHERD

THE Small Business Development Corporation (SBDC) may extend the period of its long-term loans and revise the interest rates it charges entrepreneurs.

MD Ben Vosloo says the SBDC is reviewing its overall financing policy in terms of a five-year development plan.

Other operational aspects under the spotlight include loan policy, organisational structure, procedures, staff efficiency and services.

Several proposals were raised at a management conference last week, although Vosloo says some are already supported by the SBDC board.

On SBDC interest rates, he says: "Our rates are supposedly market-related but, in practice, are slightly below them. Often our rates are compared with the prime rate, but elsewhere small businesses normally pay prime plus 3% to 4%.

"Our interest rates vary from 8% to 17% because we have seven different financing programmes.

"We do not supply short-term overdrafts, but long-term loans for up to 10 years. One of the issues we are looking at is extending the term, but this will have to be discussed with the board."

Vosloo says in the wake of an announcement last year that the SBDC intended to issue small business development bonds, "this will be done within three months".

He says it has been decided to recommend to the board that the Cape region of the SBDC be subdivided into eastern and western regional offices.

Boom time for rebuilt trucks

Business Day Reporter

RECONDITIONERS of used trucks and buses are enjoying a boom.

Consumer resistance to price increases has led sales of new trucks and buses to plummet to a 24-year low.

Reconditioners offer to return vehicles with the same warranty a new-vehicle buyer receives — at only 40% of the cost.

Industry sources say tax advantages can further reduce costs to 20% to 25% of new vehicles.

At Schudel Swiss Engineering, turnover has been up 300% over the last three years.

MD Rolf Schudel says skyrocketing prices of new vehicles has forced

Retief warns on sanctions

Cape Times 23/1/87

58

JOHANNESBURG. — The newly-appointed Johannesburg Consolidated Investments MD, Patrick Retief, 54, yesterday said he looked forward to JCI "continuing in the path set by Gordon Waddell".

Retief, who presently serves on the boards of 10 companies and is chairman of SA Associated Newspapers, will take up the post when Waddell steps down as executive chairman at the end of June.

Retief said sanctions would make his job more challenging and warned that unless the government accommodated black political aspirations sanctions would intensify.

Waddell's post is effectively being divided between Retief and Murray Hofmeyr, a member of the executive committee of the Anglo American Corporation. Hofmeyr takes over as JCI chairman when Waddell goes.

Hofmeyr, 61, said the mining industry and business faced a challenge to make a contribution towards the upliftment of blacks, an area that had not been given sufficient attention in the past. "We have not done as much as we should have," he said.

□ Retief will become chairman of Rustenburg Platinum Holdings while Hofmeyr will take over from Waddell as chairman of South African Breweries Limited.

FIN MAIL 23/1/87

IMPACT ON THE RAND

58

The weakness of the US dollar has pushed the rand above US48c, already beyond the range of even the most optimistic forecasts for 1987. But many economists are sceptical about the rand's ability to remain at this level and most still stick by their original overall forecasts.

Most economists predicted an average rand exchange rate of between US40c-US46c for 1987. The rapid rise took many by surprise. "We didn't expect the rand to go so high. We believed it would turn at about US46c," says Ockie Stuart of the Bureau of Economic Research, who expects an average of 45c.

One major bank, citing the weakness of the dollar, has revised its estimate up from US38c to a range of US41c-US44c.

Rob Lee of Old Mutual, who also predicted an average rate of US45c, believes the rand will fall back to this level: "With minimal outflow on the capital account there is little pressure on the currency. But these outflows will start to increase after the new debt agreement in June, which should depress the rand."

Another factor likely to depress the rand is the inflation differential between SA and its major trading partners. This has recently widened, with the announcement that the inflation rate in the OECD countries dropped to 2,2% in November.

A swing to the Right in the upcoming general election would aggravate the shift in international sentiment away from the rand. This may result in foreign banks increasing their demands for repayments of loans outside the debt standstill.

Appreciation of the rand is also likely to spark off self-correcting mechanisms within the balance of payments which will depress the currency again.

The Reserve Bank has recently been intervening in the market to smooth out upward fluctuations in the rand, replenishing its supplies of foreign currency. Some economists believe the Bank would like an exchange rate of about US45c.

However, a Bank spokesman says the change in the rand-dollar exchange rate cannot be viewed in isolation. He points out that the rand's appreciation against third major currencies is not as marked, and on a trade-weighted average basis there has been little change.

This indicates that the Bank may not be unduly worried about the present level of the rand against the dollar.

Argus (58)

y January 23 1987 5

Interest rates on HP, loans, leasing cut

Financial Staff

THE Government has reduced the maximum rates of interest for loans and hire-purchase and leasing agreements, the Department of Finance announced today.

The maximum interest rate which can be charged on sums of R4 000 or less has been cut from 25 percent to 23 percent. The maximum rate on amounts above R4 000 has been reduced from 21 percent to 19 percent.

Credit card interest payments and hire-purchase rates will be among the charges affected by today's announcement.

However, current rates for new hire-purchase and leasing contracts on items such as cars and other equipment are unlikely to be affected as they are already below the new Usury Act rates.

Bank officials said that, at present, hire-purchase rates on vehicles varied from 16 percent to 19 percent, depending on the age of the vehicle and other factors.

The Department of Finance points out that the Usury Act rates are maximum rates and that lower rates may be freely negotiated between contracting parties.

2 banks increase rates

JOHANNESBURG — Barclays National Bank is to increase its prime interest rate by 0,5 per cent — from 12 per cent to 12,5 per cent.

The new rate becomes applicable today, throughout South Africa and SWA/Namibia.

Barclays's managing director, Mr Chris Ball, says: "This step has been taken reluctantly since we would prefer to see steady rates maintained at the current levels at this time."

The reason was that the money market shortage and the rediscount rate did not develop, and it was impairing the interest return of the banking sector, and also the money markets are higher, he said.

● Trust Bank will also increase its prime interest rate by 0,5 per cent, from 12 per cent to 12,5 per cent. — Sapa

Welsh mo

W/Mail 24/1/87 58

De Kock calms interest rate fear

By DEREK TOMMEY
Financial Editor

THE Governor of the Reserve Bank, Dr Gerhard de Kock, has acted quickly to reassure the public that increases in Barclays Bank and Trust Bank prime lending rates from 12 to 12,5 percent do not foreshadow a general rise in interest rates or restraints on economic activity.

He said last night that present indications were that there would be little, if any, rise in the general level of interest rates in the months ahead.

It remained the Reserve Bank's objective to promote sound economic growth and to give additional momentum to the moderate upswing in the economy.

The increases were viewed by the Reserve Bank as a "technical correction" and not a change in direction for interest rates generally.

The bank rate — what the Reserve Bank charges for loans to the banks — would remain at 9,5 percent, to which it was reduced on December 10.

Dr de Kock said this reduction in bank rate had triggered a 1,5 percentage-point cut in the banks' prime rates.

"This proves to be somewhat out of line with other money market rates.

"The commercial banks' decision to adjust it upwards by 0,5 percent appears to be soundly based."

In the financial markets the generally held view is that the banks have been finding a prime rate of 12 percent uneconomic and a drain on their profits.

Although money market rates are below this figure, the need by the banks to pay high interest rates on money raised some time ago as well as to make a "turn" on their lendings has restricted their ability to cut rates.

WTE 24/1/87 58

Insurance costs on way up again

By MAGNUS HEYSTEK

JOHANNESBURG. — Further increases in insurance premiums can be expected soon in spite of the rise in premiums last year ranging from 30 to 100 percent.

The new rates may place insurance cover out of the reach of even more home owners and businesses.

Insurance spokesmen blame the need for further increases on a combination of factors — mainly the high inflation rate, the increase in crime and the sharp drop in the rand that makes the replacement of industrial equipment prohibitively expensive.

Under-insured

Allegations that the local industry is capitalising on the collapse of AA Mutual, which left about 450 000 home owners without cover, are denied.

Mr I M A Lewis, managing director of Incorporated General Insurance, says: "Most South African households and businesses are still under-insured. This is particularly true for large manufacturing concerns where most or all of the equipment has to be replaced from overseas in the event of destruction."

Premiums are still not reflecting replacement costs, he says.

'Inevitable'

Whether the allegation is true or not, the demise of AA Mutual came as a boon to the remaining insurance companies who wasted no time in quoting significantly higher premiums to stranded home owners who desperately rushed for cover elsewhere.

Also, with premium-cutting AA out of the way, the price war of the previous two years came to an end.

Mr C J Oostuizen, managing director of Santam Insurance, rejects allegations by some brokers that premiums were artificially inflated after the demise of AA Mutual.

He says: "Increases across the board were inevitable anyway.

"For the past three years insurance companies were embroiled in a bitter struggle for market share that led to uneconomic rates. During this time hardly any insurance companies made profits on their underwriting business, depending on investment income to keep them profitable."

Mr Oosthuizen expects premiums to increase by "not more than the inflation rate" but industry spokesmen regard this projection as conservative. Increases will more likely be in the range of between 30 and 50 percent.

An investigation among short-term insurers highlights the vast differences in quotes given for insurance on household goods and cars.

In the investigation quotes were requested for household contents to the value of R40 000 and two cars, both under R15 000 in value, fully insured. The quotes varied from R158 (Profgroup) to R466 (Aegis) a month.

Major factor

These figures underline the neccessity to shop around when obtaining quotes and demonstrate the high cost of being insured.

The cost of insuring a new car has also become a major factor in car sales. Comprehensive insurance on even the cheapest new car adds more than R100 to the monthly outlay for prospective car owners. This places a new car out of reach for most people, contributing to even lower car sales.

In spite of denials by industry spokesmen, many brokers report a swing to self-insurance or insurance with less cover.

Two more banks lift prime rate

(58) 26/1/87 Eve Post.

JOHANNESBURG — Volkskas and Nedbank have followed Barclays Bank in lifting their prime rate from 12% to 12,5% and other commercial banks are expected to follow today or tomorrow.

The prime rate edged up at the weekend, led by Barclays, as bank margins were squeezed by a higher cost of funds.

It seems the banks over-extended themselves by dropping their primes by 1,5% last month in a scramble for market share.

Reserve Bank Governor, Dr Gerhard de Kock, says that the bank rate — the rate at which the Reserve Bank rediscounts bills for discount houses — will remain unchanged 9,5%.

It is reported by analysts that competitive zeal, spearheaded by Standard Bank's "Home-loan Spectacular" (with 12,5% guaranteed for a year) stung Barclays into bettering Standard's 12,5% prime with a cut to 12%, a move followed by the other banks, and the market.

In the demand for assets, says one report, "nobody appeared to look at bank rate as a point of reference". — Sapa

Rand not showing 'real' rise in value

(58) Star 26/1/87

Magnus Heystek
Finance Editor

Businessmen should not get carried away by viewing the latest surge in the rand/dollar exchange rate as a drastic upward move in the "real" value of the rand, warns Econometrix, a private economic consultancy.

The move has to a large extent merely mirrored the sharp fall in the value of the US dollar against other currencies.

Against the cross currencies, ie the D-mark, Swiss franc, Japanese yen and British pound the rand is at levels similar to what it was in early December.

"It would seem as if the Reserve Bank, quite rightly, is monitoring the trade-weighted value of the rand rather than merely the rand/dollar exchange rate. By doing so, it is ensuring that the impact of the fall in the international value of the dollar on the South African economy is being kept down to a minimum," said Dr Azar Jammine, chief economist of Econometrix.

If the rand had been pegged against the dollar at a level of say 44 US cents — as had been advocated by many economists and businessmen — it would have been highly inflationary as a large part of South Africa's imports are priced in currencies other than the dollar, as is a large part of it's foreign debt.

To have kept the rand/dollar rate constant would therefore have meant that the country's foreign debt repayment burden would have increased materially in rand terms.

50c FORECAST

Bearing in mind the apparent willingness of the Reserve Bank to allow the rand to rise against the dollar, Econometrix sees the rand rising above 50 cents if the dollar continues to weaken on foreign exchange markets.

"From a charting and psychological point of view, it is difficult to see the rand going higher than the 51/53 cents level, which has twice proved to be an important resistance level."

To businessmen not prepared to cover forex positions at all times, the risk of leaving export positions open are fairly limited. Importers on the other hand are advised to cover their positions at present levels.

The long-term trend of the rand against the dollar and other currencies is still very much downward and this trend can resume without pre-warning. Econometrix, like other economists, do not expect this to happen quite yet but the large inflation differential between South Africa and its major trading partners makes it inevitable.

Suggestions that the next round of debt-rescheduling talks, set for sometime in April, will place extreme downward pressure on the rand is denied by a spokesman for the Reserve Bank who adds that the reserves of dollars, built up in recent months, are adequate to support the rand.

BUSDAY 58 27/1/87

Dollar likely to remain weak

Dealers predict new rise in rand

HAROLD FRIDJHON

SEVERAL forex dealers see the rand hardening this week, possibly reaching $0,4950 as Friday approaches. They base this view on the popular overseas forecasts that the dollar will continue to show weakness.

A conflicting opinion, however, is that any easing in the dollar may be halted as the month-end approaches because of the demand for dollars to settle international end-of-month payments.

Reconciling these views suggests that the dollar could be somewhat volatile this week.

But the rand is likely to be insulated from much of the offshore activity as the Reserve Bank manages the float. The trade figures for the year point to the Bank having dollars available to position the rand at a price which will not be too unfavourable either for exporters who want a cheap rand or for importers who want a strong rand.

And a rand showing relative strength is also necessary for companies which borrow offshore. A foreign exchange banker said yesterday foreign credit lines were still open and that relationships with many offshore banks remained cordial. With the rise in prime, offshore finance is cheap. A fully covered three-months facility costs 9,8% and six-months money could be obtained at 10%.

The underlying sentiment for the rand is mildly bullish and the banks continue to suggest that on the rand/dollar leg of transactions importers can stay out of the market but that exporters should cover short-term receipts.

On the dollar/foreign currency leg of transactions the overhanging potential weakness of the dollar must be taken into account. Standard Bank says importers with payables in the hard currencies should cover their commitments. Exporters could stay out of the market.

Barclays' advice is for importers to take advantage of any dollar firming this week and cover, but exporters could stay out of the market.

CAPE TIMES 28/1/87 (58)

Peninsula insurance companies sound the alarm over car thefts

By JEREMY BERNSTEIN

PENINSULA insurance companies recently sounded an alarm to motorists planning to fit "cheap and untrustworthy" anti-theft devices in their vehicles.

This follows disclosures in a Cape Times investigation published last week that insurance companies were losing millions of rands each year as a result of the increase in car thefts.

The investigation revealed that insurance companies had given clients an ultimatum to fit these devices or face penalties and, in some cases, the refusal of further insurance cover if policy holders did not fit anti-theft devices to their vehicles.

A spokesman for a large insurance firm — whose company is offering incentives of up to R400 for policy holders who fit anti-theft devices — said that anti-theft devices "won't necessarily score points" with insurance firms.

His company had therefore advised policy holders to fit "self-activating immobilization devices in a move to end the widespread confusion among motorists as to what constitutes an effective and acceptable anti-theft device".

"In the present wave of car thefts, people are laying out large sums of cash for alarm systems that are simply not effective," he said.

And in a move aimed at aiding insurance companies to advise clients of the "acceptability" of anti-theft devices, the Automobile Association's technical manager, Mr Fred Bothma, announced that his organization has prepared a "deterrent rating scale" in conjunction with a number of major insurance companies, and had already received more than 1 500 requests for advice on these systems.

"A problem facing motorists and the insurance industry alike, is that the vast array of anti-theft devices being marketed in South Africa not only have differrent levels of theft-deterrent potential, but their method of installation could affect their effectiveness," Mr Bothma said.

The AA would therefore "advise members on the selection of anti-theft devices" and will commence with the deterrent rating of various systems.

Mr Bothma confirmed that his department had commenced evaluating the theft deterrent systems and the first assessments would be available "within the next two or three weeks".

"These would be updated on a regular basis thereafter," Mr Bothma said.

He stressed, however, that motorists should check with their insurance companies to confirm the "acceptability" of the unit they intend fitting before they commit themselves.

Gold and rand up, shares booming

ARGUS 28/1/87

By TOM HOOD
Business Editor

58

SHARE markets and the gold price are surging ahead again, fuelled by the American dollar falling to a 10-year low.

The rand improved to 49,16 US cents today in Johannesburg, the highest rate against the dollar since April last year and up from 48,40 cents yesterday.

This is also a recovery of 29 percent from the rand's low of 38,10 cents in mid-August.

The currency is being bolstered by a gold price of around R850 an ounce, say foreign exchange dealers.

The rand also strengthened slightly against sterling (R3,14 to the pound) and the Deutschemark (0,88 marks to the rand).

The dollar slipped below the benchmark level of 1,80 German marks to 1,78 marks today on the Tokyo foreign exchange market.

Gold rose almost $4 to $415,65 (R845,50) an ounce in London today.

Industrial share prices hit new peaks in Johannesburg, London and on Wall Street yesterday, adding millions to the value of shares.

ACTIVE SHARES

The JSE industrial index reached a record 1 500 points today after rising eight to 1 499 last night — a jump of 56 so far this month.

Shares to rise included furniture group Afco, Rembrandt group companies, Barlows, FS Industries, Anchusa, Messina, Kaapwyn, SA Breweries, Dorbyl, Globe Engineering, Curries and Pep Stores.

A stronger financial rand, however, kept the lid on the price of gold shares, making them less attractive to foreigners. Golds recovered slightly after easing yesterday.

Today the financial rand was quoted at 23,88 US cents, up from 23,50 cents yesterday and a recovery of 30 percent from its low of 18,50 cents last August.

● Tax cuts forecast — Page 23.

Cape Times 29/1/87

Perm acted against Sisulu while MD urged his release

JOHANNESBURG. — While the South African Permanent Building Society was taking legal action against a detained journalist, Mr Zwelakhe Sisulu, for failing to make his bond repayments, the society's managing director was in Pretoria pleading with the government to release him.

The Indicator newspaper of Lenasia reported yesterday that the Perm's managing director, Mr Bob Tucker, confirmed he had met the Deputy Minister of Law and Order, Mr Roelf Meyer, to urge that Mr Sisulu and Mr Vusi Khanyile, head of the National Education Crisis Committee (NECC), be released from detention.

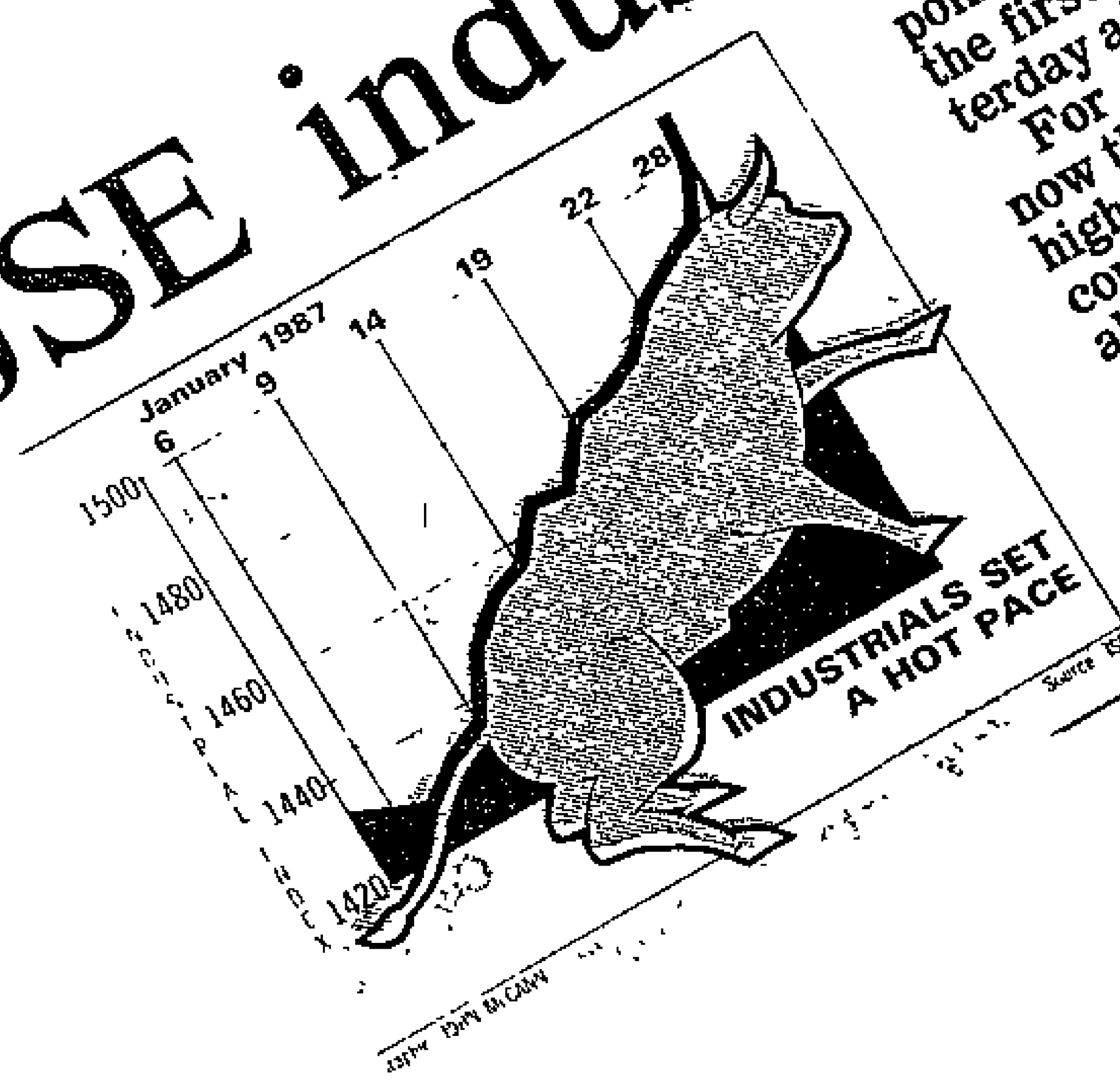
Mr Tucker said he had been unaware of the Perm's action against Mr Sisulu, editor of the Roman Catholic-funded New Nation newspaper, and was shocked to read about it in the press.

He immediately asked for the court action to be stopped.

"We have written to all the credit houses asking them to delete the action from their records," he added. — Sapa

JSE industrial index tops 1 500-point barrier at new high

29/1/87 (8) B/Day



BRIAN ZLOTNICK and MERVYN HARRIS

THE JSE industrial index surged 15 points to breach the 1 500 barrier for the first time ever when it closed yesterday at 1 514.

For eight consecutive trading days now the index has closed at an all-time high and barring a few hiccups, the record-breaking run has continued unabated this month.

Since the beginning of 1987 the index has risen more than 5% to easily outperform golds and is now some 50% higher than a year ago.

The index is heavily weighted towards a clutch of leading stocks and yesterday's solid advance in the share prices of Barlow Rand, SA Breweries, Amic and the Rembrandt group of companies boosted the index.

Sasol, which hit a peak of R10 on Tuesday, went against the overall trend to shed 20c to 980c.

The most dramatic rises, however, have been flagged by the cheaper and more speculative stocks. Some of these high-flyers have been on a roller-coaster ride but their movements have little impact on the index.

Richard Jesse of Martin & Co expects industrials to come to a standstill in the short term while the market awaits next month's pre-election mini-Budget and a batch of major companies' results.

Malcom Stewart of Kaplan and Stewart says the changing economic scenario has given new life to industrial shares.

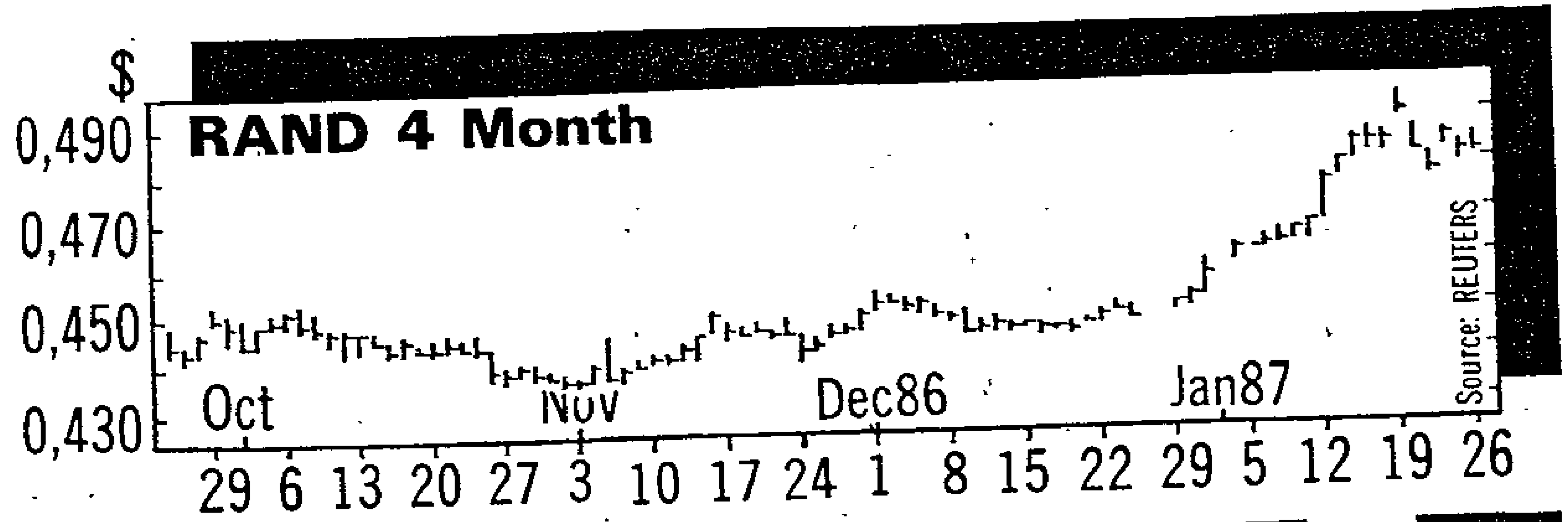
"The breaking of the drought has lifted confidence and the benefits will be felt throughout the economy. Moreover, last year's advance in the gold price has pumped money into the economy."

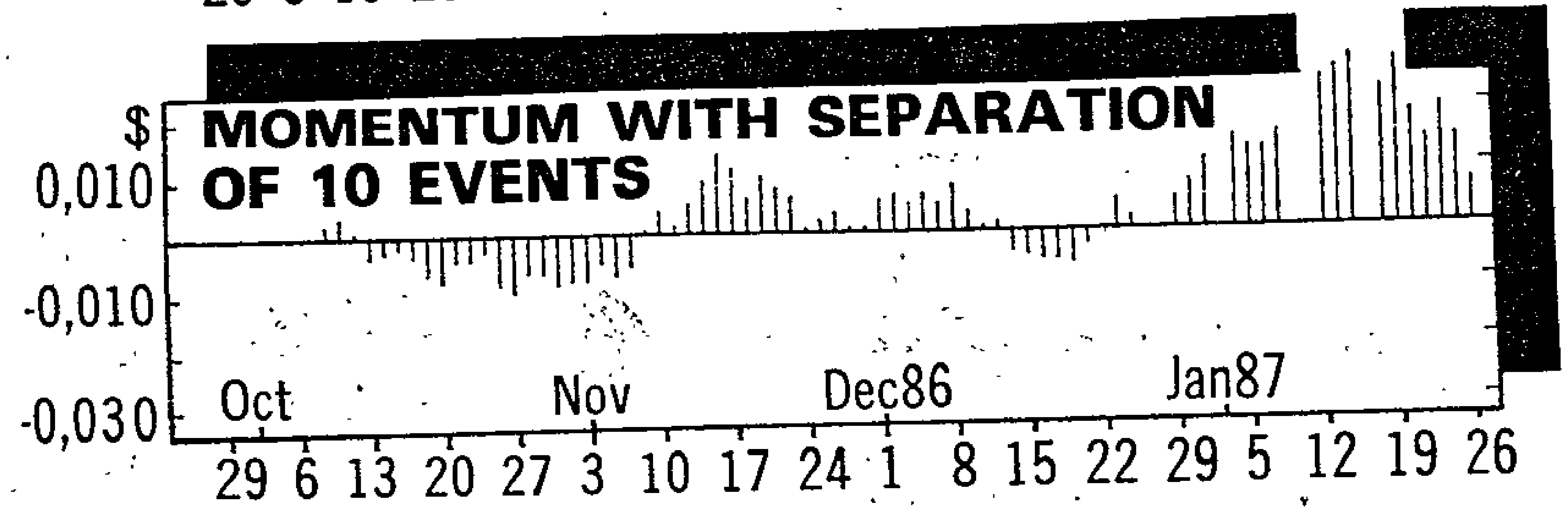
Expectations of improved company results from a low base, inflationary fears, and lack of alternative investment avenues continue to push investors into equities.

A spate of deals, acquisitions and new listings has also kept the market on the boil.

FOREIGN EXCHANGE/David de Kock

Gathering pace





THE POPULAR definition of momentum is "the impetus gained by movement". Like a large stone rolling down a hill, gathering speed at each turn until it is hurtling down so fast that the eye doesn't even see the rolling motion any more.

A more mundane and certainly less poetic definition is "the quantity of motion of a moving body, the product of its mass by its velocity". Both definitions are, however, of consequence in understanding the concept of momentum in technical analysis.

We are, in fact, measuring the rate of change in prices over a given period of time. In so doing, we become witnesses to a phenomenon which is very peculiar to the world in which we live — the so-called herd instinct.

16/Day (58) 29/1/87

As the movement begins, it generates its own impetus and the momentum is born. We begin to see the motion of a moving body which gains momentum as the mass of the marketplace climbs on the bandwagon.

Momentum is calculated by subtracting the most recent price from the price of N intervals ago. The results are plotted as a histogram, the values of which are scaled positive or negative from a central zero. In a sense we have a kind of bastardisation between the moving average and the oscillator, which in itself is a combination of two moving averages.

Like the moving average, we measure the present against the past — only this time we ignore the prices in between. The moving average took a mean of all the intervening prices while momentum looks only at the prices at the two extremes.

Like the oscillator, we are more interested in the difference between the two variables than we are in the actual prices themselves. More important perhaps is the continuous movement of these differences over time.

As you can see from the example charts, a very smooth fluctuation is obtained when these differences are plotted. The smoother the fluctuation the more useful it is in setting a trading strategy. This is important, for if we go back to the definition of momentum, we find that we are looking at the impetus gained by movement. Therefore, we want small movement initially, which become greater then reduce as the impetus slows down after too much movement has been experienced.

Following from this typical slow-fast-slow cycle, momentum can be and is often used to detect overbought and oversold conditions in a market where volumes are not available.

Imagine a marketplace where the bidding begins slowly and the prices rise equally slowly. A few more participants get drawn into the process, the shouting gets louder and more frequent — soon just about everyone is bidding.

Then when the market is overbought we have a slowdown in the bidding until it switches to selling. The selling begins quietly, gradually catching up steam until just about everyone is selling. Now we have an oversold market and the process begins again.

Of course it's stupid, but we humans fall for it every time and as long as the herd is there, the technical analysts will be there to make money from them at the turning points of momentum.

That is also why the technical analysts deny that charts are self-fulfilling and, in fact, probably fear the day that they become so. We will then have stable prices from market forces rather than from government decision.

But this will never happen; there will fortunately always be those who believe they can out-guess the technicians. They won't put it that bluntly, though; they'll say something like "earnings per share is more important" or "free cash flow is the only thing" or "it's the balance of payments that counts," etc. Be that as it may, momentum is a very powerful tool.

I have found that using momentum as a medium-term indicator, with the oscillator in the short-term and the Relative Strength Index (which I will discuss next week) in the long term, you have a formidable armoury with which to defend yourself against unknown future price movements.

☐ *David de Kock is MD, Currency Risk Management.*

ment's abortion that Info. mon-

Transun shares are 'mildly overpriced'

29/11/87

By Gareth Costa

Kersaf shareholders should take up their rights in the Transun listing, says analyst Jerome O'Regan of brokers Frankel Kruger. But he adds that at the level of 105c-110c for the nil paid letters the shares are "mildly overpriced".

For those with rights he says: "At 150c a share Transun offers exceptional value as well as the prospect of earnings growth on average over 20 percent.

"In the near term, boosts to earnings will be provided by the expansion of the Wild Coast Sun and the new Umtata Hotel."

Frankel Kruger yesterday booked over 1,3 million of the shares at 101c, believed to have been taken up by a couple of institutions.

The issue of 24,7 million shares will raise R37 million, by way of offers to Transkeian citizens and Kersaf shareholders. Kersaf shareholders are entitled to 16 Transun shares for every 100 held.

Transun runs the Wild Coast Sun, Casino and Country Club and the slot machine operations of Transgames.

Mr O'Regan says that the historical performance of Transun has been well above average. "The combination of a very sound balance sheet (gearing is 24 percent of equity) and significant new developments coming on stream over the next year or two will ensure that this performance is maintained."

Turnover for the company has increased from R25 million in 1982 to R65 million for the year to end-June, while operating profit grew from R9,1 million to R29,8 million.

Interim earnings for the six months to end—december were R13,1 million or 10,9c a share (before the issue).

Management forecasts earnings of 21c for the year to end-June (based on the weighted average numberof shares in issue).

Mr O'Regan says that the listing price of 150c places the shares on a historic PE ratio of 8,5 and a prospective PE of 7,1, while the dividend yield is a prospective 9,8 percent based on a 30 percent retention rate.

"The group's similar listed company, Sunbop, is currently trading on a historic yield of 5,1 percent. Such a rating would value Transun share's at around 240c."

Positive
cluded:

- An appar
sive out
"Flows a
dollar pro
have had
currency."
- Total fore
increase
mendous
earning mo
need to pa
so we are
dollars."
- Excellent
40 percent
harvests an
gross domes
- Rising reta
and manufa
- Net emigra
less serious
claimed.
- While the t
new car sal
an artificia
looming as
purchases b
1984.

"People will so
replacing t
start walking
cans are not
ing."

Dr Bruggemans
recent unban
strategic m
that SA's ex
really sanct
the import
always be o
said.

Bank to instal R7-

Secondary market still some way off

No change for home loans

B/Day 24/11/87

HELENA PATTEN

BUILDING societies would welcome the development of a secondary market for home-loans, but they do not see this as likely in the near future.

This emerged in a *Business Day* survey after news of the development of such a market in the UK. Britain's *Financial Times* last week reported that National Home Loans, a UK mortgage investment company, was selling about 1 250 mortgages to a separate UK-incorporated company, NHL First Funding.

Proliferation

The rapid growth in mortgage lending in the UK, and the proliferation of financial institutions competing with UK building societies for mortgage lending, has prompted the latest development.

The move is expected to boost mortgage lending without increasing the capital of those institutions securitising home loans; such institutions are also expected to offer lower interest rates, undercutting building societies.

MD of UBS, Mike de Blanche, says there is no comparison between SA and the UK or the US. Sheer volume has changed the whole picture overseas. He does not believe SA has reached a stage where a secondary market in home loans is either practicable or necessary.

He does not accept there is any real need for SA building societies to sell off part of their book. Whereas British mortgage bonds are more often than not fixed-interest bonds, leading to building societies sometimes paying more for their investments than they get for their bonds, SA societies are able to increase their interest rates on mortgages when necessary. This changes the whole position, he says.

However, he does not rule out the possibility of a secondary market developing in the future.

Brian Kemmey, deputy MD of the Perm, says that while conditions are not yet ripe for the development of such a market in SA, it would be a useful and eventually neccessary market mechanism.

Flush with money

He says building societies are currently flush with money and there is no shortage of funds. However, as in the UK and Australia, there are periodic peaks and valleys in the supply of money and a time will undoubtedly come when SA needs additional capital, especially since foreign funds are unavailable.

Insurers to fight curbs

B/Day 29/1/81 (S)

A DRAFT Bill that will govern the life-insurance industry gives the Registrar of Long-term Insurers vast discretionary powers and goes against free-market principles, life insurers say.

However, the drafter of the Bill, Dr Nols Botha, Deputy-Registrar of Financial Institutions, contends the stricter control embodied in the Bill will give policy-holders greater protection.

LINDA ENSOR

Peter Mordin, Liberty Life's divisional manager of technical marketing, and Joe Gates, AA Mutual Life's Assistant GM of pensions and group schemes, have both expressed concern that the ability of life insurers to sell their product may also be affected by the Bill.

A policy-holder can cancel within 30 days a policy sold to him on the initiative of an insurer's agent and the insurer will have to refund him the premiums paid.

The draft Long Term Insurance Bill completely overhauls and fundamentally rewrites the existing Insurance Act of 1943, which is to be replaced by two seperate Acts covering long-term and short-term insurance. The short-term insurance Bill is being written.

The draft Bill has been sent to life insurers for comment before March 27.

Botha expects technical revisions will be necessary and emphasises the Bill is nowhere near being the final product. However, the life-insurance industry has indicated it will push for far less government control.

Dick Otto, deputy-GM of Federated Life, says the Registrar has been given too much discretion and power.

One of the more contentious of these is the power to limit the amount of life cover an insurer can provide.

One industry leader says only an actuary intimately involved in the daily operations of the company is capable of calculating the risk retention of the business.

"By limiting cover the Registrar is now going to tell me what risks I can and

To Page 2

Concern over new insurance Bill

29/1/81 B/Day (S)

From Page 1

cannot carry. He is assuming impossible responsibilities and he is the one who will be in the dock when the company goes insolvent."

The Registrar is also given wide powers to make regulations and can order life insurance companies to change their constitutions. If they refuse, he can order the Registrar of Companies to do so.

Section 24 also enables him to order life insurers to alter their memoranda and articles of association "as he may deem desirable in order to remove anomalies or undesirable divergencies in the activities of different insurers".

Fears have been expressed that the competitive edge life insurers have over their rivals could be eliminated if the aim of this clause is to create uniformity in the industry.

The Bill lays down quite specifically what must and must not be included in a policy agreement. The insurer is obliged to take responsibility for the acts of its agents and cannot make his liability under the agreement conditional on payment by a reinsurer.

Some observers regard these clauses as a good means of protecting the members of the public who are often ignorant about insurance.

Botha says it is likely to take one or two years before the draft long-term and short-term Bills are finally ready for tabling in Parliament.

Although the expiry date for comment is March 27, the Life Office's Association has asked for an extension.

Disinvestment tests creativity

THE current political climate, coupled with anticipated changes in existing economic structure in 1987, will provide a testing ground for the skills and creativity of merchant bankers.

Barclays National Merchant Bank MD Rod Zank says: "The sanctions and disinvestment campaigns have provided impetus to market transactions.

"The increased activity in the management buyout market is one example. Companies wishing to dispose of their investments or their association with SA have a number of options: dilution of their control via a listing; outright sale of the organisation to management or other parties, or disinvestment without loss of control. The task of the merchant banker is to assist in creating and structuring the right solution for the organisation."

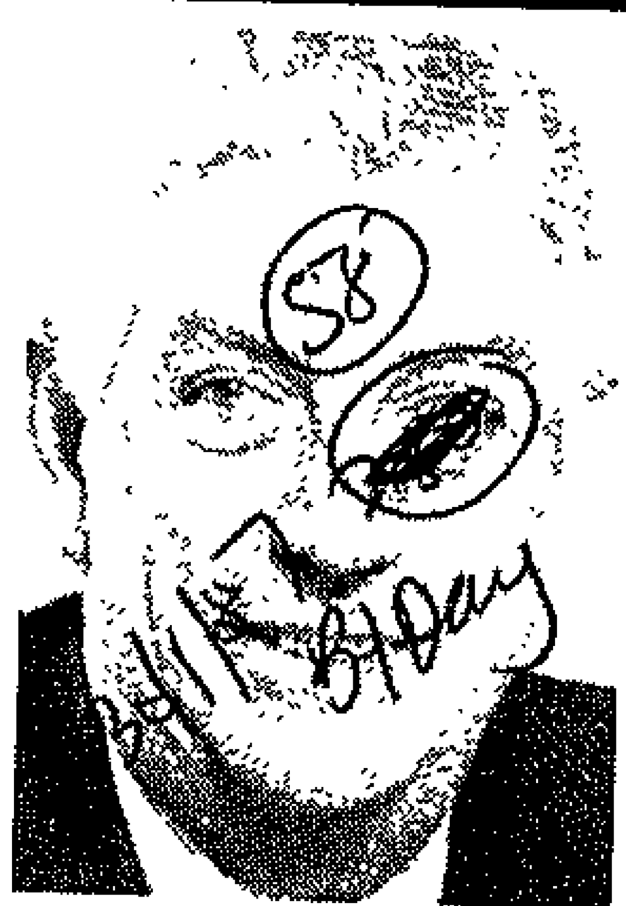
Zank points out the buoyancy of the stock exchange in 1986 — where 68 companies came to the market at a total capitalisation of R1,3bn, compared with an average of 10 listings a year for the six years prior to 1986.

The opportunity for organisations to raise capital via listings should continue, but possibly to a lesser extent than in 1986 with participation by the institutions on a "relatively selective basis," says Zank.

"A number of building societies have announced their intentions of listing in the first half of this year. This will add momentum to the market.

"The past year has seen the Development Capital Sector significantly expanded and it is now showing its usefulness and is a welcome addition to products available for the creation of capital for corporate development," says Zank.

Should the envisaged economic upturn take place and existing surplus capacity be utilised, the possibility exists for a further increase in the raising of capital.



☐ ZANK

Bankers have a crucial role to play in determining the correct strategy for organisations needing to dispose of their investments in SA. They are also likely to be busy on the stock market, with the rush for listings set to continue.

The enormous institutional cash flow will, with a continuance of a strong stock market, provide opportunities for quality rights issue offerings.

Zank sees government's proposed de-regulation and privatisation programme becoming a reality in 1987. The structuring and implementation of the proposals should provide an opportunity for fertile and innovative thinking on the part of merchant bankers and other advisors.

In the securities industry, increased technology will allow more direct communication in the markets.

Zank believes that we are unlikely to experience the "Big Bang", or at least a "Little Bang", in overnight de-regulation — as experienced in London.

NCW (58) (28)

New mine? FM 30/1/87

Activities: *Investment holding company with portfolio of gold and mining finance shares and mineral rights in the Potchefstroom, Klerksdorp and Delmas Districts.*

Control: *Anglo American Corporation holds 45,7% of the equity.*

Chairman: *M W King.*

Capital structure: *1,8m ords of 50c. Market capitalisation: R106m.*

Share market: *Price: R60. Yields: 2% on dividend; 2% on earnings; PE ratio, 50; cover, 1,0. 12 month high, R77; low, R36. Trading volume last quarter, 10 000 shares.*

Financial: *Year to September 30.*

	'83	'84	'85	*'86
Portfolio:				
Book Value (Rm)	1,7	1,7	1,7	1,7
Market Value (Rm)	21,5	25,2	33,2	53,6

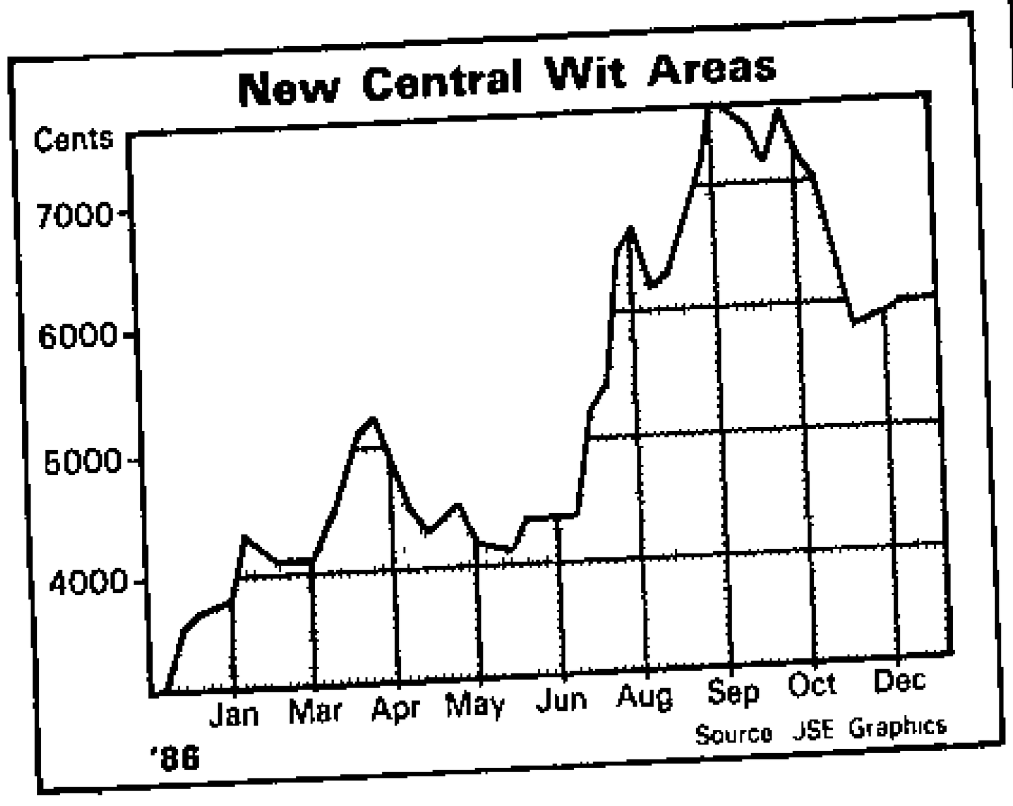
Performance:	'83	'84	'85	'86
Investment income (Rm)	1,4	1,4	1,7	2,2
Earnings (c)	75,7	76,4	93,1	119,9
Dividends (c)	75	76	93	119
Net worth (c)	1 298	1 426	1 883	3 043

While New Central Witwatersrand Areas (NCW) benefited from its sound portfolio of investments in the year to September, as chairman Mike King points out at the beginning of his review, that performance is of academic interest in the valuation of an NCW share.

The value depends largely on the mineral rights to a potential new gold mine underlying the southern portion of the farm Gerhardminnebron west of Deelkraal on the West Wits line. NCW holds the mineral rights 50-50 with parent Anglo American Corporation, which is drilling nine boreholes on the farm.

Anglo and Gold Fields SA (GFSA) are also drilling other boreholes south of Gerhardminnebron in an exploration programme trying to evaluate a possible new gold field in the region which some geologists believe could eventually support as many as four new gold mines.

Anglo is playing down the exploration work as much as possible. King notes in his review that: "full evaluation of the company's mineral rights will not be possible until extensive further drilling has been undertaken which is unlikely to be completed much before the mid-1990s."



Some mining industry analysts believe the timetable is far more advanced than King's review states, saying indications are that the first feasibility studies are due to start within 18 months and Anglo management wants to be able to take a decision on whether to go by 1990.

Published results from boreholes MGM1 and MGM2 on Gerhardminnebron have been encouraging but, according to analysts, the best results obtained so far from the region have been kept under wraps by Anglo because they were obtained off NCW ground and the house does not have to publish them. These came from borehole MST1 on the farm Stompoorfontein immediately south of Gerhardminnebron where the mineral rights are held by a syndicate controlled by Anglo American Prospecting (Ampros) with 50% of the rights. The other major holder is GFSA with 25% while Potchefstroom Gold Areas has a 10% subscription right through an agreement with Ampros.

Currently sitting at R60, NCW shares hit a high of R77 last September and could easily return there, but movements in the share price are clearly highly speculative in nature.

The share is difficult to acquire because there are only 1,8m in issue and Anglo, which is reported to be after every NCW share it can track down, had got its stake up to 45,7% at June 30 last year from 45% in June 1985 and 40% in June 1984. If you've got any hold onto them. *Brendan Ryan*

New internationalism may well pass SA by

HAROLD FRIDJHON

DEREGULATION in North America, Britain and Japan suggests the financial services industry is pointing the way to new international growth frontiers, largely denied to SA by its politics and by sanctions.

The services industries — particularly the financial service industries — will be the spectacular growth edge of the last two decades of the 20th century. Many reasons could account for this phenomenon, but probably the most pertinent is the huge accumulation of wealth, belonging not to the few but to hundreds of millions of people.

The exponential growth of peoples' money in pension funds, life assurance and investment funds, mutual funds and unit trusts, quite apart from personal savings and investments in share-market and other investments, has transformed the financial counsellor into a trillion-dollar industry spanning the globe.

Making possible this new internationalism has been the sweeping aside of traditional partitions between clearing banks, investment banks, merchant banks, stock brokers and all the other compartmentalised segments of old.

The De Kock Commission recommended deregulation in SA to free the market from a tangle of controls.

The first bold step which followed government's acceptance of some of the De Kock recommendations was the unshackling of the foreign exchange and money markets.

Unfortunately, political events led to the reimposition of control in order to protect the reserves and the rand.

But the amendments to the Banks and Building Society Acts have considerably deregulated the activities of these two key activities.

The demarcation between the building societies and the banks was smudged when Barclays entered the home loans market, to be followed last year by Standard. And building societies used their new-found freedom to move into banking.

Merchant banks, however, appear at this stage to be immune from predators seeking to invade their territory.

The independents, reduced in number by Nedbank's take-over of Finansbank, are jealous of their status and aggressively market their traditional services.

But even in SA, the lines in the financial services industry are becoming blurred.

Most banks have insurance and assurance links and one questions whether advice is free of bias. The corporate financial divisions of the commercial banks, computer-linked to their major clients, compete in areas which were once the preserves of merchant bankers.

The merchant banker, however, maintains his specialised role, even in London and de-regulated New York.

But, sadly, deregulation in SA will not mean admission to the expanding markets of world finance. The doors have been sealed by sanctions and controls. Deregulation will have a purely local connotation.

It will mean intensifying the inbreeding and incestuousness of a closed society, whose growth horizons are foreshortened by political myopia.

SA bankers, equipped with skills and the most modern electronic equipment, will have to sit on the sidelines as the exciting international financial gameplay swirls past them.

One-off finance projects also considered

MANDY JEAN WOODS

MERCHANT banking is most often associated with the big world of corporate finance, but there are other, lesser-known services provided by merchant banks.

These include providing finance for out of the ordinary, or one-off projects, says Standard Merchant Bank (SMB) GM Johan van Vuuren.

"These financial packages are usually associated with the expansion of a specific development or a project in the clients' business that requires the creativity, financial imagination and expertise that merchant bankers have refined over the years," he says.

"However, merchant banking is not only involved in the supply of specialised finance.

"We have often found it necessary to provide a comprehensive wholesale banking service for corporate clients' day-to-day financing needs," says Van Vuuren.

Examples are various short or medium-term financing packages and a comprehensive range of tax based facilities which provide a "bread and butter" range of services, and which in turn help provide banks with overhead and fixed operating costs.


VAN VUUREN

"As an industry, merchant banking does concentrate on finding niches in the market place where they can apply their funds, and where the threat of the convenience inherent in electronic banking services can be overcome."

Even though merchant banking is often closely identified with corporate finance, as far as SMB is concerned the banking division and the corporate finance division compliment one another and work closely together.

A case in point has been the surge in management buyouts (MBOs) over the past year.

"Right now there is a flurry of MBOs, and many are linked to disinvestment. We have had a multitude of MBO enquiries and offers.

"The competition between banks to fund MBOs is fierce, but banks are nevertheless selective because MBOs generally involve high-risk lending.

"For this reason it requires imaginative structuring by experts."

Banks are currently finding it difficult to expand their foreign credit lines because of the debt standstill and disinvestment campaign.

Although foreign trade finance is still readily available at this stage, medium-term foreign finance is in short supply and consequently project financing packages must be sourced almost entirely from the local market.

If this trend continues it will have a profound and detrimental effect on the growth potential of the SA economy, Van Vuuren says.

Changing lending markets

COMMERCIAL lending markets have experienced considerable change over the past few years, partly as a result of the deregulation of the capital markets in certain countries.

Although growth in the money market is predicted, corporate customers will continue to explore other sources of finance, according to a survey report by Arthur Andersen & Company.

In order to attract and keep clients, the products and services offered by banking institutions will have to have an edge on that offered by the competition.

And despite the decline of non-interest paying current accounts, raising consumer deposits will continue to be a vital activity for commercial banks.

Consumer and commercial lending will increase, the report says.

Banks will continue to dominate the corporate market, though the predictability of the types of traditional products and services offered will diminish. They will develop new and more profitable lines of business to compensate.

The use of information technology will become increasingly important in the development of market strategy, says the report.

Senbank takes the lead in asset size and profitabilty

CIARAN RYAN

ALTHOUGH Senbank is not yet on a policy of full disclosure, it has a sound profit history and has consistently earned a return in excess of 25% on shareholders' funds.

Total assets at the June 1986 year-end were more than R1,5bn (slightly larger than Standard Merchant Bank's) and after tax profit was almost R16,5m (R14m).

Although, comparisons with merchant banks such as Barclays Merchant Bank and SMB are not entirely fair, due to the fact that SMB and BMB are on full disclosure and Senbank is not, there is little arguing that Senbank is the largest of the SA merchant banks, both in terms of asset size and profits.

Senbank has traditionally handled a large portion of Gencor's merchant banking requirements.

Malbak, which was recently made the holding company for Gencor's industrial interests, has its own corporate finance team — there is enough restructuring within the group to warrant such a team — but Senbank gets called in to double-check the figures.

Senbank senior manager of corporate finance Jannie Grobbelaar says 1986 was the year of new listings on the JSE, while 1985 was the year of rights issues.

"There are a number of companies in the pipeline still waiting for a listing. People are eager to list their companies sooner rather than later, because there is a feeling that things may get worse, economically speaking, so it is better not to wait too long."

Senbank listed 11 companies in 1986, all of them successfully. Metropolitan Life, Shoprite, Southgo, Pep Stores, Cashbuild, Housewares, Metro and Hiscore are among the more notable of the Senbank listings.

Investors who bought into Southgo last year at the offer price of 100c will have been more than happy to see the price recently touch 450c.

Similarly, Cashbuild was offered at 110c and now trades at 360c.

Not quite so exciting are Metro, which was offered at 500c and now trades at 520c and Metpol which was offered at 315c and now trades at 330c.

One of the most successful listings in the stores sector of the JSE last year was Housewares. The shares were offered to the public at 50c each and now trade around 260c, an improvement of more than 500%.

Senbank has already made a cracking start to 1987 with the listing of the Elcentre Group (Elgro).

Grobbelaar says there were 82 listings on the JSE last year if one includes all the company restructurings during the year. There are fears among certain market watchers that new companies are being grossly over-valued by the market and earnings growth is being discounted years into the future, but Grobbelaar says the high market ratings for new companies are being backed up by good earnings growth.

One of the most complicated listings in 1986 was that of Pep Stores. Pep was reversed into Bearing Man. The deal was structured so the assets of Bearing Man were sold to Progo, which was suspended on the JSE because of its loss record. The Pep listing was complicated by the need for a capital reduction, sale of Bearing Man's assets and the need for a scheme of arrangement with shareholders.

Senbank's sister bank, Mercabank, has been very active in the DCM and was involved in the flotation of Pactape and the restructuring of Buffcor.

Senbank is currently involved in preparing five new listings and a large number of inquiries are building up.

(58) B/Day 30/1/87

Merchant bankers valued as trade advisers

Sanctions are providing a way to generate fees

ALAN SENDZUL

When sanctions start to bite, increasing numbers of companies are expected to turn to merchant bankers for alternative opinions. At present they are limited to tackling existing sanctions legislation. Compared with the commercial banks, merchant bankers can claim to be better equipped to handle sensitive trade than commercial banks, which are much larger organisations and have longer chains of communications.

SINCE the deregulative drive of the Banks Act, merchant banks have become only marginally differentiated from their commercial banking counterparts. As a result they have had to look harder for new fee-generating avenues.

Ironically, one method has sprung up from the sanctions threat. But although there has been much talk of trade bans, sanctions have only started to make their presence felt in the past few months.

Merchant bankers could not have envisaged the unexpected boon from the vast number of management buyouts (MBOs) on which they have already advised.

New business is pouring in from a number of foreign companies selling out their SA subsidiaries under disinvestment pressure. Most of the deals require little if any risk underwriting.

They are usually leveraged buy-outs in which the disinvesting company sells its distribution network and assets to new local owners, who are most commonly the existing upper management.

New listings

And, possibly, the new corporations which are emerging from the MBOs will be seeking listings on the JSE, which in turn will mean further business and fee income.

Unfortunately some of the buy-outs have worsened power concentration by groups who already own a disproportionate share of the country's wealth. The Anglo buy-out of Barclays PLC's 40% stake in Barclays National bank is a case in point.

Compared with the commercial banks, merchant bankers can claim to be better equipped to handle sensitive trade than commercial banks, which are much larger organisations and have longer chains of communications.

But merchant banks are not unique in the fact that they have international links. Their strength lies more in their offshore correspondent banks, foreign exchange dealing lines and through the issuing of letters of credit for trade finance.

Since the foreign debt standstill, syndicated loans formed in partnership with banks abroad have become a thing of the past and have narrowed funding possibilities.

The advantage that merchant banks hold in being able to cope with trade disruptions and tailor-made situations is that they work with small, hand-picked teams. These strategic groups concentrate on specific issues and often require little clearance for deals from management.

One merchant banker said that he operated with a team whose average service record was between 10 and 15 years. This meant that leaks about secret deals were cut to a minimum.

"We are not so much in the sanctions busting business as we are in the business of looking after our clients. Sometimes that might mean exploiting new loopholes, but it generally means looking for the safest way of conducting trade."

Not surprisingly, merchant bankers are reticent when it comes to talking about sanctions.

Nowadays, the tentacles of the sanctions planners abroad are ever present, picking up loose information when it appears in print and applying it to impose stricter legislation.

Nevertheless, sanctions have meant corporate reorganisation. The merchant banks have been drawn into corporate restructuring made necessary by the disinvestment pressure and anti-SA hype targeted at foreign businesses operating in SA.

But since the sanctions clamour grew louder half way through 1986 it has given merchant bankers ample opportunity to show their worth as specialist trade advisers.

And when sanctions start to bite, increasing numbers of companies are expected to turn to merchant bankers for alternative opinions. At present they are limited to tackling existing sanctions legislation.

The companies will seek from merchant bankers ways to compensate for lost markets and methods of ensuring safe delivery of export proceeds from abroad.

Those merchant banks which belong to banking groups and which still have foreign parents will be able to disguise goods far easier through branch networks around the globe.

But there will always be commodities the origin of which cannot be kept a secret from the buyers.

SA coal, for instance, has unique chemical properties which can easily be identified.

Middlemen for buyers

What this means, according to one banker, is a rising trend towards agencies which act as middlemen for buyers who are unconcerned as to who their suppliers are, but want to cover themselves against political exposure.

But the danger of goods or payment being frozen abroad has long existed. Even though it has not materialised, exporters are having to live with a threat which is moving closer to reality through each new sanctions law passed.

One should take care to distinguish between abnormal trade and sanctions, says a proponent of unconventional trade.

One banker said abnormal trade existed before sanctions were imposed. It refers to relations between countries or the lack thereof which will not be altered regardless of what changes are brought about in those countries.

For example, SA has been moving steel exports to the mainland of China in huge quantities even though there are no trade links between the two countries. "Our bank has been shuffling paper around between our international branch offices which makes detection all the more difficult," he added.

SA Perm offers higher interest on fixed deposits

Argus 30/11/87

S-8

to cut

By TOM HOOD
Business Editor

PENSIONERS and other investors with cash on fixed deposit are to get higher interest rates from the SA Perm.

Disclosing this today the building society's managing director, Mr Bob Tucker, said: "We are desperately concerned about the plight of the investing public.

"The consequences for older people, in particular, who are on a fixed income at a time of an 18 percent inflation rate and low rates of return on their investments are highly perplexing."

In lowering their mortgage rates, societies also trimmed their savings and deposit rates and many investors have seen their income almost halved in two years as rates came down.

Immediate

Increases are immediate, with the biggest on 24-month deposits, up from 11 to 12 percent.

Other increases include 12-month deposits, up from 9,75 to 10 percent, and 12 to 12,5 percent on 36 months.

The country's largest building society, the UBS, also raised some rates earlier this month.

It is also paying 10 percent on 12-month deposits, 11,5 percent on 24-month deposits and 12 percent on 36 months.

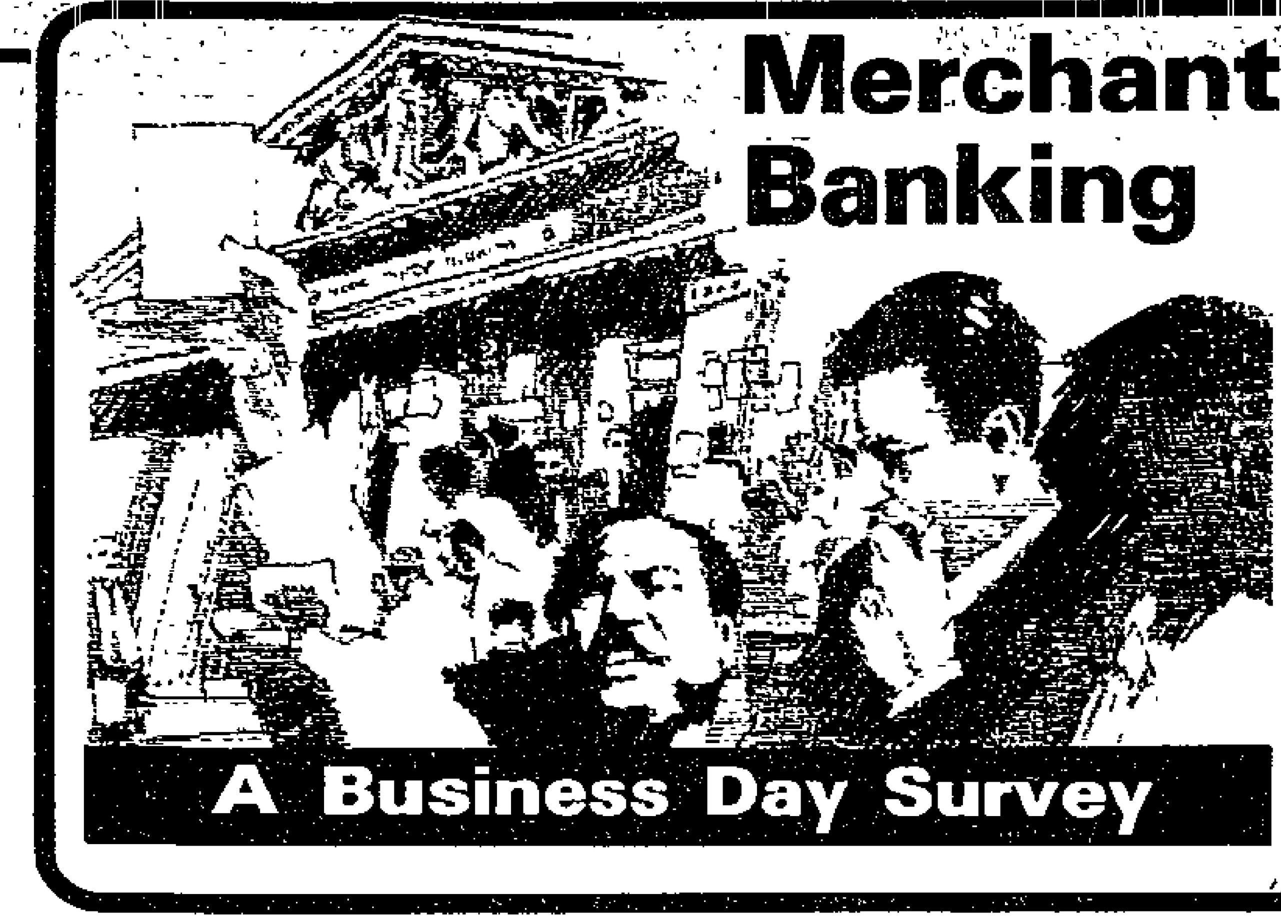
Worried

Though building society chiefs are reluctant to admit it, the movement is worried about the flight of money into the stock exchange as investors try to keep ahead of inflation.

If the switch gathers momentum the societies could be forced to compete with each other and banks and offer even higher rates — a move that could prevent any further cuts in mortgage rates and even threaten the new bond rates of 13,5 percent.

Allied is offering top building society deposit rates at the moment — 10,5 percent for 12 months, 12,75 for 24 months and 12,75 for 36 months.

(54)



Edited by MELANIE SERGEANT

Challenges ahead need innovative thinking

MERCHANT banks have historically handled virtually all corporate finance activities in SA.

Senbank points out that years ago it would have been unthinkable for any company to approach the market for a listing without being associated with a merchant bank.

But recently, with the introduction of a large number of companies to the JSE boards, and in particular to the DCM sector, other players have started to encroach on the merchant banks' traditional terrain and today it is not uncommon for attorneys, auditors, stockbrokers and other financial advisors to assist with listings without the aid of a merchant bank.

In line with overseas experience, this trend is set to continue and expand and merchant banks are reassessing their strategies.

It is undeniable that merchant banks have the edge in terms of their vast experience, innovativeness, specialised manpower, support systems and capital resources. It can be expected that these factors will be increasingly combined to provide a sophisticated professional service which will aspire to always be a step ahead of its competitors.

Deregulation

In line with the UK, SA could also be moving closer to a "big bang". First indications have been the ending of fixed commissions on the JSE, the removal of the dividing lines between banks and building societies and the effects of brokers encroaching on to traditional merchant banking territory.

Should the JSE be opened to outside membership, the financial markets will be transformed as banks will be able to engage in market-making and in dealing in equities and government bonds.

If this occurs, the interference of stockbrokers on merchant banking terrain could become a two-edged sword and one could expect to see brokerage firms opting to ally themselves with banks which can provide the financial backing to market-making.

The corporate finance game has traditionally been a comparatively riskless business, such as lending money and financing trade. Corporate finance had also been risk averse in that professional services were rendered on a fee basis while financial risks were off loaded on a back-to-back basis.

In future, more emphasis will be placed on judgment of companies and markets and the willingness of corporate financiers to back such judgment with financial risk acceptance.

Consequently, the lengthy process of raising capital may eventually follow the overseas example and decrease dramatically as merchant banks back equity issues and rights offers up front, hoping to resell as quickly and profitably thereafter. This trend will favour merchant banks which have the capital resource and placing power to take on such issues and/or offers.

Competition

But for this, the JSE rules will have to change.

The expected development of corporate finance will undoubtedly spark off increased competition. The merchant bank that can develop new ideas specifically tailored to the requirements of the client, will be able to charge premium fees.

As new ideas have a short life-time before they are copied, innovation must not only be good, but it must be continuous. In order to deliver top quality services, the merchant bank will have to recruit and hold on to top quality people.

Senbank believes that to achieve the above the environment must be conducive to unorthodox thinking and there must also be a free exchange of ideas to stimulate creativity and innovation.

To simultaneously encourage such originality and channel it into productive use is probably the greatest challenge to be met by merchant banking management today.

JSE had a record number of new listings last year

B/Day 30/1/87 (58)

DURING 1986 a record number of new listings were introduced to the JSE.

Senbank says the spate of listings can be ascribed to the pent-up liquidity in the market which sought a release into investment avenues capable of giving returns consistently in excess of the inflation rate.

Consequently, new listings were eagerly accepted by the market as evidenced by over-subscription ratios and stagging premiums.

It is of interest to note that the DCM sector, which was specifically created as a means of raising venture capital, came into its own in 1986 when no fewer than 25 new companies were listed in that sector.

Expanded business

In providing capital for expanded business activity, the JSE has again proved its value as one of the primary catalysts for stimulating the economy which is such a prerequisite if the country wishes to solve its current political problems.

The accompanying graph clearly illustrates that one of the trends in 1986 was the number of non-merchant banks associated with listings. These comprised 26 or 31.7% of the total. It would seem as if the lower end of the market, the smaller company, has associated with brokers. Only time will tell if the break with merchant banks to brokers is wise and if the logo of a merchant bank has value to an investor. The above scenario would seem to indicate taht the more secure companies are associated with a merchant bank.

Senbank says: "A total of 16 out of the 25 DCM listings were handled by non-merchant banks. This is in line with the cheaper image of the DCM where companies often do not require high profile marketing, underwriting, sophisticated advice and in-depth investigations."

Of the merchant banks, Standard Merchant Bank (SMB) handled the highest number of listings with 17, followed by Senbank with 11. It must be noted that to date none of Senbank's listings have traded below their issue price, while four of SMB's listing have dropped below.

The most popular form of listing is evenly split between public offers/issues and private placings: there were 27 each of these. The non-merchant banks have largely made use of the private placing route (12 out of 22) which does not require any underwriting.

Senbank handled the largest number of reverse listings (three) through cash shells.

Senbank's approach to pricing a listing, is one that finds it vital that the opening price and subsequent trading price does not fall below the original issue price. A share price that falls below issue price is regarded as a failure and this tarnished image may take years to repair, which clearly has complications for the future raising of capital and general support by the market.

Senbank recommends that it is preferable to err on the conservative side when pricing an issue. A big subscription and fair stagging profit create favourable market comment, high media exposure and investors' goodwill. These are factors that stand a company in good stead when it again wishes to approach the market for new capital.

To avoid giving too much of the company's value away, Senbank normally recommends that only the minimum equity is offered to satisfy JSE shareholders spread requirements.

Depending on the number of shares in issue, such offers can be as low as 11.6% of the total issued shares.

A reverse listing through a cash shell is regarded as the optimal method of maximising value. The reason is that the JSE grants such a listed company up to six months to attain a spread.

The shareholders of such a company can retain up to 99.9% of the shares on listing and only after the market has settled the price, realise the balance of the required spread.

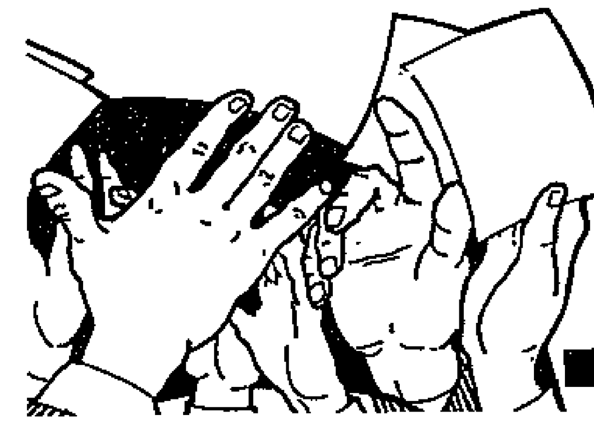
This method eliminates the uncertainty associated with pricing an issue or offer beforehand, and leads to the optimal proceeds on realisation. There are certain disadvantages to back-door listings such as reduced market awareness and media exposure, potential unavailability of suitable cash shells and costs.

It must be mentioned that cash shells can no longer be created as in the past but, in terms of the JSE rules, have to be structured on a back-to-back basis which increases the complexity and availability of such transactions. This method is, however, still one of the most effective methods of listing available.

Source: SENBANK

Corporate finance personnel (approx)		Total listings (Cols 1-5)	1 Public offer/issue	2 Private placing	3 Rights offer	4 Reverse listing/other	5 Pyramids	Total success/failures (Excl col 4&5)
7	Hill Samuel Merchant Bank	1	-	-	-	1	-	
10	Central Merchant Bank	11	3	2	2	3	1	7:0
16	Standard Merchant Bank	17	8	4	2	3	-	13:1
16	UAL Merchant Bank	9	4	1	-	2	2	4:1
8	Rand Merchant Bank	3	1	-	-	2	-	0:1
5	Volkskas Merchant Bank	3	2	-	-	1	-	2:0
14	Barclays Merchant Bank	4	2	1	-	1	-	3:0
4	Mercabank	7	1	3	1	2	-	5:0
4	Investec Bank	1	1	-	-	-	-	1:0
6	Finansbank	-	-	-	-	-	-	-
2	Quaestor IV	4	-	4	-	-	-	4:0
30	Others/Sponsoring Brokers	22	5	12	2	1	2	19:0
122	Total	82	27	27	7	16	5	

Success- trading above listed price.
Failure- trading below listed price.



1986 LISTINGS HANDLED
by Merchant Banks and other Financial Advisors

Graphic: JOHN McCANN

58

Debt — an alternative

GARY SPRECKLEY

THE recent surge of newly-listed companies on the Johannesburg Stock Exchange has generated enormous investor interest, exposing a vast pool of liquid funds available for investment in SA.

Corporate financing essentially comprises of debt and equity in a number of various guises.

There are fundamental differences between debt and equity. Firstly, debt is ultimately repayable, whereas equity funding is normally permanent.

Secondly, the cost of debt (interest) is normally tax deductable by a corporation, whereas the cost of equity (dividend) is not.

Thirdly, equity capital normally participates in the growth of the business in that both the value of the equity and the dividends paid to service the capital will increase over time as the company grows.

When considering debt as an alternative source of corporate funding, the cardinal rule for the borrower is that the type of debt funding must be appropriate for the purpose for which it is required.

Basically debt may be short-term or long-term in nature. The longer the term of debt required by a corporation, the greater the uncertainty and associated risk of repayment.

A major incentive to an investor is that debt financing may offer rights facilitating debt conversion into equities at the option of the investor under specified terms and conditions.

A further feature of debt financing is that it allows a company to buy back its own issued debt instruments prior to maturity date.

The marketability of debt instruments is of major importance to an investor, as it affects the investor's ability to trade and transfer title in the investment acquired, and may justify a lower return.

Term-loans are the most straightforward form of debt financing. Interest is normally market-related, and may be fixed or fluctuating.

Redeemable preference shares have become a popular method of raising corporate financing. Although these are considered part of a corporation's equity, they are basically a form of debt.

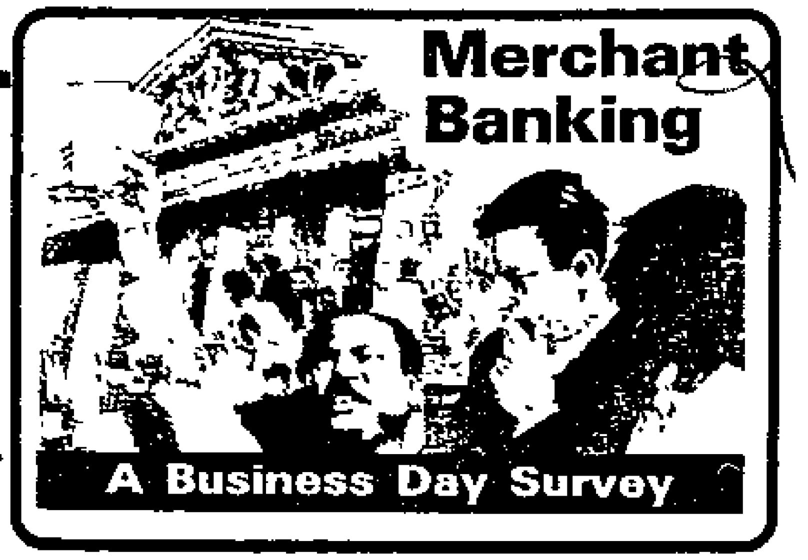
Debentures are notes of indebtedness, usually issued in large quantities, mostly to institutions, offering a fixed coupon rate with definite maturity dates, secured or un-secured. They may have rights attaching facilitating conversion into equities.

Warrants are an unconventional alternative in a capital raising exercise, offering investors an option to buy a stated number of equity or debt-based instruments, at a pre-determined price. They expire on a certain date if not exercised.

The use of junk-bonds in the US has become highly popular. The success of a junk bond issue in SA will depend on the nature of the issue and the liquidity of the debt market.

A new innovation in the local capital market is the introduction of equity-linked, fixed interest instruments. These were recently developed by Investec Bank and issued by SA Transport Services.

GARY SPRECKLEY is consultant, corporate finance division, Investec Bank.



'87 looks even more challenging than '86

The continuing recession, the JSE boom, the SA debt standstill and sanctions added up to a challenging year for merchant banks in 1986 — and 1987 promises to be even more so.

GUNTHER MEIER

THE economic and political climate in which merchant banks had to operate during 1986 was challenging indeed.

The recession in the domestic economy restricted the demand for credit and caused bad debts to rise to unprecedented levels. The debt moratorium introduced at the end of August, 1985, restricted foreign lending and foreign exchange dealings operations had to be curtailed.

However, the trading activities of the merchant banks on the local money and capital markets did increase. Another area that experienced a busy year was the corporate finance divisions where a spate of new listings, rights issues, mergers and acquisitions was experienced.

In general, merchant banks experienced a satisfactory increase in profits during 1986. What about 1987? Looking at the economic and political scenario, 1987 promises to be as challenging as 1986 and perhaps even more exciting.

Circumstances

Circumstances in the financial markets should be conducive to further increases in profits and those merchant banks that will be able to contain bad debts should show exceptional rewards.

Despite the uncertainty about the impact of sanctions, it is expected the slow improvement experienced in the local economy since mid 1986 will continue during 1987 at an accelerated speed. However, before discussing in more detail the prospects of the specific activities of merchant banks two points have to be made.

The first is that it is not easy to define merchant banks, especially in view of the fact that the Banks Act no longer differentiates between various types of banks, and because the activities of various types of banks do overlap.

The dictum that it is easier to recognise than to define a banker is even more applicable to a merchant banker. However, merchant banks do still specialise and concentrate on certain functions.

The following is a more detailed discussion of the prospects of the various services typically provided by merchant banks:

☐ **Corporate finance:** Of all merchant banks activities, it is probably corporate finance that is best known by the general public. This is the area where merchant banks advise and assist clients in matters such as stock exchange listings, mergers, takeovers and acquisitions.

Foreign pressures, low interest rates, a severely depressed economy, high risk of insolvencies and bad debts provide suitable opportunities for the corporate finance divisions of the merchant banks.

As a result, the corporate finance departments of the merchant banks had a record year during 1986 as far as fee income is concerned. The activities of the corporate finance divisions of 1986 were slightly different from the merger and acquisition activities of 1984/85.

Buoyant

A buoyant stock market, and a large number of companies with highly geared balance sheets resulted in more emphasis on rights issues and new listings during 1986. This trend will most probably continue.

☐ **International banking services:** SA's uncertain political future and the standstill arrangement on external debt has strained ties of local banks with the outside world.

Although foreign banks continue to process normal SA financial transactions they are reluctant to enter into any new transactions or to increase their exposure towards SA.

Foreign exchange exposures had to be trimmed, and under these circumstances the foreign exchange operations of ~~local banks~~ inevitably had to be curtailed. Despite the threat of boycotts and disinvestment the external trading situation of SA should remain relatively strong during 1987.

☐ **Money and capital market trading:** During the past two years SA has experienced a tremendous increase in turnover in the local money and capital markets.

The increase in turnover was accommodated by greater sophistication in dealing as well as in support systems and technology. Merchant banks have traditionally played an important role in these markets and their importance will most probably increase during this year.

On the secondary capital market one can expect new instruments or new trading techniques to be developed.

The option market, which has developed extremely rapidly in the recent past, will be used by more participants this year.

Hopefully the differences between the banks and the JSE which prohibits the Gilt Clearing House and the Settlement House being used by the majority of the participants will be solved during this year. Other factors that could affect the capital market during 1987 will be the outcome of the Stals and Jacobs committees and the possible changes in the valuation and definition of prescribed assets.

☐ **Bank services and banking legislation:** In the past, the impression might have been given that the importance of banking services for merchant banks has been declining because traditionally, merchant banks look for fee income and not lending income.

However, during the past year, and despite the general easing in the demand for credit, the income from banking and related services made an exceptional contribution to the profits of merchant banks.

Influence

One of the major factors which will influence the activities of merchant banks during 1987 will be the new capital requirements. This year will be the first during which the capital requirements which are based entirely on the assets of a bank as well as on contingent liabilities will be implemented.

☐ **Conclusion:** Despite the uncertainties of 1987, one thing about which there should be no uncertainty is the increase in competition.

It will not only emanate from other banks but also from other financial institutions. This should result in merchant banks placing more emphasis on expertise and ingenuity in providing services to their clients.

☐ *GUNTHER MEIER is GM, Volkskas Merchant Bank.*

New face in arena

ALLIED Building Society's recent acquisition of French Merchant Bank highlights a trend in the banking industry.

More and more, non-banking institutions are becoming the new players in the banking arena, leading to more competition between money merchants for business.

A survey of banking trends over the next 10 years, carried out by Arthur Andersen & Company shows competition will be felt most strongly in the corporate area.

The survey also shows the trend will be for banks to reduce their number of branches.

MONEY SUPPLY (58) 30/1/87

Measuring mystery

Money supply statistics showed little growth over the last two months of 1986, confirming the sluggish demand for bank credit among consumers wary of commitment. The November figure for M3 has been revised slightly upwards from a year-on-year 9,7% to 10,1%, or R78,6 billion; the preliminary December figure is 10,20%, or R79,9 billion.

Other monetary aggregates showed similar trends: M1(A) increased 20,9% to R14 billion (November: R13,4 billion); M1 increased 12,4% to R24,46 billion (R24,5 billion); and M2 increased by 6,4% to R56,2 billion (R56 billion).

Rob Lee, chief economist at Old Mutual, says money supply is rising only because of increases in foreign reserves and private-sector demand for credit.

Though money supply may not have shown substantial growth, to what extent is this compensated for by increased velocity of circulation?

Reserve Bank Governor Gerhard de Kock suggests that the increase in velocity of circulation on a yearly basis to the last quarter of 1986 may have been as high as 8% which, added to growth in money supply, would suggest an overall increase in circulation of money of about 18% — within his target range.

He agrees that the discrepancy between actual and target money supply growth rates in 1986 arose because predictions by the Reserve Bank for economic growth and demand for credit in early 1986 were over-optimistic.

Had inflation been 14%-15% and growth 3%-4%, in line with predictions, the target would have been accurate. In such a case the velocity of circulation would probably have been more stable.

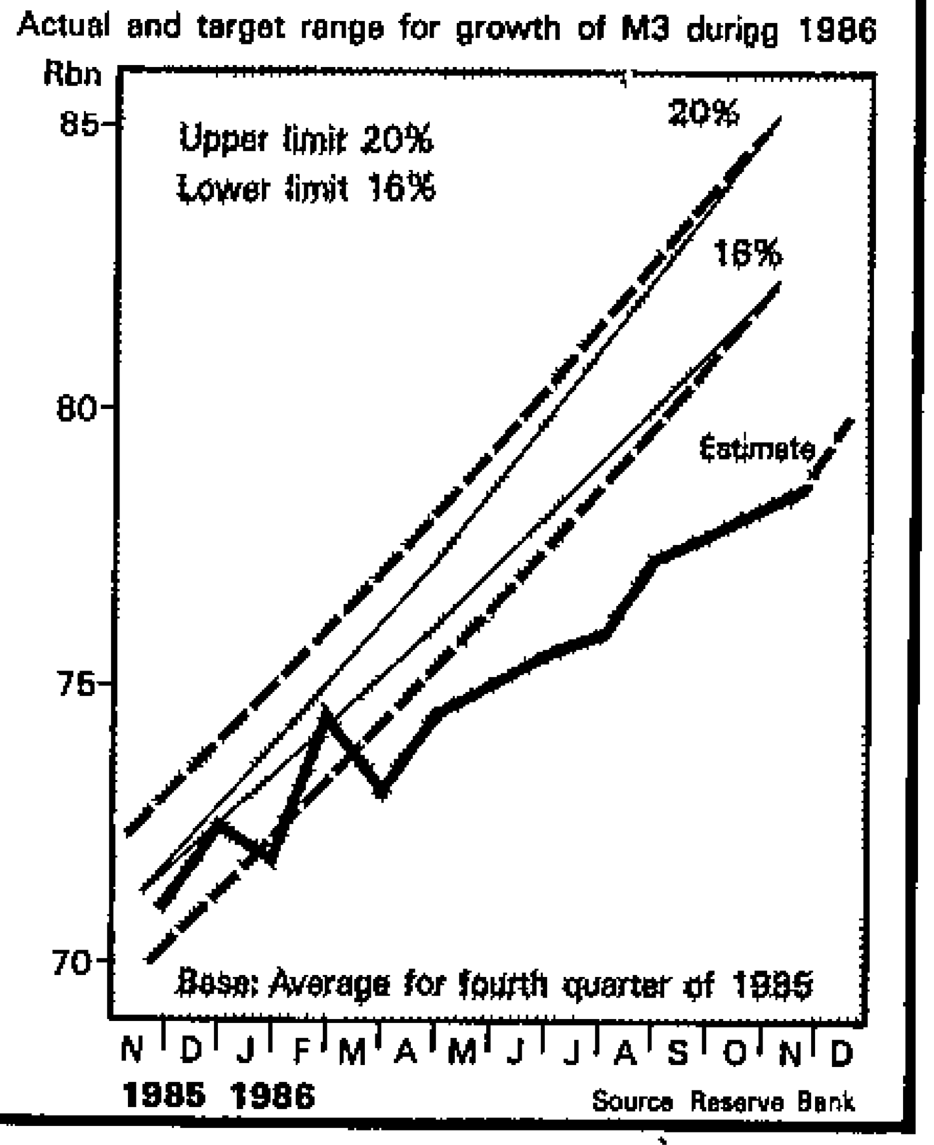
UCT's Brian Kantor is highly critical of the Bank's conduct of monetary policy in 1986. He questions the wisdom of not allowing interest rates to decline in response to low demand for credit.

Although De Kock realised early in the year that forecasts for growth would not be reached, he did not respond by relaxing interest rates enough to stimulate demand.

Kantor's criticism goes even deeper. He deplores the discretion the Reserve Bank has in implementing monetary policy. "Targeting should not be so discretionary. Longer-term targets should be set and adhered to. The Bank should either set interest rates or control money supply, but not exercise power in both respects."

Under the weather

Actual and target range for growth of M3 during 1986



With the monetary target range to be reviewed in February, the Bank may also note suggestions by Lee in his latest *Economic Monitor.*

He suggests the adoption of additional money supply targets other than M3, because "by concentrating on one aggregate, policymakers may ignore different information conveyed by other money supply measures," for example M0, as used in the UK. M0 is defined as notes and coins in circulation, a slightly narrower definition than M1(A), which includes M0 plus cheque and transmission accounts with banks, building societies and the post office.

Lee provides evidence that M0 has a closer relationship with movements in gross domestic expenditure than does the official target figure. He says it tracks the spending cycle accurately. "The relationship between spending and M3 is less satisfactory and at times misleading." ■

REGISTRAR'S OFFICE FM 30/1/87

Musical chairs

(58)

Given the key role of the Registrar of Financial Institutions in administering financial laws, it is surprising that his post has remained vacant for two months. A number of other job changes must put the administration under further pressure.

The previous registrar, Robert Burton, was moved in November to become secretary to the Treasury, following Peter Wronsley's promotion. And it has already taken some time to replace Burton's number two, State Actuary Willem Swanepoel, who left earlier last year to take up the MD's post of Atlantic & Continental Insurance.

That is to be filled on February 1, by Piet Robbertse, now MD of President Insurance, which recently moved its head office to Pretoria.

Countering the pressure, however, will be pending legislation to transfer the administration of banking and building society regulations to the Reserve Bank. Meanwhile, two Reserve Bank men have been seconded to the Financial Institutions Office (FIO) in an assistant registrar's capacity. They are Willie Adendorff (banks and building societies) and Werner Brummerhoff (major banks).

The FIO has also continued to increase its

FM (58) 30/1/87

staff over the past three years, from 55 to about 70. Overall, there should eventually be less work pressure, suggesting more adequate administration of the laws.

A spokesman for the Registrar's Office explains that it is policy in government these days to allow a post to fall vacant before advertising. With the move to more market-related salaries, he says it has become practice to invite applicants both from within government and from the private sector, so interested applicants were given until December 31.

The authorities are now in the process of selection, so there should be an announcement fairly soon. However, bureaucracy still has to take its course. Once selected, the lucky applicant will have to be recommended by the Director General to the Commission for Administration, which in turn will be followed by final consideration by Cabinet.

Until the decision, Piet Badenhorst is acting registrar. He is also deputy registrar of insurance, pension funds and friendly societies. Chris Mostert is deputy registrar of banks, building societies and unit trusts.

Assistant registrars are Willem Heckroodt (short-term insurance), Nols Botha (long-term insurance), Martiens Lindeque (pension funds and friendly societies), Jan Loubser (stock exchange), and Aggie Agenbach (unit trusts and usury). ■

(58) FM 30/1/87

MOTOR INSURANCE

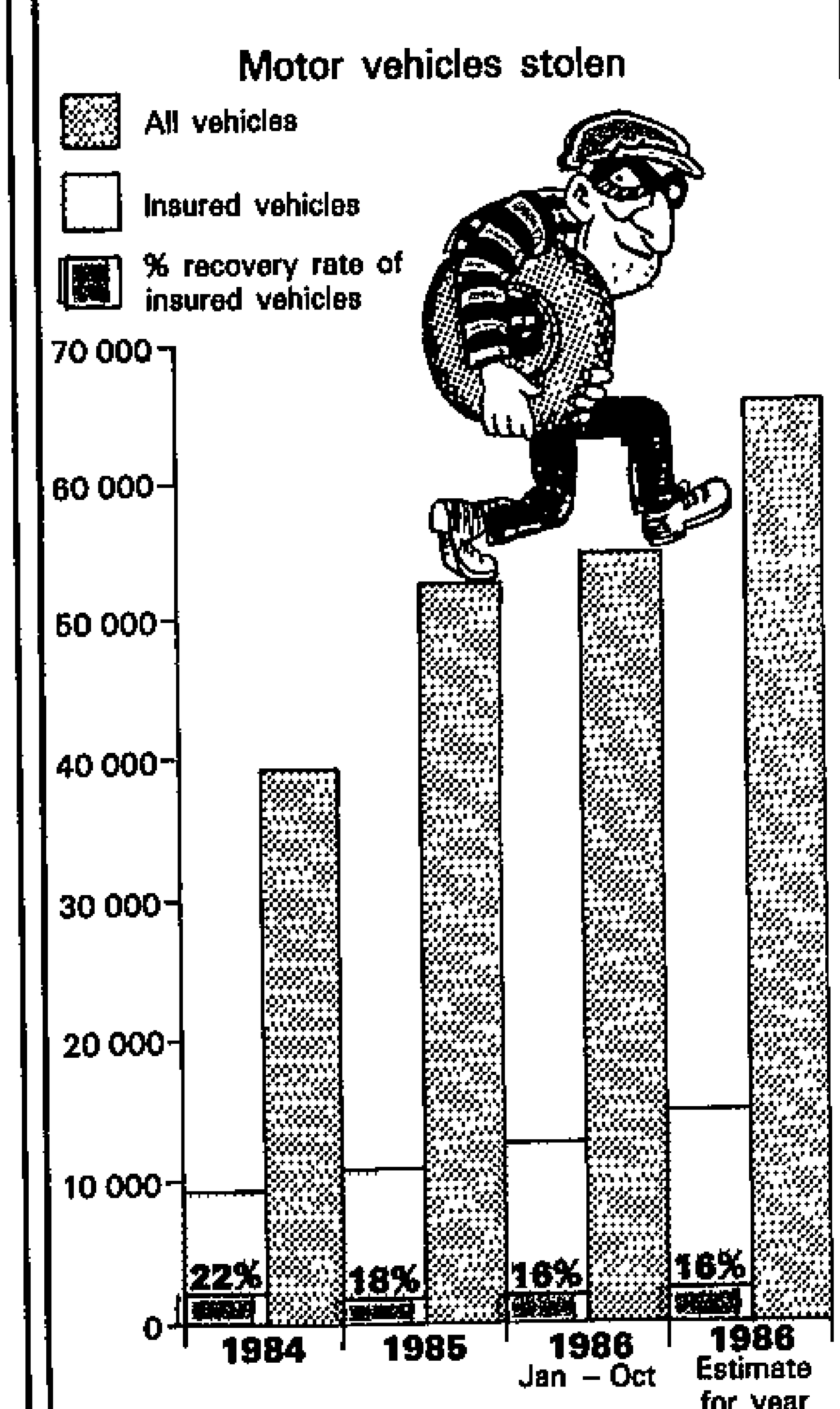
Claims nightmare

A fantastic increase in motor vehicle thefts last year knocked insurers for six. They were hit for an estimated bill of over R160m following a leap in reports of stolen insured vehicles of 33% on 1985.

Of a total of 166 vehicles a day stolen in SA, according to police records about 40, or 25%, were insured. But while police recoveries were fairly successful, they fell from 24% of *insured* vehicles reported stolen in 1981-1982 to 22% in 1984 and to only 16% last year (see table).

The table covers insured vehicles only, nationally.

Wheels of misfortune



Source: SA Insurance Association

Under a scheme introduced in 1981 by the SA Insurance Association (SAIA), member insurance companies report thefts and the number of identified recovered vehicles.

Says Rodney Schneeberger, CE of SAIA: "Theft has been the big disappointment for 1986."

Extrapolating the 12 727 vehicles stolen in the 10 months to October 1986, thefts of insured vehicles could reach 15 270 for 1986, just over 40 a day. In comparison, 10 931 were stolen in 1985 and 9 833 in 1984. On average insurers pay out over R10 000 per claim for stolen vehicles.

There are a number of drawbacks with the SAIA system, however. To begin with it is less comprehensive than police statistics, because the figures relate only to insured vehicles, and only cover engine and registration numbers. Where these have been changed it is unlikely a vehicle will be satisfactorily identified. In addition a number of vehicles recovered are deliberately not identified by the insured, who prefers his insurance payout.

Schneeberger attributes the increase in thefts to:

☐ Economic recession and consequent high unemployment;

☐ Lack of police controls, especially in the light of township unrest;

☐ Further developments in the criminal skills; and

☐ The massive increase in value of vehicles.

However, he says: "We are optimistic about the situation, if for no other reason than that unrest is easing. We know this from our statistics of political riot insurance. So at least the police function should gradually be restored to combating conventional crime."

Unfortunately the bad experience in 1986 extended to the crimes classes of business generally, "where experience has been horrendous." Other areas of personal lines insurance have also been unprofitable, certainly "dissipating any benefit that arose from an improvement in commmercial and industrial business," Schneeberger says.

He believes statistical coverage will improve when SAIA's project gets into full swing. Ultimately the idea is to provide each insurer with the "burning cost" — the premium he should charge to cover claims costs only. To this burning cost an insurer will add commission, administration and management costs, and underwriting profit.

"Of course this would only be a price guideline — it would not be compulsory for an insurer to charge that. But at least rates charged would be statistically defensible," he adds.

Meanwhile, recognising the danger of overpricing products in the face of dreadful claims experience, insurers are looking to other ways to reduce costs. Already a number have announced large increases in excesses, for example, while discounts for installing anti-theft devices are being offered. This move toward competitive flexibility can only be a good thing. ■

SASRIA PREMIUM CATCH

It turns out the Special Risks Insurance Association (Sasria) has only partly succeeded in recouping money from AA Mutual Insurance (AAMI) contrary to the FM report on January 16.

Some R4,5m in premiums was involved in respect of coupons issued by AAMI on behalf of Sasria. It is now understood that almost R2m is being retained by the liquidators.

As Mick Connolly, one of the liquidators, puts it: "Premiums paid on behalf of Sasria to AAMI before the official date of liquidation will be deemed general funds to be available to creditors, including Sasria."

For the first time in its history, Sasria will have a bad debt. Says MD Rodney Schneeberger: "It's the law. It's a bad break for us."

30/1/87 58 FM

Premiums owing

He says that what was agreed with the liquidators was that premiums owing to Sasria by brokers after the date of liquidation — June 24 1986 — could be paid direct to Sasria. This means the consortium should recover within the next two months in excess of R2m direct from brokers, not R5m as understood earlier.

Schneeberger says premiums received from brokers will be channelled into a special trust fund. "For the balance, Sasria was a concurrent creditor on premiums in AAMI's possession before its liquidation since no agency relationship had been established," he adds.

But while it lines up with the rest of some 600 000 creditors for a deal which, as Connolly says, could take years to finalise, Sasria plans to tighten its agreement with insurer members. In future, the agreement will make clear that funds for Sasria coupons are collected on its behalf and will always belong to it.

Special skills to stay clear of the competition

30/1/87
B/Day
(58)

ALAN SENDZUL

AFTER a bumpy ride in 1985 caused by the foreign debt standstill, merchant banks have been forced to draw on special skills to keep ahead of increased competition caused by banking deregulations.

The corporate merger and listings fever which ran high during last year as the JSE experienced boom conditions, acted as a saving grace and allowed corporate finance departments to display their banking talents.

So far this year, there are few signs of corporate activity abating. And, if interest rates continue to fall with inflation remaining high, widening negative rates of return will ensure the JSE once again becomes the focal point for generating fee income.

Indeed, one area where the merchant banks will face uncertainty is the new capital requirements. Tighter banking supervision now indicates that capital reserves will be determined by the quality of assets rather than as a percentage of total liabilities.

The regulations, which came into effect on January 1, will be phased in over several years but it is highly likely that many merchant banks will need to raise additional capital to meet the new ratios.

Electronic wizardry — vital for banks which want be stay competitive — again played a role in keeping profits buoyant.

But that is only one aspect of staying ahead. Merchant bankers stress that quality of information is worth less than the ability to know how each foreign exchange dealer is placed in active trading rooms when a few seconds delay can cost dearly.

Also, it can be misleading to measure success by counting which banks have undertaken the most mergers or listings. What is more important is the profitability of individual merger, takeover or listing deals and how these will reflect on the newly-structured company's future borrowing needs.

Merchant banking remains a growth area despite creeping competition from commercial banks, stockbrokers and financial intermediaries.

The number of merchant banks this year has shrunk. Of the departures, that of French Merchant Bank was perhaps less significant since it was not an active bank. The merging of Finansbank, the remaining independent, into the Nedbank Group caused ripples in the market, however.

Besides Finansbank MD Piet Liebenberg's apparent coup in becoming Nedbank's CE, the talking point in merchant banking and financial circles was the departure of Volkskas Merchant Bank's Laurie Korsten to Hill Samuel.

The highly respected Korsten's move to Hill Samuel was and still is being closely monitored by banking competitiors. A link-up with former Barclays executive, Bob Aldworth (now at Hill Samuel), as well as the back-up of Hill Samuel's offshore branch network could turn out to be stiff competition.

One of the developments from the Finansbank merger is the number of senior management who were not included in the upper brackets of the Nedbank Group. These bankers, most of whom shared profits, might well consider forming breakaway groups.

These bankers have access to the financial backing, the international contacts as well as the vision to run a banking operation and their plans might prove worth monitoring.

SANTAM INSURANCE

Improving health

Santam Insurance, like many other short-term insurance companies, began lifting itself from the mire last year. It boosted net premium income by 34%, slashed its underwriting loss 550% to R725 000 and lifted its solvency margin above 20% for the first time in four years.

Corrective measures included the substantial and ongoing increase in premiums, more efficient underwriting and reasonably steady investment income. Still, compared with results achieved in the industry two or three years ago, insurers have a long climb ahead.

Activities: *Underwrites short-term insurance risk, particularly personal lines.*
Control: *Controlled by Sanlam.*
Chairman: *C H J van Aswegen; managing director: C J Oosthuizen*
Capital structure: *70m ords of no par value. Market capitalisation: R84m*
Share market: *Price: 120c. Yields: 10,8% on dividend; 17,9% on earnings; PE ratio, 5,6; cover, 1,65. 12 month high, 135c; low, 90c. Trading volume last quarter, 2,2m shares.*
Financial: *Year to September 30, 1986.*

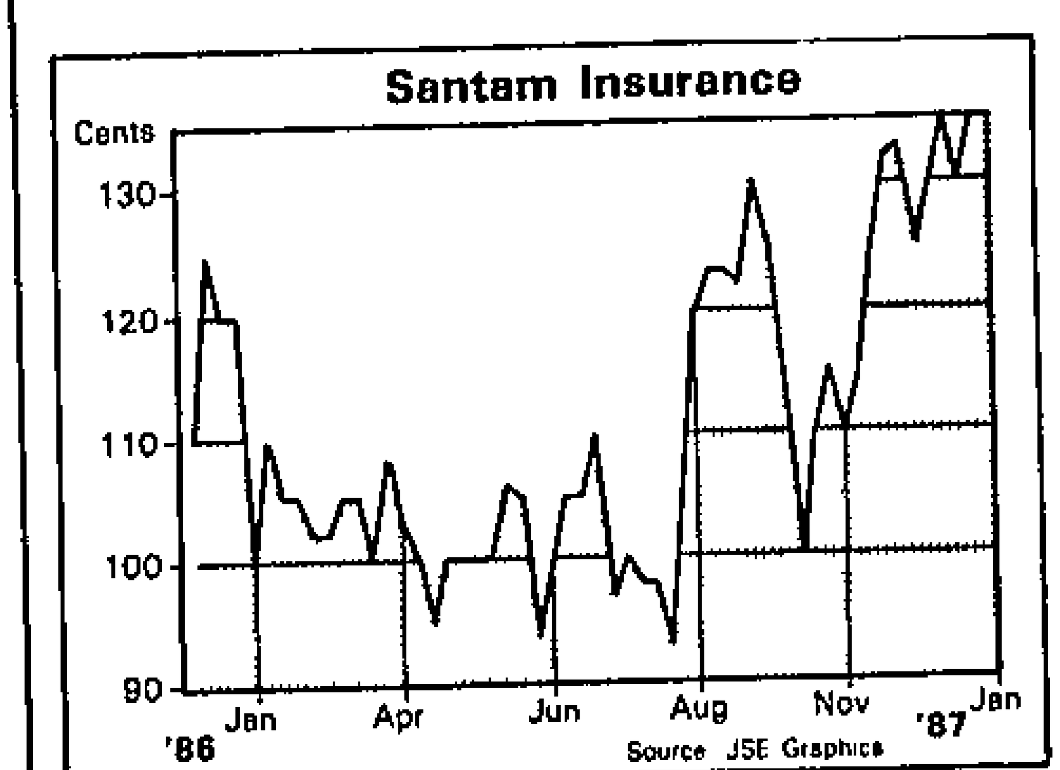
	'85	'86
Net premium income (Rm)	365	487
Underwriting profit/loss (Rm)	(3,96)	(0,72)
Investment income (Rm)	18,6	22,5

Performance:

	'85	'86
Taxed profit (Rm)	9,0	15,0
Earnings (c)	25,8	21,5
Dividends (c)	12	13

The increasing threat — in some cases the reality — of sanctions and shrinking capacity could make the climb even more arduous.

Last year's disturbing trend in theft and burglary was particularly bad for Santam because of its high concentration on personal lines business. It ended up paying out an average R2m a month in vehicle theft claims during the year. In real terms, premium income increased by about 14%, outgrowing claims by a reasonable margin, despite loss of income from third party insurance business. Management expenses increased at about the same rate as net premium income — another worrying trend.



Although Santam's capital base was boosted by a R44m rights issue after its 1984 results, it maintains a small asset base relative to the size of its premium income. As a result, investment returns are smaller and it has less fat to fall back on during lean times. This is not too serious because personal business does not require the same strength in reserves as commercial and industrial risk. It also limits the cost of servicing the asset base.

The share price, which a fortnight ago had climbed 50% to 135c from last June's low, has retreated to 120c. As with the rest of the sector, its future remains vulnerable to outside pressures, although improved health coupled with giant Sanlam's backing provides an element of stability. *Lesley Lambert.*

8 FM 30/1/87

INTEREST RATES

Quo Vadis?

Financial markets seem to be playing both ends against the middle right now, with prime rate going up and maximum lending rates falling. The confusion seems to hinge on banks' reluctant upward adjustment of prime by 0,5% last week, followed by the announcement of a 2% cut in rates under the Usury Act.

Meanwhile rates on building society fixed deposits have been going up over the past two weeks, while rates paid by three banks — Athens, Fidelity and French — are coming down. Increases vary by between 0,25%-0,75%; while falls range from 0,25% to 2,12%.

These developments follow Barclays' reversal on prime. After lowering the rate at which it lends to its best customers by 1,5% on December 9, the bank had to move up 0,5% last week. Other banks, which followed Barclays all the way down — possibly against their better judgment — are now adjusting their prime as well. It seems they overplayed their hands after a rediscount rate cut by the Reserve Bank by only 0,5% to 9,5%.

"The relationship between the money market shortage and the rediscount rate has not developed as forecast," admits Barclays MD Chris Ball. With the Reserve Bank determined to counter excessive liquidity, the cost of funds increased and, according to banks, their margins couldn't stand the squeeze (*FM* January 23).

Changes in money market conditions were not the only reason for the reversal in prime. Barclays' December decision is seen as the result of competitive pressures — a response to an announcement by Standard, a week earlier, of a 2,5% drop in its mortgage bond rate to 12,5%. Determined to take centre stage from its rival, Barclays made a move on prime. As other banks followed, rates paid to investors also dropped over the next few weeks.

The episode is reminiscent of a similar one in November-December 1984, when a 1% cut in the rediscount rate to 20,75% (possibly prompted by the pending by-election in Primrose) induced Standard to reduce prime from 25% to 23,5%. With signs of easing money market rates, Barclays went half a percentage point better and, a couple of weeks later, several other banks fell into line. This was followed by deposit rate reductions.

Then money market rates began to firm and, by the third week in December 1984, prime had moved back up to 24%. Less than a month later, following a rise in the rediscount rate to 21,75%, prime moved once again, back up to 25%.

Fortunately the parallel is not complete.

Barclays' MD Ball . . . reviewing forecasts

This time, the monetary authorities are still committed to an expansionary policy and, in the foreseeable future, there should be no rise in the rediscount rate to prompt a further rise in prime.

This has been made clear by reductions in maximum interest rates for leasing, money lending and credit transactions, announced last Friday in the Government Gazette. These signal continuing low rates of interest — in spite of the adjustment to prime. Rates have been reduced to 23% for amounts of less than R4 000 and 19% for amounts over R4 000. This two percentage point move comes after reductions in December, of 3% and 2% respectively.

Liquidity is very different at the short and longer ends of the market. Building societies can take in only 5% of liabilities in short-term funds, which makes them very reliant on 12-month fixed deposits. And interest rate uncertainty isn't encouraging people to make long-term commitments. With returns on all sorts of savings considerably below the inflation rate, substantial amounts of retail money have been redirected to the equity market.

Banks, on the other hand, have access to the short-term market, where liquidity is far more favourable. Thus they can afford to offer lower rates. On 12-month fixed deposits, for instance, the five major banks are now paying at least a half a percentage point less than four of the biggest building societies.

Clearly the building societies are competing for scarce resources. Natal, Provincial, Saambou and United have moved into line with Allied, which has consistently kept rates above those paid by most competitors over the past few months.

The implication for mortgage bond rates is not promising. If shortages of medium to long-term funds persist, these will eventually move up again. As to the path of other interest rates, there are conflicting views and confusing indicators.

Confidence and consequent demand for money is a crucial factor. If demand rises, interest rates will rise accordingly. On the other hand, if there is an inflow of money

8 FM

from a rise in the gold price, and a surplus in the current account of BoP, the supply of money will increase and rates could fall further in the short term.

Richard Lomberg, partner in stockbroker Davis, Borkum, Hare, points out: "Historically there is a positive correlation between growth in M1 and interest rates. So one could expect rising interest rates to follow recent year-on-year growth in this monetary aggregate."

However, despite the probable turn, Lomberg does not believe the rise will be steep because of the expected build-up in reserves.

What does seem likely, is that interest rate moves will continue to reflect uncertainty among investors and consumers. So, though moves may be small, rates will continue to yo-yo. ■

NEW (

In a curious move that could benel sumers, Finance Minister Bare Plessis has added a packaging exe to the Sales Tax Act. From Janu wholesalers and caterers may buy aging materials free of GST, a dis tion previously available only to fa fishing and manufacturing enterp

Other businesses were not entit exemption even if packaging was tial to their operations; for exampl food outlets using polystyrene cont

Pharmacies, in particular, who h dispense medicines in packages, piqued about paying GST. Other prises tried to re-organise so as classified as manufacturers for the aging exemption.

JCI AFTER WADDELL

More growth ahead

(58) FM 30/1/87

Incoming top management at Johnnies will inherit a legacy of a period of financial conservatism and concentration on efficiencies. New mining projects should help maintain the growth momentum.

Gordon Waddell became executive chairman of Johannesburg Consolidated Investments (Johnnies) in January 1981, just two years after the group celebrated its 90th anniversary and he his 42nd birthday.

The Seventies had not been the best years for Johnnies, and the stock market took some time to appreciate what energy, enthusiasm and skill its sometimes lugubrious young chairman was bringing to bear. He was, after all, a scion of the Oppenheimer family and some would say of untested mettle.

During 1983, a year when the gold price performed miserably, Johnnies' share price more than tripled, rising from a low of R51,50 to R168. Since then, it has climbed to R545, outperforming the mining house sector for much of the remaining period.

So it was hardly surprising that the announcement of Waddell's resignation this week was received with some shock in the investment community.

When he hands over the chairmanship to Murray Hofmeyr on June 30 (see *People*), he will leave a mining house which enjoys a premium rating. He will be aged 50, with his reputation flying high after 22 years in SA.

But few new major assets were acquired, or new projects embarked upon, during his tenure. The major new investment was the stake taken in 1983 in Premier Group, which in turn holds some 35% of SA Breweries; Johnnies also acquired 17,7% of South African Associated Newspapers.

In mining, the outstanding ventures were the expansion into Randfontein's Doornkop section — effectively a new mine — and the go-ahead for the H J Joel gold mine. More recently, Rustenburg Platinum (Rusplats) started work on a R250m refinery.

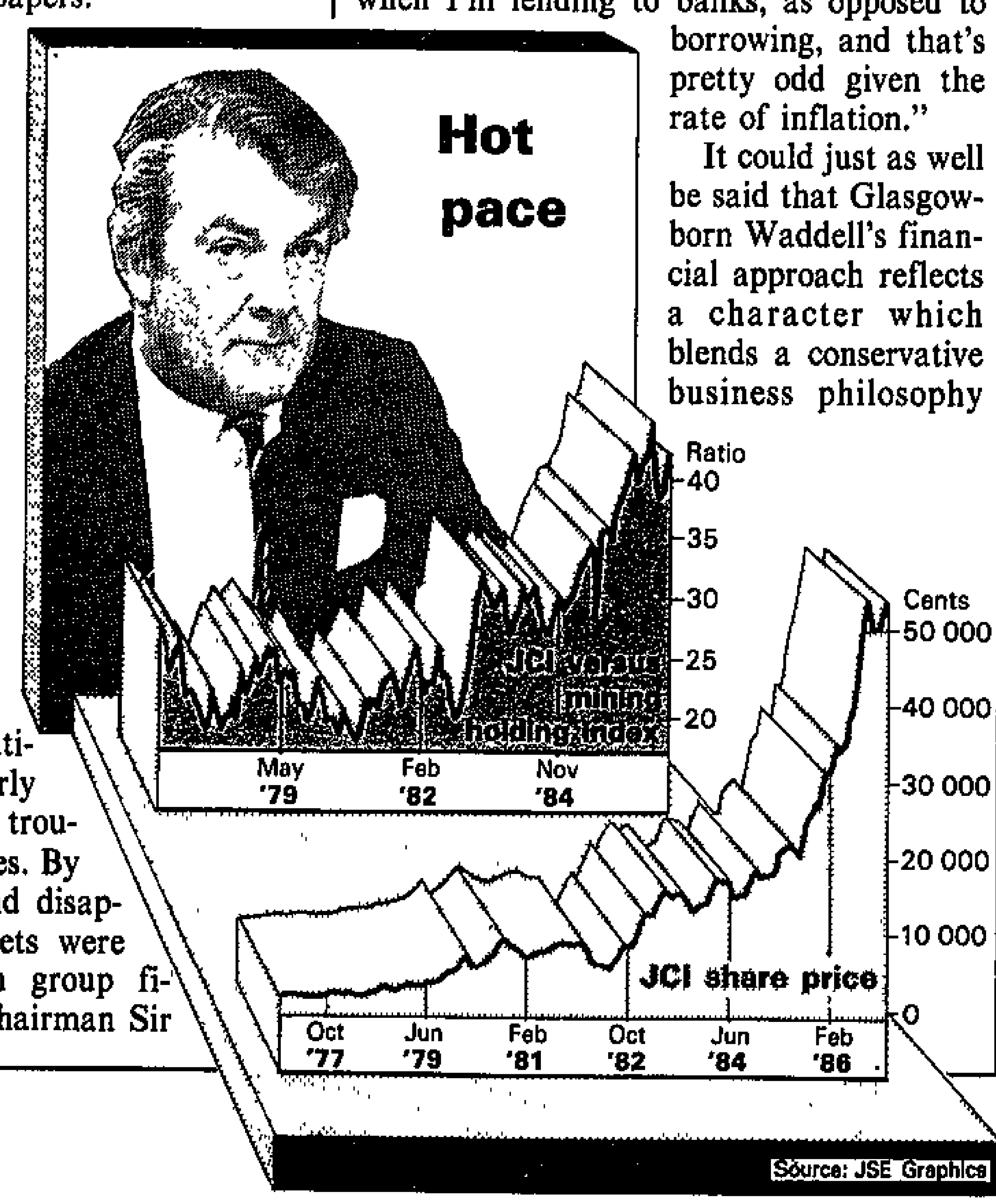
What may turn out to be Waddell's more enduring achievements are less overt. A large oversupply had developed in the platinum market in the early Seventies ushering in troubling times for Johnnies. By 1977, new projects and disappointing metals markets were exerting pressures on group finances. As the then-chairman Sir Albert Robinson put it: "The bringing to production over three years of two mines, together with the establishment of a ferrochrome plant, has placed considerable strain on our resources."

Sir Albert was announcing a R40m preference share issue to supplement cash flow. Borrowings then totalled some R96m, with liquid assets of R69m. By the June 1986 year-end, borrowings stood at R138m, but liquid assets had soared to R461m; 32,6%-held Rusplats held some R383m in cash at June 30.

Rejuvenation of Johnnies' balance sheet was obviously helped along by cash flowing in from fortuitously more buoyant precious metal and ferrochrome markets since 1984. But Waddell adopts an unabashedly disciplined approach to finance. "I've always believed in having a very sound financial position," he says.

"I don't believe the sky remains indefinitely blue. Those who are in a strong financial position survive the storms. With very few exceptions, almost all of the Johnnies companies are very soundly financed. The reverse of that coin is that I am better at getting them into that position than at launching forth. I sleep more easily at nights when I'm lending to banks, as opposed to borrowing, and that's pretty odd given the rate of inflation."

It could just as well be said that Glasgow-born Waddell's financial approach reflects a character which blends a conservative business philosophy with a sense of adventure and determination. The latter elements were evinced in the manner of his appearance on the South African scene in 1965, armed with a Cambridge BA and a Stanford MBA. Previously having visited the country three times as a member of international rugby teams, in that year, at 28, he announced his engagement to Harry Oppenheimer's daughter, Mary.



By 1971, he had divorced Mary and two years later married Kathy Gallagher, daughter of another senior executive at Anglo American. Waddell continued his rapid rise, becoming chairman of Anglo construction group, LTA. Already he was being mooted as a candidate for the Anglo chairmanship. In 1974, after only nine years in SA, he contested the Johannesburg North parliamentary seat and won, in a watershed general election which saw six Progressive Party MPs returned to parliament.

'Kennedy-style' campaign

Waddell's election campaign, described at the time as a "Kennedy-style machine," was managed by Premier chairman Tony Bloom, a close associate. As Bloom recalls, "People laughed at us. He was up against Dave Marais, a former United Party (UP) mayor of Johannesburg, and in those days the UP was still quite strong.

"It was his own decision to run; nobody pushed him into it. I remember sitting at a dinner party one night with Harry Oppenheimer, who turned to me, cocked his head on one side and asked 'do you *really* think Gordon will win?' But he tackled the campaign with enormous energy. He canvassed everybody in the constituency, visiting all the voters at least once and wrote to them twice."

In parliament he showed prescience. In an early speech, he emphasised the fundamental importance of a sound economy. He said: "Views over the whole spectrum are held about the future of SA, but none of these permutations will endure over time unless the economy has been put into a position to provide a rising standard of living for all those who live in this country. While other countries might talk about cutting back on growth, we cannot do it, for without economic development we can never have good race relations."

Three months later, he expressed doubts about the viability of the R480m Sishen-Saldanha iron ore export scheme. It was reasonable to assume, he said, that the scheme was impracticable in a normal business sense. That view has been largely vindicated; Sats took over the rail line from Iscor, and Iscor has had to cope with heavily oversupplied ore markets abroad.

For an executive who thrives on getting things done, life as an opposition parliamen-

tarian must have been impossibly frustrating. "All he could really do was sit there and carp about government," a stockbroker acquaintance has remarked.

Despite political aspirations, Waddell is essentially a private person, keenly interested in his family, which is probably why his political career didn't last. Still, there was considerable disappointment in Progressive Party ranks when he chose not to stand for a second term.

Yet the single term in parliament, when seen with his resignation last week from Johnnies after six years as chairman, poses an enigma. Is it a pattern which suggests a limited interest span? Or does his resignation — an unusual step for a South African executive at that level — indicate a need for broader horizons?

Waddell is emphatic that no approaches have been made to him by anybody — including UK-based Distillers. But he leaves little doubt that he is most unlikely to remain in SA. Notably, on his CVs he cites Toyota, Distillers and Tanaka as his favourite foreign companies.

"Nobody seems to understand the fun and the happiness and pride I've enjoyed at Johnnies. It simply isn't possible to have a similar job in SA. Of course, in the past it was certainly an ambition to have the top job at Anglo American. But, having been chairman of Johnnies, I can honestly say no thank you. That ambition has gone now."

What does seem apparent is that Waddell, who has called for a universal franchise, has become profoundly disillusioned with the South African scene; typically, he has a bold prescription.

"My view is that what's wrong with SA is quite simply the present regime. It's been there for 39 years. I've said before that the only constructive thing that business corporations can do is to finance a change of government, or at least force them to make reforms. That would be a sound investment. It could have happened, and efforts were made under (Frederik) Van Zyl Slabbert. But with few exceptions the funds were not forthcoming."

Clearly, his experience in politics has left him profoundly disillusioned over business's ability to bring about timely political change.

New MD and deputy chairman Retief ... export uncertainties

Where does all this leave JCI? Interim results for the 1987 year released last week, showed attributable profits up by 21% and the dividend lifted by 54% (a rate increase which partly reflects a narrowing of the disparity between the interim and final). After being pegged for two years the annual dividend of 600c in 1982 had been doubled to 1 200c a share by 1986.

Waddell is confident earnings growth will continue. As far as existing assets are concerned, he points out that key investments — SA Brews, Premier, Toyota, Argus, Saan and Lennings are all well managed.

All of these except Lennings are portfolio investments, where Johnnies has board representation and reserves a right to express an opinion on management. Lennings is an in-house engineering company, managed by David MacGillivray, whom Waddell describes as "simply the best runner in the business." Lennings has endured torrid markets, but the bad times are slightly better now, and it is hoped that it will eventually be listed.

Johnnies' management believes in listing companies where possible. Last year, it listed ferrochrome producer Consolidated Metallurgical Industries, gold producer H J Joel and an innovative restructuring of Freddies was devised, largely by financial director Vaughn Bray. Freddies was split into an exploration company, listed as Freddies, and an investment holding company, Dabi.

But major impetus is expected from new ventures. The house is known to have a number of new gold mining projects in the pipeline. In particular, these include a large area to the south of Western Areas, on the Far West Rand.

It is unclear when this mine will go ahead (analysts believe it could be within 12-18 months), but it is expected to be very large — and this is where Johnnies' strong balance sheet will prove invaluable.

Says Waddell: "People forget that mining is a high risk business. I believe that high risk business should be financed predominantly, if not wholly, with equity. There are plenty of projects ahead. But if they're going to be properly financed then you are looking at huge sums of money. South Deep will cost very large amounts of money before the first revenues come in."

In-built momentum

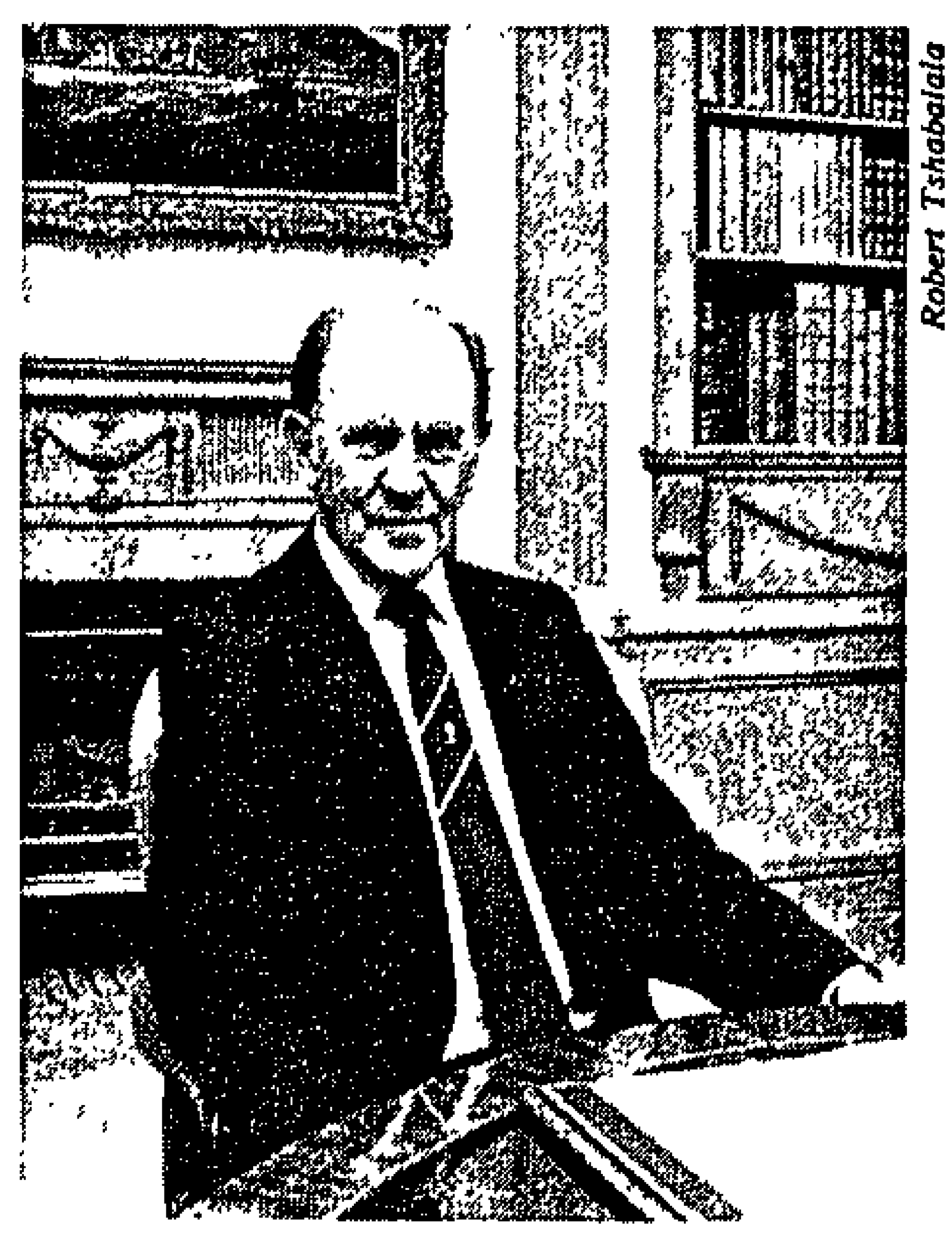
In Waddell's view, an attractive aspect of the group at present is that it has in-built momentum which should carry it through to the period when H J Joel is expected to start paying dividends. That, in turn, will maintain the pace until two or three other mines come on stream. Freddies, for example, will be entitled to 45% of the profits from an expansion being managed by Freegold on the farms Jonkersrust 72 and Du Preeleger 324; it will also have to fund 45% of the net development cost.

Demand remains good in the platinum market, on which Waddell says he feels relaxed; but he cautions about the appearance of new producers. The danger is in the fact that the price of platinum is determined by the last 5 000 oz offered for sale.

"That explains why Rusplats has built up huge cash balances," he adds. "So when it comes to dog eat dog we hope to be the better fed dog. The whole history of platinum is one of feast and famine. Things have improved since 1981 but famine will come again. What is going to be different this time is that we're not going to be seller of last resort. Rusplats provided an umbrella for Impala (owned by Gencor) for 10 years by sticking to the producer price. We grew them. That mistake has been learnt."

A decisive point in his tenure was the decision to break with the producer price and become active marketers, as well as producers, of platinum.

Unlisted Tavistock Collieries, headed up by Pat Retief (also see *People*), Johnnies'



Robert Tshabalala

Chairman designate Hofmeyr ... inheriting a premium rating new MD and deputy chairman, has scope to expand but is constrained by uncertainties in export markets.

Retief notes that the Japanese have frozen imports of coal from SA at 1985 levels. Tavistock exports a significant proportion of output. But CMI, as a specialist ferrochrome producer, looks far less vulnerable to sanctions.

It has yet to be seen how the stockmarket will react to the management changes. After Gencor, any perceptions of management-by-committee could be bearish. Comments mining house analyst James Picton, of stockbroker Fergusson Brothers Hall, Stewart: "Although Johnnies is a mature group, it is a growing organisation. It's a well-routed and established house whose principal companies are all pretty well self-motivating. From a management point of view I have no worries. There is a good all-round team which is not dependent on any one man."

In the nature of their business, mining houses cannot quickly change direction or launch into new ventures without careful preparation. The legacy of the past five years includes a focused portfolio of quality investments, an aggressive stance in platinum markets, a wealth of assets in mining exploration and financial muscle. The ball has been passed to a team of effective executives. Waddell's advice is that nobody should take it away from them.

Andrew McNulty

NCW

New mine?

FM 30/1/87

Activities: *Investment holding company with portfolio of gold and mining finance shares and mineral rights in the Potchefstroom, Klerksdorp and Delmas Districts.*
Control: *Anglo American Corporation holds 45,7% of the equity.*
Chairman: *M W King.*
Capital structure: *1,8m ords of 50c. Market capitalisation: R106m.*
Share market: *Price: R60. Yields: 2% on dividend; 2% on earnings; PE ratio, 50; cover, 1,0. 12 month high, R77; low, R36. Trading volume last quarter, 10 000 shares.*
Financial: *Year to September 30.*

	'83	'84	'85	*'86
Portfolio:				
Book Value (Rm)	1,7	1,7	1,7	1,7
Market Value (Rm)	21,5	25,2	33,2	53,6

Performance:

	'83	'84	'85	'86
Investment income (Rm)	1,4	1,4	1,7	2,2
Earnings (c)	75,7	76,4	93,1	119,9
Dividends (c)	75	76	93	119
Net worth (c)	1 298	1 426	1 883	3 043

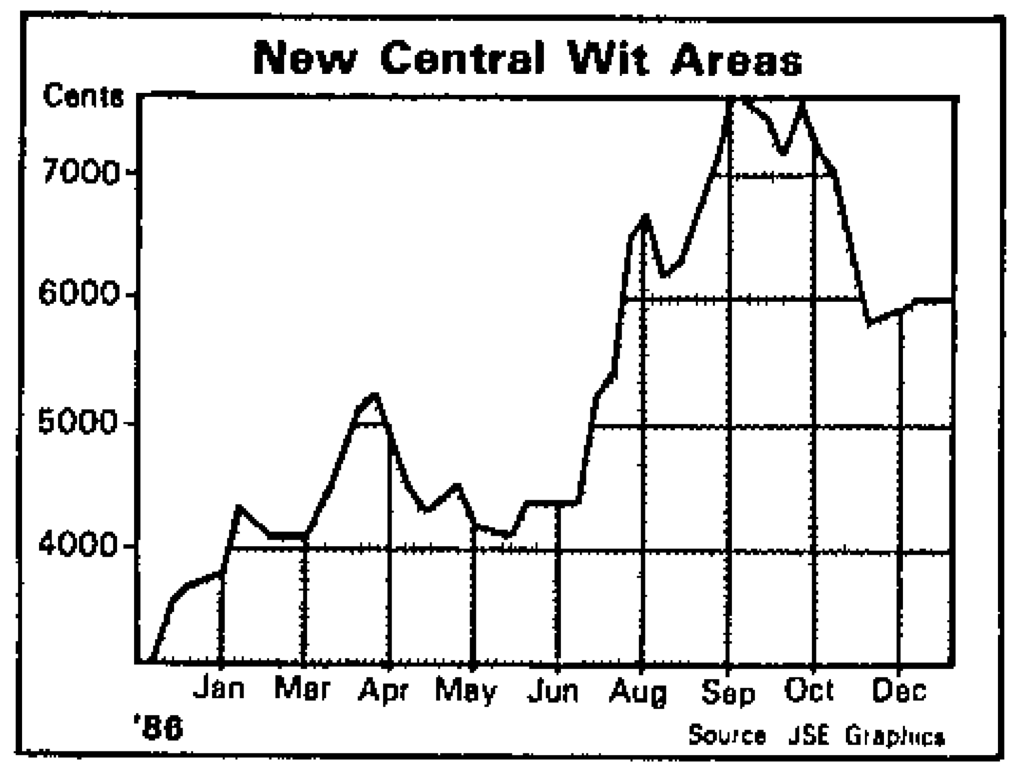
While New Central Witwatersrand Areas (NCW) benefited from its sound portfolio of investments in the year to September, as chairman Mike King points out at the beginning of his review, that performance is of academic interest in the valuation of an NCW share.

91

The value depends largely on the mineral rights to a potential new gold mine underlying the southern portion of the farm Gerhardminnebron west of Deelkraal on the West Wits line. NCW holds the mineral rights 50-50 with parent Anglo American Corporation, which is drilling nine boreholes on the farm.

Anglo and Gold Fields SA (GFSA) are also drilling other boreholes south of Gerhardminnebron in an exploration programme trying to evaluate a possible new gold field in the region which some geologists believe could eventually support as many as four new gold mines.

Anglo is playing down the exploration work as much as possible. King notes in his review that: "full evaluation of the company's mineral rights will not be possible until extensive further drilling has been undertaken which is unlikely to be completed much before the mid-1990s."



Some mining industry analysts believe the timetable is far more advanced than King's review states, saying indications are that the first feasibility studies are due to start within 18 months and Anglo management wants to be able to take a decision on whether to go by 1990.

Published results from boreholes MGM1 and MGM2 on Gerhardminnebron have been encouraging but, according to analysts, the best results obtained so far from the region have been kept under wraps by Anglo because they were obtained off NCW ground and the house does not have to publish them. These came from borehole MST1 on the farm Stompoorfontein immediately south of Gerhardminnebron where the mineral rights are held by a syndicate controlled by Anglo American Prospecting (Ampros) with 50% of the rights. The other major holder is GFSA with 25% while Potchefstroom Gold Areas has a 10% subscription right through an agreement with Ampros.

Currently sitting at R60, NCW shares hit a high of R77 last September and could easily return there, but movements in the share price are clearly highly speculative in nature.

The share is difficult to acquire because there are only 1,8m in issue and Anglo, which is reported to be after every NCW share it can track down, had got its stake up to 45,7% at June 30 last year from 45% in June 1985 and 40% in June 1984. If you've got any hold onto them. *Brendan Ryan*

58

(58) FM 30/1/87

which made several complaints to the Takeover Panel about unusual movements in the Guinness share price during the bid battle. Deals were too well covered to be traced — until the Securities & Exchange Commission and Boesky blew the whistle.

Friendly offer

Argyll's chairman, James Gulliver, now contemplating legal action, returned with the offer of a friendly merger with Guiness last week (the value of the combined group is now less than that previously put on Distillers alone). But he was politely rejected.

The affair rolls on, as the City waits to see whether resignations will follow elsewhere. Principally at Cazenove, the elitist broker which along with Hill Samuel, the merchant bank that owns Wood Mackenzie, had their knuckles rapped by the Takeover Panel for indemnities offered to supporters of AE (parent of JSE-listed Asseng) in another *cause célebre:* the first unsuccessful bid by Turner & Newall — which won AE at the second attempt. ■

CURRENCIES

US dollar to Y120?

All eyes were on this week's US December trade figures as the dollar steadied following German interest rate cuts, intervention by the Bundesbank and moves by Japan and the US to set up a meeting of the Group of Five on February 7.

But markets remain bearish. If the US reveals a trade deficit above November's record $19 billion, "selling pressure will be hard to contain," says Barclays in London.

Profit-taking and anticipation of the Bundesbank's half-point reduction to 3% in the discount rate and 5% in the Lombard rate saw the dollar rally last week. It pulled up from DM1,81 to nearly DM1,84, and having hit a record low of Y149,50, recouped to Y153.

Excess liquidity

But as the *FM* went to press it was back at DM1,822 and Y152,25, in spite of buying by the Bundesbank. Bank president Karl Otto Poehl also took action to neutralise excess liquidity. Some DM12 billion has been taken out by lifting banks' minimum reserve requirements by 10% and reducing funds available to them by DM8 billion.

Money may be cheaper but it is also scarcer. Little store is being set on the G5 talks proposed after the latest meeting between US Treasury Secretary James Baker and Japanese Finance Minister Kiichi Miyazawa.

The Germans are openly sceptical that it will achieve anything.

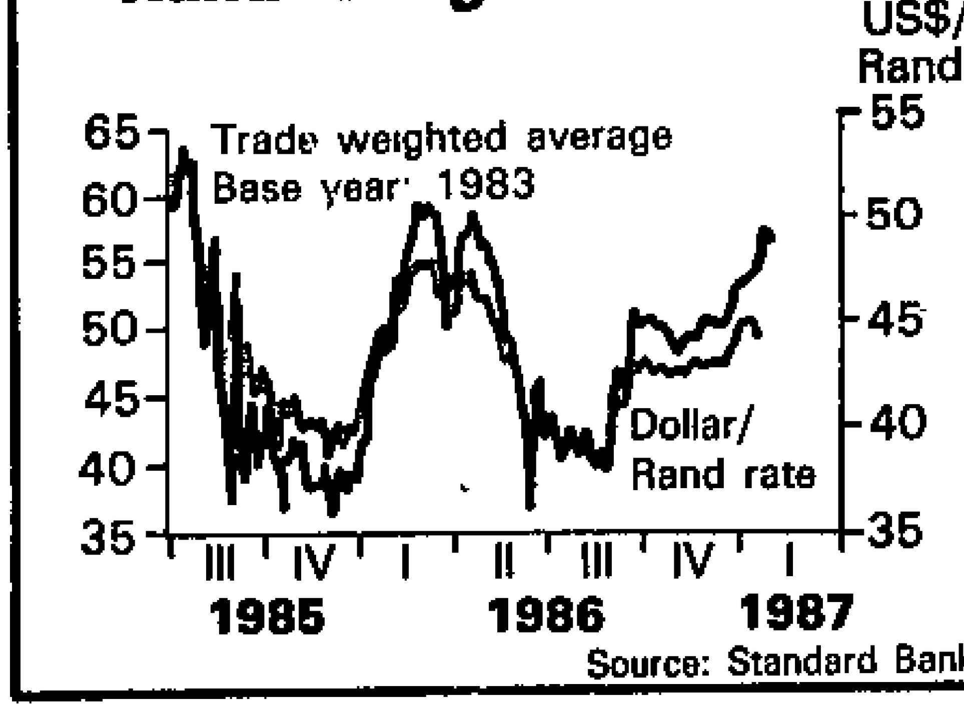
Baker has stopped talking the dollar down for the time being. But others in Washington have not. Lloyd Benten, chairman of the Senate Finance Committee, last week said he wants to see the dollar at Y120. ■

FOREIGN EXCHANGE

Ceiling at US49c

Importer interest at US49c stifled the rand's momentum above this level last week. After hitting US49,20c, importers' demand for dollars combined with a decline in the gold price and a slight firming of the dollar pushed the rand down to US47,50c.

Rand: weighted value



Source: Standard Bank

The Reserve Bank stepped in to support the currency at US47,70c and the rand on Tuesday was trading at US48,40c.

With these forces, it is likely that the rand will trade within the US49c-US47,70c range in the immediate future. The month-end is expected to have little effect, with companies having spread positions over the month.

Looking further ahead, some dealers expect the rand to hit a high of US53c within six to eight weeks before declining ahead of the debt standstill talks.

These predictions depend on the US dollar remaining in a falling trend (see "US dollar to Y120?"), Citibank says there could be a short-term technical rally in the dollar as positions are squared at month-end.

The direction of the gold price seems less certain. Bullion rose to its highest level in three months at $424 last week. However, lack of follow-through buying and producers selling at that level indicate that the gain was largely due to speculative activity and the metal quickly fell back to $409 on Tuesday. Dealers say the metal may be subject to erratic movements in the short term.

The climate for the rand, therefore, remains moderately bullish. Banks are advising short-term exporters to cover forward at present levels while importers are advised to take up to 40% cover.

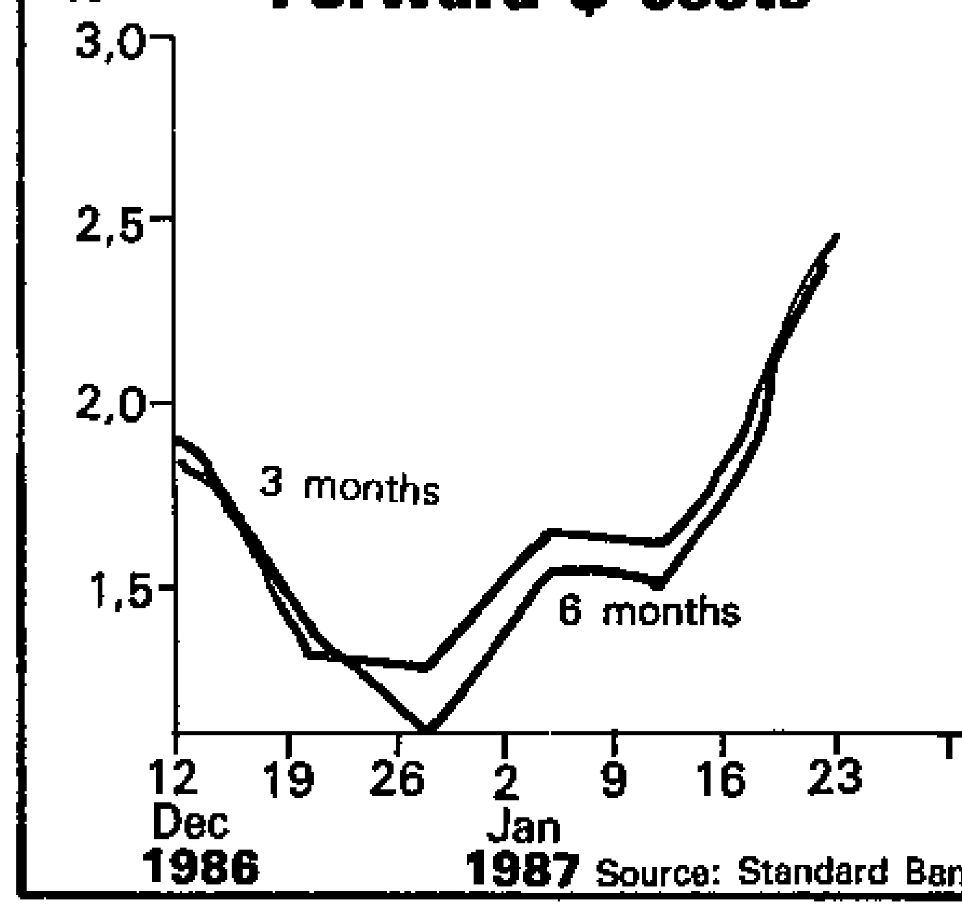
Against major third currencies the rand has shown little movement: Standard Bank's trade-weighted average fell slightly from 50,23-49,99. ■

RAND'S PRICE

Jan 27 1987	R1 equals	One foreign unit equals (R)
SDR	**0,382**	**2,617**
	0,407	2,460
ECU	**0,427**	**2,340**
	0,494	2,024
UK £	**0,315**	**3,172**
	0,322	3,109
US $	**0,483**	**2,070**
	0,447	2,237
Canada $	**0,649**	**1,541**
	0,633	1,580
Switzerland Fr	**0,734**	**1,362**
	0,905	1,105
France Fr	**2,920**	**0,342**
	3,276	0,305
Germany DM	**0,874**	**1,144**
	1,065	0,939
Japan Yen	**73,250**	**0,014**
	87,000	0,011
Italy Lira	**622,000**	**0,002**
	725,750	0,001
Zimbabwe $	**0,780**	**1,282**
	0,705	1,418
Austria Schil	**6,175**	**0,162**
	7,500	0,133
Holland Guilder	**0,986**	**1,014**
	1,204	0,831
US $ value of SDR	1,104	**1,266**
US $ value of ECU	0,899	**1,130**
Financial Rand		
Cost in US $	0,333	**0,230**
Discount (%)	25,503	**52,381**

Year ago figures in light print.
Average of the Telegraphic Transfer buying and selling rates used by the banking sector for the day, for amounts up to R20 000 depending on foreign currency involved
The above rates are for guidance purposes only

Forward $ costs



Source: Standard Bank

CAPITAL MARKET (58)

Institutions sidelined

Institutions remain on the sidelines as rates maintain an upward trend, climbing in some cases by 50 points.

RSA 13% 2005 rose 44 points to a high of 15,46% before settling back to 15,33% on Monday. The Reserve Bank is believed to have come in as a buyer at 15,45% to put a top on the rate. Escom 11% 2009, after rising 25 points the previous week, shot up another 26 points to 15,82% after briefly hitting a high of 15,945%. Sats 7,5% 2008 stands at 15,32% while in the medium-dated area RSA 15% 1990 is at 12,32% and Escom 11% 1993 at 14,16%.

The market remains a place of confusion with dealers at a loss to explain rate movements and reluctant to make predictions. With institutions conspicious by their absence traditional influences have been negated as jobbers short the market and push up rates in thin trading.

The slower CPI figures caused little excitement as they were already widely known and had been discounted. Some dealers were slightly disappointed that the figures were not even better. Nor did the trade surplus figures and firming of the gold price excite the market.

Turnover of about R550m a day was focused in the long end, indicating the presence of jobbing. However, Escom is believed to have been buying and selling in the medium-term area.

Some brokers believe the long end is dead and institutions, when they do come back, will switch to the short- and medium-term market, where rates are less volatile. Many have switched surplus funds — barring prescribed asset requirements — into equities.

"With negative interest rates and little stability there is little incentive to go into long-term stock," says one broker. He believes institutions will only come back into the long end when confidence improves and rates show some stability.

Overseas it appears that US institutions are starting to switch from industrial to gold shares. This *should* be bullish for gold and in turn for the capital market, but in this climate who can say? ■

MONEY MARKET

Rates soften

After causing an over-reaction in the market through the withdrawal of funds on deposit with the Corporation for Public Deposits (CPD), the Reserve Bank — having achieved its objective of forcing banks to adjust prime rate — put CPD deposits back into the market at a lower rate.

Together with the payment of public servants' salaries, this brought liquidity back and took the three-month bankers' acceptance rate down 20 points to 9,25%.

Most dealers believe the Bank is comfortable with rates at this level and expect little intervention in the foreseeable future.

Rates arc predicted to remain around present levels with expectation of a relatively easy month-end, which should put little pressure on rates. The shortage, excluding CPD funds, is expected to be R200m-R400m.

One bank says that, with the end of the month only days away, it had received only one enquiry from an investor for month-end rates, indicating that the market expects a comfortable shortage. The market remains quiet with most institutions and banks having already moved out when rates started to move up in the previous week. Demand for assets is limited to liquid asset requirements.

With rates moving but little and call rates relatively high, investors and institutions are sitting on call waiting for clear direction.

The increase in prime is not expected to influence demand for credit, which remains sluggish. Sanlam in its monthly economic review cites this and the continued growth in the surplus on current account as reasons why money market conditions should remain easy for some months.

Friday's Treasury bill rate was 11 points down at 8,80% with the R30m tender drawing R64m. The Land Bank rate fell 16 points to 8,94%, the R40m tender attracting R52m. ■

WEST GERMAN GILTS

FEATURE

A wintry wind

The wind of change blowing through West Germany's government bond market has taken on a winter chill.

Over 90 West German and foreign financial institutions are jostling in the exclusive syndicate that underwrites government bond issues, as a result of last June's decision to let 20 foreign banks join the club, composed until then exclusively of domestic institutions. While the debate about increasing the membership has died down, bankers are only now beginning to assess the consequences.

Extraordinary foreign interest in government securities was probably as important as the Bundesbank's wish to keep up with deregulation abroad in prompting the decision. Foreigners have been on a giddy West German government bond buying spree, spurred partly by the prospect of foreign exchange gains and partly by earlier regulatory changes. Foreign banks have become increasingly keen to share in what they have seen as their German counterparts' easy profits in selling bonds to investors abroad.

The decision in August 1984 to drop the 25% withholding tax on bearer bonds set the ball rolling. Until then, non-German investors preferred to buy the far less liquid, but tax-free Schuldscheindarlehen — a form of semi-marketable syndicated loans.

Since the repeal of withholding tax, foreigners have switched wholeheartedly to the more liquid, and consequently safer, government bond market.

More than DM30 billion long-term federal government bonds reserved for foreigners were issued last year. By contrast, government raised only about DM21 billion bonds reserved for resident investors.

The sheer volume of foreign buying has altered sharply the relative shares of bonds and Schuldscheindarlehen in the government's overall borrowing mix, to the expense of the latter. From approximate parity, their share is expected to fall well below 40% of gross government borrowing last year.

Moreover, foreign bond buyers have been taking a larger share of a smaller cake. Kohl's conservative government has been tightening its belt, with the result that net new public borrowing has declined sharply from a 1981 peak of DM70 billion to an estimated DM40 billion.

Longer-term developments may be more ominous, however. The fact that increasing numbers of non-German investors are buying up federal government debt is not, in itself, cause for alarm. Also, foreign investors are playing a larger part in a number of national debt markets, notably the US.

But whereas the US Treasury has become increasingly dependent on foreign purchases to finance the budget deficit, West Germany's fundamentals are wholly different.

Bankers are growing concerned about the prospects of a massive sell-off should foreigners become less bullish about the D-mark.

The upsurge in foreign buying has also upset traditional yield relationships between different German financial instruments.

The effect of foreign buying has been most striking in terms of differing yield margins between long-term government bonds and those issued by banks. These widened dramatically from the traditional 20-40 basis points to up to 120 basis points last year.

Poorer yields of between 6%-6,5% for long-term public-sector bonds have turned domestic investors away to look for higher returns elsewhere. They have partly found them in similar quality issues from banks and mortgage banks issuing communal obligations, which foreign investors, new to the market, have tended to overlook.

But more often, the beneficiaries of West Germany's estimated 1986 DM75 billion current account surplus have opted for short-term assets abroad, be they US Treasury bonds or high coupon Euromarket issues.

IVAN BOESKY

Born free

Ivan Boesky may be caught, but he is showing his Washington captors that he can still squirm away from punishment.

Last week, Boesky's attorney confirmed that the financier used the head start the Securities and Exchange Commission (SEC) gave him to make himself "judgment-proof." That is, the SEC allowed Boesky to sell off hundreds of millions of dollars in stocks, and transfer millions more in hotel and broadcasting properties, before telling the public he was to be charged with illegal insider trading.

Now most of that money has been transferred to Boesky family members, beyond the reach of creditors and victims alike.

And there is the problem of winding down Ivan Boesky & Co LP, a limited partnership which was Boesky's principal arbitrage trading firm. Its $1,3 billion assets were largely made up of $660m junk bonds and $350m equity investment — $100m of which Guinness chairman Ernest Saunders authorised as a direct investment after Boesky propped up the brewer's shares during its battle for Distillers last year.

Debenture holders will probably recover at least their full investment, and are pressing to liquidate the firm. The losers are the equity holders; Guinness will be lucky to recover $30m of its "investment."

Where is the rest? Oppenheimer Appel Dixon, the accountancy firm that was Boesky's auditor for over a decade, is about to be replaced because it has insisted that its client answer some sensitive questions — which have also been put by the SEC.

Separating Hill Samuel SA from its British parent

IN recent times, merchant banks have been very active on the disinvestment scene — assisting overseas parents when they either sell out or "take a back seat". What happens when a merchant bank becomes its own client?

From 1948 until December 1986, Hill Samuel Merchant Bank was a subsidiary of the UK-based Hill Samuel Group. Initially, most of its business had some or other connection with its parent but the South African company broadened its base in the local market. However, the "international" element has always been a major factor.

So what happens when control shifts to SA? In fact, the bank appears to emerge from the deal with the best of all worlds.

Firstly, Hill Samuel UK is not withdrawing any part of its investment here. What has happened is that Hill Samuel Merchant Bank has, by way of a rights issue, increased its capital base by R15m.

Hill Samuel UK renounced its rights entitlement in favour of local investors, thus reducing its holding from 71,4% to 13,3% — a smaller share of a larger pie, but nonetheless the same amount of pie.

Hill Samuel SA — under its yet-to-be-announced new name — says it will still benefit from the contracts, expertise and technology available from the worldwide group, but will have a great deal more scope for growth overall.

The bank has been criticised for pitching its rights issue price too low. Not so, argues new executive chairman Laurie Korsten.

While conceding that the issue might have been just as successful at a somewhat higher price, Korsten says: "We felt it was important to provide motivation to executives to whom shares were offered, and to offer an attractive entry price for other long-term investors."

Secondly, Hill Samuel SA will no longer have to comply with the tight gearing constraints imposed by the Bank of England: the SA ratios are less restrictive and will allow the bank to make better use of its expanded capital base.

Also, the bank says that without an offshore parent to feed, a more conservative dividend policy can be followed.

The breakdown of shareholdings is interesting. Hill Samuel UK, Sanlam and the Old Mutual each hold 13,3% and the bank's executives and an internal trust account for a further 30%.

The balance is held by a few institutions and the general public. With some 2 000 shareholders, Hill Samuel is an independent banking group.

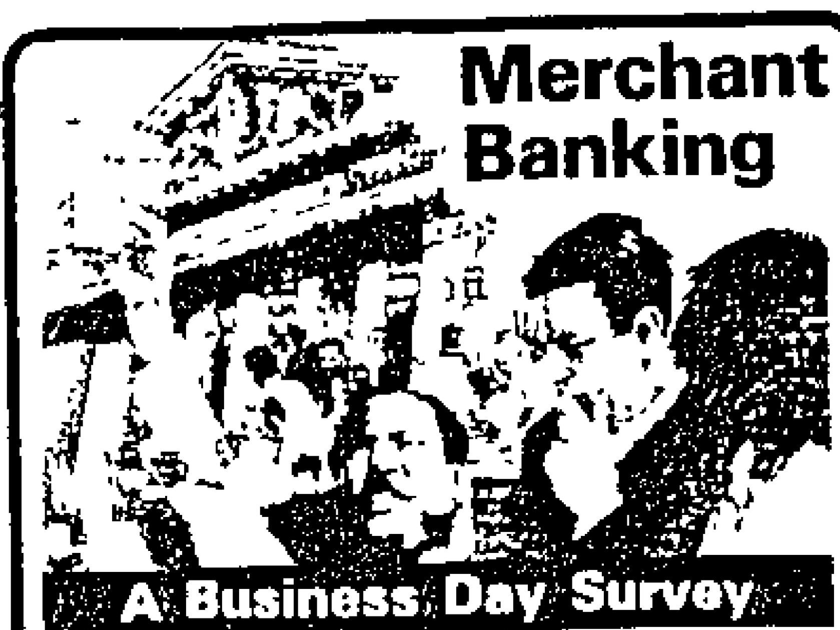
Neither Sanlam nor the Mutual has board representation, but Hill Samuel says it is unlikely they regard their investment as "just another share investment".

58

FM

B/Day

30/1/87



Firm valuations on the take-over trail

THERE are many reaons for corporate growth by way of acquisitions, but before setting out on the take-over trail a company should have a clear idea of its objectives and the direction in which it wishes to grow, reports Rand Merchant Bank executive director, GEOFF DE JAGER.

SA business is witnessing a large volume of acquisitions by corporations using their shares as investment currency rather than as cash.

A company enjoying a relatively high price earning ratio (PE) is able to acquire a company having a lower PE on a favourable basis.

Consequently the higher the industrial index moves, the more likely the chances are that security transactions will be used in acquisitions rather than cash.

There are many reasons for growing via acquisitions and these include the purchase of assets below book value; the purchase of assets undervalued on the balance sheet; securing a market position and acquiring proprietary products which would cost the buyer more to develop than to buy; and obtaining economies of scale or cost advantages.

Access to data concerning companies within an industry is important in the implementation of an acquisition programme.

A careful analysis of a limited number of target companies needs to be carried out on items like the extent and depth of management, products and services; market share; market growth and competition; five years of historical audited balance sheets, income statements and cash flows; five-year projections of income statements, cash flows and balance sheets; asset replacement values and condition; realistic liquidation values over a two-year time frame; and assets are not needed in the business and which can be turned to cash.

This analysis should produce for the buyer and his advisor sufficient information to help define firstly the present value of the target company; secondly, the value of the target company once combined with the acquiror; thirdly, an estimate of the downside risk by determining the liquidation value; and fourthly, the cost of reproducing the target business.

Looking at the high PE's determined by the market is one thing, but at the end of the day the investment banker must persuade his client the price bid for the target company is, in fact, realistic and one that will justify the necessary returns.

The application of one company's PE to another company can be too subjective. Consequently, the use of more objective devices such as the free-cash flow (FCF) model have become important in the analysis of the purchase price.

The FCF technique, in essence, values a company by discounting a stream of earnings at an appropriate rate.

The application of the model by Rand Merchant Bank is:

The earnings stream is the "free-cash flow", defined as net operating profit after tax (Nopat), less the investment (I) required to provide for growth.

The FCF is discounted at the weighted cost of equity capital and debt and the effect of the current financial structure is elimintbed by using Nopat, rather than net profit after tax in the FCF.

The value of the whole business is then estimated using a target debt/equity ratio; the value of the equity is obtained by subtracting the value of the debt from the value of the company.

Factors considered in estimating the FCF and discount rate include:

☐ **Base earnings** — consistent with previous years; historical pattern; accounting policies; extraordinary items.

☐ **Growth rate** — market growth; inflation rates; market conditions; profit.

☐ **Period** — margins; working capital requirements; dividend policy; leverage and borrowing policies; management abilities; relative cost structure; relative market share; technological changes.

☐ **Investment** — capacity of utilisation; growth rate; working capital requirements; inflation rates; technological changes.

☐ **Cost of** — financial risk; business risk; inflation rates, market.

☐ **Equity** — returns; taxation policy.

☐ **Cost of** — current debt/equity ratio; projected debt/equity ratio.

☐ **Debt** — taxation rates.

The application of the model to companies on the JSE leads to the conclusion that certain companies have share prices which can be justified only by totally unrealistic assumptions; using these companies' PE ratios to value unlisted businesses would certainly lead to over-payment and possibly depressed share prices for the acquiror.

Companies in the same sector with different PE ratios can also be evaluated by the FCF model, which gives insights into differences in these ratios. The shareholders of a company being acquired should take care that the paper they received is fairly valued.

One only has to look at the price received by Rusfurn for Joshua to realise the quoted price on the JSE is not always a reliable indication of the value of the company.

Surge in SMB's total assets

STANDARD Merchant Bank MD Div Geeringh has presided over a surge in SMB's total assets from R865,7m in 1982 to the current level of R1,3bn.

Operating profits leapt 38,5% in 1985 to R15,1m and by all accounts, 1986 was another record-breaking year.

Over the past five years SMB's return on shareholders' funds has never been less than 22%, and is usually more than 26%.

SMB's corporate finance section has never been busier, and Geeringh said the bank was hard-pushed to cope in 1986.

SMB took the lion's share of new listings last year and has been praised for pitching the share offers at realistic prices after some sensational stagging profits earlier on in the year. SMB handled the United Building Society listing late last year, the biggest public share offer in years. Some of the other major listings it handled were Libvest, Da Gama Textiles, and Macadam in the Development Capital Market.

And a number of sizeable rights offers were handled by SMB, including Liberty, Tempora and DAB Investments, which split from Freddies. The pace of activity in the corporate finance area (which prepares listing statements and handles rights offers, mergers, takeovers and acquisitions) was paralleled on the banking side, from where the bulk of SMB's profits is derived.

Competing against commercial banks

SMB's major competitors are not the other merchant banks, said Geeringh, but commercial banks, including the Standard Bank of SA. "Within the Standard Bank group, although we are careful not to poach each other's business, we nevertheless have to compete with one another, although we try to find our own niche."

SMB's banking activities are directed towards the wholesale market and, therefore, in the case of lending, loans are seldom smaller than R0,5m. However, competition for the traditional lending of a merchant bank has been intensified by the entry of the commercial banks in the paper market and will further intensify with the entry of the building societies. With the falling away of the demarcation between different types of financial institutions, borrowers have never had it so easy.

Executive director of banking, international, money and capital markets at SMB, Graeme Bell, said: "Competition among the banks for large-scale business is very strong. This tends to be large volume, low margin business. At SMB we have our own forex department, money market and gilt desks and can therefore offer our clients a fully integrated wholesale banking service."

SMB's investment division manages and consults on the investment portfolios of pension funds, charities, unit trusts and other institutional investors. The division achieved a high performance rating for the funds under its control. It also manages Standard Gold Fund, Standard Extra Income Fund and the Mutual Fund.

SMB employs about 240 staff, 15 of whom are in the corporate finance section. But merchant banks are in the same position as financial newspapers in the sense that staff tend to be lured to stockbrokers for financial reasons. Geeringh says merchant banks are often used as a stepping stone, or training school for ambitious university graduates.

"Although we do not place too much emphasis on academic qualifications here, we do prefer to employ intelligent people and we have a very good team at SMB."

Insolvencies 'will remain a problem'

Geeringh expects the early part of this year to be quiet in banking terms because major financial decisions are likely to be put on hold until the election is over. The Budget will be delayed until after the election and the Part Appropriation Bill, which tides government over until the Budget is announced later in the year, will not give a fair account of what's to come in the Budget. Business will tend to wait until there is some economic and political direction before committing itself to major expansion.

"Of course the gold price will have its effect on the economy, but the inflation bogey will remain with us. Because of present uncertainties, any lift in the economy will not be consumer-driven. If there is a turn in the economy the small man will be too undercapitalised to benefit from it, so I can see insolvencies continuing to be a problem."

SMB's capital has been boosted by R10m through the issue of new shares to its parent Stanbic which, together with last year's retained profits, will lift its capital to about R70m. All banks have five years to comply with the capital requirements of the new Banks Act and SMB has already done so. This will enable it to gear up its lending by a substantial margin in the various lending categories as spelt out in the Banks Act.

A new area of activity for the bank is management buy-outs. It carried out five major buy-outs in 1986, including the Darling & Hodgson tanker services buy-out, which was undertaken jointly by Barclays Merchant Bank and SMB. This was the largest MBO in SA to date. Some of the other MBOs have not been publicised because some were due to disinvestment. A new type of MBO is known as a leveraged buy-out, where the merchant bank helps a client to buy out another company and the bank provides the capital.

Technology to the fore

TECHNOLOGY is playing an important role in the revitalisation of banking services.

By 1995, a majority of all personal customers are expected to be using automatic teller machines (ATMs) regularly, says a survey by Arthur Andersen & Co.

More than half of all personal customers are expected to use electronic funds transfer at the point of sale by 1995 and, by the same year, a quarter of all personal customers are expected to be subscribers to a home-banking system.

Technology will remain the most effective vehicle for reducing processing costs and increasing productivity, says the report. Technology will also be used to provide competitive advantage in the market. Failure to keep up with developments will lead to competitive disadvantages.

The survey predicts greater expenditure will be devoted to all aspects of technology implementation. Among them, the investment in high-calibre systems personnel will increase rapidly.

Q Data is in line to surpass dividend and earning targets

MERVYN HARRIS

Q DATA, the recently listed computer company, is well on the way to easily surpassing its prospectus forecast of dividends and earnings for the year to end June 1987.

The dividend of 2,75c a share for the half year to end December is higher than the forecast 2c, while interim earnings of 7,9c is almost equal to the 8,2c earned in the whole of the previous year and on course to exceed the earnings projection of 11,6c for the current year.

The company is involved in negotiations to acquire interests in other computer companies. Work has started on development of packaged software projects.

Operating profit of R1,5m from turnover of R7,37m exceeds the R1,4m for the full previous year. This should enable the company to outstrip the projected operating profit for the year of R2,6m.

Interim taxed income of R817 000 is the same as the whole of the previous financial year. Shareholders can therefore expect much better earnings than the R1,3m forecast for the full year and a higher final dividend than the projected 3,5c a share.

After briefly trading below their issue price, Q Data shares strengthened this week to a peak of 205c.

A dividend payout of 7c would place the shares on a prospective yield of 3,5% against the 1,9% average of the electronics sector.

Tax-base financing gains in popularity

3/11/87
B1 Day
58

ANDREW SMITH

TAX-BASE financing has found increasing popularity recently, accompanied by considerable media exposure, highlighting a number of issues. Perhaps the most pertinent of these is the question of whether the syndication of tax allowances is in the national interest?

TAX-BASE financing is an important form of project finance and applies to a broad spectrum of businesses.

Any venture which generates a taxation benefit, be it an allowance, incentive or a deferral, has the potential to be structured so it will attract investors and reduce the financing costs.

The opportunity for tax-base financing arises because many new undertakings generate insufficient income in initial years to make full or immediate use of the available tax benefits.

A syndicate of taxpayers, known as the tax-base participants, invest in the project. The investment is structured so each taxpayer becomes entitled to offset a portion of the tax allowances or incentives against normal income.

Funds invested in the project by the tax-base participants lower the overall level of debt in the project. Consequently, the real cost of debt funding is reduced, as the identical asset is financed with less debt.

This becomes clearer if the tax-base contributions are regarded as "equity" invested in the project.

Possibly the most significant aspect of tax-base financing is that the reduction of debt financing costs improves project viability.

Benefits

Given the benefits of tax-base financing, it is interesting to note this form of financing is not undertaken at the expense of the fiscus — as, in an absolute sense, no tax is saved. Simply put, the tax allowances generated by a project are immediately offset against taxable income from another source, rather than being foregone.

The majority of tax-base financing structures currently employed revolve around capital allowances and export marketing incentives.

If an increase in capital expenditure or export marketing expenditure is regarded as a stimulant for the economy, it is difficult to consider the most efficient structuring of these projects as anything but being in the national interest.

Historically, tax-base financing structures made use of capital allowances applicable to plant and equipment, aircraft and hotels. The 1984 S23A Income Tax Act amendment brought about the demise of the then common tax-base structure — the leveraged lease.

This occurred by effectively limiting the allowances to lessors' rental income. The 1986 amendment to S23A saw some relief for lessors by excluding "operating leases" from this restriction.

Operating lessors, as defined, may now offset the allowances applicable to plant and machinery (S12), hotel equipment (S12A) and aircraft (S14bis) against all income.

The hotel building (S13bis) and hotel equipment allowances remain unaffected by S23A, as the amendment applies to lessors deriving rental from "machinery, plant or aircraft", not hotel buildings or equipment. As a result, hotel allowances may be successfully applied in tax-base financing structures.

Possibly the best-known, albeit a rather more controversial form of tax-base financing is the export film production industry.

The spate of SA feature film productions in the last 12 months has put the country firmly on the intenational movie-making map, generating real benefits in terms of:

- ☐ Massive influx of film-making expertise;
- ☐ Considerable foreign exchange earnings potential;
- ☐ Increased employment in the film industry; and
- ☐ Potential bulwark to international sanctions.

Of primary concern to a potential investor is the risk/return relationship of a specific transaction.

As tax-base financing structures have become more commonplace, so the "market" in these products has increased in sophistication; thus granting potential investors a wider selection of projects with differing risk profiles.

Two distinct types of projects are available for the tax-base investor. The "pure" tax-base projects derive returns entirely from tax allowances — the investor is indifferent to the performance of the underlying project.

Quite different are those structures with more of a venture capital flavour, in which the investor's return is dependent on the project's commercial success.

Risk borne by the investor in venture capital type tax-base financing structures takes two distinct forms. First, the risk inherent in the project, comprising both financial and commercial risk.

The second is the fiscal risk or the potential the Receiver of Revenue will attempt to disallow a particular transaction.

In most tax base financing structures, attempts have been made to minimise, or at least to quantify, the fiscal risk borne by the investor. Where the Receiver has discretionary powers, rulings have been sought.

Conservatism

The largest players in the tax-base market, the major corporations, generally display a high degree of conservatism in tax-base financing.

The corporates will generally become involved only in projects having undoubted benefit to the economy, and with those having the greatest commercial integrity.

Even so, the responsibility of maximising shareholders' wealth ensures major corporations will remain a force in the tax-base financing market.

In today's inflationary environment, even slight benefits such as timing differences are important tools in the tax-base market.

With time, as existing opportunities are excluded by the authorities, tax-base financiers will formulate projects using more-and-more subtle tax advantages in the drive to provide company management with the most efficient tax structures.

☐ *ANDREW SMITH is consultant, project finance division, Investec Bank.*

Stanprop dividend payout cut

(S8) B/Day 30/1/87

MERVYN HARRIS

LOWER interest rates are continuing to undermine the distributable income of property trusts with strong cash balances.

Standard Bank Property Fund (Stanprop) cut its final dividend from 6,35c to 5,41c a unit to reduce its total dividend payout for 1986 by 12,5% to 11,16c (12,76c) a unit.

Management of the fund, which had R24m in cash available for investment at the end of December, while expecting a further reduction in distributable income in the current financial year, says the rate of decline will be significantly lower than last year.

Declining interest rates last year resulted in income from this source tumbling from R10m in 1985 to R5,6m.

This offset the 2,5% increase in income from properties, pushing down distributable income for the year from R31m to R27,1m or 11,6c (12,76c) a unit.

Management says it is investigating several proposals for additional property investments and the refurbishing of existing properties.

Stanprop is among the more lowly rated property trusts because of its heavy exposure to the residential property market which comprises about 36% of its portfolio.

It would like to decrease this holding and boost its holdings in commercial, industrial and retail properties.

A more balanced portfolio should improve its market rating.

METPOL (58) FM 30/1/87

Some slowdown

Activities: *Underwrites group life and pension products particularly to the middle and lower income groups. It also transacts group & individual funeral insurance*

Control: *Controlled by Sankorp/Sanlam which holds 65%.*

Chairman: *Marinus Daling; managing director: Willem Pretorius*

Capital structure: *44m ords of no par value. Market capitalisation: R141m*

Share market: *Price: 320c. Yields: 4,7% on dividend; 6,6% on earnings; PE ratio, 15,2; cover, 1,4. 12-month high, 415c; low, 310. Trading volume last quarter, 1,2m shares.*

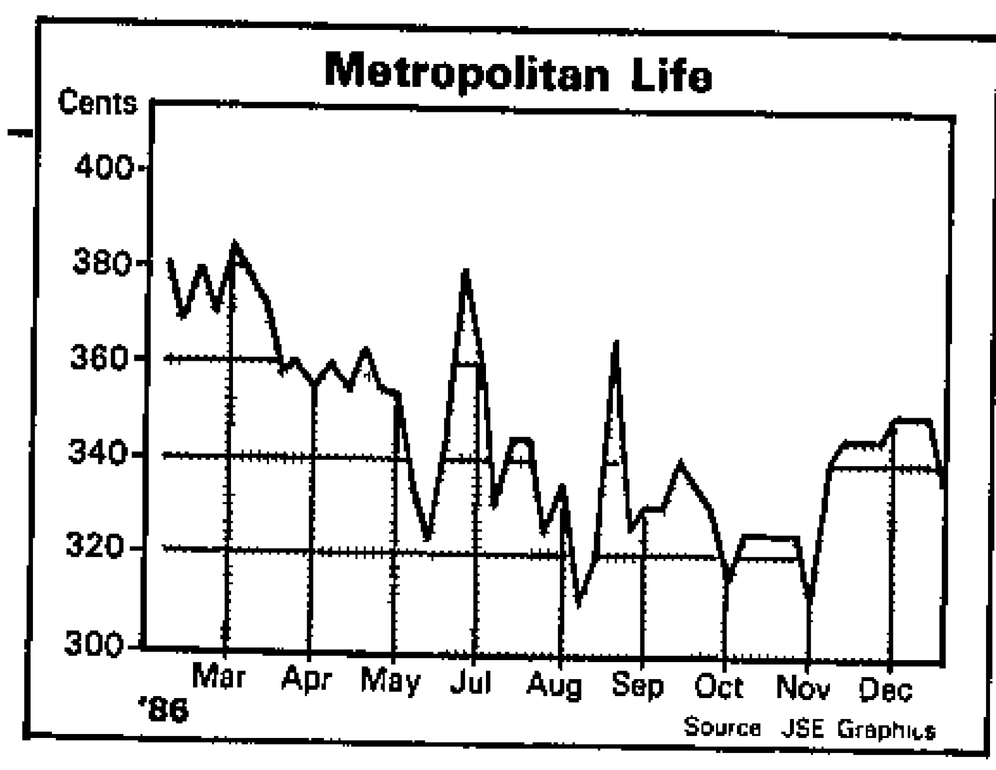
Financial: *Year to September 30*

	'83	'84	'85	'86
Performance:				
Total Assets (Rm) ...	639	762	919	1 191
Net Premium Income (Rm) ...	150	177	192	213
Investment Income (Rm) ...	62	79	98	119
Earnings (c) ...	10,0	12,5	16,0	21,0
Dividends (c) ...	7,1	8,9	11,4	15,0

The 14% growth in Metropolitan Life's (Metpol) recurring premium income is lower than the 18% average growth achieved over the past four years — confirmation, perhaps, of an inevitable slowdown in the once-burgeoning life insurance industry.

Although Metpol's performance cannot truly be used as a yardstick for the industry because it mainly targets lower income groups, many of its major competitors have reported a similar slowdown in growth. An important difference is that while competi-

FM 30/1/87



tors catering for a wealthier market have substantially increased total premium income from growth in single premium business. Metpol has shown a steady decline in this category over several years.

MD Willem Pretorius says, however, that Metpol has countered this by reducing its once high lapse rate, while most competitors are still struggling to control the loss of business through lapse and surrender. The group managed to limit to 14% the increase in operating costs (excluding marketing payments).

Metpol's investment performance was sound, its investment income increasing by 21% to R119m.

In the linked asset category, the managed pension funds have achieved an annual compound rate of 23% over the past five years. This represents a healthy premium on inflation over the period. The average annual compound growth rate in the total assets under management was 23%.

The market value of investments in ordinary listed shares rose by 57% to a record R452m. A spate of rights issues and new listings absorbed a substantial proportion of invested funds in this category, according to chairman Marinus Daling. Investment in prescribed stock was restricted to long-dated issues, and was made at an average yield to maturity of 18,3%. In the property market, a considerable oversupply of space in all sectors impaired rental levels and depressed capital values, Daling said.

The share price traded briefly after the listing at 415c — 32% above issue price — when the share was quoted a year ago. It dropped to a low of 310c in line with a general decline in life insurance shares last year and has since been trading between 320c and 330c.

Metpol's dividend growth has outperformed its major competitors over the past three years. Its 28,1% compound annual dividend growth since 1983 compares with 20% achieved by Liberty Life between 1983 and 1985, 18% achieved by Lifegro over the period and 27% by Southern in 1986. As long as the group can maintain this record it should be seen as an attractive investment.

Lesley Lambert

Platinum may have the edge over gold

In this new column, Dr Issy Bacher, a leading analyst, comments on technical features of the Johannesburg Stock Exchange, and today looks at platinum and gold.

Over the past two years the dollar price of platinum and of gold has been moving in phases where first the one and then the other is the superior performer.

The platinum price rose from $251,70 on February 15 1985 to reach a high of $673,70 on September 5 1986.

In the same period gold rose from $251,70 to $420,80. Clearly, platinum has been outperforming gold over this two year period. This is illustrated in the graph below.

This graph is not a price graph but a long-term comparative graph between the two metals.

A rising graph line C means that platinum is the stronger (see arrow at A) while the falling graph shows that gold is favoured (see arrow at B).

The graph illustrates that except for a very brief period between October 1986 to the beginning of January 1987, platinum has been the stronger metal and has been favoured by the investment community.

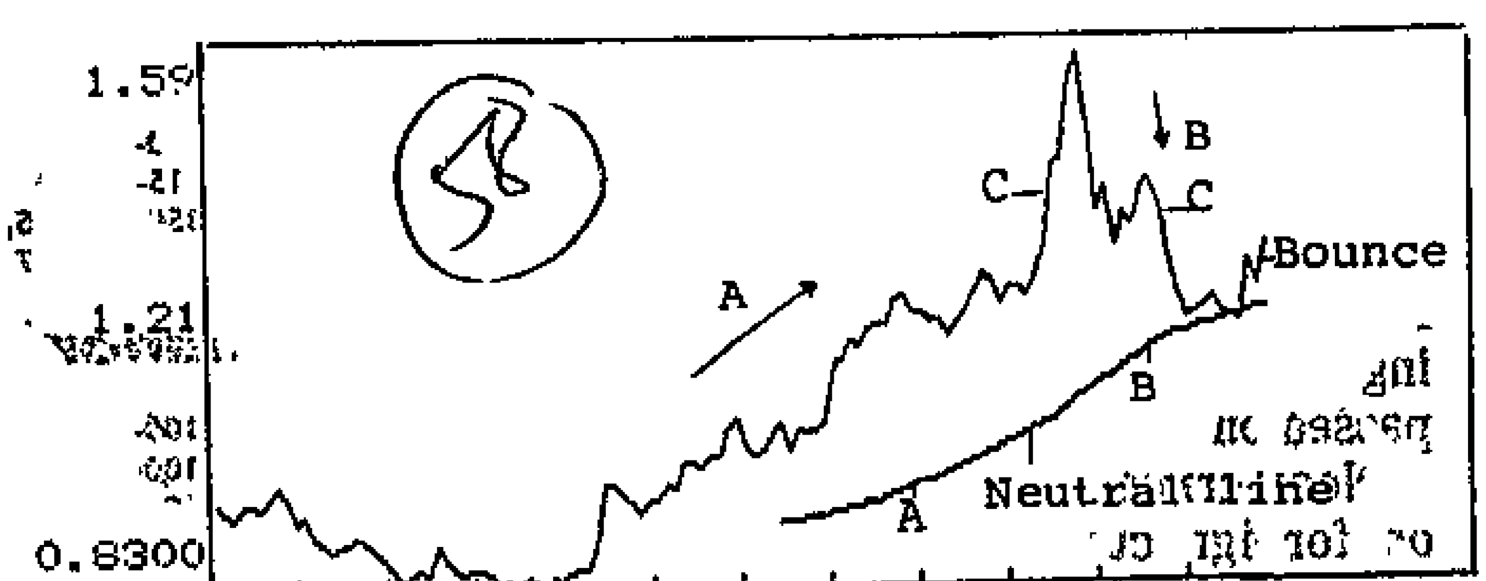
The object of the study here is to ascertain whether platinum is about to take the lead again and re-establish its superiority over bullion.

A-B is a long-term neutral line at which point the strength of platinum and gold are in exact equilibrium.

In the past two weeks the graph line C has bounced off this neutral line to indicate that platinum is showing the first signs of developing greater strength.

Present indications are that this situation will prevail though one must stress that this graph change has developed only over a short period.

This is significant development for investors holding platinum shares who should continue to closely watch relative strengths between the two precious metals in the next two weeks.



Weekly relative strength for platinum/bullion.

Cape Times 31/1/87

Anti-apartheid finance: Bank under pressure

58

Staff Reporter

POLICE are putting pressure on Barclays Bank to release confidential information about the finances of a number of anti-apartheid organizations as part of an investigation into possible contraventions of the Fund Raising Act.

One Barclays Bank branch manager has already been subpoenaed to release information about the finances of a client, the Foundation for Peace and Justice — established by Dr Allan Boesak's NG Sendingkerk in Bellville South.

The manager, who did not want to be identified, and two legal advisors attended a hearing yesterday at the Bellville Magistrate's Court to try and protect the confidentiality of the account. No evidence was led. The matter has been postponed to March 23.

The Attorney-General, Mr Neil Roussouw, confirmed yesterday that the Commercial Branch of the SAP was investigating a possible contravention of the Act by the foundation.

In terms of the Fund Raising Act most organizations, excluding religious bodies, are required to register as welfare organizations to raise funds.

The police are believed to have issued six subpoenas to various branches of Barclays' bank as part of their investigation into the fund-raising activities of a number of anti-apartheid organizations.

Police said they would comment on Monday.

Barclays' regional manager, Mr Bob Wood, said no information about any of the bank's clients would be disclosed until a court order had been issued.

R6m plan for big business complex in PE townships

58

W/Post 31/1/87

By YVONNE STEYNBERG

A GROUP of businessmen are awaiting the go-ahead from the Ibhayi Town Council for a R6-million shopping complex between the townships of Kwazakele and Zwide in Port Elizabeth.

The chairman of the company spearheading the development, Mr Justice Headbush, said it would provide up-to-date amenities which have been lacking in the townships.

Mr Headbush said the plans and tender were submitted to the council meeting on January 22, but the meeting lacked a quorum.

He added that the next meeting of the council was scheduled for Thursday, when the developers hoped that the matter would be finalised.

Ibhayi's Town Clerk, Mr E Pullen, was "unavailable" when Weekend Post tried yesterday to establish if the building plans would be on the agenda. Council staff said no other available officials could help.

The Ebongweni Building — *ebongweni* means "pride" — is planned to include all modern facilities found in similar business developments.

"The large complex will help black businessmen and shoppers and the work opportunities it will provide will benefit all black people," Mr Headbush said.

He said the development was completely privately funded, being developed for black people by black people.

"There are many traders who have small sites from where they conduct their businesses in the townships, but most have neither the capital nor the expertise to enlarge these premises or the potentials of their business.

"Once the building is completed they can rent premises and expand their businesses," Mr Headbush said.

He said he was involved only in the development of the complex and would not operate businesses from there.

"Opportunities and incentives for businessmen are sadly lacking in the townships and although tenders for this site have been asked for twice, nothing concrete has yet been submitted," he said.

A spokesman for the architects said that after acceptance by the council and the formal approval of the allocation of the land, building would begin within a month or two.

A banking consortium and some large companies were interested, as well as a contractor for the building.

The Ebongweni Building would be at the junction of Ndoli and Spondo Streets, and would initially consist of two levels with provision for another story

The building will be subdivided to provide a supermarket, cafe, building society, laundry, florist, hardware shop, take-away cafe, chemist, hairdresser, furniture store, jewellery shop, shoe shop, boutiques for men, women and children, a garage, filling station and a large display area.

Provision has been made for airconditioning for certain areas, including for a future gymnasium and elite restaurant.

Upstairs there is provision for medical suites and executive suites for accountants, attorneys and private concerns.

There would be 146 parking bay, 50 of them for tenants of the businesses. The slightly sloping ground around the building would be landscaped.

"This will be a real prestige building which will make everyday life for residents in those parts easier and also give them pride in their surroundings," Mr Headbush said.

Mrs GERDA GUILLUM-SCOTT and entrepreneur Mr JUSTICE HEADBUSH with the model of the R6-million Ebongweni business complex planned to be built between Kwazakele and Zwide. Mrs Scott is an associate of the company which designed the building. The building will provide facilities up to now only found in large shopping complexes in white suburban areas.

Standard hits back at home loan critics

S/T 1/2/87

58

STANDARD Bank has hit back at critics who allege it is stalling in granting the cheap mortgages it promised to house-buyers.

Competitors say Standard is granting the headline-grabbing 12,5% mortgage bonds to selected existing clients only.

Standard's sensational move in December caused building societies and banks to cut their rates and margins on home loans are now paper thin. Building societies' funds cost more and they have not been able to match the rates offered by Standard and Barclays.

Standard's financial services managing director, Dennis Matfield, this week denied that cheaper loans were available to only a few. He reiterated that Standard intended to grab at least R1-billion worth of mortgage business this year

Former bedmate

Some competitors contend that Standard had overreached itself by offering mortgages at 12,5% when building societies were still lending at 16%. They say it is pulling back because of impossibly narrow margins.

More cynical observers say Standard's headline-grabbing move into home lending was designed primarily to "get its own back" on former bedmate United Building Society. By chasing lending rates down, it would squeeze competitors' margins while having no intention of taking much business at 12,5%.

Mr Matfield says that because of the serious nature of the allegations concerning Standard's involvement in this market, he has disclosed to Business Times details of the bank's home lending.

Of the applications processed to date, 1 318 loans have been approved

By David Southey

for R85,7-million. Another 645 applications involving R45-million were rejected. Most of the applications were not approved because the bank's assessors put their valuations below the sale price.

Mr Matfield says most applications were from new borrowers and not from existing mortgage holders wishing to switch from building societies to Standard.

Licence bid

Speculation about an intensifying battle between Standard and the UBS is fuelled by unconfirmed reports that the UBS application for a banking licence has been approved by the Registrar of Financial Institutions. Attempts by Business Times to reach UBS managing director Piet Badenhorst this week to gain confirmation were unsuccessful.

Mr Matfield rejects all charges that Standard is deliberately slow in granting loans, or that it is not serious about 12,5% mortgage rate.

He says: "Let there be no doubt about our intention to get a substantial share of this market. We are determined that home loans will become a core element of our business and we are confident of reaching our target of R1-billion in mortgages by the end of the year."

Hiccups

Mr Matfield says it is no secret that Standard has experienced administrative hiccups in processing loan applications — mainly because of the sheer volume and the fact that it has not had sufficient valuers. He says steps have been taken to increase administrative staff to handle mortgage business and that from this month processing will be speeded up.

The size of Standard's approvals in the first month suggests that the societies have lost market share in the new-business category. Although no building societies will admit to having lost business to Standard, analysts say it is inevitable given that the bank's mortgage rate is 1,5 percentage points below the 14% most societies are offering new borrowers.

One expert says: "There's no way Standard can grab a billion rands' business in one year without denting market share of its competitors."

It is precisely to counter such realised or potential losses in new-business growth that several societies are boosting their business in hire purchase and leasing

Allied last year acquired French Merchant Bank — now renamed Allied Bank — and the UBS banking licence will give it more flexibility in buying in and lending out funds in new market categories.

Advantage

The societies' ability to compete with banks in many lending areas is severely restricted by legislation which prevents them from raising more than 5% of their total funding by way of deposits of less than a year's maturity

At the same time, building societies are at an advantage relative to banks in other deposit categories, such as their tax-sheltered investments. A freer market for competing financial institutions will eventually result in the abolition of these distinctions.

Latest adjustments in the prime overdraft rates of Barclays and Standard — up to 12,5% — are seen by some as evidence that building societies are indeed battling to compete with banks at current low rates and have pressured the Reserve Bank to "intervene".

Discount rate

The banks think there is enough liquidity around for the Reserve Bank to cut its discount rate by another 0,5% or 1%, which would also send their call deposit rates down. That would, of course, provide a fillip to banks' margins and enable them to compete even more aggressively on home lending with the societies.

By maintaining its discount rate levels, the Reserve Bank has forced the banks to lift prime overdraft rates — and has prevented them from gaining a keener edge on societies.

But with liquidity in the money market expected to improve in February and March, pressures for easier rate patterns could soon re-emerge — mostly at the expense of building societies.

M&R's third lodge order

MURRAY & Roberts Building (Transvaal) has won a R5-million contract for constructing the third budget hotel for City Lodge at Isando, alongside the Jan Smuts Airport freeway.

M&R has built the other two City Lodge hotels and knows what managing director Hans Enderle wants.

Jim Henrey, managing director of M&R, says: "After our involvement in the Randburg and Sandown lodges, the Jan Smuts contract is clearly a vote of confidence. Construction methods have been refined, enabling us to meet the short construction time."

Work on the 162-room Jan Smuts Lodge will begin while the 159-room Sandown Lodsge nears completion.

Dennis Matfield ... deadly serious

National Mutual policyholders score from deal

By David Southey

THE amalgamation of National Mutual and Sage Life went through unopposed in the Rand Supreme Court this week in spite of threats by certain policyholders to oppose the deal.

The name National Mutual will disappear from the SA assurance scene and Sage Life will acquire 50 000 policyholders — catapulting it from being SA's 12th-largest assurer in terms of total assets to No 9. Assets now exceed R770-million, with annual income of more than R200-million.

Although the deal negotiated with National Mutual's Australian parent involves the issue of preference shares to the vendor, in terms of which it will be entitled to preference dividends, Sage Life managing director Ian Solomon says the size of the dividend will not be determined until Sage has run the business for some time.

Untrue

Mr Solomon says: "It is untrue to suggest that the surplus on the non-profit fund will be siphoned off to Australia. To the extent that there is a dividend, it will be paid only after providing fully for policyholders in terms of their expectations."

These expectations are supported by professional reports placed before the court. They were compiled by an independent actuary appointed by the Registrar of Financial Institutions to ensure policyholder protection.

Mr Solomon says there are two broad categories of policyholders.

- With-profit policyholders who receive bonuses every year at the discretion of the board. These policyholders were sent letters by National Mutual stating that "it is intended that in the first three years at least, additional bonuses equivalent to between 25% and 30% of existing bonuses will be declared."
- A broader group with immediate annuities, term assurance, pensions, along with individuals receiving bonuses over and above their guarantees. Mr Solomon says their expectations of a bonus are "as good if not better" as a result of the merger. He says the larger organisation will introduce economies of scale leading to expense savings.

Benefit

The actuary's report said that policyholders' interests would in no way be prejudiced by the deal.

Mr Solomon says: "There is irrefutable evidence that all policyholders can expect to be better off. At the end of the day the only real benefit of any policy is the money that flows to the holder."

Mr Solomon says National Mutual in Australia decided to look for an SA partner because it saw its operation here as "too small and isolated and lacking in the ability to form the necessary associations in an increasingly competitive environment. They realised that to have remained isolated would have meant losing market share.

"National Mutual wanted to merge with a company that was not merely going to swallow it up. Sage Life was seen as the company with the right size and the necessary financial stature."

GM's Smith backed

NEW YORK. — Pension-fund portfolio managers have rallied behind General Motors chairman Roger Smith in his decision to oust computer wizard H Ross Perot from the car-maker's board with a $900-million pay-out.

A meeting of institutional investors, including Government pension funds, backed Mr Smith who argued that Mr Perot had to go if GM was to carry out its plan to improve productivity and recapture its share of domestic car sales.

Gold and dollar buffet markets

(S8) (15) S/T 1/2/87

INVESTORS are at sixes and sevens in trying to decipher conflicting economic signals from abroad — and assessing their likely impact on the South African economy and share market.

The yo-yo gold price is closely related to the volatile international ebb and flow of funds in dollar-donominated assets. It can cause the dollar to tumble overnight — only to regain most of the lost ground the next day.

But the weaker overall trend in the dollar to below 1,80 marks this week is the major reason for the rand's strengthening to above $0,49 — which has also removed much glister from gold shares. The firmer the rand, without a similar rise in the gold price, the lower the export proceeds in rands for the gold mines.

Import fears

There are also widely divergent views among US economists on growth prospects in America. This would have a critical bearing on US share prices, interest rates, inflation, the dollar — and the gold price and SA economy.

Both SA and foreign investors are waiting to see whether the dollar will fall lower or stabilise. Just as it appears to be heading down, one of the

By David Southey

European nations or Japan cuts its interest rates — and international capital rushes back into dollars.

So far, however, there has been little evidence of the much weaker dollar curbing imports to the US. This raises fears that last year's $170-billion trade deficit might not be much reduced in 1987.

Analysts are beginning to believe that America's propensity to import is so high that, coupled with Japanese determination to retain its share of the US market at any price, it will take a major recession to narrow the trade deficit.

But the Reagan Administration could hardly contemplate such a prospect. In any case, judging by the unpredictability of US economic growth in each of the past 12 or more quarters — in some of which it vastly exceeded economists' expectations only to plummet below their forecasts in the next — the economy seems to develop a momentum independently of Treasury or Federal Reserve Board policy.

Suggestions that the gold price might rocket to $500 as a result of a dollar crash or a spurt in US inflation would appear to be far fetched. US inflation, now under 2%, is not expected to break through 4%.

Economist Mike Daly warns in Southern Life Economic Comment that although he foresees a lower dollar in the short term, "it would be dangerous to assume a declining dollar for the remainder of the year. Such an occurrence would place great doubt on foreigners' continued participation in US credit markets. Given that the US is currently the world's largest debtor nation, interest rates would pick up dramatically, bringing on recession and ruling out a Republican Administration in 1988."

Persistent

Standard Bank says in its International Comment: "There is an underlying fear that persistent dollar depreciation will in time severely threaten the competitiveness of exports, which will in turn impair economic growth in countries dependent on export-driven growth, such as Japan. Accordingly, accommodative monetary policies have been pursued with not too high a degree of concern at the inflationary implications arising therefrom."

Most economists are now more bullish on domestic growth prospects in the light of continued good rains over large parts of SA and have lifted their forecasts from 3% to 4%.

But as Mr Daly warns: "Whatever amount (of SA's foreign debt) is actually repaid during 1987, it will be close enough to the expected R5-billion current account surplus to prevent the sort of improvement in net reserves that is required for a strong and lasting economic recovery."

SA life assurers always find the missing heirs

(ST) 5/11/2/67

By David Southey

SOUTH African assurers are no laggards when it comes to tracking down beneficiaries of matured endowment and life-assurance policies.

Relative to unclaimed amounts in the UK and US, the volumes looking for an heir or beneficiary in this country are minute.

In the UK, more than £3-million in estates goes begging each year for lack of a will. In SA, say experts, the amount is negligible.

The UK insurance industry alone has £100-million in unpaid life policies waiting to be collected.

Migrants

Sanlam assistant general manager Japie Cloete reports that his group's life claims backlog stretching longer than two years is a mere R193 000 and involves no more than 15 cases.

He says assurers' biggest problem in this area is tracing the dependants of migrant and itinerant workers. The assurer is usually notified of death by the employer, but problems can arise in tracing dependants in the homelands.

Alternatively, banks become aware of a death when stop orders on policies cease, in which case they notify the assurer involved.

The other most common sources of notification are trust companies or attorneys.

Centenarian

Institutions are not too keen to oversee smaller estates, say, R75 000 or less which results in many do-it-yourself wills. But even in this category unclaimed amounts are minimal.

Mr Cloete says the assurer would become aware of an unclaimed death payment — failing all other sources — when it was shown that the individual had turned 100 years old according to computer printouts.

Sanlam reports one such recent case in which it took three or four years to trace the beneficiaries — three women all in their 60s who had long since moved from the Cape to the Transvaal.

In the case of endowments, says Mr Cloete, "95% of cases present no problem whatsoever. We send out the maturity value of the policy three months ahead of time. That allows us time to trace the individual in the event of his not having informed us of a change of address."

The 5% of cases where problems arise are invariably caused by lack of an address. Among the first ports of call for the assurer is the chief electoral officer in order to scan voters' rolls. Bank branches are another of information, as are former employers.

Contracts

In the 12 months to November 1, Sanlam reported 158 such unclaimed cases involving R857 000.

Mr Cloete says: "We expect a high success ratio in tracing these individuals within the next 12 months."

Liberty Life assistant general manager Peter Conradie says his group constantly monitors addresses and regularly sends computer printouts of addresses to all its branches.

Branches are then required to hand the lists to their consultants.

Mr Conradie says: "We have no unclaimed amounts, although there are some claims that might take two to four years to settle.

"When we are faced with no claim on maturity of a policy we sit on the telephone and sift through files. Our success rate is high — we normally manage to find 99% of them."

Mr Conradie says Liberty — which admittedly is barely 30 years old — has only 29 unclaimed policies, ranging in size from R6,50 to R3 000. Most relate to contracts in which individuals have not paid for many years and have forgotten about their policies, or where addresses have changed and there has been no correspondence for many years.

Biggest assurer Old Mutual refuses to disclose unclaimed amounts. Proportionately, however, these numbers are likely to be higher than for other assurers simply by virtue of its size and the length of time it has been business.

Sanlam's lame ducks on the mend

ST 1/2/87

(58)

OLD Mutual has been the greatest investment performer in the past year, right?

Wrong, says Ronnie Masson, Sanlam's investment chief.

According to Mr Masson, Old Mutual has done better than Sanlam only with its main pension portfolio and its unit trust.

"But our 200-Plus portfolio, the one in which we follow our investment beliefs to more extreme lengths, has been the best performer in SA for the past three years.

"If, for instance, we believed it was time to buy equities, with our 100-Plus portfolio we would never go the whole hog and put all our money into shares. We do not believe that sort of risk should be taken with trustee money.

"But with our 200-Plus pension portfolio, in which several funds participate, we do follow our views all the way. This has been the best performing portfolio of all.

"It is a portfolio of about R300-million, which is small by the standards of Sanlam and Old Mutual, but not by the standards of individual portfolios. It is the seventh biggest in SA and has been a winner for three years running."

DISASTERS

In Sanlam's greater empire there have been numerous disasters — Kanhym, Tedelex, Kohler, Federale, Sentrachem, Nissan, Tradegro and Sappi. Are they all on the mend now and will this aid Sanlam's performance?

Mr Masson says: "Some will take longer to recover than others. Will Kanhym ever give one the return on assets it should? I don't know, but it is coming right, recovering from a big loss to a profit.

"But Malbak with Protea has been a gem and Murray & Roberts is no problem. Federale Volks is looking leaner and better.

"Nissan is a more difficult one. But altogether we are a lot more relaxed now. The foreign-currency losses are behind us and, with Derek Keys and Grant Thomas there, the Gencor management has settled down nicely."

GENCOR KEY

Although most of the companies Mr Masson quaintly calls "our lame ducks" are improving, a question mark still hangs over Nissan. Can a motor manufacturer with such a small market share ever hope to make money?

Mr Masson says: "I go along with your concern. This is our problem child. I would say Tradegro is still not what it should be. Motor manufacturers are in a tough situation and one only hopes they can come back. But I think Marinus Daling is the person to speak to on the controlled subsidiaries."

Sanlam's numerous setbacks did not affect its investment performance noticeably. Will recovery among a number of former strugglers help it in the future?

"It affects us most through the share price of Gencor because so many of these recovery situations are Gencor subsidiaries. The Gencor share price has already moved up 82% in anticipation of better results and we think it can go a lot higher."

How does Mr Masson read today's market?

"Nervous. I don't like the way the small man has rushed into the tickey stocks. I don't think we are in 1969, but the market has moved too quickly too fast.

"The small man lost out on the racecourse because of the equine flu and now seems to be using the market to gamble."

Will institutional cash flows exceed new investment opportunities this year?

"I don't think the weight of money alone will automatically hold up the market. With all the new listings, all the privatisation and disinvestment taking place, there will be large calls on institutional cash flows.

"I believe we have seen only the beginning of disinvestment and one way or another we shall get involved, financing management or taking equity stakes ourselves.

"Privatisation will probably accelerate this year and the institutions will have to take part. There will also be many new listings, including those of the building societies.

"I do not think fund managers buy shares merely because they have money."

Negative real interest rates make shares attractive relative to fixed-interest investments, but Mr Masson is sceptical that rates can stay negative for long.

POWER

After the Old Mutual-Nedbank-Finansbank get-together, the Competition Board said it would investigate concentration in the financial services sector. Is this a threat?

Mr Masson replies: "People still confuse largeness with power, the abuse of power or even monopoly. We have no subsidiary that is a monopoly. Although the players are big, the life-assurance business is extremely competitive.

How can all the insurers show such strong profit growth?

"Sophisticated management. Premiums may have been too high in relation to mortality experience in the past. But we are one of the few industries in which prices have been cut over the years."

It is well known that the Government is perturbed at the dearth of private fixed investment and the simultaneous complaint that institutions lack an investment alternative. Does Mr Masson expect Government interference with institutions, particularly in how they invest their money?

He says: "I do not know. All I can say is that we have done our share of greenfields investment. We have given money to the Gencors, the Sappis, etc. A number of companies owe their survival to the strength of the institutions.

"In addition, we have saved thousands of jobs. We are not just paper merchants on the Johannesburg Stock Exchange."

Ronnie Masson ... no monopolies in our stable

58

Signs point to another drop in interest rates

By David Southey

BORROWERS can relax — interest rates are not about to shoot up.

Economists say last week's 0,5% increase in the prime overdraft rate — from 12% to 12,5% — led by Barclays and closely followed by Standard Bank should not be seen as the turning point in short-term rates.

Too hasty

Some experts think there is room for overdraft rates to fall again in the next few months. Home-owners with hefty mortgages can also look forward to more cuts in rates this year.

Reserve Bank Governor Gerhard de Kock is known to be happy with negative real borrowing rates while the economy is in the doldrums.

With no change during the past month in the cost of accommodation to banks, economists see the latest uptick in prime as a correction following bank's overhasty cuts last month.

Indeed, bankers privately admit as much. After Standard's headline-grabbing entry into the home-lending market, offering a mortgage rate of 12,5%, Barclays announced a 1,5% reduction in its prime overdraft rate to 12%.

Standard then reduced its prime rate to 12%.

At that time, substantial money-market liquidity supported easier short-term rates.

But a slight hardening in call rates over the December monthend resulted in banks' lending margins being squeezed — and made the subsequent realignment of rates inevitable.

In spite of the adjustment in prime, liquidity in the money market this week was notably high for this time of year, indicating continuing poor demand for credit. Assistance to the money market by the Corporation for Public Deposits this week was little more than R300-million and other accommodation amounted to about R150-million.

Political

The accommodation rate on Treasury bills remained at 9,5%, call rate hovered at 9,75% and bankers' acceptances traded about 9,20%.

Standard Bank group economist Andre Hamersma says he does not foresee any significant upward reversal in interest rates soon.

"Rates will ultimately depend on economic activity. If we were to experience more political setbacks, for example, economic activity might fall back and this would cause even further reductions in rates."

Securities Discount House director Mike Haskins agrees, saying: "There simply is no steam in credit demand. I cannot see any upward pressure on rates in the short term."

Economists say credit demand is being held back by the serious structural economic problems afflicting South Africa and which are not likely to change in the near term. Lack of confidence because of the political situation is highly unlikely to change for the better, so demand for credit is set to remain slack.

This view is reinforced in the financial markets by, for instance, Standard's being able to take the unprecedented step of guaranteeing its home mortgage rate at 12,5% for the entire year.

Standard's latest adjustment to its overdraft rate has led to some of its competitors speculating that it overreached itself in pitching its mortgage rate so far below those of building societies.

But the bank's money-market chief John Lloyd says: "We are very comfortable with the mortage rate at 12,5%. There is no reason why market rates should not ease again after the monthend and we could see reductions in societies' mortgage rates."

Gilts dull

Long-term rates, which had fallen below 15% in December-January, have edged up to 15,40% (RSA 2005, 13%) and look set to remain there until there are more concrete signs of an easing in the inflation rate.

With inflation still high at over 18%, institutional investors are showing minimal interest in the gilts market and trading is limited to a few speculators.

Insurers out to beat tow and panelbeating rip-off artists

S|T 1|2|87

By Anthea Duigan

CONCERN is mounting over the conduct of some towing companies and panelbeaters, particularly those operating on the Reef.

Some towing companies monitor traffic-police channels and often arrive at the scene of an accident before the police. But it is what they do after removing the vehicles that is causing concern among insurers and the authorities.

Taking advantage of the mental anguish of accident victims, they obtain the drivers' permission to remove the vehicles. But the signed permission does not include the rates to be charged or any of the conditions which are imposed later.

One Johannesburg insurance broker gives the example of a car being towed from the scene of an accident to a panelbeater with which the towing company had an arrangement. When the insurer wished to remove the vehicle and have it repaired by another panelbeater, it was told he would have to pay R500, which included the towing costs and a couple of days' storage.

This cost should have been in the region of R30 to R40.

The owner approached the garage and was told to pay R600 before the car would be released. The broker was asked to pay R800.

The owner's lawyers were brought in and the car was released for R150 — a lot more than should have been charged for towing and storage.

The broker says this was not an isolated incident.

In addition if cars are moved, many items in them are either removed or replaced with old or inferior items. Radios, spare wheels and tools are frequently stolen and batteries and wheels replaced with old ones.

If challanged the garages deny the items were there or in the condition claimed when the car was towed into the garage.

Rodney Schneeberger, chief executive of the SA Insurance Association, says towing practices have been a problem for several years. A committee comprising representatives of the traffic authorities, insurance companies, brokers and towing companies has been established to make recommendations to resolve the problems.

In the event of an accident and providing the victims are not severly injured, it is recommended they find out from the driver of the tow truck what the cost will be and whether storage will be charged.

Insurer gives the good driver a premium break

1/12/87 (58) 511

RESPONSIBLE drivers no longer need pay for the indiscretions of other motorists.

Business Times Reporter

Mutual & Federal in conjunction with the Automobile Association (AA) has launched a motor-insurance policy that has been scientifically rated.

Motorists have long complained that their insurance policies are unfair in that the responsible, safe drivers are lumbered with the mistakes of unsafe drivers by way of ever-increasing premiums. But M&F intends to reward the better drivers with lower premiums.

Traditionally, motor policies have worked on the basis that the total premium income pays for total claims and commission plus administration costs. Moreover, the cost of repairs and spare parts has risen in recent years, forcing up the cost of insurance.

M&F and the AA's approach is to define bad risks and to structure the rates and conditions so as to select the good risks.

According to industry statistics, motor-insurance claims are more likely to occur with younger, inexperienced drivers than with those over 30 years of age. Therefore, in the event of a claim, M&F/AA's new Motorsure policy imposes an additional excess of R1 000 if the car was driven by someone under the age of 23, and an additional excess of R250 is levied on drivers between the ages of 23 and 27.

Other factors, such as the price of spares and performance ratings of cars, are also considered. The new policy entails a classification system for more than 800 vehicle types, ensuring that each make and model is rated according to its power-/weight ratio plus the cost of its spares and repairs.

Motorists can also select one of three different classes of use on the basis that the more restricted the use of the vehicle, the cheaper the premium.

Police probe funds

Own Correspondent

THE SAP's commercial branch was investigating the fund-raising activities of several anti-apartheid organisations, police confirmed yesterday.

Police are believed to have issued six subpoenas to various branches of Barclays Bank as part of the investigation of possible charges against those organisations under the Fund Raising Act.

A Barclays Bank branch manager has already been subpoenaed to release information about the finances of a client, the Foundation for Peace and Justice, established by Allan Boesak's NG Sendingkerk.

Although the manager appeared in court last week, no evidence was led and the matter was postponed until March 23.

Yesterday Barclays National Bank MD Chris Ball said: "We do not make information on our customers available to anybody, and nobody is going to put pressure on us (to do so)."

B/Day 3/3/87

SABA, Volkskas settle out of court

B/Day (58) 3/2/87

SUSAN RUSSELL

A DISPUTE between the South African Bank of Athens (SABA) and Volkskas over a R4,5m cheque which led to investigations into an alleged multi-million rand fraud at the SABA four years ago and was connected to the collapse of the Magnum empire was settled out of court yesterday.

SABA legal representative Allan Levin would not reveal the terms of the settlement but said it involved "several million rand".

The cheque was obtained from the Bank of Athens by Magnum Financial Holdings on November 30, 1982 on the strength of one of their own cheques. It was made out to a stockbroking firm A Hobbs & Co.

After the Magnum Financial Holdings cheque bounced, the Bank of Athens stopped payment of its own cheque for R4,5m.

SABA had brought the claim against Volkskas on the grounds that it (Volkskas) had wrongfully refused to issue a clearance voucher after the SABA cheque had been stopped.

This would have reversed the debit raised against the Bank of Athens and credit raised in favour of Volkskas. The SABA claim against Volkskas will be heard in the Rand Supreme Court today.

It was this cheque which started an internal investigation at the SABA and led to charges of fraud against one of its former officials, George Trail.

After his arrest, Trail alleged that the SABA had been used as a "financial post box" to lend credibility to Magnum's multi-million rand deals.

He also alleged that Magnum used the bank to "circumvent" the law which made it illegal for a company to act as a receiver of deposits paid in directly by investors.

Bank holds rand on an even keel although dollar takes buffeting

HAROLD FRIDJHON

538

THE Reserve Bank held the rand on an even keel during the past week when the dollar was being buffeted to and fro by rumour, speculation and unexpected favourable US trade figures.

Moving in a wide band, the dollar was influenced by talk of central bank intervention, reports of a meeting next month of the Group of Five to steady world forex markets, which a German banker warned, could in the event of a collapse of the dollar rekindle inflation and bring a recession to the US.

And then came the news of a 0,9% rise in durable goods orders in the US in December to be capped by the announcement that the US trade deficit for December amounted to only $10,66bn compared with an expected $14,7bn.

ing from a six-and-a-half-year low back to Dm1,8375.

And against this background, which had the world's forex markets in a tizzy, all that happened to the rand was to move down by 0,5% in terms of the dollar.

At present, the central bank is in a position to protect the rand. Dollars are flowing in. Reports suggest the foreign exchange reserves are buoyant. Importers are getting the dollars they need.

Citibank, however, strikes a note of warning. The $0,49 level has proved to be difficult to breach with

It says: "The consolidation phase is evident with $0,48 finding support and $0,49 encountering pressure. As a result, a major move in the gold price and the dollar is required if the rand is to continue its upward momentum towards $0,50.

"Caution must be exercised if the rand remains static as demand may build up at current levels."

If the Reserve Bank, however, keeps a mindful eye on the needs of exporters it will not allow the rand to strengthen too far, even if the politicians would like to see a show of strength before polling day.

This week, Barclays expects the rand to trade in a band of $0,47,50 to $0,49. The bank says importers could stay out of the forward market because the rand is expected to trade firmer in line with a weaker dollar.

Exporters, however, should take any opportunity of weakness in the rand to cover.

Standard Bank in *International Comment* envisages a rand trading between $0,47 and $0,49,50 this week. Importers with dollar payables could stay out of the forward market "for the time being". Should the rand reach levels above $0,49, Standard advises importers to cover a portion of their future commitments.

Exporters should cover forward on short term dollar contracts.

On dollar/third currency legs of transactions, advice from both banks is the reverse of what is recommended on rand/dollar transactions. Importers should take advantage of any dollar firmness to cover forward, says Barclays. Exporters, however, are advised to remain out of the market because "the dollar is expected to resume its downtrend once the current rally has ended".

Standard reiterates this advice, adding that importers with foreign currency payables against the dollar should consider forward cover on future commitments "more particularly if technical factors enable the dollar to stage additional short-term gains".

Exporters could stay out of the market.

Why banks re-entered home loans market

A QUESTION mark in the building society movement is: can the banks re-entry into home loans be regarded as strategic or tactical?

If it is strategic, then eventually all parties will settle down together sharing the market according to their expertise.

If tactical, to be followed by an equally tactical withdrawal, the implication is totally different.

It would mean the banks take the building societies, which are either listed or about to be listed on the JSE boards, as serious competitors.

The banks entry could be effective as good public relations with the man in the street who is concerned about his monthly bond instalment in the short term.

The bargain the banks are offering is a bond rate about 1% below those of the societies. It makes sense for a banking sector awash with cash to make such advances now, fully confident their rates will rise again.

But the pitch doesn't appear to be aimed at the man in the street. It is really to new bond-holders only. Anyone with an existing mortgage of, typically, R60 000 would find himself with a one-off cost of about R1 000 for the right to swing to a bank's home loan scheme.

One building society manager, obviously none-too-pleased with the banks entry into the home loan market, says: "To manage that sort of development is a social responsibility and a financial one. Banks have plenty of financial muscle, but little or no housing or development expertise."

BUSINESS Argus 4/2/87

320 163 58

ECONOMY

Scrap taxes on cash investments, Government urged

The Argus Correspondent

DURBAN. — South Africa should make all forms of money investment tax-free to meet its burning need for capital formation, according to an editorial in the insurance industry journal Vitae.

Describing inflation as "a great swindle", the journal says there is a desperate need to encourage savings in some positive form.

Tax is apparently unthinkingly imposed as a penalty on those prudent enough to save and produce investment income. Yet the Government's arguments for such tax are tamely accepted as the "last word".

Instead of tamely whispering aout the need for increased retirement annuity allowances, the industry "should be thumping the desk and demanding it".

In addition to all investment income being tax-free, there should be a further tax rebate on all new money invested in the year — to make the interest return beat inflation in total.

Vitae predicts the Government's "knee jerk" reaction to its plea will be a warning that tax revenue sacrificed on savings will mean it must be regained elsewhere — perhaps through increased sales tax.

Such a response would not be factual.

"We can prepare an endless list of State activities which should be reduced or discontinued — things which are contributing to our persistent inflation in themselves."

What other sane country, it asks, would tolerate such a large percentage of its population working for the State ?

Warning that the issue is one of "dire urgency," it says the cure for inflation "is to stop increasing money and credit".

Unless this is done, South Africa will become known as a nation of spenders whose entire population will become indigent and dependent on world charity in later years.

VENTURES

Barclays chief denies allegation

5/2/87 (58) BDay

Ball hits out at PW over ANC advert

Business Day Reporters

BARCLAYS MD Chris Ball last night hit back at hints by President P W Botha in Parliament that Ball paid R150 000 to finance the "Unban the ANC" adverts.

Ball said: "You are wrong Mr President." He added: "I respectfully invite him to repeat his statement outside Parliament." No legal action can be taken over remarks made under parliamentary privilege.

Botha said during the No Confidence debate that the advertisements had "shamelessly advanced the image and interests of the ANC". Responsible South Africans were "repulsed" by them, he said.

The exact words Botha used were: "In leftist radical circles it is being said that Mr Chris Ball advanced (voorgeskiet) the money to the advertisers. An amount of R150 000 is being mentioned.

"I, and I am sure the population of SA, would like to know from Mr Ball if what is said is true."

An Opposition MP then asked Botha by way of interjection why he did not ask Ball about the matter before he spoke. Botha replied: "You can phone him yourself if you want to. This thing will be investigated down to the bone."

In a statement yesterday Ball said he knew nothing of the advertisement until he saw it in the morning papers on arrival at his office on the day of its first publication.

"It is a matter for comment that the State President has referred to the issue under the protection of the privilege of Parliament," Ball said.

The advertisements calling for the unbanning of the ANC were issued by the UDF, the National Education Crisis Committee, the South African Council of Churches, the National Soccer League, the South African Rugby Union, the National Taverners Association and the Southern Transvaal African Chamber of Commerce.

After the advertisements appeared, a

● To Page 2

(4) BDay 9/2/87

Chris Ball hits back at President

● From Page 1

special Government Gazette was promulgated which further restricted publication of matter relating to the ANC. Police visited newspapers countrywide and took material connected with the advertisements.

It was understood there was consternation in the President's office when Ball's denial was read to him at a cocktail party last night.

It is believed Botha ordered an immediate investigation into the whole issue.

Sources said it had not been ruled out that the President acted on completely incorrect information.

PFP MP for Sandton Dave Dalling said last night Botha had "made himself guilty of the worst style of gutter politics by attempting, without any foundation of truth, to smear the character of the MD of one of SA's leading banks.

"He has committed the cardinal political sin of attempting a character assassination of Mr Ball, one of SA's most respected businessmen and a person who has made no secret of his opposition to apartheid and the NP.

"The credibility and honesty of the State President is now at issue. Either this country is being led by a straight chief executive or by a frightened political midget trying to survive by scandalising his opponents without any basis of truth.

"This matter cannot be left there. The truth must out.

"When Mr Ball's name is cleared, the President will have no option but to resign his office," said Dalling.

Thursday, Fe...

(58) DD 5/2/87

Bank head denies funding ANC ad

Dispatch Correspondent

CAPE TOWN — The managing director of Barclays Bank, Mr Chris Ball, last night denied suggestions in Parliament by the State President, Mr P. W. Botha, that he had paid R150 000 to finance advertisements calling for the unbanning of the ANC.

Mr Ball said in a statement "You are wrong Mr President," adding "I respectfully invite him to repeat his statement outside Parliament."

Mr Botha said during the no-confidence debate that the advertisements had "shamelessly advanced the image and interests of the ANC" Responsible South Africans were "repulsed" by it, he said.

"In leftist radical circles it is being said that Mr Chris Ball advanced the money to the advertisers An amount of R150 000 is being mentioned," Mr Botha said.

Mr Ball said he knew "nothing of the advertisement until I saw it in the morning papers on arrival at my office.

"It is a matter for comment that the State President has referred to the issue under the protection of the privilege of Parliament."

The advertisements calling for the unbanning of the ANC were issued by the United Democratic Front, the National Education Crisis Committee, the South African Council of Churches, the National Soccer League, the South African Rugby

MR BALL

Union, the National Taverners' Association, and the Southern Transvaal African Chamber of Commerce.

After the advertisements appeared, a special gazette promulgated further restrictions on reporting the ANC.

Mr Ball and the PFP last night accused President Botha of attempted "character assassination"

It is understood that a visibly angered Mr Botha has ordered an immediate one-man commission of inquiry into the affair.

The attorney who placed the advertisement on instructions from the organisations, Mr Krish Naidoo, said from Johannesburg last night: "The UDF gave me the cheque and it certainly wasn't from Mr Chris Ball"

Mr Naidoo said the cheque, a Barclays bank-guaranteed cheque, was for R100 000 — not for R150 000, as claimed by President Botha.

"We don't know the funding source," he said.

●Mr Botha also said in his speech that the ANC sought to establish a white coalition group, that the state of emergency had avoided a bloodbath planned for the festive season last year, and that curbs on the media would be eased during the election.

He also reiterated his plan for independent city states, and reaffirmed his commitment to separate residential areas.

Quoting a document which had been "fetched" by the security forces, Mr Botha said the white coalition group had been initiated by Mr Geoff Budlender and Mr Zwelake Sisulu.

The purpose of the group, Mr Botha said, was to formulate "action from protection".

Parliament page 4

Another six down as the Cambridge scouts head for their record of 3 355 slides in an hour at the Orient Beach.

Shop ... reside... still ...

Dispatc...

EAST LONDON — Resi... ject to the controversi... Gardens project, despite... having closed on Decem...

This emerged here y... lease of a letter from th... to the combined Selb... Committee, which is opp...

The letter was releas... of the committee, Mr Bri...

According to the seni... the municipality, Miss... could have up to a month...

It is understood the... nearly 150 objections w... the city council at the n... ing on February 1...

Should the council d... than its backing of an... land off Union Avenue... it will submit its recomm... administration which w...

The council could al... with the project, but the... will still have to be in...

The letter released yesterday was from the MEC for local government, Mr P. Schoeman, and was in response to an application from the combined schools' committee to extend the deadline for objections from December 12 to January when the schools were open.

It was based on nu...

Ball attack: PW slammed

UDF paid for advert with bank guaranteed cheque

Political Staff

Cape Town

President Botha was roundly denounced today for abusing his position and the privilege of Parliament to make what is said to be an unsubstantiated attack on one of South Africa's leading businessmen, Barclays Bank managing director Mr Chris Ball.

And Mr Harry Schwarz, the Progressive Federal Party spokesman on finance, has warned that if Mr Botha's attack is unfounded, there could be serious implications for the business of Barclays Bank.

Mr Schwarz has called for an immediate independent judicial inquiry to clear up the matter.

Mr Chris Ball . . . Mr Botha "did not check his facts and they are not accurate".

Today the United Democratic Front denied that Mr Ball had paid for advertisements commemorating the 75th anniversary of the African National Congress.

It said the payment was made by a Barclays Bank-guaranteed cheque.

The allegation made by President Botha yesterday has also been strongly denied by Mr Ball, who has challenged him to repeat the statement outside Parliament.

Mr Ball said he had been told that if Mr Botha had spoken outside Parliament, it could have been libellous. "He did not check his facts, and they are not accurate."

Asked if he would be prepared to co-operate in the investigation ordered by the State President, Mr Ball said that if there had been any contravention of the law, Barclays would "of course" co-operate.

But he added: "It is not for me to have a search made of bank accounts. What our clients do is their business."

Asked what the motivation for Mr Botha's attack could have been, he said: "Mr Botha has never asked what I think about the political situation, and he does not understand my views."

'Not above the law'

The UDF statement said payment of the advertisments would be "shared by the three organisations who issued the advertisement, and by some of the 15 organisations who were listed as supporting it".

The advertisement was issued on behalf of the UDF, the National Education Crisis Committee (NECC) and the South African Council of Churches (SACC).

Mr Krish Naidoo, the attorney who placed the advertisement in English-language newspapers, said that he had insisted that the UDF, which has a normal Barclays Bank account, give a bank-guaranteed cheque for payment of the advertisements "because it was such a large amount".

The cost of the advertisements was R100 000, he said.

Professor Nic Olivier, director of research for the PFP and spokesman on constitutional affairs, said he believed that had the State President made the allegation outside Parliament, it would have been libellous.

"Outside Parliament, the State President is not above the law.

"I cannot understand how the State President made the statement. He referred to rumours in left-wing circles that Mr Ball had funded the advertisement, and said these would be investigated. Why did he not investigate this before making such an allegation?"

(201) 58 / Mbu? 6/2/87

BUSINESS

ECONOMY

Insurers face R160-m bill as vehicle thefts leap 33 pc

JOHANNESBURG. — An explosion in motor vehicle thefts last year has left insurers reeling. They have been battered by an estimated bill of more than R160-million, after a leap in reports of stolen insured vehicles of 33 percent compared with 1985.

According to police records, of an average of 166 vehicles stolen daily in South Africa, about 40, or 25 percent, are insured.

Police recoveries are fairly successful. However, they fell from 24 percent of insured vehicles reported stolen in 1981-82 to 22 percent in 1984 and only 16 percent last year.

Under a schme introduced in 1981 by the SA Insurance Association (SAIA), member insurers report thefts and the number of unidentified recovered vehicles.

Chief executive if SAIA, Mr Rodney Schneeberger, says : "Theft has been the big disappointment of 1986."

A report extrapolating the 12 727 vehicles stolen in the 10 months to October last year, says thefts of insured vehicles could top 15 270 for the year as a whole — or more than 40 a day.

By comparison, 10 931 were stolen in 1985 and 9 833 in 1984.

On average, insurers pay out more than R10 000 per claim for stolen vehicles.

Mr Schneeberger attributes the explosion in thefts to:

- The economic recession and consequent high unemployment;
- Lack of police controls, particularly in the light of township unrest;
- More sophisticated criminal skills, planning and management; and
- The huge increase in the value of vehicles.

He adds, however: "We are optimistic about the situation, if for no other reason than that the unrest is abating. "We know this from our statistics of political riot insurance.

"So at least the police function should gradually be restored to combating conventional crime." Unfortunately the bad experience last year extended to crime classes of business generally "where experience has been horrendous".

Other areas of personal insurance have also been unprofitable, certainly "dissipating any benefit that has arisen from an improvement in commercial and industrial business", according to Mr Schneeberger.

He believes statistical coverage will improve when SAIA's project gets into full swing. Ultimately the idea is to provide each insurer with the "burning cost" — the premium he should charge to cover claims costs only.

To this burning cost an insurer will add commission, administration costs, and underwriting profit.

"Of course this would only be a guideline to price — it would not be compulsory for an insurer to charge that. But at least rates charged would be statistically defensible," he adds.Sapa.

CAPE TIMES 6/2/87

Hersov issues denial on ANC advert

Own Correspondent

JOHANNESBURG. — Barclays National Bank had no knowledge that a R100 000 bank cheque, issued on a client's instructions, would be used to pay for controversial advertisements calling for the unbanning of the ANC.

This was stated last night by Barclays chairman Mr Basil Hersov.

Mr Hersov's statement said that "neither Chris Ball nor the bank had any knowledge of the advertisement referred to by the State President prior to its appearance in the media".

"We have since been able to identify the transaction with the co-operation of the client concerned, who has a banking relationship with us and who has consented to us releasing this information."

Barclays senior general manager Mr Jimmy McKenzie said yesterday that the bank cheque, made in favour of an attorney, was issued to the debit of the client's account. This was common banking practice.

The bank declined to name the client because this would be a breach of condfidentiality.

However, if a court order was issued Barclays would be prepared to disclose the account holder's name.

He said the State President's statement

To page 2

From page 1

CAPE TIMES 6/2/87

had negatively affected the bank's business: "Obviously the matter will be commercially detrimental to the bank until it is cleared up."

Yesterday there was widespread indignation in business and parliamentary circles at the State President's outburst in Parliament on Wednesday in which he suggested Barclays managing director Mr Christopher Ball had funded the advertisements which appeared in 22 English-language papers on January 8.

In a series of further developments:

- Barclays' denial was confirmed by Mr Azhar Cachalia, UDF treasurer, who said the bank was not involved in financing the advertisement;
- The State President appointed a a one-man Commission of Inquiry headed by Mr Justice Munnik to investigate the issue;
- The Attorney-General of the Witwatersrand local division, Mr Klaus von Lieres, said he had received a docket from the police relating to the publication of the advertisements; and
- The Transvaal AG, Mr Don Brunette, said he had "no information that any docket is being forwarded to me".

During a mud-slinging debate in the House of Assembly, PFP media spokesman Mr David Dalling said: "This was a disgraceful performance, ill-befitting a head of government.

"It is a case of assassination now, and an investigation later — smear now, commission later," Mr Dalling said before being ordered by the Speaker, Mr Louis le Grange, to retract the word "smear".

s quiz bank over advert row

We're in the clear, says Barclays boss

B/Day 6/2/87

GERALD PROSALENDIS
Economics Editor

BARCLAYS National Bank had no knowledge a R100 000 bank cheque, issued on a client's instructions, would be used to pay for controversial advertisements calling for the unbanning of the ANC.

This is made clear in a statement issued last night by Barclays chairman Basil Hersov which appears in full on this page.

Barclays senior GM Jimmy McKenzie said yesterday the bank cheque, made in favour of an attorney, was issued to the debit of the client's account. This was common banking practice.

The bank declined to name the client because this would be a breach of confidentiality. Rather, it would be up to the person concerned to make a statement. However, if a court order was issued, Barclays would be prepared to reveal the account holder's name.

He said President P W Botha's statement in Parliament on Wednesday, in which he hinted that Barclays MD Chris Ball may have financed "Unban the ANC" advertisements, had negatively af-

● To Page 2

STATEMENT FROM BASIL HERSOV

THE following statement was issued last night by Barclays National Bank chairman Basil Hersov:

"The chairman and the members of the board of directors of the bank who are available consider it to be in the commercial interests of the bank to make the following statement to our customers and to our shareholders.

"Neither Chris Ball, nor the bank, had any knowledge of the advertisement referred to by the State President prior to its appearance in the media. Neither Chris Ball, nor the bank, were asked to provide, or agree to provide, finance for the purpose.

"At the time that a client requested our banking branch to issue a bank cheque for R100 000 in favour of an attorney, neither our staff nor the bank were informed of the purpose of this perfectly normal banking transaction. Nor did they know its purpose. We have since been able to identify the transaction with the co-operation of the client concerned, who has a banking relationship with us and who has consented to us releasing the information."

We're in clear — Hersov

6/2/87 B/Day

● From Page 1

fected the bank's business.

"Many concerned customers approached bank managers to ask whether the accusations were true. Obviously the matter will be commercially detrimental to the bank until it is cleared up."

Yesterday there was widespread indignation in business and parliamentary circles at the President's outburst about the advertisements, which appeared in 22 English language newspapers on January 8.

In a series of further developments yesterday:

□ The Barclays denial was confirmed by Azhar Cachalia, UDF treasurer, who said the bank was not involved in financing the advertisements. They were paid for by affiliates and supporters of the UDF;

□ The President appointed a a one-man commission of inquiry headed by Mr Justice Munnik to investigate whether Ball was involved in the financial arrangements, who inserted the advertisements, who paid for them and the source of the funds;

□ The Attorney General of the Witwatersrand local division Klaus von Lieres said he had received a docket from the police relating to the publication of the advertisements. He could not say whether his investigation would overlap with that of the commission;

□ The Transvaal Attorney General Don Brunette said he had "no information that any docket is being forwarded to me". He said police had visited him for consultations after the adverts had appeared, but since then he had heard nothing relating to the affair.

□ Opposition media spokesman Dave Dalling said: "This was a disgraceful performance, ill-befitting a person at the head of a government. It is a case of character assassination now and investigation later."

PW row: Vandals damage four banks

ARGUS 6/2/87 (58) 287

The Argus Correspondent

JOHANNESBURG. — The unfounded allegations made by the State President against Barclays Bank had now resulted "in physical damage" to the bank in the form of graffiti sprayed on four branches, said the bank's managing director, Mr Chris Ball, today.

He said anti-African National Congress (ANC) slogans had been painted on the outside of a branch in Herbertsdale in the Eastern Cape and three in Pretoria.

This follows claims in Parliament that Mr Ball had been involved in the funding of advertisements recently calling for the unbanning of the ANC.

Mr Ball said today: "The action of the State President has actually caused physical damage to the bank, apart from the effects it could have on business."

Mr Justice Munnik

Mr Ball said he had no further comment to make on the issue and referred to a statement by the chairman of the bank, Mr Basil Hersov, last night.

Yesterday President P W Botha announced the appointment of the Judge-President of the Cape, Mr Justice George Munnik, to a commission to investigate the funding of advertisements

Mr Botha said in Parliament yesterday the commission would have to find out whether Mr Ball was involved in the funding

In his statement Mr Hersov said that neither Mr Ball nor the bank were asked to provide, or agreed to provide, finance for the advertisements.

Normal procedure

"At the time that a client requested our banking branch to issue a bank cheque for R100 000 in favour of an attorney, neither our staff nor the bank was informed of the purpose of this perfectly normal banking transaction, nor did they know its purpose.

"We have since been able to identify the transaction with the co-operation of the client, who has a banking relationship with us and who has consented to us releasing the information," said Mr Hersov.

The United Democratic Front, which has already stated that it paid for the advertisements, said today the Government was trying to run South Africa on often-incorrect information supplied by the security police and intelligence service.

Sources

The UDF was referring to the President's statement that he had obtained information from a top intelligence official linking Mr Ball to the financing of the ANC advertisements.

The slogans, in red spray-paint on the windows and outside walls of the Barclays main branch at Church Square, Sunnyside and Poyntons Building, include "Bank of the ANC", "Remember May 20 — It can happen to you" and an uncompleted slogan "ANC Mr Chris Ba...".

A spokesman said Barclays "regretted" that the banks had been defaced

"We regret damage to property, especially in the light of Mr Ball's repeated denials that he knew of the advertisements before they appeared"

Instructions had been issued to get the buildings cleaned up as soon as possible

STANDARD BANK (58) FM 6/2/87

Playing it both ways

Since relaunching its building society in December, Standard Bank is enjoying the best of both worlds. Straddling banking and building society movements, it has gained the benefit of building society tax concessions without forgoing the flexibility banks have in borrowing.

It has achieved this enviable position by conducting home loan business in the bank which, says GM Dennis Matfield, "has a tremendous amount of surplus capital," and by attracting deposits via building society tax concessions.

Liquidity is not seen as a problem for the immediate future as the bank has access to the money market to fund mortgages, a distinct advantage over building societies who can only hold 5% of liabilities in short-term funds. While Standard also has the benefit of tax concessions its society arm will not take over the home loan operation until it is considered to "have enough resources of its own."

Both moves are lowering costs.

Reason is that money market funds are, of course, cheaper than deposits of 12 months and more. Investors are reluctant to commit themselves for more than a few months at a time. Longer-term interest rates have been edging steadily upwards in recent weeks (*FM* January 30) while short-term interest rates tended downward.

Tax concessions mean Standard's building society can pay investors lower gross interest rates.

Another advantage in having a building society is that it will divert funds from rival institutions. Says Matfield: "We sometimes advise clients to put money into tax-effective shares. We will now be able to keep that money in the family."

In a highly competitive environment, this too must give an edge.

Presumably the society has enough reserves to absorb the increase in liabilities. Legislation requires societies to hold reserves worth 4% of liabilities to the public. Should liability growth get out of hand, the bank will "do all possible to raise reserves to the required level," says Matfield.

Yet another benefit from the combined operation is that Standard is free to use profits generated by the home loan operation in a variety of ways: for investment, to declare dividends to shareholders, or accumulated as reserves.

A building society has only the last option. Though Standard runs the building society by its monopoly of board representation, it cannot withdraw profits. A mutual belongs only to its shareholders (depositors in the category of savings described as shares); should it be wound up, reserves would revert to them. ■

THE RAND (58) FM 6/2/87

Parity question

Despite the rand's recent recovery to US49c, continual erosion of purchasing power in terms of the dollar will extend its decline long-term. This is the view of many economists, who base their predictions on the theory of purchasing power parity (PPP) which is the comparison of currencies on the basis of domestic purchasing power.

The theory suggests that the exchange rate between two currencies will only be stable when the domestic purchasing power of each at that rate of exchange is equal.

Distortions in this balance are caused by differing rates of inflation. In correcting this imbalance, market forces will determine that the currency with the lower inflation rate will effectively appreciate.

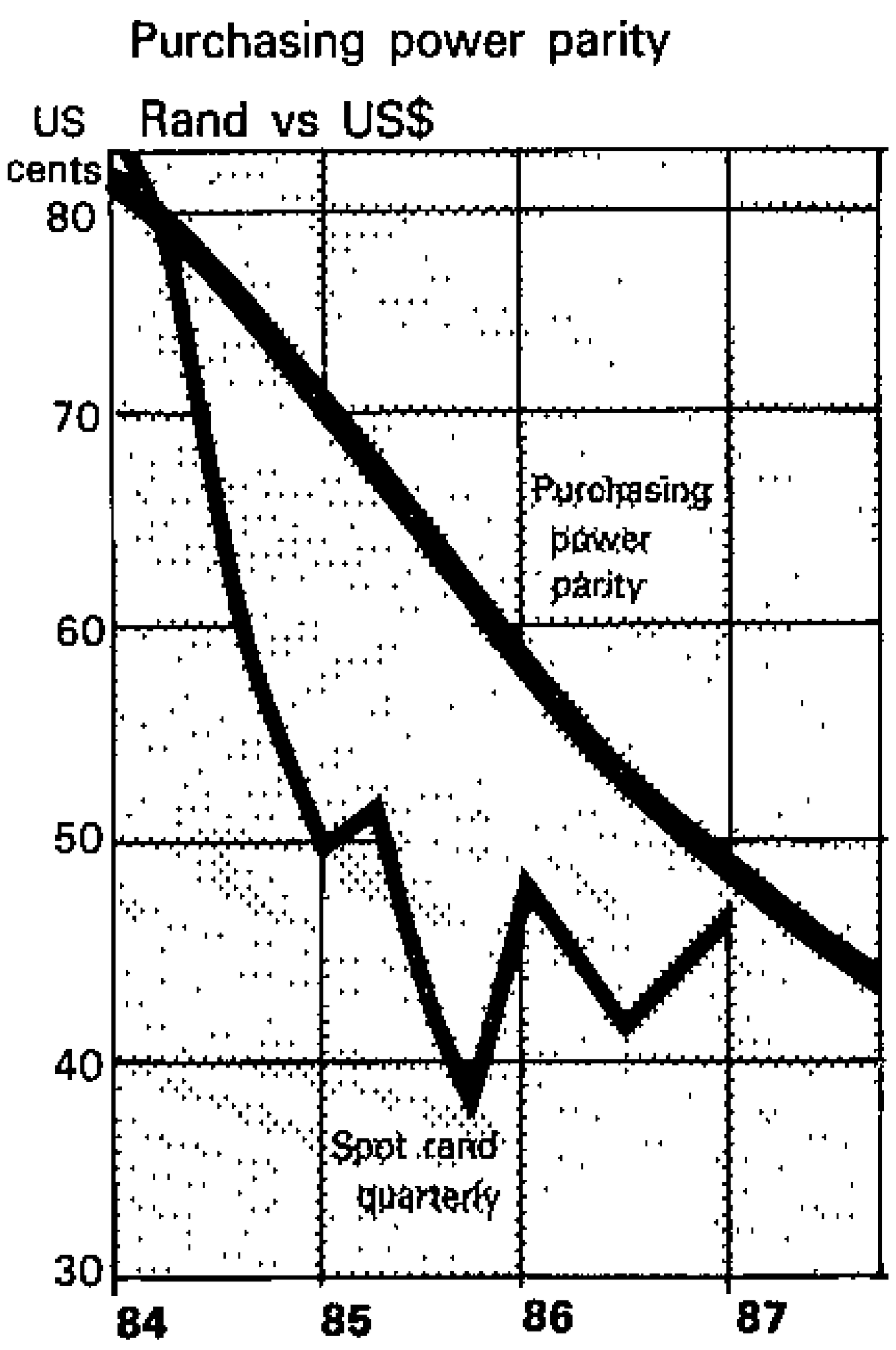
Though this theory is largely an academic exercise to indicate trends in exchange rates, in practice the long-term movement of the spot rand has a high correlation with movements in PPP. SA's consistently high inflation rate has led to the rand depreciating 64% against the dollar since 1981.

Ironically, as the accompanying graph indicates, despite this downward trend the rand has been undervalued in terms of PPP since 1984.

Several factors contributed to the currency's low value. Inflation in SA started to accelerate, which caused the rand — after being overvalued in the early Eighties thanks to the strong gold price — to over-react to the fall in PPP and decline at a faster rate.

Political unrest also became a major problem with its attendant capital outflows. The instability of the foreign exchange market, following its liberalisation, accentuated the negative sentiment, pushing the rand down to a low of US36c in July 1985.

Parity declines



However, it appears that at US49c, the rand is approaching parity with the dollar for the first time in three years (again, see graph).

"We would now be in a position of parity at an exchange rate of US50c," says Rob Lee of Old Mutual. But he stresses that this equilibrium would be temporary. "With the inflation differential so great the pressure on the rand remains downwards," he says. Lee expects the PPP line to indicate a rand of US42c by the end of the year, giving an average 1987 value of US45c.

To reverse the decline in the rand against the dollar, the inflation differential would have to be eliminated. Most economists think this impossible in the short term.

This implies that PPP will decline indefinitely, and the currency with it. Lee points out that this is not unusual in developing countries. Some currencies have been declining against the dollar for over 30 years.

What should the Reserve Bank's policy be towards a declining PPP?

Lee believes that with the sanctions campaign unlikely to abate, it should keep the rand undervalued to promote exports.

Peet Strydom of Sankorp, however, believes that the Bank should maintain the rand at parity with the dollar. "Export volumes have not increased significantly since 1980 despite the fall in the rand. Demand for exports is price-inelastic and it would require a substantial shift in the exchange rate to boost volumes."

Strydom argues that such an exchange rate adjustment would be self-defeating in that it would fuel inflation, increasing the differential and putting further pressure on PPP.

The Reserve Bank is known to take the purchasing power of the rand into account when determining the level of the currency. But what option does it have in the face of its declining purchasing power?

"If PPP continues to fall and the Bank tries to keep the rand above this level, it will be extremely difficult to maintain SA's position as a major trading nation," says Lee, suggesting the Bank will be powerless to prevent the continual decline of the rand in the long term. ■

FOREIGN EXCHANGE (58) F\M

Consolidating 6\2\87

The rand appears to have entered a consolidation phase, trading in the US48c to US49c range. At the lower level Reserve Bank support has been evident. The Bank is well placed to support the rand, with foreign reserves relatively healthy as exporters repatriate earnings.

At US49c, demand from semi-state bodies seeking partial forward cover has effectively put a temporary ceiling on the currency. Some dealers suggest the rand may reach US49,50c short-term, but the strength of demand for dollars will make this a temporary phenomenon.

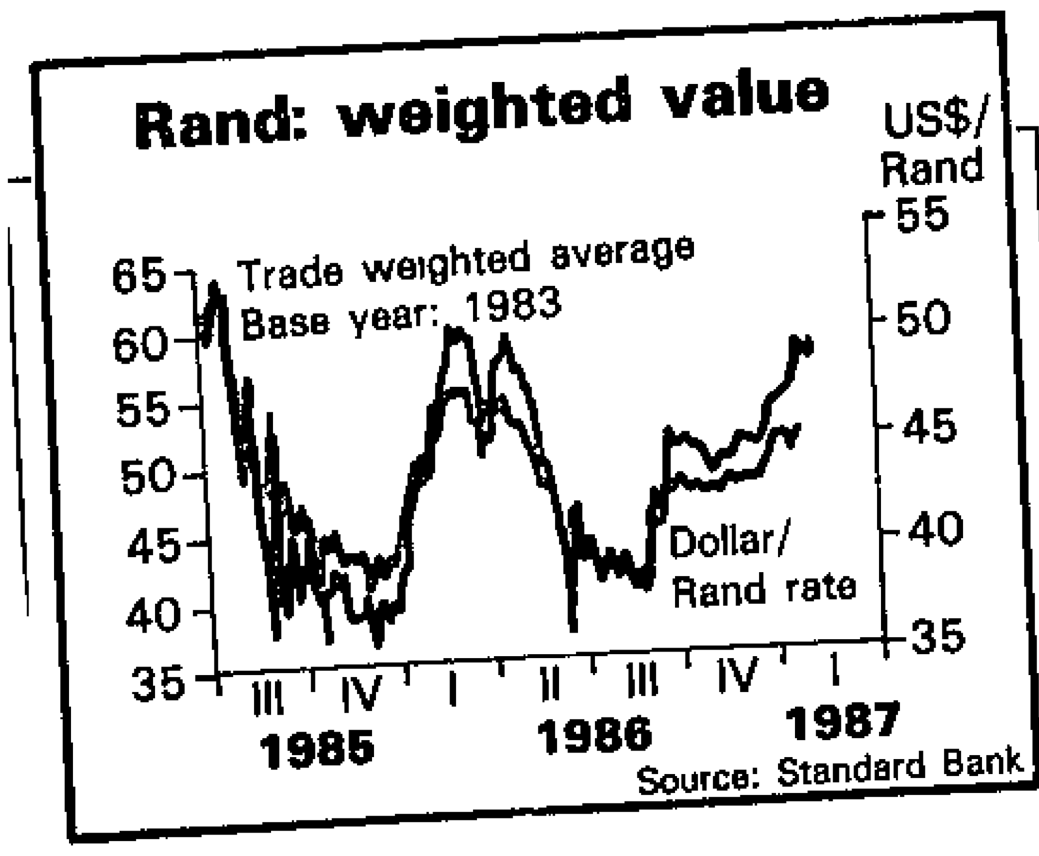
However, this demand is unlikely to be sufficient to drive the rand below US47c unless semi-state bodies decide to cover fully. Both Standard and Barclays expect the rand to trade between US47c-US49,50c.

Looking further ahead, some analysts had predicted that the rand would hit US53c within two months before declining. But with the reduction in negative sentiment against the dollar following the narrowing of the US trade deficit, these predictions have been revised downwards.

Sentiment on gold appears to have become less bullish. After dipping through $400 last week the metal is expected to trade in the $385-$420 range in the short term.

Citibank suggests it would take a substantial movement in the gold price and the dollar to push the rand above its predicted trading range. In the short term this is not likely. Standard advises importers to stay out of the market but to partially cover should the rand go above US49c. Exporters are advised to cover forward on short-term contracts.

Against major third currencies the rand has marginally recovered; Standard's trade-weighted average rose from 49,99 to 50,14. ■



RAND'S PRICE

Feb 3 1987	R1 equals	One foreign unit equals (R)
SDR	**0,382** 0,402	**2,621** 2,493
ECU	**0,427** 0,484	**2,346** 2,068
UK £	**0,317** 0,322	**3,156** 3,103
US $	**0,485** 0,441	**2,062** 2,268
Canada $	**0,646** 0,640	**1,548** 1,563
Switzerland Fr	**0,734** 0,900	**1,363** 1,112
France Fr	**2,900** 3,258	**0,345** 0,307
Germany DM	**0,869** 1,064	**1,151** 0,940
Japan Yen	**73,750** 85,000	**0,014** 0,012
Italy Lira	**619,000** 723,250	**0,002** 0,002
Zimbabwe $	**0,790** 0,720	**1,266** 1 389
Austria Schil	**6,175** 7,475	**0,162** 0,134
Holland Guilder	**0,980** 1,201	**1,021** 0,833
US $ value of SDR	1,111	**1,264**
US $ value of ECU	0,904	**1,132**
Financial Rand		
Cost in US $	0,341	**0,225**
Discount (%)	23,198	**53,608**

Year ago figures in light print.
Average of the Telegraphic Transfer buying and selling rates used by the banking sector for the day, for amounts up to R20 000 depending on foreign currency involved
The above rates are for guidance purposes only

FM 6/2/87

MORTGAGE GROWTH

Up, up and away

Though estate agents and potential property sellers see 1986 as a poor year, building society figures for mortgage advances tell a different story.

Says Allied senior GM Geoff Bowker: "In the past six months we have experienced more growth than in any other six-month period in our history." At least two other major societies had similar increases in mortgage advances.

Growth, of course, has been from a very low base, as 1985 was a particularly bad year for long-term investment. Nevertheless the performance of the societies over the nine months between their financial year-end in March and the end of December is encouraging.

The Perm reports an increase in total balances of 15,8% between April 1 and December 31, which compares favourably with 7,4% in the same period in 1985. Allied's growth of 18%, off a slightly smaller base, is well up on 11,6% for the same period for 1985; as is Natal Building Society's (NBS) 17,2% against a previous 8%.

Market leader United Building Society (UBS), is not prepared to release latest figures on mortgage advances. In the 1986 financial year it lent nearly R7 billion of the R18 billion provided by the five major societies. Whether it maintained market share later during 1986 is not yet known.

Saambou did not fare particularly well. In fact, growth dropped, from 9,6% in 1985 to 7,1%. And Barclays experienced negative growth of 9,2% against a previous negative growth of 8%. They are however the smallest of the six biggest providers of home loans, with total balances at end-December of R1,6 billion and R956m respectively.

However, these two poor figures do not dent overall performance. At December 31 the Perm's home loan portfolio stood at R5,1 billion, Allied's at R4,2 billion, and NBS's at over R2 billion. For these three plus Saambou, net new advances for April-December of R1,7 billion were 92% higher than the R904m added in the same nine months of 1985.

Though with liquidity high, building societies were prepared to lend funds for purposes other than buying and building, it is likely that only a small proportion of loans were classified as "further advances," presumably mostly home improvements.

Accelerated growth when investor confidence generally was shaky and the property market particularly vulnerable is something of a surprise. Impetus must also have come from aggressive marketing by most societies at a time of intense competition for market share and high liquidity. Sliding interest rates may have tempted back buyers frightened off when rates went over 20%.

While the surge in mortgage advances is good news for the property market and encouraging for economic forecasters looking for signs of upturn, what will be its impact on building society balance sheets?

It has come at a time when increasing inflation, decreasing returns on savings and uncertainty about the course of interest rates has been keeping money out of long-term savings (*FM* January 30.)

The result has been an increase in cost of longer-term funds (on which building societies basically rely), which means reduced margins.

This, of course, is an argument in favour of increasing the total book. High turnover compensates for smaller margins. It also justifies the enormous amounts invested recently in computer technology.

Presumably societies see the need to increase volume as so pressing that they are prepared to run the risk of increases in properties in possession. Societies, of course, maintain they have not lowered lending standards. Serious losses over the past two years were due not to bad lending, they say, but to the length and severity of the recession.

Whatever the reason, the value of properties in repossession in 1985-1986 increased dramatically: UBS from R5,5m to R25,6m, the Perm from R3,8m to R19m, Allied from R2m to R6m, NBS from R947 000 to R4,4m, and Saambou from R275 000 to R5,5m. The nine months since year-end are unlikely to have been any better.

However, possibly out of the pipeline by now are homeowners who bought between 1980-1984 when property prices were at their peak and were forced to sell when high interest rates and, sometimes, loss of jobs upset their financial planning.

Certainly, the outlook is more promising than for some time. But, like so much else, the health of building society balance sheets is riding on the course of events in 1987. ■

EXPORT INCENTIVES

Crying for reform

Within the next year commerce and industry can expect to see real, perhaps fundamental reform of export incentives, which by then will cost taxpayers some R500m through direct benefits.

The structure of export incentives is complicated, while technicalities are flawed by anomalies and often overtaken by events (see box). It can also be argued that such incentives, like any subsidy, distort markets.

The Kleu Committee is holding an investigation behind closed doors. It will hand Pretoria reports on different sectors. Kleu's brief is to find ways of making South African products internationally more competitive, especially in the light of possible sanctions.

One possibility is classification of an "export service industry," which means exactly that: a service provided to increase foreign exchange reserves. Professionals, argues Ernst & Whinney's Daryl Sahli, providing expertise to overseas clients or construction companies assisting in overseas projects, do not qualify for these benefits.

Category A export incentives allow an exporter to claim compensation of 50% of the import duty on "inputs" used in the production of goods for export. As Sahli points out, it matters not whether the inputs are import-

FM 6/2/87

Missing the money targets

Brian Kantor is a professor of Economics at the University of Cape Town

In 1986, the first year of money supply targeting, the Reserve Bank failed by a large margin to achieve the planned growth in money supply (M3) of between 16%-20%. Actual growth will be less than 10%.

As a result, the economy suffered much avoidable damage. Had the money supply targets been achieved, the economy would have grown much faster and without very much more inflation.

It should be emphasised that the inflation of 1986 had nothing to do with excess demand. Demand was severely depressed; prices rose in response to the devaluation of the rand in 1985 and 1986. So the confidence-shocked economy needed every encouragement from faster money supply growth. What it got was a substantial and devastating decline (some 10%) in the real quantity of money.

The economy did get help from a decline in short-term interest rates, but this was too late and probably too little.

The purpose of money supply targets is to help stabilise spending. Satisfying the targets would prevent money supply from growing too rapidly when confidence is high and the underlying willingness of consumers and firms to spend strong. When confidence is low and firms and households reluctant to spend, achieving monetary targets would help prevent a decline in total spending.

The purpose of monetary targets is, therefore, much more important than monetary signalling of higher or lower interest rates. Other signals for this are readily available. Indeed, it is not at all obvious that the commitment to money supply targets made any difference to the actions of the Bank in 1986. It led declines in interest rates in response to the weak economy and large export surpluses, just as it would have done in the absence of money supply targets.

The De Kock Commission Report explained clearly why monetary authorities cannot hope to control permanently both the quantity of money and its price, expressed in interest rates. Therefore, if money supply targets were to have been met in 1986, interest rates should logically have declined much sooner than they did, and perhaps much further. In other words, the interest return on savings after inflation and taxation should have left savers even worse off. But the economy would have recovered sooner and returns to investments and so interest rates would have risen sooner.

Achieving money supply targets directly, without regard to interest rates, would however require a fundamental change in the way the Bank operates. It would mean supplying the market with a predetermined amount of cash reserves in the form of notes or credits at the Bank at a price the market would be willing to pay. This would mean no more nor less than the Bank giving up management of short-term interest rates.

It is this power and importance in financial markets that central bankers everywhere — not only in SA — are naturally most reluctant to yield. Central banks, while acknowledging the importance of the supply of money, even while committing themselves to money supply targets and admitting that they cannot control both the money supply and interest rates, continue to want to exercise power over short-term rates of interest.

To succeed with money supply targeting, while at the same time controlling short-term rates, requires the Bank to estimate accurately the demands for loans from the banking system and, in turn, the demands commercial banks will, therefore, make on the central bank for cash reserves.

The price for this extra cash is set by the Bank by its discount rate. The overdraft or other bank lending rates thus remain closely linked to the rate at which extra cash can be obtained from the Bank.

Demands by the borrowing public for loans from the commercial and other banks depend, in part, on the interest cost of loans, linked as they are to the discount rate.

They also depend, in part, on the state of the economy and the confidence of borrowers. If the central bank over-estimates demands for bank loans, growth in bank lending and in bank deposits — that largely make up money supply — may fall below target.

This is what happened in 1986. By implication, interest rates should have been set lower, sooner, to have encouraged sufficient demands for bank credit to realise the money supply targets. When the economy recovers, it is likely that the Bank will, as in the past, under-estimate rather than over-estimate demands for bank credit. In which case, money supply will grow above target and prove excessive. Interest rates will rise in response to excess money growth, but probably by too little, too late.

These problems could be avoided were the Bank simply to auction off a predetermined and targeted amount of extra cash to the banking system, leaving the price of such cash to be determined by the money market.

In this way, targets would be met and monetary policy prove highly stabilising. A stable economy achieved this way would surely mean less, rather than more, volatile interest rates. Such a solution was rejected by the De Kock Commission; the economy has had to live with the consequences.

There was another reason why important short-term interest rates were too high. Most unfortunately for the depressed economy, the cost of borrowing from building societies did not decline anything like as fast or as far as did their cost of raising additional funds.

In any competitive financial market, rewards from supplying extra funds to the market would decline with the cost of attracting extra funds.

Fixed costs of borrowing help the profits of financial institutions when interest rates rise unexpectedly but reduce profits when they fall unexpectedly.

In 1986 building societies could still enjoy much wider margins between the cost, at the margin, of borrowing and lending because most were preparing to become public companies.

They all wish to earn and retain more profits and so build up reserves. None seemed willing to rock the boat by competing actively for additional mortgage loans.

Many of the shareholders who would, in time, benefit from the greater profits and might in normal circumstances have been willing to spend some of the extra wealth being created for them by the building society managers, were not identified, with the exception of the new shareholders in the United Building Society, and then only late in 1986.

Perhaps coincidentally, it was also only late last year that banks seemed willing to compete actively for more of the highly profitable business of lending on mortgage.

Mortgage rates have since dropped but, frustratingly, given the need to encourage spending, much more so for the few "new" rather than the many "old" borrowers. In a highly competitive market, distinctions between new and old borrowers would become irrelevant as banks and building societies competed away the margins between the cost of borrowing and the reward for lending.

Such competition would be greatly encouraged were mortgage contracts made easily negotiable with third parties, as well as much less expensive to enter into. Such negotiability would enable the creation of tradeable blocks of mortgages in which the risks of default could be spread.

The ability to package mortgages and resell them through financial markets (sometimes called securitisation) would allow primary marketers of mortgage loans to pass on the risks of fluctuations in interest rates to those in the financial markets best able and willing to bear them.

Building societies or banks would not then have to be big or geographically spread to be efficient and competitive. Borrowers, especially the great bulk of old borrowers, would benefit greatly from such competition.

Judge to probe unban ANC ad

WEEKLY MAIL REPORTER

PRESIDENT PW Botha has asked the judge-president of the Cape to investigate just who paid for the controversial "Unban ANC" advert.

Botha made this request after both the United Democratic Front and Barclays Bank MD Chris Ball denied his accusation that Ball advanced the money for the advert.

The Barclays MD challenged Botha to repeat his accusation outside parliament.

The UDF said the advert — which cost about R100 000 — was initially paid for by its attorney, Krish Naidoo, out of his own account.

The cash was then raised from "supporters and affiliates" of the UDF, including the co-sponsors of the advert, the National Education Crisis Committee and the SA Council of Churches.

Naidoo was then given the money by the UDF in the form of a Barclays bank-guaranteed cheque.

Naidoo said he insisted on a bank-guaranteed cheque because of the amount of money involved.

Financial experts point out that this in no way means Barclays knew what the money was for.

6-12-87

W/Mail

Barclays solve cheque mystery

6/2/87 NM

58

JOHANNESBURG—Barclays National Bank have identified the 'perfectly normal banking transaction' which apparently led to the State President's claim that Barclays managing director Chris Ball had financed an ANC advertisement.

In a statement released to Sapa yesterday the chairman of the bank, Mr Basil Hersov, assured customers and shareholders. 'Neither Chris Ball nor the bank had any knowledge of the advertisement referred to by the State President prior to its appearance in the media

'Neither Chris Ball nor the bank were asked to provide, nor agreed to provide, finance for the purpose '

Mr Hersov's statement read 'The chairman and the members of the board of directors of the bank who are available consider it to be in the commercial interest of the bank to make the statement to our customers and to our shareholders

'At the time that a client requested our banking branch to issue a bank cheque for R100 000 in favour of an attorney, neither our staff nor the bank were informed of the purpose of this perfectly normal banking transaction, nor did they know its purpose.

'We have since been able to identify the transaction with the co-operation of the client concerned, who has a banking relationship with us and who has consented to us releasing this information '

The Mercury's Parliamentary Correspondent writes that the Progressive Federal Party has criticised President Botha for his 'smear now, commission later' approach to Barclays' Mr Ball

Involved

Mr Botha told Parliament that he had decided to appoint a one-man commission to take a wide-ranging look into the circumstances surrounding the placement of and payment for the advertisements which appeared in English-language papers on January 8

He told the House the chairman of the committee, Mr Justice George Munnik, Judge President of the Cape, would have to find out whether Mr Ball was involved in the financial arrangements for payment for the advertisements

Mr Ball has strenuously denied suggestions made by Mr Botha in Parliament on Wednesday that he advanced the money — R150 000 was mentioned — to the advertisers

Yesterday, the PFP spokesman on justice and the media, Mr Dave Dalling, said — amid cries of 'skande' from Opposition benches — that Mr Botha had made a 'serious attempt' to smear the character of Mr Ball, 'a well-known critic of apartheid and his Government'

'This was a disgraceful performance, ill befitting a person at the head of a government

'It is a case of assassination now, and an investigation later — smear now, commission later,' Mr Dalling said before being ordered by the Speaker, Mr Louis le Grange, to retract the word 'smear'

'The Honourable State President is personally guilty of the same irresponsibility he so often accuses the Press of practising,' Mr Dalling said 'It is now the State President's credibility which is at stake '

'Before he brings this whole establishment into total disrepute, he should really leave politics and get out of here,' he added.

The leader of the PFP in Natal, Mr Ray Swart, said it was 'a strange and serious situation' when the State President first 'smears an individual' and only the next day appoints a commission of inquiry to establish the facts

● See Editorial Opinion

Black plan to buy pull-out firms hits political flak

A black business plan to buy companies which disinvest from SA has told potential investors that it enjoys wide black support. But this week both the ANC and Cosatu repudiated the scheme, reports SEFAKO NYAKA

Ntatho Motlana ... one of the prominent directors

BLACK business' bid to buy up disinvesting companies is running into trouble.

This week both the African National Congress and the Congress of SA Trade Unions condemned the Black Equity Participation (BEP) project, which has told at least one German funding agency it has the ANC's approval.

The ANC this week dismissed BEP's operation as "rank opportunism" and denied giving its blessings.

Sebina said the ANC had never been approached on the issue. If it had been, it wouldn't have supported the idea because companies disinvesting from South Africa would still be in the country and still paying taxes to the government.

"And you know what the tax money is used for," Sebina said.

Cosatu, meanwhile, says it has warned the initiators of the project that it will bring them into direct conflict with the workers.

Cosatu said it had been approached by an intermediary and had warned against the project.

"The buyout plan does nothing to solve the problems of the country, nor does it address the poverty, unemployment and low wages suffered by the majority.

"All it does is allow a few individuals to make capital out of that suffering and out of the struggle to end apartheid and exploitation," Cosatu said.

The BEP was formed in the second half of last year and has as its board members Soweto Civic Association leader Ntatho Motlana, Richard Maponya, Jackie Mphafudi and Gibson Thula.

Maponya is a leading businessman in Soweto and has various business interests in the Lebowa "homeland".

Thula, also a businessman, is a former Inkatha official while Mphafudi is practising as a doctor in Soweto.

The former secretary general of the SA Council of Churches, John Rees, and business consultant Allan Wentzel are mentioned as trustees of the owning company, Khotso Trust.

Wentzel told the *Weekly Mail* the entire issued share capital of BEP is owned by Khotso Trust, "a charitable trust having as its beneficiary objectives education, health and social welfare projects aimed primarily at the black community".

A report from the Committee of Executive Secretaries (GFK) in West Germany, a body approached by the BEP for funds, states that Wentzel had verbally told them the ANC suppports the BEP project.

The GFK says after investigation it found that this is not so.

In a separate report, another German-based church organisation points out that the venture would only bring about the financial security of the initiators of the project.

Evangelisches Missionwerk (EM) in Hamburg says the proposal will not bring about a change in the policies of large South African companies, nor will it aid in the transfer of capital from whites to blacks or the creation of secure jobs for blacks.

"What will most certainly be brought about is the financial security of the initiators of the project," the report states.

Existing documentation indicates that meaningful changes can be brought about by a coalition of "black trade unions", says EM, and suggests funds should go to those best able to effect a structural change — black trade unions.

The report states that the BEP proposal in no way indicates how the transfer of wealth from whites to blacks is to be done.

"This is not surprising since such a transfer is not possible.

"The agenda of multinationals we examined does not involve the transfer of business capital from whites to blacks, but rather from externally controlled holdings to companies incorporated in South Africa."

The report cites the "pull-out" of IBM and General Motors, stating that they still reap profits from proxy companies inside the country.

Barclays solve cheque mystery

6/2/87

JOHANNESBURG—Barclays National Bank have identified the 'perfectly normal banking transaction' which apparently led to the State President's claim that Barclays managing director Chris Ball had financed an ANC advertisement.

In a statement released to Sapa yesterday the chairman of the bank, Mr Basil Hersov, assured customers and shareholders: 'Neither Chris Ball nor the bank had any knowledge of the advertisement referred to by the State President prior to its appearance in the media.

'Neither Chris Ball nor the bank were asked to provide, nor agreed to provide, finance for the purpose.'

Mr Hersov's statement read: 'The chairman and the members of the board of directors of the bank who are available consider it to be in the commercial interest of the bank to make the statement to our customers and to our shareholders.

'At the time that a client requested our banking branch to issue a bank cheque for R100 000 in favour of an attorney, neither our staff nor the bank were informed of the purpose of this perfectly normal banking transaction, nor did they know its purpose.

'We have since been able to identify the transaction with the co-operation of the client concerned, who has a banking relationship with us and who has consented to us releasing this information.'

The Mercury's Parliamentary Correspondent writes that the Progressive Federal Party has criticised President Botha for his 'smear now, commission later' approach to Barclays' Mr Ball.

Involved

Mr Botha told Parliament that he had decided to appoint a one-man commission to take a wide-ranging look into the circumstances surrounding the placement of and payment for the advertisements which appeared in English-language papers on January 8.

He told the House the chairman of the committee, Mr Justice George Munnik, Judge President of the Cape, would have to find out whether Mr Ball was involved in the financial arrangements for payment for the advertisements.

Mr Ball has strenuously denied suggestions made by Mr Botha in Parliament on Wednesday that he advanced the money — R150 000 was mentioned — to the advertisers.

Yesterday, the PFP spokesman on justice and the media, Mr Dave Dalling, said — amid cries of 'skande' from Opposition benches — that Mr Botha had made a 'serious attempt' to smear the character of Mr Ball, 'a well-known critic of apartheid and his Government'.

'This was a disgraceful performance, ill befitting a person at the head of a government.

'It is a case of assassination now, and an investigation later — smear now, commission later,' Mr Dalling said before being ordered by the Speaker, Mr Louis le Grange, to retract the word 'smear'.

'The Honourable State President is personally guilty of the same irresponsibility he so often accuses the Press of practising,' Mr Dalling said. 'It is now the State President's credibility which is at stake.'

'Before he brings this whole establishment into total disrepute, he should really leave politics and get out of here,' he added.

The leader of the PFP in Natal, Mr Ray Swart, said it was 'a strange and serious situation' when the State President first 'smears an individual' and only the next day appoints a commission of inquiry to establish the facts.

● See Editorial Opinion

(8)

Barclays offices defaced by ANC graffiti

58

Ev Post 6/2/87

PRETORIA — Three offices of Barclays Bank here and one in Hermanus have been daubed with spray-painted slogans — and worried customers have inundated their branches for reassurance after President P W Botha's attack in Parliament.

Managing director Mr Chris Ball said the President's "unfounded allegations" had now resulted "in physical damage" to the bank.

Graffiti was sprayed in red paint on the windows and outside walls of the bank's main branch on Church Square, the main Sunnyside branch and the bank's office in Poynton's Building.

The slogans include: "Bank of the ANC", "Remember May 20 — it can happen to you" and "ANC Mr Chris Ba. . ."

In Johannesburg, Mr Jimmy McKenzie, senior general manager, said today: "If someone in Mr Botha's office had bothered to contact us, we could have given an immediate assurance that Barclays had not made the payment."

Police probe damage to bank buildings

DD (58) 7/2/87.

JOHANNESBURG — Police are investigating the damage done to three branches of Barclays Bank — two in Pretoria and one in Cape Town — which have had anti-ANC graffiti sprayed on their walls, the bank's senior general manager, Mr Jim McKenzie, said yesterday.

Mr McKenzie said he was extremely angry about the situation and he hoped those responsible would be brought to justice.

He said Barclays' Pretoria branch on Church Square was a national monument and it would be difficult to remove the paint from the sandstone walls.

It was most inappropriate, he said, for such action to be taken after Barclays had "gone to such trouble" to explain what had happened.

Barclays issued a statement on Thursday saying that it had no knowledge that the R100 000 bank check issued on a client's instruction would be used to pay for the advertisements calling for the unbanning of the ANC.

Asked whether people had closed their bank accounts in response to the negative publicity, Mr McKenzie said there were over 1 000 branches throughout the country and he had not received reports to that effect.

● In Parliament the Leader of the Opposition, Mr Colin Eglin, said yesterday the way in which the State President, Mr P. W. Botha, had attempted to implicate the Barclays managing director, Mr Chris Ball, in the payment of the pro-ANC advertisements was "an abuse of his position as State President".

Mr Eglin warned that South Africa was entering an era of McCarthyism when "innuendo and rumour and selective quotation, made from a position of privilege, is used to denegrate political opponents".

"When this happens, we know how far down the slippery slope we are from real democracy".— Sapa-DDC.

CHRIS BALL
"Normal banking practice"

SPEAK OUT, Mr X!

The Ball Affair: Mystery man holds the key to the Barclays UDF cheque riddle

58

ST 8/2/87

By LESTER VENTER: Political Correspondent

A MYSTERY man holds the key to the amazing Ball Affair, which has ballooned into fierce political controversy on the eve of the white general election.

Yesterday politicians of all parties said the raging dispute had placed the credibility of President Botha himself on the line.

The outcome could have a decisive impact on his standing as leader of the ruling party

The man in the middle is Mr Chris Ball, managing director of Barclays Bank, one of South Africa's most august financial institutions.

The issue has rapidly boiled down to a straightforward test

● Was President Botha justified in telling Parliament this week that "leftist radical circles" had claimed Mr Ball advanced money to the UDF for an advertising campaign calling for the unbanning of the ANC?

● Is Barclays Bank justified in its insistence that it routinely issued a bank cheque to an established client without knowing, or asking, what the money was to be used for?

The Judge President of the Cape, Mr Justice Munnik, has been asked by President Botha to investigate the affair and ... upon it

Identity

At the centre of the controversy is the still-anonymous intermediary who obtained a bank cheque from Barclays to provide the bridging finance for the advertising campaign

So far the man himself has not come forward, but sources said yesterday that he was taking legal advice and that his identity could become known within a few days.

It is now known that he was acting on behalf of a large group of organisations led by the UDF.

Barclays has scrupulously observed accepted banking practice by declining to name clients or to discuss their affairs without their prior permission

However, it is understood

Lucas, 26, to wed Annie, 85

Secret plan to stage super sports

By NEIL HOOPER and MARK SEIDEL

A SECRET plan has been drawn up aimed at bringing "the best of world sport" to South Africa.

The idea is to form a company to control three of South Africa's top venues — Ellis Park, Kyalami and Bloemfontein soccer stadium — to stage international professional sports mainly Rugby League, motor racing, tennis and soccer

The SABC took part in preliminary discussions, during which it was suggested that a new TV channel be started to screen the events

But the SABC backed out of the negotiations, apparently after talking to amateur rugby supremo Dr Danie Craven

Details are revealed in a confidential document used as the basis for discussions with the director-general of the SABC, Mr Riaan Eksteen

Ambitious

Behind the ambitious scheme is Mr Johan Claasen, the chairman of the company which controls Ellis Park and the company's executive officer Mr Robert Denton

Their idea is to form a new company to run the three venues, with the SABC the National Soccer League (NSL), Volkskas — the present lease-holder of the R30-million Ellis Park — and themselves as the shareholders.

International professional sports such as motor racing, tennis, Rugby League and soccer would be staged at the venues, with the hope of coverage from a new SABC channel.

To this end, the first talks were held with the SABC at its Auckland Park headquarters on September 25 last year, and were followed up with

Now the rush to be Miss SA

Happy days are hair again

By STEPHAN TERBLANCHE

STAND by your sideburns — the dreaded army barber is having his power cut back!

A trim in the rules announced this week means that conscripts will be able to choose their own barbers — and, within reason, their own hairstyles

They will still be given the famous first-day cropping But after that, provided hair is kept to "regulation length", it can be side-parted, middle-parted or crew-cut — the sergeant major won't interfere.

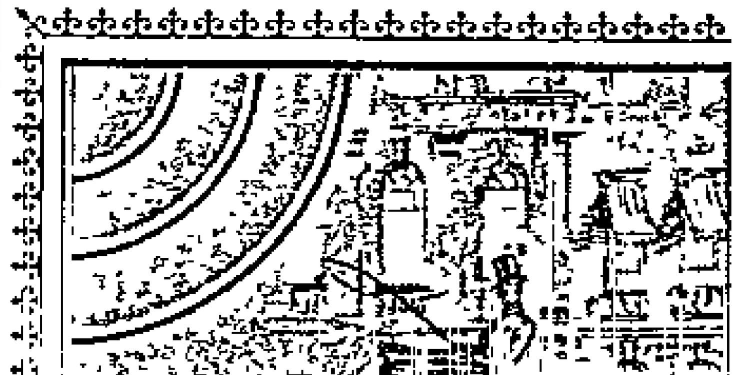
The news was given by army commanders to thousands of youngsters reporting for two years' national service.

Regulation haircuts — and the queues of hapless young soldiers lining up outside the barber shop to get them — are familiar to generations of South African servicemen.

But this week, a spokesman for army headquarters in Pretoria said the Chief of the Army, Major-General ... Liebenberg, had decided the practice was no longer necessary

He said it was felt some army barbers gave the men unsightly and unnecessarily short haircuts.

Before, soldiers have been known to complain that a typical "roofie job" embarrassed them in front of their girlfriends, or earned them abuse from civilians.



...day Times/
...outh Africa
...an't wait for
...s year's win-
...ned.
...hree for de-
...r's glittering
...ached today.
...CE POTTER

...s Nat

...arlisle, who
...e PFP-held
...g.
...is a grape
...Hex River
...graduate of
...of Stellen-

of South Africa's most august financial institutions

The issue has rapidly boiled down to a straightforward test

● Was President Botha justified in telling Parliament this week that "leftist radical circles" had claimed Mr Ball advanced money to the UDF for an advertising campaign calling for the unbanning of the ANC?

● Is Barclays Bank justified in its insistence that it routinely issued a bank cheque to an established client without knowing, or asking, what the money was to be used for?

The Judge President of the Cape, Mr Justice Munnik, has been asked by President Botha to investigate the affair and ... upon it

Identity

At the centre of the controversy is the still-anonymous intermediary who obtained a bank cheque from Barclays to provide the bridging finance for the advertising campaign

So far the man himself has not come forward, but sources said yesterday that he was taking legal advice and that his identity could become known within a few days.

It is now known that he was acting on behalf of a large group of organisations led by the UDF.

Barclays has scrupulously observed accepted banking practice by declining to name clients or to discuss their affairs without their prior permission.

However, it is understood that Barclays top management has had discussions with the UDF intermediary on whether he should speak up to clear the name of the bank and its chief executive.

Blunder

In some quarters there are suggestions that there may have been a major intelligence blunder that could embarrass Mr Botha.

Barclays general manager Mr Jimmy McKenzie said a client had asked for a bank cheque for R100 000 to be made out to a Johannesburg attorney, Mr Krish Naidoo, who placed the advertisements on the UDF's behalf

This has been confirmed by Mr Naidoo.

A bank cheque — as opposed to a bank-guaranteed cheque — does not indicate the name of an account holder. Banking personnel say it is "an everyday affair" to issue such cheques on behalf of clients

This has led to speculation that intelligence sources may have made an incorrect assumption that Barclays — and even Mr Ball himself, known as a sharp critic of Government policies — had advanced the money, knowing for what purpose it was to be used

'Normal'

Both the UDF and Barclays have acknowledged that a bank cheque was issued in favour of an attorney and Barclays has stated categorically that neither its staff nor the bank itself were informed of the purpose of "this perfectly normal banking transaction"

A senior UDF source said yesterday "The security was arranged through an intermediary party — and it was not Chris Ball.

"The UDF is proud to be associated with the adver-

□ To Page 2

THE contents of this issue of the Sunday Times have been restricted in terms of the emergency regulations.

hair again

By STEPHAN TERBLANCHE

STAND by your sideburns — the dreaded army barber is having his power cut back!

A trim in the rules announced this week means that conscripts will be able to choose their own barbers — and, within reason, their own hairstyles.

They will still be given the famous first-day cropping. But after that, provided hair is kept to "regulation length", it can be side-parted, middle-parted or crew-cut — the sergeant major won't interfere.

The news was given by army commanders to thousands of youngsters reporting for two years' national service.

Regulation haircuts — and the queues of hapless young soldiers lining up outside the barber shop to get them — are familiar to generations of South African servicemen.

But this week, a spokesman for army headquarters in Pretoria said the Chief of the Army, Major-General Kat Liebenberg, had decided the practice was no longer necessary.

He said it was felt some army barbers gave the men unsightly and unnecessarily short haircuts.

Before, soldiers have been known to complain that a typical "roofie job" embarrassed them in front of their girlfriends, or earned them abuse from civilians.

Ball riddle mystery man

□ From Page 1

tisement, which it co-sponsored.

"Ultimately the UDF and the 17 co-sponsoring organisations will be responsible for payment for the ad."

After the advertisements appeared in 22 newspapers on January 8, police visited newspaper offices to obtain documents related to the transaction.

Publication of the advertisements was subsequently prohibited by a proclamation under the emergency regulations.

In Parliament this week Mr Botha said: "In leftist radical circles it is being said that Mr Chris Ball advanced the money to the advertisers. An amount of R150 000 is being mentioned."

Mr Botha was speaking under Parliamentary privilege, which means legal action cannot follow a speaker's utterances there. Mr Ball called on Mr Botha to repeat his remarks outside Parliament.

Opposition sources condemned Mr Botha's action and said he should resign if the slur proved baseless.

Mr Justice Munnik and a spokesman for Mr Botha have said that the investigation would be completed "as soon as possible".

Mr Botha's spokesman could not say if this would happen before the election on May 6.

Yesterday the leader of the Opposition, Mr Colin Eglin, said: "It should be noted that this is the first time a Government apparatus has been used to investigate the lawful activities of a citizen."

The rapid denials by Barclays, Mr Ball and the UDF that Mr Ball had any knowledge of the use to which the bank cheque would be put are said to have caught Mr Botha and his aides off balance, and to have caused a flurry in the President's inner circle.

It is known that the State President has long been critical of Mr Ball's sometimes strident criticism of the Government and the contact he made with ANC leaders during a visit to London last year.

Yesterday a spokesman for the National Intelligence Service (NIS) refused to comment on any aspect of the matter.

The UDF source said: "Mr Botha has facts which are totally incorrect. This will come out in the commission." The source indicated the name of the intermediary would be revealed to the commission of inquiry.

Late this week slogans were daubed on the walls of a number of Barclays Bank buildings around the country and senior staff have taken special security measures.

WEATHER A

TRANSVAAL: Pretoria, Witwatersrand and the eastern highveld, cloudy and warm; western and south-western areas, partly cloudy and warm with isolated thundershowers; central, north-western and northern areas, partly cloudy and hot with isolated thundershowers; eastern lowveld, escarpment and Venda, partly cloudy and warm but cloudy and cool over the escarpment.

FREE STATE: Partly cloudy and hot with isolated thundershowers.

CAPE: North of the Orange River, sunny and hot with isolated thundershowers; Peninsula, Boland and the Overberg, cool and cloudy with rain; western coastal belt, partly cloudy and cooler;

17 2048 8/3/87

Time on its way to JSE

By Ruth Golembo

TIME Holdings, a management and financial services organisation which is also involved in industrial property and housing developments, hopes to gain a listing on Johannesburg Stock Exchange.

The company has a close relationship with Rand Merchant Bank (RMB), which plans to hold a 20% stake in the company after listing. Time says its link with RMB gives clients cost-effective financing for the projects Time manages for them.

5/2/87

Main board

Although it is a relatively new company — established in 1982 by chief executive Colin Hibbert — its three-year profit record is impressive.

Turnover soared from R691 000 in 1983 to nearly R36-million in the year to December 1986. Pre-tax profit jumped from R51 000 to R1,6-million in that time.

Time seeks a listing on the main board of the JSE and hopes to open its offer to the public on February 23. Listing details are unavailable.

The company is made up of Time Projects, Time Housing and Time Developments.

Time Projects investigates pre-project possibilites, project design and on- and off-site management for the execution phase of the project.

59

Bonds

It provides management and skills training for large organisations like Escom, mining houses and management consulting services.

Time Developments was formed at the end of 1983 to finance and manage large property developments.

The company brings together the land, the design, the tenant and the owner. No projects are undertaken until a buyer and major tenants have been committed.

Time Housing deals in residential property development from land acquisition to township servicing and finance.

It does no speculative development. It builds a house only after bonds for identified buyers have been secured. Most of its houses cost from R30 000 to R200 000 and are for the black and coloured markets.

Federated Ins. seeks a bedmate

(58) S/T 8/2/87

By David Southey

THE giant Federated Insurance group is looking for a large institutional partner.

Sources in the biggest financial institution outside the sphere of influence of Anglo American, Old Mutual, Sanlam, Liberty or Rembrandt say it wants a link with a bank or building society.

All the bigger rivals of Federated, which has assets of R1,7-billion, are allied to a bank or building society Old Mutual is linked firmly to Nedbank and the SA Perm, Sanlam to Bankorp and Trust Bank, Liberty to Standard and the Southern with Barclays.

Booming

Life-assurance policy sales through bank and building society branch networks are booming and Federated is the only major assurer without access to numerous such outlets

Other smaller companies, such as National Mutual and Colonial Mutual, have also been scrambling for new partners National Mutual has merged with Sage Life and Colonial Mutual has been negotiating with the UBS.

The NBS has bought a 30% stake — the maximum allowed — in Norwich Union. The Cabinet has ordered the Competition Board to investigate power concentration in the financial sector

Now that Federated has sold its stake in Finansbank to Nedbank, the way is open for it to establish a strategic relationship with a major financial institution

Federated has long prided itself on its independence. Although it is seeking a partner, it is reluctant to give up its independence. This probably rules out a marriage with one of the big five banks and makes a building society link more likely

There will be no shortage of suitors for Federated.

The Master Builders Association and other building-related interests own most of the holding company's shares.

Federated Life managing director Arnold Basserabie concedes that the depressed state of the building industry has adversely affected premium income and claims have risen. However, such has been the growth in other sectors of its business that last year Federated recorded new-business premium income growth of 64% over 1985 to R89,8-million The life company has been one of the fastest growing assurers in the past six years.

Federated's investment performance has also been impressive, its managed portfolios growing at 20% to 25% a year in the past 10 years

Mr Basserabie claims that Federated Life still has sufficient capital to support hefty new-business growth But it is clear that the group will soon be looking for additional shareholder funds — perhaps as early as mid-1988

JSE listing

That would be an opportune time to look for a listing on the Stock Exchange The alternative would be a rights issue.

Mr Basserabie will not comment, but sources close to the group claim that some key directors are considering the possibility of a listing "in the next couple of years".

A separate flotation of the life company would also afford it an ideal opportunity to distance itself from the beleaguered short-term arm which is undergoing a rationalisation drive after last year's unfortunate flirtation with the now-insolvent AA Mutual Insurance

"Federated's directors may well be

□ To Page 3

Federated seeks partner

8/2/87 (58) S/T

□ From Page 1

tempted to cut their losses on the short-term arm and pull down the shutters.

"Management insists, however, that it will do all it can to ensure that the short-term company's rationalisation turns out successfully. This may include changing its name to avoid confusion in the minds of the public.

A stake in one of the major banking groups would seem to be out of the question given their existing assurance links.

Federated's best bet, therefore, would seem to lie with one of the "independent" small banks or building societies. The societies, with their vast client base and new-found eagerness to outbank the banks and outinsure the insurers and assurers would seem to be the most logical suitors.

The Standard Bank and the UBS have split, and the UBS is eager to expand its financial services.

B)Day 9/2/87

Emigration assurance

MOST emigrating South Africans are choosing to leave their locally domiciled assurance portfolios intact, says Lifegro's senior GM, operations, Chris Cunningham-Moorat.

Cunningham-Moorat claims — exchange controls aside — a good reason for this choice is the sophistication of the SA life assurance industry, which offers investment-oriented packages that are often rendered impossible overseas by local tax legislation.

He claims, for example, that Lifegro's own Tailorplan universal life policy was a world first.

On emigration, the proceeds from encashment of an investment-type of policy simply forms part of the settling-in allowance or of locally blocked assets.

In the event of death exchange control regulations do, however, allow the proceeds of a claim to be paid to non-resident beneficiaries. So it would be unwise to encash this type of policy.

The total tax advantage, which was the initial reason for taking out the policy, would certainly be lost in this process.

But exchange control regulations still allow the withdrawal of cash bonuses earned on investment-type policies after emigration.

In the case of RAs, "it is unfortunate that no pension can be drawn before age 55", Cunningham-Moorat says.

A lump sum payment, even after 55, would also provide extreme problems as far as exchange control regulations are concerned. Here an annuity would be a much more logical way for an emigrant to draw the benefit, he says.

(*Business Day* notes applications for the expatriation of annuity payments must be referred to the Reserve Bank's exchange control division for approval and cannot be remitted by the commercial banks on their own authority as authorised dealers).

Cunningham-Moorat notes too that a number of clients are opting to leave sufficient cash behind for the payment of their assurance premiums and are drawing their funds in such forms as bonuses and annuities.

Life insurance draft welcomed

9/2/87 (58) B/Day

LINDA ENSOR

THE Life Underwriters' Association of SA (Luasa) has welcomed key clauses of the draft Long Term Insurance Bill.

It believes a clause requiring that life assurers take full responsibility for the actions of intermediaries will ensure high professional standards in the industry.

And a clause tightening-up "coercive selling" is also regarded as positive.

In terms of the draft Bill, life assurers will have to uphold all agreements negotiated by intermediaries. Under existing law, intermediaries are responsible for the policies they sell.

"This is the most radical change in the draft Bill relating to the role of the intermediary and its implications for life assurers are onerous," says Luasa president Jannie Eagar.

"However, it will force them to be more selective in the people they choose as intermediaries and to devote more time to training and educating them. If they don't employ proficient people they could find themselves in a lot of trouble."

The draft Bill gives greater protection against "coercive selling" in the case where a person negotiates a loan with a financial institution against security of a life policy. He will have to be informed in writing of his right to choose the life office he wants to deal with.

Luasa wants the law to state also that this written undertaking must be given to the client at the same time as the loan documents.

However, there are certain clauses which Luasa is not happy about, for instance the one stating that a cession of a life policy is valid only when it is registered with a life office. As with all other common law cessions, a signature should be sufficient.

And Eagar says it is also important that industry representatives be included on the advisory committee which will assist the Registrar of Long Term Assurers.

Smaller brokers 'could collapse'

New insurance move creates financial strain

BDay 9/2/87 (58)

LINDA ENSOR

INSURANCE brokers could experience substantial declines in investment income because of legislation requiring the early remittance of premiums to insurance companies.

From January 1, brokers have had to pay up within 30 days of the end of the month in which premiums are paid, instead of the previous 60 days.

The investment income of large brokers with a high premium-turnover could drop substantially as a result of this reduction in interest-earning time.

And costly changes to brokers' administration systems and computer programmes are also burdening smaller brokers, says Alan Mitrovich, chief financial officer for Willis Faber Enthoven.

He believes several small brokers could collapse under the accumulation of financial strains.

Minet financial director Neil Burton says his firm is pressing clients to pay premiums promptly, both to comply with the law and to offset declines in investment income.

However, the need to pressure clients for upfront payment comes at a time when financially pressed clients have been slow in making payments, says Mitrovich. If they don't pay in the stipulated time, they will not be covered.

Under the new Act brokers either have to operate a trust account or obtain a costly bank guarantee for 20% of premium income for the previous financial year.

Reg Buckland, MD of Priceforbes Federale Volkskas, (PFV) says obtaining a guarantee for millions of rands was neither easy nor cheap. To avoid the expense, small and medium-sized brokers have opted for the trust account alternative.

Edited by Robin Friedland

Death before retirement — the often overlooked factor

WHEN entering a contract for retirement annuity (RA) benefits, the risk of death before retirement should not be overlooked.

This contingency can be planned for within wide limits without affecting the deductibility of contributions in terms of the Income Tax Act.

AA Mutual Life assistant GM, marketing, Bruce Howard says: "Many people are unaware that important death and disability benefits can be added to RAs without affecting the contract in the eyes of the Receiver.

"The consequence is the portion of the premiums allocated to those benefits remains within the umbrella of deductibility — effectively reducing the cost by 47,5% at the maximum marginal individual rate of tax.

"In the event of disability, the insured or, in the event of death, his or her nominated dependant, will be able to take up to one-third of the RA credit in the form of a lump sum and the balance as an annuity.

Howard notes statistics show that out of every healthy executive aged 45, only 52 will have survived death, disability or serious injury at age 65.

This year alone, more than 44 000 South Africans will have a heart attack. Of these, 33 000 will have to come to terms with what it means — both financially and emotionally — to survive this trauma.

While life cover will provide money for dependants if the breadwinner dies, the ability to add disability benefits to an RA contract will also prevent the insured from becoming a financial burden to the family in this kind of circumstance.

AA Mutual has created an RA contract that offers maximum flexibility, allowing the client to decide the proportion of life and disability cover required.

And the company has launched a "Tax Deductible Term Plan", the basis for which is an RA, so that all premiums are fully deductible, but offering the highest possible life cover for a given premium.

Here, 90% of the net contribution is used for term assurance and 10% for RA. If desired, disability benefits can also be attached to this policy.

Performance evaluation of three funds

A SAMPLE calculation for a high taxpayer shows that Old Mutual's RAs are showing fully-taxed returns of nearly 26%, reports the company's GM, individual life, Mike van Greunen.

This figure should be assessed bearing in mind that RAs are tax-deductible to the extent of contributions of up to 15% of non-pensionable taxable income — including income from investments, interest and dividends.

Taking the example of a taxpayer earning R100 000/year, his/her allowable contribution would be R15 000/year, of which the Receiver would pay 47,5% at current tax rates. The net cost to the taxpayer is therefore reduced to R7 875.

Take the example of a policy-holder who invested R1 000/year in an Old Mutual RA, starting in January 1976. Over the period to date, the total invested (gross) would have been R11 000. The guaranteed retirement capital would be R12 619 against an original projected value of R18 870.

But if the policy-holder had reached retirement age in January 1987, the actual maturity proceeds would have been R37 619,10.

Of this amount, he/she was entitled to commute one-third tax-free into a lump sum (12 539,70).

The balance could be used to buy an annuity of R399/month (taxable), reducing to R209,48/month even if he/she was still being taxed at the maximum rate of 47,5%.

This annuity is guaranteed for life.

On the assumption the maximum marginal rate of 47,5% would prevail throughout the remainder of this/her life, the after-tax return would still be 25,9% after a period in which inflation had averaged 14,2%.

Comparative figures, given by Dannie Rennie of Nortrusco Insurance Brokers, are:

☐ Sage Life estimated they would provide a credit of R18 768 after 10 years from an investment of R100/month, without life cover.

In the event, the actual return was R26 950 (17,6%), without allowing for tax relief on the contributions.

RAs are tax-deductible to the extent of contributions of up to 15% of non-pensionable income — including that from investments, interest and dividends. Old Mutual RAs are showing fully taxed returns of almost 26%, which must be assessed bearing these factors in mind.

Insurers reeling after motor thefts

AN EXPLOSION in motor vehicle thefts last year has left insurers reeling.

They have been battered by an estimated bill of more than R160m after a 33% increase of insured vehicles stolen in 1985.

Police records show that of an average of 166 vehicles stolen daily, about 40, or 25%, are insured.

Police recoveries are fairly successful. However, they fell from 24% of insured vehicles reported stolen in 1981/82 to 22% in 1984 and only 16% last year.

Under a scheme introduced in 1981 by the SA Insurance Association (SAIA), member insurers report thefts and the number of unidentified recovered vehicles.

CE of SAIA Rodney Schneeberger says: "Theft has been the big disappointment of 1986."

A total of 12 727 vehicles were stolen in the 10 months to October 1986. Working on that basis means thefts of insured vehicles could top 15 270 for this year — or more than 40 a day.

By comparison, 10 931 were stolen in 1985 and 9 833 in 1984.

On average, insurers pay out more than R10 000 per claim for stolen vehicles.

Schneeberger attributes the explosion in thefts to:

- The economic recession and consequent high unemployment;
- Lack of police controls, particularly in the light of township unrest;
- More sophisticated criminal skills, planning and management; and
- The massive increase in the value of vehicles.

He adds, however: "We are optimistic about the situation, if for no other reason than the unrest is abating.

"We know this from our statistics of political riot insurance. So at least the police function should gradually be restored to combating conventional crime."

Unfortunately the bad experience last year extended to business crimes "where experience has been horrendous," Schneeberger says.

CAPE TIMES 9/2/87

Naidoo 'to sue' if ads charge fails

(58)

Own Correspondent

JOHANNESBURG. — Attorney Mr Krish Naidoo, who placed the "Unban the ANC" advertisements, last night added to the storm surrounding the campaign, saying he would bring a civil action against the State for malicious prosecution if he is unsuccessfully charged.

The ads have generated a political row that has led to:

- Attacks on branches of Barclays Bank, which State President Mr P W Botha implicated in the controversy in Parliament last week, and armed guards at the home of Barclays MD Mr Chris Ball, who has received death threats.
- A fall in the value of Barclays shares from 1 875c to 1 800c on the Johannesburg Stock Exchange on Friday.
- The appointment of a one-man commission of inquiry under Cape Judge-President Mr Justice Munnik.

Mr Naidoo said last night that he had been told by a spokesman for the Attorney-General's office that a docket had been received and charges were being investigated.

Mr Naidoo insisted he had broken no laws, and said he was "unworried" by the possibility of charges. Witwatersrand local-division attorney-general Mr Klaus von Lieres has confirmed that his office had received a docket relating to the ads.

Media lawyer Mr Peter Reynolds said he doubted that a successful prosecution under the Internal Security Act was possible.

"The only people who could possibly be charged are the newspapers who published the ads," he said.

Meanwhile, Mr Ball tried to calm the row that has led to graffiti being sprayed on two banks in Pretoria and one in Cape Town. Bank security was tightened up at the weekend.

He declined to name the intermediary who obtained the bank cheque from Barclays to finance the campaign.

Mr Ball said he was not prepared to talk about the death threats, adding that he was not responsible for what was happening and was just trying to go about his business.

The Conservative Party's Mr Clive Derby-Lewis said that as far as he was aware, CP members saw the whole affair as "just another ploy by the Nationalists".

Barclays issued a statement on Thursday saying that it had no knowledge that the R100 000 bank check issued on a client's instruction would be used to pay for the advertisements calling for the ANC's unbanning.

State President Mr Botha last week announced the appointment of a one-man commission of inquiry into the funding of pro-ANC advertisements which appeared in all major English-language newspapers on January 8.

ANC ads row: 'No laws broken'

DIANNA GAMES and
SUSAN RUSSELL

ATTORNEY Krish Naidoo, who faces possible charges for his involvement in the placing of pro-ANC advertisements in the Press, did not committ an offence by asking newspapers to publish them, a Johannesburg lawyer says.

Peter Reynolds, experienced in media matters, said: "I can't see that he could possibly be charged with contravening the Internal Security Act.

"The only people who could possibly be charged are the newspapers for publishing it. There is no suggestion that Naidoo committed an offence."

Weekend reports said the Attorney General's office confirmed it had received a docket from Johannesburg police relating to Naidoo's involvement.

"The innuendo is that an offence has been committed, though what offence it is one wonders," Reynolds said.

Barclays MD Chris Ball, whose home has been under armed guard since Thursday, yesterday said he had referred to police threats made to him.

He was not prepared to talk about the threats, saying he was not responsible for what was happening and he was just trying to go about his business.

Police are investigating the damage done to three branches of Barclays Bank — two in Pretoria and one in Cape Town — which have had anti-ANC graffiti sprayed on their walls.

The Conservative Party's Clive Derby-Lewis said that, as far as he was aware, CP members saw the whole affair as "just another ploy by the Nationalists, who are bankrupt of intelligent debate and are now clutching at straws".

Ball said it was too early to tell if people had closed their bank accounts in response to the negative publicity, but so

● To Page 2

BDay 9/2/87 (58)

PRIC

REUTERS

Ads row: Lawyer 'innocent'

● From Page 1

BDay 9/2/87 (58)

far there had been no indication they had.

Barclays issued a statement on Thursday saying it had no knowledge that the R100 000 bank cheque issued on a client's instruction would be used to pay for the advertisements calling for the ANC's unbanning.

State President P W Botha last week announced the appointment of a one-man commission of inquiry into the funding of the adverts, which appeared in 22 English-language newspapers on January 8.

Judge President of the Cape Justice G G Munnik will determine where the adverts were placed, by whom, and how much was paid for them.

A spokesman for Botha yesterday said it was up to the commission to decide if the inquiry would be public, and whether Botha would be called to give evidence before it.

Jump to R5,5bn by SA's reserves

(58) B/Day 9/2/87

HELENA PATTEN and HAROLD FRIDJHON

THE RESERVE Bank's gold and foreign exchange reserves jumped by R1bn to R5,5bn at the end of January from R4,51bn in December, as the bullion stock increased to 5,265-million ounces and the holdings of foreign currencies more than doubled to R1,432bn.

The gold holdings were restored to their highest level since October 1985, when the Bank held 5,329-million ounces. Newly mined gold had been withheld from the market and some swap deals were redeemed. Last year Reserve Bank Governor Gerhard de Kock said his policy was to rebuild the stock of bullion which had been drastically reduced during the past four years.

Valued at R752,05/oz, the total stock of gold was worth R3,96bn in January compared with R3,71bn in December, when gold was valued at R768,93/oz.

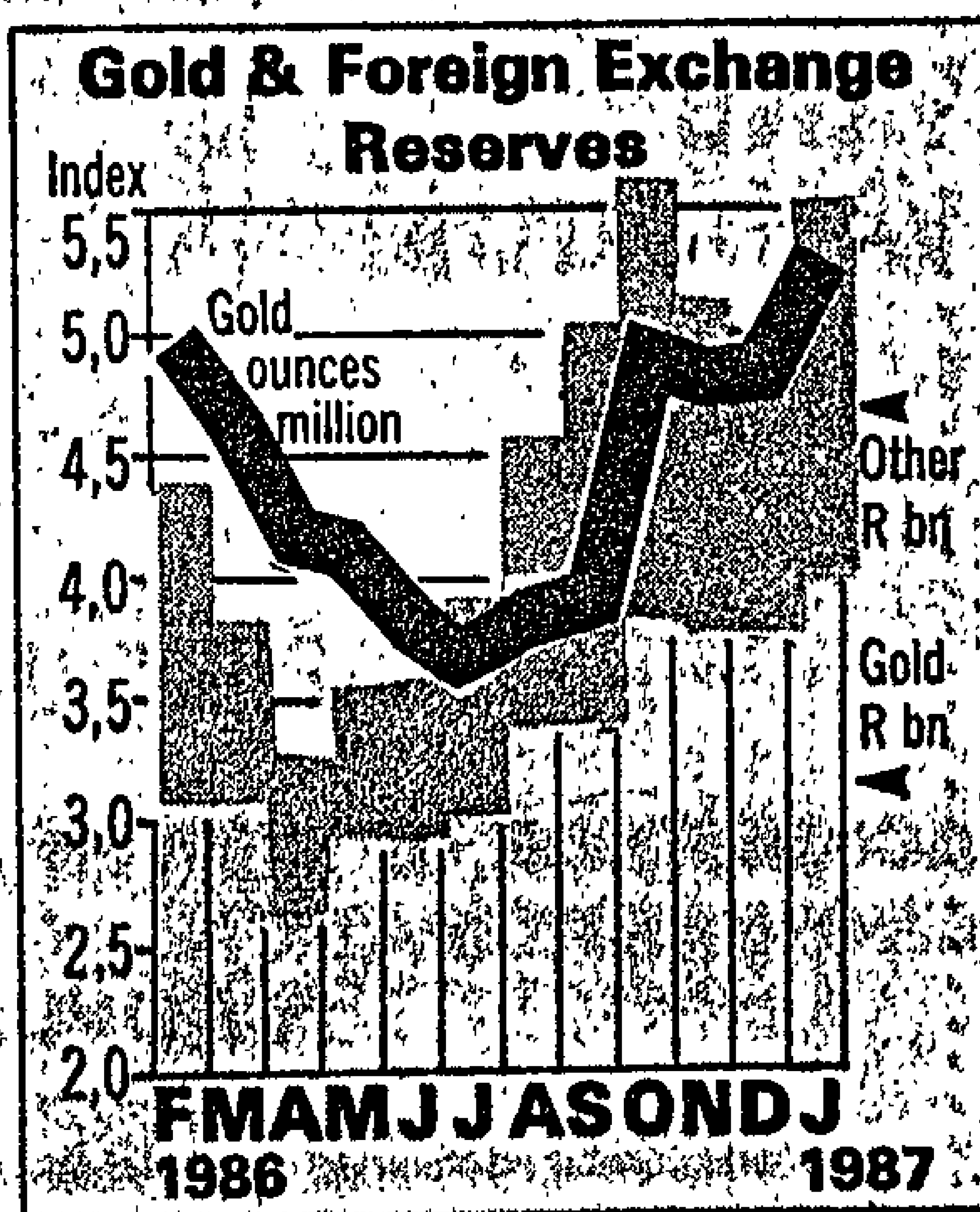
Currency holdings

The fact that the Reserve Bank could afford not to sell all its gold and at the same time increased its currency holdings by R758m suggests that the year-end surplus in the current account of the balance of payments had not been too severely dented by outward movements on the capital account.

De Kock said on Friday that since the end of the month the reserves had continued to remain buoyant in spite of R240m being repaid this month to the Intertnational Monetary Fund, the first tranche of the R800m due this year.

The stronger rand during the last week of the month accounts for the lower rand value of gold despite the higher dollar gold price.

Notes in circulation rose to R4,743bn in January, up by 20,2% compared with the same month last year.



JANUARY saw dramatic leaps in the Reserve Bank's total reserves. The physical stock of gold, the total rand value of the gold and the holdings of foreign currencies, all rose substantially, despite a lower rand price of gold compared with December.

Estimated 64 000 cars stolen last year

Break-ins and vehicle thefts cost R600-m

Star 2/7/87

By Magnus Heystek and Jaap Boekkooi

South African insurance companies paid out an estimated R600 million in vehicle theft and housebreaking claims last year.

Eighty percent of this amount was paid out on householders/all risks policies.

These figures were released by Santam Insurance when it launched a R1 million publicity campaign to make the public more safety conscious.

But they show only the tip of the iceberg. Not all vehicles are insured — and many are under-insured.

It is estimated that 64 000 vehicles were stolen in South Africa last year. At an average value of R10 000 each, it means criminals are costing the country R640 million.

Vehicle theft in South Africa has reached the highest rate in the Western World — more than four times higher than in Britain.

Six times more cars are stolen in South Africa per capita than in West Germany, five times as many as in Belgium, and twice as many as in Sweden.

These figures have been reached from statistics compiled by the Paris-based Federation Internationale d'Automobile and their South African equivalents.

The car theft industry reaps 2,13 percent of the national fleet of passenger-carrying vehicles each year, as against 0,8 percent in the United States.

The rate in Italy, notorious for its former high car theft rate, now stands at 0,5 percent.

The South African Police have launched several initiatives to get to the bottom of the highly-organised theft rings, but the "godfathers" have not been cracked yet.

Many of the stolen vehicles are taken out of the country.

Said Colonel Frans Malherbe, of John Vorster Square: "Our stolen cars are now found in just about every African country."

Explaining Santam's new publicity campaign, Mrs Marina Ackermann, head of the advertising and public relations division, said: "If our campaign achieves a reduction in claims of a mere 2 percent it would save Santam Insurance R3 million a year and the whole industry over R12 million.

"For Santam, who paid out R150 million last year, the cost is regarded as money well spent in the interest of the public, as well as that of all insurance companies."

The alternative is further increases in premiums, which have already risen significantly during the last two years.

As it is, insurance rates are expected to rise by at least another 20 percent to compensate for inflation.

Santam's campaign will consist of advertisements on television and radio, and pamphlets and brochures underlying the need for the public to be safety conscious.

Finance firm in takeover

(58) B/Day 10/12/87

ONE of SA's oldest trade finance houses, Goode Durrant and Murray, has increased its asset base with the acquisition of Kuper Confirming and Finance.

A spokesman said yesterday the takeover of Kuper had resulted in the company acquiring a further select portfolio of clients.

MD John Cowper said the company had maintained a low profile over the years but today financed international trade worth more than R125m a year.

"Our client base is spread across both trading and industrial companies. Ours has always been a conservatively financed company with its gearing pitched at about three times shareholders' funds, which is lower than the norm for the industry."

He said the group decided to look for a partner as it was not prepared to overgear the business and wanted to maintain its financial ratios.

"Now UAL Merchant Bank has come in with us and has injected R3m into our business by way of the issue of redeemable convertible preference shares.

"We are delighted with this new partnership and are now in a position to aggressively seek more business. With our conservative gearing this extra capital puts us in a position to increase our turnover by 25%," Cowper said.

Inquiry: Call to Munnik to step down

Cape Times 10/2/87

By ANTHONY JOHNSON
Political Correspondent

THE Judge President of the Cape, Mr Justice George Munnik, yesterday rejected a call for him to step down from the commission of inquiry appointed by President P W Botha to look into the financing of ANC advertisements.

The call was made by Mr Boris G Savvas, a former member of the Pretoria Bar, in a letter to the Sunday Star.

In the letter, Mr Savvas asked Mr Justice Munnik to "decline from accepting or continuing" with his appointment because "his office is being used for political purposes which have a dubious character and which can only serve to demean it as well as the established legal institutions of South Africa".

Mr Justice Munnik said yesterday that Mr Botha had given him a job to do and it was of "no interest" to him what Mr Savvas had to say about this.

"I don't know who Mr Savvas is and it is of little consequence to me what he says."

Incriminate

He also said he was not prepared to submit to "trial by newspaper".

In his letter, Mr Savvas

Mr Justice Munnik

said that unless Mr Botha had information which would incriminate Barclays chief executive Mr Chris Ball "in a treasonable or triable offence, then the inquiry can serve no purpose other than to indulge in police work by fishing for information which does not exist at the moment and is not in Mr Botha's possession".

Mr Savvas said that "no one single comprehensive, justifiable or valuable result can be found in the creation of this commission".

He noted that in a court of law, the authorities would have to establish a prima facie case, at least. "Now there is nothing save the say-so of the executive which will or will not disclose the commission's findings as it deems fit.

"And this occurs when every ounce of logic and reason points to the absence of wrongful conduct.

Docket

"In my submission, the only plausible factors are that Mr Botha has no, or insufficient, grounds on which to accuse Mr Ball or is acting with total disregard for the laws of South Africa; and that by establishing the commission he is creating a mode whereby he can escape public accountability during the election campaign for the accusations he has made," Mr Savvas said.

□ Sapa reports that a docket relating to the placing of the "Unban the ANC" advertisements by attorney Mr Krish Naidoo has been handed to the Witwatersrand local division attorney-general, Mr Klaus von Lieres, to decide whether he intends prosecuting.

Mr Von Lieres said yesterday that police had given him the docket, but he had not yet made any decision.

The United Democratic Front earlier stated that it had paid for the advertisments.

Inquiry: Call to Munnik to step down

Cape Times 10/2/87 58

By ANTHONY JOHNSON
Political Correspondent

THE Judge President of the Cape, Mr Justice George Munnik, yesterday rejected a call for him to step down from the commission of inquiry appointed by President P W Botha to look into the financing of ANC advertisements.

The call was made by Mr Boris G Savvas, a former member of the Pretoria Bar, in a letter to the Sunday Star.

In the letter, Mr Savvas asked Mr Justice Munnik to "decline from accepting or continuing" with his appointment because "his office is being used for political purposes which have a dubious character and which can only serve to demean it as well as the established legal institutions of South Africa".

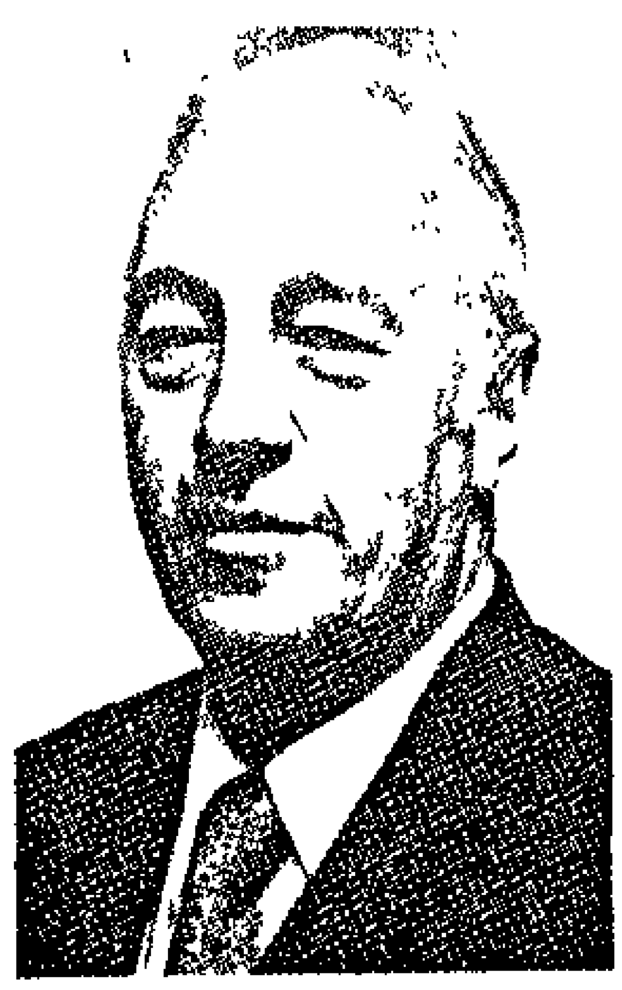
Mr Justice Munnik said yesterday that Mr Botha had given him a job to do and it was of "no interest" to him what Mr Savvas had to say about this.

"I don't know who Mr Savvas is and it is of little consequence to me what he says."

Incriminate

He also said he was not prepared to submit to "trial by newspaper".

In his letter, Mr Savvas said that unless Mr Botha had information which would incriminate Barclays chief executive Mr Chris Ball "in a treasonable or triable offence, then the inquiry can serve no purpose other than to indulge in police work by fishing for information which does not exist at the moment and is not in Mr Botha's possession".



Mr Justice Munnik

Mr Savvas said that "no one single comprehensive, justifiable or valuable result can be found in the creation of this commission".

He noted that in a court of law, the authorities would have to establish a prima facie case, at least. "Now there is nothing save the say-so of the executive which will or will not disclose the commission's findings as it deems fit.

"And this occurs when every ounce of logic and reason points to the absence of wrongful conduct.

Docket

"In my submission, the only plausible factors are that Mr Botha has no, or insufficient, grounds on which to accuse Mr Ball or is acting with total disregard for the laws of South Africa; and that by establishing the commission he is creating a mode whereby he can escape public accountability during the election campaign for the accusations he has made," Mr Savvas said.

☐ Sapa reports that a docket relating to the placing of the "Unban the ANC" advertisements by attorney Mr Krish Naidoo has been handed to the Witwatersrand local division attorney-general, Mr Klaus von Lieres, to decide whether he intends prosecuting.

Mr Von Lieres said yesterday that police had given him the docket, but he had not yet made any decision.

The United Democratic Front earlier stated that it had paid for the advertisments.

Woman gets 10 years for R264 000 theft

58

NM 10/2/87

Court Reporter

A 48-YEAR-OLD former employee of the S A Perm was jailed for 10 years by Mr B J Brummer in the Durban Regional Court yesterday for stealing R264 657.

Elaine Dorothy Booth had pleaded guilty to 156 counts of theft.

The Court heard she had been employed at the Perm, where she had attended to clients who wanted to invest in fixed deposits and had helped fill in forms for them.

Most of the clients were illiterate.

The Court found she took money from the clients and used it for herself or placed it in savings accounts from which she later withdrew it.

All these clients were reimbursed by the building society.

Passing sentence the Magistrate said Booth had been employed as a client investment adviser. She had held a position of trust at the building society.

The Court had not been told what had become of the money she stole except that she had used some to modernise her kitchen, install a swimming pool at her house and buy a caravan.

The Magistrate said proceedings had begun for the sequestration of her estate. She still owed the Perm R222 409.

Certain amounts of money had been recovered from savings accounts she had opened.

He said it had been a calculated act of dishonesty over a period between September 1981 and May 1986.

Inquiry: Call to Munnik to step down

Cape Times 10/2/87 282 30??? 58

By ANTHONY JOHNSON
Political Correspondent

THE Judge President of the Cape, Mr Justice George Munnik, yesterday rejected a call for him to step down from the commission of inquiry appointed by President P W Botha to look into the financing of ANC advertisements.

The call was made by Mr Boris G Savvas, a former member of the Pretoria Bar, in a letter to the Sunday Star.

In the letter, Mr Savvas asked Mr Justice Munnik to "decline from accepting or continuing" with his appointment because "his office is being used for political purposes which have a dubious character and which can only serve to demean it as well as the established legal institutions of South Africa".

Mr Justice Munnik said yesterday that Mr Botha had given him a job to do and it was of "no interest" to him what Mr Savvas had to say about this.

"I don't know who Mr Savvas is and it is of little consequence to me what he says."

Incriminate

He also said he was not prepared to submit to "trial by newspaper".

In his letter, Mr Savvas

Mr Justice Munnik

said that unless Mr Botha had information which would incriminate Barclays chief executive Mr Chris Ball "in a treasonable or triable offence, then the inquiry can serve no purpose other than to indulge in police work by fishing for information which does not exist at the moment and is not in Mr Botha's possession".

Mr Savvas said that "no one single comprehensive, justifiable or valuable result can be found in the creation of this commission".

He noted that in a court of law, the authorities would have to establish a prima facie case, at least. "Now there is nothing save the say-so of the executive which will or will not disclose the commission's findings as it deems fit.

"And this occurs when every ounce of logic and reason points to the absence of wrongful conduct.

Docket

"In my submission, the only plausible factors are that Mr Botha has no, or insufficient, grounds on which to accuse Mr Ball or is acting with total disregard for the laws of South Africa; and that by establishing the commission he is creating a mode whereby he can escape public accountability during the election campaign for the accusations he has made," Mr Savvas said.

☐ Sapa reports that a docket relating to the placing of the "Unban the ANC" advertisements by attorney Mr Krish Naidoo has been handed to the Witwatersrand local division attorney-general, Mr Klaus von Lieres, to decide whether he intends prosecuting.

Mr Von Lieres said yesterday that police had given him the docket, but he had not yet made any decision.

The United Democratic .Front earlier stated that it had paid for the advertisments.

Bill seeks to tighten forex rules

(58) B/Day 10/2/87

CHRIS CAIRNCROSS
and HELENA PATTEN

THE African Bank foreign exchange scandal, now the subject of an intense fraud squad investigation, is estimated to involve well over R100m, Treasury sources say.

It has caused government to introduce far-reaching changes to the Currency and Exchange Act.

These are designed to close a loophole in legislation. They empower the Treasury summarily to attach, block, recover and dispose of money or goods belonging to a person who has either committed an offence or is suspected of having committed one in terms of exchange control regulations.

The Currency and Exchanges Amendment Bill, tabled in Parliament yesterday, proposes that the changes be promulgated with retrospective effect from 1961.

Department of Finance sources in Cape Town say the African Bank investigation, which is alleged to involve the illegal manipulation of financial rands for the benefit of the bank's clients and certain of its forex dealers — may not be limited solely to the African Bank.

It is understood the forex dealings of every other licensed institution entered into since the financial rand was reintroduced in 1985 are under review.

The intention, if the amending legislation is promulgated, is to take punitive retrospective action against any individuals or institutions found to have illegally manipulated exchange controls over the past two years.

Manfred Schutte, GM of Standard Bank's international division, said yesterday the investigation of every foreign exchange deal since the third quarter of 1985 would be a colossal task. It might be

● To Page 2

Forex rules being tightened

B/Day 10/2/87 (58)

● From Page 1

difficult to find all the supporting documentation.

"However, as far as the Standard Bank is concerned, we have nothing to hide. We will be happy to oblige in any investigation as far as possible."

He did not think the Bill would affect the relationship between banks and the Reserve Bank because the authorities had always had the power to scrutinise banks' books.

He said the new measures seemed to be aimed at facilitating the Reserve Bank's control of financial rand dealings.

Until now the Reserve Bank had been hampered by the fact that offenders were not generally brought to court.

The Bank was thus unable to use its ordinary rights as a creditor to seize assets in the case of default.

Edward Cade, GM (financial control and Treasury) at Barclays Bank, was sceptical about the logistics of the proposed investigation.

He did not believe the Treasury had the manpower to carry out such a massive task.

He was confident Barclays had not been involved in any irregularities.

The Natal Mercury,

58

10/2/87 N/M

Bank's Natal branches unharmed

Mercury Reporter

BARCLAYS Bank in Natal had not suffered any adverse effects of the allegations by the State President that the bank's managing director, Mr Chris Ball, had funded the 'Unban the ANC' adverts, a company spokesman said yesterday.

Mr John Courier, assistant general manager (Natal), said although the bank had received 'quite a few' telephone calls from customers, he was not aware of any incidents in Natal similar to those where graffiti had been sprayed on the walls of Barclays branches in Pretoria and Cape Town.

Mr Courier said customers in Natal had read a number of Press accounts about the row and had telephoned the bank to officially clarify its position.

'We are just waiting to see what the impact is in Natal, but we are confident that we won't lose on the business side,' he said.

Armed guards have been posted at the home of Mr Ball, who has received death threats since President Botha made the remarks.

The remarks, which sparked a fierce political row, have been described by Progressive Federal Party media spokesman Dave Dalling as 'disgraceful' and 'ill-befitting a person at the head of government'.

Sapa reports from Johannesburg that a docket relating to the placing of the advertisements by attorney Krish Naidoo has been handed to the Witwatersrand local division Attorney-General, Mr Klaus von Lieres, for a decision on whether he intends prosecuting.

Cape Times 10/2/87

Forex 'fraud': Big change to law planned

58

Own Correspondents

JOHANNESBURG. — The African Bank foreign exchange "swindle", now the subject of an intense fraud squad investigation, is estimated to involve well over R100m, according to Treasury sources.

It has also caused government to introduce major changes to the Currency and Exchange Act.

These are designed to close a loophole in the law and empower the Treasury to summarily attach, blockade, recover and dispose of money and goods belonging to a person who has committed or is suspected of having committed an offence in terms of the exchange control regulations.

'Retrospective to 1961'

The Currency and Exchanges Amendment Bill, tabled in Parliament yesterday, also goes so far as to propose that the changes be promulgated with retrospective effect from 1961.

And, it charges that the empowering provision of the Act should come into operation retrospectively, in order to validate any actions taken by the Treasury in order to protect foreign currency.

According to Department of Finance sources in Cape Town, the African Bank investigation — which is alleged to involve the illegal manipulation of financial rands for the benefit of the bank's clients and certain of the bank's forex dealers — may not be limited solely to that bank.

It is understood the forex dealings of every other licenced institution entered into since the financial rand was reintroduced in 1985 is under review.

'Nothing to hide'

● Manfred Schutte, general manager of Standard Bank's International Division, said that the investigation of every foreign exchange deal since the third quarter of 1985 would be a "colossal task".

"However, as far as the Standard Bank is concerned, we have nothing to hide. We will be happy to oblige in any investigation as far as possible."

Edward Cade, general manager (Financial Control and Treasury) at Barclays Bank, was sceptical about the logistics of the proposed investigation. He did not believe the Treasury had the manpower to carry out such a massive task.

To his knowledge, he was confident that Barclays was not involved in any irregularities.

CAPE TIMES (58)

Times, Wednesday, February 11, 1987

Record profits of R209m for Stanbic

JOHANNESBURG. — The Standard Bank Investment Corporation increased net income attributable to ordinary and preferred ordinary shareholders by 13,8% to R209,0m for the year to December 31.

This is the first time that a South African banking and financial services group has produced profit in excess of R200m. The dividend on ordinary shares has been raised by 10% from 71c to 78c.

The average number of ordinary and preferred ordinary shares in issue during the year increased by 18,7%. Profit did not fully compensate for this rise and earnings per share declined from 227c to 215c.

Dividend cover fell from 3,1 to 2,5 times earnings.

Group advances grew by only 6,9%. Operating profit for the group before tax and bad debts increased by 10,4% though higher bad debt provisions at R187,6m (R162,1m) absorbed much of this improvement. — Sapa

B/Day 11/2/87 (58)

ANC ad row: inquiry gets going tomorrow

DIANNA GAMES

THE *Government Gazette* officially appointing the Judge President of the Cape as the one-man commission of inquiry into the ANC advertisement row, is expected to appear tomorrow, says a Department of Justice spokesman.

Mr Justice Munnik said yesterday he could make no comment on the inquiry as he had not yet received his terms of reference or the regulations governing the commission.

A spokesman for President P W Botha's office said it would be the commission's decision whether the inquiry would be public and whether Botha would be called before it.

The *Gazette* will appear a week after Botha's suggestion that Barclays Bank MD Chris Ball may have funded the R100 000 series of pro-ANC advertisements. Ball has since received death threats and his home is surrounded by armed guards.

The commission, appointed by Botha last Thursday, will investigate whether Ball was involved in the financial arrangements for the advertisements, who inserted them, who paid for them and the source of the funds.

The advertisements, calling for the unbanning of the ANC, appeared in 22 English language newspapers on January 8 to coincide with the ANC's 75th anniversary. The following day police removed material relating to the notices from newspaper offices. Further advertisements were prohibited by a police order.

Meanwhile, Judge Munnik has rejected a call for him to step down from the commission.

In a letter to a Sunday newspaper, former Pretoria Bar memeber Boris Savvas asked Judge Munnik to decline from accepting or continuing with the appointment as his office was being used for political purposes "which have a dubious character and which can only serve to demean it as well as the established legal institutions of SA".

Judge Munnik said he would not submit to "trial by newspaper".

In another development, Chief Gatsha Buthelezi yesterday criticised Botha's attack on Ball, saying it was an attempt to intimidate private enterprise giants who were beginning to threaten him.

He said Ball and other leading businessmen were putting pressure on Botha to break out of his Afrikaner limitations.

Insurance cover for riot damage is in the pipeline

BDay 12/11/87 (58)

LINDA ENSOR

A BILL presented in Parliament yesterday includes non-political riots in the cover which the SA Special Risks Association (Sasria) can provide.

The Financial Institutions Amendment Bill was read for a second time at a joint sitting of the Houses of Parliament.

The Bill defines loss or damage to mean any loss related to or caused by any political riot or commotion; any insurrection, rebellion or revolution; any labour unrest, strike or lock-out; or the results of these actions, which is committed by a person or persons with the intent to cause loss or damage.

Also qualifying for cover will be loss or damage arising out of actions of any lawfully established authority to control, prevent or suppress these political actions. Excluded, however, is any loss or damage caused by or related to theft or attempted theft.

Sasria MD Rodney Schneeberger said government decided to extend Sasria's cover to include non-political riots because foreign re-insurers withdrew this facility from conventional insurers who could therefore not offer it to the public.

Finance Deputy Minister Org Marais said the amendment broadening Sasria's cover would have to be reconsidered if it became clear insurance for non-politically related loss or damage was readily available in the open market.

Schneeburger agreed with this, saying Sasria had only taken on non-political cover because of its non-availability. It would be willing to relinquish it.

The Bill is a compendium one covering disparate aspects of financial insitutions and their supervision.

Govt publishes inquiry terms

12/2/87

The terms of the one-man commission of inquiry into "certain advertisements" concerning the African National Congress were published yesterday in a *Government Gazette.*

Mr Justice G G A Munnik will investigate and report on:

- Whether Barclays managing director Mr Chris Ball was "in any way involved in the financial arrangements concerning payment for the placing of the advertsements" and "any relevant aspect that may fully explain this matter".
- By whom or on behalf of whom the advertisements were placed.
- In which newspapers they appeared.
- How the newspapers were paid for publishing the advertisements, how much and by whom.
- Source of the funds to pay for the advertisements following a report the UDF gave a bank-guaranteed cheque. — Pretoria Bureau.

Car insurance to rise with anti-theft and new excess demands

12/12/87

Star

Car theft in South Africa has become a R640 million annual racket, worth almost twice that of the country's total diamond output, and one of the country's most thriving "export industries". Most cars are stolen in Johannesburg and are now found all over Africa and even in Australia and Europe. In the second part of a series JAAP BOEKKOOI looks at car insurance and anti-theft systems.

With the rising rate of car theft, car insurance costs are reaching dizzy heights and many people now paying R200 monthly to protect their cars from thieves may have to pay up to R300 this year.

As car theft reaches unprecedented levels, some insurance companies are insisting on anti-theft and alarm systems.

The highest-rated system tested by the Automobile Association (AA) at 120 points, protects the car with three-point engine isolation, its own rechargeable battery, markings on all windows, remote activator/deactivator, memory function, vibrators, and self-triggered alarm on bonnet and doors — all installed for R375.

70 PERCENT RISE

An AA survey showed that last year's premium rises varied from 60 to 110 percent, and this year, according to the Security Association, car insurance companies may not only up premiums by 70 percent but may also demand that car owners pay an excess if no "approved" anti-theft devices are installed.

But some of the "approved" devices hardly protect cars. One, the automatic break lock in which many policemen have put their trust, can be easily disarmed and the brakes unlocked within 20 seconds.

In many instances the overblown premiums plus compulsory installation of devices or excess payments will impoverish the long-harassed motorist by another R2 000 in 1987.

The excess conditions vary from demands for window engravings (Norwich Union and Santam) to demands for immobilising and alarm systems from new policy holders (Santam).

Mutual Federal and IGI will impose surcharges of R500 unless "approved" anti-theft devices are installed. SA Eagle says that in instances of car theft a surcharge of 10 percent of the claim will be made, unless a certificate is submitted showing that an anti-theft device was installed. This device must be automatically activated and individually fitted, work on two more vehicle systems, must use sleeved wiring and capable of being overriden when cars are serviced. All windows must also be engraved.

The insurance strictures on minibuses, favourites both in schools and as black taxis, are even more imposing. Santam will not insure such school buses unless all eight its windows are engraved and an anti-theft system locks brakes, fuel supply and electrical circuits.

Insurance interests now also exert pressures on motor manufacturers to build from scratch an anti-theft systems at lower cost and to take other measures which are still under discussion.

A good example of pressure was that exerted on the makers of what became known as the German-made fast-getaway car — favourite among bank robbers who boasted it could be stolen in 10 seconds flat.

The company installed a computer-coded immmobilising device that can now trap

Cape Times 13/2/87 (58)

More 'venture capital' to blacks

FINANCIAL institutions should urgently re-evaluate the concepts of "risk and security" to assist black entrepreneurs in gaining access to capital, Peter Swartz, a leading city businessman, said yesterday.

Addressing the seminar on "Opportunities for Entrepreneurs", Swartz said that banks and building societies demanded First World norms from businessmen who traded in Third World circumstances.

He said it was inconceivable for coloured and black entrepreneurs to fulfil the demands of security and risks for loans when the socio-political environment of these very people did not allow that.

Peter Swartz

Black and coloured businessmen faced risks beyond their control and these stringent conditions would keep them permanently out of the market.

Swartz appealed to financial houses to provide more venture capital. He suggested that a funding base for coloured and black entrepreneurs be created in the Western Cape for this type of capital.

"Let's forget about First World norms. Building societies must say we are prepared to change and bend our concepts to suit our economic aspirations," Swartz said.

Disinvestment was "God's gift to local entrepreneurs" because it served as an incentive to take over the market from foreign companies. The promotion of partnerships across racial barriers was also a positive method of creating opportunities to entrepreneurs, he added.

FM 13/2/87

RESERVES

On the rebound

One of the New Year's first key economic indicators provides hopes for 1987. After declining in the last two months of 1986, the Reserve Bank's total gold and foreign assets grew some 22% to R5,5 billion at the end of January, from December's R4,5 billion. In rand terms, this is the highest since October's R5,6 billion — in turn the highest since August 1985.

Reserve Bank Governor Gerhard de Kock took this further when he told the Frankel Kruger conference in Johannesburg this week that an estimated R700m in foreign reserves is held by the rest of the banking sector, bringing total gold and forex reserves to R6,2 billion or US$3 billion.

In dollar terms, the Bank's reserves at end-January stood at $2,6 billion, with the rand closing at US47,95c. Not since November 1984 have reserves in dollar terms been higher (for October's $2,4 billion the rand's month-end rate was US43,65c), but this is still a far cry from September 1980's record $8,6 billion.

The increase in reserves is also despite a lower gold price. In October the average price used to value gold holdings was R835,51/oz, compared with R752,05/oz in January. Both the Bank's gold holdings and foreign assets rose since December: the latter more than doubled from R674m to R1,5 billion and the former jumped some 500 000 oz to 5,3m oz. At the end of January the Bank's gold holdings were worth R3,96 billion compared to R3,7 billion at the end of December, when they were valued at R768,93/oz.

Economists see nothing strange in such a large rise. It clearly reflects the strength of the current account, now officially expected to record a surplus in excess of R6 billion for 1986, and modest capital outflows. Indications are that there was a net outflow in the fourth quarter, against the previous quarter's net inflow.

Gold swap

Also, confirms Reserve Bank Senior Deputy Governor Japie Jacobs, there has been an unwinding of gold swap positions and there is less need to sell gold. "Our choice is essentially in what form we hold surplus reserves, in gold or foreign assets," he says.

Many, like Volkskas economist Adam Jacobs, are looking for economic growth and an accompanying rise in imports. Thus, barring no dramatic rise in the gold price, the Bank's reserves are not expected to increase sharply in the near future.

While the stronger reserve position will help SA's debt negotiators when they meet foreign creditors in April, it will probably also arm the creditors with a strong bargaining point when they push for tougher repayment terms.

But most importantly, the improving reserve position strengthens the Bank's hand in the forex market. For more than two months, the market has been without adverse leads and lags pressure.

Standard Bank, in its weekly forex review, notes that "such a development is particularly welcome at a time when the dollar looks as if it may follow a firmer trend in the immediate future, thereby providing the Bank with additional dollars with which to support the rand when necessary."

Finally, Jacobs makes the point that "the strong reserve position leaves the authorities with room to stimulate the economy, as borne out by the measures in the mini-Budget."

Judging from imports valued at around R2 billion in December, the Bank's assets of R5,5 billion are worth just under three months' imports, a relatively comfortable position that the authorities can be pleased with. In April 1986 import cover was just over one month. ■

JACOBS TO LOOK INTO GILTS

FM 13/2/87 (58)

In what could turn out a significant development, the minister of finance has appointed an eight-person committee chaired by Reserve Bank Senior Deputy Governor Japie Jacobs to look into SA's gilt and semi-gilt market.

Aspects that will be covered include a gilt clearing house; a clearing system for payments; a scrip bank; prescribed assets; and the market's functioning in view of new dealing techniques and technology.

Jacobs says: "This could lead to restructuring the functioning of the gilts market, as we will investigate what is needed for its long-term efficient functioning." He adds there is no time schedule and the committee is still to meet. "We will start after parliament and report to the minister later in the year."

There is talk that a major reason for the committee is that banks and brokers have not been able to agree on a settlement system. JSE President Tony Norton disagrees and says only one outstanding point — legal problems about the validity of scrip delivery — remains.

The committee will not include anyone from the private sector. From Treasury come Gerhard Croeser and Stan Davis, the Financial Institutions Office is represented by Piet Badenhorst and Jan Loubser, and the Reserve Bank by Rick Goedhuys and Andre Kock, in addition to Jacobs and the secretary, Mike Lamont.

"Views," assures Jacobs, "will be solicited not only from banks and brokers but from insurance companies and others. There is no need for them to have direct representation." A letter will be sent to institutions soon informing them of the commission's plans and inviting comment.

Norton is also "not worried" about the lack of private-sector development as "evidence will be heard from many quarters." He considers "it is sensible to have a good hard look into the gilts market and where it's heading."

Jacobs is not concerned that his investigation could overlap with Finance Director General Chris Stals's report on the financial futures and options market, still to be published. Apparently it is being written and is almost in final form.

NATIONAL MUTUAL

58

Merger gripes

It's no surprise that the Sage Life-National Mutual merger was sanctioned by the Supreme Court on January 27 without a hitch. Few of the policyholders whom everyone seemed keen to protect took any interest in the affair, a transaction more complicated than any life policy wording.

The deal could also set a precedent, establishing that not all assets of a mutual office belong to policyholders. Provided their interests are protected within the ambit of the law, considerable flexibility seems to be afforded a mutual office in securing policyholder benefits.

Ian Solomon, MD of Sage Life, says it is not necessarily a precedent, similar principles having been involved in the Liberty Life-Sun Life and the more recent Southern Life-Anglo Life mergers. He adds: "Policyholders are entitled to monetary benefits as per their policy contracts, as opposed to owning the underlying assets."

In supporting the proposed scheme for amalgamation and transfer, Dawid Malan, the registrar's independent consulting actuary, accepted the principles under which National Mutual (Australia) is to be given 100 special class A participating preference shares in Sage Life. Dividends will be declared out of the surplus arising from National Mutual "other policies" — business other than with-profits policies.

S3 quat of the Insurance Act 1943, among several provisions, says that no owners of policies other than those forming part of the business in SA may have any claim to the relevant assets; and that a foreign insurer may not transfer any assets unless certain provisions are met.

Malan felt, however, the section envisaged

Sage Life's Solomon ... securing mutual interests

that surpluses — after running the business off the books — may be transferred in due course to other business carried on by National Mutual (Australia).

Solomon adds that the life office, having been here some 90 years, deserves some return on its period of management in which considerable skills were imported. As for the papers covering the amalgamation and transfer, he says: "Only five people out of the 50 000 or so National Mutual policyholders came in to inspect the relevant documents.

"These had been on hand at the offices of both companies in Johannesburg, Durban and Cape Town and at bankers in Windhoek." He adds that the period of inspection was determined by the legal process, given that the court hearing was set for January 27.

One policyholder, apparently typical, seems more disgruntled about the confusion than about any prejudice the deal might entail. "The documents weren't posted to policyholders, while the inspection period was over the holiday season. I wonder how many policyholders lived too far away to make the trip? The policyholder may have a right to be heard at the courts, but what chance had he against the heavyweights?"

He also finds it puzzling that the transfer of assets from National Mutual is backdated to September 1985.

Whether he has a valid grievance or not, the fact is there was no objection to the amalgamation and transfer. It is clear how little policyholders understand the complexities of the life assurance business, and actually have little say in the running of a mutual office in spite of the fact that it belongs to them.

If nothing else, this should fuel the age-old argument about the relative benefits of a mutual office compared to a shareholding company.

The National Mutual business is to be split into "with-profits" business and "other" business.

The assets of with-profits policies are to be locked into a separate fund to which all future investment returns will be credited. Relevant new business costs not yet amortised will *no longer* have to be paid, while all benefits will be distributed to those policyholders. This should provide additional bonuses of about 25% a year over the first two years and 30% or more subsequently.

Malan is "satisfied that reasonable benefit expectations" of these policyholders will be improved to the extent stated.

As for "other" business, Malan says "ample cover will exist in Sage Life for all contractual obligations." It is understood there will be "specified minimum bonus scales for 10 years" subject to a reduction if future experience of Sage Life becomes unfavourable "in specified ways." Malan considers the minimum bonus scales in the arrangement "fair and reasonable."

At September 1985 the insurance fund of National Mutual was R253,8m, and that of Sage Life R312,5m. For the year ended December 31 1986 the valuations will be updated, says Solomon, to bring all assets to a common year end. He says that policyholders' funds for National Mutual will be "in the order of R300m" at that date, suggesting an asset value for the merged operation of about R770m. ■

FM 13/2/87

NO CONFIDENCE DEBATE

Ball in PW's court

Politicians make their blunders, even those as experienced as President P W Botha. But what made his recent gaff over the Chris Ball affair even worse, was that it came during a run-up to an election and handed the Opposition a heaven-sent stick for government's back.

While Botha may have believed his comments would serve the National Party by detracting from government speakers' dismal performance in the No Confidence debate, and possibly win back a few supporters from the Right, the opposite appears to have happened. All Botha really did was reinforce his bully-boy image (see *Leaders*).

The Ball attack probably saved the PFP's effort in the debate from a whimpering finale. It revitalised the party's rapidly flagging onslaught in what had earlier promised to be one of the best performances by an opposition party in many years.

Barclays's Ball . . . sticking to his guns after Botha slur

PFP speakers used the Ball issue as a focus for wider-ranging attacks on government incompetence in all fields. Botha was repeatedly portrayed as an incompetent, using the privilege of parliament to smear a critic.

Opposition leader Colin Eglin accused the president of entering an era of "McCarthyism" and of using hearsay rumours to "wreak vengeance" on opponents of his policies.

"When innuendo, rumour and selective quotes are used to denigrate political opponents from a position of privilege, we know just how far we have gone down the slippery slope away from democracy," Eglin said.

A number of Nat MPs were shocked by the attack on Ball and were saying privately this week that the issue will cost the party dearly in the election, particularly in upper and middle-class seats.

In retrospect, it is clear that Botha entered the debate earlier than had been expected (he came in on Wednesday afternoon and spoke for nearly two hours) to create a diversion.

In his wide-ranging attack on critics, mainly to the Left, he effectively said "if you're not my ally, you're my enemy" and lumped all groups and individuals together as the target for attack.

The main theme of the attack was the ANC and its "allies" who Botha implied were most Left leaning groups. The Ball comments may have appeared to have been slipped in as an afterthought in the wake of a concerted attack. On analysis, however, they must have been carefully planned — although the reaction could surely not have been expected.

There is speculation that Botha was misinformed by his advisers on Ball's alleged involvement in the ANC advertisements. The upshot, however, was that instead of the ANC issue dominating the remainder of the debate and dampening the PFP attack (which it might have done, considering the party's fragile internal security policies), it was overshadowed by the Ball issue.

In the end, it was left to Transvaal NP leader F W de Klerk, and Education and Development Aid Minister Gerrit Viljoen to try to salvage something for government.

Flawed though his argument may have been, De Klerk at least tried to set out election issues and (courageously in the face of a rightwing onslaught) reaffirmed government's commitment to an undefined reform programme.

Viljoen was given the job of trying to stem the flow of Nat support to the Left. Speaking immediately after Nat rebel Wynand Malan, who clearly explained his reasons for quitting the party, Viljoen effectively called on all the Malan-types both in and outside parliament to be patient. Reform is a complex process that needs time and money to get right, he explained.

Viljoen argued that the entire Nat caucus is made up of "New Nats" who support reform and who stand firmly behind a leader with courage, determination, vision and initiative.

At the end of the debate, election issues were not as clear as many had hoped they would be. It seems, however, that the Nats will adopt a two-pronged approach — campaigning on a ticket of tough security measures to shield further constitutional reform. The ANC, and anyone perceived as soft on the ANC, can expect little mercy.

For the PFP, on the other hand, the task of exposing Nat shortcomings should be even easier than before.

The Conservative Party probably faces the most difficult campaign, especially if it tries to convince white voters that the Nationalists are about to capitulate to black rule. ■

The *FM* brings its readers the most news, comment and interpretation possible under the new regulations restricting publication of certain matters.

It does not believe that the restrictions are necessary or in the public interest, but will obey the law.

MONEY MARKET 58

18

FM 13/2

Baffling

While some banks, notably Barclays, complain about margins being squeezed, the phenomenon of rates staying up despite highly liquid conditions is baffling — not least to the Reserve Bank itself which, some dealers claim, is more insistent than usual about holding rates at the levels it wants.

The Bank appears comfortable with present levels, even though its battle to maintain a shortage does not look like easing, especially given that credit demand remains flat. Not even the usually tight February month-end (large tax payments take money out of the system) looks as if it will change the situation much; as month-end falls on a Sunday the impact will be spread.

Attention will be focused on the public's reaction to the extra money it will have as a result of the drop in tax and repayment of the loan levy announced in Monday's mini-Budget. "Will people repay debt or spend?" asks one observer. But it may take time for this to flow through.

Though the market shortage hovers around R100m and the Corporation of Public Deposits (CPD) has only R140m on deposit with the discount houses — at 9,25% — rates have not fallen much.

Some hold that the cost of CPD funds is keeping rates up. "It is setting the trend from call up," reckons a dealer. Certainly inter-bank call, around 9%, shows that banks are lending below the cost of CPD funds.

The three-month bankers' acceptance rate firmed 10 points last Wednesday to 9,1% before easing five points the following day, where it has remained. Friday's Treasury bill tender was for only R40m and attracted bids of R58m. The rate dropped from 8,77% to 8,74%, the lowest since Christmas. Similarly, the Land Bank tender, for R100m, attracted R137m at an average 8,92%.

Gerhard de Kock gave the first hint of money supply targets for the period from the fourth quarter of 1986 to the fourth quarter of 1987 at the Frankel Kruger conference.

"A range of 14%-18% would not be unreasonable." He bases this on the assumption of a 3% growth in real GDP in 1987 and an inflation rate of 14% between the fourth quarter of 1986 and the fourth quarter of 1987, saying the actual recommendation will only be made when fourth-quarter statistics are available and the impact of the mini-Budget can be assessed.

De Kock says a lower target range will "signify the determination of the authorities to bring about a gradual decline in the inflation rate . . . But if priority is to be given to economic growth, the new M3 target range cannot be much below last year's." ■

NATIONAL MUTUAL

Merger gripes

It's no surprise that the Sage Life-National Mutual merger was sanctioned by the Supreme Court on January 27 without a hitch. Few of the policyholders whom everyone seemed keen to protect took any interest in the affair, a transaction more complicated than any life policy wording.

The deal could also set a precedent, establishing that not all assets of a mutual office belong to policyholders. Provided their interests are protected within the ambit of the law, considerable flexibility seems to be afforded a mutual office in securing policyholder benefits.

Ian Solomon, MD of Sage Life, says it is not necessarily a precedent, similar principles having been involved in the Liberty Life-Sun Life and the more recent Southern Life-Anglo Life mergers. He adds: "Policyholders are entitled to monetary benefits as per their policy contracts, as opposed to owning the underlying assets."

In supporting the proposed scheme for amalgamation and transfer, Dawid Malan, the registrar's independent consulting actuary, accepted the principles under which National Mutual (Australia) is to be given 100 special class A participating preference shares in Sage Life. Dividends will be declared out of the surplus arising from National Mutual "other policies" — business other than with-profits policies.

S3 quat of the Insurance Act 1943, among several provisions, says that no owners of policies other than those forming part of the business in SA may have any claim to the relevant assets; and that a foreign insurer may not transfer any assets unless certain provisions are met.

Malan felt, however, the section envisaged

Sage Life's Solomon ... securing mutual interests

that surpluses — after running the business off the books — may be transferred in due course to other business carried on by National Mutual (Australia).

Solomon adds that the life office, having been here some 90 years, deserves some return on its period of management in which considerable skills were imported. As for the papers covering the amalgamation and transfer, he says: "Only five people out of the 50 000 or so National Mutual policyholders came in to inspect the relevant documents.

"These had been on hand at the offices of both companies in Johannesburg, Durban and Cape Town and at bankers in Windhoek." He adds that the period of inspection was determined by the legal process, given that the court hearing was set for January 27.

One policyholder, apparently typical, seems more disgruntled about the confusion than about any prejudice the deal might entail. "The documents weren't posted to policyholders, while the inspection period was over the holiday season. I wonder how many policyholders lived too far away to make the trip? The policyholder may have a right to be heard at the courts, but what chance had he against the heavyweights?"

He also finds it puzzling that the transfer of assets from National Mutual is backdated to September 1985.

Whether he has a valid grievance or not, the fact is there was no objection to the amalgamation and transfer. It is clear how little policyholders understand the complexities of the life assurance business, and actually have little say in the running of a mutual office in spite of the fact that it belongs to them.

If nothing else, this should fuel the age-old argument about the relative benefits of a mutual office compared to a shareholding company.

The National Mutual business is to be split into "with-profits" business and "other" business.

The assets of with-profits policies are to be locked into a separate fund to which all future investment returns will be credited. Relevant new business costs not yet amortised will *no longer* have to be paid, while all benefits will be distributed to those policyholders. This should provide additional bonuses of about 25% a year over the first two years and 30% or more subsequently.

Malan is "satisfied that reasonable benefit expectations" of these policyholders will be improved to the extent stated.

As for "other" business, Malan says "ample cover will exist in Sage Life for all contractual obligations." It is understood there will be "specified minimum bonus scales for 10 years" subject to a reduction if future experience of Sage Life becomes unfavourable "in specified ways." Malan considers the minimum bonus scales in the arrangement "fair and reasonable."

At September 1985 the insurance fund of National Mutual was R253,8m, and that of Sage Life R312,5m. For the year ended December 31 1986 the valuations will be updated, says Solomon, to bring all assets to a common year end. He says that policyholders' funds for National Mutual will be "in the order of R300m" at that date, suggesting an asset value for the merged operation of about R770m. ■

CAPE TIMES 14/2/87 58

Will you be able to afford her university education? Plan now for the future.

Record heights for Old Mutual unit trust last year

INVESTORS in the Old Mutual Unit Trust have received returns of more than two-and-a-half times the inflation rate over the past 12 months.

The repurchase price of units reached a record 1140,52 cents on December 2, 1986 and closed at 1129,50 cents on December 31, 1986. The closing price represents an increase of 52,4% over the price a year ago. Adding back distributions raises this performance to 57,8%.

Unit trust portfolio manager, Jack Mitchell, says that with short-term interest rates less than half the inflation rate, a "hot house" effect is being created in financial markets. "Earnings and dividend yields available on the JSE are lower than they have been since 1974 and before that in 1969."

Commenting on the outlook for investors in the new year, he says it is untenable for interest rates to be far out of line with the inflation rate for too long. "Inflation is likely to be subdued by a relatively high cost for money, but aggravated by 'cheap' money which is happening at present. There is more room for interest rates to move upwards towards 1988 than for the inflation rate to fall — if this is the case, share prices could come under pressure."

"Investors must be aware of the erosive effect of inflation on savings. An outcome of the present South African political enigma could well be even higher inflation than we have experienced in the past," said Mr Mitchell.

"Should this happen our currency will continue to be under pressure and shares with a foreign exchange earning capability will prove well worth holding."

"It must be remembered that equities provide a unique form of capital protection under certain circumstances and each saving pattern should therefore strive to contain an element of equity exposure," he added.

The high returns to investors have attracted an increased amount of new investments. Sales increased by 17% in the quarter to December 31 with repurchases remaining relatively constant over the same time.

Evidence of this expanded cash flow is the net investment in equities during the past quarter of over R50 million. The most notable investments during this period were Safren, Barclays, Anglovaal Industries, Amcoal, Palamin, Driefontein and Southern Sun.

"With the more optimistic outlook for world energy prices, the Trust reversed its stance on energy related shares, while Safren was seen to be a beneficiary in time from its off-shore interests.

"Old Mutual's investment in Barclays was a direct result of the disinvestment of the UK parent company and seen as a good opportunity given the share price and our low exposure to the banking sector. We increased our holding in Anglovaal Industries by taking up the rights issue, purchasing 447 110 additional shares," explained Mr Mitchell.

SA Breweries, Deelkraal, Randfontein and Barlow Rand were the most significant shares sold.

Stanbic breaks through R200m

58 B/Day 11/2/87

HAROLD FRIDJHON

STANBIC (Standard Bank Investment Corporation) broke through the R200m barrier to earn a net R214,5m for the year to December 1986, an increase of 13% on the previous year's R189,9m.

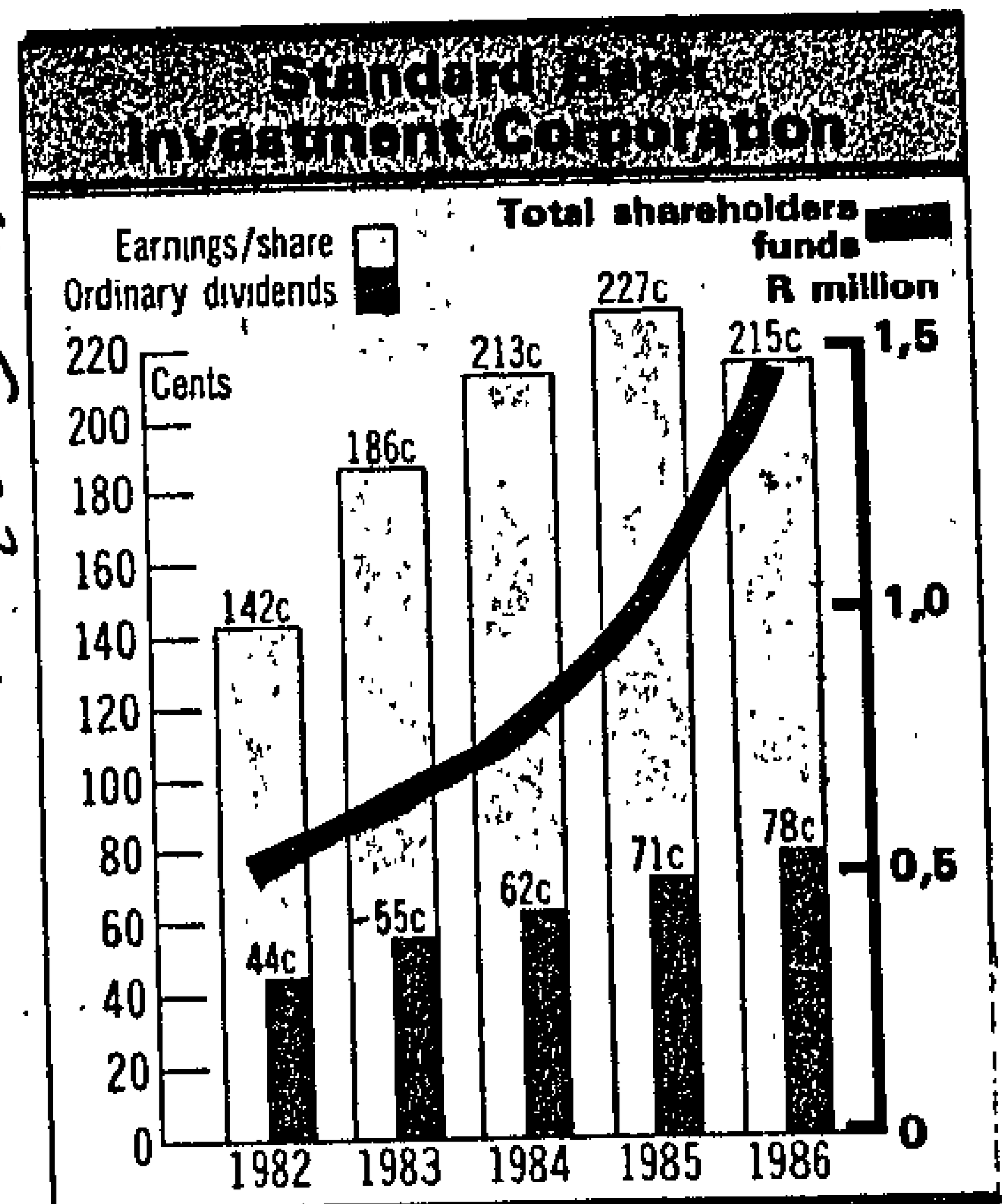
The income attributable to ordinary and preferred ordinary shares was R209m (R183,6m), equivalent to a fully diluted earnings of 215c (227c) a share, from which dividends totalling 78c (71c) a share are being paid on the ordinaries and 108c a share on the preferreds.

Cover, however, has been reduced from 3,1 times to 2,5 times and yesterday MD Conrad Srauss was at pains to emphasise the reduction in cover was not a switch in policy but a result of an 18,7% increase in the average number of shares in issue.

These shares were used to pay for the balance of Unisec Group and Hesperus Holdings which became wholly-owned subsidiaries. The inclusion of the earnings of these two companies made a big difference to the Stanbic results and confirmed the wisdom of broadening the Stanbic portfolio beyond banking.

With the exception of the Standard Merchant Bank (SMB), the group's banking subsidiaries did not match up to their

● To Page 2



Source: STANDARD BANK Graphic: FIONA KRISCH

Stanbic breaks R200m barrier

● From Page 1

11/2/87 58 B/Day

performances of the previous year. Standard Bank's contribution to Stanbic's profit dropped from R128,4m to R112,9m, Stannic's from R16,5m to R12,8m, and Stanswa from R2,6m to R1,5m. SMB's contribution rose to R16,9m from R13,9m.

The inclusion of Unisec and Herperus added R27,7m to net earnings and "other subsidiaries and investments" another R20m.

Strauss said banking profits declined because of the reduction in interest rates and the lag effect of higher priced assets, the slowdown in earnings from foreign exchange dealing, particularly as global forex trading was restricted after the debt standstill and bad debts — which he hoped would start to decline when the economy turned up. Profits were hit by an increase of R25,5m in bad debt provisions of R187,6m for the year, taking total provisions from R311,7m to R397,7m.

Strauss said the bad debt provisions, however, had a slight benefit. They would contribute to capital requirements in terms of the new Banks Act. All the banks in the group were now adequately capitalised and could meet the legislation's full requirements without any phasing-in period. Total shareholders funds stood at R1,444bn, nearly double the 1984 figure.

Because of the increase, the return on shareholders' funds dropped from 17,6% in 1985 to 14,9% and the return on average assets, too, was lower at 1,08 against the previous year's 1,09.

The slack conditions in banking are reflected in the relative small growth in advances, from R16bn to R17bn, well below the inflation rates. Deposits, too, rose by only R1bn to R18,9bn.

SWT 15/2/87

(33) (58)

R1m trust to help black business

COLGATE-Palmolive has established a R1-million business development trust to help black enterprise.

Managing director Gerry Nocker says the trust will provide finance, premises, equipment, raw material and expertise.

Mr Nocker says: "It is vital that we look towards a more equitable redistribution of wealth in this country.

"By transferring technology and opportunity to the black business community we can play a major role in the future development of South Africa.

"The trust will support manufacturing and service sector industries on the East Rand. We aim to give impetus to the creation of jobs.

"The board of trustees comprises eight people, three of whom are Colgate executives.

"The other five are persons selected either because of their record as successful East Rand black businessmen or because of their professional involvement in the development of small businesses."

Not the end of THAT ad

15/2/87

58

C I Neo

By DAN DHLAMINI

POLICE are investigating possible charges against newspapers that carried an advertisement commemorating the African National Congress' 75th anniversary.

According to Johannesburg police spokesman Colonel J Malherbe, police were investigating charges against the newspapers that carried the pro-ANC adverts. He said a docket had been sent to the Attorney-General's office.

He declined to say what the possible charges were and how far the investigations had proceeded. He also declined to say whether police were investigating any charge against lawyer Chris Naidoo.

Last week, Naidoo said he had learnt that police were contemplating charging him and that a docket had been compiled and handed to the Attorney-General's office.

Naidoo said this week if the police were unsuccessful with any possible action, he would consider an action of malicious prosecution against the State.

Barclays set to narrow gap in Standard chase

Business Times Reporter

BARCLAYS could be catching Standard in the race for top bank status in SA.

Market leader Standard Bank Investment Corporation (SBIC) this week announced a disappointing 3% earnings a share fall in the year to December.

Barclays is expected to announce a jump in earnings when it reports for the six months to March. But it will be too late to be first to a taxed profit of R200-million, achieved this week by SBIC with R209-million.

Barclays earned R107,3-million in the nine months to last September — an annualised R126-million — so has some leeway to make up.

Nedbank was for years the JSE's top-rated bank, but it is no longer in contention. Barclays fell behind Standard two years ago because of losses on its mortgage and gilts books.

Now that its mortgages and gilts books are profitable again, Wesbank is making a fortune on falling interest rates and Barclays has caught up in computerisation, profits are expected to bound ahead.

But Standard has a trump card — a bigger capital base and the ability to write more business when credit demand revives. At present Standard is underlent.

Stagnant

In spite of earnings stagnation, SBIC raised its dividend by 10% to 78c.

The 18,7% increase in the number of prefs and ordinary shares in issue — mainly for buying out the minorities in subsidiaries Hesperus and Unisec — diluted earnings a share to 215c (227c) and dividend cover fell from 3,1 to 2,5 times earnings.

A telling number in the bank's accounts is the increase in specific and general provisions for bad and doubtful debts from last year's R162-million to R188-million.

While conceding that SBIC is "prudent" in anticipating defaulters, general manager Andrew Fleming says provisions are not excessive relative to actual losses.

SBIC's opening bad debts provision in 1986 stood at R312-million, of which it recovered about a third during the year. With the additional R188-million provided for 1987 the accumulated provision stands at R398-million. An economic recovery should boost recoveries.

Farming

Provisions against potential farming defaulters account for roughly 12% of bad-debt provisions, in line with that sector's portion of the bank's total lending book. But actual losses in agriculture, says Mr Fleming, rocketed by 40% compared with a year ago. The picture this year may not be any brighter.

Stannic's share of this year's R188-million provision is about R63-million. Managing director Gutch Vickers says 70% of its bad debts related to leasing and hire-purchase contracts negotiated two or more years ago.

Instalment credit defaulters usually emerge only after the contract has been running for about 15 months. But Stannic's arrears relative to its total book have dropped significantly — suggesting a successful clean-out operation.

Another mirror of poor economic confidence levels is SBIC's drop in overdraft lending — from R11-billion in 1985 to R10,9-million in 1986.

Although switching by clients into other forms of credit and the grey market partly accounted for this feature, the inflation-discounted drop of close to 20% is testimony to the economy's overall weakness.

SBIC is long on capital after its rights issue. It should have no difficulty in maintaining earnings and should soon return to its target dividend cover of three times.

NBS could come on at over R3

By David Southey

QUALIFIERS for Natal Building Society shares have until March 8 to take up their allotment in NBS Holdings at the price of R2 a share.

The company will be listed on the Johannesburg Stock Exchange on April 8.

An estimated R115-million worth of shares will be taken up in the offer to NBS investors and another R5-million in the tender.

Dividend

NBS forecasts a dividend for the year to March 1988 of not less than 17c — making for an 8,5% yield on the subscription price and 5,67% on the tender underwriting price of R3. The issue will be underwritten by Barclays National Merchant Bank and Norwich Union.

On its current price of about R5 a share, UBS is on a dividend yield of 4,4%.

Based on results to November 1986 and estimates to March this year, taxed profit for the year is forecast at R20,4-million. This equates to earnings a share of 34,05c and an earnings yield of 17,02%. The UBS price:earnings ratio is 9,9 times.

A PE ratio of nine times, say, suggests that the UBS share could sneak on the boards at little more than R3.

Estimated net asset value of NBS Holdings at November 30 was R234,9-million, or 392c a share. This calculation excludes the estimated surplus market value of fixed property of R36-million.

Under their new competitive status, banks and building societies are likely to experience considerably greater volatility in their margins than was the case in the past. As NBS managing director John Bennett concedes, profitability will to an increasing extent depend on lending volumes.

The market is beset with high liquidity and sluggish demand — which is why societies have been forced to chase mortgage rates down in an attempt to hold market share through in new lending. By offering a rate of 13,5% to both new and existing borrowers, the NBS has clung tenaciously to market share.

Like the UBS, NBS has also applied for a banking licence which it expects to be granted soon.

The NBS drive into banking territory, coupled with Barclays Bank's more aggressive grab in home lending, threatens to disturb the cosy relationship between the two.

Although UBS managing director Piet Badenhorst's abrasive personal style is no doubt a factor in the war between the society and Standard Bank, the new dispensation is not designed to encourage friendly cohabitation between banks and building societies.

principle of ministerial responsibility. — Sapa-AP.

17/2/87

Govt watching debt conversion

B/Day

THE Reserve Bank is keeping a close watch on the conversion into medium-term loans of foreign debts falling within the debt standstill net.

In terms of the interim debt agreement — negotiated between SA and its international creditors last year — foreign banks are able to convert loans caught within the net to medium-term loans, which then fall outside the net. Any change to this clause would require the endorsement of SA's international creditors.

A circular sent out this month by the Reserve Bank to banks and dealers said where approval for these conversions had not been obtained from the exchange

LINDA ENSOR

control authorities, the deals would be null and void and the debt would still fall inside the standstill net.

Banks have been asked to submit details of all conversions to the Reserve Bank by February 28 — in time for the

To Page 2

Reserve Bank watching debt conversions

17/2/87 B/Day

From Page 1

next round of negotiations with creditor banks.

Until now Reserve Bank approval for conversions had been readily obtainable, a banking source said.

Reserve Bank Deputy Governor Jan Lombard said the bank had the right to manage the maturities of loans to prevent a bunching of maturity dates.

"It is important for us to monitor the amount converted in order to manage our cash flow maturities," he said.

While he would not disclose the total amount converted into loans, Lomba said it was "not a significant figure relation to the total debt". He added t it might, however, grow as foreign bar considered their position.

Bankers pointed out the conversion tion became increasingly attractive w each postponement of the repayment the roughly $14bn debt caught inside t net.

of 1381 links the theme of endemic peasan... with the gradual development of free tenures, and the growth of a social structure differentiated between capitalist and wage-laborer. One of Hilton's most interesting contributions to an understanding of how these phenomena link together centers on the relationship between peasant "class consciousness" and the development of capitalist individualism. Thus "the concept of the freeman, owing no obligation, not even deference," is seen by Hilton was "one of the most important if intangible legacies of medieval peasants to the modern world".[61] This argument is particularly controversial insofar as it challenges the widespread association of individualistic concepts of freedom with the emergent, essentially urban, bourgeoisie. Recent research in agrarian history has nonetheless emphasized the importance of small "free" peasant proprietors to the formation of a dynamic agrarian capitalist class in the centuries after the abolition of serfdom.[62] Such findings also appear to contrast significantly with the assumption that agrarian capitalism derived essentially from large-scale estates, especially those bought up by urban mercantile interests.

Two important articles by the American historian Robert Brenner mark the most recent consolidation and extension of the Dobb-Hilton focus. Brenner attempts nothing less than a critical synthesis of all existing marxist theories of transition, embracing the conceptual and empirical basis on which they rest. Like Dobb and Hilton before him, he rejects both the characterization of capitalism in terms of a trade-based division of labor and the Sweezy-Wallerstein emphasis on urban merchant capital as the dynamic for capitalist expansion. Brenner goes much further than Dobb and Hilton, however, in emphasizing the decisive importance of class relations and class struggle to social development. Thus "different class structures," specifically "property relations" or "surplus extraction relations," once established are seen as tending "to impose rather strict limits and possibilities . . . on a society's economic development . . . [or again] . . . class structures tend to be highly resilient in relation to the impact of economic forces . . . . [Further] . . . It is in the outcome of class conflicts – the reaffirmation of the old property relations or their destruction and the consequent establishment of a new structure – that is to be found perhaps the key to . . . . the transition from feudalism to capitalism."[63] Brenner develops such themes through two important exercises in comparative historical analysis. The first centers on the differential social development of "advanced" Western and "backward" East Europe, after about 1450. The second involves differential development within the West, essentially between "capitalist" England and "peasant" France. Both these comparisons are explained in terms of differential outcomes of class struggle (see Figure 2).

	11th–14th Centuries	... Centuries	18th Century
General economic conditions	Population expansion Trade upswing	...n expansion. ...wing	Differential capitalist developments
W. Europe	Western feudalism —	...D. Peasants fail ...grarian social ...iation and the ...ient of wage-... ...ate support for ...ners against	Dynamic agrarian capitalism: viable basis of food supply, labor supply, and internal market for urban-industrial capitalism
		...E. Peasants succeed ...blishing heritable ...l control of land, ...otection of ...ry as source of ...revenue	Small agrarian proprietorship: continuing subsistence problems, retarded wage-labor, and internal-market development
		serfdom ——→	"Backwardness"
E. Europe	Eastern "Germanic" ...peasantry		
	...F.	...pean social change.	

Barclays talks to the ANC

LUSAKA — Barclays International had talks in Lusaka yesterday with the ANC.

ANC information director Thabo Mbeki addressed a Press conference after the meeting.

The talks were the first since Barclays sold its 40,2% stake in Barclays National of SA.

Other ANC officials present were national executive committee members James Stuart and Mac Mahoraj. ANC spokesman Tom Sebina said earlier Barclays had asked for the meeting.

The ANC was not fully satisfied with the bank's withdrawal from SA because it still held substantial amounts of money in SA, he said.

Diplomatic sources said Barclays was seeking to protect the £766m it had lent in SA and was looking to its future interests in the event of white rule coming to an end.

A Barclays representative arrived in Lusaka on Sunday and leaves for London tomorrow.

The Barclays office in the Zambian capital declined to comment on the talks. — Sapa-Reuter.

principle of ministerial responsibility. — Sapa-AP.

17/2/87

Govt watching debt conversion

(58)

B/Day

LINDA ENSOR

THE Reserve Bank is keeping a close watch on the conversion into medium-term loans of foreign debts falling within the debt standstill net.

In terms of the interim debt agreement — negotiated between SA and its international creditors last year — foreign banks are able to convert loans caught within the net to medium-term loans, which then fall outside the net. Any change to this clause would require the endorsement of SA's international creditors.

A circular sent out this month by the Reserve Bank to banks and dealers said where approval for these conversions had not been obtained from the exchange control authorities, the deals would be null and void and the debt would still fall inside the standstill net.

Banks have been asked to submit details of all conversions to the Reserve Bank by February 28 — in time for the

To Page 2

Reserve Bank watching debt conversions

17/2/87

B/Day

(58)

From Page 1

next round of negotiations with creditor banks.

Until now Reserve Bank approval for conversions had been readily obtainable, a banking source said.

Reserve Bank Deputy Governor Jan Lombard said the bank had the right to manage the maturities of loans to prevent a bunching of maturity dates.

"It is important for us to monitor the amount converted in order to manage our cash flow maturities," he said.

While he would not disclose the total amount converted into loans, Lombard said it was "not a significant figure in relation to the total debt". He added that it might, however, grow as foreign banks considered their position.

Bankers pointed out the conversion option became increasingly attractive with each postponement of the repayment of the roughly $14bn debt caught inside the net.

CAPE TIMES 17/2/87

Barclays International in talks with ANC

LUSAKA. — Barclays International, the British bank which pulled out of South Africa last year, had talks in the Zambian capital yesterday with the African National Congress (ANC).

Mr Thabo Mbeki, the ANC's information director, addressed a press conference after the meeting but may not be quoted in South Africa.

The talks were the first since Barclays sold its 40,2% stake in Barclays National (SA), citing commercial reasons rather than political pressure.

Other ANC officials present were national executive committee members Mr James Stuart and Mr Mac Mahoraj.

ANC spokesman Mr Tom Sebina said earlier that Barclays had asked for the meeting. The ANC was not fully satisfied with the bank's move as it still held substantial amounts of money in the white-ruled republic, he added.

Diplomatic sources said Barclays was seeking to protect some £766 million (R2,320 billion) it has lent in SA and was looking to its future interests in the event white minority rule comes to an end.

The Barclays office in Lusaka declined to comment on the talks. — Sapa-Reuter

17/2/87 B/DAY

Nedbank student loans

NEDBANK student loans have a limit of R4 000 per year for full-time university students in residence or providing their own accommodation. Full-time university students not paying for accommodation may receive up to R2 500 per year.

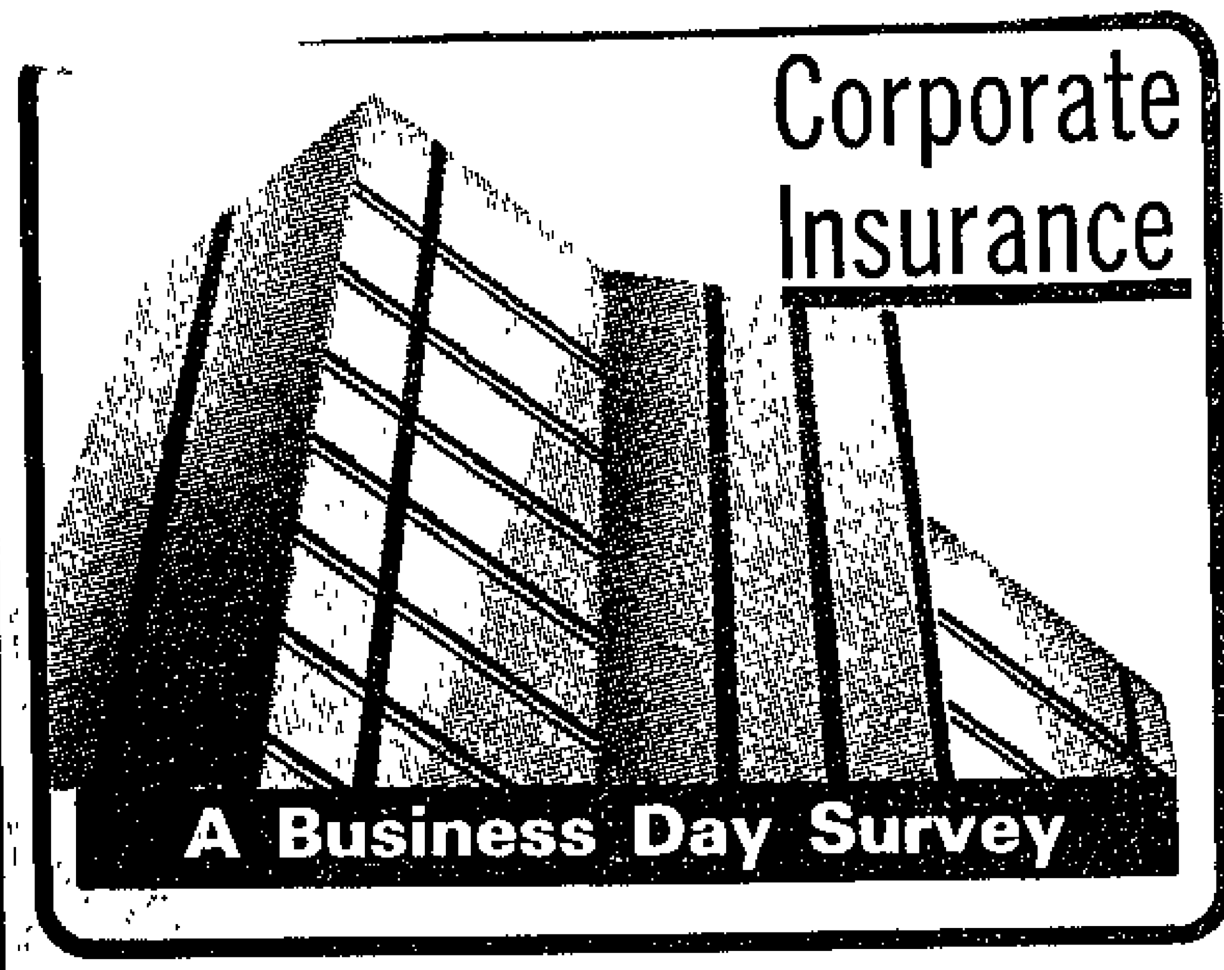
Full-time students of other institutions — such as technikons — may receive up to R2 500 per year. Part-time "working" students may get up to R1 500 per year, but in this case the amount is not transferable to the following year.

Loans in excess of these amounts will be granted only "in exceptional circumstances". And students who are already receiving financial assistance for studies will not qualify for a Nedbank student loan.

Interest is calculated daily on the amount of the loan outstanding and debited to the account monthly.

The rate is "lower than normal overdraft rates," but can fluctuate. The current rate will be furnished to prospective applicants on enquiry.

Nedbank states that student loans "are drawn from a limited annual fund". Loans are granted "within the limitations of the funds available and at the discretion of Nedbank".



Edited by MELANIE SERGEANT

20/2/87 BDay 58

Confidence as rising premiums help short-term insurers recover

ANDREW GILLINGHAM

SA'S short-term insurers have turned the corner and are now looking at a brighter future, says SA Insurance Association chairman and IGI excutive chairman Mike Lewis.

One reason Lewis cites is rising premiums, which are finally coming into line with the market. Premiums have suddenly risen, but Lewis says this is due to accumulated pressure over 12 years. During this time, insurance companies' profits have been dwindling steadily, with customers having an "insurance holiday". The message from the industry is clear: now is the time to pay for that holiday.

Turning point

"We are at the turning point and are now returning our industry to profitability. However, one thing we do not need is another insurance company such as AA Mutual Insurance. If it had gone under sooner, the premium rises facing commerce now would not be as high as they are. It must be remembered that SA is not an isolated market and what we are experiencing happened in the UK and US some time ago.

"The international re-insurers did regard SA as a profitable market. Instead SA turned out to be one of the worst.

"If SA was isolated by international re-insurers, the local market could support the personal insurance business. Corporate insurance is another matter. Cover would be difficult to obtain, with insurers being even more selective about the risks they were prepared to carry as the market's demand for services would far outweigh the industry's ability to support," says Lewis.

"WE are at the turning point and are now returning our industry to profitability," says IGI executive chairman MIKE LEWIS. He adds that the message from the industry is clear: now is the time to pay for that holiday.

Business previously carried by AA Mutual Insurance has been absorbed by the local industry and helped move it into a healthier position. Indeed, for the first time in some years, some insurers are now actively seeking new business, and this reflects their new-found confidence, says Lewis.

This confidence does not mean insurers are complacent. Administration costs and efficiency are undergoing continual re-evaluation. Depending on the company concerned, administration costs of commercial policies are running at between 10% and 15% of the premium.

Personal insurance, such as that for homes and cars, is the most expensive to administer, with costs running at between 30% and 35% of premium revenue.

Group short-term insurance schemes have "gone out of the window" says Lewis, much to the relief of the industry. The schemes were on offer to almost any group or association, enabling members to ensure policies at reduced rates.

The theory behind this system was to cut administration costs. In practice Lewis says these schemes were even more expensive to administer than individual policies.

In the area of corporate accounts there is still room for rating improvement and companies can expect rates to rise even further.

Commercial Union GM short-term John Kinvig says: "Upward rating correction is needed on numerous corporate accounts, many corporate risks are still underrated, with re-insurers losing on some treaties. However, there are signs that the re-insurers' results may be improving. If this proves to be correct, insurers will expect re-insurers to be more lenient in future treaty negotiations".

Realistic rates

Agreeing with the need to have realistic rates for corporate account business, SA Eagle chairman and MD Fred Haslett adds that the re-insurers are going to want to recoup losses sustained over the last few years. He also notes that emphasis has shifted from large corporate losses to the battered personal lines business. "Unless we can get to grips with the scale of theft, burglaries and stolen cars, it is questionable whether the man-in-the-street will be able to afford insurance. However, I believe the police are starting to make progress and I think the insurance industry should improve over the next year," he concludes.

remains bleak.

On the other hand, improved labour relations, government's more serious attempts at deregulation and privatisation, and a favourable agricultural season may help the economy reach 3% growth this year. ■

FM 20/2/87

BANKING PROFITS

(58)

Measuring up

Strategy and corporate structuring can play significant roles in any company's profit picture; banking is no exception. A "strategic business decision" by Standard Bank Investment Corporation (SBIC) reduced its overall tax rate well below that of major rival Barclays, while careful corporate structuring minimised reserve requirements.

The 26% tax rate SBIC reported last week contributed significantly to its record 1986 profit of R214m. Had the tax rate been 46%, like main competitor Barclays', it would have cost SBIC another R53m.

One important difference in tax rates is an 8,1% upward adjustment in Barclays' tax rate, described only as "other permanent differences."

Another is the extent of dividend income, which is non-taxable in company hands. In SBIC's case this constituted a tax relief of 17% — as against Barclays' 9,1% for the nine months. A component of this, according to SBIC senior GM Andrew Fleming, was income from preference shares. Much of the tax relief is a spin-off from an Appellate Division judgment in August 1985, in favour of SBIC, which allowed the deduction of interest paid to depositors on funds invested by the bank in preference shares of corporate customers (an avenue of tax relief now open to all banks).

Another benefit was the extent of dividend income from Liblife, Unisec and Hesperus, which comes in after tax. This also cost nothing in terms of the capital coefficient requirement — the ratio of reserves and capital to assets.

Because the companies belong to holding company SBIC, they do not attract the 100% coefficent required for that category of asset. Had they appeared in the balance sheet of a banking subsidiary, its reserves would have had to be increased by a similar amount.

Barclays, with a different corporate structure, would not be able to escape the capital coefficient so is at a disadvantage in making investments.

In spite of the handicap, Barclays has reported impressive growth over nine months (see table.) Though still behind SBIC in terms of profit, total reserves, capital and total assets, it appears to be closing the gap. Its increase (off a much lower base) in annualised profit for 1986 is nearly 30%, compared to SBIC's 18,2% which is virtually neutralised by a 1986 18,6% inflation rate.

The difference in performance may, in fact, be even bigger. SBIC's summary of results shows that 57% of income was earned in the second half-year. So possibly one of the two most profitable quarters is missing from Barclays' results, distorting annualised figures downwards.

Both groups, of course, performed admirably over a very bad period. They had to contend with low demand for money which depressed business, bad debt write-offs of about R100m each, and margins squeezed between lower lending rates and the floor placed under deposit rates by a competitive market.

It is interesting that SBIC reports margins down and volumes up, while Barclays on the other hand experienced static volumes and increased margins.

Standard's Fleming ... margins are reduced

The health of margins depends on the mix of deposits and the composition of loan portfolios. Barclays, in spite of loud complaints about margins over the past two months, obviously scored in 1986. Margins were somewhat up on 1985, according to GM Eddie Cade. Volumes, on the other hand, were static.

Barclays gained from falling interest rates, which increased the value of formerly prescribed fixed-rate public-sector stocks. And, surprisingly, benefits also flowed from the home loans book which at that stage was dwindling.

Should economic recovery be extended and demand for money increase, the coming year should be challenging for the two major banks. SBIC's big advantage is its large capital base — having already achieved the capital required in terms of the Banks Act, it is free to expand assets. Barclays, which may have to take advantage of the phasing-in period allowed by the authorities, will have to be more careful about asset growth.

Whatever the year holds, the banks are bound to have new competitors for profits and market share as building societies move in. ■

BALANCING THE BANKS

Rm — **1986 results**

	Barclays To September	Barclays Annualised	SBIC December 1986
Income before bad debts	*323,7*	*431,6*	*454,9*
% increase over previous year		27,0	10,0
Provision for bad debt	143,0	190,7	187,6
% increase over previous year		20,4	15,7
Profit before tax	*180,7*	*240,9*	*267,3*
% increase over previous year		32,9	6,9
Tax	83,2	110,9	69,8
Tax rate		46,0	26,0
Profit after tax	*97,5*	*130,0*	*197,5*
% increase over last year		37,4	14,0
Share of income from associates	9,8	13,0	17,0
% increase on last year		−23,5	1,2
Profit with income from associates	*107,3*	*143,0*	*214,5*
% increase on previous year		28,1	13,0
Extraordinary item	15,0		
Profit after extraordinary item	*92,3*	*128,0*	*214,5*
% increase over previous year		29,8	18,2
Dividends paid	58,5	78,0	88,5
Profit retained	*33,8*	*50,0*	*126,0*
% increase over last year		32,6	8,9
Capital and reserves	905,4	921,6	1 444,2
Total assets	1 9476,1		2 0698,0

*includes R16,2 m from retained profits

TAX AUDITS

Automatic check

With high inflation, more and more taxpayers are falling foul of the R1 000 rule, under which an automatic audit is carried out for taxpayers assessed for tax refunds of over R1 000 in any financial year, so that they have to wait for tax refunds.

The figure has been unchanged for about four years, when it was doubled from R500. The rule applies to three main categories of taxpayers: PAYE, provisional, and companies.

The meaning of "audit" here is simply that the assessment of the original assessor has to be checked. Taxpayers who think they will be refunded without audit if they do not query the repayment are mistaken.

That may mean clarification in 10 minutes.

However, it may also mean that pages and pages of questionnaires must be answered. Either way, Revenue's making some gain by holding back.

There's a strong case for raising, if not doubling, the R1 000 automatic audit level, to offset the past four years' inflation. In the meantime, taxpayers expecting a large refund should query their Revenue offices as soon as returns are filed ■

INFLATION

Growth hitch

Though most economists expect a pick-up in consumption expenditure to quicken sluggish economic recovery, there are a number of bugs in the system.

One is that those sectors that tend to be first to attract increases in consumer spending have also been the hardest hit by inflation.

Increased spending initially goes into four areas: motor vehicles; home improvements; travel, and white and brown goods. Yet inflation in two of these areas — motor vehicles and white and brown goods — has greatly exceeded the overall rate. New car prices increased by 31% last year, while the cost of white and brown goods rose by 25% and 35% respectively.

To produce real growth in these sectors, expenditure will have to increase by a greater percentage than the relevant inflation rates. This implies an increase in expenditure in excess of 30%. Obviously, consumer spending directed into these high cost areas will reduce the potential income available to finance demand in other sectors.

A further restraint, according to Ulrick Joubert, senior economist at Trust Bank, is that expansion can only be provided by the household sector. In his view, "Government and the private corporate sector will not be able to stimulate demand sufficiently in the short term."

Volkskas's Engelbrecht . . . producers could act quickly

On the positive side there is considerable pent-up demand. Overall HP debt has also fallen considerably. Unit costs should also fall in the face of higher demand.

At Engelbrecht, chief economist at Volkskas, points out. "Producers operating at less than full capacity can quickly react to signs of higher demand, thereby increasing output at minimum cost."

Negating these factors, however, is anticipation of a rise in interest rates from mid-year ■

LIFE ASSURANCE

An Act for consumers

20/2/87 FM

Although the life assurance industry was expecting little change from the redrafting of the Long Term Insurance Bill, it has, perhaps surprisingly, given them much to think about. There are several new concepts, a tightening up of some of the existing provisions of the Act, and a particular emphasis on "consumerism."

Theo Hartwig

The Life Offices' Association (LOA) has already asked for an extension to the original deadline of mid-March, by which time all comments and recommendations had to be filed with the Financial Institutions Office (FIO). Copies of the draft have been sent to all life assurers, relevant associations, organisations in trade and industry and the life industry ombudsman.

Says Nols Botha, the legal draftsman and Assistant Registrar of long-term insurance. "A lot of people had the wrong impression from the press that the FIO was at loggerheads with the industry. This is simply not so. We sent the draft out to get the ball rolling so we could finalise the Act later. We are doing the whole thing in a spirit of co-operation."

Would it not have been better to circulate an accompanying explanatory paper — rather than simply a Bill, couched as it is in complex legalese? That would have provoked a wider range of response than is likely at present. Opinion differs.

Says executive director of the LOA, Dick Geary-Cooke: "It's clear there will be a number of changes before it reaches parliament, including the date of implementation. At the very earliest, the Bill cannot become law until 1989.

"We haven't even seen the regulations," he says, "and these, of course, will have a bearing on how we view clauses in the draft Bill. For example, valuations of assets and liabilities are being shifted out of the Act and into the regulations, which makes it imperative the industry has sight of them."

And there are other reasons why the process of discussion may be delayed. For one thing, there's the commission of enquiry under Judge Melamet into the winding up of the short-term insurance business of AA Mutual Insurance; and, for another, the Short Term Insurance Bill has still to be finalised.

Then again, Nols Botha is joining the bar at the end of the month.

Geary-Cooke believes part of the brief of the Melamet enquiry is to look at the legislation to see if it is defective in any way and to follow up with any recommendations. "He'll get his investigation under way this April and it could take six months or more to report. So I don't think the FIO should spend too much time drafting a new Short Term Insurance Bill until he has reported."

However, there are a number of clauses that will be common to both the Life Insurance Act and the Short Term Insurance Act — reason enough why the authorities are anxious to receive all invited comments on the draft Life Insurance Bill as soon as possible.

Future discussions on the matter could also be hamstrung by the changes in staff. Apart from the departure of Botha, others involved in preparing the first draft were former Registrar Robert Burton — since moved to the Treasury Secretary's post; former State Actuary Willem Swanepoel — now MD of Atlantic & Continental Assurance; and Willem Heckroodt — now Assistant Registrar of short-term insurance, so he is no longer involved with the long-term side.

Geary-Cooke says: "The people receiving comments will have had nothing to do with the drafting of the Bill. They won't be there to explain what was intended."

Probably the most significant aspect of the draft Long Term Insurance Bill is its emphasis on "consumerism." References to the issue are peppered throughout the 70-page Bill. For example:

☐ Policy-holders are to have a 30-day cooling-off period during which they may terminate a policy in writing for a full refund;

☐ Any waiver of any right under the Act will be invalid;

☐ There are discretionary powers given to the Registrar regarding various forms of advertising considered not to be in the public interest;

☐ The principle of "good faith" is now entrenched in law; and

☐ Insurers can no longer exempt themselves from liability arising from the actions of their agents.

Says Theo Hartwig, chief actuary of Old Mutual: "Yes, there is a strong element of consumerism in the draft Bill." He identifies other important aspects as well. "The powers of the Registrar are strengthened considerably, and I think some of the discretionary powers are quite sweeping."

For example, Section 55 (1) says: *An insurer shall not without the consent of the Registrar, on conditions determined by him* — and it then goes on to list well over a dozen points that effectively control what the draft terms "undesirable practices."

Says Hartwig: "We have not discussed things in depth sufficiently yet to decide what to object to and what not to object to.

"The consumers are protected more against possible abuse by assurers. This is not unreasonable. But on the other hand the Registrar has wider authority, which in theory he could abuse too."

It's one problem Geary-Cooke has also pin-pointed: "The proposed provisions give more discretion to the Registrar through the process of issuing regulations from time to time, yet this means less certainty in legislation. Instead, people want to know much more precisely what they can and can't do."

Undesirable practices are also mentioned under Section 72. And it may be appropriate to combine this with Section 55. Among various injunctions, an insurer must not accept liability under any life policy until he has received a month's premium, and must not lapse a policy (presumably under certain conditions although these are not outlined). Conditional selling is also covered in this section.

There is also a prohibition on nominee status for a life assurer; it "shall not acquire a share . . . at a price above the reasonable market value . . ." Insurers generally find this an unsatisfactory portion of the Act.

A third important aspect of the draft Bill is that it increases considerably the powers of auditors and actuaries, and tightens up certain accounting practices.

For example, it is an offence to hinder an auditor or actuary from carrying out his obligations under the Act (Section 77). In other words, in certain areas, the powers of these professionals exceeds even the managing director's or those of his board. And where the appointment of an auditor or actuary is terminated, he is to give a report to the Registrar (Section 29).

Insurers will have to furnish the Registrar with the prescribed accounting information within three months of the financial year-end (six months previously). Insurers must hold assets equal to liabilities in the appropriate local currency (Section 48).

Hartwig says this is significant since it "introduces a degree of regulation that is applicable to foreign countries. And I query if South African law should be able to dictate what an assurer, for example, does in Zimbabwe."

There is some duplication of clauses in this section which also determine the levels of prescribed assets — unchanged at 53% of liabilities for pensions and retirement annuity business, and 33% for other business. The percentage may be prescribed by the minister from time to time *or be abolished* by him. However, insurers commented that this last point is mere window-dressing.

It is also revealing what the Act leaves out. Significantly, there is no provision for the establishment of a *new* mutual life office, although the status of existing offices is not affected. Section 17 provides for application for registration of a registered company only.

Requirements for new registration are generally tightened up. For the first time, the Registrar is empowered to cancel any licence of an assurer who is no longer liable under any policy. The requirement for an assurer to purchase annually a long-term insurance licence from the local Receiver of Revenue, however, is now under review, although it is detailed in the draft Bill.

From the drafting, it is apparent that funeral insurance and related business is to be phased out over time. Until then certain relevant sections of the existing Insurance Act, 1943, will remain in force.

Says Botha: "The idea is that the new Bill will recognise only three classes of business: so that industrial business, funeral business and home service business will disappear. New business under this category will be treated as life business."

Under Section 18, the Registrar will classify all business under three headings: life business, disability business, and fund business. All existing assurers, within three months of the proclamation of the new Act, must re-register on this basis.

One important intention of legal draftsmen is to split the current Insurance Act cleanly between short-term insurance and life assurance. One reason is to go some way to overcoming the confusion in the minds of the public between the two distinct types of business. However, the Bill does little service to this cause by being titled the Long Term Insurance Act instead of the Long Term *Assurance* Act. Apart from this, it is clear from the drafting that legal beagles have had difficulty in classifying certain "cross-over" business. Disability is one.

Under Section 67, for instance, any life policy that includes cover for permanent disablement or death through accident or disease is classed as a life policy *provided certain conditions are met*. Otherwise, such cover will be classified as short-term insurance and fall under the appropriate Act.

Generally, the initial draft has received a favourable response, although as one major assurer puts it: "Some of the provisions are pretty far-reaching some good, some open to debate, and some plain unacceptable. I'm not sure all the provisions are in the interests of the industry."

FEATURE

Geary-Cooke says: "There have been changes in practice since 1943 when the original Act was in force, so there should be some tidying up to do. But it wouldn't be disastrous if it were delayed. I think August 1988 is a reasonable target for the Bill to be submitted to Cabinet. The FIO is now pressing us to put forward our comments by May 15, and we'll try to give them something by then."

He says the LOA is not opposed to the Act as a whole, but wants to see it workable. "We aren't going to fight it, we just want to debate it."

Says Botha: "There are still certain problems with the draft Bill — definitions, technicalities and otherwise. We're asking the industry to provide comment and help us tidy everything up.

LOA's Geary-Cooke . . . expecting a number of changes

"I'm busy now with the short-term Bill," he adds, "so that both Acts can be ready at the same time." He says much of the groundwork for the short-term Bill has been done, since many principles are similar to those in the long-term one — so it could be ready within two months.

AA MUTUAL 13\2\87

Premium battle

The liquidators of AA Mutual Insurance (AAMI) plan to go to court within the next two months to argue their case over R8m worth of insurance premiums which they claim is owed by insurance brokers. It is believed a major broker will be selected for a test case concerning premiums either held in trust or refunded to clients for insurance cover provided by AAMI.

This follows a meeting between the liquidators and the SA Insurance Brokers' Association (Saiba) last week. On the agenda were repayment of brokers' commissions on cancelled policies; payment of premiums due but not yet paid "where cover was deemed to have been accepted"; and a suggested alteration to the liquidation order of court on publication of details concerning creditors.

At the heart of the matter is the interpretation of S20 bis of the 1943 Insurance Act, which concerns agents who must account for premiums to insurers.

Says David Alston, executive director of Saiba: "Under common law the broker is the client's agent, while under insurance law he may be the insurance company's agent for the purposes of premium collection. Legal opinion is divided. But we'd welcome a test case — it would once and for all sort out this anomalous situation."

Brokers are in an invidious position. While wishing to carry out the instructions of clients, they may also be flouting the law. The liquidators contend that even where a client has instructed a broker not to pay over premiums, or where premiums have been refunded to a client, a broker is still liable.

Another legal problem has also emerged from the Insurance Act, which covers the winding-up of "the short-term business" of an insurer, not the company itself.

Says liquidator Mick Connolly: "This could mean that shareholders' funds fall outside the creditors' pool. However, at the date of liquidation liabilities were substantially in excess of assets, so in theory shareholders' funds would already have been absorbed."

Connolly says that the bankruptcy of AAMI was attributable to "foreign risks written; the effect of the rand's depreciation on these risks; an under-rating of domestic business; and the fact that the company was clearly over-traded."

He can't give a date for final settlement of creditors, though matters may be clearer by the end of the year.

So far AAMI's assets have been established in excess of R100m. Most will be realised by the end of this year. Assets would be liquidated in respect of:

- Collection of outstanding premiums;
- Sale of the 27 Diagonal Street head office by tender, and of other premises;
- Possible refund of brokerage commissions;
- Sale of computer equipment, motor cars and furniture;
- Recovery of staff mortgages;
- Sale of the remaining shares; and
- A refund of certain redeemable preference shares.

Another possible asset would be AAMI's previous investment in AA Mutual Life, sold as part of the overall deal with Federated Insurance. "The liquidators have taken steps to protect their interest," says Connolly.

The redeemable preference shares in AAMI were owned by the Kirsh Group and the Automobile Association but were sold back to AAMI, again as part of the Federated deal. Some R7,6m of capital and dividends is involved. The liquidators believe that the sellers will have to repurchase the shares since the orginal sale took place when the company was already insolvent.

In outlining liabilities, Connolly says the main problem is establishing claims from overseas reinsurance treaties. "To deal with this," he says, "we could establish a final cut-off date for claims, agree a final settlement, or reserve a satisfactory amount for the future claims."

Almost 1 000 treaties are involved and a strategy along one of these lines will have to be agreed. This could also take the rest of the year to sort out.

Liabilities include:

- A few general trade liabilities;
- Domestic claims;
- Claims from foreign reinsurance inwards; and
- Claims from managing agencies.

There are 97 000 files of domestic claims. The cut-off date for reporting is June 24 1987. After this, a "liquidators' claim form" will be issued to each claimant for signature and will then be entered on a creditors' list.

For each reinsurance treaty a statement must be provided of the premium held in reserves for future claims, claims paid so far and estimated outstanding claims.

Managing agencies overseas were appointed by AAMI to write business on its behalf. Apparently "substantial claims are outstanding which still have to be proved," says Connolly.

Meanwhile, clients are clocking up interest on the R8m outstanding premiums at the rate of 20% a year. This runs from 60 days after the month-end in which individual policies began.

As for brokerage commissions, Saiba apparently is "not accepting the matter lying down," as Alston puts it. Another contentious point: the liquidators are claiming that brokers must repay pro-rata commissions on cancelled AAMI policies, based on their attorney's legal opinion of regulation 30 of the Insurance Act.

But, says Alston: "We are putting the matter to our counsel for opinion and will then discuss the matter further with the liquidators."

This could also be the subject of a test case. ■

20/2/87 FM.

NTATHO MOTLANA

Getting ahead

That a former political detainee has been appointed to the board of a major SA life assurer says something about the man, as well as about changing business attitudes.

Soweto Civic Association President Dr Ntatho Motlana recently accepted a position as a non-executive director with Southern Life.

Although he won't be drawn on why he thinks he was appointed, Motlana (61) says one reason he accepted is that he is still on "a learning curve" and wants to know about the insurance industry. "I first realised the importance of the insurance sector after the independence of Zimbabwe, when I met a representative sent down here by Robert Mugabe to study the industry," he says.

Another factor is his absolute belief that blacks must move rapidly into business and acquire skills now, before the demise of apartheid, if SA is to avoid the economic disintegration of other African countries. He has what he calls the 75% formula: "Blacks represent 75% of the population and so should be visible in all places and sectors of SA life — be it schools, suburbs or business — in that proportion."

But Motlana is also on record as saying that change will come about in SA when business starts ignoring the ridiculous laws of apartheid, and his stay on the board is likely to prove a fascinating meeting of business and township politics.

Motlana became prominent during the 1976 Soweto riots as an executive member of the Black Parents' Association and head of the Committee of Ten — an involvement that earned him a stint in prison.

Since then he has become a local political institution, and there's little doubt that his performance at Southern Life will be closely monitored back home. He acknowledges he has a youthful constituency which equates business and capitalism with apartheid, rejects them both, and doesn't hesitate to point it out to him when its members think he is stepping out of line.

But it's an indication of his political astuteness that, although he has frequently been criticised, he has maintained his credibility in the black community.

Born into a poor farming family, Motlana made his way through school and university on bursaries. He had his political baptism while still a student, and was a member of the African National Congress (ANC) when it was still a legal organisation. He was arrested a number of times — the first time in 1952 during the defiance campaign, after which he was banned for five years. But his arrest left him acutely aware of black financial dependence on whites — a white had to pay his bail. He concluded that blacks would have to have economic power to make their mark.

He sees the present economic imbalance as a consequence of white control of blacks' access to land, education and political rights, as well as whites' right to engage freely in business.

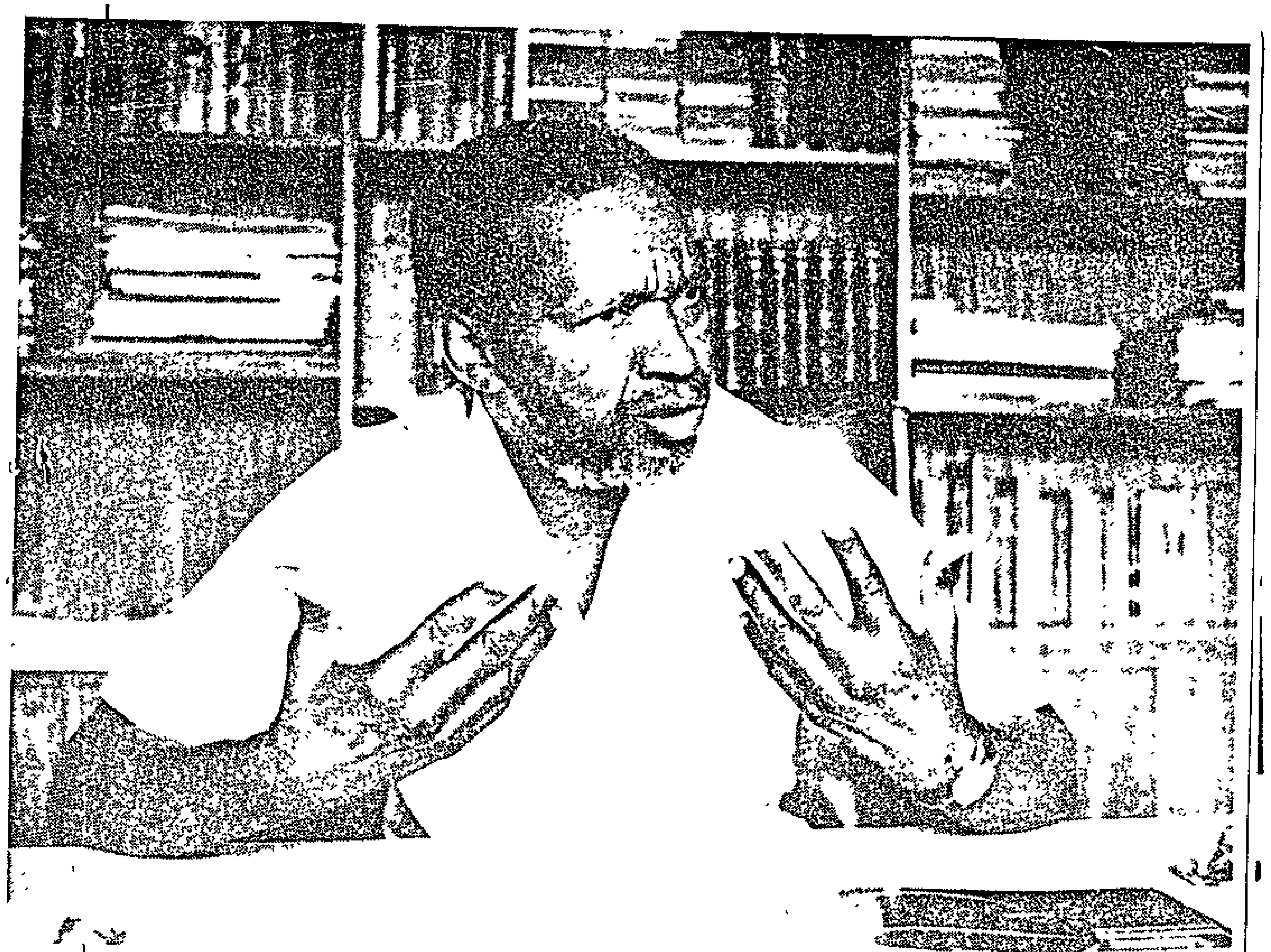
Skills are vital

This awesome set of obstacles, he says, is exacerbated by the blacks' notion that they are dependent on whites for work. He notes that this mental dependence is entrenched in the language: *Re ya makgoeng*, Tswana for "work," literally means "going to the whites."

"Blacks must move into manufacturing," says Motlana. "They must learn to create jobs for themselves and others." Over the years he has been involved in a number of projects that have attempted to translate his beliefs into reality, including ventures into clothing, stationery and cosmetics. "All of them went broke," he says ruefully. "We were under-capitalised and lacked the business skills."

Motlana says that although he is interested in business, he is not a businessman. Ironically, his most successful business is his medical practice — it has been successful enough for him to be part of a group of black businessmen who wanted to buy Coke's interests here.

The involvement of black businessmen in attempting to get a piece of divesting companies has been criticised in the black community, particularly by the Congress of South African Trade Unions and the ANC. Since then, Motlana has again demonstrated his willingness to go along with his "constituency" and has pulled out of the Coke deal. He has also resigned from Kilamanjaro, a private company linked to Black Equity Participation (BEP), which wants to acquire assets of divesting companies.



Motlana ... still on a learning curve

Business as usual

On disinvestment, he says that it's meant to bring change in the short term and not to destroy the SA economy. He refuses to contemplate whether he will change his stance if this does not happen and economic disintegration results.

He remains committed to the ideals of BEP, which he says is intended to carve a place for black business. It hopes to set up a trust and raise funds from all over the world, funds which will be used to provide a support system for black businessmen by offering training and capital. But while BEP has its sights on big business, Motlana is also involved in a scheme ("Get Ahead") to encourage small business.

He believes that, whatever government is in power in SA, there will always be businessmen.

On this point, the message he has for white business is that "if they hog the whole market and exclude blacks in the free market system, the trend to reject it will become absolute."

Motlana describes himself as a social democrat, and believes that post-apartheid society will have a mixed economy. At the same time, however, he acknowledges that the influence of moderates like himself is on the wane — a shift that worries him. ■

20/2/87 FM

BUILDING SOCIETIES

Banking up

The next building society to move into banking could well be Natal Building Society (NBS). Permission for a banking operation has been given by the Registrar of Financial Institutions and the granting of the licence is merely a formality.

Applications, covered by two sections of the Banks Act, are processed in two stages. NBS, which has satisfied the Registrar that it will be in the public interest to grant the licence, has completed the first. It is now completing the second, submitting a memorandum and articles of association of the proposed company.

"We ran the two stages almost in tandem," says John Smale, chief executive officer of the embryonic bank — NBS Credit Corp. "We are now altering the draft articles — the only item still outstanding. We are simply tidying up loose ends."

It is not known how long it will take for formalities to be concluded.

Says Smale: "We hope to have our side tied up by the end of the week. It then depends on whether there are further queries."

NBS Credit is "already offering instalment sale services through our Durban branch," but future operations are still conditional on a number of factors, "including manpower and training. We are not trying to go too fast."

Since Allied Building Society took over the licence of French Merchant Bank last year, there has been much speculation which society would be next to announce future banking operations. Though Allied Bank has already opened its doors, other societies seem determined to move more cautiously.

United Building Society Holdings (UBS), which listed last December, is known to have an application in the pipeline but has, as yet, announced no plans. These could be well advanced, though no hints have been forthcoming.

CE Piet Badenhorst tends to play his cards close to his chest and is probably preparing to announce his plans with maximum impact. ■

Bank denies practising 'commercial racism'

58

Argus 20/2/87

Supreme Court Reporter

THE Cape of Good Hope Bank cancelled the lease of an office to the Southern Africa Bus and Taxi Association (SABTA) when it realised that it was a black organisation, it has been alleged in the Supreme Court, Cape Town.

However, the bank has denied that it practised "commercial racism", saying that no contract was concluded and that if a contract existed the bank was entitled to cancel it because SABTA was late with rent payments.

SABTA maintains that an agreement arose when it signed and returned a draft lease supplied by the bank.

The bank cancelled the deal because it did not want a black tenant, SABTA claims.

The dispute, the subject of an urgent application, arises from negotiations in September last year between SABTA and an estate agent about renting offices in the Cape of Good Hope Bank Building, Toffee Lane, Claremont.

DRAFT LEASE

SABTA received a draft lease and a letter from the agent instructing the association to pay R1 088,80 for deposit, October rent and lease charges.

The association replied enclosing a cheque, saying it could sign the draft lease only after an executive meeting at the end of October.

The cheque was deposited by the bank.

On November 4 the draft lease was signed by a SABTA representative and sent to the agent with a cheque for the November rent.

SABTA was then told that the bank was not prepared to continue with the lease.

Mr James Chapman, a member of SABTA's executive committee, said in papers that he was told by Mr Michael Simpson, the bank's assistant general manager, that the bank had realised "it is dealing with the SA Black Taxi Association whereas they thought they were dealing with the SA Bus and Taxi Association and there was therefore no agreement of lease".

Mr Simpson added that the October rent payment was late.

Mr Chapman said he explained that the association's name had been changed from "black taxi" to "bus and taxi" but that it was the same organisation.

However, Mr Simpson persisted in calling off dealings with SABTA.

Mr Chapman says he concluded that the bank's "real reason for attempting to renege on the agreement of lease was commercial racism".

Mr Simpson said in papers that his decision "did not stem from any racial prejudice".

The bank was not a racist institution and had granted the first mortgage bond to a "non-European person" in South Africa, he said.

His reason for ending dealings with SABTA was that the premises were unsuitable for the association because it had small entrances and were not soundproof.

(Proceeding)

7 Cape Times 20/2/87 58

'Commercial racism' by bank, court told

Supreme Court Reporter

THE Cape of Good Hope Bank is trying to back out of an agreement to lease premises in Claremont to the Southern Africa Bus and Taxi Association Association (SABTA) because of "commercial racism", the Supreme Court was told yesterday.

The allegation was made in papers filed in support of an application for an order interdicting the bank from reletting the premises until a court has ruled on the validity of the lease, and ordering it to hand over the keys to the taxi association.

SABTA used to be the Southern Africa Black Taxi Association but changed its name on January 22 last year. It claims the bank tried to back out of the lease when they discovered this.

According to the papers, SABTA sent a cheque for R1 038,80, which included October's rent, in favour of the bank to the letting agent for the premises on the first floor of the Cape of Good Hope Bank Building in Toffee Lane, Claremont, on October 8 last year. The bank deposited the cheque.

On November 4, SABTA signed the lease agreement and posted it back with a cheque for November's rent.

They were then told that there was no agreement of lease because "it came to the bank's notice that it was dealing with the SA Black Taxi Association whereas they had thought they were dealing with the SA Bus and Taxi Association".

SABTA offered to pay a year's rent in advance. This was refused.

The assistant general manager of the bank, Mr Michael Simpson, denies the charge of "commercial racism" and said the premises in question were not suitable for a tenant that would have a substantial number of visitors.

The bank claims that because it did not sign the lease agreement no lease exists. The case continues.

BUSINESS TIMES surveys
SHORT-TERM INSURANCE

High on premiums, short on facts for shareholders

ST 22/2/87
(58)

By David Carte

SINCE the demise of AA Mutual Insurance, short-term insurance premiums have leapt, prompting interest in companies listed on the Johannesburg Stock Exchange.

Not only have there been steep premium increases by all companies in all classes of business, but several insurers are rejecting business which they regard as too risky.

They are, for instance, prescribing to insurance buyers that they must have anti-theft devices on their cars. All this speaks of a seller's market for the first time in years.

A sky-high stock exchange bodes well for investment income as well.

There is a good deal less enthusiasm from insurance chief executives.

Santam's Oosie Oosthuizen predicts a "small underwriting profit" in the year ahead even though his company's premiums have risen substantially.

He has good reason for caution. Not only have reinsurance rates run away, but there have been bitter loss experiences.

Floods

Days before Santam's 1986 yearend, a solid underwriting profit was expected. Then came floods in Pretoria and a R725 000 underwriting loss.

Other chief executives, such as SA Eagle's Fred Haslett, are also far from sanguine. They have been through five punishing years.

It has been thanks largely to investment income that short-term companies have been able to pay dividends at all in the past two years.

Consequently short-term insurance shares are rated increasingly according to investment performance. Portfolio contents are disclosed to the Registrar of Insurance but — idiotically, it seems — not to shareholders.

How do the relative ratings look?

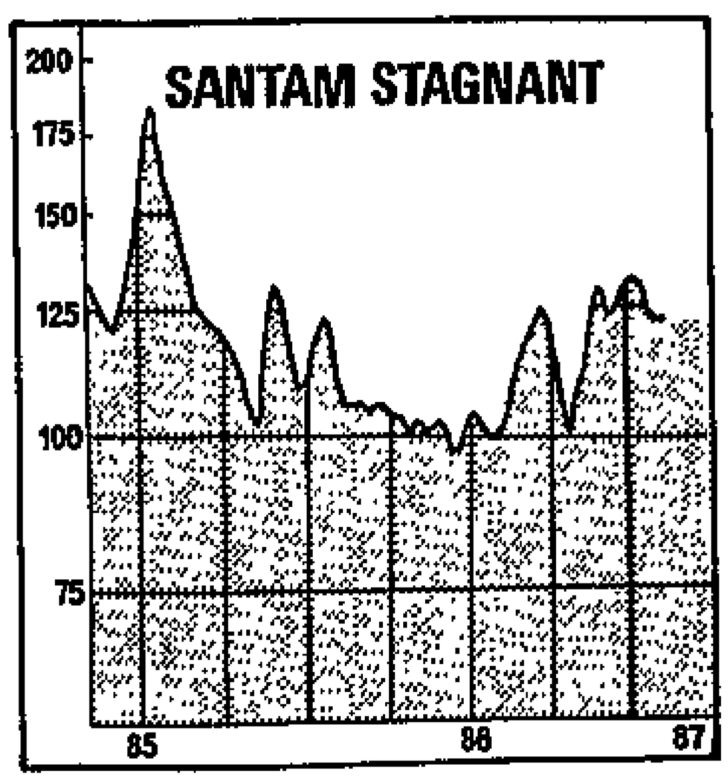
SA Eagle, which has the best solvency margin and the best earnings and dividend track record among the insurers, is on a dividend yield of 7,9% and commands a PE of 7,9.

Sanlam's listed short-term operation, Santam, which writes by far the biggest volume of business, yields 10,8% and its price is only 5,6 times earnings.

Liberty's short-term arm, Guardian, is on a yield of 4,2% and a PE of 16.

Old Mutual's Mutual & Federal has suffered huge underwriting losses in the past two years, but it has the lowest yield of all — 3,6% — and it commands a PE of 9.

The ratings of short-term insurers are an enigma. Each company has a different accounting policy and millions of rands of discretion in declaration of profits and assets.



So the published accounts of most are useless. Serious analysts use returns to the Registrar, but they are generally more than a year old when the analyst gets to them — and even then there is discretion and little convention.

Underrated

On the somewhat crude basis of dividend yields and PEs, Santam and SA Eagle look under-rated relative to the rest.

Eagle, with its quality of assets and its superior track record, should by rights be rated No 1. But it lags behind M&F and Guardian.

Santam has long been scorned by the market for writing too much business without enough attention to its profitability.

Two years ago, Santam had to hold a one-for-one rights issue to get within the Registrar's solvency requirements.

Santam managing director Oosie Oosthuizen tells me that his company has outgrown all others.

Most of its rivals have grown by acquisition, but Santam's growth has been purely organic. Mr Oosthuizen contends that companies that do no chase policy sales are not putting shareholders' funds to work properly.

Santam, he says, has chosen to grow even though it causes new-business strain.

Its rivals, notably SA Eagle, have restrained growth to protect the bottom line.

Mr Haslett says: "SA Eagle could write huge amounts of additional business if it wanted to, but we are a trifle particular. We do not see the sense of taking low-quality risk."

Mr Oosthuizen says that because of the success of its Multiplex householder's policy, Santam's net premium income has grown by 30% a year in the past five years, but most its competitors have plodded along at 10% to 12% a year.

He claims that Santam's underwriting performance in the past five troubled years — relative to premium income — surpasses those of both SA Eagle and M&F. It was phenomenal growth, he says, which has held back Santam's earnings and which forced the company to make a rights issue.

Oosie Oosthuizen ... we look for business

Mr Ooosthuizen thinks that the SA Eagles and M&Fs of this world are discovering that the commercial and industrial markets are becoming saturated.

Saturated

They will, therefore, be obliged to push personal business. This implies a large capital investment in representative offices and computers that Santam has already made. So he predicts a change in the ratings in the next five years.

Mr Haslett disagrees. He says there is no shortage of demand for insurance, only a shortage of good business.

Santam is by far the most tradeable short-term insurance share. It should have a far better rating.

But the company has been unsuccessful in translating growth in premium and investment income into profits and dividends for shareholders.

It has also been an appalling communicator with shareholders, publishing only the barest statutory information in its annual, preliminary and interim reports.

Santam could improve its rating by improving disclosure and its image.

The industry at large could do the same by standardising accounting and providing shareholders with all the information it supplies to the Registrar.

BUSINESS TIMES surveys SHORT-TERM INSURANCE

It's cover you buy — not protection

S/T 22/2/87 (58)

By David Southey

PRICE in the insurance industry serves precisely the same discriminatory purpose as in any other sector of the market place: you cannot expect to buy a Mercedes-Benz for R20 000.

The client who is prepared to pay a high premium can expect better service and cover from his insurer.

The problem comes when the better quality risks are saddled with the indiscretions of the plebs in the form of across-the-board premium increases.

Insurers insist that the market place itself discriminates against those with a higher-than-average claims experience. But the public is not convinced and complaints pour in of "unnecessary loading".

Shocking

SA Insurance Association director Rodney Schneeberger says that in spite of the shocking claims experiences of the past few years, the industry remains highly competitive. This in itself should ensure that the better-quality risks pay lower premiums than the more wayward do.

Of course, bad luck often plays a major role in catapulting a good risk into the bad category. With the best will in the world, there is little that can be done about the individual who has taken every conceivable action to protect his property from burglars, who is then cleaned out of R100 000 worth of jewellery, videos, TV sets, cameras and the like, submits a claim which is promptly paid — and then finds himself rerated in the bad category.

Much the same could be said of the courteous, innocent driver who finds himself at the wrong end of a badly driven bus.

At the end of the day, the insured is buying cover: not protection.

Black list

What exactly is the industry doing about sorting the sheep from the goats?

Mr Schneeberger says an ambitious computerised statistical system "is in the offing" and will be geared to help insurers rate their risks.

But why no black list such as the banks have drawn up and which all can easily access at the push of a button in deciding whether to take on a client?

Without divulging details, Mr Schneeberger dismisses this as impratical and too expensive to set up for insurance.

But individual insurance companies canvassed by Business Times disagree. Most say they would welcome a black list and do not know why one has not long ago been drawn up and circulated.

Mr Schneeberger claims that the industry did once try to compile a black list on motor insurance alone, but abandoned it. Now a type of informal circular system exists among various claims managers in different companies. Information about fraudulent claims is often passed on by companies to the SAIA which can divulge it to companies on request.

Insurers say their clients are welcome to shop around for the best cover — wherever they go the risk will be rated according to claims history, the area of residence and the type of additional security and protection devices installed.

Discounts

Most companies offer discounts on premiums to clients who fit their cars with anti-theft devices.

Peter Trustham, assistant general manager of General Accident, says his company offers a 10% discount to car owners who fit the vehicles with approved automatic immobilisers.

But insurers admit that it is not always possible to rate risks according to claims history alone.

Mr Trustham says: "Burglary is now so widespread and the pattern so general that it may not be possible to draw fine distinctions between one area and another. But the Reef tends to be at the higher end of the scale."

Inadequate

Neither do claims on their own necessarily push up a particular client's premium.

Underinsurance remains a serious problem, and insurers have gone to great lengths to warn the public of inadequate cover relative to the value of their goods.

Companies also do not see any significant levelling off of the incidence of claims. General Accident, for instance, reports that the claims frequency in January this year was about 20% higher than in January 1986.

However, the monetary value of such claims was only 1% higher — indicating that people are increasingly prone to claim for every little item — and the major ones.

Auto & General director Jannie Potgieter reports that in a typical month, 2,4% of motor policholders submit a claim. The ratio on householders' all-risks policies is about 2%. Claims for stolen car radios run at about 0,4% a month, making for a total claims frequency of about 5% a month.

Roughly 60% of policyholders can be expected to submit a claim of one kind or another in any one year — a staggering statistic and one that surely justifies the hefty premium increases of the past couple of years.

No wonder that insurers are pessimistic of a levelling off in claims this year.

Already insurers are talking of 40% to 50% premium increases for individual risks in the next few months.

Claims experiences on corporate risks have been substantially lower — and premiums in this class of business have also risen more gently than in the individual category. When the crunch came three years ago, corporate clients were suddenly hit with anything between 25% and 70% premium increases. Since then, however, these have risen more or less in line with the inflation rate.

Claims in this sector last year were running well below the previous year's — until the last five weeks when insurers were suddenly faced with big fire and storm damage claims.

One insurer says: "Widespread property developments on the Reef over the past few years have added to our risk profile. Where there was previously veld there are now cluster houses, townhouses and industrial buildings. Therefore you can expect more damage from a hailstorm now than you experienced four or five years ago."

Only way

Mr Potgieter warns: "The only way clients can ensure that their policies will not be increased at any stage during the year is to buy insurance for the whole year. This may be more expensive, but it locks the insurer in for the year. Monthly premiums can be raised at any time."

Mr Potgieter's company, like some of its competitors, will not insure a vehicle without inspecting it. Auto & General also insists on marking all window glass.

Claims-happy clients make it a nightmare

(58) S/T 22/7/87

By David Southey

INSURERS, like tax collectors, are peculiarly susceptible to being ripped off. Understandably, nobody likes paying for something that is intangible and that they hope will never happen.

But having been persuaded to buy insurance, the public then seems to take the attitude that the best way to justify the purchase is to make a claim — as quickly as possible and for the largest possible amount.

There is nothing new in this attitude. Insurers all over the world have lived and coped with it for years.

Superimpose on that attitude, however, a faltering SA economy, plummeting real disposable incomes in the privileged white managerial class, rising unemployment in a deprived Third World community, soaring crime sometimes blurred by political motives and you have the makings of an insurance catastrophe.

Rampage

If the SA insurance industry has not exactly experienced a disaster it has managed to avert one by the skin of its toothless gums.

SA Insurance Association director Rodney Schneeberger says: "Economic circumstances have brought about an extraordinarily heightened claims consciousness. In the past when people suffered small losses they would not claim for fear of blotting their claims copybooks.

"They tended to see the insurer as being there to compensate them for large losses only. But with crime now on the rampage and costs of replacement having rocketed under the devalued rand and high inflation, they claim for everything."

Insurance companies last year paid out an estimated R600-million in vehicle theft and housebreaking claims. An estimated 64 000 vehicles were stolen in 1986 — an average of 175 every day.

Car thieves thus made off with 2,13% of the national fleet.

Rodney Schneeberger ... no second thoughts when it comes to claiming

Doubled

Apart from doubling their premiums — on its own an unsatisfactory measure because it seems only to encourage an already claims-happy public to try even harder to "justify" the insurance — insurers have been forced to increase their vigilance over clients.

Insurers' insistence on greater participation by clients in protective and preventive measures has, in turn, forced up the clients' costs — whether by way of more sophisticated anti-theft devices on vehicles, more effective burglar alarms in their homes, higher security fences and thicker burglar bars.

Mr Schneeberger says SAIA is liasing with the National Road Safety Council in the approval of suitable anti-theft devices. The association has also compiled a list of recommended burglar alarms.

A few years ago, a technical committee comprising members from SAIA, the SA Bureau of Standards and the Council for Scientific and Industrial Research drew up specifications which provided for minimum requirements for security devices.

Insurance surveyors subsequently visited companies to ensure that companies could apply the standards laid down. One spin-off effect has been a sharp improvement in standards by the manufacturers of alarms.

Sprinklers

It has not stopped there.

SAIA has held discussions with CID chief Lieutenant-General Stan Schutte and Brigadier Basie Smit. Three joint committees with the police have been appointed to look into closer co-operation between the industry and the police. SAIA runs a computerised recovery scheme for stolen cars with the police.

In addition, SAIA runs a fire protection association which spreads the gospel of prevention. High-hazard areas are identified and monitored. An offshoot of this group is the Automatic Sprinkler Inspection Bureau which inspects corporate sprinkler installations twice a year.

Mr Schneeberger says: "We are looking at other areas where insurers can play a protection role. But we have to remember that we are first and foremost insurers."

The association's motor advisory committee monitors the nation's panelbeaters. Many insurers have arrangements with panelbeaters and say they are able to keep tabs on costs of repair work. Competition is strong, says Mr Schneeberger, so it is not in panelbeaters' interests to try to hoodwink the underwriters.

Much the same relationship applies to car-radio installers.

Shot in the the arm for security industry

By Lyn Smerczak

INCREASING demands for better protection of property by the insurance industry have stimulated the security industry, says Gert Cruywagen, vice-president of the Security Association of South Africa (SASA).

Mr Cruywagen says: "Security is one of the few growth industries in South Africa. The insurance industry's more stringent demands for security have contributed to our business."

However, growth is selective. The insurers do not insist on security for its own sake, but on measures that conform to particular standards.

"A good example is the alarm industry. Alarm installers have their own organisation which controls standards — the South African Intruder Detection Systems Association (SAIDSA). To belong to it, suppliers and installers have to comply with high standards. But some SAIDSA members are not on the insurance industry's approved list."

S/T 22/2/87

Excess

After a claim arising out of a break-in, many companies demand improved security before the premises are insured. This alone has caused a market for security companies.

The increase in premiums has benefited the security industry. Mr Cruywagen says self-insurance is increasing. A company insures itself only against catastrophic losses, such as fire and explosions, and carries the risk for smaller claims on its own — by using security. A company can reduce the risk to the insurer by increasing the excess amount on claims.

Mr Cruywagen says: "This means a much higher level of security because the self-insuring company has to minimise its risks. It achieves this by spending money that would have been paid to an insurance company in premiums on security."

Old Mutual corners investment kudos

5/11/87

EVERY dog has his day, especially in investment performance.

This year, although Sanlam makes claims for one of its portfolios, Old Mutual is widely acknowledged as the best performer.

Its pension funds have done well and its unit trust, its most visible portfolio, has outstripped all others. The feat for a company so large is considerable.

Mutual is certainly making a meal of its hour of glory with some aggressive PR, advertising and pitching for pensions business.

SIMPLIFIED

In the past sensational year, Mutual has been uncharacteristically forthcoming about how it achieved its exceptional performance.

It has explained how investment management was decentralised among (competing) portfolio managers, how it shortened and simplified its gilts book and how it covered itself with options, etc.

But the bottom line of Old Mutual's sterling performance has been its huge holdings in De Beers, Anglo American, Barlows and Rembrandt in two years where each of these counters has screamed ahead.

In past years some of these holdings — notably De Beers at one time only R4 — were extremely negative for Mutual's peformance.

According to fund managers, the performance of the unit trust is regarded as most important because it is most visible.

Old Mutual and Sanlam are at an advantage in being able to buy and sell into and out of their insurance portfolios. This happens at market price but still helps performance — because often rivals cannot get stock they would like to buy.

The practice is highly beneficial to the unit trust holder, if not to the affected portfolio.

Competitors today find themselves at an enormous disadvantage talking to pension-fund trustees, who are unimpressed with returns of 30% against a market return of 20% when Mutual scored up in the 40s.

"Pension-fund trustees," complains a fund manager, "tend to be managing directors, financial directors and one or two others.

"When we do our presentation, the financial director is frequently out to impress the MD. He comes along well armed and extremely aggressive. Often the trustees have split their fund and are measuring you directly against a rival institution.

LOW RISK

"You can say all you like about the low risk in your portfolio. They are not interested. They want to know why the return this year was so lousy, never mind if it was 10 percentage points better than the market's.

"Trustees will switch a prestige multi-million rand fund at the drop of a hat.

"The pressure under these conditions to abandon sound long-term investment strategy and to go for high-risk stuff that will double overnight is thus intense."

Is it only a matter of time before we see a pension fund with Dvelopment Capital Market shares only?

M-Net gets R30m loan from Volkskas

(58) B Day 23/2/87

THELMA TUCH

VOLSKAS had agreed to lend R30m to M-Net, thereby providing 50% of the TV company's funds, M-Net deputy GM Cobus Stofberg said yesterday.

The loan, he said, had been finalised at the end of last year and subsequently reviewed and approved by N-Net's shareholders.

Stofberg said M-Net had decided to obtain shareholder approval before announcing the loan.

He said a number of banks had been interested in lending money to M-Net, but shareholders had decided to borrow from Volkskas because it had offered the best terms.

The loan was for five years, Stofberg said. Together with funding from its shareholders, this loan should enable M-Net to break even within two years.

When M-Net was formed in 1985, it was decided that 50% of its funding would come from a bank loan and the remaining 50% from shareholders.

Stofberg said a newspaper consortium had already invested R30m in M-Net.

M-Net had now received sufficient funding for at least the next two years.

He said M-Net hoped to have 150 000 subscribers by the end of 1988 to bring in an annual income of R52m.

Banks show 4% rise, but . . .

58

Savings thwarted by 18% inflation

CAPE TIMES 23/2/87

Own Correspondent

SOUTH AFRICANS are saving more than they did last year but nowhere near enough to counter the erosion of an 18% inflation rate.

Statistics revealed by Nedfin Bank show that at the end of December South Africans held R6 381,1m in savings accounts with banks, almost 4% more than a year ago.

This suggests either that South Africans are dipping into their capital to make ends meet or are diverting their savings to alternative investment media.

An analysis of the BA9 figures compiled by Nedfin shows that in the December quarter, savings with the banks grew by R186,5m or 3% over the previous quarter.

"This increase against an inflation rate of 18% supports the view that South Africans are seriously discouraged from saving when offered negative interest rates," says Nedfin's managing director, Ron Rundle.

He said: "Our figures show that although the nation's savings ratio has declined steadily over the years, people are disinclined to 'save' when they are not offered 'real' returns."

Predictably the selected liabilities of the country's banks declined slightly during the December quarter — for Christmas spending from R47 652,5m to R47 358,8m. On a year's basis this represents an increase of 2,2%.

Looking at the total selected liabilities market, the Standard group holds the largest share with 27,3% of the total market. This is 1,4% higher than the previous quarter.

The Barclays group is not far behind, holding 26,8% (September 26,7%) of the market.

The Bankorp group holds 17,4% (16,8%) of the market, Nedbank 15% (16%) and Volkskas 13,5% (14,6%).

Because of new legislation to better reflect the actual amount of bank credit extended to the public and corporations, the banks are no longer reflecting the interest cost in their total receivables figures, rendering comparison with previous quarters are meaningless.

However, for the record, the Nedfin analysis shows total receivables at December 31 amounted to R12 455m.

Of this figure about R8 342,5m arises out of hire-purchase contracts and R4 112,3m out of lease agreements.

For the December quarter the Barclays gr[...]s by far the most dominant group, holding 30,6% of the market, followed by Standard with 26,2%, Bankorp held 19,5%, Nedbank 11,7% and Volkskas 6,9%.

---

will
s limited (Registration number 84/07492/06) ("Harwill")

ie referred to Harwill's interim profit
lated 4 February 1987 when, inter alia, it
l that Mayo Surgical (Pty) Limited
iscontinue a loss-making agency. The
o have now decided to reduce, and as
le, discontinue the activities of the

ie discontinuation of the agency certain
ok value of approximately R3,4 million
posed of which could cause a material
the current financial year. The directors
xpected loss but
at a leaner Mayo
al industry. The
rwill's net asset
o recapitalise the
aution in dealing
rmed of further

Sanlam set to woo English-speakers

KAY TURVEY

SANLAM, the predominantly Afrikaans life office, has an aggressive expansion scheme to make inroads into the English-speaking market.

Jannie Snyman, GM individual marketing, said Sanlam hoped to boost its English-speaking policy-holders to 33%-40% of its total market over the next three years.

Last year, this sector represented 25% of Sanlam's client portfolio.

An industry spokeman said Sanlam's move would not threaten the traditional English-speaking insurance companies.

"It is obvious Sanlam has looked at the demographics and noted gaps in its profile," he said.

Snyman said the move could not be achieved through market growth only, and Sanlam would have to attract existing clients from other insurance houses.

Snyman said Sanlam's growth in recent years had been partly due to increased support from English speakers of all races, while marketing studies showed Sanlam had further potential growth in this sector.

Its premium income grew by 30% last year to R2,08bn and the book value of assets in 1986 was R9,61bn — more than R1,8bn up from 1985.

Snyman said Sanlam would continue to operate in its traditional Afrikaans market.

Cape Times 25/2/87

Southern Life gets 50% stake in AMA

Financial Staff

SOUTHERN LIFE has expanded into the field of medical aid by buying a 50% stake in Affiliated Medical Administrators (AMA), which administers an annual contribution income of more than R280m and has a membership of nearly 160 000 families.

The amount paid has not been disclosed and a spokesman said: "This is not a takeover but an investment which enables us to extend the range of services we can offer."

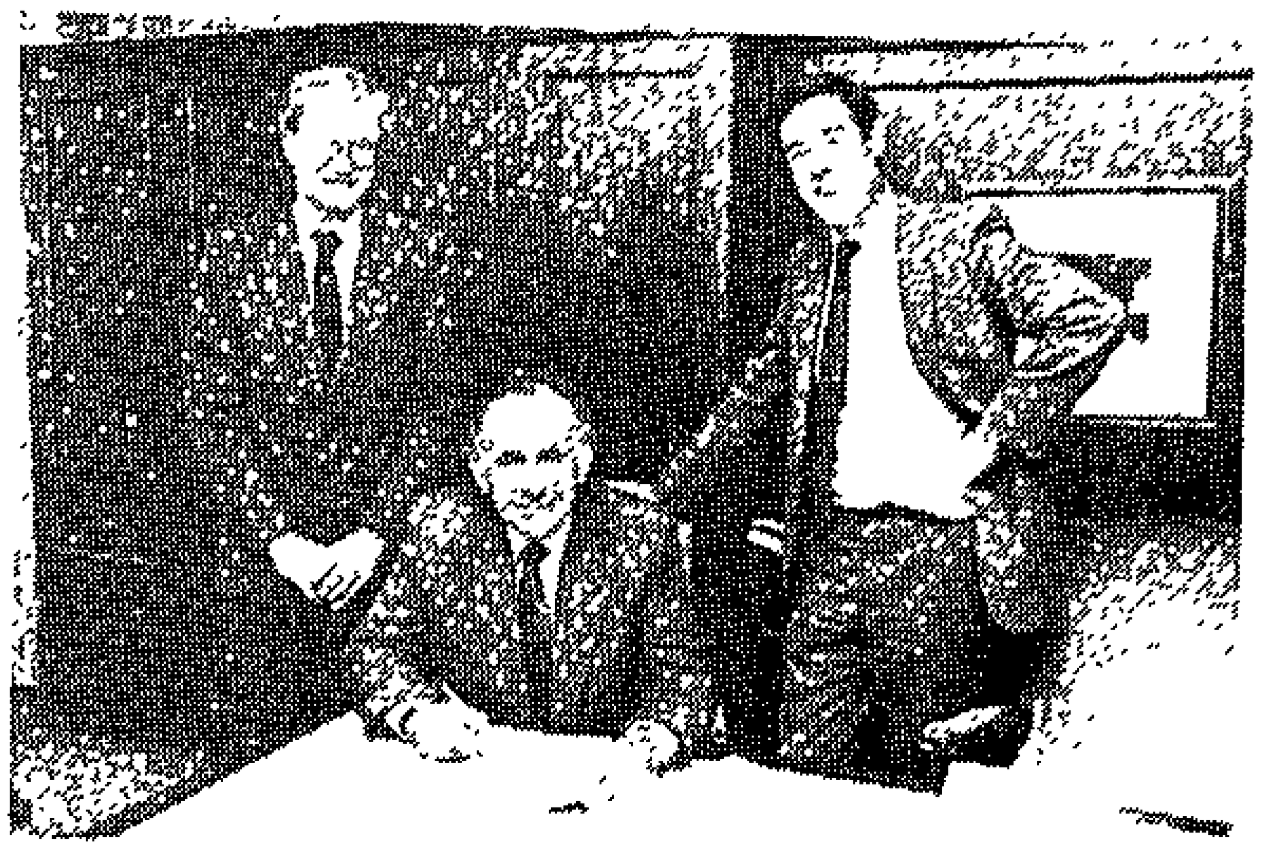
Medical aid societies administered by (AMA) include two public funds, Consolidated Employers' Medical Aid Society and Medical Expenses Distribution Society, both of which have been in the field for more than 25 years.

It also administers six large in-house medical aid funds for leading companies.

Affiliated Medical will continue to be managed by its co-founder Tony Leveton, who is both chairman and CE.

Southern executive director Bill Haslam said the acquisition was of great strategic importance.

"The Southern is very active in the employee benefit field and we were delighted to have the opportunity to add medical aid administration as a further service to offer to both existing and future clients."



Arie van der Zwan, Southern Life GM human resources division, left, Tony Leveton, chairman of Affiliated Medical Administrators, seated, and Bill Haslam, executive director, pension division, Southern Life, at the signing ceremony.

BUSINESS

Argus 25/2/87

58

289

INVESTMENT

R20-billion cash avalanche for JSE

From MICHAEL CHESTER

JOHANNESBURG. — The big insurance companies and pension funds have ploughed a staggering R20 000-million or more into the shares buying spree that has sent the Johannesburg Stock Exchange into orbit.

Details of the size of the equity portfolios they have accumulated have been disclosed by the regular monitor of investment patterns run by the South African Reserve Bank.

According to stockbrokers, the scale of operations goes a long way towards explaining the chronic shortage of blue-chip scrip and the advance of share prices to unprecedented levels that between them have bewildered small investors clamouring for a piece of the JSE action.

Stockbrokers and dealers say the pronounced shift into the share market has been intended to try to pull in returns with a chance of keeping insurance policy holders and pension fund members ahead of the rate of inflation.

The avalanche of cash from insurance companies and pension funds is believed to have been a significant force behind the pattern of the share buying spree on the JSE over the past 12 months.

Topping the most active shares has been the De Beers diamond company, where more than 18,5-million shares have changed hands in deals worth R563-million as the share price has soared by no less than 122 percent.

Measured by the value of deals, the next most active shares were Anglo American Corporation, followed by the Vaal Reefs gold mine, followed by Rustenburg Platinum all seen as firm favourites among institutional investors.

Reserve Bank statistics show that the overall equity portfolios of insurance companies and pension funds have swollen by no less than 263 percent compared with five years ago.

SHIFT IN STRATEGIES

Huge shifts in strategies were underlined by comparisons that showed that their total investments in fixed interest securities had moved only 66 percent higher over the identical period and now actually trail behind the equity portfolios in size.

Stockbroker researchers at Martin and Co estimated from a recent count that the combined cash flow of the insurance companies and pension funds was running between R13,3-billion and R14-billion a year — with perhaps as much as over R4 000-million earmarked for new forays in the share market.

JSE tax would save billions, claims Obie

2/12/87

Municipal Reporter

Private income tax and GST could be wiped out if buyers on the Johannesburg Stock Exchange paid GST on transactions, Johannesburg City Council's management committee chairman, Mr Francois Oberholzer, told a council meeting last night.

He was replying to a PFP attack on the turnover and payroll levies to be imposed by regional services councils.

Mr Oberholzer said the turnover for the JSE from January to December was R160 939 million. Stamp duty at 12 percent on this was R19 312 million.

The GST collected countrywide for 1986/87 was R9 450 million and income tax, including company tax, amounted to R19 457 million.

"The transaction costs levied by the JSE normally amount to 0,25 percent. This means the income of the various companies and partnerships may amount to as much as R402 million annually," he said.

Taxation of share transactions would release billions for reinvestment.

The PFP's Mr Ian Davidson, a stockbroker, said the figures were "wild-eyed and dizzy", but Mr Oberholzer said he had got his details from the JSE and Department of Inland Revenue.

Trimark gets Kodak

DD 21/2/87

JOHANNESBURG —Kodak and Teltron Associate, Trimark Agencies, confirmed yesterday they expect to conclude a deal early next week whereby Trimark will acquire Kodak laboratories from Kodak's disinvesting US parent.

Trimark chairman, Mr Hymie Hochman, said reports of a possible deal were substantially correct but "unfortunately included some conjecture which is wide of the mark."

The deal, which has been agreed in principle, comes after Eastman Kodak's decision late last year to pull out of South Africa for political and economic reasons. Kodak said it hoped to have fully withdrawn by the end of June,

Kodak will not comment on reports that it has lost heavily on the sale of its operations because of its rush to withdraw and the piecemeal basis on which its operations are being sold. But a Teltron spokesman says these rumours are substantially true.

Trimark will take over Kodak's nine colour laboratories in major centres countrywide. Teltron, part of the Premier stable, recently acquired a 60 per cent stake in Trimark Agencies.

Kodak's head office building on Black River Parkway in Cape Town has been sold for R2,45 million. A large part of the building will be let as offices, said a spokesman for Brouwer and Associates, who negotiated the deal.

The buyer is a Cape Town businessman, who was represented in negotiations by Mr Peter Cohn. The factory will be used for manufacturing.

Insurers and pension funds fuel JSE boom

Star 25/2/87 By Michael Chester

The big insurance companies and pension funds have ploughed R20 000 million or more into the shares buying spree that has pushed the Johannesburg Stock Exchange up to record levels.

Details of the huge equity portfolios they have accumulated have been disclosed by the regular monitor of investment patterns run by the South African Reserve Bank.

According to stockbrokers, the scale of operations goes a long way towards explaining the chronic shortage of blue-chip scrip and the advance of share prices to levels that have bewildered small investors seeking a piece of the JSE action.

Stockbrokers and dealers say the pronounced shift into the share market is intended to try to pull in returns with a chance of keeping insurance policy holders and pension fund members ahead of the rate of inflation.

Topping the most active shares has been the De Beers diamond company, where more than 18,5 million shares have changed hands in deals worth R563 million as the share price has risen by no less than 122 percent.

Measured by the value of deals, the next most active shares were Anglo American Corporation, followed by the Vaal Reefs gold mine, then Rustenburg Platinum.

Reserve Bank statistics show that the overall equity portfolios of insurance companies and pension funds have risen by no less than 263 percent compared with five years ago.

Stockbroker researchers at Martin and Co estimated from a recent count that the combined cash flow of the insurance companies and pension funds was running between R13,3 billion and R14 billion a year — with perhaps as much as over R4 000 million earmarked for new forays in the share market.

Cape Times (58)
26/2/87

87

'Auto-teller' man appears in court

By CLARE HARPER

THE Zwelethemba Youth Congress member who was detained after he tried to draw money from the Allied Building Society, appeared in Worcester Magistrate's Court yesterday.

Mr Christopher Tyawana, 24, has been in detention under Section 29 of the Internal Security Act for six months.

On August 27 he walked into a city branch of the building society. He tried to draw money but his card malfunctioned and he was referred to the manager.

The building society later apologized to Mr Tyawana and called on the government to release or charge him.

No charges were put to Mr Tyawana and the case was postponed until today to allow his attorney, Mr Essa Moosa, to prepare a bail application.

Mr Moosa said he understood that police were investigating five possible charges in terms of the Internal Security Act.

The charges relate to furthering the aims of a banned organization, possession of explosives and ammunition and being in possession of a publication of a banned organization.

Mr H P Botha was the magistrate. Mr C Kempff was the prosecutor.

(38) 60 30/1/87

Pope urges SA bishops to work for solution

VATICAN CITY — Pope John Paul II urged Catholic bishops in South Africa to work "with patience and tenacity" for a peaceful solution to strife caused by apartheid, Vatican Radio reported at the weekend.

But the pope also reminded them not to get mixed up directly in politics.

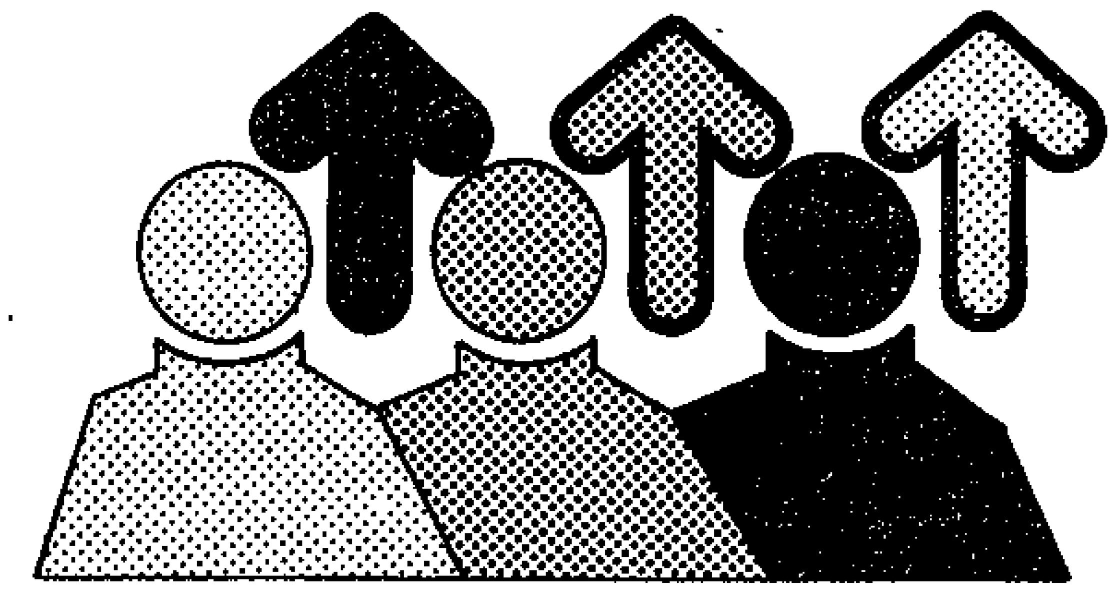
Vatican Radio said the Pope sent a message to the Southern African Catholic Bishops' Conference in Pretoria telling them to do everything possible "to reach a non-violent solution while conforming to the law".

The message also said: "The church, as a precaution, prohibits its clergy from active participation in politics." — Sapa-AP

The bank with a growing credit balance in equal opportunity

Building for Tomorrow

Barclays National Bank has one of the most impressive records in the equal opportunity field. A measure of its success is the fact that several major companies have knocked on Barclays' door for advice. Sheryl Raine reports in the second article in this series.



Before many local companies had even added the words to their business vocabulary, black advancement became a key aspect of Barclays' manpower plan.

Mr Anthony "Doc" Pascoe, personnel manager in charge of the Equal Opportunity Programme, explains that 'from the beginning in 1977, the bank appointed a fulltime equal opportunity programme manager.

Despite good progress, there were shortcomings. Barclays' black advancement strategy was based on a broad statement of intent, but commitment from line management was lacking, leaving it up to the personnel department to drive the programme.

"Nevertheless, black advancement programmes were introduced and included Achievement Development and Mentorship, Human Relations Workshops and Bridging education," said Mr Pascoe.

"Starting by simply giving equal

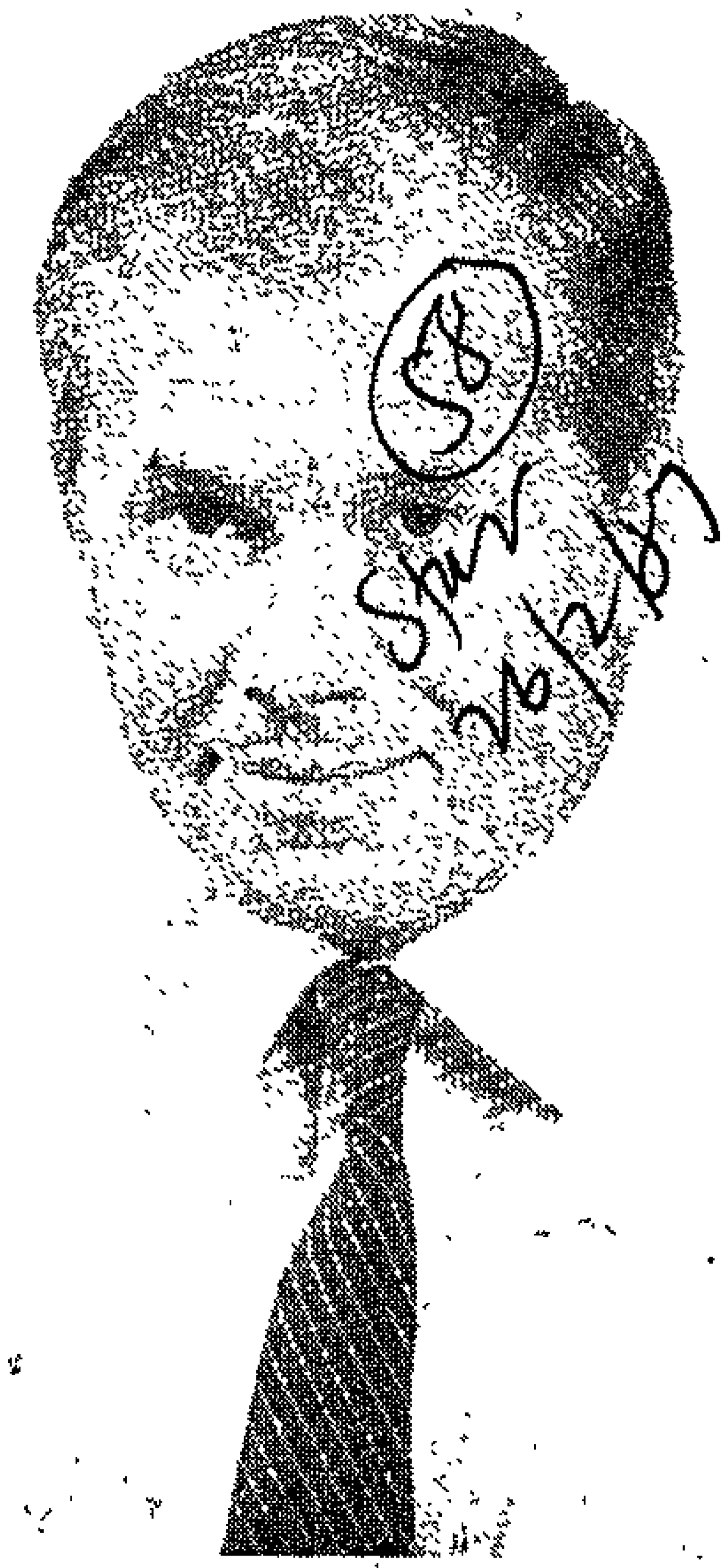
'Standards do not have to be lower, but will have to be different.'

treatment to black employees is not black advancement or equal opportunity. This approach fails to distinguish between giving people equal rights and providing the tools for them to use the same opportunities.

"We need to equalise opportunity. This needs additional training and development to enable black employees to compete on a more equal basis with white colleagues."

Mr Pascoe emphasises the need to recruit blacks with potential and to ensure that they be equipped with the knowledge to develop that potential.

He believes that if companies wish to maintain standards in the longer term, it will be necessary to be more flexible on standards in the short term. He does not believe that



The catalyst . . . managing director Chris Ball.

standards have to be lower but that they will have to be different.

Things really began to change at Barclays when Mr Chris Ball took over as MD.

Last year, in a drive to assess progress in the field of black advancement, the bank held a workshop to evaluate the status of its equal opportunity programme which involved top line managers and senior executives. A new equal opportunity strategic plan was born and went to the board for approval.

"It is vital for the success of any black advancement programme to have full support from line management and senior executives," notes Mr Pascoe.

Once the plan had been endorsed by the general management of the bank's nine regions, executive management of the banks' subsidiaries and management of the various divisions, each unit was required to prepare its own specific objectives for integration into the group plan.

Barclays' black advancement programme contains a number of key elements which Mr Pascoe believes are largely responsible for its success. They include:

- The setting of specific targets. Without them goals are seldom reached.
- A monitoring committee chaired by the MD. This assesses progress closely and ensures that statements of intent become reality.
- Measurement of results. Regular assessments are carried out. Progress is measured scientifically and analysed regularly by the monitoring committee.
- The transformation of the equal opportunity aspect of Barclays business into a "key result area" in which management must perform to high standards.
- Structured mentorship. Informal mentorship is not enough. Barclays has identified 400 employees with potential and 300 mentors who will be trained to take protégés under their wings.

The bank's equal opportunity mission statement says Barclays will "recruit, select, train, develop and advance black, coloured, Asian and white employees in such a way that the racial mix within the bank will steadily move towards reflecting the demography (economically active population — Std 10-plus) of South Africa".

The bank's intentions would not change with the selling of its British shareholding to South African investors.

Objectives focus on recruitment,

'Four types of racial discrimination operate in the workplace.'

selection, training and development and conditioning the environment.

"The work environment is probably the most critical aspect of any equal opportunity programme and is often the most neglected," Mr Pascoe says.

"Top management may be sincere in its intentions, but if the environment is hostile to black advancement, there will be little or no chance for blacks to break into higher positions, no matter their competencies or potential."

Four types of racial discrimination operate in the workplace, according to research by IBM's Ernest Mercer — overt, malicious compliance (or covert), ignorance and prima facie.

"Of all these, malicious compliance is the most vicious," says Mr Pascoe.

"Mercer found malicious compliance would involve, for example, a manager who plays by the corporate equal opportunity rules at all times but then takes every safe opportunity to sabotage efforts leading to equal opportunity.

"This can lead to incidents where a disadvantaged person is promoted with a great show of support, only to have his failure engineered by withholding support, training and fair task assignments."

To prevent such damaging incidents, Barclays not only monitors the situation closely, but has introduced programmes which impact on attitudes. These include human relations workshops as well as Outward Bound and Wilderness Leadership courses.

The bank plans to send 150 people on Outward Bound courses next year to build mutual respect, understanding and interdependence. Video programmes and cultural exchange sessions help in the workshops to change attitudes and behaviour.

TUESDAY: A group of 500 companies assesses some of the ways to success — and how easy it is to fail — in bringing blacks and whites together on equal terms in business.

Statistics spell out the story

Barclays National Bank employs about 25 000 people, of whom 22 000 are at the clerical level.

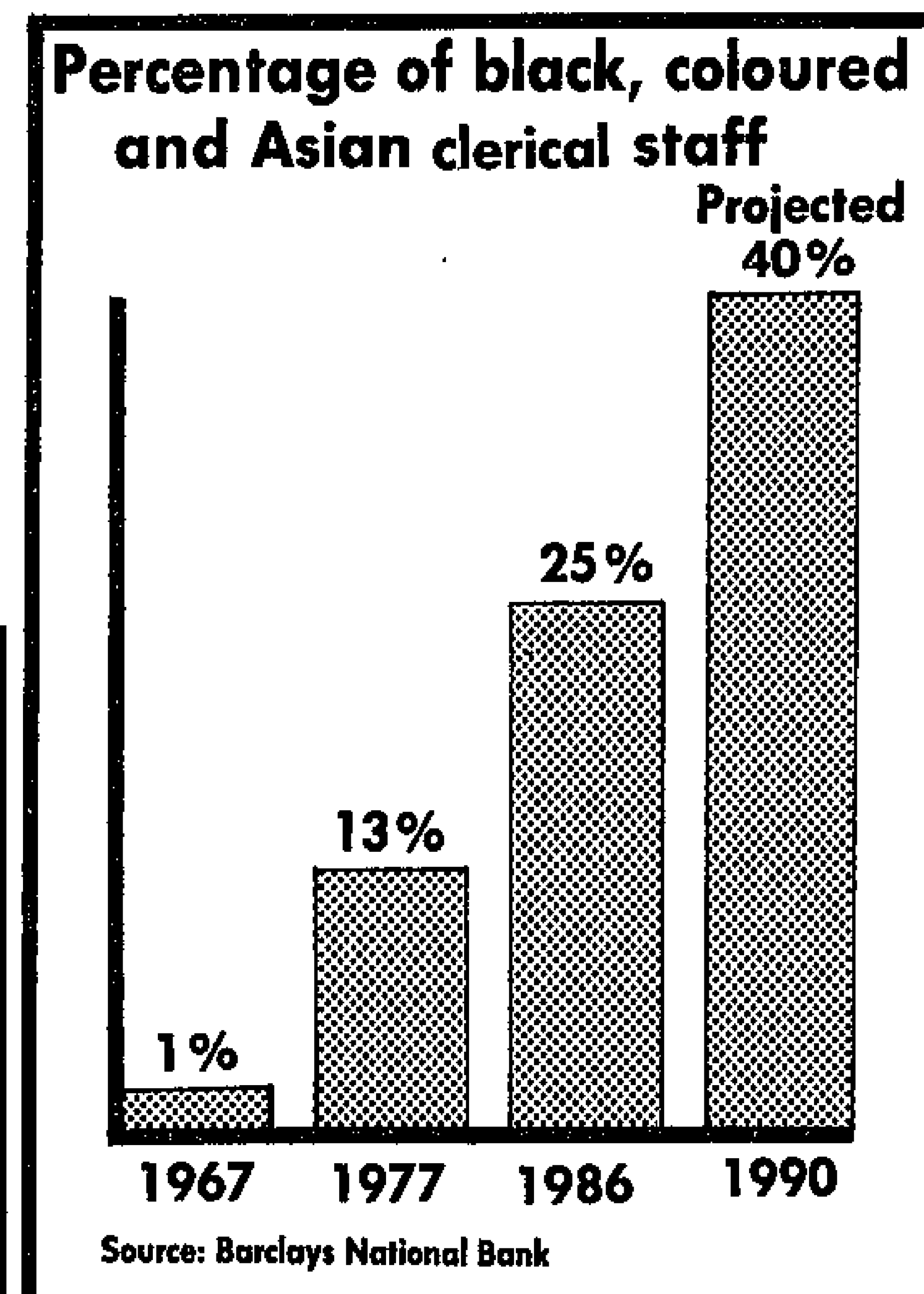
Twenty years ago the percentage of black, coloured and Asian clerical staff together was less than 1 percent of all clerical staff.

By 1977 this had increased to 13 percent, by the end of 1984 to 22 percent and currently stands at 24 percent.

Today, 33 percent of the total staff complement (including non-clerical staff) is black, coloured or Asian.

By 1990 this will rise to 46 percent, of which the clerical figure will be 40 percent.

Already the bank has several divisions and branches where members of different races hold key managerial positions.



27/2/87

FM

ECONOMIC POLICY (58)

Sanlam wrangle

Crossing swords with chairman Fred du Plessis may become an occupational hazard for economists in the greater Sanlam stable. According to a report in a weekend newspaper, the Trust Bank team is in hot water after expressing concern, in its latest *Economic Report*, at "progressive concentration of power in the private sector."

Du Plessis, whose views on the benefits of concentration are well known, has asked them to "substantiate their views."

Trust Bank chief economist Ulrich Joubert, who says he accepts total responsibility for the relevant phrases, is presently compiling a second report.

However, he is not prepared to divulge whether he is substantiating or amending his original views. Nor is he prepared to speculate on the consequences of sticking to his guns.

Economic Report suggests that the increasing control of large groups in certain sectors "limits competition and lessens cost consciousness, causing considerable distortion of free market principles, preventing the consumer from participating in the price-making process."

Du Plessis, an economist himself, contends that a limited number of large companies

(58) FM 27/2/87

usually produce keener and more effective competition than numerous small companies.

The effects of concentration of market power are debatable. But there are good reasons for concluding that, at times of high inflation and high unemployment, any merits are neutralised while defects are maximised. (*FM* February 6.)

Sanlam's own *Economic Survey* has skirted round the subject. The November issue

FM 27/2/87

comments: "The unwillingness of prices to respond downwards at times of poor demand and the relative ease with which undertakings could pass cost increases on to consumers have caused the successive upper and lower turning points in the inflation cycle to move to higher levels time and again. This development makes the combating of inflation extremely difficult . . ."

However Sanlam chief economist Johan Louw is not prepared to involve himself in the controversy. "We don't wish to comment at the moment." ■

58 FM 27/2/87

UBS

Banking soon

Weeks of speculation about the banking operations of UBS Holdings may soon end. It is almost certain permission has been granted by the Registrar of Financial Institutions.

UBS CE Piet Badenhorst, the driving force behind legislation passed in August, which allows building societies to provide a wider range of financial services, was seen as the man spearheading the entry of societies into banking. But while the market waited

UBS's Badenhorst ... looking for skills

for the leader to make a move, two other societies, Allied and Natal Building Society (NBS), made theirs.

Allied was first, buying the licence of French Merchant Bank in September and announcing that its operation would be headed by Kevin de Villiers (formerly of Barclays and a member of SA's first debt negotiating team.) The bank has already opened its doors for business.

Next was NBS, which announced last week that it had received the go-ahead to convert NBS Credit Corp into a bank — though formalities were still to be completed.

With UBS's application for a licence almost certainly in ahead of NBS, it seems unlikely that it has not also been granted in principle.

UBS MD Mike de Blanche is not prepared to confirm this, but market talk is that the delay in an announcement is due to a shortage of banking skills and experience in SA. Given UBS's style, it would doubtless go for one of the industry's most prestigious names to head its operation — and anyone of this calibre would not be easily wrested from his present employers.

UBS CE Piet Badenhorst likes to have plans completed before he makes them public so, presumably, an announcement will come only when senior executives are signed up.

There may, of course, be other elements of strategy to be finalised. The move is likely to be ambitious. It is rumoured that, unlike Allied Bank which is moving gradually, branch by branch, into retail lending, while it builds up a corporate client base, UBS is to plunge straight into chequeing accounts.

The cost of entry is high and volumes must be enough to generate economies of scale and justify spending millions of rands on high speed sorting equipment. Chequeing accounts require daily monitoring, so both quality and quantity of staff are critical.

So if UBS is, in fact, about to jump in at the deep end, plenty of precision planning would have been needed. This could explain why Badenhorst held his hand while others went ahead. ■

EAST. ARGUS 27/12/87

Shares boom as big firms climb out of the red

29
30
58

By TOM HOOD, Business Editor

SEVERAL large companies reported strong recoveries today after being heavily in the red.

A R25-million loss a year ago was turned into a half-year profit of R17-million by Tradegro, the retail group which includes Checkers, Dions, Metro, Russells and other chain stores.

Checkers swung to a R1-million profit from a R24-million loss.

NEW PEAK

Packaging giant Kohler is resuming dividend payments, having turned a R13-million loss for 1985 into a R15-million profit.

The good news fuelled the industrial share boom on the Johannesburg Stock Exchange and the industrial index jumped 12 points to a new peak of 1 609.

The euphoria boosted the new Sol Kerzner company Transkei Sun, which made its debut yesterday. The shares, issued at 150c, opened at 260c and closed at 250c with 1,3-million shares worth R3,3-million changing hands.

● See Page 16.

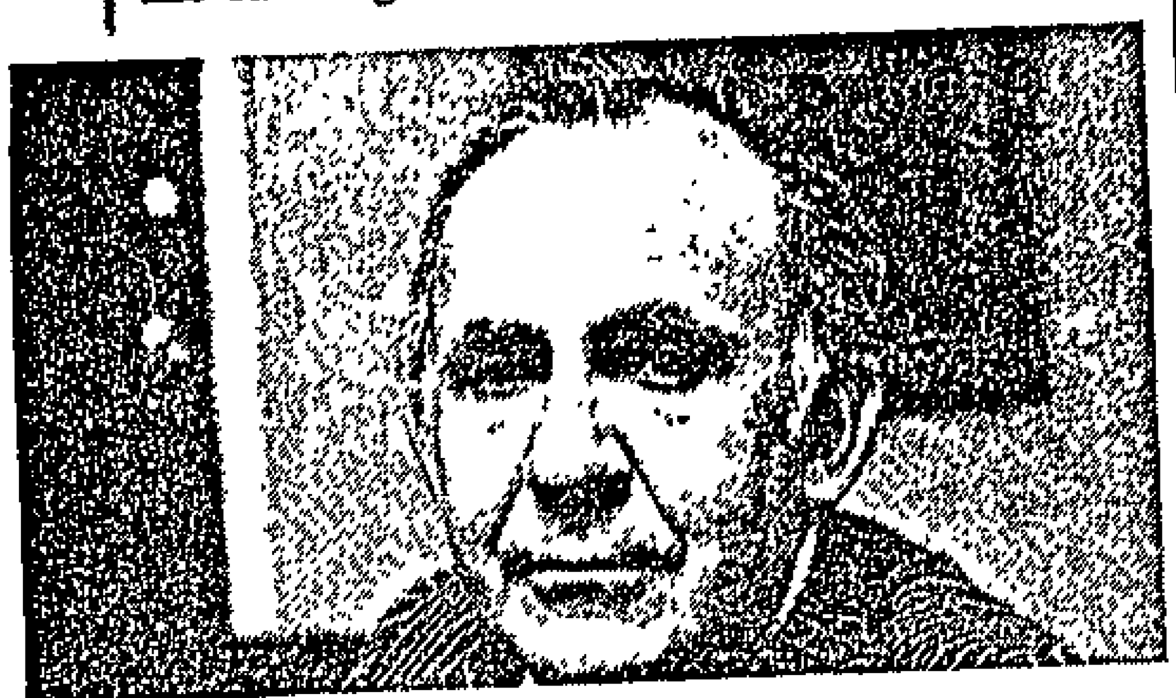
MEDICAL INSURANCE (2699) (58)

27/2/87 FM

Southern joins in

On the heels of the Lifegro/Status Medical Aid tie-up (*FM* November 14), Southern Life has bought 50% of Affiliated Medical Administrators from W & A. This links Southern with a company that has annual contribution income in excess of R280m and membership of almost 160 000 families. Medical Funds Administrators has the other 50%.

The joint shareholders will benefit from the administration fee, amounting to some R16m or almost 6% of premium throughput, before expenses, charged to medical aid societies under Affiliated's administration. These include two public funds, Consolidated Employers Medical Aid and Medical Expenses Distribution (Meds). Affiliated also has six large in-house funds.



Affiliated's Leveton . . . hidebound by law

Says Bill Haslam, executive director of Southern Life: "The main advantage we see is possible opportunities should the Medical Schemes Act be changed following the Browne Commission's report and recent moves toward privatisation of health care."

Tony Leveton, chairman of Affiliated, adds, however: "Under present legislation, we are all hidebound. If legislation were relaxed, we could jointly structure more flexible packages." He says the industry has been pressing for changes for some time.

Southern is already active in the employee benefit field: medical aid administration is the one complementary facility it needed. Both sides will in time be able to share expertise and computer facilities. Affiliated gains a qualified actuary, Bill Haslam, and an accountant, Adrian Arnott (also of Southern), on its board. ■

INSIDER TRADING

Blocking the inside track?

(58) F/M 27/2/87

There is an old saying about the cure being worse than the disease. In these heady days of the Boesky and Guinness affairs, which appear to have lanced an insider trading boil, the financial markets are awash with the morally indignant.

Danger is that if we focus blindly on them here, we could entrench the temptations of illicit profitability from this type of secret dealing into our markets. For we could end up by making them less responsive to information flows.

Criminal penalties are not necessarily the best remedy for the "crime" of insider trading. Nor should the economic consequences of these constraints be ignored.

We need to keep in mind that in those markets where there are few or no insider-trading laws, there is also little advantage

Continued on page 31

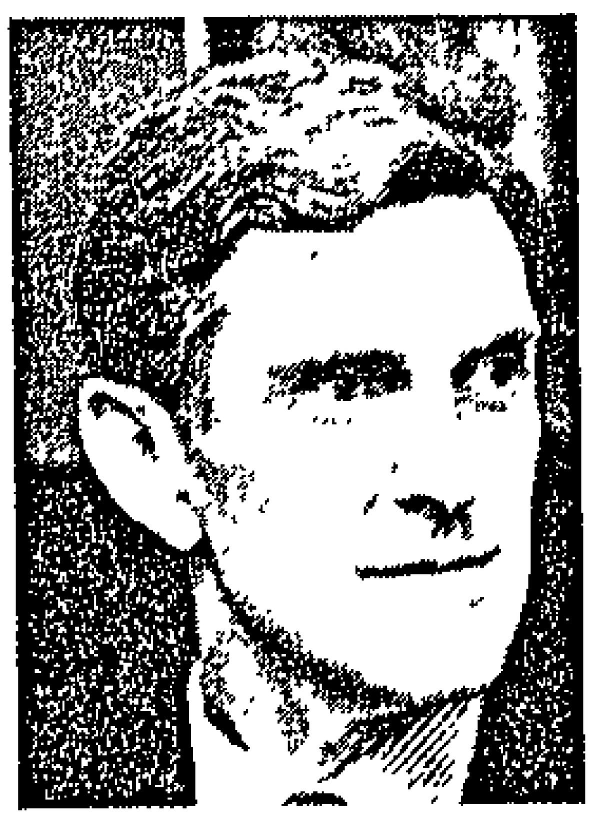
(58) FM 27/2/87

Continued from page 34

to be gained by insider trading. For share prices reflect very quickly what may or may not be secret intelligence.

As it is, the Standing Advisory Committee on Company Law (chaired by Mr Justice Cecil Margo) has put forward a series of recommendations to tighten up our law in this respect, including the establishment of a Takeover Panel with statutory powers of sanction.

Heavier penalties are also under consideration, while a presumption of guilt against those suspected of insider trading (what lawyers would term a "transfer of onus") is also being evaluated. Draft legislation could be placed before parliament next year.


Norton

These recommendations coincide with the whole train of lurid exposures of insider trading on UK markets (Guinness) as well as American (Ivan Boesky et al). Highly respected and powerful figures in the investment community have not scrupled to break the law, and in more than technical respects, for high stakes.

The exposures have lent weight to the argument that "something needs to be done" about insider trading in SA, where despite some 10 investigations since the relevant prohibition — section 233 of the Companies Act — was placed on the statute book, no prosecution has eventuated, still less a conviction.

Stronger action against insider trading is heavily supported in many quarters. In particular, JSE Executive President Tony Norton, a passionate advocate, has submitted an elaborate official memorandum to the Standing Committee, dealing with possible changes to both criminal and civil law.

The Rules of the JSE already regulate procedures after a bid is mooted. Section 111 directs all parties involved in price-sensitive negotiations to aim at the ideal situation — that negotiations should be carried out in such secrecy that no suspension becomes necessary.

Norton adds the down-to-earth comment that speed of negotiation is the best way to prevent leaks, citing how control of the giant Barclays Bank was transferred "over a weekend."

If total secrecy proves unattainable, the parties must issue a warning through a press announcement cleared by the JSE Manager (Listings). The announcement (usually termed a "caution") should contain all available details, coupled with a warning to shareholders to consult professional advisers before dealing. In these circumstances, no suspension will normally be necessary. Suspensions are discouraged except in extreme circumstances as detrimental to shareholders' interests.

While negotiations continue, a progress report must be published every 14 days.

The arguments that insider trading (however defined) should be more effectively policed and more heavily punished are based on strong moral considerations not easily dismissed, especially when they enjoy the backing of such judicial figures as Judge Margo.

It is surely common cause that the entire system of free enterprise is under siege in SA at present. Certainly, breach of the fiduciary duty directors and others have to a company through taking advantage of price-sensitive information (whether on a proposed bid, or exceptional, unexpected good or bad results, or even the value of the shares of a quoted subsidiary) must be regarded as reprehensible.

Some economists argue that a legalistic (as opposed to an economic) approach to insider trading is based on misconceptions about the modus operandi of free markets.

No one of this school approves or condones breaking the law, a procedure which simply favours the unscrupulous insider. While the law stands, it must be obeyed. But, subject to this caveat, the arguments of some free-market economists against prohibiting insider trading are worth consideration.

Prof Brian Kantor, head of the School of Economics at UCT, says his opposition to any prohibition of insider trading is based on a belief that markets function best on the basis of perfect information.

The closer this ideal is approximated, the smoother the movements of share prices and the fewer "discontinuities" (sudden jumps on the breaking of a well-kept secret). Advocates of effective policing of insider trading should realise, argues Kantor, that "success" would imply more, and more severe, discontinuities than at present. It is precisely such discontinuities which provide risk-free opportunities to unscrupulous traders.


Kantor

If, in contrast, all "insiders" were allowed to trade from the moment a takeover is proposed, the share price would rise gradually according to the probability from day to day that the deal would be consummated. This would obviate windfall profits based on buying the share at a price reflecting market ignorance that a bid was in prospect.

This does, however, impose an even stronger obligation on companies to keep both existing and would-be investors apprised of developments — otherwise rumour could run riot. Kantor observes with some acerbity that — mathematically — short-term operations in a market with perfect information must equi-probably lead to a loss or to a profit.

Kantor also disposes of several related issues. One concerns fairness to existing shareholders who dispose of holdings in ignorance during the period of negotiation. They will sell at what one may call the "base price" if total secrecy is preserved, gaining nothing from the prospect of a successful bid. But if there is a free flow of information, the price would reflect the probability — at that time — of the bid going through.

The opposite of this is an ignorant buyer. Why should he gain from a price that reflects no benefit from a possible deal?

And Kantor asks about the director who sits passively with his holding intact during a negotiation, knowing that its value will be enhanced if a bid succeeds. Is he not also an insider? Yet there is no way to penalise him.

Kantor goes so far as to contend that our markets are the better because mining houses deal in their gold-mining subsidiaries' shares.

Resolution of this difficult issue may have to do with methods of enforcement. Criminal law may not be the best method to discourage insider trading, even if the community rejects the arguments in its favour.

Even Norton says that there are good arguments for "decriminalising" insider trading. Instead some form of US practice should be imposed upon our civil law of delict, to permit the award of penal damages (perhaps treble damages) against insider traders.

Norton argues that there is also an "undoubted need" to extend the law of delict to make it possible, for example, to bring class actions by shareholders against directors, difficult under common law as it stands.

Norton also feels that if the JSE Committee has spent large sums (as it has) to provide evidence on which action against an offender could be based, any money recovered should be applied in part to reimbursing the committee.

It should also be apparent that it may remain in the interests of a company to minimise to avoid leakages while negotiations are in progress.

A last factor is the composition of a takeover panel. Norton (and the *FM* strongly endorses this view) argues that any panel should be mixed, with representatives of all interested groups, not only officials with a possible anti-market attitude.

We now have the worst of both worlds — a widely flouted statutory ban which brings the law into disrepute, while markets operate on an uncertain basis and honourable insiders are at a disadvantage. More severe criminal provisions could simply exaggerate, rather than remedy, this state of affairs.

Would it not be prudent, before enacting heavy criminal penalties, at least to reconsider the fundamental logic of moving along this path? And if the decision be taken to hit at insider trading, let the remedies be civil rather than criminal, along the lines put forward by Norton. ■

Tougher Trust Bank sheds the lean years

S/T 3/8 By David Southey (58)

TRUST Bank managing director Chris van Wyk is impatient to see bottom-line results in his bank.

Because he has had to do much pruning in the last two years in the midst of a sick economy and lean banking environment, quick profit fixes are out of the question.

Nonetheless, there is good reason to believe that Trust Bank is now in better shape than it has been for the past seven years.

In the six months to December 1986, it lifted net income after tax and transfers to secret reserves by 10% to R20-million and strengthened shareholders' interest by R14-million to R270-million. Earnings a share rose from 13,7c in the latter half of 1985 to 15,1c and the dividend was maintained at 4,5c.

Costs cut

Reflecting the slackness of credit demand experienced by all banks, Trust Bank's total assets fell by 5,4%.

Dr van Wyk says Trust Bank has instituted tougher credit assessment and "a firmer approach to high-risk accounts".

Bad debts have stabilised, incidences improving by about 40% relative to mid-1986 levels.

Trust Bank is no longer trying to grab market share in the agricultural sector and may face "a difficult situation" on its credit lines in the drought-ridden Western Transvaal and Northern Free State.

Dr van Wyk's greatest success in the bank is his cost-containment programme. In the first six months of the year, operating costs, including rents, rose by only 1,2% on the same time a year earlier.

Dr van Wyk says: "We are streamlining every outlet. We need only one central administration branch for every six or so satellite branches. Santambank has taken over some 45 branches."

He says margins widened in the six months to December, and have narrowed under fierce competition. But he expects improving margins from next month as cost of funding eases.

The bank has a relatively large investment portfolio of R668-million on which it stands to make trading profits in an easier rate climate and buoyant stock market.

All it needs to fly is an economic recovery.

New-look Unidev aims for R4,9m

By Ruth Golembo

HAVING switched from property to investment banking, new-look Unidev has set its sights on increased profits.

Unidev forecasts in its transmuted listing statement taxed profit of R4,9-million in the year to December 1987.

At 150c a share, the company is valued by the Johannesburg Stock Exchange at R90-million — 18,4 times prospective earnings.

The new direction comes after the company was taken over by a consortium of businessmen. They are former Springbok swimmer Geoff Grylls, auditor Steve Phelps and former Retco man Benny Rabinowitz. The consortium bought 62% of the Unidev cash shell for R5,6-million from Unisec, which is now controlled by Standard Bank Invesment Corporation.

Thrust

Unidev's main thrust in future will be through wholly owned Venture Capital Holdings (VCH) which has invested in health care, electronics and financial and management services.

The VCH acquisition increased the number of shares in issue from 22,5-milllion to 60-million.

Unidev's expects a share on the new issued capital of not less than 8c.

Unidev plans to sell its remaining property assets.

It intends to use the cash from the sale of the properties for investment in private and unlisted companies. Long-term plans are to list the companies separately.

Unidev owns Medicor, which specialises in developing low-rise cost-effective clinics in which doctors and specialists have a stake. It also owns the Kenilworth neurological clinic, Cape Town.

Another company in the group is Contrapest, which provides pest-control services to hospitals and hotels.

It owns 30% of JFK Electronics, a Stellenbosch manufacturer of computer components, and corporate financial service companies Quaestor IV and Equikor.

Quaestor provides financial services relating to mergers, acquisitions and new listings.

58 ST 1/3/87

Pension portfolios outstrip inflation 2/3/87 (58)

Good returns for Southern clients

B/Day

SOUTHERN LIFE achieved good returns on market value portfolios on behalf of pension fund clients during 1986.

The portfolios recorded returns of between 35% and 49%, easily beating the inflation rate of 18,2% for the year.

In addition to its Managegrowth Portfolio, the company manages a number of investment portfolios tailored to the needs of pension fund clients.

Southern's executive director and head of investments Jan Calitz said the Managegrowth Portfolio and client portfolios achieved returns of between 22% and 26% per annum compound over a three-year period, which many analysts consider to be the minimum period over which investment returns can be meaningfully measured.

This includes the poor share market conditions experienced on the JSE in 1984, as well as the buoyant conditions of the past two years, and compares with an inflation rate of 16,6% per annum over the same period.

This three-year period also covers the time since the investment divisions of Southern Life and Anglo American Life were amalgamated.

Calitz said the Southern's good returns of 1986 could be attributed to a number of factors. Among the most important of these were: first, the effect of a well-structured exposure to the ebullient share market on overall portfolio performance; second, successfully reading the trend of long-term interest rates during 1986; and, third, reducing property exposure as that market slumped.

□ AA Mutual's managed pension fund investment portfolio achieved excellent results in 1986, yielding a net annualised return of 48,7%.

Equities and gilts, major components of AAML's Managed Fund Portfolio, yielded 72,4% and 42,9% respectively.

Individual yields for the various pension funds investing in the portfolio ranged from 46,3% to 50,1% for the year, allowing for actual cash-flow.

Since inception in 1983, the portfolio has out-performed the consumer price index by over 33%, with a net annualised return of 19,8% compared to the CPI increase of 14,9%, and for 1986, it out-performed the index by 185%.

The portfolio showed 75% growth in assets for 1986.

Reclassified Unidev expects R4,8m profit

58

Cape Times 2/3/87 209

CAPE TOWN-based Unidev, the newly restructured investment banking, property development and financial services group, is forecasting after-tax profits of R4,8m for the year to December 31.

Permission has been granted for Unidev, currently listed under the Property Sector of the Johannesburg Stock Exchange, (JSE) to be reclassified to the Investment Trust Sector from March 23.

The transmuted listing statement reflects a radical shift in focus since Unidev was acquired by a consortium of Geoff Grylls, Steve Phelps and Benny Rabinowitz last November.

Before this, Unidev's sole investments were in fixed property.

MD Geoff Grylls stresses that while the group will continue to be a long-term investor, it will concentrate on investment banking, project development and financial services.

"At this stage, we have identified three major fields of investment activity — electronics, health care, and financial and management services," he said.

"Our first move into the electronics arena came in December last year when we acquired a 30% interest in JFK Electronics, a Stellenbosch-based manufacturer of sophisticated computer components."

New holdings

If shareholders agree at a meeting on March 23, Unidev will acquire Venture Capital Holdings (VCH), Venture Capital Ltd (VCL), Equikor, Medicor, Bonsai, the Kenilworth Clinic, Quaestor IV and Contrapest at a total cost of R18m.

Of this, R4m is payable in cash and R14m through the issue of Unidev shares.

Grylls said: "Medicor specializes in the development of low rise, cost-effective community or specialist clinics in participation with local doctors and specialists.

"The first clinic was successfully opened in December in Worcester and a further three are at an advanced stage of development.

"We acquired the Kenilworth Neurological Clinic with a view to utilizing the undeveloped portion of the property to provide additional and complementary health care services."

If approval is granted, Unidev's issued share capital will increase from 22 497 074 to 60 250 877 ordinary shares of 5c each.

Application has already been made to the JSE for the new Unidev shares to be quoted from March 25.

The authorized share capital remains at 250 000 000 ordinary shares.

Return of 48,7% for 1986

AAML investments sweep CPI by 185%

CML Times 2/3/87 (58)

AA MUTUAL LIFE's managed pension fund investment portfolio achieved remarkable results in 1986.

Established in 1983 as a specialist investment medium for pension funds, AAML's Managed Fund Portfolio yielded a net annualized return of 48,7% for 1986.

Equities and gilts, major components of the portfolio, yielded 72,4% and 42,9% respectively.

Top contender

Individual yields for the various pension funds investing in the portfolio ranged from 46,3% to 50,1% for the year, allowing for actual cashflow.

Since inception, AAML's Portfolio has out-performed the Consumer Price Index by over 33% with a net annualized return of 19,8% as compared to the CPI increase of 14,9%.

For 1986, it out-performed the index by 185%.

Recent investment performance surveys among mutual and proprietory insurers who transact this class of business place AAML's portfolio as a contender for top honours.

The portfolio showed 75% growth in assets for 1986, and 45,8% growth since inception, to exceed R71 million at the end of last year.

This confirms AAML as well-established in this area of expertise and deserving of special attention from pension fund managers and trustees.

"Our strategy in 1986", says Steve Meintjes, AAML's GM (investments), "was to maintain as fully invested a position as possible, optimizing all opportunities for our clients' monies by way of judicious and well-timed investment decisions in selected stocks.

This is in keeping with sound, long term investment strategies required for pension funds".

Dynamic role

"The active and dynamic role expected of the fund manager in investment matters is critical to the future security of a pension fund", says Joe Gates, AGM (Pensions).

"These fund managers have to balance their fund's investment performance against benefits promised, and a less than above average performance can have serious financial consequences.

"We believe", concludes Gates, "that our portfolio's clients did rather well with this strategy.

"Returns such as these allow funds to consider alternatives such as benefit improvements or reductions in contribution levels — important considerations in rather difficult times."

SOWETAN, Tuesday, March 3, 1987

'MR Z' PAID FOR ANC ADS

58

Judge rules against revealing man's name

A COMMISSION of inquiry yesterday ruled against revealing the identity of "Mr Z", who reputedly helped arrange finance of R100 000 for an advertisement calling for the unbanning of the African National Congress.

The commission, chaired by Mr Justice G G A Munnik, who is the Judge President of the Cape Province, began hearing evidence in Johannesburg yesterday.

SA PRESS ASSOCIATION

Mr Jimmy McKenzie, senior general manager of Barclays Bank, handed in records of transactions.

Mr Justice Munnik ruled that the identity of the Barclays client — Mr Z — be kept secret, adding the man's identity could be revealed later if necessary.

He said the commission did not want to unduly harass any client of the bank.

"I think it would be only right and fair that Mr McKenzie does not refer to the client by name," Mr Justice Munnik said.

He agreed to a submission that Mr McKenzie be helped to give evidence by Barclays' counsel, Mr S A Cille, SC.

Mr Cille, who asked that Mr Z's name be withheld, said it was Barclays' policy not to release confidential information on its clients' finances.

Documents handed to the commission reflected several deposits.

These included a deposit of R100 000, paid on January 7 into the Barclays account of the attorney for the United Democratic Front, Mr Krish Naidoo.

Deposit slips on Mr Naidoo's account were handed in for the period November 1, 1986, to February 10, 1987.

The bank official also read out the dates, but not the amounts, of deposits into Mr Z's account for the same period.

Evidence

A debit of R100 000 was registered against Mr Z's account on January 6.

This was a "premier" account, which Mr McKenzie explained had "more status" than a special "status" account.

There were also the dates, but not the amounts of cheques drawn against Mr Naidoo's and Mr Z's accounts.

The commission, appointed by the State President, Mr P W Botha, is empowered to investigate circumstances surrounding the placing of the advertisement.

It will also seek the source of payment for the full-page call to "Let the ANC speak for itself".

Letters

The commission will also investigate whether Mr Chris Ball, the group managing director of Barclays Bank, was "in any way" involved in the financial aspect of the placement.

Three letters from Mr Ball to the relevant branch manager concerning the transaction were dated January 6, 7 and 21.

The inquiry continues today.

The advocate leading evidence before the commission, Mr H F van Zyl, SC, who is the deputy Attorney-General for the Cape, asked for time to examine further documents yesterday.

Bank accounts studied in ANC advert probe

Mercury Correspondent

JOHANNESBURG—The Judge President of the Cape, Mr Justice G G A Munnik, has ruled that the key figure in the inquiry into the funding of the 'unban the ANC' advertisement, will remain anonymous at this stage.

The inquiry began before Mr Justice Munnik in the Rand Supreme Court yesterday.

The Judge said the man, from whose Barclays Bank 'Premier' account a R100 000 bank cheque was deposited into that of attorney Krish Naidoo on January 7, would be referred to as 'Mr Z'.

He said he did not want to expose the client to unnecessary publicity over his financial affairs and it would only be right and fair at that stage not to refer to him by name.

If it became necessary to identify Mr Z, then it would have to be done, the Judge said.

The senior general manager of Barclays Bank, Mr Jimmy McKenzie, was subpoenaed to appear before the commission with documents relating to the accounts of Mr Naidoo and Mr Z.

Before he submitted the cheques and other documents, counsel for Barclays, Mr S A Cilliers SC, said the bank wished to convey that it did not voluntarily release information about the affairs of clients to anyone.

Mr McKenzie told the commission Mr Z had two accounts.

One was a 'Status' account and the other a 'Premier' account. Mr McKenzie described the latter as the 'ultimate account'.

He said the R100 000 bank cheque deposited in Mr Naidoo's account had been debited to Mr Z's Premier account.

The hearing was adjourned to give Mr McKenzie an opportunity to provide documents pertaining to Mr Z's Status account.

Accusations

The inquiry was established by President Botha after he made accusations in Parliament that Barclays' group managing director, Mr Chris Ball, had been involved in the financing of the advertisement.

The commission is to establish who placed the advertisement, for whom it was placed, where the money to pay for it came from and whether Mr Ball was involved in the financing and placing of the advertisement.

Business Report

CAPE TIMES 3/3/87

Pension fund law likely to change

58

By AUDREY D'ANGELO
Financial Editor

THE proportion of prescribed assets which life offices and pension funds are required to have is likely to be reduced soon, the deputy Minister of Finance, Kent Durr, said in Cape Town yesterday.

And the government plans to make staff pensions transferable so that employees do not sacrifice their long-term security by drawing the money and spending it when they change jobs.

Provide for old age

Durr was officially opening the annual conference of the newly renamed Pensions Institute of Southern Africa — formerly the Association of Pension and Provident Funds of SA.

He said that more than 56% of all South Africans lived in households with a total income of less than R400 a month and were therefore not in a position to make meaningful provision for their old age.

The government therefore accepted that for some time it would be necessary to provide for such people through old-age pensions.

But this would become an increasingly heavy burden on the taxpayer.

"It is therefore incumbent on all of us to assist as far as possible with the development and advancement of our people."

'Future income stream'

Durr said it was "tragic" that so many people regarded their staff pensions as a kind of savings bank and changed jobs in order to be able to draw the money and spend it.

"Some means will have to be sought whereby pensions are made not only portable but also indestructible in other words, money ploughed into pensions must thereby cease to be money and become simply a claim to a future income stream."

Discussing prescribed assets, he said the Registrar of Financial Institutions would shortly be circulating proposals "aimed encouraging the development of a more active secondary market while at the same time lowering the present quantum of prescribed assets to be held by life offices and pension funds."

ID of 'Mr Z' secret, judge rules

Cape Times 3/3/87

JOHANNESBURG. — A Commission of Inquiry yesterday ruled against disclosing the identity of "Mr Z", who reputedly helped arrange finance of R100 000 for an advertisement calling for the unbanning of the African National Congress.

The Commission, chaired by Mr Justice G G A Munnik, Judge President of the Cape Province, began hearing evidence here yesterday.

Mr Jimmy McKenzie, senior general manager of Barclays Bank, handed in records of transactions.

Mr Justice Munnik ruled that the identity of the Barclays client — Mr Z — be kept secret, adding the man's identity could be disclosed later if necessary.

He said the Commission did not want unduly to harass any client of the bank.

"I think it would be only right and fair that Mr McKenzie does not refer to the client by name," Mr Justice Munnik said.

He agreed to a submission that Mr McKenzie be helped to give evidence by Barclays' counsel, Mr S A Cille SC.

Mr Cille, who asked that Mr Z's name be withheld, said it was Barclays' policy not to release confidential information on its clients' finances.

Documents handed to the Commission reflected several deposits.

These included a deposit of R100 000, paid on January 7 into the Barclays account of the attorney for the United Democratic Front, Mr Krish Naidoo.

Deposit slips on Mr Naidoo's account were handed in for the period November 1, 1986 to February 20, 1987.

The bank official also read out the dates, but not the amounts, of deposits into Mr Z's account for the same period.

A debit of R100 000 was registered against Mr Z's account on January 6.

This was a "Premier" account, which Mr McKenzie explained had "more status" than a special "Status" account.

There were also the dates, but not the amounts, of cheques drawn against Mr Naidoo's and Mr Z's accounts.

The Commission, appointed by the State President, Mr P W Botha, is empowered to investigate circumstances surrounding the placing of the advertisement.

It will also seek the source of payment for the full-page call to "Let the ANC speak for itself".

The Commission will also investigate whether Mr Chris Ball, the group managing director of Barclays Bank, was "in any way" involved in the financial aspect of the placement.

Three letters from Mr. Ball to the relevant branch manager concerning the transaction were dated January 6, 7, and 21.

The controversial advertisement appeared in newspapers on January 8 — the 75th anniversary of the founding of the ANC.

It was issued by the UDF, and National Education Crisis Committee and the South African Council of Churches.

Fifteen other organizations lent their support.

It carried a photograph of the ANC president, Mr Oliver Tambo, and a blacked-out facsimile of the jailed ANC leader, Mr Nelson Mandela.

The inquiry continues today.

Barclays meets its adversaries over boycott campaign

Star 2/3/87

The Star Bureau (58)

LONDON — Top Barclays officials met their adversaries from the Anti-Apartheid Movement (AAM) yesterday to try to end the damaging activist campaign over the bank's links with South Africa.

The two sides parted without making any firm public commitments.

However, the AAM's national committee will meet soon to weigh up the details given by the bank and decide whether or not to press ahead with the campaign.

It is not clear whether the bank has made a private commitment to reduce or end its remaining involvement in the country.

Barclays Bank is deeply concerned at the impact of the boycott and is anxious that activists should give it credit for the steps it has taken. Barclays requested the meeting.

The AAM says it cannot give the bank a clean bill of health while it still has extensive links with South Africa. It wants all ties severed.

Neither side had much to say about yesterday's meeting between Barclays' chairman Sir Timothy Bevan, vice-chairman Mr John Quinton and other top officials, and AAM president Bishop Trevor Huddleston and the chairman, Labour MP Mr John Hughes.

A bank spokesman said: "Each side agreed not to make a unilateral statement. Our visitors said they would talk over the matter with their national committee."

General-secretary of the AAM Mr Mike Terry said: "We had an exchange of views over about one-and-a-half hours. They requested the meeting because they did not feel our position was justified.

"They explained their position in detail and how they intended it to develop. We sought further clarification of this."

The relationship between Barclays and the AAM has entered a delicate phase and both sides are treating the talks with extreme sensitivity.

While Barclays is eager to move out of the target area, the AAM is loath to call off its action until it has received guarantees that the bank is going to meet its demands.

Cape Times 3/3/87

Housing: Greater role for pensions?

58

By JANE ARBOUS

PENSION funds could play a far greater role in the long-term financing of residential housing and infrastructure, A J van Ryneveld, a member of the Urban Foundation's Board of Governors, told the conference yesterday.

Speaking on the role of pension fund finance in the provision of housing, Van Ryneveld said getting the best return on investment was an important but not exclusive goal. And by helping to improve prospects for better social conditions, the interests of pension fund members would also be promoted.

The pension fund movement had very large assets and a strong, positive cash flow. On reasonably acceptable investment terms, Van Ryneveld believed that between one and two billion rand per annum could be forthcoming: this would represent 10% to 20% of new monies available for investment.

Although pension funds could play a helpful but limited role in the financing of mortgage bonds for their own members, they could play a much larger role in housing mortgages generally through lending institutions

Higher interest rates would be required and among others, building societies could consider offering wider types of deposit including some with fluctuating interest rates and preferably with marketability.

Van Ryneveld said pension funds' role in low-income housing could only be an indirect one of providing money on acceptable market-related terms to government or other appropriate institutions such as the recently-created SA Housing Trust.

JSE boost for pension funds

B/Day 4/3/87

KAY TURVEY

A BUOYANT stock market resulted in extremely high capital appreciation for pension investment portfolios last year.

Volkskas Pension Services GM Ben Solomon says most pension portfolios had an unprecedented positive yield in excess of 30% for 1986.

AA Mutual Life (AAML) GM (Investments) Steve Meintjies says investment portfolio results benefited from the market upturn and the reduction in interest rates.

AAML's Managed Fund Portfolio yielded a net annualised return of 48,7% in 1986 and out-performed the Consumer Price Index (CPI) by 185%.

Contributor

Meintjies says the many companies that came to the JSE board last year had not been a major contributor to growth, although it was exciting to monitor the long-term growth potential of the new listings.

Sanlam's GM (Investments) Ronnie Masson says 1986, if read correctly, had been a bumper year for the market,

Sanlam's major investment pension portfolio had a nominal yield of 39% last year, with a more speculative smaller portfolio showing a yield of 53% for the same period.

Southern Life portfolios had returns of 35% to 49% last year.

Southern's executive director and head of investments Jan Calitz says the returns were a result of a well-structured exposure to a bullish share market and to the reduction of property exposure as the market slumped.

Federated Insurance invested heavily in the equity market, says investment manager Ken May. But as this was young money, it was only now beginning to perform.

Heavily weighted in property, Federated recorded a 30,5% unit price increase in managed funds.

A Sage investment spokesman says: "Both prescribed and discretionary assets were up last year, but the big contributor was definitely the share market, which was up about 40% overall."

B Day 4/3/87 (58)

Bank 'had to discipline Mr Z' over overdraft

DIANNA GAMES

BANK account transactions of Mr Z dating back more than two years were examined closely by the Munnik commission of inquiry in Johannesburg yesterday.

Barclays Bank senior GM Jimmy McKenzie was asked if, presented with Mr Z's account-information card, he would have advanced money to Mr Z, whose Barclays account was apparently used in the issuing of a R100 000 cheque to finance an advert calling for the ANC's unbanning.

McKenzie said it was very difficult for him to do so. But with the issuing of a bank cheque it was not always necessary to have security, nor would there have to be funds in the account.

The hearing was adjourned so that the manager of the bank in question — Simmonds Street, Johannesburg — can be called to give evidence.

McKenzie, who had earlier handed in records of the transactions, admitted Mr Z had had to be "disciplined" by the bank as he had overstepped his overdraft facility in 1985.

McKenzie said according to bank records Mr Z had overdraft facilities of R20 000 on his status account and had applied for a premier account, which carries an overdraft facility of R100 000, in September last year.

The finance was reputedly arranged through the latter account.

Mr Justice Munnik, Judge President of the Cape, has ruled against identifying Mr Z, but his name was mentioned inadvertently during yesterday's proceedings.

ARGUS 4/3/87

CITY/NATIONAL

58

Barclays: Mr Z a 'troublesome client'

The Argus Correspondent

JOHANNESBURG. — A Barclays Bank executive was questioned in the Munnik commission of inquiry about whether "Mr Z", the mystery client who advanced R100 000 to pay for the ANC advertisements, was a "troublesome client".

Counsel for the commission, Mr H F van Zyl, asked Mr Jimmy McKenzie, senior general manager of Barclays, yesterday whether Mr Z was a troublesome client because he had exceeded his overdraft limit on several occasions.

Mr McKenzie said Mr Z's account had been "troublesome in the sense that the bank had to control it".

He said when a client exceeded his overdraft limit it did not necessarily mean the bank did not wish to continue doing business with him.

Mr Z was the managing director of a company important to Barclays, he said.

When Mr Z opened an account in October 1984 he had a R30 000 overdraft facility, the commission heard. From January 1985, Mr Z began to exceed this limit and his bank contacted him on several occasions to try to have this reduced.

Once he was R9 000 over the limit.

Later, in September last year, Mr Z opened a premier account with an overdraft facility of R100 000. His other account then had an overdraft limit of R20 000.

Mr McKenzie gave evidence for the second day after he was subpoenaed in terms of an inquiry ordered by the State President.

On the first day of the commission hearing, bank documents presented to the commission disclosed that a bank cheque of R100 000 was paid into the account of an attorney, Mr Krish Naidoo, who placed the advertisements on behalf of the United Democratic Front.

This cheque was drawn from the premier account of Mr Z.

(Proceeding)

CAPE TIMES. 4/3/87

Commission looks at 'Mr Z's' accounts

JOHANNESBURG. — "Mr Z" was previously the managing director of a company, a witness yesterday told the Munnik Commission during scrutiny of "Mr Z's" bank accounts in connection with an advertisement calling for the unbanning of the ANC.

Records of transactions and overdraft facilities on two accounts held by "Mr Z" — whose identity is being withheld by the commission — were presented by the senior general manager of Barclays Bank, Mr Jimmy McKenzie, to Mr Justice G Munnik, Judge President of the Cape Province.

Mr Z helped arrange payment for the advertisement published on January 8 — the 75th anniversary of the founding of the ANC, press reports alleged.

Mr McKenzie said a bank cheque of R100 000 was deposited into the Barclays account of Mr Krish Naidoo, attorney for the United Democratic Front, on January 7.

A debit of R100 000 was registered against Mr Z's exclusive "Premier" account on January 6.

Mr McKenzie said bank records suggested Mr Z had overdraft facilities of R20 000 on his "Status" account and R100 000 on the "Premier" account.

Mr McKenzie said Mr Z's account was "troublesome" to the extent that his branch manager had to "bring him back into line" regarding his overdraft rate. — Sapa

High inflation in SA could become endemic - bank MD

5/3/87

58

By DENISE BOUTTALL

HIGH inflation in South Africa could become endemic and was in danger of degenerating into hyper inflation, the group managing director of Standard Bank, Dr Conrad Strauss, warned today.

Delivering the keynote address at the Midland Chamber of Industries' seminar on economic prospects for 1987, Dr Strauss proposed three measures that might help to fight SA's inflation.

He suggested:

- South Africa should address its political problems and again become a nett capital importer.
- South Africa should remove all obstacles in the way of economic growth.
- The government should conduct its monetary and fiscal affairs in a responsible manner.

Dr Strauss dismissed the imposition of a price/wage freeze. Outlining the causes of SA's inflation, he said it was accepted that as a society became more democratic, there would be more demand by people for a greater share in the economy.

In the early 1970s this had been seen in the demand for greater pay increases by blacks.

This was accompanied by a rapid rise in Government expenditure through the proliferation of apartheid structures such as the independent homelands, the tricameral system, defence spending and forced removals and influx control. Besides, there had been a deliberate and costly channelling of industry away from the established industrial areas through the decentralisation policy.

Dr Strauss also warned that self-sufficiency such as the Agulhas Bay gas project also had its costs.

ANC ads paid from new account

Ball okayed R100 000 overdraft

B/Day 5/3/87

58

BARCLAYS MD Chris Ball personally authorised the R100 000 overdraft that was used to pay for ANC advertisements, the Munnik Commission into the funding of the advertisements heard yesterday.

The commission was told by Barclays Bank senior general manager Jimmy KcKenzie that Ball had approved the new account for a client known as Mr Z.

The overdraft was granted on January 6 this year and on the same day a R100 000 bank cheque was issued against the overdraft facility on Mr Z's account to pay for the advertisements.

Mr Z's first account at that stage had an overdraft facility of R20 000.

McKenzie told Mr Justice Munnik he had known at some stage that Ball had authorised the second account with a R100 000 overdraft.

But he did not know if he was informed of this at the same meeting at which Ball assured the bank's executive committee he had not been party to the financing of the advertisements.

McKenzie said: "We received assurances from Ball that he wasn't involved in the issuing of the bank cheque and the financing of the advertisements. We accepted that without reservations."

SUSAN RUSSELL

Later, questioning McKenzie about the meeting at which Ball had given these assurances, Mr Justice Munnik asked: "Did he tell you at that meeting that he personally authorised the cheque?"

McKenzie: "I certainly knew at one stage that he'd authorised that facility, but I don't know if it was on January 6."

McKenzie said Mr Z had applied for a premier account on last September 22. That was turned down.

He said that until January 6 this year Mr Z had only operated one account at the Simmonds Street, Johannesburg, branch of the bank. On January 6 another account with an overdraft facility of R100 000 for one month was opened.

McKenzie said the cheque was issued against that overdraft facility. On January 21 the new account was given premier status and the overdraft extended to six months on a fluctuating basis. McKenzie said bank cheques could be issued against money clients had in their accounts.

If the account was in overdraft, they could be arranged on a secured or unsecured basis at the discretion of the branch manager.

Insurer insists on 'a year in advance'

5/3/87

B/Day

ALAN SENDZUL

SHORT-TERM policy-holders at IGI insurance will have to pay annually in advance from April 1 for their all-risk cover in the greater Johannesburg area.

A spokesman said the change was because the Johannesburg branch, which administers IGI's 1 500 all-risks policy-holders, had not been profitable for some years.

Other IGI branches countrywide, which were profitable, would retain the monthly payments system.

It is envisaged that overheads will be reduced and a steady investment income gained, amounting to a lower break-even.

In December, Federated Insurance introduced a similar system for all its policies. The change to annual premiums is estimated to have cut its number of policy-holders by 30%, but significantly reduced the ratio of its risk exposure to premium income.

Other insurers are believed to be considering similar moves.

Farm debt: banks asked for leniency

B/Day 13/3/87

GERALD REILLY

COMMERCIAL banks have been asked to slow down on squeezing drought-distressed farmers for debt and interest payments.

That, it was understood, was the main topic discussed in Cape Town yesterday at a meeting between representatives of commercial banks and Agricultural Minister Greyling Wentzel. Finance Minister Barend du Plessis was also present.

The meeting followed a recommendation from the Economic Advisory Council, which reported last year on the desperate plight of large numbers of farmers.

Sources said farmers owed the commercial banks R3,3bn — apart from large amounts owed to the Land Bank and other institutions — at the end of 1985.

It was estimated by the end of last year this had grown to R3,8bn. The SA Agricultural Union (SAAU) is "gravely" concerned about the number of sequestrations and threatened sequestrations among farmers.

An SAAU spokesman said the debt ratio of large numbers of farmers had reached "impossible" proportions. They were unable to service their debt. Farmers' total debt at the end of last year was estimated at more than R12,5bn.

Restructure pays dividends

Cape Times 5/3/87

Picbel group income soars

By AUDREY D'ANGELO
Financial Editor

Jan Pickard

THE FIVE companies in the restructured Picbel group have turned in impressive results for the six months to December, helped by lower interest charges and increased sales by its manufacturing arm, Picardi Appliances.

Group operating income soared by 60% to R14,1m, earnings by 98% to 90,7c (45,8c) and turnover by 26,3% to R171,3m.

Chairman Jan Pickard said he was delighted by the results. Picardi Appliances, which manufactures refrigerators in KwaZulu and will soon open a stove factory, had made an outstanding contribution.

"Our factory is battling to fill its orders. Demand is tremendous, probably because we offer good after-sales service as well as the right product."

Main holding company Picardi Investments (Picbel) lifted earnings to 90,7c (45,8c) a share.

● Picardi Holdings (Pichold) almost doubled earnings to R6,3m (R3,3m) or 110,8c (58c) a share. Pre-tax income was R8m (R3.5m) and after-tax income R7,5m (R3,3m).

The directors said these compared favourably with the earnings of 115c a share earned for the whole of the previous financial year.

Discussing future prospects, they said that in spite of "the present lull in the economy", earnings for the current six months should not differ much from the first.

"If consumer confidence can be maintained up to and after the election, an earnings base in excess of 200c a share for the full year could be achieved."

● Picardi Appliances (Picapli) almost quadrupled earnings to R4,8m (R1,3m) or 46,6c (12,8c) a share. After-tax income rose to R5,6m (R1,3m).

● Unie Wyn, which returned to profitability last year after a period of losses, lifted earnings to R465 604 (R27 067) or 3,5c (0,2c) a share. Operating income rose to R3,5m (R2,8m) and after-tax income to R861 630 (R27 067).

'Positive signs'

The directors say the improved performance of the group "has continued with increasing momentum and provided the economic upswing, of which there are positive signs, becomes a reality the growth in income should be maintained with favourable prospects for improved attributable earnings."

● Picprop lifted earnings to R329 990 (R312 522) or 4,2c (4c) a share on a turnover of R11,3m (R10,5m). Pre-tax income was R615,9m (R538,7m) and after-tax income R331,7m (R313,8m).

The directors said income from property continued to grow in spite of increased vacancies.

"Lower interest rates have reduced bond interest payments and have also assisted in improving income.

"We are continuing to investigate possible improvements to the Picbel Parkade, Cape Town, to make it more attractive to tenants and have committed some R700 000 for this purpose."

Bar

'gain' Cape farms snapped up as buyers exploit weak financial rand

F

58

'oreigners pour cash into SA

ARGUS 5/3/87

Staff Reporter

MILLIONS of rands are pouring into South Africa as an increasing number of foreign investors take advantage of the weak financial rand to buy property, listed securities and businesses.

In the Western Cape, historic farms are proving the big attraction and several near Paarl and Stellenbosch have been sold to foreign investors for R1-million and more.

These include Wilde Paardejacht in the Klein Drakenstein area, sold for R1-million to Mr Richard West, a Canadian living in Britain, and Dennegeur, which went to a Swiss buyer for R900 000.

Two years ago Mr Jannie Momberg, athletics administrator and campaign manager for Dr Denis Worrall, sold his historic Neethlingshof farm to German financier Mr Hans-Joachim Schreiber for about R8-million.

Attractive

Estate agents calculate that, with foreign buyers able to put up at least half the purchase price in financial rands, a R1-million property would cost about $ 320 000.

"The terms are very attractive because, having bought in at the financial rand rate, they are able to take out their profits in commercial rands," said one.

"These are very attractive terms to any investor."

Mr Johan Louw, managing director of Caprop, a Paarl estate agency, said South Africa was considered to be a bargain situation and his company had "a couple" of transactions pending for overseas buyers.

Buyers did not appear to be interested in the political situation, he said.

Job creation

"We have had German purchasers and several from Britain buying property in the R3-million range, but not many Americans showing interest," said Mr Gabriel le Roux, a partner in a Stellenbosch estate agency.

"If the buyer can show that he intends setting up some kind of labour intensive or job creation project he can negotiate for up to 100 percent of the purchase price to be in financial rands."

Commercial bank sources said it was not only farms that were attracting interest, but any business venture.

"They are not looking at capital growth but at return on their investment," said a spokesman for Boland Bank in Paarl.

"Considering the depressed property market and favourable exchange rates they are buying for nothing and the income generated on a good buy is phenomenal."

ANC probe told of overdraft

Cape Times 5/3/87 58 ~~547~~

Own Correspondent

JOHANNESBURG. — Barclays MD Mr Chris Ball personally authorized the R100 000 overdraft which was used to pay for the ANC advertisements, the Munnik Commission into the funding of the advertisements heard yesterday.

The bank, however, is on record as saying it had no knowledge that the funds would be used to pay for the controversial advertisements.

The commission was told by Barclays Bank senior general manager Mr James McKenzie that Mr Ball had approved the new account for a client known as Mr Z.

The overdraft was granted on January 6 this year and on the same day a R100 000 bank cheque was issued against the overdraft facility on Mr Z's account to pay for the advertisements.

'Not a party'

Mr Z's first account at that stage had an overdraft facility of R20 000.

Mr McKenzie told Mr Justice G G A Munnik he had known at some stage that Mr Ball had authorized the second account with a R100 000 overdraft.

But, he added, he did not know if he was informed of this at the same meeting at which Mr Ball assured the bank's executive committee he had not been party to the financing of the advertisements.

"We received assurances from Ball that he wasn't involved in the issuing of the bank cheque and the financing of the advertisements. We accepted that without reservations," McKenzie said.

Later, questioning Mr McKenzie about the meeting at which Mr Ball had given these assurances, Mr Justice Munnik asked: "Did he tell you at that meeting that he personally authorized the cheque?"

Mr McKenzie: "I certainly knew at one stage that he'd authorized that facility but I don't know if it was on January 6."

Mr McKenzie told the commission that Mr Z applied for a premier account on September 22 last year. This was turned down.

He said that up until January 6 this year Mr Z operated only one account at the Simmonds Street branch of the bank. On January 6 another account with an overdraft facility of R100 000 for one month was opened.

Mr McKenzie said the cheque was issued against this overdraft facility. On January 21 the new account was given premier status and the overdraft extended to six months on a fluctuating basis. Mr McKenzie also told the commission that bank cheques could be issued against money clients had in their accounts.

Or, if the account was in overdraft they could be arranged on a secured or unsecured basis at the discretion of the branch manager.

On Tuesday Mr McKenzie testified that Mr Z had exceeded his earlier R20 000 overdraft facility several times in the past and the account had been "troublesome" in that the bank had had to control it.

□ Mr Munnik yesterday described a headline in the Citizen relating to the inquiry as partly misleading.

The judge said he was surprised when he read the headline to the lead story, which said: "ANC ad financed from MD's account".

He said that in the context of the inquiry it was an unfortunate headline. The matter was put in perspective in the first sentence of the story when it was explained that the mystery client, Mr Z, who advanced funds for the ANC ads, was the managing director of a client important to Barclays.

"I think the newspaper should try to avoid this," he said

Counsel for Barclays, Mr S A Cilliers, SC, said his client strongly objected to the headline.

8/1/3/87

SHORT-TERM INSURANCE

One degree under

Horrendous increases in insurance premiums of up to 70% are sadly becoming commonplace for the man in the street.

Insurers say there has been a massive increase in crime, especially motor theft. They also talk of a falling morality of claimants generally. Certainly, there is no question that insurers have been hit by very high numbers of claims with expenditures out of proportion to inflation. Meanwhile, the market is rightly warning that insurers are pricing themselves out of the market.

But an important factor is underinsurance. Gareth Bradburn, manager of Swiss Re, has done some research on this. Without exception, he finds that personal lines or domestic business have been the main contributor to insurance companies' losses. "But if we delve further," he says, "we find that sums insured are frequently inadequate."

Looking at the accompanying table, it can be seen that for the 12 months to mid-1986, the cost of replacing items rocketed. TV sets went up by between 36%-50%. Major industrial plant, such as a plastic recycling line, for example, almost trebled in price. The trend has continued apace.

With prices of those goods most favoured by criminals rising inexorably, more insureds are finding themselves further underinsured as they fail to keep policies on track with prices.

Underinsurance, of course, should be taken care of by "averaging," a process whereby the claims assessor on finding a client is, say, 50% underinsured, reduces the claimed amount by 50%. However, in practice, insurance companies find averages difficult to apply and underinsurance difficult to prove in partial loss situations. Even large industrial accounts get away with being underinsured. Administrative costs in trying to prove that cover was inadequate are also prohibitive.

Says Bradburn: "Talking to some assessors who deal with large industrial accounts, it became clear that few are asked to look into the question of average. This is due to the time and expense required to assess the value of all assets to establish whether a company was underinsured."

Another aspect is that excesses — the amounts paid by the insured himself in the event of a claim — previously on the low side, are now hopelessly inadequate. Insurers have failed to increase the ruling excesses to keep them in line with rising prices.

"I think these facts provide ample justification for some of the rate increases we are seeing," says Bradburn. "When one bears in mind the dramatic rise in incidence of claims, I begin to wonder whether even these massive increases will be enough."

It is a great pity that insurance companies failed to anticipate trends towards underinsurance some years ago. They hold the records pertaining to insured values, and should be able to forecast inflation.

A leading insurer admits: "Employing outside skills like economists is a good idea, but the truth is that insurance companies are not properly managed. If they were, there would be sufficient money to attract better staff and skilled technicians such as economists.

"Perhaps there should be a specially qualified brand of actuary too — not just a life actuary turned over to short-term insurance, but a specific short-term actuary. He would look beyond day-to-day insurance matters, consider important influences on underwriting experience expected, for example, by the team's economist, and set a more accurate determination of underwriting." ■

Cape Times 6/3/87

Mr Chris Ball

Mr Z 'said it was for shares'

58

Own Correspondent

JOHANNESBURG. — The managing director of Barclays Bank, Mr Chris Ball, who authorized an overdraft for "Mr Z" after two subordinates refused it, did not know the R100 000 would later finance advertisements calling for the unbanning of the African National Congress.

Mr Ball did not know at the time that Mr Z had told the managers he wanted the money to buy gold shares, according to evidence before the Munnik Commission yesterday by bank manager Mr Ross Field.

After President P W Botha made his allegations against Mr Ball in Parliament in January, the cheque was traced to Barclays' branch in Simmonds Street, Johannesburg, where Mr Field is one of two assistant retail managers.

Mr Justice Munnik asked Mr Field how Barclays Bank's press statement — saying neither the bank nor its staff knew what the cheque was to be used for — could be true if he had noted on Mr Z's account information card that the money was for gold shares.

"I think the statement was made before they spoke to me," Mr Field said.

Mr Justice Munnik: "But how can that be if they said they had made inquiries?"

Earlier request

The commission also heard that Mr Ball authorized the new account with a R100 000 overdraft facility after Mr Z's request had been refused by both Mr Field and Mr Neil Garden, chief manager at the Simmonds Street branch.

Mr Field said he had also refused an earlier request by Mr Z on September 22 last year even though the Kharbide group, in which Mr Z had interests, was transferring its multi-million corporate account to Barclays from a competitor.

"He approached me. I think it was on January 5. He wanted R100 000.

"I asked him what it was for and he said for gold shares."

Mr Field said he had told Mr Z he was crazy to buy gold when everyone was into industrials, but he insisted that was what he wanted.

"I went to Mr Garden and said there is no way you can give this funding, and he agreed with me.

"Mr Z said 'no problem, I'll go to Mr Ball'. I said 'it will be fine if you get a letter saying you are entitled to the account'."

Mr Field said he had given Mr Z the cheque after receiving the letter, and again asked him what he wanted the money for.

"He confirmed that it was for gold shares. With authority from my MD I just went ahead and did it."

W/Mail 6/2/3/87 (58)

Barclays face tough questions

By SEFAKO NYAKA

THE man probing the financing of the ANC anniversary advert yesterday questioned whether Barclays Bank's initial statement on the issue was entirely true.

Justice JCA Munnik was referring to bank chairman Basil Hersov's statement on February 5, in which he stated that no-one at the bank had known why "Mr Z" — who guaranteed payment of the advert — had wanted a R100 000 cheque.

Munnik questioned this statement after Ross Field, a manager at the Simmonds Street branch, said Mr Z had told him the money was for gold shares.

Field said he refused Mr Z's application for an overdraft to cover the cheque, as did chief lending manager Neil Gardin. But later, the commission heard, it was authorised by Barclays managing director Chris Ball.

Field said Mr Z approached him on January 5 saying he wanted R100 000 to buy gold shares. Field refused the overdraft.

"We've just got your account right at R20 000 and you're crazy to ask for R100 000," Field said he had replied.

He offered to refer the matter to his superior, Gardin, who also refused the request. Mr Z,

●To PAGE 3

Mr Z and Barclays

(58) (11A)

who claimed he was well-connected, then went to Ball — who personally authorised the overdraft facility.

Field said he then went ahead and supplied the cheque "with authority from my MD".

A letter of authorisation from Ball did not say what the R100 000 was for. Field said Mr Z repeated that the money was for gold shares and asked that the cheque be made out to K Naidoo.

Field said he had written a note on Ball's letter of authorisation saying the R100 000 was for gold shares.

He also told the commission Mr Z was on first name terms with Ball (whom he referred to as Chris) and Gavin Relly, chairman of Anglo American Corporation.

He had also said he was "a special guest" of India's prime minister, Rajiv Ghandi.

●From PAGE 1

He said Mr Z "is the type of person who, when he wants something, would get it".

Field said Mr Z had occasionally gone back to him to apologise for putting Ball and the bank in an embarrassing position.

He said Mr Z told him Ball didn't know what the money was intended for.

The commission then examined Hersov's statement on the issue, and Munnik remarked that he would have expected the bank to mention that the money was going to be used for gold shares.

●The commission is empowered to investigate circumstances and finances concerning the placement of of advertisements in January calling for the unbanning of the ANC.

W/Mail 1-12/87

Overdraft 'refused twice'

Ball 'did not know' what funds were for

B/Day 6/3/87

BARCLAYS MD Chris Ball authorised a R100 000 overdraft facility used by Mr Z to fund pro-ANC advertisements after two senior managers had refused to do so.

SUSAN RUSSELL

Ball did not know at the time that Mr Z had told the managers he wanted the money to buy gold shares, according to evidence to the Munnik Commission yesterday by bank manager Ross Field.

After President P W Botha made his allegations against Ball in Parliament in January, the cheque was traced to Barclays' branch in Simmonds Street, Johannesburg, where Field is one of two assistant retail managers.

"I saw Mr Ball at some stage, possibly on the same day. He said: 'Thank you, I now know what it was for. I was unaware of what it was for before.' "

Mr Justice Munnik asked Field how Barclays' Press statement saying neither the bank nor its staff knew what the cheque was for could be true if he had noted on Mr Z's account-information card that the money was for gold shares.

"I think the statement was made before they spoke to me," Field said.

Mr Justice Munnik: "But how can that be if they said they had made inquiries?"

The judge also queried the statement where it said the transaction had been perfectly normal.

"It would have been perfectly normal to ask for a bank cheque if the client had funds or a covering overdraft," the judge said. "But what is missing from the statement is the fact that the only reason it became perfectly normal was because he had been granted an overdraft facility for R100 000 that morning."

Field agreed with the judge that Mr Z would not have been granted the cheque against his first account, which had an overdraft facility of R20 000.

The commission also heard Ball had authorised the new account with a R100 000 overdraft facility after Mr Z's request had been refused by Field and Simmonds Street-branch chief manager Neil Garden.

Field said he had also refused an earlier request by Mr Z on September 22 last year, even though the Kharbide group, in which Mr Z had interests, was transferring its multi-million corporate account to Barclays from a competitor.

"I asked him what it was for and he said for gold shares."

Field said he had told Mr Z he was crazy to buy gold when everyone was into industrials, but he insisted that was what he wanted.

Field said he took the request to Garden because of Mr Z's interests in the

To Page 2

MD gave over-ruling OK

B/Day 6/3/87

From Page 1

Kharbide group.

"I went to Mr Garden and said there is no way you can give this funding, and he agreed with me. Mr Z said: 'No problem, I'll go to Mr Ball.'

"Mr Ball's personal assistant phoned me and she said: 'You can go ahead with the R100 000 facility.'

"Mr Z came down and said he wanted a bank cheque for this Mr Naidoo. He seemed unsure who to make it out to, then said 'Mr Naidoo'.

Field said he had given Mr Z the cheque after receiving the letter, and again asked him what he wanted the money for.

"He confirmed that it was for gold shares. With authority from my MD, I just went ahead and did it."

Field said he had queried the cheque again because he had to tell the bank's auditors what each funding was for.

Mr Justice Munnik asked Field whether he had been keeping a closer watch on Mr Z's account since the source of the cheque was made public. He said he had.

The judge noted there had been substantial payments into the account since then. He said the papers before the commission reflected three deposits into Mr Z's premier account by the UDF and one by the National Education Crisis Committee.

DUNCAN INNES reports (*WM*, Feb 20) that while real wages are falling, profits are rising.

The logical thing for workers to do now would be to buy shares so that they too can benefit from the profit boom. What they lose in their pay packets can be made up in dividend cheques.

With his obvious knowledge of shares and companies, Innes would seem well placed to provide the relevant advice. How about a regular "Investors' guide for workers"? (He can hardly do us more harm than that unprincipled opportunist Equinus!) — **Manfred Michaels, Berea Johannesburg**

CONCERNED of Yeoville complains (WM, Feb 27) that the Allied has undemocratic interests, citing the booklet it produced for wary conscripts. While true, this statement is trite, for it totally ignores the wider social and political context in which the Allied operates.

The wider social context in South Africa, of course, is massive control of people's lives by politicians and governments, and it is this coercive ethic that bullies and ultimately modifies the behaviour of all of us, including the Allied.

To understand the behaviour of the Allied, we must first understand that the booklet was probably not designed to bolster the army but rather to advertise the Allied's services amongst troops.

The price the Allied paid for access to a large potential market was the inclusion of political advertising in its sales brochures. We must here also examine why it is that so much money is spent on bullets and bombs when the person in the street, who finances it all, would doubtless prefer refrigerators and roasts instead.

Massive government control (totalitarianism) is the answer: politicians forcibly take money from taxpayers who want refrigerators, and give it to generals who prefer bullets.

This means that some companies who would otherwise have produced refrigerators for a living must instead produce bullets if they wish to survive. Government has forcibly reduced the market for refrigerators and increased the market for bullets. By virtue of another piece of government control — conscription — a large potential market for companies like the Allied resides in barracks.

And as we have already seen, such companies must sweeten their image with the generals if they wish to tap this market.

Contrary to Concerned's view, the Allied's booklets say a lot more about the system of government controls than they do about the political inclinations of the Allied's directors or shareholders. While one could still perhaps criticise the Allied for being just a little too enthusiastic about army life (*ie* for paying a higher price than commercially necessary), it would be facile not also to address the underlying problem of (increasing) totalitarianism in South Africa.

If and when coercion by politicians is replaced by a system of consent between citizens with equal and non-conflicting rights, secondary problems like the Allied giving succour to undemocratic institutions and practices will clear up of their own accord. — **Peter Kidson, Bellevue**

THE SA Union of Jewish Students deplores the news that Temple Israel has decided to lease premises to the Nationalist Party in Hillbrow (*WM*, Feb 27).

Jews have traditionally opposed the racist policies of the Nationalist Party as a complete contradiction of Jewish teachings and the Jewish historical experience. The policies of apartheid are the complete anathema of the Jewish ethos.

It is incongruous that a Jewish house of worship could tacitly give support to the Nationalist Party in this way. Clearly the moral ineptness shown by Temple Israel will cause a number of Jews to reconsider their membership of that synogogue.

The SA Union of Jewish Students wishes to stress further that financial considerations can never over-shadow principles of Jewish morality.

We call upon Temple Israel to desist from this unnecessary party politicisation of the Jewish community and to act in accordance with the teachings of Jewish justice and morality. — **SA Union of Jewish Students, Johannesburg**

● **Letters should be addressed to WEEKLY MAIL LETTERS, Box 260425, Excom 2023. All letters must be signed and addressed in full, including those written under a pseudonym. Shorter letters will be given preference. We reserve the right to edit letters for clarity or space.**

WMail 6/12/87

58

6/3/87

FARM DEBT

Deeper in the mire

SA's commercial banks are facing up to the fact that some R3 billion of the country's massive R14 billion farm debt could be at risk.

The first victims of their new stance are likely to be those farmers with the attitude that farm debt is the "banks' problem." They are in for a surprise, because the problem will be coming back to the farmhouse door as banks take an increasingly hard line on production credit support for agriculture.

The economic and financial feasibility of each farmer's operation will become paramount in assessing future support, say banking sources. But, if government decides that agriculture's strategic value to the economy outweighs other considerations, an aid package — which could provide five years' breathing space — can be expected.

Barclays Bank chief agricultural adviser Frans Venter says about R3 billion of the farm debt — less than 20% — could be in default among farmers who are unable to survive without massive State aid. With the annual 12% interest bill on the total debt running at R1,68 billion, a rescue operation will come dear.

Banks, of course, always have recourse to seizure of land, but that would bring down farm prices, thus devaluing the security.

Venter says banks will not be intimidated by the prospect of forced sales, if they are conducted on a structured, orderly basis. And actual execution sales could be far less in number than feared in farming circles.

Venter says additional aid will only prolong the agony in many cases. Apart from the drought and the new pricing system, bad management decisions in the good years are now taking their toll.

And, adds a banker, some farmers are still buying new vehicles and luxuries on production credit already cut "to the bone."

Venter says commercial bank commitments to western Transvaal farmers could total some R780m, while total farm debt in this drought-hit area could total R2,2 billion. If doubtful areas in the Free State are added, total risk debt would be in the region of R3 billion — about 75% owed by maize growers.

Meanwhile, three major developments directly affecting the fortunes, and even survival, of many northern maize belt farmers are anxiously awaited.

These are the size of this year's maize crop, the final decision on the maize price and government's reaction to the Economic Advisory Council's recommendations on the restructuring of agriculture.

The final maize price will obviously influence future action by banks, other creditors and the government.

If the price remains around R240/t many creditors would be prepared to extend production credit for another year, even without more State aid. But, if it hits R200/t or less, creditors could be forced to call in their security.

The election and the need to retain the farm vote will certainly influence government's decision on emergency aid beyond the R237m already earmarked. Next week's Nampo congress at Potchefstroom should provide some pointers to current thinking.

But it is clear the current situation cannot continue indefinitely — whether change comes from short-term action by banks and other creditors, or from emergency aid to restructure agriculture.

But even without additional State aid, and with a maize price of R200/t, it will not be wholesale slaughter. "Blood will flow," says a banking source, "but the fear of the event might be worse than the event itself."

Dire predictions that 60% of maize farmers will be forced to sell by the end of the season — unless government helps out — seem far-fetched.

But Pretoria's serious view of the problem was evidenced by last week's high-profile tour by a top echelon of ministerial, departmental and organised agriculture representatives through the western Transvaal maize belt.

It is becoming increasingly clear that restructuring will be a costly and lengthy affair. Not only will huge capital be required to diversify into new crops, but it could take years to put this into effect.

Unless government provides bridging finance or other subsidisation, many farmers face a grim prospect. But the strategic value of food and the political importance of the farm vote may still carry the day. ■

DISINVESTMENT

Bouncing baby blue

FM 6/3/87

Free of the restraints of former US parent IBM, the new Information Management Services (ISM) is taking an aggressive stance.

Plans to gain market share include participation in the local electronics industry, sales of non-IBM products and entry into the second-user market. The company will also review its support and education services with an eye to turning them into profit makers.

One of the most important developments for the all-South African company is the end of the restriction on selling non-IBM products. Indeed, ISM's first outside deal, concluded this week, was to tie up exclusive local rights to software from the UK's Hogan Systems.

Hogan, the leading supplier of integrated application software to the banking and financial services industry, already has a base with several institutions in SA.

Another major area of immediate endeavour is likely to be the manufacture and marketing of personal computers.

When IBM announced its pull-out last October, microcomputer retailers predicted the new local company would seek gains in this area (*Business* October 31). It had already rationalised its dealer network and made it plain it would seek big new clients itself, even if it meant competing directly with dealers.

Like its former US parent, the local company lost out heavily to clones from the Far East and to retailers with local manufacturing contracts. It seems clear that ISM itself must look at the local manufacture of micro hardware, even if only to supply its dealers at competitive prices. Although ISM is the sole supplier of IBM products in SA it is free, as MD Jack Clarke points out, to market other products.

In addition, market operations director Tony Dry says ISM is examining the possibility of "participating in the local electronics industry, which is fully tooled up for the manufacture of terminals and workstations."

The effect on the R250m-a-year micro sector would be enormous. As one dealer has it: "If ISM put its financial muscle behind the development of a local micro and sold it at a price to compete with Taiwanese machines, it would wipe out much of the competition. And even if it was more expensive, buyers would still have the feeling that it came with an IBM pedigree."

It is also widely held that ISM is looking at developing and manufacturing telecommunications equipment locally. Certainly, the sector is open. As Postmaster General William Ridgard recently warned, an inadequate telecommunications infrastructure could be a major obstacle to progress in SA.

On support and education services, Dry says: "There's nothing to prevent us from marketing our skills and resources in these areas, and no reason why we should not profit more directly from them." This means the traditional added-value for which IBM buyers paid a premium will be further exploited, possibly by developing separate training and maintenance facilities.

Meanwhile, ISM has the task of rebuilding customer confidence which was, despite

TAX REFORM

Through the back door

FM 6/3/87

In examining the levy structure for regional services councils (RSCs), it is clear that the tax rates are hopelessly inadequate. Current estimates for RSC levies, R240m a year, suggest that rates will have to be at least doubled to meet planned expenditure.

The rates are now 0,25% of payroll and 0,1% of turnover. Information, however, is scanty. Is Pretoria deliberately keeping a serious problem under wraps until after the general election?

By introducing the RSC levies in July, Pretoria will access a tax base the *FM* conservatively estimates at R270 billion. Finance officials will not be drawn on what figures they are working with. For one thing, RSCs will charge levies on new areas, such as professionals and the public service.

Perhaps more important, the probable turnover base of R170 billion is based on estimated GDP for 1986-1987, which excludes double-counting. A single item could go through five or more turnovers, giving the turnover tax a multiplier effect — to perhaps R500 billion.

Corporate boardrooms

Mystery creates uncertainty, of course, and corporate boardrooms can only begin to guess at the damage to cash flows RSC levies may inflict. One mining company has calculated RSC levies will cost it R390 000 a month.

The councils' levy rates could increase exponentially, as they did after GST was introduced as a broad-based low tax of 3%. It is now four times that. Pretoria officials will not be drawn on the question; nor will they say, for example, how many, if any, bureaucrats RSCs will create.

Ernst & Whinney's Roger Bramwell points out that the original legislation allows Finance Minister Barend du Plessis to increase rates in any RSC area simply by publication in the *Government Gazette* — at the RSC's request.

Given that the proposed rates will not raise what Pretoria needs, what is the scope for increases? Chris Frame of Price Waterhouse argues that RSC levies "allow government to increase its fiscal grip over the economic activities of the economy in general. They represent an inevitable fiscal progression, whose complexity will be increased by the fact that they are levied separately from the rest of the tax system. The precedent will undoubtedly be taken up at national level in due course."

It is clear that Pretoria is plunging SA into a tax revolution that could negate the work of the Margo Commission.

The other new tax introduced "through the back door" is valued added tax (VAT) which is said to be one of Margo's recommendations. Liquor outlets are now required to pay GST "up-front" on purchases — ostensibly to end revenue losses from shebeens, which do not pay GST.

Frame

Divaris

According to Frame: "To all intents and purposes the liquor trade is subject to VAT, but the label remains GST." The question is how many other sectors (grocers, for example), will in future be required to pay sales tax up-front.

Some argue that a combined RSC levy-GST/VAT system could replace the entire existing tax structure. Taking the total turnover and payroll taxbase as R270 billion, yield at (say) 9% would, of course, be R24 billion. This, topped up with contributions from GST, would quickly yield the R34 billion total revenue raised in 1986-1987.

Two taxes always make more sense than a single tax, since there is less incentive to evade. But would the two taxes make logistical sense in SA? There are 176 000 registered companies in SA, of which 56 000 are dormant, leaving 120 000 doing business and vulnerable to both GST/VAT and RSC levies.

Including close corporations, sole proprietorships and partnerships, some 250 000 enterprises would be SA's sole taxpayers in a GST/VAT-RSC levy system. This would eliminate the current system's some 2m personal taxpayers.

As Costa Divaris of Divaris Stein says, RSC levies would tax companies that do not pay income tax — at present 61 000 have assessed tax losses.

GST/VAT and the turnover tax are indirect taxes, regressive in nature, and inflationary. But savings at personal and corporate tax levels would have uncountable benefits, particularly in the short term.

If such a system is applied without exemption (so for example, food would again be subject to GST/VAT and the exemptions cut from RSC regulations), Pretoria would be free of pressure from vested interest groups.

Business decisions would not be distorted: though companies would not pay income tax, they could not claim allowances. Decisions as to what business to set up and where to locate it would thus not be distorted by tax considerations. ■

BANKING SUPERVISION 58

New custodian

6/3/87 FM

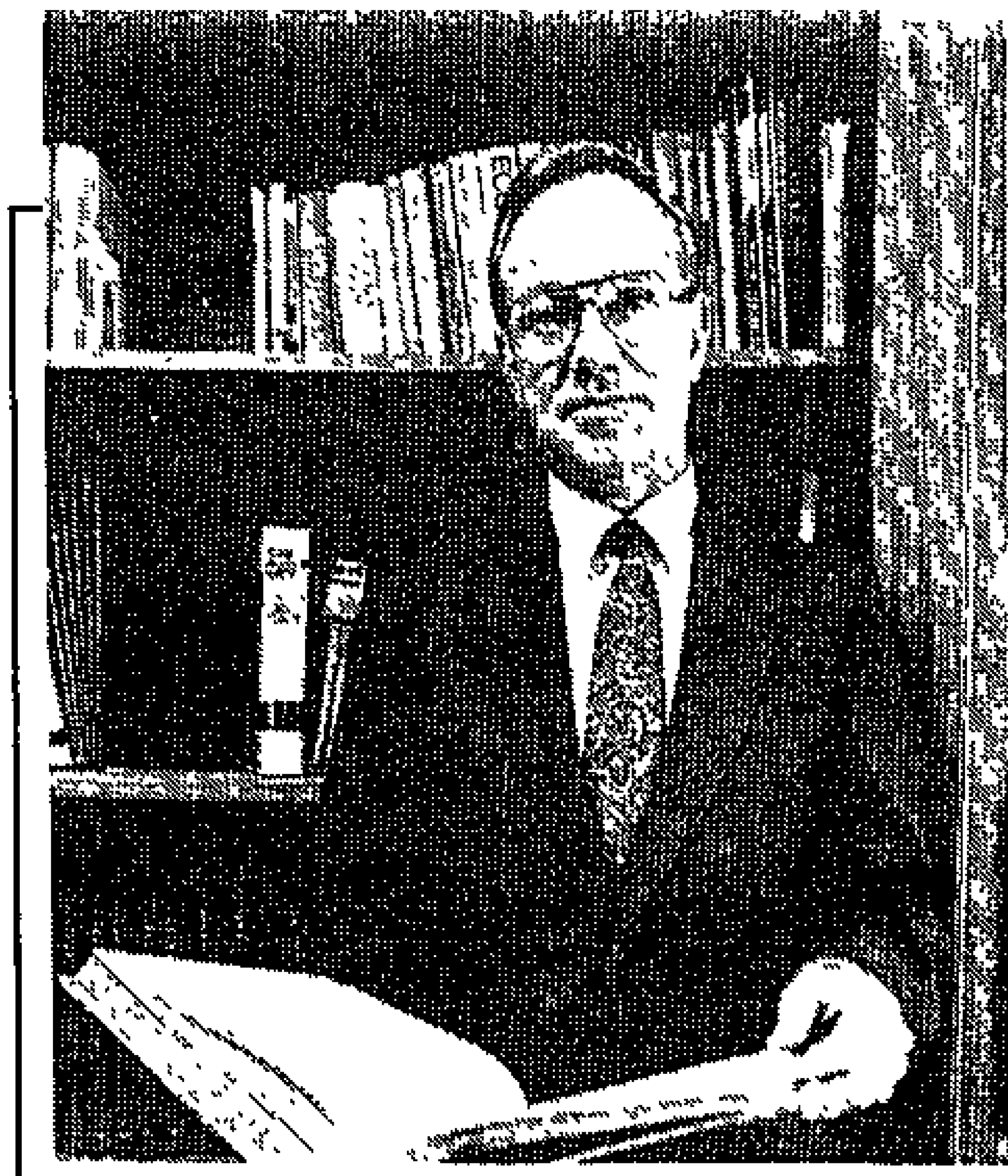
"**Banking** in a rapidly changing environment is a dynamic process," says the new Registrar of Banks and Building Societies, Chris de Swardt. "There are innovations on a daily basis; each may have far-reaching implications."

With the transfer later this month of bank and building society supervision from the

QUOTABLE

John Hays Hammond in his memoirs

My reason for joining the (1896 Jameson Raid) movement was the continued and exasperating series of government regulations which jeopardised the successful operation of the mines. I could not carry on my work efficiently, and I felt I had a heavy responsibility toward the people who had invested large sums of money on my professional recommendation.



Registrar De Swardt ... encouraging internal checks

Financial Institutions Office (FIO) to the Reserve Bank, it will be De Swardt's job to anticipate these implications and, if necessary, take steps to preserve the stability of the banking and building society systems and protect the interests of individual investors.

He will not, however, inherit administration of the nine other Acts under the umbrella of FIO. These remain with acting Registrar Piet Badenhorst.

The new arrangement will eliminate many problems which have plagued the administrative process in recent years. During his three years in office, former FIO Registrar Robert Burton (now secretary to the Treasury) was the target of criticism, much of it generated by the unwieldy structure of FIO and the diversity and scope of its responsibilities. Division of responsibility will remove some major flaws.

De Swardt sees the transfer of supervisory authority, approved by parliament in February and now awaiting the State president's signature, as a logical extension of the Bank's role as monetary authority and its existing relations with banks and building societies. "The Bank deals with these institutions daily and operates in the financial markets in which they are also major participants."

Head of the Bank's economics department since 1977, De Swardt will approach his new job as custodian of SA's 50 banks and 11 building societies in the same spirit of enquiry he brought to his previous task. "The department is building up a comprehensive information gleaned in the marketplace. "I analysed and stored on computer. So it will be only a few key-strokes away."

He will supplement the extensive information institutions are required to submit with information gleaned in the market place. "I want to stay in touch with Johannesburg, keep an ear to the ground and an eye on the markets."

In this way he hopes to devise an early warning system of potential problems before they damage the system. Whatever precautions he takes, of course, risk is never absent. "It is an essential element in banking," says De Swardt. And he recognises that, with deregulation, intense competition and a constantly changing environment, potential problems are always only an opportunity away.

However alert the supervisory authority, it is ultimately quality of management that decides the health of individual institutions. In fast-moving markets banks can develop dangerous exposures at a little under the speed of light, so De Swardt is encouraging internal checks and balances — self-regulation through internal committees.

He is eager for the banks to play an active role in revising the Banks Act of 1965 which "has been patched up over many years and perhaps needs a major overhaul." So he will co-opt them to work with a sub-committee of the Technical Committee, chaired by senior deputy governor Japie Jacobs, which will take a fresh look at the Act.

He is also looking closely at the statutory information required — an expensive business for banks. "I don't want to sound too sympathetic, but the information seems extensive and we have to ask whether we need it all. On the other hand, we also have to ask whether we need additional information."

De Swardt is as concerned about profits as the banks themselves. Profits are, after all, a primary source of capital and reserves. On the other hand, only sound prudential requirements will create the atmosphere of confidence in which profits are possible.

Both the emphasis on supervision, including setting prudential requirements, and the role of the central bank in monitoring them, are part of a move to meet international standards. Complying with international banking practices and principles has been a major factor in changes to SA's banking system since 1978. Attention has shifted to aspects of supervision which relate directly to the health of the banking system.

Thus prescribed investments, intended to provide a captive market for government stock, were abolished, while foreign exchange exposures, liquidity and solvency requirements were tightened. These exposures and ratios will be closely monitored by De Swardt and his team of 15 graduate accountants and auditors.

There are, of course, wider implications to the job in terms of risk management. The goals of competitive markets are not always compatible with those of the supervisory authorities. De Swardt concedes that there could be conflicts of interest, as for example with granting future banking licences. But he believes that, by tightening prudential controls and relaxing trading constraints, the authorities will be able to strike a delicate balance between promoting competition and preserving stability. ■

CONFIDENCE

Edging up but edgy

Everyone knows that economic expansion is out there just waiting to happen. But nobody quite knows when.

The latest Business Confidence Index (BCI) published by Assocom reflects caution among consumers which is keeping recovery on a slow burner. Though the BCI for February shows a slight improvement over January — 89,8 over 89,5 and four percentage points up on the previous February — "confidence in the wider sense remains an elusive yet vital factor" concludes Assocom's economic comment.

It points out that the tentative improvement will rely heavily on the outcome of several crucial events: the general election on May 6; possible further increases in administered prices; the shape of the main Budget; the authorities' response to the Margo Report into reform of the tax structure; and the impact on the business community of proposed regional taxes.

Meanwhile, consumers who entered 1986 carrying a "considerable legacy of debt" are reluctant to incur more. So demand for credit "remains modest." Should consumers decide to throw caution to the winds, the restocking of inventories will be retarded by cost inflation and cash-flow problems among small businesses. Growth is being restrained at source and restricted along the multiplier mechanism.

However, though confidence is tentative, prospects are reasonably encouraging.

Positive developments reflected by the BCI were new cars sold, which recovered from a December low; a drop in insolvencies of private individuals and partnerships; a small decline in registered unemployment and the number of people emigrating; and a deceleration in inflation (though this was partly due to technical factors).

Negative developments were: a decline in the JSE overall index due to a sharp fall in the gold index; a decline in the dollar price of gold; and a decline in number of new companies registered. ■

☐ See *Inventories*

BALANCE OF PAYMENTS

Growth inhibitions

The recent upward revision of estimated growth in real GDP to 3% this year, if realised, may have far-reaching implications for the balance of payments (BoP). As growth in an economy accelerates, the current account comes under pressure as additional demand starts to suck in more imports. Statistics show that in SA between 1952-1984, whenever growth exceeded about 3%, the current account moved into deficit.

Will this happen this time around?

Economists are divided. Johan Cloete, former economist at Barclays, points out that with low capacity utilisation, which should reduce demand for capital imports, 3% growth should not push the BoP into deficit for say a year.

Rudolf Gouws, of Rand Merchant Bank, agrees, adding that import substitution will also reduce demand for imports. "A 3% growth rate will narrow the surplus, but

Chris Ball 'overruled manager'

6/3/87 Sowetan

BARCLAYS Bank managing director, Mr Chris Ball, overruled an accounts manager and approved an overdraft facility of R100 000 for Mr Z — the mystery client who then paid for the ANC advertisement, the Munnik Commission of Inquiry heard yesterday.

Mr Ross Hooton Field, a manager in charge of small business and private accounts at the bank's Simmonds Street branch, told the commission yesterday that Mr Z had requested the overdraft to buy gold shares.

Mr Field said that he turned Mr Z down flatly when he approached him early in January. "He wanted R100 000. I said: 'What for?' He said to buy gold shares."

Mr Field said in his opinion it was "crazy" to buy gold shares because the market had already peaked. Mr Field, however, consulted his superior, chief manager, Mr Neil Garden.

He did this becaue Mr Z, whose account had been troublesome in the past, was now the managing director of a company important to the bank.

Mr Z then said he would go directly to Mr Ball "because Mr Z is well-connected all over Johannesburg. He knows who's who in the zoo".

Mr Field was called later in the day by Mr Ball's personal assistant, instructing him to authorise the overdraft.

Mr Field received the letter from Mr Ball the next day, which confirmed the instruction.

Mr Z then asked Mr Field to make out the cheque to Mr Krish Naidoo, the attorney for the UDF who later placed the ANC ads in newspapers.

Mr Field said he did not inquire who Mr Naidoo was, but he once again confirmed that the money was to be used for the purchase of gold shares.

Argus 6/3/87

58

Ball 'not aware R100 000 would be used for ANC ads'

JOHANNESBURG. — The managing director of Barclays Bank, Mr Chris Ball, who authorised an overdraft for Mr Z after two subordinates refused it, did not know the R100 000 would finance advertisements calling for the unbanning of the African National Congress.

This was said to the Munnik Commission by Mr Ross Field, one of Mr Ball's two subordinates who declined to grant the overdraft. Mr Field is a manager at the branch in Simmonds Street, Johannesburg, where Mr Z holds two accounts.

Not identified

One account, an exclusive "premier" account, was opened on January 6, and Mr Z drew R100 000 on overdraft which he said was to buy gold shares.

The commission is chaired by Mr Justice G Munnik, Judge President of the Cape, and was commissioned by President P W Botha to find out who financed advertisements calling for the unbanning of the ANC.

Mr Justice Munnik has ruled that Mr Z may not be identified at this stage.

Mr Field, who has been in his present post for about nine months, began dealings with Mr Z in August or September last year, but knew the man was a client at Barclays before that time.

He also described Mr Z as "very influential". He called Mr Ball "Chris".

He reputedly was at one time a guest of the Indian Prime Minister, Mr Rajiv Gandhi.

Mr Z appeared to be a man who "if he wants to get something done, he could get it done", Mr Field said.

After the furore surrounding the publication of the advertisement on January 8, the 75th anniversary of the founding of the ANC, Mr Z apologised for the embarrassment caused to Mr Ball, Mr Field said.

The hearing resumes on Tuesday. — Sapa.

Yusuf Surtee is ANC advert's Mr Z

8/3/87

S/T

(58)

Sunday Times Reporters

MR Z — the key figure in the ANC advertising controversy — is a wealthy Indian businessman who has close links with leading anti-apartheid campaigners.

He is Mr Yusuf Surtee, 35, married and with two children.

Mr Surtee, it has been claimed in hearings before a judicial inquiry into the funding of the ANC advertisement, provided the R100 000 bridging cheque for the advertisement.

The chairman of the commission, Cape Judge President Mr Justice G G A Munnik, has ordered that Mr Surtee should not be identified in his hearing, but the Sunday Times has independently identified the mysterious "Mr Z".

Mr Surtee owns a chain of exclusive men's clothing shops in Johannesburg and leading local and international dignitaries are known to visit his shops.

Mr Surtee has personal links with church leaders Archbishop Desmond Tutu and Dr Allan Boesak.

Last September, Mr Surtee was the only Indian invited among the crowd of local and overseas dignitaries who witnessed the enthronement of Desmond Tutu as Archbishop of Cape Town at St George's Cathedral.

He attended the Non-Aligned Movement's summit in Harare last year and met the leaders of several countries, including India's Mr Rajiv Gandhi, who invited him to attend the commemoration service for his assassinated mother, Mrs Indira Gandhi, in January this year to mark the anniversary of her death.

Among Mr Surtee's other international acquaintances are the mayor of the United States city of Atlanta, Mr Andrew Young; politician Mr Ted Kennedy; and Mrs Coretta Scott King, widow of Martin Luther King Jnr.

Mr Surtee — as "Mr Z" — has featured prominently in the Munnik Inquiry into the funding of the advertisement.

The inquiry was begun after President Botha alleged in Parliament that Mr Chris Ball, MD of Barclays, had advanced financing for the advertisement.

Peril warning on pensions

8/3/87 ST

INSURANCE giant Old Mutual flexed a multibillion-rand muscle this week with an urgent warning to the Government on the pension funds issue: freeze payouts at your peril.

Calling for an immediate clarification of the Government's intentions, Old Mutual said any misunderstanding could lead to a serious deterioration in labour relations and a possible repetition of the widespread strikes and violence experienced six years ago.

But Mr Kobus Meiring, chairman of the parliamentary select committee which investigated the issue, said yesterday the report would "most probably" not lead to the problems feared by Old Mutual.

Coming as it does from one of SA's biggest and most conservative financial institutions — Old Mutual is not given to involvement in overt political activity — the warning is likely to be heeded

In 1981, the draft Preservation of Pensions Bill — aimed at the "freezing" of employees' pension fund contributions until retirement — triggered industrial unrest.

Pension funds paid out huge sums to concerned black workers who feared losing their only source of income between jobs

The Bill was dropped amid hints that it might be reintroduced in the future.

A joint select committee, chaired by Deputy Minister of Foreign Affairs Kobus Meiring, recently completed an investigation into pension matters.

Dangerous

Although he has yet to table its report, Mr Meiring has disclosed (in an article in a Sanlam publication) that the committee has decided "in principle" to halt the repayment of pension contributions to employees who change their jobs.

Press reports have also quoted comments on the report by the Deputy Minister of Finance Kent Durr and Brian Goodall, MP for Edenvale.

And this, says Old Mutual, is where the problem lies.

Asserts General Manager (Pensions) Mr Gerhard van Niekerk: "Premature and irresponsible statements have already resulted in dangerous uncertainty."

Mr Van Niekerk told the Sunday Times that his company was concerned about the results of uninformed speculation — particularly in view of what happened in 1981.

"We want to see the committee's report published as quickly as possible. This is a matter of urgency — you can already hear the rumblings building up."

'Freeze could lead to repeat of '81 unrest'

By ALAN DUGGAN

Insurance industry sources say privately that much of the industrial unrest prompted by the draft Bill in 1981 could have been avoided by a simple statement of intent.

Said one official. "It's quite possible that most black workers would have been unaffected by the proposed legislation.

"The bottom line is that a freeze on pension contributions is an ideal step in an ideal world But this is not an ideal world, and it's a fact that black workers who lose or change their jobs often rely on the pension payout to survive."

'Why I quit'

8/3/87 ST

☐ From Page 1

directors that the flattening in Rapport's circulation and other problems were mainly due to my editorship has been so offensive that self-respect compels me to depart.

"With an expected rise in circulation and the progress of Rapport which is now expected, I could have handled the criticism.

"But there is also a definite political background to my resignation.

"With several confrontations in the past two years, even in most recent times, I am being placed under increased pressure by NP politicians.

"It is clear to me, and I have also been told directly, that many of my political insights, accents, arguments and appeals have aroused resistance among the NP politicians. This also applies to some general political reports and background articles in Rapport.

Inhibiting

"This intolerance and rejection of critical and investigative political journalism and reasonable political reportage inhibits my political freedom, integrity, honesty and open-heartedness.

"I have tried, to this very date, to formulate credibility, objectivity and balance as the philosophical basis for reform, and I have promoted the NP as the instrument to achieve it. Rapport has obviously not been heeded.

"Nor has the warning I gave that 22 percent of NP supporters are very dissatisfied with the content, style and tempo of reform.

"Meanwhile, the Independent political movement and alliance politics have emerged.

"Although I understand the emotion of it, there is still too much vagueness to test it.

"I still believe the NP has the opportunity to bring about great reform in this country, but then certain of its policies and its style will have to move in new directions.

"Rapport is so severely reproached for journalistically spelling out and arguing for this renewal within the NP, even before the election period, that it becomes impossible to maintain credibility.

"It is within the rights of politicians to differ. But traditionally it is also the honour of an editor to vacate his chair if his newspaper's political independence is contested and obstructed.

"It has been for me an exceptional experience and opportunity to have been editor of Rapport. I thank my directors, management, personnel and readers for their sustained support.

"I have not yet made any decisions or entered negotiations over my future career. I hope there will be new opportunities ahead."

(News by Raymond Joseph, 11 Diagonal Street, Johannesburg).

FULL STATEMENT BY MATIE REBELS

8/3/87 ST

TWENTY-EIGHT prominent Stellenbosch academics calling themselves Discussion Group '85 yesterday released a manifesto sharply critical of the National Party's political style.

The statement in full:

WE the signatories are members of a discussion group of teachers and researchers at the University of Stellenbosch that have met on a regular basis since October 1985

The group was founded as a result of our concern about the deteriorating security situation in the country during 1985, as well as about the tempo and direction of reform in South Africa. The stagnation of the reform process since May 1986 has increased our concern.

Initially, the group refrained from issuing public statements and preferred to express our concern, and to encourage the acceleration of reform and negotiations between credible, representative leaders of all communities, by means of correspondence, submissions and meetings with prominent Government leaders — including the State President.

According to our judgment, this modus operandi proved to be unsuccessful. We cannot, therefore, refrain from issuing a public statement any longer.

However, we emphasise that this statement is the result of detailed and sincere reflection and discussions over a period of about 18 months.

It has no relation to recent political developments at Stellenbosch, and cannot be interpreted as a declaration of support for any political party or candidates in the forthcoming elections

We are not only concerned about the tempo of the reform process in South Africa, but also about its character and direction.

We are convinced that the process of negotiation about the accommodation of all (particularly black) South Africans in the decision-making process is seriously retarded by the Government's hesitance to issue signs of hope for those concerned.

We understand that a new dispensation cannot become a reality overnight, and that stability has to be maintained during the transitional period However, the Government has an inalienable responsibility to create hope for the future for *all* South African citizens.

In our opinion this hope can only be created if the Government is willing to issue a clear and unambiguous declaration of intent on two issues

■ FIRSTLY, ITS INTENTION TO ABOLISH ALL RESIDUES OF APARTHEID

In this regard we specifically refer to four residues of apartheid that can, in no way, be part of the new South Africa·

The Group Areas Act

This symbol of injustice must be scrapped in its entirety as soon as possible. We very much doubt whether this scrapping will have any significant effect on the established composition of residential areas

However, all South African citizens have the moral right to a free choice of residential area. We realise that this

presented in the central Parliament of the country, and on all other levels of decision-making in such a way that they have an effective say, which is acceptable for a majority, in the decision-making process

This implies that we recognise that a situation will eventually be reached in South Africa in which the whites, as this group is currently defined by statute, will relinquish their exclusive and decisive ability to enforce decisions which have consequences for all South Africa's people.

The broadening of democracy in South Africa requires, at the same time, the constitutional entrenchment of democratic institutions such as a representative Parliament, an independent judiciary, free elections, freedom of speech, etc, in order to protect individuals and groups against the abuse of power by the authorities.

The ideal formulated in the previous paragraph may be realised by means of different constitutional formulae. We do not argue in favour of any one specific formula because we believe that such a formula can develop only as a result of negotiations between the Government and credible, representative leaders of all communities in South Africa.

We believe that stability and security must be protected in the transitional period during which these negotiations take place It would therefore be reasonable for the Government to insist on maintaining power until a new constitutional formula, acceptable to most South Africans, is found through negotiations

In view of the urgency of our situation, this transitional period of negotiations should not be allowed to continue indefinitely.

We understand the Government's difficulty, at the present moment, in finding negotiating partners on a national level who have enough influence to legitimise a negotiated deal in all black communities in the country.

This difficulty does not, however, necessarily obtain at local, regional or provincial levels. We believe, therefore, that initiatives to promote negotiations on a regional level should not only be encouraged, but that the results of these negotiations should receive serious consideration.

This obviously does not imply that such regional solutions could amount to the condoning of either continued apartheid or group domination. We believe, however, that successful regional initiatives can have a positive influence in the strife for a negotiated settlement on the national level.

With regard to the security problems, we recognise that a situation can develop in which the very survival of a stable society and a State that guarantees the maintenance of law and order are threatened by revolutionary forces.

A state of emergency in which the State obtains extraordinary powers to restore law and order is justified in such extraordinary circumstances We believe, however, that the actions of the security

Filling in your tax return is always an exercise in self-discipline. For those who are baffled by the ...

Lifegro sends JSE a message

58

By David Carte

LIFEGRO, South Africa's fifth-largest life assurer, replied to shareholder neglect in its first year on the Johannesburg Stock Exchange with scintillating results this week.

The share has gone sideways ever since controversy over the preferential allocation of too-cheap shares to directors, staff and friends of the company in the listing.

Premiums

The rating was not improved by a management shake-up in which executive chairman Desmond Krogh moved out and Volkskas brought in commercial banker Tony Laubscher over the heads of assurance men as chief executive

Lifegro disclosed earnings growth of nearly 30%, a dividend increase of 28% and asset growth of 53% in the year to December. Assets rocketed by R950-million to R2,7-billion.

Thanks to an 82% rise in new yearly premium business, premium income soared 72% to R548,7-million. Investment income — interest and dividends and excluding capital gains — rose by a modest 17% to R201,5-million. With the ordinary share fund yielding 50%, Lifegro claims it beat the market hands down.

Mr Laubscher is confident earnings and dividends will continue to outstrip inflation

Life companies enjoy considerable discretion in declaring earnings. Judging by modest declared investment income growth, Lifegro has been duly cautious because the market is so high

Mr Laubscher may be optimistic, but he is far from complacent

He has spent his first year in getting administration and sales right, cutting the expense ratio from 18,8% to a still-high 15,6%

Unlike most life men, he is happy to acknowledge shortcomings in Lifegro's product range.

Mr Laubscher says "We were innovative in universal products, but our competitors caught up They drove hard to win market share We had problems on the agency side, so we spent time on improving the size and the quality of field force

"We have 480 agents in the field compared with 312 before and the quality has improved. We are also going for better-quality business, aiming at the R30 000 and over bracket where lapse ratios are lower."

Lifegro agrees that it lags behind in the crucial computer area and this year will spend R16-million on rectifying the matter

Lifegro employed PA Consultants of the UK, the management consultancy that has been helping Volkskas for some years.

Shortcomings

"Together with them, we have identified our strengths Our medium size gives us agility and flexibility. We have a young management team and can be highly innovative We are more manoeuvreable than our bigger rivals.

"We are considering several earnings sweeteners, such as a unit trust management company. We would also like to manage private portfolios and to get into trust administration."

Only a few years ago, Legal & General was true blue British. Now Rempro and Volkskas have control and the board is overwhelmingly Afrikaans Ken Whyte is the only English speaker on the board.

But English remains the in-company language and three of the top six executives are English-speaking The Afrikaners are bilingual.

Tony Laubscher ... aiming for South African culture

Mr Laubscher says "We are not trying to change from an English to an Afrikaans culture, merely trying to develop a South African culture."

Rembro has a stake in Sage Holdings and speculation has been rife that Sage Life and Lifegro might be brought together

Mr Laubscher says "It is an interesting thought, but Sage Life and National Mutual have merged. It will take time for that to shake down"

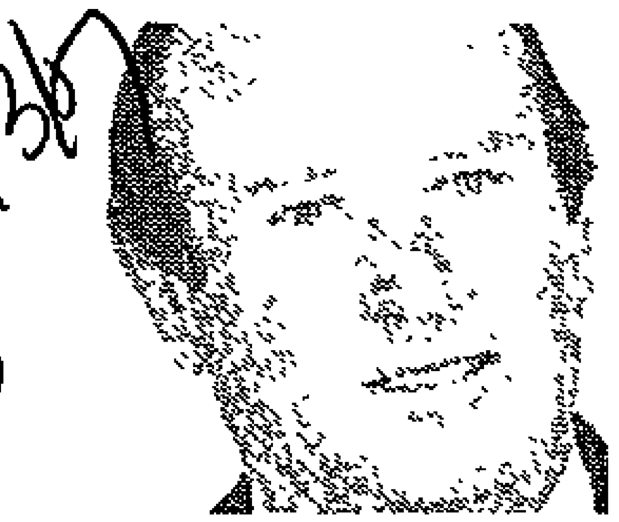
At 360c a share Lifegro is 15 times earnings compared with Liberty's multiple of 30 Lifegro's dividend yield is 4,2% and Liberty's 2,4%.

Southern is 19,8 times earnings and yields 3,3%, suggesting there is considerable potential for Lifegro to catch up

Gravy train for Allied investors

S.T.

8/3/87



Alan Tindall . . . worth the ride

By David Carte and Ruth Golembo

THOUSANDS of depositors in the Allied Building Society could double their money when the Allied Group is listed on the Johannesburg Stock Exchange on June 10.

The shares will be issued at R1 a share, but are expected to trade about R2.

According to listing proposals released to Business Times, 80 000 of 170 000 Allied depositors do not qualify for shares as they have less than R1 000 in the society. The number qualifying will be less than the suggested 90 000 because non-residents are disqualified.

R400m inflow

To qualify, depositors must have had more than R1 000 in fixed or indefinite period or subscription shares on September 20, 1986.

Qualifiers will receive three shares for every R20 they have deposited — 15 shares a R100.

They can either give the Allied new money for shares, or convert existing deposits on a rand-for-rand basis.

Allied managing director Alan Tindall is counting on shareholders to pay cash, arguing that the tax-free subscription shares are worth retaining.

Allied executives fear that a large number of people who qualify for shares, and thus to make capital gains of up to 100%, will be too ignorant, lazy or prejudiced against listed shares to follow their entitlements. This was the experience of the UBS in its listing.

Sage Holdings will place shares not taken up by qualifying depositors with institutions at 175c a share.

Not everyone has been blind to the attractions of the listing. In the qualifying week, more than R400-million flowed in — R290-million of new money and R110-million switched from non-qualifying deposits.

The Allied gave would-be shareholders a week's warning of the cut-off date last year.

Mr Tindall urges as many qualifying shareholders as possible to keep their Allied shares and not to sell them soon after the listing — "They will be a good long-term investment."

The 90 000 investors with deposits of less than R1 000 will not receive shares, but they will be paid out at the average stock market price prevailing on the first eight days of trade. Their entitlements will be sold by tender issue to institutions and the proceeds will be distributed among depositors.

Mr Tindall says Allied Group aims at a dividend of 10c in the year to March 1988 and earnings of at least 20c a share. Net asset value will be 150c a share. The results for the year to March 1987 are due soon.

If the Allied trades on a dividend yield similar to the UBS 5%, the price will be about R2. Sage has underwritten the shares at R1,75.

Growth

The circular to shareholders released today shows spectacular growth in Allied's profits since Allan Tindall's management took over in 1982.

The taxed profit record from 1982 to 1986 reads thus: R4-million, R7,4-million, R20,1-million, R22,3-million, R27,1-million. The 1987 result is due soon.

Earnings of 20c a share in 1988 imply a taxed profit of R60-million, so fast growth is evidently expected.

The Allied used to plod. Profits fell from R6-million to R2-million from 1977 to 1981.

☐ To Page 2 ☐ To Page 3

Allied gravy

S.T. 8/3/87

☐ From Page 1

Mr Tindall says a large part of the R300-million which will form the capital base of Allied Group could be cash.

The Allied will be the third building society to come to the JSE when it is listed on June 10.

The NBS, to be listed on April 8, has taken its cue from the UBS — right down to its R2 issue price and retrospective cut-off point for qualifying investors.

Allied Group claims to be different in that it is coming to the market as a diversified financial services group with a bank, an insurance company and a development company already operating.

Allied last year had assets of R4,3-billion. Thanks partly to the listing, they are expected to grow by more than R1-billion this year. Last year R3,6-billion was in mortgage advances

Exception

All the major building societies, with the exception of the second-biggest — the SA Perm — are going public as financial institutions are deregulated and move towards one-stop banking, building society and insurance service.

Banks have invaded the turf of building societies, using their lower cost of funds to offer cheaper mortgage finance. Standard aims at a mortgage book of more than R1-billion in a year and Barclays reports that its mortgage book is bounding ahead.

The building societies aim to hit back by offering consumer credit, but for the present they are on the retreat, protecting their traditional business from hungry banks.

Crucial dates

The crucial Allied dates are: April 1, special general meeting to ratify the proposals; April 27, offer opens; May 22, offer closes, June 3, Allied Group acquires Allied Building Society; June 10, listing begins.

The listing will be effected by formation of a top company, Allied Group, which will be the listed vehicle and will hold the building society, the bank and the insurance company. Allied Group will inject R200-million of funds raised in the listing into Allied Building Society, increasing the society's share capital to R334,9-million, assuming no conversion.

Paid-up indefinite and fixed period shares and subscription shares which are not converted into ordinary shares — these totalled R1,4-billion last balance sheet — will be converted into ordinary interest-bearing deposits after the listing.

Ball OK'd R100 000 overdraft

CHRIS Ball, managing director of Barclays Bank, personally authorised overdraft facilities of R100 000 for the mysterious "Mr Z". This money was used to pay for ANC advertisements.

Ball authorised the facilities on the same day that another account of Mr Z's had an overdraft of more than R19 000, it was testified before the Munnik Commission.

On the day the overdraft facilities were approved, a bank cheque for the same amount was issued in favour of Krish Naidoo, attorney for the UDF. Naidoo then placed the advertisement in various newspapers.

The commission was also told that Ball had given Barclays the assurance that he was not aware at the time of the ANC advertisements.

He gave this assurance the day after State President PW Botha said in Parliament that is was being alleged in leftwing radical circles that Ball had advanced the money for the ANC advertisements which had appeared in certain newspapers.

Jimmy McKenzie, senior general manager of Barclays Bank, testified before the Munnick Commission that Ball gave an assurance at a meeting with the five most senior Barclays officials that he had nothing to do with the payment for the advertisements.

When questioned by Judge Munnik, McKenzie said that Ball "expressed himself strongly" when he said he was not involved with the payment for the advertisements.

According to McKenzie, Ball said he had personally authorised the overdraft facilities for R100 000 for Mr Z, but that he did not know that it would be used for the advertisements.

Earlier McKenzie testified that Mr Z had applied for such an account on September 22, 1986, but that the application was refused. Until January 6,1987, Mr Z had only one account, the so-called Status account, with overdraft facilities of R20 000.

On January 6, the day on which the Premier account was authorised with overdraft facilities of R100 000, Mr Z's Status account had an overdraft of R19 159,43.

On January 21, Mr Z's overdraft facilities were extended to six months.

● Mr Z's bank manager at the Barclays branch in Simmonds Street, Johannesburg, Mr Ross Field, yesterday testified that he began dealing with Mr Z in August or September 1986, but knew the man was a client at Barclays before that time.

(58) Cpress 8/3/87

Naming Mr Z may be offence

9/3/87
Post.

Post Correspondent

JOHANNESBURG — Reports disclosing the identity of Mr Z, the mystery Indian businessman whose R100 000 was used to pay for ANC anniversary advertisements, are to be referred to the Munnik Commission as possible contempt of court.

The Citizen reported today that this had been confirmed by officials attached to the commission.

Reports also published commented on aspects of evidence before the commission and these would also be referred to the commissioner, Mr Justice Munnik, when he returned to Johannesburg tomorrow for the resumption of the commission's hearing.

Reports in a number of weekend newspapers identified Mr Z by name. This was after his name had been inadvertently disclosed at Thursday's hearing of the commission and a specific ruling was made by Mr Justice Munnik that the name should not be published.

Mr Z is the Barclays Bank Simmonds Street branch client who was given a R100 000 overdraft by Barclays Bank managing director Mr Chris Ball, against which a R100 000 cheque was issued to pay for the advertisements.

The SABC also named Mr Z when it referred to the Sunday newspaper reports in last night's 8 o'clock television news.

A windfall for Allied's clients

B/Day (58) 9/3/87

MICK COLLINS

TENS of thousands of small Allied depositors stand to double their savings when the society is listed on the JSE on June 10.

For the small man — with R1 000 or less on deposit — the JSE listing virtually assures a tax-free cash windfall which will be paid out automatically.

An Allied statement said at the weekend that of 170 000 depositors, about 80 000 had investments valued at less than R1 000 and would not be able to make a direct application for shares.

But they would be paid out at the average stock market price prevailing on the first eight days of trade.

Allied plans to put their stock entitlements on tender to institutions and the proceeds will be distributed among depositors.

Shareholders in the society who qualify will be able to convert 15% of their shares at R1 a share. This will be in the ratio of three shares for every R20 of shares in the building society. Minimum subscription is 100 group shares.

To qualify, depositors must have had

To Page 2

Windfall for Allied depositors

(58) 9/3/87

From Page 1

more than R1 000 in cash with the society on September 20, 1986 — held in subscription, indefinite period or fixed shares.

Would-be shareholders were given a week's warning of the cut-off date last year. Investors took timely heed of the warning — more than R400m surged in during the qualifying period with new monies totaling R290m. Another R110m was switched from non-qualifying accounts.

The shares not taken up by society shareholders will be placed by Sage Holdings with financial institutions at R1,75 a share. B/Day

Prospective shareholders can either give the building society new cash for shares, or existing deposits can be converted on a rand-for-rand basis.

Allied is hoping shareholders pay cash, saying the tax-free shares are worth retaining.

The group is aiming at a dividend of 10c in the year to March 1988 and earning in the region of 20c a share. Net asset value will be 150c a share.

"THE VITAL VIEWPOINT"

Yusuf Surtee revealed as 'Unban ANC' advert's Mr Z

BDay 9/3/87

DOMINIQUE GILBERT

MYSTERY "Unban the ANC" advertisement funder "Mr Z" was identified this weekend in Sunday papers as well-known Indian businessman Yusuf Surtee.

Surtee's involvement in the funding of the ANC advertisements has been an open secret for sometime, Barclays Bank's Jimmy McKenzie said yesterday.

"His name was known to all. Keeping it secret was just a big farce... It served only to create mystery and intrigue," he said.

Surtee, the MD of Surtee's clothing chain store, has close links with leading anti-apartheid campaigners.

He was also recently appointed as one of the trustees of Coca-Cola's R20m two equal-opportunity funds, with Archbishop Desmond Tutu and Rev Allan Boesak and others.

McKenzie said although the bank initially made "an issue" of client confidentiality it had never specifically asked for Surtee's name not to be revealed.

"We welcomed the legal process and asked that the judge issue an order for us to give the information. The judge then also took it upon himself to rule that the name of the client not be disclosed for the time being," McKenzie said.

At time of going to Press neither Surtee nor commission of inquiry into the ads chairman Mr Justice Munnik could be contacted for comment.

Barclays' chairman Basil Hersov told a Sunday newspaper that he stood by his earlier statement that neither the bank nor any of its staff knew of the purpose for the R100 000 overdrafted which Surtee was granted.

Hersov, who is presently in Houston, Texas, said he backed his earlier statement made soon after President P W Botha's allegation in Parliament that Barclays boss Chris Ball had approved the overdraft for the ANC advertisements.

Allied opts for 'windfall' listing

CAPE TIMES 9/3/87

By MICK COLLINS

TENS of thousands of small Allied depositors stand to double their savings when the society is listed on the JSE on June 10.

For the small man — with R1 000 or less on deposit — the JSE listing virtually assures a tax-free cash windfall which will be paid out automatically.

An Allied statement said at the weekend that of 170 000 depositors, about 80 000 had investments valued at less than R1 000 and would not be able to make a direct application for shares.

On tender

But they would be paid out at the average stock market price prevailing on the first eight days of trade.

Allied plans to put their stock entitlements on tender to institutions and the proceeds will be distributed among depositors.

Shareholders in the society who qualify will be able to convert 15% of their shares at R1 a share, in the ratio of three shares for every R20 of shares in the building society. Minimum subscription is 100 group shares.

To qualify, depositors must have had more than R1 000 in cash with the society on September 20, 1986 — held in subscription, indefinite period or fixed shares.

Would-be shareholders were given a week's warning of the cut-off date last year. Investors took timely heed of the warning — more than R400m surged in during the qualifying period with new monies totalling R290m. Another R110m was switched from non-qualifying accounts.

The shares not taken up by society shareholders will be placed by Sage Holdings with financial institutions at R1,75 a share.

Prospective shareholders can either give the building society new cash for shares, or existing deposits can be converted on a rand-for-rand basis.

The group is aiming at a dividend of 10c in the year to March 1988 and earning in the region of 20c a share. Net asset value will be 150c a share.

If the UBS dividend yield of 5% is anything to go by, shares in Allied Group — the controlling company of Allied Building Society Ltd, Allied Bank, Allied Insurance Company and Allied Development Company — should come on the market at R2.

"Although it would appear 90 000 building society investors qualify for the shares, the eventual figure should be substantially smaller," chairman Denis Paxton said.

This was due, in part, to non-residents being disqualified.

Allied will become Allied Building Society Ltd, with an authorised and issued share capital of R200m. Allied Group will be formed with an authorised share capital of R350m in R1 shares, of which about 300-million will be issued.

Shareholders of the building society will be asked to approve the conversion scheme at a special general meeting on April 1.

B/Day 10/3/87

Dissident broker hits at short-term insurers

INSURERS are guilty of a one-sided approach which totally neglects the public's interest, says broker WESSEL VAN WYK.

THE short-term insurers are far from being innocent victims of an uncontrollable situation, according to the forthright view of one major broker.

They could be doing far more to protect the public's interests, says Prestasi Brokers assistant GM, corporate development, Wessel van Wyk.

Van Wyk says short-term insurance companies have "a lot to answer for" in the context of sharply higher personal insurance costs and cover, which is increasingly difficult to obtain.

Main issues

He says main issues on which underwriters can be faulted are:

☐ Security measures: There is no objection in principle to the implementation of security measures, but there are some disturbing features.

Insurers at times appear to be demanding a "random type" of security. And, at other times, they are anything but disinterested in recommending particular security systems.

Thus, one insurer insisted policyholders went to a particular firm to buy house alarm systems — a firm in which the insurer itself held 50% of the equity.

Then there is the issue of cost. At the minimum standards set by some companies, the cost of protecting a dwelling would be R3 000. Prestasi's own research shows that vehicle alarms sell for prices ranging from R125 to R1 200 — a disturbing divergence.

The effectiveness of alarm systems is also much in question. At a recent seminar on security, it took someone with knowledge exactly 22 seconds to neutralise an allegedly sophisticated vehicle alarm system, Van Wyk says.

And current systems may even require replacement if the SA Bureau of Standards (SABS) — after completion of its current testing programme — rejects some now being installed on insurers' recommendations.

Van Wyk says the Automobile Association concurs in his views on the reliability of alarm systems currently on sale.

☐ Computing facilities: Brokers and underwriters lack modern computer facilities.

In 1986, the SA Insurance Association (Saia) rejected a good offer of a contract with a bureau offering a statistical service.

And when the insurance industry and police figures on car thefts diverge seriously — as Van Wyk says they do — there is "an impossible administrative situation".

Police, according to Van Wyk, say there is no sign of a dramatic increase: the insurers claim the contrary. Van Wyk argues figures for thefts to the total number of vehicles insured must be related.

Meanwhile Saia members lack scientific capability, to the extent that Prestasi was forced to keep its own statistics, and invest R7m in a computer system.

☐ Irresponsible advertising: Van Wyk claims certain irresponsible types of advertisement, amounting to marketing gimmicks make the public claims-conscious, but complacent about security.

Now insurers are taking corrective measures at the public's expense through raising the rates and restricting cover.

☐ Objective need to raise premiums: It is true, acknowledges Van Wyk, that the market and underwriting profits are under pressure.

But all remedies undertaken appear to be to the detriment of the public, he says.

The over-all financial situation of the companies is not remotely as bad as appears from an analysis of underwriting results in isolation, as this approach ignores the buoyant investment income of the short-term insurers since 1980.

Thus, for the period of 1980 to 1985, the aggregate profits of the 13 largest short-term companies rose by 156% — in almost absolute correlation with their growth in premium income, at 157%.

Another aspect of the relationship between underwriting and investment profits is the lag between the receipt of premiums and the pay-out of claims.

Companies retain the interest and any other profits reaped through the use of the premium funds during that period and credit that profit to investment account. Van Wyk questions the business ethics of this accounting practice.

☐ Insurance capacity: There is increasing concern that the aggregate underwriting capacity is in the process of being reduced. This disquieting trend has been caused "not just by the demise of AA Mutual, but also as the result of various other restrictions".

Stricter requirements

Thus, most companies have applied stricter requirements for writing policies, like higher excesses and the elimination of some groups of potential clients. Two companies say they will not issue policies to anyone under 25. Others "will not look at the group of unmarried individuals at all", and some only if they load the premium, or place heavy restrictions on cover.

Various additional strict requirements include an excess for claims of up to R1 000.

There is also the move to restrict the right to pay the premium monthly — some companies are now demanding annual payments in advance.

And, until now, a broker could give a client immediate cover and then negotiate with the company. Now some at least one company will not allow brokers to issue over, while there can be a delay of as much as six weeks while the company considers the case.

Insurance takes care of education

KAY TURVEY

AA MUTUAL LIFE has launched a plan to combat rising costs in education.

In 20 years, an education costing R60 000 is likely to cost more than R500 000, AAML assistant GM, marketing, Bruce Howard estimates.

The new policy is designed to cater for a young person's financial-planning requirements from childhood to early middle age.

Howard says the plan ensures tax-free income to provide an education, a home or even a start in business.

In a second new policy, AAML has introduced a life assurance plan that does away with long-term premium payment and medical examinations.

The policyholder pays premiums only for the first 10 years, whereafter the policy pays for itself, continuing cover for the assured.

Surveys in the market have shown the need for such a policy, Howard adds.

10/3/87

Documents taken from ads lawyer

(BD) BDay

PATRICK BULGER

DIRECTORATE of Fund Raising inspectors yesterday visited the offices of attorney Krish Naidoo, who earlier this year placed the "Unban the ANC" adverts in several newspapers on behalf of the UDF, the SA Council of Churches and the National Education Crisis Committee.

They took away several documents.

By late yesterday the directorate had not replied to *Business Day* questions on the purpose of their investigation.

Naidoo's offices were visited last week after the inquiry into the adverts' funding heard evidence that the UDF made three payments into Yusuf Surtee's Premier account, against which a R100 000 cheque was drawn to pay for the adverts.

Meanwhile, Witwatersrand local division Attorney-General Klaus von Lieres, who has been handed the police investigation into the adverts, said yesterday he had not yet decided whether to prosecute

Any prosecution would more likely be in terms of security legislation rather than the Fund Raising Act, he added.

Naidoo's lawyer Amichand Soman said the fund-raising inspectors spent three hours inspecting documents.

aged

two

C/T Times 10/3/87

58

Leutwiler: 'Botha let me down on reform'

Own Correspondent

LONDON. — South Africa's debt mediator Mr Fritz Leutwiler says President P W Botha let him down by not pushing ahead with promised reforms.

In an interview with the London Financial Times (FT), Mr Leutwiler said that while he was strongly opposed to apartheid, he was less than happy about the policy of Western countries to Pretoria.

Mr Leutwiler told the FT that sanctions, to the extent that they take effect, hurt the wrong people, blacks, coloureds and "also the banks".

While Western countries have sought greater contact with the ANC, Mr Leutwiler told the FT he believed the ANC should be shunned because "it has a communist face".

Mr Leutwiler, chairman of electrical engineering group Brown Boveri, insists it will not pull out of SA.

Nor, he told the FT, would it be an honest approach to sell its factories to local interests.

Commenting on his role as debt mediator, Mr Leutwiler said the banks needed some pressure to accept the 15-month interim settlement.

In effect he had to give them a take-it-or-leave-it ultimatum.

Mr Leutwiler said Dr Chris Stals had come to Switzerland in January to consult him, but with the banks talking directly to Pretoria he no longer had a direct role to play in the debt negotiations.

Namibia bans farmland bargains

Stals: SA won't follow curbs on foreigners

CAPE TIMES 10/3/87

By BARRY STREEK
and JANE ARBOUS

SOUTH AFRICA is unlikely to follow Namibia's ban of the use of the weak financial rand by foreigners to buy up farmland at bargain prices, the Director-General of Finance, Chris Stals said yesterday.

Stals said there was no reason to change "at this stage" the South African 50% commercial rand/50% financial rand formula which was introduced a year ago for overseas buyers.

He believed that the Namibian move was an effort to encourage development as many of the farms there were left unproductive and used for hunting only.

Millions poured in

The interim government cabinet said in a statement that the reason for the decision was "to eliminate unfair competition in which inhabitants of the country find themselves in comparison with foreigners using the aid of the financial rand for the purchase of farmland.

"In practice, foreigners were placed in a position to make use of the financial rand for as much as 50% of the purchase price of farmland."

In SA foreigners have poured in millions of rands to take advantage of the weak position of the financial rand to buy property, listed securities and businesses.

Historic farms

In the Western Cape, historic farms, such as Wilde Paardejacht and Denneguer in the Klein Drakenstein area and Neetlingshof in the Stellenbosch area, have been sold to foreigners in recent years.

The system here has been criticized because of the advantage it gives to foreigners over local investors.

The Namibian decision is, however, the first move taken in Southern Africa to counter the negative effects of the financial rand practice.

The Namibian cabinet said it had decided that in principle it would be its policy "not to allow foreigners to use the financial rand for the purchase of farmland, but that the financial rand may be used for the erection of fixed improvements on farmland owned by foreigners".

Applications for the purchase of farmland by foreigners would also be considered against the background of this policy by a committee of expert officials from various government departments.

Exceptional cases would be referred to the cabinet, the statement said.

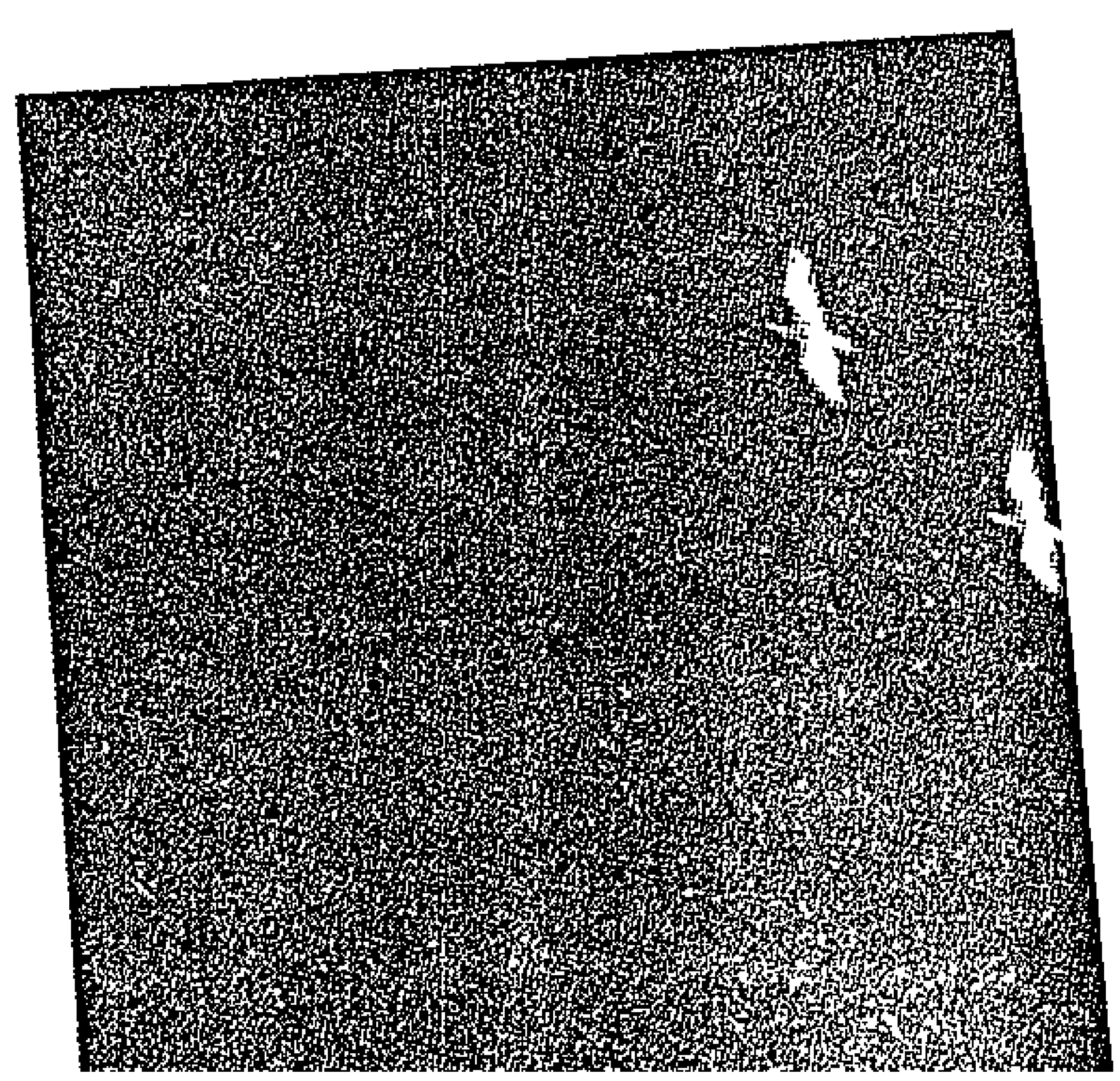
Closing gold prices

(In $ an ounce)

LONDON:
405,00-405,50
Fixing am: 404,85
Fixing pm: 405,00

ZURICH:
403,00-406,00

— Reuter



Sankorp cleans up the Bankorp stable

S IT (BKB) (58) 29/3/87

By Ruth Golembo

SANKORP-controlled Bankorp — which controls Trust Bank, Santambank and Senbank — has completed a huge clean-up.

Bankorp has put all its under-performing non-banking subsidiaries back on their feet and into a new non-banking arm called Bankorp Financial Services (Bankfin).

The main drags on Bankorp have been Repfin Factors, Mercabank, Mercatrust and Ewing Macdonald, each of which lost millions in recent years

The losers were recapitalised through a R123-million Bankorp rights issue last year — R103-million of which went into Mercabank. Mercatrust has been salvaged by TPN Holdings and relisted under its new name

Flagships

While the flagships, Trust Bank, Senbank and Santambank have gone from strength to strength, Bankorp's earnings and return on assets have waned in the past two years, forex and bad-debt losses being among its problems.

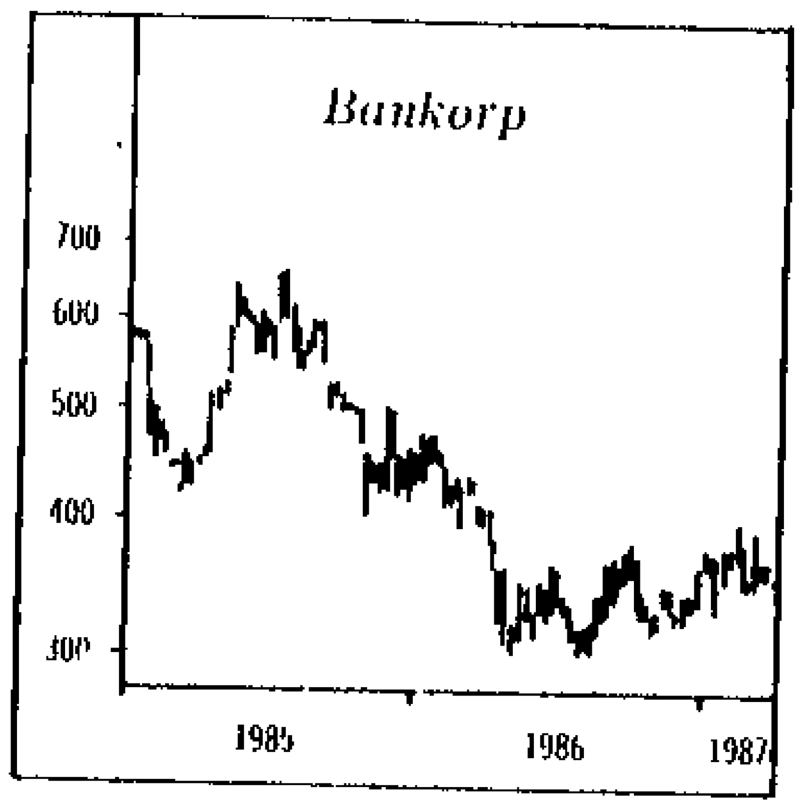
The share price has fallen from 650c in June 1985 to 355c In the past year it fell from 575c.

From July this year, Bankfin — headed by former Bankorp managing director Stoffel Erasmus — will include the group's insurance broking interests, trust and estate companies, factoring and collection services, the property arm, Mercabank and building society Trustbou.

Although its hotel and travel subsidiaries have been profitable, the group plans to focus on banking and ancillary services.

A surprise move is that it will probably soon get rid of the 60% holding in Protea and its interests in Miller Weedon Travel. This prompts the question whether a listing for Protea can be far off.

Mr Erasmus says Bankfin will provide non-banking financial services to the three banks' clients. It will thus be cost effective He says Bankfin will become Bankorp's fourth most impor-



tant income source after Trust, Santambank and Senbank

All the old losers — Repfin, Ewing McDonald and Mercabank -- have been turned around

If Bankfin had been operating this year, it would have contributed about R10-million in profits in the year to July 1987

Mr Erasmus says Bankfin will make a major profit contribution in the coming year.

"The high growth potential insurance broking and trust companies have been included in Bankfin to complement the banks

"The trust company has the most profit potential in the long term Its services are essential to the banks in drawing up wills, planning estates and providing financial advice.

"The property division supplements the bank services by administering participation bonds on the banks' properties for example. It also manages properties for outsiders"

Ruthless

Mr Erasmus says the factoring and collection companies, which have carried a burden of bad debts in the past, are expected to break even by the end of the current year and could be profitable next year

Repfin Factors has been ruthlessly trimmed and staff numbers have been slashed by 60%. It has tightened its credit policy and improved its client profile after large losses on advances to clients.

Mr Erasmus says debt-ridden confirming house Ewing McDonald normalised its financing arrangements with its banking creditors after its moratorium expired. It has sold some of its foreign assets and paid its debt abroad

Ewing McDonald may be put in with Repfin and run as a combined operation

Mercabank, which suffered mammoth bad-debt losses, has been unscrambled and recapitalised through the cash injection

Wrapping-up operations on companies like Caress, Kallenbach, Hendler and Fasco — to which it was heavily exposed — are under way Mr Erasmus says Mercabank is expected to break even by the June yearend this year

A management wing, Bankorp Bestuurdienste (Bankbes) with Donald Swanepoel at the helm, has been formed to take care of the group computer and management needs.

"Bankbes will bring big savings by cutting out duplication of management services for each of the banking divisions

"The new corporate stategy is to pool resources in a centralised financial service and make the profitable banking divisions subscribe to our services"

Listing spate

Another step to improve Bankorp's profits came through the rationalisation of Trust and Santambank's services Trust now runs the corporate finance division and Santambank is concentrating on individuals' business, such as cheque and savings accounts, hire-purchase contracts and overdrafts

Mr Erasmus says Santambank's leap into consumer lending has been successful He claims it is vying with Wesbank for the No 1 spot

He says Senbank has been raking in profits in the recent spate of new listings, mergers and takeovers Mercabank has been active in the listings of smaller Development Capital Market companies

Bankorp shares could start to move soon. At 355c on a dividend yield of 8,5% they are priced at only 3,5 times earnings. The industry average for the banks and financial services sector is a dividend yield of 4,6% and PE of 8,7.

Argus 10/3/87

BUSIN

58

FINANCE

Bid to settle SA's $22-bn debt problem ahead of election

From NEIL BEHRMANN

LONDON. — Leading bank creditors are trying to finalise debt negotiations with South Africa ahead of the election.

But both sides are at loggerheads.

The South Africans, bank sources say, want the debt rescheduled on a five- to seven-year basis. But American and some British and German banks, notably Barclays, have been unwilling to extend any repayment period beyond three years.

Sources say the South African authorities are reluctant to agree to unfavourable terms ahead of the election. If the banks maintain their uncompromising stance, Director General of Finance Chris Stals would prefer to postpone final negotiations until after polling day.

The banks, on the other hand want the $22-billion debt problem settled as soon as possible. They want an agreement ahead of several annual meetings, due to take place in April and May.

SECRET TALKS

There is also the fear of further US congressional restrictions.

Dr Stals and Reserve Bank Governor Gerhard de Kock have had seperate meetings with individual banks over a period of months, say bankers. The talks, held in considerable secrecy have taken place in London, Switzerland and Germany.

So far Swiss and German banks have been prepared to roll over short term credits of up to a year. But this does not solve the dreaded "bunching" of debt that could occur in two to three years' time.

A large amount of debt is due to be repaid in 1989 and 1990, say bankers. So unless the South African political situation improves dramatically, there could be a delayed debt crisis.

"Short term credits would merely postpone the problem," says a banker.

The South African financial authorities want to continue with Dr Fritz Leutwiler's "interim settlement" which was made in February last year. In terms of that arrangement 5 percent of some $13,3-billion frozen debt would be repaid this year and the remaining $8,7-billion would be redeemed as and when it falls due.

Bankers are against a continuation of the interim arrangement. If they agree to a 5 percent annual repayment, they will receive money lent over a 20-year period. This could force them to provide for their South African loan portfolio against profits.

Any writeoffs, say the sources, would be most inopportune because they could be forced to write off Brazilian and other South American debt.

:s' equipment

oy affiliates

ng course supplied

ower", "Crucible",

Schoeman says PFP's Ball is trying to cause trouble

11/3/87

THE National Party candidate in Walmer, Professor Fanie Schoeman, has accused his PFP opponent, Mr Paddy Ball, of attempting to create strife between the constituencies in Port Elizabeth.

Prof Schoeman's accusation comes after a challenge by Mr Ball that the NP candidate should state where he stands on a motion tabled by the Baakens Valley branch of the Newton Park constituency calling for an end to the Group Areas Act.

In a statement issued today, Prof Schoeman said the challenge was typical of the PFP's attempts to take advantage of South Africa's problems.

The Baakens Valley branch, he said, was not in the Walmer constituency and the motion was therefore a "domestic matter" which concerned Newton Park.

Prof Schoeman said that with regard to the Group Areas Act, he believed with the State President, Mr P W Botha, that the Act was not a "holy cow".

He added that it was in the interests of all in the light of orderly development in SA to wait for the Group Areas Act report of the President's Council.

Responding to Mr Ball's suggestion that he appeared to be one of the few academics who accepted NP policy, Prof Schoeman said this illustrated Mr Ball's lack of knowledge of the political thinking of the academic world.

He said there was substantial support from academics for his candidacy in Walmer.

Prof Schoeman added that when he accepted the nomination as an NP candidate, he by implication stated clearly that he supported the leader of the NP and the reform process of the NP.

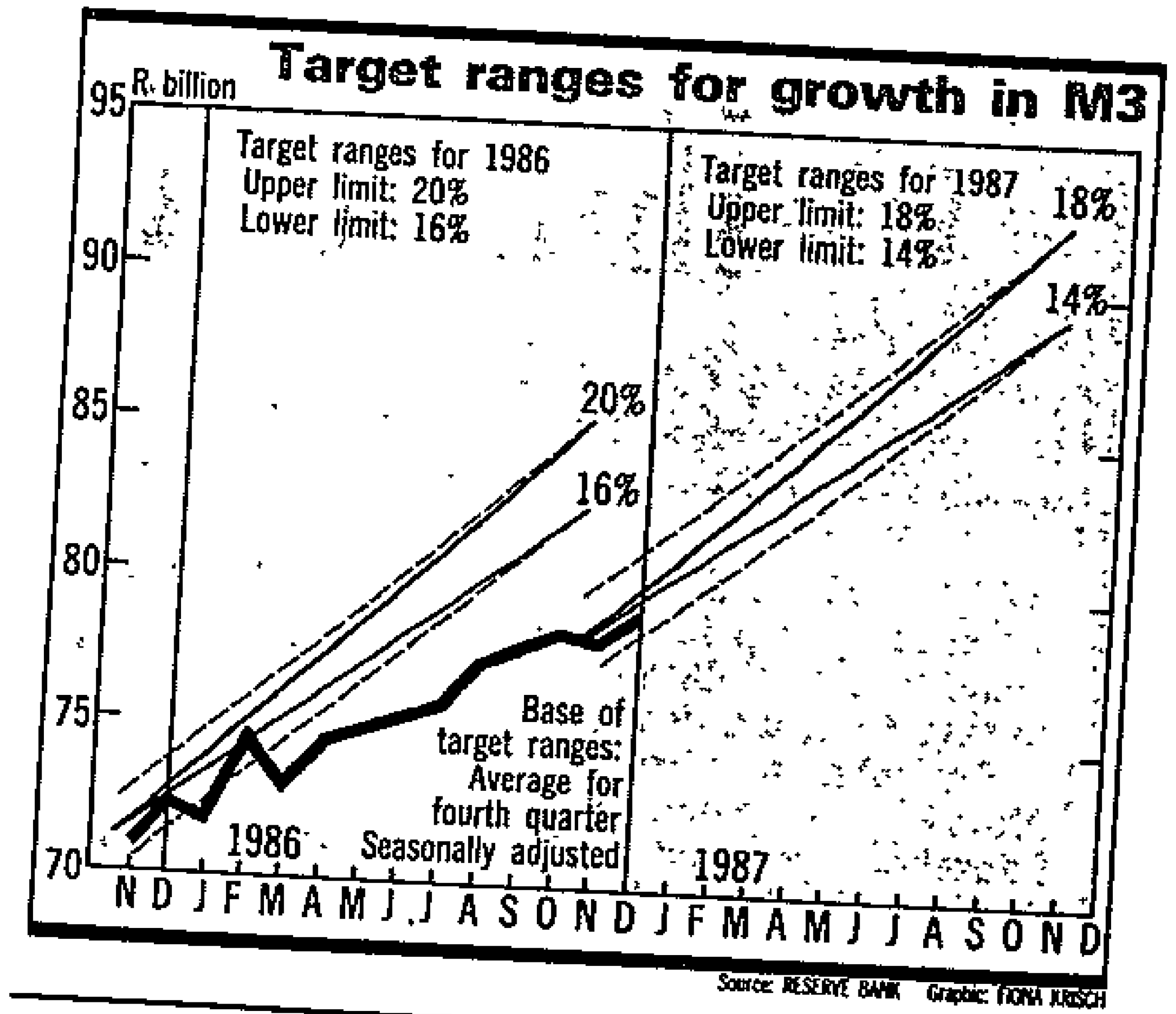
He accused Mr Ball of trying to seek publicity, because the PFP was irrelevent in the election.

(Report by Patrick Cull, 19 Baakens Street, Port Elizabeth.)

58

Reserve Bank lowers M3 target range

HELENA PATTEN



THE Reserve Bank yesterday lowered its target range for M3 — the broad measure of money supply — to between 14% and 18% for the period between the fourth quarters of 1986 and 1987.

Money supply growth for last year of 10,1% fell far short of the 16%-to-20% range.

M3 consists of bank notes and coins in circulation, plus deposits of the domestic private sector with banking institutions, building societies and the Post Office Savings Bank.

The 1987 target implies an inflation rate of about 14% or 15% for the year, giving a projected real GDP growth rate of 3%.

The targets, aimed at preventing excessive money creation, will enable the monetary authorities to exert pressure on government to keep spending under control and warn the private sector of possible changes in monetary policy.

Reserve Bank governor Gerhard de Kock said yesterday targeting would be applied flexibly and would maintain a low profile. Interest rates and exchange rates would be left free to find their own levels at all times.

De Kock said: "The monetary authorities will continue to exercise discretionary judgment in deciding what combination of money supply, interest rates and exchange rates to aim at."

He said the low rate of growth in M3 last year could be partly explained by an increase in the velocity of circulation of money. The velocity of circulation — the ratio of nominal GDP to M3 — rose 7,6% during the second part of the year, resulting in an effective increase in M3 of 18,4%.

The substantial increase in velocity was mainly the result of disintermediation, which involved the transfer of funds directly from lenders to borrowers, bypassing financial institutions such as banks.

De Kock said disintermediation had been encouraged by large disparities between deposit and lending rates, which created incentives for grey-market operations. Last year, many companies had borrowed directly from other companies at lower rates of interest prevailing in the money market.

'He did it for a good cause'

B|Day 11|3|87 (58)

Ball named in Surtee's bugged calls

TRANSCRIPTS of bugged telephone calls were produced at the Munnik Inquiry yesterday in which "Mr Z" — Yusuf Surtee — said "my friend, Chris Ball, was so sympathetic he gave it (the money) to me".

"He's done it for a good cause," Surtee told the Rev Allan Boesak's secretary, Thelma Sacco, in the taped telephone call.

● SURTEE

Surtee was answering questions before the Chief Justice of the Cape, Mr Justice Munnik, about his role in the "Unban the ANC" advertisements which appeared in newspapers earlier this year. He repeatedly told the commission Ball had given him a R100 000 overdraft facility as a personal favour and without being told what it would be used for.

The telephone transcripts were produced by H F van Zyl, SC, who led evi-

PATRICK BULGER

dence for the commission. They contained details of four telephone conversations conducted from November 25 last year to January 7 this year between Surtee and Boesak's office. Van Zyl said clearance had been obtained in terms of the Posts and Telegraphs Act to tape the calls.

In the final conversation on January 7, Surtee and Sacco spoke of a letter Surtee was to pick up in Amsterdam from a Ms Michanek, the secretary of the Swedish government of committees.

"Go for one day, she controls all the money," Sacco told Surtee days before he left for India via Zurich and Amsterdam. He was to pick up a letter "to give back to Chris".

Michanek failed to meet Surtee in Amsterdam.

When Surtee returned on January 20, he went to Barclays Bank to apply for a six-month extension of the R100 000

● To Page 2

B|Day 11|3|87 (58)

Ball named in bugged calls

overdraft facility.

Van Zyl asked: "Is it not because the Swedish woman didn't show up that when you returned on the 20th you went to Barclays Bank to extend the facility for six months?"

Surtee replied: "No. I went back to the bank because my father needed bridging finance."

Surtee described events of January 2 when he was approached by his childhood friend and UDF national treasurer Azhar Cachalia, who told him he needed money to place some UDF adverts in the newspapers.

Surtee said: "He came to me on a Friday and said he was looking for a loan. He told me he had problems with the shortfall in the UDF account."

Surtee said he had made no effort on that day or at the weekend to find the money, but that he went to Barclays

● From Page 1

Bank on Monday morning, January 5.

He spoke to Ross Field, an assistant retail manager at the Simmonds Street branch, telling him he needed a short-term overdraft facility.

Surtee said: "He seemed quite happy to put this to his seniors. I went back to my shop and called Chris Ball's office the next day.

"I saw Chris Ball in his office. He asked me what the money was to be used for. He never heard me the first time, so I told him again it was for personal use."

Mr Justice Munnik asked: "What did he say?"

Surtee replied: "He said: 'You've got it'." He maintained Ball did not ask him how he would repay the money. The meeting lasted 10 minutes.

SMR 11/3/87

Inquiry hears claims of money laundering

By Colleen Ryan and Zenaide Vendeiro

The Munnik Commission of Inquiry yesterday heard evidence on the United Democratic Front's "Unban the ANC" advertisements, including alleged laundering of money, suggestions of overseas funding, and the tapping of the telephone of UDF patron Dr Allan Boesak.

The central figure in the funding of the advertisements, Mr Yusuf Surtee, told the commission he was approached in January by UDF national treasurer Mr Azhar Cachalia, a childhood friend, for an urgent loan of R100 000 to pay for certain UDF advertisements.

He secured an overdraft of R100 000 from Barclays Bank managing director Mr Chris Ball, saying it was for his personal use. Mr Surtee insisted he never told Mr Ball what the money was to be used for.

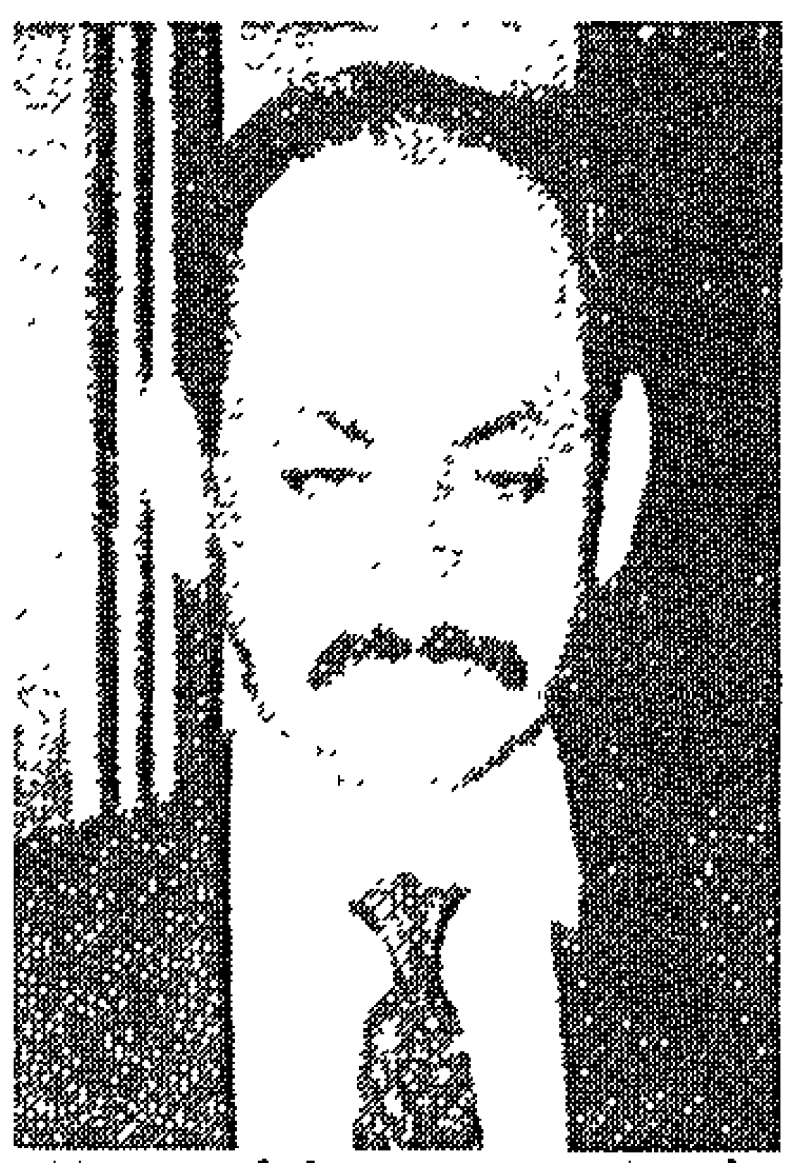
The counsel for the commission, Mr H F van Zyl SC, then handed to the commission four transcripts of conversations held between Mr Surtee and Dr Boesak, and between Mr Surtee and Dr Boesak's secretary, Miss Thelma Sacco, which had been transcribed by the National Intelligence Service (NIS).

In one of the conversations with Miss Sacco, Mr Surtee said he had managed to secure the loan. According to the transcript, Mr Surtee said: "You know who our lifesaver is? He is a good man this Chris Ball ... he is so sympathetic, he gave it to me ... he's done it for a good cause, you see."

Parts of the conversation were then inaudible, but the transcriber heard a figure of R150 000 mentioned.

Mr van Zyl put it to Mr Surtee: "On the face of it, it would seem that you gave him (Mr Ball) one or other explanation with which he sympathised, and this is why he gave you the money."

Mr Surtee again insisted that he had cited personal reasons for the overdraft.



Mr Yusuf Surtee ... missed appointment in Amsterdam with Swede.

Parts of the transcripts were read out at the inquiry, but the chairman, Mr Justice Munnik, refused to allow the public or Press access to the documents, a discretion he exercised in terms of the commission's regulations.

In the rest of his coversation with Miss Sacco, Mr Surtee referred to an arrangement to pick up "something" from a Miss Michanek of Sweden. He said he would prefer to meet her in Amsterdam during a stop-over on his way to India.

Mr van Zyl said the conversation created the impression that Mr Surtee had to pick up money from Miss Michanek and give to Mr Ball.

Mr Munnik also put it to Mr Surtee that the letter could have been an authorisation to repay the overdraft.

Mr Surtee said the UDF had asked him to collect a confidential letter, but he failed to do so because he missed Miss Michanek in Amsterdam.

When he returned from his trip to India, Mr Surtee arranged for the repayment period on the overdraft to be extended to six months, despite an assurance from Mr Cachalia that the UDF affiliates would come through with the money in time to pay the overdraft.

Mr van Zyl put it to Mr Surtee that there was a connection between the application for the extension and the fact that Mr Surtee had missed Miss Michanek in Amsterdam. Mr Surtee denied this.

He told the commission that he had asked for the extension mainly because he wanted to provide finance for his father's clothing store, which had run into financial difficulties.

Mr Surtee's bank account revealed he had received some R91 000 from the UDF and the NECC (National Education Crisis Committee). There had been numerous loans to his family's business, most of which were repaid within a few days.

Mr van Zyl said: "The overall picture from this account is that apart from a few credits from the UDF, the account was used to play around between you and 101 Fox Street (his family's business)".

Mr Surtee said he was helping his father with cash flow problems. "We weren't doing anything funny. It was completely legal. They were business transactions."

Mr Munnik asked whether Mr Surtee had engaged in "kite flying".

Early in his testimony, Mr Surtee confirmed that he knew the UDF was an affected organisation which could not receive overseas funds.

The commission asked Mr Surtee whether he had not in fact "laundered" money, by accepting R50 000 from Dr Boesak's Foundation for Peace and Justice and then writing three cash cheques for this amount and handing them to Mr Cachalia.

Mr Surtee said he had done so in order to help his friends, Mr Cachalia and Dr Boesak, and not to assist an affected organisation.

Mr Surtee said that, in hindsight, he may have been "used".

One of the tapped telephone coversations between Mr Surtee and Dr Boesak referred to Mrs Winnie Mandela's negotiations over the making of a film on the Mandelas.

It was revealed that Mrs Mandela had signed contracts with both the Cosbys and Harry Belafonte. Mr Surtee said this was terrible, and that she needed guidance.

A trust fund for the making of the film by the Cosbys was being established. The matter was apparently later resolved.

Mr Surtee said he managed to secure the R100 000 overdraft from Barclays dspite his poor financial record because he had been influential in bringing important accounts to the bank.

NATIONAL

ANC advert: Hearing told of 'money laundering'

Argus 11/3/87

The Argus Correspondent

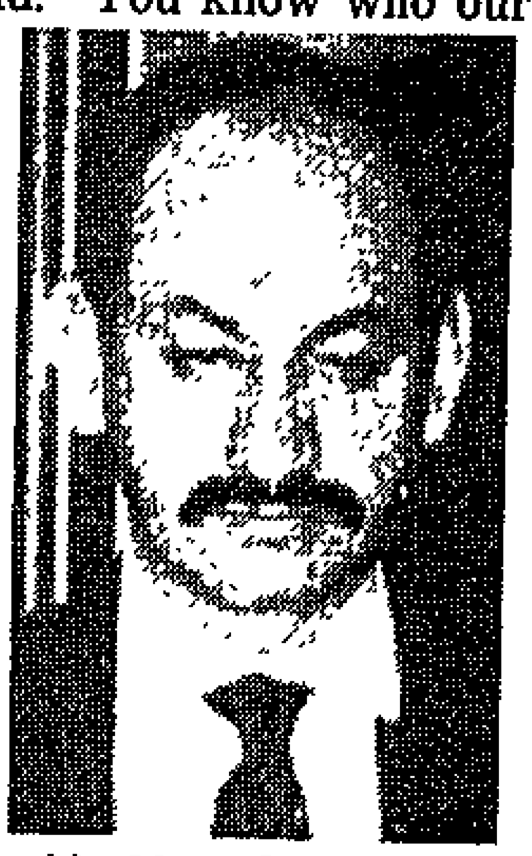
JOHANNESBURG. — The Munnik Commission of Inquiry yesterday heard dramatic evidence concerning the United Democratic Front's "Unban the ANC" advertisements, including alleged money-laundering, suggestions of overseas funding of the UDF and the telephone tapping of UDF patron Dr Allan Boesak.

The central figure in the funding of the advertisements, Mr Yusuf Surtee, told the commission he was approached in January by UDF national treasurer Mr Azhar Cachalia, a childhood friend, for an urgent loan of R100 000 to pay for certain UDF advertisements.

He secured an overdraft of R100 000 from Barclays Bank managing director Mr Chris Ball, saying it was for his personal use. Mr Surtee insisted he never told Mr Ball what the money was to be used for.

Counsel for the commission, Mr H F van Zyl, SC, then handed to the commission four transcripts of conversations held between Mr Surtee and Dr Boesak and Mr Surtee and Dr Boesak's secretary, Miss Thelma Sacco, which had been transcribed by the National Intelligence Service.

In one of the conversations with Miss Sacco, Mr Surtee said he had secured the loan. According to the transcript Mr Surtee said: "You know who our lifesaver is? He is a good man, this Chris Ball ... he is so sympathetic, he gave it to me ... he's done it for a good cause, you see."



Mr Yusuf Surtee

Mr van Zyl put it to Mr Surtee: "On the face of it, it would seem that you gave him (Mr Ball) one or other explanation with which he sympathised and this is why he gave you the money."

Mr Surtee again insisted that he had cited personal reasons for the overdraft.

In the rest of his conversation with Miss Sacco, Mr Surtee referred to an arrangement to pick up "something" from a Miss Michanek of Sweden. He said he would prefer to meet her in Amsterdam during a stop-over on his way to India.

Mr Surtee said the UDF had asked him to collect a confidential letter but he failed to do so as he had missed Miss Michanek in Amsterdam.

He told the commission he had asked for an extension for repayment of the overdraft mainly because he wanted to provide bridging finance for his father's clothing store, which had run into financial difficulties.

Mr Surtee's bank account showed that he had received about R91 000 from the UDF and the National Education Crisis Committee. There had been numerous loans to his family's business, most of which were repaid within a few days.

"Nothing funny"

Mr van Zyl said: "The overall picture from this account is that, apart from a few credits from the UDF, the account was used to play around between you and 101 Fox Street (his family's business)".

Mr Surtee said he was helping his father with cashflow problems. "We weren't doing anything funny. It was completely legal. They were business transactions."

Early in his testimony, Mr Surtee confirmed he knew the UDF was an organisation which could not receive overseas funds.

The commission asked Mr Surtee whether he had not in fact "laundered" money by accepting R50 000 from Dr Boesak's Foundation for Peace and Justice and then writing three cash cheques for this amount and handing them to Mr Cachalia.

Mr Surtee said he had done so in order to help his friends, Mr Cachalia and Dr Boesak, and not to assist the organisation.

Mr Surtee said in hindsight he may have been used.

One of the tapped telephone coversations between Mr Surtee and Dr Boesak referred to Mrs Winnie Mandela's negotiations over the making of a film on the Mandelas.

It was disclosed that Mrs Mandela had signed contracts with the Bill Cosby organisation and with entertainer Harry Belafonte.

In the transcript Mr Surtee said this was terrible and that the wife of the most important man needed guidance.

A trust fund for the making of the film by the Cosbys was being established. The matter was apparently later resolved.

At the start of the day's proceedings Mr Surtee said he had been able to secure the R100 000 overdraft from Barclays Bank in spite of his poor financial record because he had been influential in bringing important accounts to the bank.

The commission heard that Mr Surtee's total income with perks was worth about R47 000 while the bank estimated his income to be R100 000 a year.

These included the accounts of his businesses and the holding company, Kharbiba, as well as two trust accounts worth a total of R70-million.

One of these was the Equal Opportunities Development Fund Trust, sponsored by Coca Cola and worth R20-million over five years. The other was the Kagiso Trust Account worth R50-million.

Dr Boesak had also transferred his account to the bank.

CAPE TIMES 11/3/88 (58)

Volkskas chiefs to resign?

Own Correspondent

JOHANNESBURG. — Negotiations between UBS Holdings and the Volkskas group for a stake in each other's business could lead to the Volkskas directors on Saambou's board having to stand down.

Six Volkskas directors, including Volkskas chairman Albert Marais, have been retained on Saambou's board ever since Saambou merged with Volkskas offshoot, the National Building Society, in 1970.

Saambou MD Hendrik Sloet said: "We will have to come to some agreement to address this situation depending on what arrangement UBS and Volkskas reach with the Registrar of Financial Institutions."

In a move that surprised the market, UBS and Volkskas announced on Monday they were entering formal co-operation negotiations.

No indications were given of the size of each shareholding, but Sloet said this could possibly compromise the position of Volkskas directors on Saambou's board who could find themselves acting on behalf of the United Building Society.

Sloet said the negotiations would not affect Saambou's possible banking plans when they go public later.

He said although Volkskas and Saambou had enjoyed a "friendly and historic relationship", both being Pretoria-based, they had never had consultations on joint ventures.

Sloet emphasized Saambou was an independent organization. "The (UBS/Volkskas) talks are outside our parameters."

A UBS source said the deal with Volkskas would be "a mutually profitable arrangement".

ANC advert: Boesak's call bugged

58

CAPE TIMES 11/3/87

Own Correspondent

JOHANNESBURG. — Bugged telephone call transcripts were produced in the Munnik Inquiry yesterday in which "Mr Z" — Mr Yusuf Surtee — said "my friend Chris Ball was so sympathetic he gave it (the money) to me".

"He's done it for a good cause," Mr Surtee told Dr Allan Boesak's secretary, Miss Thelma Sacco, in one taped telephone call.

Mr Z — Mr Yusuf Surtee

Mr Surtee was appearing before the Chief Justice of the Cape, Mr Justice Munnik, to answer questions about his role in the "Unban the ANC" advertisements which appeared in newspapers earlier this year.

He repeatedly told the commission Mr Ball had given him a R100 000 overdraft facility as a personal favour and without being told what it would be used for.

The telephone transcripts were produced by Mr H F van Zyl, who led evidence for the commission. They contained details of four telephone conversations between Mr Surtee and Dr Boesak's office between November 25 and January 7.

In the final conversation on January 7, Mr Surtee and Miss Sacco spoke of a letter Mr Surtee was to pick up in Amsterdam from a Ms Michanek, the secretary of the Swedish Government of Committees.

"Go for one day, she controls all the money," Miss Sacco told Mr Surtee days before he left for India via Zurich and Amsterdam. He was to pick up a letter "to give back to Chris".

Ms Michanek failed to meet Mr Surtee.

When he returned on January 20, the commission heard, he went to B- clays Bank apply for a s- month extension of the R100 000 overdraft facility.

He said he went back to the bank because his father needed bridging finance.

Mr Surtee described events of January 2 when he was approached by his childhood friend Mr Azhar Cachalia, national treasurer of the UDF, who told him he needed money to place some UDF adverts in the newspapers.

"He came to me on a Friday and said he was looking for a loan. He told me he had problems with the UDF account."

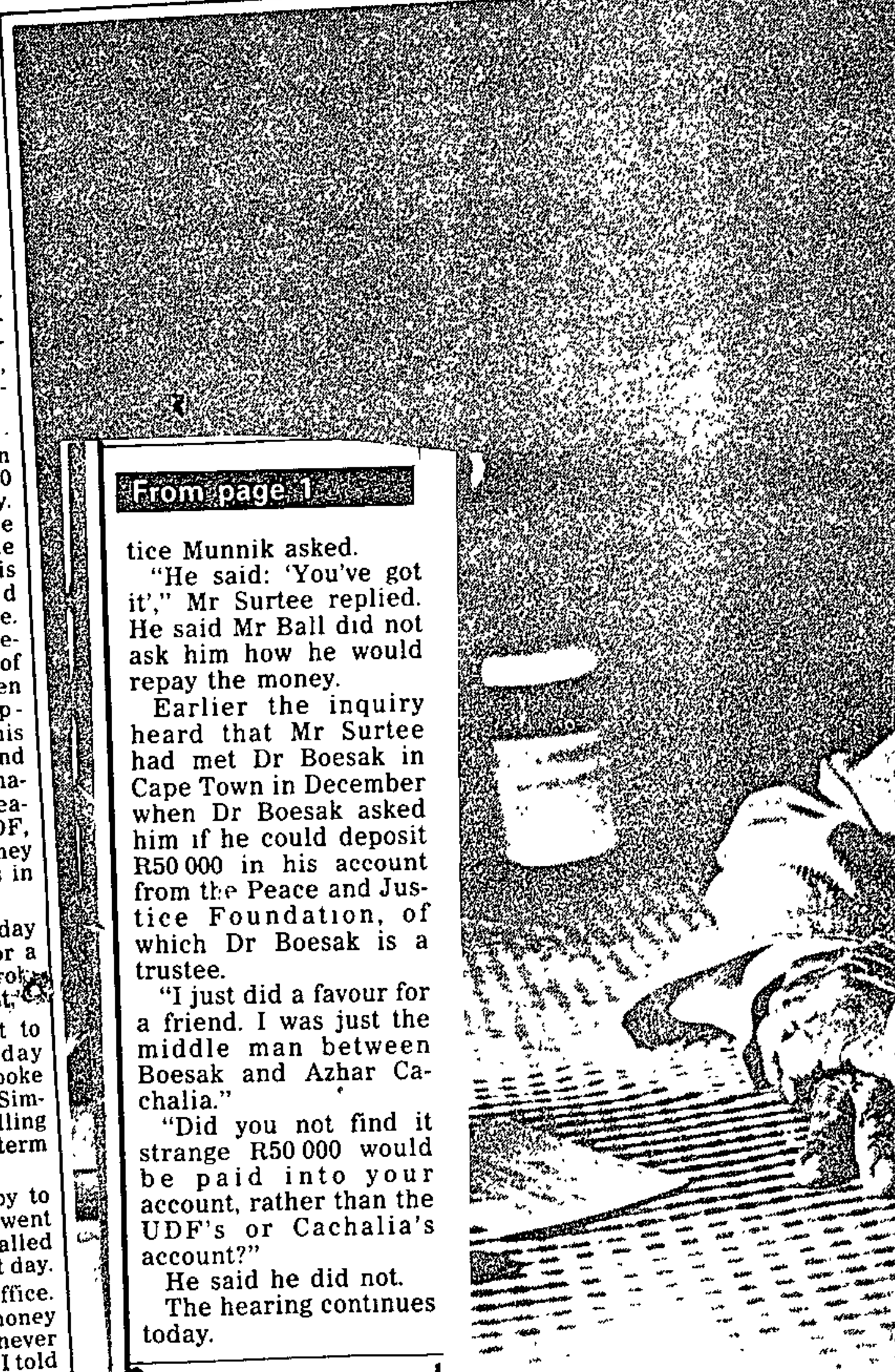
Mr Surtee said he went to Barclays Bank on Monday morning, January 5. He spoke to Mr Ross Field at the Simmonds Street branch, telling him he needed a short-term overdraft facility.

"He seemed quite happy to put this to his seniors. I went back to my shop and called Chris Ball's office the next day.

"I saw Chris Ball in his office. He asked me what the money was to be used for. He never heard me the first time so I told him again it was for personal use."

"What did he say?" Mr Jus-

To page 2



From page 1

tice Munnik asked.

"He said: 'You've got it'," Mr Surtee replied. He said Mr Ball did not ask him how he would repay the money.

Earlier the inquiry heard that Mr Surtee had met Dr Boesak in Cape Town in December when Dr Boesak asked him if he could deposit R50 000 in his account from the Peace and Justice Foundation, of which Dr Boesak is a trustee.

"I just did a favour for a friend. I was just the middle man between Boesak and Azhar Cachalia."

"Did you not find it strange R50 000 would be paid into your account, rather than the UDF's or Cachalia's account?"

He said he did not.

The hearing continues today.

POLITICAL comment in this issue by A H Heard, G C Kling, G E Shaw, A Johnson and B Streek. Posters, headlines and sub-editing by A Henderson. All of 122 St George's Street, Cape Town

, lives in fear of her life. Her nei

"We came here to rest only to

Mixed reaction for De Kock's inflation counter

Reduction in M-3 growth target range

CAPE TIMES 11/3/87 (58)

By JANE ARBOUS

IN a bid to coax down inflation, Reserve Bank Governor Gerhard de Kock yesterday announced a reduction in the target range for growth of the broad money supply measure, M-3 — a move which met with mixed reaction from economists.

He also indicated that the authorities would be prepared to let interest rates rise to prevent the money supply from overshooting the new target.

The rate of increase between the fourth quarter of 1986 and the fourth quarter of 1987 was set at 14% to 18%. According to De Kock, M-3 increased by only 10,1% in the corresponding period last year, well below the target range of 16% to 20%.

De Kock said the main reason for the change was to re-affirm the determination of the monetary authorities to prevent excessive money creation and any re-emergence of demand inflation.

'Flexibility'

"If this can be done, the authorities believe that in the absence of unforeseen developments leading to a new depreciation of the rand in the foreign exchange market, the rate of inflation can be reduced gradually to well below the levels of recent years."

Consumer price inflation rose 16,1% in the year to January.

He believed the new growth target was consistent with achieving real growth in the Gross Domestic Product (GNP) of about 3% this year and a gradual decline in the rate of inflation. GDP rose by a real 1% in 1986.

He also said that the Reserve Bank would be prepared to adjust interest rates to prevent the money supply exceeding the target range. As in 1986, the targeting exercise would be applied with flexibility and a low profile.

"There will be no rigid and overriding money rule that implies leaving interest rates and exchange rates completely free to find their own levels at all times."

Discretion

The monetary authorities would continue to exercise their discretion in deciding what combination of money supply, interest rates and exchange rates to aim at in any given set of circumstances. This discretion would naturally be constrained by the need to avoid breaching the M-3 target so often that it loses its meaning, he added.

The main instruments of policy used to influence M-3 growth would be public debt management, open market operations, discount policy and reserve bank intervention in the foreign exchange market.

Following the news, capital market rates closed slightly softer after a fairly active day's trading, reversing an earlier upward trend, according to some dealers.

Expressing surprise at the move, the chief economist for Southern Life, Mike Daly, said the target range should have been left as it was.

"If you're expecting an inflation rate of an average of 16% and if we're going to see real growth of 3%, then we're already looking at a total nominal money supply of around 19%."

Daley said it almost contradicted the Reserve Bank's stated position that inflation would come down this year, "yet he's raising it as a spectre already".

"Priority number one was growth last year. He shouldn't change at this stage and bring up inflation again as a bogey."

However, the chief economist for the Old Mutual, Rob Lee, agreed with De Kock that it was consistent with achieving 3% growth and showed "some sign of a committment to getting inflation down a bit".

"I particularly welcome the fact that the authorities will be prepared to let interest rates rise if M-3 consistently exceeds the target range. In the next year for two one must be concerned about the inflation outlook. This kind of target range gives one confidence that inflation won't get completely out of hand ... I'd have been surprised if it wasn't 14% to 18%."

But Lee said he was disappointed that a target range for a narrower definition of money supply had not been introduced.

...were reduced

Lifegro had R8,75m in cash to invest every working day last year

12/3/87 B/Day (8)

MERVYN HARRIS

LIFEGRO had R8,75m cash to invest every working day in 1986, senior general manager, finance, Henry Worthington, said yesterday.

The insurance company, which tomorrow celebrates the first anniversary of its listing on the JSE, had a cash flow of just over R420m for the financial year to December 31, 1986.

Capital of R34,2m was received by the issue, while proceeds from the disposal of investments — partly maturity of fixed interest stock as well as investments — totalled R1,7bn.

Worthington said these amounted to a total of R2,2bn cash for Lifegro to invest during the 251 working days during the year.

Lifegro achieved record growth of 82% in sales in the 1984 financial year. Preliminary premium income figures reflect a 64% increase with a substantial part of the premium growth arising from single premium business.

This reflected an overall increase of 200% while recurring premium income increased by 27%. Increases to existing policies comprised 37% of new business, more than double the previous year's 17%.

Chris Cunningham-Moorat, senior general manager, operations, said: "Our investment performance has been outstanding. While the industry as a whole has done well, we seem to have out-performed our competitors."

Looking ahead, he said continuing system development and training significantly improved service levels to all clients and the company planned more major enhancements in 1987.

He said the market was being affected by contradictory pressures. On the one hand, inflation was encouraging people to spend while, on the other hand, continuing social, political, economic and employment uncertainty was a great spur to achieve security through savings and family protection.

In the corporate market, many companies were highly liquid and there was an increasing need for comprehensive employee benefits.

UK Press report 'ludicrous'

Sanlam, AHI deny urging disinvestment

12/3/87 (58) B/Day

KAY TURVEY

SANLAM and the Afrikaanse Handelsinstituut (AHI) yesterday strongly denied a British newspaper report that they were actively encouraging the withdrawal of foreign firms from SA.

The GM of Sanlam holding company, Sankorp, Derek Hunt-Davis, said the article was absolutely incorrect.

The article in London's *Today* reported Sanlam was in the forefront of moves to buy foreign investments on the cheap and aggrandise itself in the process.

Hunt-Davis said: "We buy companies or make investments on a merit basis, as and when they become available, but to say we actively encourage disinvestment is ludicrous."

Government last year approved a Competition Board inquiry into conglomerates as mounting disinvestment increased their buyout opportunities.

Hunt-Davis said disinvestment was contrary to SA's interest as well as Sankorp's, which had major investments with overseas partners.

AHI president Christie Kuun said the report did not represent the AHI's official viewpoint.

"We have always been against disinvestment as it does not serve any purpose, but rather hurts the people it intends to serve."

The director-general of the British Industry Committee on SA (Bisca) claimed the article linked up with the AHI's view that buyouts minimised the likely impact of disinvesments and sanctions.

Kuun dismissed this, saying: "There is not sufficient capital in South Africa to buy out overseas companies.

"We want new, foreign investments to create more jobs, as the problem in South Africa is that we are not in a position to create enough employment."

Surtee's contact is top labour organiser

BDay 12/3/87

HAMISH McINDOE

THE mystery woman who failed to keep a rendezvous in Amsterdam with Yusuf "Mr Z" Surtee is a prominent Swedish labour organiser based in Stockholm.

A Swedish source in SA has told *Business Day* she is Elisabeth Michanek, who works for the Arbetarrörelsens Internationella Centrum (AIC).

The AIC has strong links with and gives financial support to labour movements worldwide, including the Congress of SA Trade Unions.

First Secretary at the Swedish Legation in Pretoria, Bengt Herrström, says it is not correct that Michanek works for an organisation named as the Swedish government of committees.

"She couldn't. No such organisation exists," he says.

MIKE ROBERTSON reports from London that a spokesman for the Swedish foreign office in Stockholm knows of no such organisation.

Anti-apartheid groups in London and Stockholm say there is no such organisation.

A spokesman for the Swedish Embassy in London does not think the AIC provides direct assistance for groups in SA, although it does sponsor seminars on SA and provide educational assistance for South Africans.

Liberty ups divs 20%

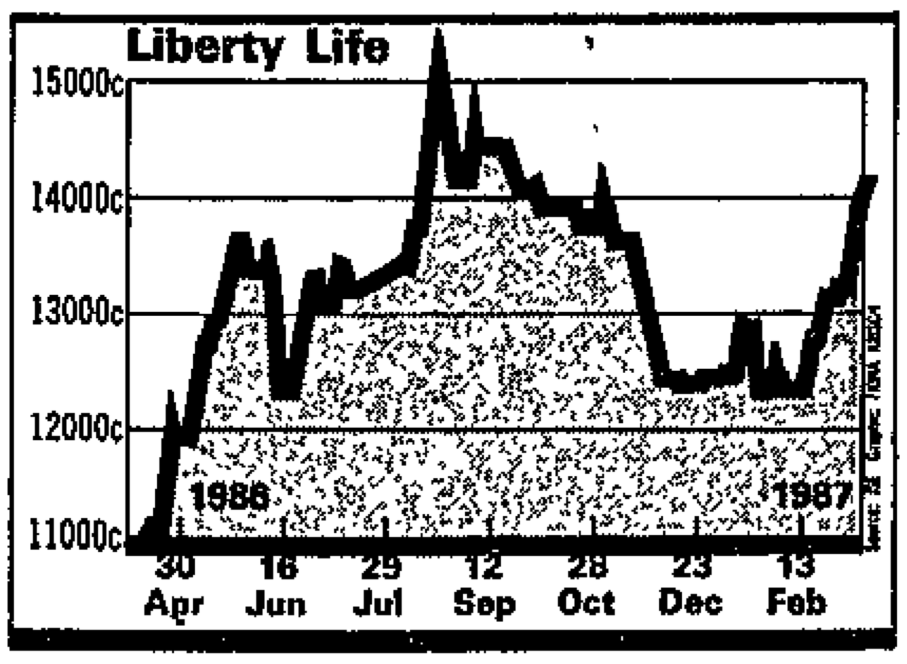
12/3/87 B Day

LESLEY LAMBERT

LIBERTY LIFE kept to its strong profit growth track for the year to December 1986, with earnings a share up 23,2% at 500,6c, total dividends up 20% at 360c and total assets touching R10bn.

SA's third-largest life assurer again exceeded expectations, unlike some other companies in the industry, which have shown signs of slowing down. The share price rose 250c to R141,50 ahead of the results yesterday.

Growth in earnings a share was based on Liberty Life's enlarged issued share capital after the 15-for-100 rights issue of preferred ordinary shares and the conversion of convertible redeemable cumulative preference shares into an equal number of Liberty Life ordinary shares.



Two transactions — the deconsolidation of the UK subsidiary TransAtlantic Insurance Holdings plc and the acquisition of Prudential Assurance — will have a major bearing on Liberty Life.

The dilution of its stake in TransAtlantic from 75% to 49,3% of the enlarged

● To Page 2

Liberty boosts dividend 20%

12/3/87 B Day

● From Page 1

share capital contracted consolidated assets by R1,75bn.

However, the acquisition of Prudential — which will become a wholly owned subsidiary once the Supreme Court approves the deal later this month — will have helped to boost total assets to the R10bn level, lessening the gap between the two major competitors, Old Mutual and Sanlam.

Liberty Life contributed 78% of the group's taxed earnings and remained the largest contributor to the overall results.

Income from new annualised recurring premiums could not keep pace with inflation, increasing by 14,6% to R151,8m, while new single premium and annuity business increased 79% to R401,3m.

Liberty Life chairman Donald Gordon said at a Press conference yesterday that the rate of policy lapses and surrenders had been further aggravated during the year by economic conditions. This trend, he said, had been offset by faster growth in new business.

Total premium income grew 35,7% to R932,2m, while total income which included a 34,2% increase in investment income to R506,1m reached R1,4bn, compared with R1,06bn in 1985.

The consolidated taxed profit of Liberty Holdings and its subsidiaries amounted to R59m, compared with R48,7m in 1985. This translated into earnings a share of 130,2c — a 20,2% advance.

Total dividends of 75c were up 25%. Gordon said that of the 15c increase, 3c could be attributed to improved gearing and the ratio of profit retention, which had gradually been increased over recent years.

BDay 12/3/87

Multinet and Saswitch in link-up talks

HELENA PATTEN

MULTINET and Saswitch have entered into negotiations to link up the two automatic teller machine (ATM) networks, it was announced yesterday.

Negotiations between the two national networks should be finalised by the end of the month, the chairmen of the networks said in a statement.

If the negotiations are successful, the link-up will pool the 1 300 ATMs of Multinet and the 1 300 of Saswitch to provide more than 2 600 ATMs nationwide to customers of both networks.

Members of Saswitch are the Allied Building Society, Nedbank, Barclays Bank, the Natal Building Society, Boland Bank, Trust Bank, Bank of Lisbon, Saambou, the Perm and Santambank. Multinet members are the Standard Bank, the United Building Society, Volkskas and the Post Office.

The statement said a link-up would not change the service facilities now offered separately by each of the networks.

Saswitch would provide its clients with its existing cash withdrawal and balance inquiry service, while Multinet would continue to offer its additional services such as inter-account transfers, consolidated balances, mini-statements to its clients, it said.

Volkskas appears to have pre-empted the outcome of the negotiations in its announcement that it will be the first institution to link its ATMs to the network of both Saswitch and Multinet on May 1, 1987.

Jan du Plessis, GM: management services, at Volkskas, said Volkskas was in immediate readiness for such a step because of proper planning.

Du Plessis, who is also chairman of Multinet, said the announcement was made in support of a positive outcome of the negotiations.

Jon Wildman, deputy-GM of Barclaycard, said Barclays would like the negotiations to be successful.

He believed it would be in the interests of customers.

58

Apartheid stymies business

South African businessmen have found it difficult to defend South Africa's position at home or abroad because the Government has continued to maintain the apartheid system, says Liberty Life Group chairman Mr Donald Gordon.

Assessing South Africa's financial situation for 1986, he blamed the Government for aggravating an already difficult position and creating a fertile environment for those wishing to exploit the explosive situation.

"The reimposition of the State of Emergency and stringent Press restrictions produced a marked temporary reduction in violence and anarchy, but did nothing to address the fundamental problems," Mr Gordon said in Johannesburg yesterday.

Political, rather than economic factors, dominated the South African business scene last year, he said, and the Government seemed unable to cope with demands for total reform.

He added: "A disturbing aspect on the South African scene is the growing strength of politicised labour unions, which are using their muscle to disrupt normal business activities."

He urged that the problems of unemployment and inflation be addressed. "Political and economic influences remained intertwined in South Africa."

SOWETAN 12/3/87

(58)

Total assets approach R10-bn

Liberty still on profit growth track

Cape Times 12/3/87

58

From LESLEY LAMBERT

JOHANNESBURG. — Liberty Life maintained its strong profit growth track for the year to December 1986, with earnings a share up 23,2% at 500,6c, total dividends up 20% at 360c a share and total assets touching the R10bn mark.

The country's third largest life assurer again exceeded expectations, unlike some other companies in the industry which have shown signs of slowing down. The share price rose 250c to R141,50 ahead of the results yesterday.

Growth in earnings a share was based on Liberty Life's enlarged issued share capital following the 15-for-100 rights issue of preferred ordinary shares and the conversion of convertible redeemable cumulative preference shares into an equal number of Liberty Life ordinary shares.

Transactions

Two transactions — the deconsolidation of the UK subsidiary TransAtlantic Insurance Holdings PLC and the acquisition of Prudential Assurance — will have a major bearing on Liberty Life.

The dilution of its stake in TransAtlantic from 75% to 49,3% of the enlarged share capital, contracted consolidated assets by R1,75bn.

However, the acquisition of Prudential — which becomes a wholly-owned subsidiary once the Supreme Court sanctions the deal later this month — will have helped to boost total assets to the R10bn level, lessening the gap between the two major competitors, Old Mutual and Sanlam.

Liberty Life contributed 78% of the group's taxed earnings and remained the largest contributor to the overall results.

Income from new annualised recurring premiums could not keep pace with inflation, increasing 14,6% to R151,8m, while new single premium and annuity business increased 79% to R401,3m.

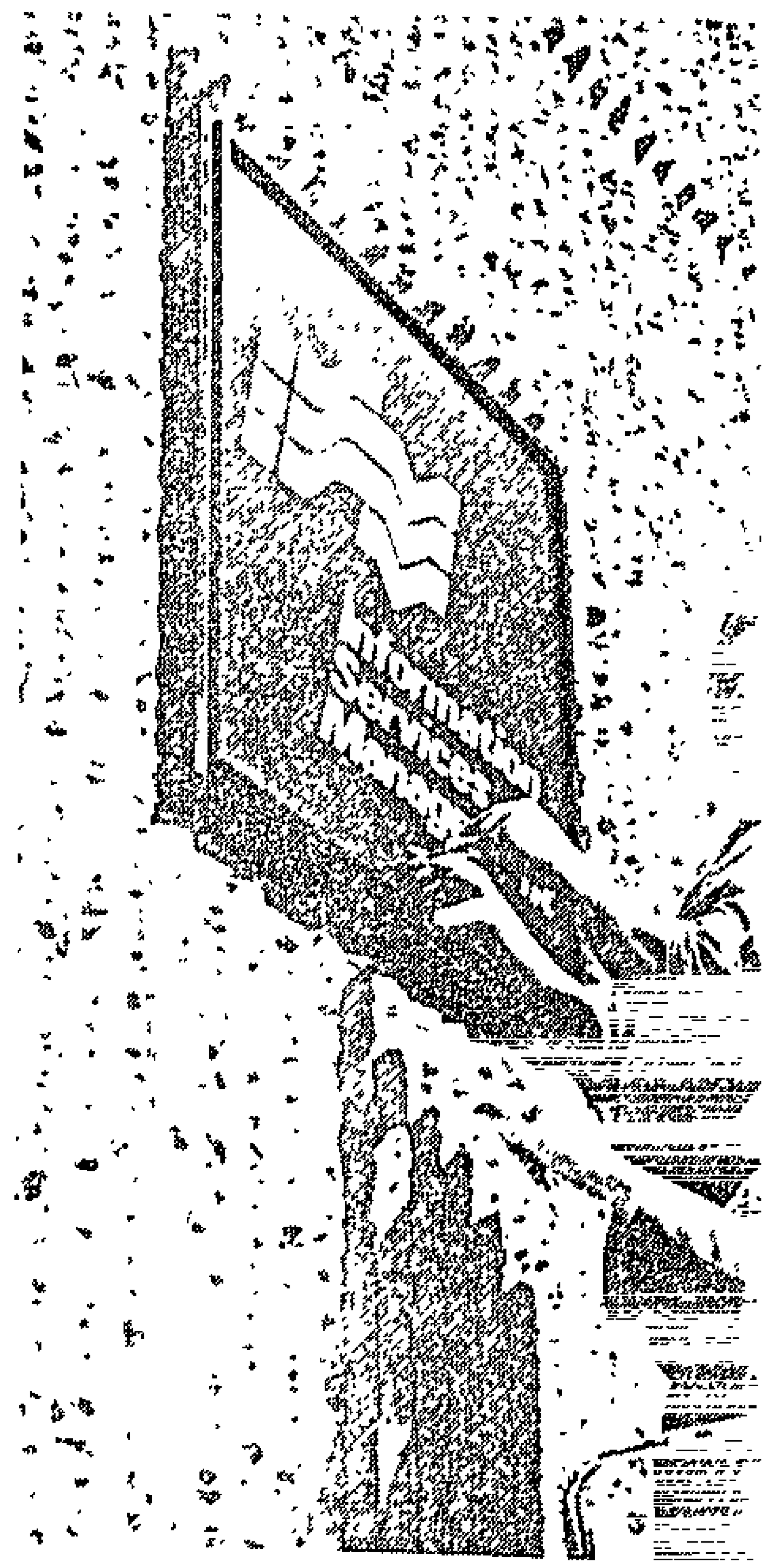
Faster growth

Liberty Life chairman Donald Gordon said at a Press conference yesterday that the rate of policy lapses and surrenders had been further aggravated by economic conditions. This trend, he said, had been offset by faster growth in new business.

Total premium income grew 35,7% to R932,2m, while total income which included a 34,2% increase in investment income to R506,1m, reached R1,4bn (R1,06bn).

The consolidated taxed profit of Liberty Holdings and its subsidiaries amounted to R59m (48,7m) This translated into earnings a share of 130,2c — a 20,2% advance.

Total dividends of 75c were up 25%. Gordon said that of the 15c increase, 3c could be attributed to the improved gearing and the ratio of profit retention which had gradually been increased over recent years.



Information Services is a new nam
Wale Street, but the people and fa
same. Piet Odendaal, Cape Town
bold new logo which replaces t
completes the

Finrand har

JOHANNESBURG. — The Financial Rand hardened again yesterday and at the close of business in Johannesburg was trading between \$0,2670 and a whisker under \$0,2800.

Although the Johannesburg Stock Exchange was only moderately busy — apart from feverish activity round the two new listings, Basil Read and Morkels — brokers said at the close that there was little sign that overseas in-

Soyco calls on Motlana to quit

13-19/11/(?) Man

BY SEFAKO NYAKA

THE Soweto Youth Congress (Soyco) has called on the Black Equity Participation (BEP) to disband and told Soweto Civic Association leader Nthato Motlana to dissociate himself publicly from the venture.

Soyco made the call during its three-day general council meeting in Soweto at the weekend.

Several activists, on the run since the State of Emergency was declared, emerged for what a Soyco representative said was "proof that we can hold meetings right under the state's nose".

The BEP was formed in the second half of last year to buy up disinvesting companies. It has as board members Motlana, Richard Maponya, Gibson Thula and Jackie Mphafudi.

The BEP had told potential investors it enjoys wide black support, but the ANC and Cosatu have repudiated the scheme.

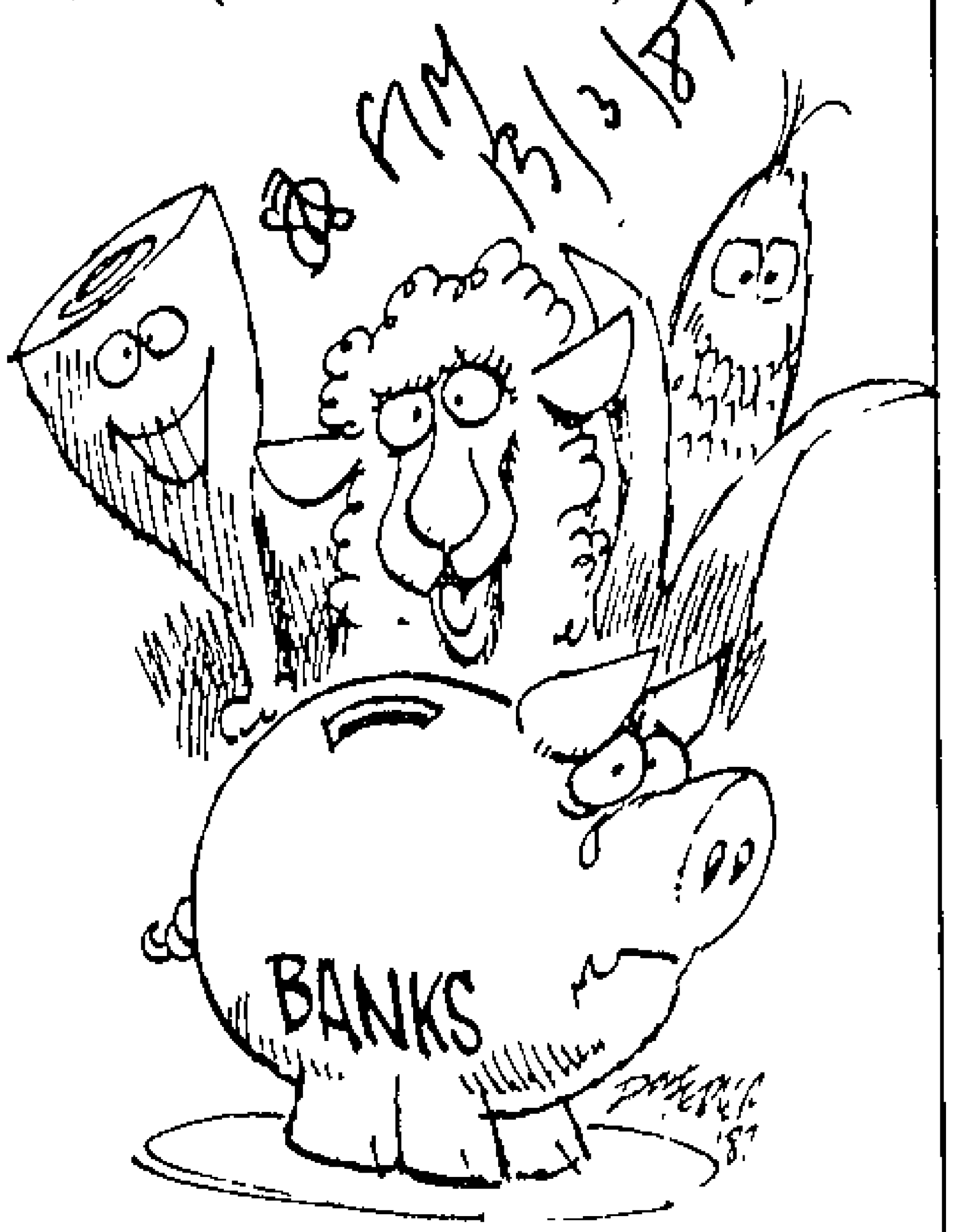
FARM SUBSIDIES

A bit for banks

While commercial banks are happy that they will — for the first time — share directly in government's new R237m aid package to farmers in the northern drought-hit debt zone, they will, no doubt, be upset over the amount.

Only R9m has been allocated to the banks as direct subsidies on their farm debts. Their exposure is expected to reach R3,5 billion-R4 billion (*Business* March 6) this year —

FM 13/3/87



carrying an average interest rate of 14%. The subsidy will thus cover only a fraction of the annual interest bill of R490m-R560m.

Three struggling farm sectors will receive the most. Livestock farmers will share a R43m subsidy package, the Maize Board (MB) will receive a R60m grant towards its bankrupt stabilisation fund, and the Wool Board will receive R15m to reduce costly levies on its US\$252m foreign debt exposure.

While the banks' direct benefit from the emergency aid package will be limited, they will, nevertheless, benefit from improved cash flows through aid to the farming sectors. This will enable them to extend credit lines to some lucky farmers for another year.

A banking source tells the *FM* that government's stated aim to limit assistance to individual farmers in each of its subsidy schemes is "most welcome." With individual merit determining future aid and with farmers' progress being monitored, a new element of discipline will be added.

Chris Blignaut, the Agriculture Ministry's chief director, agricultural economics and marketing, says the aid package provisionally includes:

☐ About R45m as extra interest subsidies on the Land Bank's existing 22-year debt consolidation scheme, which will be extended by another year;

☐ A combined total of R43m on the six- and 10-year carry-over schemes for unpaid production credit to co-ops; a new subsidised three-year carry-over scheme for unlisted stock grazing areas; and a two-year subsidy scheme for feed aid to stock farmers in unlisted areas (listed areas already qualify for aid);

☐ The new R9m subsidised production credit aid package to banks;

☐ Some R2,3m to extend the 4% subsidised production credit scheme of the Agricultural Credit Board;

☐ A kick-off sum of R15m for "restructuring" farming operations away from maize to alternative crops;

☐ A R60m grant to the MB to cut the cost of handling, storing and financing the annual maize crop;

☐ R15m for the Wool Board to reduce current 5%-7,5% production levies for repaying interest on unpaid foreign debt. Levies are expected to rise to 10,5% this year without State aid;

☐ A R6m grant to Umfolozi sugar producers still suffering the after-effects of the Domoina floods;

☐ R36m for undisclosed socio-economic purposes involving farm labour, and;

☐ The extension of the current subsidised production credit at co-ops.

Blignaut says the package is essentially a short-term emergency measure, while longer-term restructuring remains a priority to get agriculture back on track — and out of debt.

Central to the aim is the need to cut the output of uneconomic maize. But as this will require new seed and breeding stock, it will take time as well as money.

"Government is aware of the restrictions and of the urgency of the problem," says Blignaut. "Our role will be to encourage and to assist — not to lay down the law. This ties up with moves towards a more free market in agriculture."

MB GM Hennie Davel says the stabilisation fund is now more than R400m in the red, and the deficit will grow without State aid. Also, higher maize prices will cut local sales even further.

The current State subsidy of R152m goes towards interest and storage, handling and financing costs on the annual maize crop. The costs total some R360m on an 8 Mt crop. Says Davel: "There is no way out."

While the new aid package will reduce agriculture's immediate tensions, it is clear that much more effort, financial and structural, will be needed to put agriculture on a sound footing. In the end, the market must be freed to determine pricing, profitability and investment in the industry. ■

LOCAL GOVERNMENT

Maritzburg's metro

Ignoring the imminent imposition of regional services councils (RSCs), Maritzburg is taking steps to establish a non-racial metropolitan council for the greater city area.

A conference called to discuss the proposal has apparently drawn much support from a wide spectrum of political interest groups — including constituencies on the Left.

But at the same time, it has incensed provincial authorities who claim they were not consulted. Province's view is that the move cuts directly across existing RSC legislation and is an unnecessary duplication of effort.

"There is nothing to stop Maritzburg adapting the current RSC Act to suit its needs," notes Peter Miller, MEC in charge of local government. "In terms of the Act, the format for representation can be negotiated."

But the convenors of the Greater Pietermaritzburg Conference, scheduled to take place in July, point out that RSCs have become so politicised that it is impossible to rally broad support in the various communities for any initiative under their aegis.

Rather than offering an alternative to RSCs, Maritzburg mayor Mark Cornell says he sees the proposed metropolitan council going "hand in glove" with the new legislation, perhaps acting in a more "consultative" capacity than a legislative one. Its prime function, he says, would be to offer guidance in areas of mutual concern.

"RSCs," he says "are essentially about the supply of services. But there is more to life than where you draw your water from."

It seems that urban blacks are increasingly willing to accept the authority of the municipality into which they fall rather than answer to some nebulous homeland. Cornell has thus received popular support after being appointed official "administrator" of Sobantu Village, Maritzburg's principal black township. As such he is one of the few white mayors who enjoys jurisdiction over a black area.

Cornell's appointment was confirmed after the township's de facto authority, the so-called "Committee of 12," had rejected two other nominees put forward by government. He describes it as a "precedent" and says he is "delighted government has seen its

SOUTHERN LIFE FM 13/3/87

Retaining the split

After the merger in 1984 of Southern Life and Anglo American Life, it seemed only a matter of time before their property interests would be joined (*Property* October 5 1984). Yet three years later, the real estate portfolios are still being run separately, split roughly 50:50 between Cape Town and Johannesburg.

The most favoured prediction was that Anglo American Property Services' Gerald Leissner would eventually take control of a rationalised portfolio.

With the resignation this month of Peter Cunliffe, who ran the old Southern Life interests, tongues are wagging again, especially as his job will be filled by two property managers who will not have his old status. Does it mean that the Anglo property team is set to take on the combined R1,05 billion portfolio?

Officially, the answer is no. Cunliffe says the present structure will remain and that the Cape operation will still continue to run its own half of the portfolio independently.

Over the past three years, he adds, there has been an amicable partnership with Leissner with some developments handled separately and others jointly between the Cape and Transvaal arms.

He says there is thus no question of winners and losers as far as the management of the portfolios is concerned and Leissner and his team will continue to report to Cape Town as they did in the past.

The new men in charge in the Cape are Johnny Johnson and John Eager who, Cunliffe says, will report directly to Southern executive director: investment Jan Calitz.

There has been a suggestion that Cunliffe's move from the security of a senior institutional job to the riskier business of property brokerage had something to do with personality clashes between the two.

Cunliffe denies it. He says his move to the Johannesburg-based Leadenhall property brokerage is a challenge which carries major potential. He will move into partnerhip with former African Life property man Geoff Kruger to help expand Leadenhall's "substantial" client base, especially among institutions.

For the moment, Cunliffe plans to remain in Cape Town and commute weekly to Johannesburg. A Cape Town presence, he believes, is essential in dealing with both institutions and retailers which have headquarters in the western Cape. ■

POST 13/3/87

I knew nothing about advert — Ball

JOHANNESBURG — Mr Chris Ball, the managing director of Barclays Bank, told the Munnik Commission of Inquiry today that he did not know of the advertisement calling for the unbanning of the African National Congress till he saw it published in a newspaper.

Mr Ball was accompanied by four large baton-carrying private bodyguards as he entered the venue of the inquiry.

Two of the four burly men then sat in the room where the inquiry was being held into the funding of newspaper advertisements calling for the unbanning of the ANC was being held.

Mr Ball told the commission: "My first knowledge of the advertisement or the concept behind the advertisment was when I picked up Business Day in my office on the morning of the 8th of January," he said.

Mr Ball said Mr Yusuf Surtee, who provided R100 000 to pay for the advertisement, telephoned him on January 9 and said he was "involved" with the advertisement.

At that stage, Mr Ball had no knowledge of the Barclays Bank cheque which was paid to the attorney to the UDF, Mr Krish Naidoo, who paid for the advertisement.

On February 4 the SABC telephoned Mr Ball from Parliament to get his response to "an attack" by the State President, Mr P W Botha. Mr Ball said he replied, "You're wrong Mr President. I knew nothing about the advertisment till I saw it published in the newspaper."

Mr Ball "respectfully invited" Mr Botha to repeat his statement outside Parliament.

"I thought it was wrong for an attack to be made on the bank from within Parliament," he said.

Mr Botha might be able to say things in Parliament he might not be able to say outside it, Mr Ball said.

Once newspaper reports had been published following the State President's statement in Parliament, "I knew there must be a link somewhere and I thought it must be Mr Surtee," Mr Ball said.

Mr Ball granted a R100 000 overdraft facility to Mr Surtee on January 6.

He said Mr Surtee told him the money was for "personal business use".

Asked to summarise why he granted the overdraft, Mr Ball said: "Mr Surtee was an important and valued customer of the bank and a leading citizen in the Indian community." — Sapa

UBS/VOLKSKAS

Swapping partners

(58) FM 13/3/87

There is nothing modest nor restrained in the relationships of United Building Society (UBS) with big banks. Over the past 10 years it has tried Barclays as a partner and left it behind technologically. It has tried Standard and evidently found neither harmony nor inspiration.

It clearly does not prefer the calm of the double bed to the hurly-burly of the chaise longue.

Whether it will find what it is seeking with Volkskas remains to be seen. Our guess is that, as UBS manifestly lacks neither resources, management skills nor vision, it could be going for a sizeable kill.

Control of Volkskas would establish it with one swoop as a peer of its two erstwhile banking partners, if not a formidable competitor. Its product range would immediately be expanded and interesting insurance possibilities through Lifegro could be opened up: possibilities that Standard's relationship with Liberty might have precluded had it been prepared to run along as Standard's junior partner.

There is little reason for Barclays, Standard or Bankorp to be complacent about a link between Volkskas and UBS. For, with their low-cost current account balances, wide margins, extensive product ranges and favourable tax situations, the big banks are vulnerable to a lean and hungry competitor.

Volkskas itself, despite having brought in international business consultants, remains sluggish. The bright young men from Senbank may have done a reasonable job in recent years but have been no substitute for the appalling lack of succession when the previous chairman and MD left. There is no lack of pepper in the management of UBS: and it has been there for a long time.

Volkskas, marginally smallest of the five major banking groups, has close ties with Saambou, smallest of the five major building societies — Albert Marais chairs both and four other directors appear on both boards.

Another complication is the web of shareholder interests, some possibly conflicting. UBS has close ties with the Liberty group while Volkskas is associated with Anton Rupert's Rembrandt empire. But Johann Rupert (Anton's son) is on the board of Liberty Investment. When that company was floated in November, there was speculation about the significance of the Rupert connection.

Then, of course, there are indirect links Volkskas has to Sanlam through an investment in Priceforbes Federale Volkskas and joint holding in Sanlam-controlled Federale Mynbou, holding company of Gencor.

On an operational level an alliance between Volkskas and UBS could make sense. "The announcement came as a surprise but now it seems so obvious," says one banking analyst. "UBS and Volkskas have complementary structures, similar markets, similar strengths in the retail field and a natural community of interest." Whether or not others agree with this assessment, there would be clear economies of scale and opportunities that a link with other major banks would preclude.

What UBS would get out of it, of course, would be substantial assets and access to the bank clearing system. This would not only save UBS labouring to grow its own banking venture, as Allied will have to do with its bank, but solve the problem of staffing it. Finding commercial banking skills in SA is a major problem facing building societies with aspirations.

The combination of UBS and Volkskas could, moreover, provide the major banking groups almost instantly with a formidable rival. A close working relationship between Volkskas with assets of more than R13 billion, UBS with nearly R10 billion, and Saambou with just on R2 billion would put the grouping in the same league as Standard Bank Investment Corp, with an asset base of just over R20 billion, and Barclays, with a little under.

There are, of course, restrictions on how close such relationships may become. Under the Building Societies Act of 1986, no single shareholder (and associates) may hold more than 10% of the issued capital of a building society or its control company. Under the Banks Act of 1965 no financial institution may hold more than 30% of a bank; nor may more than one "approved financial company" own more than 10% of a bank or bank controlling company.

The advantages to the public of instant competition for the Big Three banks could outweigh any fears Pretoria has over an increasing concentration of ownership of financial assets. Ultimately, the enormous cost of technology and the limitations of SA's economy may make mergers and takeovers inevitable anyway. *Ethel Hazelhurst*

PERSONAL DEBT

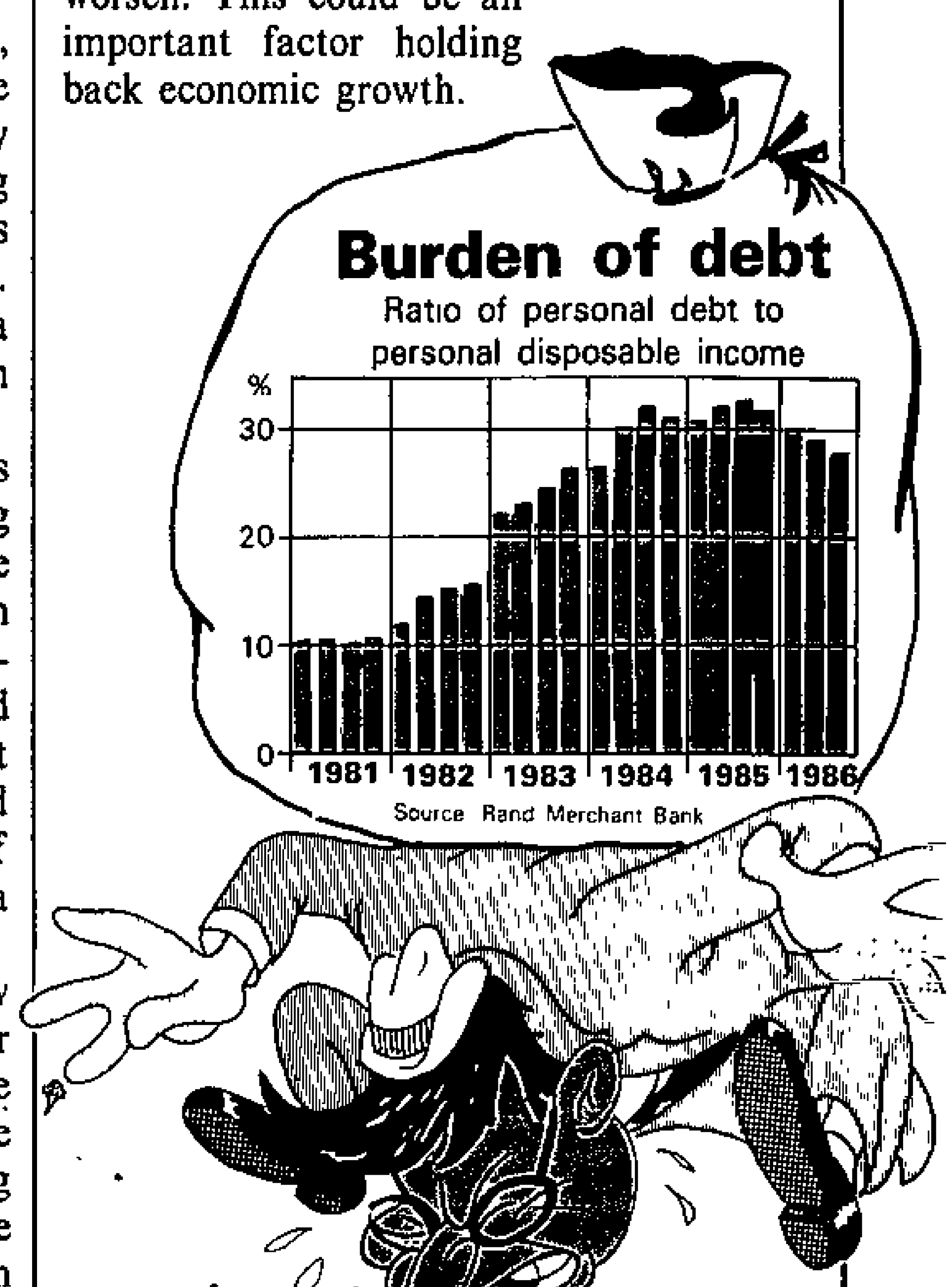
(58)

Staying high

In the past, being in debt was considered neither respectable nor desirable. Besides, it absorbed disposable income and restricted future purchases.

Perceptions may have changed a little, but the real effects of debt have not. Since the early Eighties, consumers have been spending at such a rate that, partly because of the interest rate crunch of 1984, levels of personal debt are still around 30% of disposable income — a ratio that has increased significantly in recent years — and savings have been on the decline.

The surprise is that economists do not expect any easing of the personal debt burden this year either; in fact it may even worsen. This could be an important factor holding back economic growth.



FM 13/3/87

Paul Edwards, MD of Information Trust Corporation (ITC) — formerly Dun & Bradstreet — explains some of the background: "Before August 1984, an expansionary economy, with easily available credit, encouraged consumers to take on debt. However, the recession, political factors and interest rate hikes left many holding very high interest-bearing debt."

Banks were also partly to blame. The breakup of the banking cartel in 1983 was a good thing, but keener competition led to some injudicious lending in the ensuing scramble for market share.

Using Reserve Bank figures, Rand Merchant Bank's Rudolf Gouws has produced a graph indicating personal debt as a ratio of the disposable income flow. In the Seventies people owed approximately 12% of disposable income. The past four years have seen this surge to between 25%-30%.

According to ITC figures, though total summonses and civil judgments for bad groups," says Wharton-Hood, instead of two.

Naudé says that "we will look at the situation objectively. There is no quick way of dealing with the structure. If we think anything should be done we will take the most responsible approach."

Life assurers, of course, face more problems than just the Competition Board. There's continuing dissatisfaction about the tax structure. Retirement annuity tax allowances have remained the same, for example, for nine years. Then there's the method of taxing assurers on gross investment income, something they've been unhappy about for a long time.

Wharton-Hood says that the twin horrors of disinvestment and sanctions mean that SA is simply not going to get foreign capital. Indeed, it will continue to lose both capital and professional skills overseas.

LOA's Wharton-Hood ... size is not an evil

Clearly we need long-term investors, he says. "Who else can provide long-term investment capital and solve our unemployment problem? We must ensure our industry remains strong and free to mobilise savings."

Meanwhile, the industry, indeed all financial institutions, have been invited to comment to the Competition Board by the end of June. Also invited were the economics departments of universities, individuals and trade associations. "The next step will be to prepare a questionnaire for these institutions," says Naudé. "It will be a totally open process, and the report of our investigation will also be made public." ■

CAPITAL MARKET

Dealers organising

None too soon, capital market dealers are investigating the feasibility of a formal association with rules, procedures and controls — possibly self-regulatory. Colin Dunn, who heads a banks' sub-committee on gilts, says: "A dealers' association is planned, but no final agreement has been reached."

This is likely to be suggested to Reserve Bank Senior Deputy Governor Japie Jacobs and his colleagues when they hear evidence from the banks as part of their investigation into the gilts market.

Jacobs' committee is essentially trying to encourage unity between the JSE and the interbank or over-the-counter (OTC) market, represented by the SA Settlement House (SASH). The two parties, after three years of talks, still cannot reach agreement about a central clearing system, for reasons officially described as technical and legal but which are very puzzling, probably even to some of the parties concerned.

What will the difference be between the new association and SASH? It seems the only real one is the new association will endeavour to include all dealers, presumably also broker dealers. Dunn makes it clear that the idea is not to counter the JSE, but enhance the entire market. "It is in the interest of all, including brokers, to develop the market."

A screen dealers' association is a logical consequence of the phenomenal expansion of the gilt market. As in other parts of the world, screen-based quoting has grown exponentially, despite initial reluctance by the JSE and the Registrar of Financial Institutions.

Gilt trade

In volume terms, it is estimated that anything from half to two-thirds of total gilt trade goes through the OTC market, bypassing the JSE, though it is impossible to assess accurately the volume of gilt trade off the JSE as no bank discloses figures. Perhaps the new association will follow the JSE and provide daily volume figures.

But with the nominal value of gilts traded on the JSE more than doubling in 1986 to R107 billion from R51 billion in 1985 (itself almost double 1984's R26,6 billion and 10 times 1981's R5,1 billion), an impression can be gained of OTC volume. It is also probably safe to assume that OTC trade has been increasing as a proportion of the total.

Screen quoting — not trading — started in SA in May 1985, when dealers began showing buy/sell prices of RSA 13% stock on the Reuters screen. After initial resistance from the JSE, which no doubt felt threatened, Reuters was granted permission by the Registrar to expand this to four stocks in May 1986 and may now provide facilities for 22 gilt stocks.

It is suggested that the JSE has softened its line on OTC quotes in exchange for the banks conceding certain benefits in any new clearing system. The JSE, however, still bars brokers from quoting on Reuters.

The acting Registrar, Piet Badenhorst, is clear that "it is purely an information system on prices which do not reflect firm prices, but are mere invitations to negotiate; no deals are concluded through the screens." Nor does Badenhorst expect screen trading soon. "We still believe in the open outcry system for listed securities and don't foresee changes to legislation."

The problem is that those quoting on Reuters operate under exemption of an Act, the Registrar has not provided a blanket ruling.

The next development could be an options page, as in other international markets. But this is unlikely to develop before yet another commission, this time the Stals Commission investigating futures and options markets, reports. This commission has also been going for years, delayed by Finance Director-General Chris Stals's involvement in foreign debt negotiations. ■

MOTOR INSURANCE

Getting flexible

Increases in motor insurance premiums have been little short of fantastic over the past few years. As seen in the accompanying table

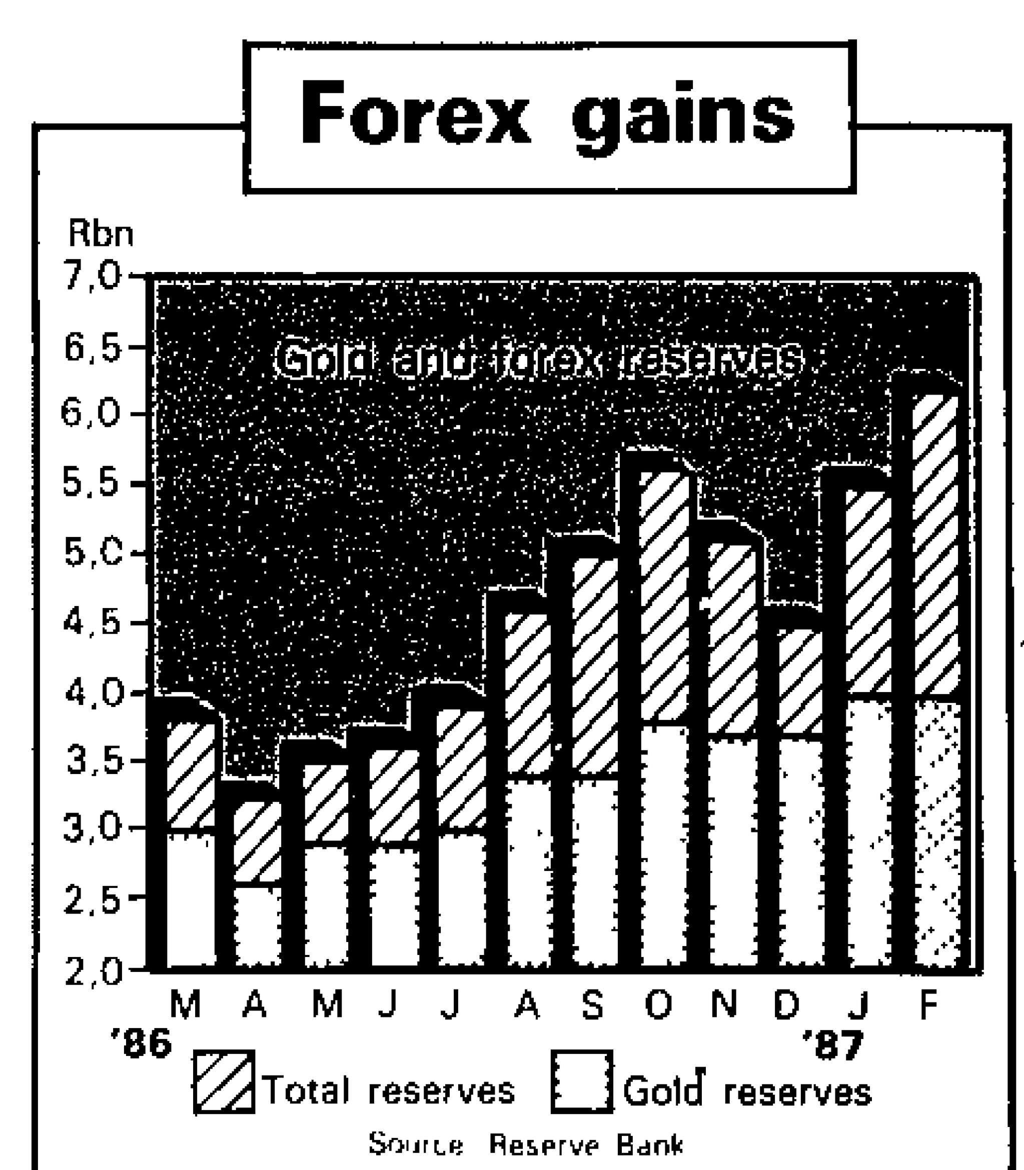
RESERVES BOOST

Economists believe that the 13% increase in gold and foreign exchange reserves to R6,2 billion in February from R5,5 billion in January was largely due to a reduced deficit on capital account.

Gold holdings rose marginally to R3,99 billion from R3,96 billion, with the physical volume at 5,29m oz (5,27m oz) and the rand gold price slightly higher at R754,59/oz, compared with R752,05/oz the previous month.

With a R240m repayment to the International Monetary Fund and a smaller trade surplus last month, the R700m increase in foreign currency holding points to an easing of the capital outflow.

The high level of gold and foreign exchange reserves places SA in a good position to meet the original debt repayments. Under the original Leutwiler agreement, a total of $2,26 billion is to be repaid this year.



ort CAPE TIMES 13/3/87

Amic records surprise 49% earnings leap

58/249

Own Correspondent

JOHANNESBURG. — Anglo American Industrial Corporation (Amic) has raised its final dividend to 135c (125c), lifting total payment to 190c from the 180c level where distribution stuck for four years.

Anglo American's industrial arm has surpassed expectations with a 49% jump in earnings to 516c a share in the year to December from 1985's 347c a share. When interim earnings leapt by 49,8% to 96,2c a share, the cautious board said that second-half growth rate would not be as great.

Turnover rose by 22,6% to R3,1bn from 1985's R2,6bn and operating profits increased by 47,6% to R397m (R269m). Attributable taxed profit increased by 51% to R260m (R172m).

Lease charges

Income from investments and interest earned rose to R51m (47m). Interest charges were down at R64m from 1985's high of R101m, but finance lease charges shot up to R69m (R36m).

The bottom line improved as extraordinary charges were lower at R55m compared with 1985's R88m.

Major operating subsidiaries and AECI, Amic's largest associate, achieved record results.

Mondi reported record earnings of R53m compared with a R1,4m profit in 1985 when profitability was squeezed by substantial start-up costs at the new pulp mill complex and high interest costs relating to the financing of the R865m project.

According to the preliminary report, Highveld Steel also achieved a record profit of R60m and Scaw Metals, Boart International and Natal Tanning all showed satisfactory improvements. AECI achieved record earnings of R175m, up 53% on 1985.

58

SMM 12/3/87

Luyt questions Nedbank's deal

By Gareth Costa

Nedbank's resurgency of credibility received a major setback yesterday, when allegations of actions that were said to be tantamount to civil fraud were made in the Rand Supreme court by the advocate acting for minority shareholder, Lanchem, in Triomf Fertilizer to prevent the sale of all its shares to Nedbank for a total of R1.

It was also suggested there was a possibility Nedbank is both financing the buyer of Triomf Fertilizer (Richards Bay) which is in provisional liquidation, and misusing the financial rand instrument in the process.

Nedbank managing director, Mr Anton van der Merwe-Vance refused to comment three times when approached yesterday by *The Star.*

The interested buyer, Indian Ocean Fertilizer, is thought to be an offshore, wholly-owned subsidary of a local company called Indian Ocean Enterprises.

Banking sources suggest that the deal should not be eligible for a finrand transaction which affords the buyer a massive discount in terms of foreign currency.

Backing this is the belief that the quasi-government Foskor company will eventually own 25 percent of the mystery shrouded Indian Ocean Enterprises that is believed to be headed by a Mr Hubert Jarlet, former export manager for fertilizer magnate and Lanchem owner, Mr Louis Luyt.

However, the crux of the whole issue raised by Mr Luyt's Lanchem, which owns 13 percent of Triomf, is that concurrent creditors will be totally excluded if the first offer went through and minority shareholders would be swallowed up.

This offer would allow Nedbank, the majority shareholder in Triomf with 77 percent, to buy 100 percent of Triomf RB from Indian Ocean for a nominal R1 after Indian Ocean paid the liquidators R100 million for the assets and stock.

In court the debate surrounded the value that has been placed on the shares, with Mr Luyt agreeing in an affidavit that they were at least worth R50 million.

The value mostly lies in the massive assessed tax loss of about R285 million along with the trade mark.

The go-ahead for the sale of the shares to Nedbank also raises serious questions as to the fiduciary duties of the Triomf directors who voted in favour of the sale.

The only director to oppose the sale was Prof David Botha, a Lanchem appointee, while the rest — who are all Nedbank nominated directors — voted in favour in the absence of Prof Theo Beukes and Mr W Kruger.

The question being asked is how they could allow the sale of 90 million shares for R1, and counsel for Lanchem, Mr R Zulman produced a precedent that suggested such action would be tantamount to dolus, or civil fraud.

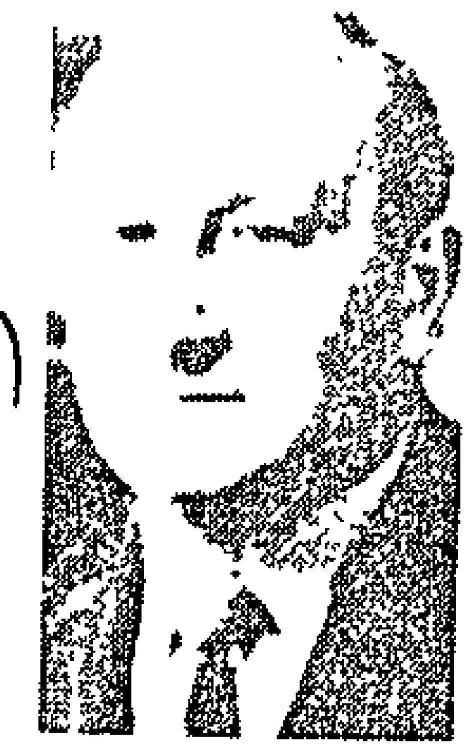
Mr Zulman suggested that somebody from Nedbank should go on oath and say that the shares are worth nothing. In support of the valuation was an affidavit from another interested buyer, Mr Rainer Moringer on behalf of a European consortium called Agroprojekt Planungs, which valued the assets at only R20 million but would pay R70 million for Triomf RB and inject R100 million of working capital into the company.

Five percent of the shares in the new company would be offered to Triomf minorities, and another five percent to the unsecured creditors of Triomf RB in the event of them receiving less than 20c in the rand.

(The application hearing continues today.)

Libvest carries the flame

5/3/87



Donny Gordon ... torch carrier

SIT

LIBERTY Investors, top company in Donald Gordon's assurance empire, has boomed in the first three months of its listing.

By David Carte

Those who received shares in the listing have gained a return of 41,5% on their money in four months.

Liberty Investors has thumped its prospectus earnings forecast — made only three months before the yearend — by 23%.

It has raised taxed profit more than 50% to R16,64-million (1985: R11,02-million) and declared a 3c final dividend — 50% more than the 2c it promised.

Overdraft

Mr Gordon says dividend and interest flows into Libvest has been better than expected. Liberty Holdings paid 45c and not the 42c expected. There have also been considerable interest receipts on the record R2,2-billion subscribed for Libvest shares.

Next year Libvest is looking to pay at least 8c

Shareholders who laid out 200c a share have had 80c of capital appreciation and the 3c final dividend gives them a return of 41,5% on their outlay since the listing in November.

Liberty Life this week announced an earnings increase of 23% and lifted its dividend 20%. Liberty Holdings raised earnings 20% and the dividend 25%.

Mr Gordon says Libhold's investments in Liberty Life are gearing its dividend-paying ability

"As an example, in 1978 Libhold bought 1,7-million Liberty Life shares from Manufacturers Life at 900c a share, or R15,3-million We financed them with by borrowing R15-million in perpetual prefs Initially the cost of the prefs was R1,65-million and dividend income was R1,3-million.

"But the dividend on the ordinary shares has grown and last year yielded R6,1-million, and the pref still cost R1,6-million. Now the gearing is positive.

"Last year we issued R60-million of prefs at 60% of the prime overdraft rate to subscribe for Liblife preferred ordinary shares. Initially they will cause dilution, but as the Liberty dividend grows, we will get additional gearing So Libhold's dividend should outstrip Liblife's."

Mr Gordon says part of the culture of Libvest is that it will go its own way. It should also benefit by gearing, first in Libhold and second in its own portfolio

Libvest acquired a million Barclays shares in the recent divestment by Barclays PLC It also has shares in Standard Bank Libvest intends to specialise in financial services shares

Liberty's offshore "baby", Trans-Atlantic Insurance Holdings, has grown so fast in the past year that it is now bigger than Liberty Life

After raising £200-million (R666-million) of new capital last year, Trans-Atlantic has shareholders' funds of £559-million (R1 844-million). This compares with Liberty Life's equity of R1 775-million.

Diluted

It was so big that Liberty permitted its holding to be diluted to 49,3% and thus no longer consolidates it. This removed R1,7-billion from Liberty's balance sheet But even after the Prudential SA takeover, the Trans-Atlantic holding will represent more than half of Liberty's shareholders' funds.

Liberty Life this week disclosed total assets of R7,7-billion a fivefold increase in four years. Once shareholders have ratified the Prudential SA takeover, assets will rise another R2,4-

☐ To Page 2

Libvest

5/3/87

☐ From Page 1

billion to R10,1-billion. Had it not deconsolidated Trans-Atlantic, Liberty Life's assets would have approached R12-billion

Mr Gordon says Liberty has excellent relationships with most the other big players on the SA corporate scene

It has strong links with Standard Bank. He remains deputy chairman of the UBS notwithstanding the recent divorce between Standard and United Building Society. He also has close relationships with Johnnies, Anglo American and Premier. Barclays is a joint shareholder in Guardbank Liberty's stake in Gold Fields of SA is more than 7%.

Mr Gordon is a friend of Rembrandt's Anton Rupert, whose son Johan is on the Libvest board Liberty is big in Gencor and even gets on with arch-rival Sanlam

"People keep asking when we will do our next takeover, but I am no longer so keen on controlling things Apart from Prudential, a special case, we have not made an acquisition for years. I do not want responsibility for Standard, or, for that matter, Premier or SA Breweries

"If you hold a minority stake, a company works for you. You can sit on the sidelines and criticise Once you have control, you work for it."

(58)

DIAGONAL STREET / by DAVID CARTE

Rand Merchant Bank leads the way in financial futures

IN the first step to a financial futures market in South Africa, Rand Merchant Bank has launched an investment instrument that is sweeping the world — the standardised stock index futures contract.

From tomorrow it will be possible for big-time stock-market operators to take a view on the future course of the Johannesburg Stock Exchange without buying or selling a share

They will effectively buy and sell the JSE Actuaries overall share index.

Rand Merchant Bank's new contract is styled on the famous Standard & Poors contract in the US which has been imitated in all the world's major financial centres. There are at least three equity index futures in the US and they are heavily traded in London, Paris, Tokyo and even Sydney

In 1982, equity index futures accounted for only 4% of futures business in the US

Alberto Bottega ... It's safer than gambling

BUSIEST

Last year about $2,6-trillion of business was done in equity indices and they accounted for 14% of all futures business in the US Trade in these futures exceeded that on Wall Street in its busiest year

Share index futures were bigger than futures in foreign currencies in the US and ranked third after fixed interest and agricultural commodity futures

In SA, the closest thing to a futures market is the forward bond and options market in which trade runs to billions of rands A month.

RMB defines its share index future contract as "an agreement to purchase or sell a notional item, the value of which is equal to 100 times the JSE Actuaries all-share index A buyer enters into an agreement to buy the index at a specified price for settlement on a specified date The seller agrees to sell the index at a specified price and a specified date. On that date all contracts are valued against the index ruling at close of business

"For example, if the index is 2000 today and an investor buys the index for settlement on June 15, he will receive a cash payment of R500 if the index is at 2 500 The investor will pay in R500 if the index is at 1 500

"A seller at 2 000 for June 15 will receive R500 if the index is at 1 500 and pay in R500 if it is at 2 500"

"To ensure the integrity of the market, buyers and sellers will have to keep initial and variation margins with RMB These will be about 10% for institutions but will vary with client size

Alberto Bottega, co-founder of RMB's index future, gives another example

"If a fund manager has a R100-million portfolio of shares, and he is worried that the market is about to fall, he can 'sell the index' to the tune of R100-million through a contract with RMB He needs to lay out only R10-million to cover his R100-million portfolio.

"If he is right about the market and three months later the JSE Actuaries overall index has fallen by 10%, his share portfolio will be worth only R90-million — but he will have made a R10-million profit on his index contract, thus making good his loss If the market moves sideways he is no worse off."

"Of course, if the fund manager is wrong and the market goes up 10%, he loses on the contract but gains on the share market

"These contracts are a wonderful way for fund managers to hedge their bets"

PLAGUED

Institutions have long been plagued by the thinness of the JSE When they buy shares, prices frequently rocket When they sell, they tend to fall If they are wrong in selling, they find it difficult to repurchase what they have sold With a futures contract, shares are seldom bought and sold and the thinness of the JSE is no problem

A fund manager expecting an inflow of cash in the near future might fear that the market will rise before the cash comes in or before he can buy the shares he wants

He can buy an index contract If his fears materialise, the profit on his futures contract can compensate him for the more expensive shares

There are other advantages

There are no dealing costs, such as marketable securities tax (1,5%) or brokerage (up to 0,85%) There is no need to select a portfolio mix

In selling the index, a fund manager avoids the onerous regulations on short sales imposed after the bear squeeze in Union Wine Indeed, selling the index is the only practical way of going short of the market

Initially RMB will deal on an "over-the-counter" basis with institutions only Later large individual clients will be able to deal In time, the market could well be open to all players

Dr Bottega says "The ideal transaction is one in which you have a bull buying and a bear selling — a straight transaction between the two and we take a cut as the deal maker.

"But obviously it won't work like this We shall have to be market makers and we will have to take positions ourselves We have set aside share capital for this purpose

"If someone wants to buy the index for R1-million and we cannot find a matching seller, we will write the contract ourselves He will give us a margin deposit of R100 000 We will use hedging techniques we have developed to ensure we are not too exposed on one side of the market

"We would cover potential losses as the market moved upwards If we couldn't do a matching deal in the index, we would cover ourselves by actually buying shares in the market"

NAME

RMB has stolen a march on competitors by reserving the name SA Financial Futures Exchange (SAFFE) Once it has the green light from the authorities, it may conduct business in this name

RMB is pioneering this instrument alone and obviously hopes for a large share of the market — but it is keen for other institutions to join in

More participants will facilitate laying off bulls' and bears' bets against one another RMB says it is willing share its experience and its computer systems with other institutions wishing to join

RMB will quote two-way prices. Eventually it is hoped that stockbrokers, banks and financial institutions will join RMB's quotes on the Reuters screen

ALONE

Has RMB not jumped the gun by doing this alone?

Dr Bottega says "Dr Chris Stals indicated on television recently that he wanted the spontaneous development of futures markets, so there should be no problem with the authorities

"We are going to conduct this professionally as a genuine market"

Another question is whether this is not merely betting

"If you don't cover your risk, you are more of a gambler than if you do The huge losses sustained by institutions on their gilt portfolios in the past three years show what a gamble it was to leave one's portfolio at the mercy of the market

"I think we all agree that there is a lot of skill in investment management"

Once the market is familiar with index futures, SAFFE will launch other contracts, such as contracts on an industrial and mining index, bond futures Treasury Bond futures and options on those contracts

RMB has planned seminars on these developments

Liberty's investment fundi apprehensive

LIBERTY investment chief Roy McAlpine sounded a note of caution on the stock market at a seminar for pension fund trustees this week.

In looking at investment prospects in the next couple of years, he assumed intensified sanctions, continued capital outflows and a drift to a laager economy.

He forecast more militant trade unions, consumer boycotts and strikes and that "unrest will at best be contained and may well increase".

"One does not have to be an economic genius to appreciate that the mining sector now assumes paramount importance.

GOLD PRICE

"Although I am not bearish on the price of gold bullion, I do believe there is good reason to sound a note of caution

"There are a number of bull points for gold in particular the twin deficits in the States, the excessive level of Third World debt, and the huge loans owing to US banks by debtors of poor quality. There is no doubt that the world financial system is fragile, but none of these things is new.

"The US is the largest debtor in the world The trade deficit, now approaching $200-billion a year, could grow to $500-billion by the end of this decade Eventually, there must be a strong movement, even a panic, out of the dollar

"But the cracks have been papered over and it is difficult to forecast when this will take place A major panic out of the dollar does not appear imminent It will happen in the future, at which time the price of gold will rise dramatically

"The supply and demand outlook for the immediate future does not suggest a much higher price."

Mr McAlpine said Western production of gold would rise from 300 tons in 1981 to an expected 700 tons tons a year in 1990 SA's share of Western production would decline from 67,5% to 50% by 1990

He said Japanese demand for gold had risen from next to nothing in the early 1980s to 608 tons in 1986 Japanese demand might fall dramaticaly this year and he wondered where the slack would be taken up.

For South Africa Mr McAlpine postulated continued high inflation — "we are perilously close to a Brazilian scenario" — and a cheap rand

Confidence was the feature most lacking at present in the SA economy. Prime overdraft rates had been cut 13 times, but credit demand had not risen Slashing interest rates was aimed at stimulating the economy, but had devastated widows and pensioners

"I believe short-term rates are in extremely low territory and the potential for them to decrease is limited. Any further decreases are undesireable and counter-productive"

PRIORITY

Restoring confidence should be the top priority. When confidence returned, short-term rates "will soar".

Mr McAlpine warned that public-sector borrowing was due to rise sharply

"Rates on long-term gilts must ultimately rise sharply" He declined to say when this would happen, only that it was potentially devastating to investors

Mr McAlpine said investors who had been conservative on shares had been heavily punished in a bull market that had roared for years

CRASH

"Can this great trend continue in perpetuity? Is making money really so easy? The answer is no The stock market cannot continue to grow at recent rates But this does not mean to say it cannot go substantially higher"

Mr McAlpine said the market would have to double or treble to equal its level before the great crash of 1969.

He pointed to earnings multiples on glamour stocks of up to 300 then and to SA Breweries PE of 54 compared with the present 17.

"I believe industrials are fairly priced, but gold shares are overvalued We need an increase in the dollar price of gold to justify present levels"

The heights to which certain recent listings had risen also gave cause for concern

Mr McAlpine said the market had climbed not because of a better political and economic outlook, but because investors, trapped by exchange control, sought to protect their assets

"A weak rand benefits gold shares As recently as December 1985 when gold was R899, the JSE Actuaries gold index was about 1 200 Today, with gold at R840 — 10% lower — the gold index is at 1 900 — an increase of nearly 60%. Working profits have declined by 33% since then

"Gold shares are vulnerable to a correction in the absence of a sharp rise in the dollar price of gold

"The possiblity of a major dispute between the National Union of Mineworkers and the mining houses seems to have been totally disregarded For starters, the NUM has requested a 55% across-the-board increase

"I still believe that mining finance investments at 50% discounts to asset values are more appropriate."

NEGATIVE

Turning to industrial shares, Mr McAlpine said, "we are now seeing" sparkling results in manufacturing and consumer sectors He reminded his audience that these were recovering from a low base

"We tend to forget that in the year to September 1981, Barlows' earnings and dividends a share were 205c and 70c respectively Four years later earnings were 164,9c a share and still the dividend was 70c — negative growth over four years

SPARKLE

"Business conditions are extremely buoyant and I expect sparkling earnings and dividend growth in 1987 Having said that, I have a problem being so confident from 1988 onwards

"By then inflation could well be higher, and interest rates could rise accordingly. Inventories would have been replenished If the investors sees even a reasonable return in fixed interest, the industrial market could also come under pressure"

THE BALL INQUIRY

Ball with guard yesterday

Girl Friday tells of Winnie's accounts

By NEIL HOOPER and CAS St LEGER

THE existence of a second Barclays Bank account operated by Mrs Winnie Mandela was disclosed yesterday by Miss Lizzie van der Byl, personal assistant to the bank's managing director, Mr Chris Ball.

She had been subpoenaed to testify before the commission of inquiry into the financing of a UDF-backed advertisement which called for the unbanning of the ANC.

The inquiry is being conducted by Mr Justice Munnik, Judge President of the Cape. The commission sat yesterday afternoon and was adjourned to Thursday.

Miss van der Byl told the commission that Mrs Mandela had operated two accounts — at the Simmonds Street and Life Centre branches in Johannesburg. Managers at the banks regularly reported on these accounts to Miss van der Byl.

She said she did not pass any of this information to Mr Ball, nor did she make any note of the information.

Questioned by Mr Justice Munnik, she agreed that the handling of these two accounts was not "normal practice".

After Miss van der Byl's testimony, Mr Ball was recalled to continue giving evidence.

In his replies to questions

adjourned to Thursday.

Miss van der Byl told the commission that Mrs Mandela had operated two accounts — at the Simmonds Street and Life Centre branches in Johannesburg. Managers at the banks regularly reported on these accounts to Miss van der Byl.

She said she did not pass any of this information to Mr Ball, nor did she make any note of the information.

Questioned by Mr Justice Munnik, she agreed that the handling of these two accounts was not "normal practice".

After Miss van der Byl's testimony, Mr Ball was recalled to continue giving evidence.

In his replies to questions he revealed that:

- Mrs Mandela had stayed for some time at the bank's Indaba Hotel near Honeydew.
- Dr Allan Boesak, patron of the UDF, had switched his account to Barclays after a brief discussion with Mr Ball at a dinner in Cape Town.

History

- He (Mr Ball) had been unaware than the "Unban the ANC" sponsor, Mr Yusuf Surtee, had operated an unsatisfactory account with Volkskas Bank before switching to Barclays, where he was granted an overdraft of R100 000 with Mr Ball's personal approval.
- He would not have granted the overdraft had he been aware of the history of the Volkskas account.
- He had only become aware two weeks ago that Mr Surtee had opened a second Volkskas account after being granted the Barclays overdraft.
- He had had many discussions, not all of a financial nature, with Mrs Mandela over a lengthy period.

Questioned repeatedly by both Mr Justice Munnik and Mr Francois Van Zyl SC, leading the evidence, Mr Ball explained why he had provided Mr Surtee with a facility of R100 000, unsecured and without guarantee.

The commission was also told that Mr Surtee's annual income was, according to an affidavit from his employer, Mr Ahmed Kharbhai, R18 000 a year plus perks, including travelling and expenses and school fees for his son to a total of R30 375.

Mr Ball said he was confident the Kharbhai concern — the holding company of Surtee Silk, of which Mr Surtee is managing director — would help out Mr Surtee if he defaulted. Mr Kharbhai had assisted in bringing down Mr Surtee's overdraft in the past by remitting R2 000 a month into his Barclays account.

Asked what would happen if an overdraft were granted and the client "dropped dead tomorrow", Mr Ball said that, when granting loans, this was not a consideration. In any case, he still believed that the Kharbhai group would honour their employee's debt.

Mr Justice Munnik asked whether this was not "blackmail".

He wanted to know whe-

Winnie's accounts

□ From Page 1

ther this meant that a company could not risk failing to meet its obligations if it wished to continue doing business with a bank.

The judge used the term "blackmail" several times in a similar context until counsel for a clearly upset Mr Ball asked for an adjournment as he was distressed at Mr Justice Munnik's use of the term.

After a four-minute break, Mr Ball said the Kharbhai company would have honoured the debt even if they had not guaranteed the debt.

Earlier, when asked why he and Miss van der Byl had personally monitored Mrs Mandela's bank account, Mr Ball replied: "Maybe it was too hot for anyone else to handle."

Mr Ball was also asked whether the bank had any stance on politics.

"No, it is totally impossible for the bank to have one, taking into account the various clients in the Transvaal, BophuthaTswana and the homelands," he replied.

"We do not have a political stance at present, nor will we ever have one in the future," he added.

(58) 14/3/87. W Post

Joint campaign to beat busy thieves

By RAYMOND HILL

INSURANCE companies have joined forces to beat busy thieves and burglars who last year pushed claims up to a record of more than R600 million.

As short-term insurers increase their premiums — one company announced a 15% rise this month — to meet the massive pay-outs, the companies have launched a public awareness campaign.

The first step was the distibution this week to thousands of householders of a specially compiled booklet, recommending many hard-to-beat locking devices for homes and business premises.

Five thousand booklets were issued by the South African Insurance Association country-wide after being compiled by specialists in the Security Surveyors' Association and the Locksmiths' Association, following talks with the police.

"We realised it was becoming more important to look at other measures besides simply putting up premiums," said Mr Rodney Schneeberger, chief executive of the South African Insurance Association.

He added that the R600 million paid out last year were the highest in the history of the industry in this country.

"Increasing awareness among the public could help to reduce burglaries, and we are making a worthwhile contribution by issuing the booklets."

The raising of premiums had been a continuing process in the past 18 months, because claims pay-outs exceeded income.

He warned: "Premiums will again go up if necessary."

But Mr Schneeberger had a "slight feeling of optimism" that crime affecting the industry would drop in 1987 as policemen returned to conventional duties due to a lull in unrest-related incidents.

More short-term policies were taken out because of a greater awareness of the cost of replacing goods in cases of theft, burglary or fire.

And insurance companies were constantly emphasising the need for better precautions in property protection by advising the public to fit anti-theft devices in cars, homes and businesses.

Mr T Vels, a general manager of the Mutual and Federal Insurance Company, said rates in his company's commercial and industrial sections, including vehicles, would go up by 15% this month.

The "enormous" prices of cars and spare parts were a cause.

Mr P S Bester, Santam's senior manager, underwriting, said inflation, unemployment and the economy were taken into account before premiums were increased.

There was a 20% increase in short-term premiums in October last year.

An example was the premium for household items valued at R9 000, and a vehicle with a maximim value of R14 000, which rose from R50 to R58 monthly.

Port Elizabeth was a "high risk" area because of the high unemployment.

Mr W A Rutherford, managing director of Commercial Union Assurance, said his company increased premiums for cars during January.

Tips listed in the publication on lock security include:

- Never leave keys lying around that can be duplicated because of an easy-to-remember number.
- Special burglar-resistant locks should be used on doors.
- Doors made of special, secure wood should be used.

Liberty is closing the corporate gap

By Sven Lünsche

Liberty Life will be rapidly closing the gap on the two largest corporate assurers, Old Mutual and Sanlam, when its merger deal with the Prudential is sealed later this month.

Total consolidated assets will then top the R10 billion mark — compared to assets of over R11 billion and R17,5 billion for Sanlam and Old Mutual respectively — despite the deconsolidation of Liberty's investment in UK-based Trans Atlantic, which reduced assets by some R1,75 billion.

The deconsolidation came about as a result of a substantial 25,7 percent reduction in Liberty's holding in Trans Atlantic to 49,3 percent, "in order to broaden its shareholder base and to reinforce its independence from Liberty," according to chairman Donald Gordon.

On the local front, growth in the 1986 financial year was also impressive. Earnings were up 23,2 percent to 500,6c a share while the final dividend was declared at 360c, compared to last year's 300c.

Growth in earnings per share was based on the enlarged issued share capital, following the completion of the 15 for 100 rights issue of preferred ordinary shares and the conversion of redeemable cumulative preference shares into ordinary shares.

Net premium income and annuity considerations were up 35,7 percent to R932,2 million and investment income increased by 34,2 percent to R506,1 million, resulting in a R364 million rise in total income to R1,44 billion.

New business premium income improved by 55,1 percent to R553 million, based largely on a substantial 79 percent increase in single premiums and annuity considerations.

In a welcome addition to the chairman's statement, the report included a table showing Liberty's largest investments.

Main investments

Govt. Stock	R931m (12,8%)
TransAtl.	R827m (11,4%)
Premier	R631m (8,7%)
Stanbic	R416m (5,7%)
Sandton City	R260m (3,6%)
Anglo American	R241m (3,3%)
Gold Fields	R216m (3,0%)
Eastgate	R215m (2,9%)
Elec.Sup.Comm.	R167m (2,3%)
Rembrandt	R128m (1,8%)
Sasol	R113m (1,5%)
Guardbank	R111m (1,5%)
SAB	R107m (1,5%)
Prudential	R73m (1,0%)
Total	R4 436 (61,0%)
Others Invest.	R2 837 (39,0%)
Total Invest.	R7 273 (100%)

58 STAR 14/3/87

(58) Star 14/3/87

Industrial park gets Sanlam go-ahead

By Frank Jeans

Insurance giant Sanlam is undaunted by oversupply in the industrial property sector, and is going ahead with the development of a 74 ha industrial park beside the Johannesburg-Jan Smuts freeway.

The group expects 1988 to be a year of recovery and is planning the build-up of the 190 stands available at the park for that time.

Only 14 km from Johannesburg and spreading out from near the Beacon's Sweets property, land sales in the project are expected to hit the R60 million mark.

Sanlam's Mr Dallas Reed, general manager of the industrial parks division, says they "decided to go ahead with this new development on the strength of positive economic indicators".

A joint venture by Sanlam and Bankorp, stand prices at the park will range from R70 to R90 a sq m, and already Mr Reed reports strong inquiries.

Total development and servicing costs will be about R12 million, with the first phase expected to begin later this year. Overall completion is scheduled for the middle of 1989.

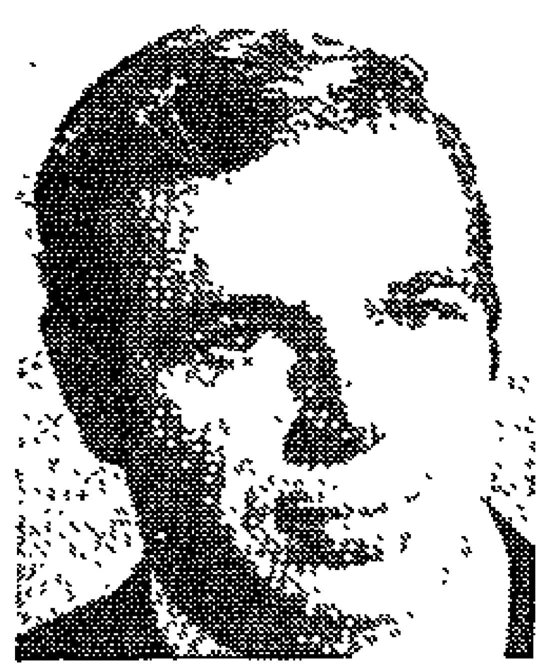
Sanlam's other industrial developments, Prospecton and Phoenix near Durban are also doing well, with the latter now 75 percent sold and a renewed spurt of interest reported over the past three months.

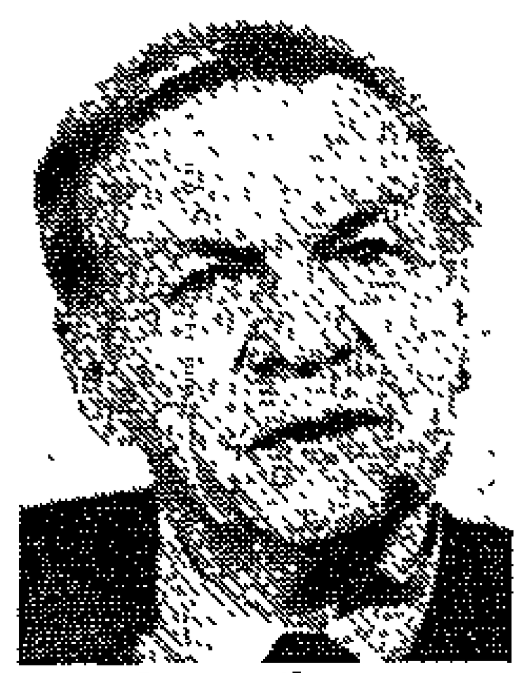
Site of the new industrial park alongside the airport road.

X

Debt talk deadlock

US and British banks insist on early settlement


Stals


Leutwiler


De Kock

By Neil Behrmann

LONDON — Leading bank creditors are trying to finalise debt negotiations with South Africa ahead of the election. But both sides are at loggerheads.

The South Africans, bank sources say, want the debt rescheduled on a five-to-seven-year basis. But American and some British and German banks, notably Barclays, have been unwilling to extend any repayment period beyond three years.

Sources say that the South African authorities are reluctant to agree to unfavourable terms ahead of the election. If the banks maintain their uncompromising stance, Director General of Finance, Chris Stals would prefer to postpone final negotiations until after polling day.

The banks, on the other hand want the $22 billion debt problem settled as soon as possible. They want an agreement ahead of several annual meetings, due to take place in April and May.

There is also the fear of further US Congressional restrictions.

Dr Stals and Reserve Bank Governor Dr Gerhard de Kock have had seperate meetings with individual banks over a period of months, say bankers. The talks, held in considerable secrecy, have taken place in London, Switzerland and Germany.

So far Swiss and German banks have been prepared to roll over short-term credits of up to a year. But this does not solve dreaded "bunching" of debt that could occur in two to three years time.

A large amount of debt is due to be repaid in 1989 and 1990, say bankers. So unless the South African political situation improves dramatically, there could be a delayed debt crisis.

"Short-term credits would merely postpone the problem," says a banker.

The South African financial authorities want to continue with Dr Fritz Leutwiler's "interim settlement" which was made in February last year. In terms of that arrangement five percent of some $13,3 billion frozen debt would be repaid this year and the remaining $8,7 billion would be redeemed as and when it falls due.

Bankers are against a continuation of the interim arrangement. If they agree to a five percent annual repayment, they will receive money lent over a 20-year period. This could force them to provide for their South African loan portfolio against profits.

Any write-offs, say the sources, would be most inopportune because they could be forced to write off Brazilian and other South American debt.

In an interview with the Financial Times, Dr Leutwiler, former president of the Swiss National Bank and chairman of Brown Boveri, the Swiss electrical engineering group said that he had not quit as mediator between the banks and South Africa. Dr Stals met him in Switzerland in January, but with banks and the South African authorities talking directly to each other he had "no active role to play."

Dr Leutwiler was critical of President Botha for not pushing ahead with political reforms. But he is against sanctions and shuns the African National Congress.

Bank creditors may reluctantly accept a continuation of Dr Leutwiler's original arrangement whether they like it or not. Their money is tied up in South Africa.

In effect they are still trapped creditors because the debtor does not have sufficient money to repay.

South Africa managed to repay more than $2 billion of its debt last year. But a large unspecified proportion of international borrowings is denominated in Deutschemarks and Swiss francs. The sharp appreciation of the currencies during the past year have kept the debt burden high.

S Africa can ill-afford to ignore privatisation

The Free Market Foundation recently helped launch the new Privatisation Centre under the auspices of free marketeer Leon Louw and Roger van Niekerk, with Rick Valente as chairman and two eminent international experts on privatisation as members of the advisory board.

They are Dr Madsen Pirie, president of the London-based Adam Smith Institute and Mr Robert Poole, Jnr, president of America's Reason Foundation and Local Government Centre.

"Faced with a multitude of economic problems, South Africa can ill afford to ignore the solutions offered by this policy option," says Leon Louw.

The SA Privatisation Centre carries an important databank, having recently negotiated access to the world's two top databanks — the UK's Adam Smith Institute and the US's Local Government Centre.

The local Privatisation Centre is building up a Southern Africa Databank, which together with the overseas information, is now available to members and clients.

"Confidentially will be maintained where requested," says free marketeer Leon Louw, who launched this month the Afrikaans edition of his best-seller "South Africa — The Solution" together with Rand Merchant Bank.

"Private service providers are encouraged to supply details of their services for dissemination to local authorities," says Mr van Niekerk, who runs the centre. "We are here to help South Africa implement imaginative privatisation strategies! While the principles are universal in their application, strategies will vary from country to country, from local authority to local authortiy.

Cont

"Certain key issues must be address at the outset," says Dr Madsen Pirie, president of the Adam Smith Institute, who recently addressed two South African Privatisation Conferences organised by the Free Market Foundation.

Dr Pirie, who is a key figure in the Thatcher privatisation programme, says the main issue is to obtain the support of all groups who are affected by the privatisation initiative.

"Get management and the workforce on your side — then the public and the politicians upon whom the responsibility for decision-making ultimately rests." He stresses that before management embarks upon a privatisation programme, all employees should be given the undertaking that they will not be worse off after the event.

"Failure to keep employees abreast of developments and to win their confidence will, almost certainly, result in resistance to the programme."

The centre provides information on privatisation at local and national level, as well as a specialist consultancy service using both local and overseas experts. It is also in the process of assembling a resource base on local authority privatisation and of services that can aid in the process.

The centre, however, points out that there are both benefits and hazards attached to the privatisation route.

"A succession of cost efficiency programmes, at both central and local government levels, have predictably produced poor results for governments as diverse as the UK and Bangladesh," according to the centre's own privatisation newsletter. "Privatisation, on the other hand, can be remarkably successful, when properly applied, resulting in considerable savings and greatly improved services. "But in order to equal the achievements obtained overseas, it is critical that privatisation in South Africa be implemented in the correct manner — meaning that certain essentials —, which have crystalised out of the international experience — be rigorously observed."

The centre emphasises that privatisation consultants should be chosen with care for many mishaps have already occured due to non-professional advice — of cowboys and mavericks setting themselves up as privatisation experts.

[redacted]

failed to dampen UCT Rag capers and coins for SHAWCO hailed down upon their heads from Cape Town's ever-generous crowds.

Chris Ball is quizzed on political attitude

W/Argus, 14/3/87

Weekend Argus Correspondent

JOHANNESBURG. — Mr Chris Ball, managing director of Barclays Bank, has been closely questioned about his political views by the Munnik commission of inquiry.

This included his attitudes towards unbanning the African National Congress and the release of jailed ANC leader Nelson Mandela.

The commission, chaired by the Judge-President of the Cape, Mr Justice Munnik, is investigating, among other things, any involvement by Mr Ball in funding January's ANC advertisements.

He has categorically denied any prior knowledge of the "Unban the ANC" advbertisements or that he knew the R100 000 overdraft he granted Mr Yusuf Surtee was to be used for this purpose.

On the question of Mr Mandela and the ANC, he said yesterday that last June he wrote an article supporting the unbanning of the ANC after taking part, with four other South Africans, in a BBC debate with two ANC representatives in London.

While he had supported these calls last June, Mr Ball said it would be "very inappropriate" to call for the ANC to be unbanned at this stage. "The situation with the ANC is quite different now."

He said he would "prefer to see a society where all political parties were part of the process".

"But given the presence of the Communist Party in the ANC and the issue of violence, it is not possible to talk blandly about unbanning the ANC."

Mr Ball was asked whether his own political views would have influenced his decision to grant the overdraft. He said that as the head of the bank, he had no political views. His job was to run the bank.

Asked whether he would have approved the overdraft if he had known it was to finance "legal" UDF advertisements, Mr Ball said he would have not taken such a decision on his own, but would have consulted his colleagues because of a possible risk to the bank's image.

"The concern with the State President's attack was the innuendo of linking the bank with radicals. We have been called the ANC bank. That is bizarre. There have been attacks on our branches and death threats."

Although he was not actively involved in any political organisation, he was involved in communication over socio-economic issues with leaders of the black community. This communication was essential for the survival of the private sector.

Mr Ball was also questioned about his discussions with, among others, Dr Allan Boesak and Mrs Winnie Mandela, and about their bank accounts.

He set out to meet Dr Boesak, Mrs Albertina Sisulu and Mrs Mandela as part of a strategy to extend "communication between private sector and groups". He had met a "wide range of black leaders", including Chief Minister Mangosuthu Buthelezi of Kwazulu and other homeland leaders.

He said the commission, "if anything, has interfered with this process .... I am too much in the spotlight".

Mr Surtee had introduced him to Dr Boesak, who had at first been reluctant to meet him.

Questioned about his knowledge of Dr Boesak's Foundation for Peace and Justice, Mr Ball said that on February 21 he was told that the police had subpoenaed the bank for information about the foundation's account. The validity of the subpoena, which was unconnected to the Munnik commission, was being investigated.

Earlier, Mr Ball told the commission that he had first connected Mr Surtee to the advertisements on January 8 or 9 when he received a telephone call from Mr Surtee. He told Mr Ball he was "involved" with the advertisements.

The overdraft had been approved by Mr Ball on January 6 for Mr Surtee's "personal business use".

Barclays chief's political views closely examined

[Ba]ll speaks on ANC

Ball

SM 14/3/87

ZENAIDE VENDEIRO and COLLEEN RYAN

Mr Chris Ball, managing director of Barclays Bank, was closely questioned about his political views by the Munnik Commission of Inquiry yesterday.

The questions covered his attitudes towards unbanning the African National Congress and the release of jailed ANC leader Nelson Mandela.

The Munnik Commisson, chaired by the Judge President of the Cape, Mr Justice G G A Munnik, is investigating, among other things, any involvement by Mr Ball, in funding January's ANC advertisements.

Mr Ball has categorically denied any prior knowledge of the "Unban the ANC" advertisements or that he knew the R100 000 overdraft he granted Mr Yusuf Surtee was to be used for this purpose.

On the question of Nelson Mandela and the ANC he said that, in June last year, he wrote an article supporting the unbanning of the ANC after taking part, with four other South Africans, in a BBC debate with two ANC representatives in London.

While he had supported these calls in June last year, Mr Ball said it would be "very inappropriate" to call for the ANC to be unbanned at this stage as "the situation with the ANC is quite different now".

He said that he would "prefer to see a society in which all political parties were part of the process".

"But, given the presence of the Communist Party in the ANC and the issue of violence, it is not possible to talk blandly about about unbanning the ANC," he said.

'Bank avoids political profile'

Mr Ball was asked whether his own political views would have influenced his decision to grant the overdraft. He said that, as the head of the bank, he had no political views. His job was to run the bank.

Asked whether he would have approved the overdraft if he had known it was to finance "legal" UDF advertisements, Mr Ball said he would not have taken such a decision on his own but would have consulted his colleagues because of a possible risk to the bank's image.

"The bank takes a lot of trouble not to have a political profile," he said.

"The concern with the State President's attack was the innuendo of linking the bank with radicals. People then start making comments. We have been called the ANC bank. That is bizarre. There have been attacks on our branches and death threats."

Although he was not actively involved in any political organisation, he was involved in communication over socio-economic issues with leaders of the black community. This communication was essential for the survival of the private sector.

Mr Ball was also questioned about his discussions with, among others, Dr Allan Boesak and Mrs Winnie Mandela, and about their bank accounts.

He said he set out to meet Dr Boesak, Mrs Albertina Sisulu and Mrs Winnie Mandela as part of a strategy to extend "communication between private sector and groups". He had met a "wide range of black leaders" including Chief Minister Mangosuthu Buthelezi of kwaZulu and other homeland leaders.

He said that the commission "if anything has interfered with this process ... I am too much in the spot-

● To Page 2

light".

Mr Ball was questioned about the National Intelligence Security transcripts of telephone conversations between Mr Surtee and Dr Boesak in which reference was made to a lunch with Mrs Winnie Mandela and Mr Ball.

The tape referred to Mrs Mandela as having said "terrible" things at the lunch and about her needing "guidance".

Mr Ball said: "There was a difficulty with Mrs Mandela and, possibly, I mentioned this to Mr Surtee. She is not always an easy person to deal with and it is sometimes difficult to cope with some of her comments."

Mr Surtee had introduced him to Dr Boesak who, at first, had been reluctant to meet him.

Questioned about his knowledge of Dr Boesak's Foundation for Peace and Justice, Mr Ball said that, on Feburary 21, he was told that the police had subpoenaed the bank for information about the foundation's account. The validity of the subpoena, which was not connected to the Munnik Commission, was being investigated.

Earlier, Mr Ball told the commission that he had first connected Mr Surtee with the advertisements on January 8 or 9 when he received a telephone call from Mr Surtee who told him that he was "involved" with the advertisements.

The overdraft was approved by Mr Ball on January 6 for Mr Surtee's "personal business use".

Asked whether it "bothered him" when he found out that Mr Surtee might have used the overdraft to pay for the advertisements, Mr Ball said "it was his affair".

Mr Ball was asked whether the funding of the advertisements was discussed towards the end of January when Mr Surtee asked for the R100 000 facility to be extended from one month to six months. Mr Ball said the advertisements had not then been an issue.

Asked about Mr Surtee's political views, Mr Ball said that the bank did not "police" its clients — its customers included a wide range of organisations including, probably, the Afrikaner Weerstandsbeweging.

(58) Star 14/3/87

Nedbank vindicated in Triomf share deal

GARETH COSTA

The urgent application for an interdict bought by Lanchem and Dr Louis Luyt to prevent the sale of Triomf shares by Nedbank for a total of R1 was dismissed yesterday with costs by Mr Justice B O'Donavon in the Rand Supreme court.

He dismissed the action on the grounds that it had not been proved that the shares had any value.

Leave to appeal was refused.

In his summing up, Mr Justice O'Donavon said that allegations of dolus (civil fraud) had not been made out in explicit terms and that counsel for Lanchem, Mr Ralph Zulman, had extracted the allegations by inference.

Mr Justice O'Donavon did not actually deal with the allegations made before dismissing the action, and counsel for Nedbank and the liquidators requested he do so to clear up the matter. The judge said that it followed from his dismissal of the action that the allegations were refuted.

Nedbank was consequently cleared of any misconduct.

Mr Zulman said in court that the urgent application brought on Monday was a simulation, since the urgent order granted was to sell the assets only, not the shares.

The sale of the shares would have been contrary to a decision given by the assistant Master of the Supreme Court, Mr Dickson, who said that all the shareholders should be informed of the sale, including Lanchem, but the judge overruled Mr Dickson's decision.

In his findings, the judge said that as experts in placing a valuation on the shares, Mr Luyt and another businessman Mr Rainer Moringer — who had made a counter offer for Triomf Fertilizer (Richards Bay) — did not offer any explanation for their valuations, and on those grounds their evidence was unacceptable.

He said that the company was hopelessly insolvent, and he agreed with one of the liquidators, Mr David Rennie (who works for the Nedbank Group subsidary Syfrets Trust) that at least R265 million was needed in the company for the shares to have any value. He did not agree that the R285 million assessed loss had any value.

Nedbank managing director, Mr Anton van der Merwe-Vance said after the hearing that allegations made earlier of abuse of the finrand instrument were not true since Indian Ocean Enterprises was a foreign registered company.

He also said that Triomf directors had acted correctly in selling the shares for R1 and explained that he had been unable to comment when questioned at the time because the matter was sub-judice.

When asked about all the secrecy surrounding IOFH and its directors, he said that all he knew was that Mr Hubert Jarlet was a director and his signature on any forms was good enough consent.

Mr Van der Merwe-Vance said that Nedbank London had been asked to assist if a loan from an overseas bank was not forthcoming.

The Star Johannesburg Saturday March 14 1987 19

UBS 'mum' on talks with Volkskas group

By Magnus Heystek

A financial giant with assets exceeding more than R21 billion could be the result of the discussions presently taking place between the United Building Society and the Volkskas Group.

The financial world was shaken this morning by an announcement that discussions between the two are under way which could give each institution a stake in the other's business.

What is remarkable in this instance is that not even a hint or rumour of such talks had leaked to the marketplace, a normal occurance in the hothouse atmosphere of the local business world.

But today brokers, bankers and businessmen were calculating the various permutations that could result from a tie-up between the United and Volkskas.

Neither party was prepared to elaborate further on the possible ramifications of the anouncement, nor what a possible link-up of interests could look like.

"A definite answer would be forthcoming only by the end of the month," was all Mr Piet Badenhorst, chief executive of the United, was prepared to say.

At Volkskas headquarters the answer was the same. "Any merger of some or all of the interests of the two parties will first have to be agreed upon by the boards concerned," said a spokesman for the group.

Ever since the United Building Society converted into an equity-based company and listed the shares of the holding company, UBS Holding, on the Johannesburg Stock Exchange at the end of last year, the market has been waiting for United's move into the banking world. Rumours have been circulating for weeks now that United has acquired a banking licence but this was denied by United.

A financial tie-up between United — the largest building society by far in SA — and Volkskas, one of the so-called "Big Five" in banking, would create a financial giant.

The combined market capitalisation of Volkskas and United would also put it ahead of Barclays, at present the largest banking/financial instititon.

The benefits for both parties could be staggering. The United would be able to enter the banking world without the costly exercise of setting up an extensive branch network, whereas Volkskas would have access to the massive spread of United's more than 100 000 shareholders and bond holders.

The position of long-standing Volkskas-associate Saambou-Nasionale Building Society at this stage is unclear. At present Saambou and Volkskas share the same chairman, Dr AJ Marais. This suggests that Saambou could also be swallowed-up in the new financial giant.

The interests of Dr Anton Rupert's Rembrandt Group must also be considered. Rembrandt holds 30 percent in the Volkskas Group and has recently acquired some of the industrial assets. Furthermore, Rembrandt has a significant stake in the Sage Group, which could also be included in the new conglomerate.

This morning the share prices of both companies were steady with UBS unchanged at R5 and Volkskas at R10,25.

Ball tells of UDF contacts

Cape Times
14/3/87
58

Own Correspondent

JOHANNESBURG. — Barclays Bank managing director Mr Chris Ball yesterday disclosed details of his contacts with prominent black leaders.

Mr Ball was answering questions put to him by Deputy Attorney-General of the Cape Mr Francois van Zyl, SC, who led evidence for the Munnik Commission of Inquiry at the Supreme Court here.

He told the inquiry into the "Unban the ANC" advertising campaign that his contacts were with black leaders, who included UDF patrons Dr Allan Boesak and Mrs Albertina Sisulu, as well as Mrs Winnie Mandela.

Mr Ball — who was escorted into the commission by four security guards because of recent death threats made against him — said he had initiated these meetings as he felt it was important to develop links between black opposition and the private sector.

"The commission has interfered with that process — I can no longer do it," he said.

'Strategic analysis'

He told the commission he had met exiled ANC leader Mr Oliver Tambo and a group of British businessmen in London last year, and had participated in a panel discussion with ANC office-bearers Mr Thabo Mbeki and Mr Mac Maharaj.

However, he said his call last year for the unbanning of the ANC and the release of Mr Nelson Mandela had been based on "strategic analysis".

"Between the beginning of 1986 and the visit of the Eminent Persons' Group the focus of attention was on unbanning the ANC. It very nearly happened — that is a different world to what we are living in now," he said.

He felt State President Mr P W Botha had attacked him in Parliament "because I was analytical and analysis can cause discomfort to politicians".

Such a position as his on the ANC and Mr Mandela was "not dissimilar from that of Inkatha and the PFP — and I am not a member of either".

"There is a perception that I run up and down to Lusaka to see the ANC. I have never met the ANC in Lusaka."

Mr Ball will come before the commission at a special hearing scheduled for this afternoon.

Triomf selling price should cover write-offs — Nedbank

NEDBANK GROUP says the price obtained for Triomf Fertilizer (Richards Bay) should enable it to handle any write-offs within provisions made previously.

Nedbank set aside R248m last year after the Triomf group of companies, of which it is the main creditor, went into provisional liquidation.

The liquidators this week completed the sale of Triomf Fertilizer (Richards Bay) to Indian Ocean Fertilizer Holdings for R79,5m plus raw material stock at cost and finished-goods stock at market value.

Assets excluded from the offer include certain investments, cash on hand and debtors, which should realise about R35m.

Louis Luyt, a director of Triomf, failed last week in the Supreme Court to halt the transaction. About R50m should have gone to Triomf's shareholders, he argued.

State phosphates company Foskor said it had negotiated a contract to supply phosphate rock to Richards Bay and would assist, at top management level, in operating the facility, reports Reuter.

☐ It was reported in the *Sunday Times* yesterday that Luyt is to petition the Judge-President for leave to appeal against the Supreme Court judgment dismissing his application with costs. On Friday Mr Justice O'Donovan refused Luyt leave to appeal.

● See Page 11

14/3/87

16/3/87 B/Day

Govt probes critics' funds

PATRICK BULGER

THE Munnik Commission of Inquiry into the "Unban the ANC" adverts is taking place alongside a comprehensive investigation into the financing of several organisations critical of government.

Some of these have been mentioned at the commission: Rev Allan Boesak's Peace and Justice Foundation and the UDF.

The UDF was declared an "affected organisation" last year which means it cannot receive funds from abroad.

The Black Sash is also being inspected, although this has not come up at the commission.

● Munnik inquiry — Page 4

Investigations are being done by police and the Directorate of Fund-Raising, whose inspectors have made several visits to the offices of UDF lawyer Krish Naidoo.

The directorate has confirmed it is investigating several organisations but says "details regarding inspections are confidential and could be sub-judice".

It says it is investigating possible "irregularities" relating to the manner in which these organisations collect funds.

Barclays MD Chris Ball told the Munnik inquiry police had recently approached the bank in Cape Town with a magistrate's order to allow inspection of the Peace and Justice Foundation accounts. He said the matter was being dealt with by the bank's legal team.

A police spokesman said the SAP would be in a position to comment only when investigations were completed.

MUNNIK COMMISSION OF INQUIRY

16/3/87

Ball: categorical denial on ANC ads

PATRICK BULGER

BARCLAYS MD Chris Ball finished 10 hours of evidence before the Munnik commission on Saturday with a categorical denial that he knew the R100 000 overdraft he approved would be used for the "Unban the ANC" adverts.

He said it was, "a normal banking transaction".

The clash between President P W Botha and Ball — after Botha told Parliament it was being said in "leftist radical circles" that Ball had advanced the money for the adverts — was brought up several times during the proceedings.

The inquiry resulted from that clash between Ball and Botha.

Ball said he had marked a R100 000 overdraft for Indian businessman Yusuf Surtee, but he had no idea at the time the money would be used for the adverts.

Yet there was more than just a semantic misunderstanding at stake when Ball arrived to give evidence at the Rand Supreme Court — with four bodyguards after death threats had been made against him.

He has been prominent among private sector leaders who have argued for negotiations with the organisation which the adverts wanted legalised. Last June he called for the ANC to be unbanned and Nelson Mandela to be released. He told the hearing he had made the call after meeting ANC leaders Oliver Tambo, Mac Maharj and Govan Mbeki in London last year.

Since then he had initiated contacts with a range of black leaders within the country. They included UDF patrons the Rev Alan Boesak and Albertina Sisulu, and Winnie Mandela.

However, his relationship with Surtee was not a political one.

Ball said he had had "no hesitation" in granting Surtee the overdraft.

He said: "Mr Surtee was an important and valued customer at the bank, a leading citizen of the Indian community, well connected and an extremely close colleague of associates in the Kharbai group."

Towards the end of Ball's evidence on Saturday afternoon, Mr Justice Munnik asked whether Ball's saying that he felt the Kharbai group would back the overdraft, because it would not want to jeopardise its relationship with the bank, was not a form of "blackmail".

The flare-up occurred during an exchange in which Mr Justice Munnik asked. "What would have happened if Surtee had been unable to pay the overdraft?"

Ball replied: "I would have spoken to Surtee to get a suitable response."

"You thought Kharbai would cough up if Surtee could not pay."

"That's correct, it was on the basis of my personal relationship with the group."

Mr Justice Munnik's "blackmail" suggestion visibly angered Ball, who turned to his legal counsel to object.

Ball asked. "Are you seriously suggesting on a public forum and in the presence of the Press that I would blackmail clients of the bank?"

Mr Justice Munnik said 'No.'

Ball had his legal counsel Fanie Cilliers, SC, ask for an adjournment.

Mr Justice Munnik repeatedly expressed his surprise at Ball having not obtained guarantees for the loan.

Cape Deputy Attorney-General Francois van Zyl, SC, leading evidence for the commission, asked Ball whether he considered it a "risk" giving the loan after two managers had already turned down the request.

BALL: One makes an assessment of people based on one's overall understanding of them. Remember I had no negative knowledge of Surtee's banking relationship with us. I had my own view based on my personal association with the Kharbai group and its position in the Indian community.

MUNNIK: Well, you did have one piece of knowledge. Mr Garden had the ability to grant facilities up to R400 000 and the matter was referred to you.

BALL: I did not know he had not granted the facility.

MUNNIK: So why did he refer it to you?.

BALL: Maybe because they knew I was friendly with Surtee.

MUNNIK: Surely, Mr Ball, if they're entitled to grant up to R400 000, and it was referred to you, there must have been a problem.

BALL: I did not enquire if there was a hitch. If I had thought there was a hitch, if I had thought that Garden or Field had declined, I would have had a discussion with them and given my view. If they had produced fresh information, I would have had to take that into account.

At the start of Saturday's proceedings, controversy was aroused when Cilliers lodged a protest with Mr Justice Munnik over the fact that Ball's personal assistant, Liz van der Byl, had been issued a subpoena by a policeman.

Cilliers said she would have come before the commission voluntarily, and he felt the subpoena could jeopardise the relationship between the bank and the commission.

● Ball arriving at the Johannesburg Supreme Court for the Munnik Commission of Inquiry.

Ball said the first he knew of the adverts was when he saw them in the Press. He said, however, Surtee had telephoned him after they appeared.

Mr Justice Munnik asked: "Why do you think he phoned you to ask you what you thought of the ads?"

"I told you why. He said he was involved with the ads."

"Even if he was involved, why did he phone you to ask you what you thought of them?"

"Mr Chairman, I can't answer that."

Ball was asked whether he then made the connection between the overdraft and the adverts.

"Mr Chairman, there was a link, but I thought that it was Surtee's business. Please remember that at this time this issue was not politically traumatised. It was not my affair whether or not Surtee was involved in the ads."

Ball repeatedly reminded the commission that Botha's attack had turned the adverts into a "political issue".

"It was not a political issue at the time. The adverts stated what many political groups were asking for."

As far as he was concerned, he had used his discretion to grant an overdraft facility to Surtee — what he did with it was his business.

Ball said: "It is not for us to police the activities of our customers."

Ball was questioned closely on his political views. He said his call for the ANC's unbanning and Mandela's release had been based on "strategic analysis".

Ball said: "Between the beginning of 1986 and the visit of the Eminent Persons' Group, the focus of attention was on unbanning the ANC. It nearly happened — that is a different world to what we are living in now."

Botha had attacked him in Parliament, "because I was analytical and analysis can cause discomfort to politicians".

A position such as his, Ball said, on the ANC and Mandela, was "not dissimilar from that of Inkatha and the PFP — and I am not a member of either.

"There is a perception that I run up and down to Lusaka to see the ANC. I have never met the ANC in Lusaka."

Ball denied having ever heard of Elisabeth Mechanik, the Swedish labour organiser mentioned in a tapped telephone conversation earlier last week. Van Zyl said he inferred from the conversation and other evidence that Surtee was to meet her to pick up an authorisation to repay Barclays.

Asked why the Barclays statement on the incident had made no mention of the fact he had granted the overdraft facility to Surtee, Ball said his legal counsel interpreted the law on commissions to read that any statement of that nature would have contravened the Commissions Act.

Before Ball testified on Saturday, the commission heard evidence from Van der Byl, who said she dealt occasionally with Winnie Mandela's bank account.

Ball was asked whether it was not unusual for the MD to deal with an account personally. He said Winnie Mandela had asked his advice on prize money she had received from an overseas organisation. He said there was nothing sinister about it.

● THE weekly feature on books has been held over because of space problems.

Sowetan
16/3/87

Chris Ball and Mr Z

FOCUS
Own Correspondent

IN a gruelling seven-hour session before the Munnik Commission of Inquiry at the Rand Supreme Court, last week, Barclays Bank MD, Mr Chris Ball, gave a fascinating insight into how he helped to weave a complex web of intricate deals in big business worth millions of rands to Barclays.

He told of the role he played in picking up new corporate accounts and, under intense questioning, disclosed details of his personal and business relationship with influential black leaders in the political, commercial and industrial fieldds

Talking of his association with prominent Indian businessmen, and how he came to advance a R100 000 overdraft to Mr Yusuf Surtee, MD of a retail clothing group, after two managers had turned down his request, Mr Ball outlined Barclays' philosophy in promoting black business and its involvement in trust accounts in this area.

On the issue of contacts with black political leaders, such as Dr Allan Boesak, Mrs Winnie Mandela and Mr Sam Motsuenyane, a director of Barclays and chairman of Nafcoc, his objective was to extend communication between the private sector and groups influenced by such movements as the United Democratic Front on socio-economic issues.

"It is important that there should be debate in this field," said Mr Ball, "and I set out to see if it was possible to identify common interests and problems".

BARCLAYS MD Chris Ball.

Talking for the first time of his association with Mr Surtee — who used the R100 000 overdraft to pay for ANC newspaper advertisements in January — Mr Ball said he (Surtee) had been instrumental in transferring substantial business accounts to Barclays through contacts in South Africa and abroad.

Apart from bringing over the account of the multi-million-rand Kharbal group, which bought out Mr Surtee's clothing stores, Mr Surtee had also played a role in helping Barclays to develop several trusts that sponsored black development.

Accounts

These included the Kagiso Trust, financed by the European Economic Community countries. Mr Surtee had suggested to the trustees they should bank at Barclays.

Mr Surtee, said Mr Ball, was well known in Johannesburg, had been to the homes of many prominent businessmen, and was well-connected with American business leaders.

Although he knew Mr Surtee socially, he met him for the first time in a business capacity in February last year. They discussed the setting up, handling and utilisation of trust accounts, and investing large sums of money in this respect

He said Mr Surtee was also involved with a private clinic, established with the help of former Barclays MD Mr Bob Aldworth. It was for the people of Soweto

This led him to meeting the Kharbal family, which later transferred their group company account to Barclays. The Kharbal family had extensive holdings in the property, motor, insurance and retailing outlets. Their property interests were vast and extended to the eastern Transvaal.

Overdraft

"These are influential people of significance and honour," said Mr Ball, "and I was familiar with the close relationship between them and Mr Surtee."

The commission then dealt at great length with the circumstances in which Mr Ball granted a R100 000 overdraft to Mr Surtee, after a request for the facility had been turned down by two managers.

Mr Ball said he had no knowledge of Mr Surtee's personal financial standing or of his account at Barclays' Simmonds Street branch

If his account was unsatisfactory, which at one point appeared to be the case, he, Mr Ball, would have been expected to be told about it.

He granted the overdraft in the context of Mr Surtee's involvement with trust accounts and the Kharbal group's business that had been brought to Barclays

He said he did not know that Mr Surtee was not a shareholder in Kharbal, but merely the MD of Surtees, with an income and perks worth about R30 000 a year.

Mr Ball explained how he came to grant Mr Surtee the overdraft

He returned from holiday on January 6, and was told Mr Surtee had asked to see him

They talked about his coming trip to India and a meeting there of the International Chamber of Commerce.

He asked for a No 2 account to be opened for his personal use, and for a R100 000 overdraft. Mr Ball said he agreed. He was sure that in view of his and Mr Surtee's relationship with the Kharbal family, the group would stand good for Mr Surtee.

Mr H F van Zyl, SC, counsel for the commission: "When Mr Surtee asked for the overdraft, what did you think he wanted it for?"

Mr Ball: "If a man wants to finance a house or undertake a large business transaction, you look at the facility in relation to the transaction, the cash-flow situation and structure of the repayment. We market facilities to some customers on the basis of using the loan for whatever they wish. In the Surtee case, said Mr Ball, he offered a facility for personal use. "If he said he had nothing at all, I would still have given him R100 000."

Mr van Zyl: "R100 000 at the level at which you are involved in banking is not a lot of money?"

Mr Ball "No, it isn't It is as long as a piece of string "

Mr van Zyl: "As MD, this is not normally the kind of loan you would deal with?"

Mr Ball: "I deal with all kinds of loans, and smaller amounts "

Mr van Zyl. "Isn't it strange that a client, well known to several managers at his branch, and turned down by them, should be referred to you for a R100 000 overdraft?"

Mr Ball: "Not at all. I was the person who had had prior contact with Surtee The managers had no knowledge of my discussions with Surtee and others on trust accounts arising out of the disinvestment situation. They were not aware of the Equal Opportunities Trust "

Mr Surtee, the commission was told, was granted the R100 000 loan for one month, which was extended to six months, and was later also given another R20 000.

Repayment

Mr van Zyl. "After his request for the overdraft was turnd down by two managers, did you not think it was a risk — dangerous — in granting him the facility?"

Mr Ball. "There was no red light. It was my judgment I had no negative information on Surtee "

Mr Justice Munnik: "Did you know Surtee's personal assets amounted to R15 000?

Mr Ball: "No".

Mr Ball said he did not discuss repayment with Surtee as this wasn't an issue.

Mr van Zyl "In hindsight, was it not dangerous to have given Surtee this facility?"

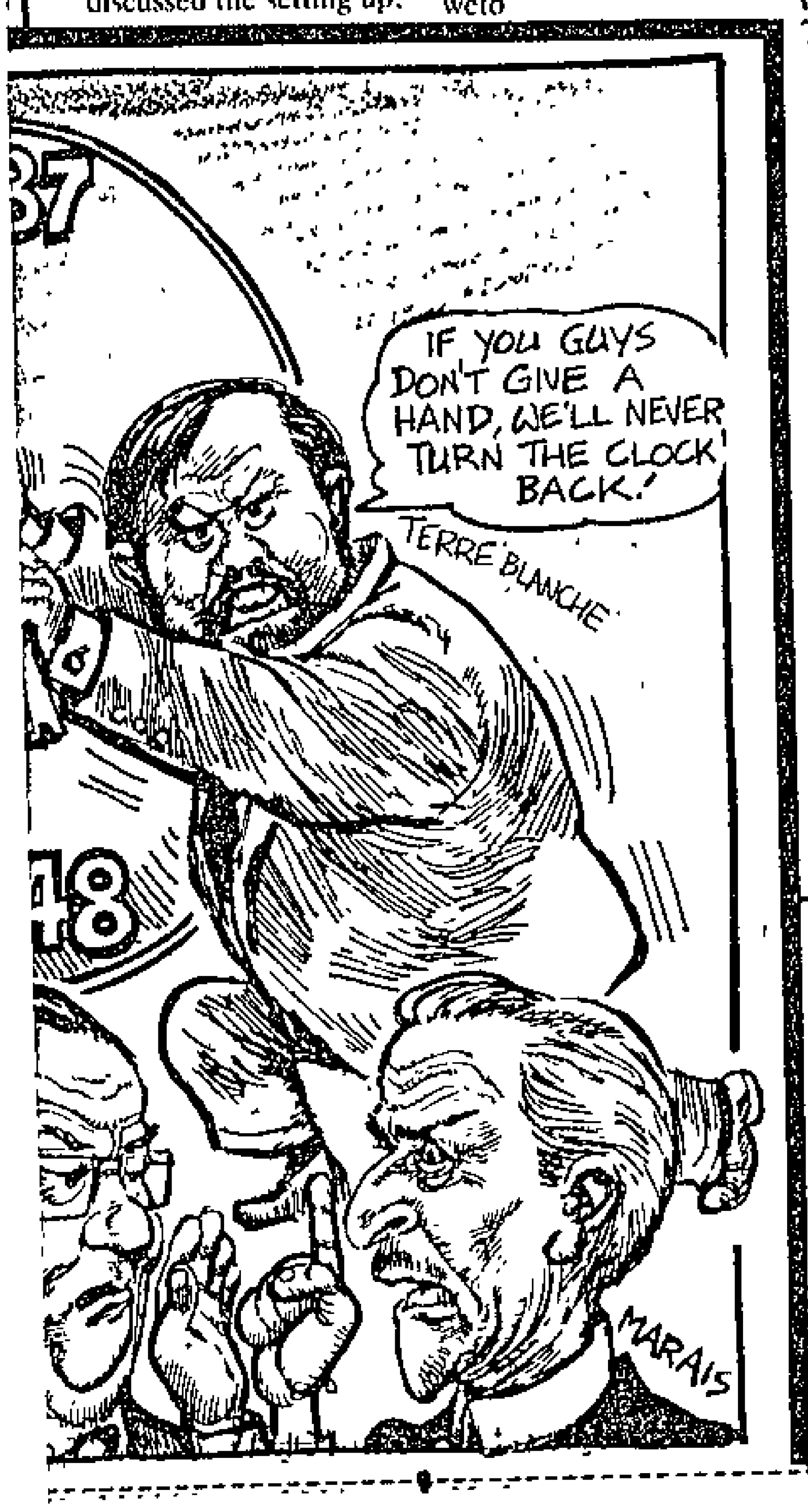
Mr Ball "I have not questioned my judgment on this."

Judge Munnik. "What would have happened if Surtee had been unable to meet the overdraft?"

Mr Ball: "I would talk to Surtee to get a suitable response "

Judge Munnik "You thought Kharbal would cough up if Surtee could not pay?"

Mr Ball: "Yes, on the basis of my personal relationship with the group."



Political comment in this issue by J Latakgomo and A Klaaste Sub-editing, headlines and posters by S Mathaku. All of 61 Commando Road, Industria West, Johannesburg

- Write to the Editor at PO Box 6663, Johannesburg 2000. Nom-de-plumes can be used, but full names and addresses should be supplied or the letter will not be published.

Ball denies knowing about ad

Cape Times 16/3/87

Own Correspondent

JOHANNESBURG. — The managing director of Barclays Bank, Mr Chris Ball, finished 10 hours of evidence before the Munnik Commission on Saturday with a categorical denial that he knew the R100 000 overdraft he approved would be used for the "Unban the ANC" adverts.

He said it was "a normal banking transaction".

Mr Ball said he had marked a R100 000 overdraft for Indian businessman Mr Yusuf Surtee, but he had no idea at the time the money would be used for the adverts.

Mr Ball — who arrived at the Rand Supreme Court with four bodyguards after death threats had been made against him — has been prominent among private-sector leaders who have argued for negotiations with the organization which the adverts wanted legalized. Last June he called for the ANC to be unbanned and its leader, Mr Nelson Mandela, to be released.

Since then he had initiated contacts with a range of black leaders within the country. They included UDF patrons the Rev Alan Boesak and Mrs Albertina Sisulu, and Mrs Winnie Mandela.

However, his relationship with Mr Surtee was not a political one.

Mr Ball said he had had "no hesitation" in granting Mr Surtee the overdraft.

He said: "Mr Surtee was an important and valued customer at the bank, a leading citizen of the Indian community, well connected and an extremely close colleague of associates in the Kharbai group."

Towards the end of Mr Ball's evidence on Saturday afternoon, Mr Justice Munnik asked whether Mr Ball's saying that he felt the Kharbai group would back the overdraft, because it would not want to jeopardize its relationship with the bank, was not a form of "blackmail".

The flare-up occurred during an exchange in which Mr Justice Munnik asked: "What would have happened if Surtee had been unable to pay the overdraft?"

Mr Ball replied: "I would have spoken to Surtee to get a suitable response."

"You thought Kharbai would cough up if Surtee could not pay."

"That's correct, it was on the basis of my personal relationship with the group."

Mr Justice Munnik's "blackmail" suggestion prompted Mr Ball to turn to his legal counsel to object.

Mr Ball asked: "Are you seriously suggesting in a public forum and in the presence of the press that I would blackmail clients of the bank?"

Mr Justice Munnik said "no".

Cape Deputy Attorney-General Mr Francois van Zyl SC, leading evidence for the commission, asked Mr Ball whether he considered it a "risk" giving the loan after two managers had already turned down the request.

MR BALL: One makes an assessment of people based on one's overall understanding of them. Remember I had no negative knowledge of Surtee's banking relationship with us. I had my own view based on my personal association with the Kharbai group and its position in the Indian community.

MR JUSTICE MUNNIK: Well, you did have one piece of knowledge. Mr Garden had the ability to grant facilities up to R400 000 and the matter was referred to you.

MR BALL: I did not know he had not granted the facility.

MR JUSTICE MUNNIK: So why did he refer it to you?

MR BALL: Maybe because they knew I was friendly with Surtee.

MR JUSTICE MUNNIK: Surely, Mr Ball, if they're entitled to grant up to R400 000, and it was referred to you, there must have been a problem.

MR BALL: I did not enquire if there was a hitch. If I had thought there was a hitch, if I had thought that Garden or Field had declined, I would have had a discussion with them and given my view. If they had produced fresh information, I would have had to take that into account.

Mr Ball said the first he knew of the adverts was when he saw them in the press. He said, however, that Mr Surtee had telephoned him after they appeared.

Mr Justice Munnik asked: "Why do you think he phoned you to ask you what you thought of the ads?"

"I told you why. He said he was involved with the ads," said Mr Ball.

"Even if he was involved, why did he phone you to ask you what you thought of them?" asked the judge.

"Mr Chairman, I can't answer that."

Mr Ball was asked whether he then made the connection between the overdraft and the adverts.

"Mr Chairman, there was a link, but I thought that it was Surtee's business. Please remember that at this time this issue was not politically traumatized. It was not my affair whether or not Surtee was involved in the ads."

Mr Ball repeatedly told the commission it was the attack on him by the State President, Mr P W Botha, that made the adverts into a "political issue".

"It was not a political issue at the time. The adverts stated what many political groups were asking for."

As far as he was concerned, he had used his discretion to grant an overdraft facility to Mr Surtee — what he did with it was his business.

Mr Ball said: "It is not for us to police the activities of our customers."

Mr Ball was questioned closely on his political views. He said his call for the ANC's unbanning and Mr Mandela's release had been based on "strategic analysis".

Mr Ball said: "Between the beginning of 1986 and the visit of the Eminent Persons' Group, the focus of attention was on unbanning the ANC. It nearly happened — that is a different world to what we are living in now."

Mr Botha had attacked him in Parliament, "because I was analytical and analysis can cause discomfort to politicians".

A position such as his, Mr Ball said, on the ANC and Mr Mandela, was "not dissimilar from that of Inkatha and the PFP — and I am not a member of either".

Asked why the Barclays statement on the incident had made no mention of the fact he had granted the overdraft facility to Mr Surtee, Mr Ball said his legal counsel interpreted the law on commissions to read that any statement of that nature would have contravened the Commissions Act.

Ball bodyguards attend inquiry

JOHANNESBURG. — The managing director of Barclays Bank, Mr Chris Ball, was on Saturday escorted by private bodyguards carrying batons into the building where the Munnik Commission is holding its inquiry.

Earlier they accompanied Mr Ball, 48, from his counsel's chambers to a car which whisked him around the corner to the Rand Supreme Court building here.

One security man was seen giving a revolver he carried to a man who did not enter the building.

Two of the men sat in the room where the inquiry into advertisements calling for the unbanning of the ANC convenes.

Mr Ball said that following comments by State President Mr P W Botha in Parliament, Barclays was labelled "the ANC bank". Branch buildings were attacked, and there were "death threats", he said. — Sapa

Church severs SA link

ST 27/3/87

58

The Star's Foreign News Service

MUNICH — The German Evangelical Church (EKD) Council is closing its accounts with the Deutsche Bank because of the company's links with South Africa.

The decision was taken at a secret session of the Presidium in Frankfurt at the weekend.

It is likely to dominate the agenda at the EKD conference in June.

The decision reverses a ruling last November to maintain accounts with the Deutsche Bank. Since then, the Presidium has come under increasing pressure by the EKD executive committee to change its stand.

The reversal is likely to be attacked by the "Working Circle of Christians for Partnership Instead of Violence".

The group has warned the Presidium that to close the accounts would be to yielding to "those who put ideological emotions above facts and Christian reconciliation".

ANC adverts row: inquiry opens in court today

18/3/87

The commission of inquiry into the controversial "ANC advertisement" — which sparked a bitter clash between State President P W Botha and Mr Chris Ball, managing director of Barclays Bank — begins in the Rand Supreme Court today, a commission official has confirmed.

Mr Jimmy McKenzie, senior general manager of Barclays Bank, has been subpoenaed and is expected to reveal the identity of the wealthy Johannesburg businessman who organised payment for the advertisements commemorating the 75th anniversary of the banned African National Congress which appeared in South African newspapers last year.

Mr Justice Munnik, Judge President of the Cape, was appointed by State President P W Botha last month to inquire into the circumstances surrounding the advertisement after Mr Botha alleged in Parliament that Barclays MD Mr Chris Ball had been involved.

This allegation was denied by Mr Ball and raised an outcry in the business community.

WEDNESDAY, MARCH 18, 1987

CT 18/3/87

Weak rand helped KWV

58

Financial Editor

THE weakness of the rand against the dollar has helped to boost KWV's profit for the past financial year by R5m to R25 718 000 (R20 707 000).

The rise was due mainly to increased export earnings and improved demand in this country for brandy, now cheaper than imported spirits.

A spokesman said the higher export earnings were due to the exchange rate and not to any rise in the quantity sold overseas.

He said there was no difficulty in finding export markets, but because most of the wine produced in SA was drunk here, there was never more than between 10% and 20% available for sale overseas.

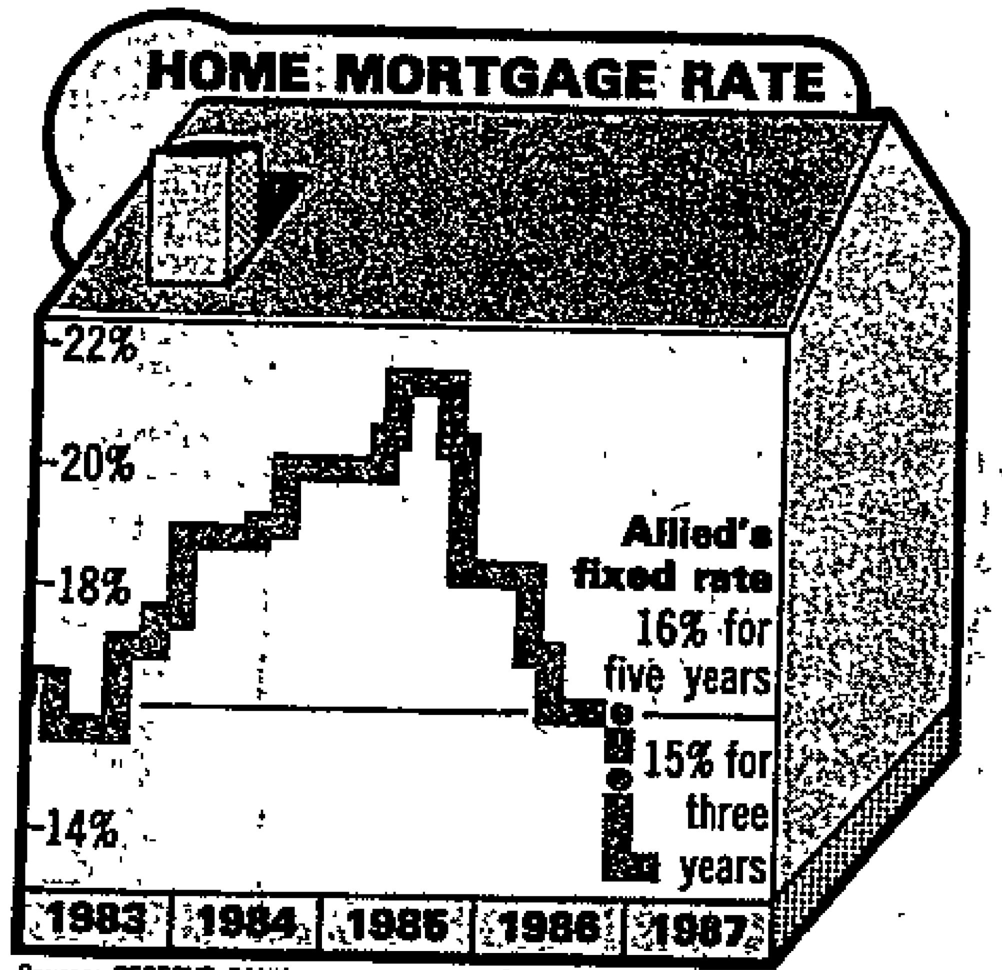
"We have no such thing as a 'wine lake' in this country. We do produce a little more than we need but that is to ensure adequate supplies in a lean year.

"There is no big, unsaleable surplus."

Last year's crop of wine grapes was below average. About three-quarters of this year's crop has now been harvested and KWV expects production to be 8,30m hectolitres — about 9,2% more than last year.

Chairman Pietman ~~Hugo~~ announced yesterday that the board would recommend at the annual meeting on May 12 that a bonus of R17,5m, or R5,33 for each hectolitre of distilled wine, should be paid out.

He said the continued good financial results were "mainly attributable to greater profitability of the overseas markets thanks to exchange rate benefits of the rand against other currencies, the effective marketing of surplus stocks, a moderate recovery of the domestic brandy market, strict control of expenses and increased productivity.



Source: RESERVE BANK
Graphic: JOHN McCANN

(58) B Day 19/3/87

Allied: fixed-rate housing loans

HELENA PATTEN

THE Allied Building Society will offer housing loans at a fixed rate of interest from today.

The scheme, which is rare in the bond market, will enable prospective homeowners to obtain home finance at a fixed rate of 15% for three years, or 16% for five years. Allied MD Allan Tindall says existing bondholders will be able to convert to the scheme, but because of legal constraints, the society will do this by rewriting their bonds.

At the end of the agreed term, bonds could be converted to standard variable mortgage contracts or re-negotiated to fixed-rate bonds based on interest rates prevailing at the time.

William Wolke, Allied's assistant GM marketing, said: "Our prime purpose is to remove uncertainty from the budgeting of the average home-buyer and to encourage more first-time buyers to come forward."

He said there were indications that interest rates could rise next year. However, borrowers who had entered into a fixed-rate contract would not be subject to adjustments in rates until the period of contract expired.

Funds available for the scheme were limited. Also, the rates quoted could vary depending on demand and other market forces.

Allied's novel move, which is based on similar schemes in Scandinavia, comes at a time when the home finance market is seen to be increasingly attractive to banks,

Sanlam chief calls for tax relief to boost savings

Star 19/3/87 (58)

By Tom Hood

CAPE TOWN — A call to the Government for tax concessions to promote personal saving was made yesterday by Dr Fred du Plessis, chairman of Sanlam.

The country urgently needed to boost personal saving to replace foreign capital which had dried up, he said.

This was needed to provide more jobs, he told at the insurance company's 68th annual meeting in Bellville.

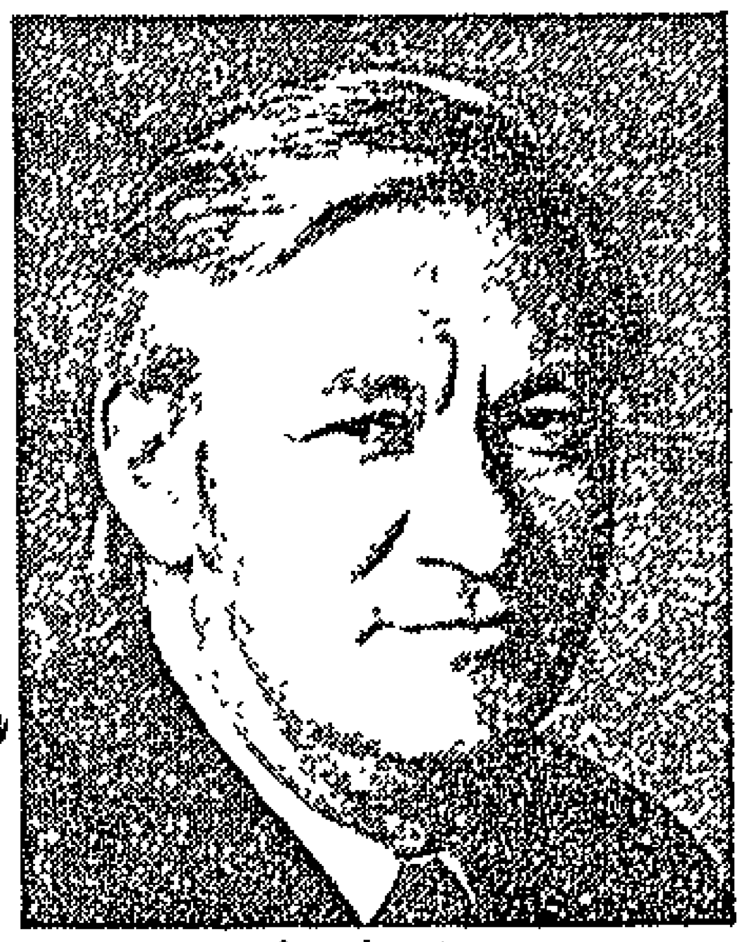
It was vital that the Government should actively promote personal saving through more generous tax concessions.

The rebate for life assurance premiums as well as deductions allowed for annuity premiums should be increased.

Some conditions governing rebates on annuity contributions had not been changed for nine years. In real terms these tax incentives had dropped to unacceptably low levels, Dr du Plessis said.

Capital was urgently needed to create employment. Because the country was largely cut off from foreign capital sources, a sound savings effort was of vital importance.

Sanlam's investments on behalf of policyholders had created 42 000 extra jobs in the last five years — a time of economic recession and massive unemployment.



Dr du Plessis . . . "savings vital".

The group currently employed about 420 000 people, Dr du Plessis said.

Between 1982 and 1985, figures for discretionary saving — an important source of risk capital — showed that "dis-saving had occurred instead of saving", he said. Premium income had actually exceeded net personal saving by 284 percent.

South Africa did not have as extended a social secutiry system as most foreign countries so that individuals had to fend for themselves, partly by taking life assurance.

"In our case, one would expect assurance premiums to make up a relatively larger portion of gross domestic product, yet a large part of our population has little or no assurance," Dr du Plessis said.

Indeed, if the premium income per head of population was the yardstick, he said, South Africa was last in the line of leading life assurance countries, with a figure of about R172 a year compared with R880 in Switzerland, R862 in Japan and R796 in the United States.

Dr du Plessis said he disagreed with those who claimed that an increase in company saving had compensated for the weaker personal savings.

"They forget that company saving is often a reflection of the unwillingness of companies to invest.

"Investment is the strongest and most desirable driving force in the economy, but (it) has been on the decline in South Africa for some years now," Dr du Plessis said.

Company saving could not exert a direct influence on consumer spending, and neither did it help to lighten the burden of social security resting on the shoulders of the authorities.

It was, therefore, obvious that personal saving and company saving were two different phenomena and that company saving would never be a substitute for personal saving.

In its past financial year Sanlam became the first life office with a South African premium income of more than R2 000-million. Its investment income, as well as payments to policyholders or their dependants, each passed the R1 000-million mark.

Dr du Plessis said the Sanlam group would never need to rely on monopolistic powers to achieve success. Its successes were achieved in a strongly competitive market.

Mr John Maree, chairman of the Electricity Council, told the meeting that Sanlam's policyholders had billions of rands invested in the economy.

Current investment in Escom alone was R550 million — funds that were employed to create facilities to supply power to all of Southern Africa, Mr Maree said.

(58) SMR 19/3/87

Traders 'shocked' at news of possible demolition

Mr Ramane Keshav . . . "First option to the tenants".

Mr Manica Gowan . . . "We all grew up here".

Mr S Daya . . . "This atmosphere is unique".

Mr R Dayaljee . . . "A family business for 60 years".

By Shirley Woodgate, Municipal Reporter

Indian traders in Diagonal Street reacted with shock and dismay to yesterday's news that the landmark building housing their 40 shops opposite Barnib House faces demolition.

Shopkeepers like Mr Ahmed Hassan — who has spent a lifetime working in the area as well as living and educating his children nearby — slammed plans by Johannesburg Consolidated Investment (JCI) to replace the recently renovated Victorian shops with an office block as "absolutely shocking".

Mr Hassan said it was grossly unfair of JCI not to have told the shopowners of its plans. The first hint the traders had of their possible eviction was when they read about it in The Star, he said.

"What are the chances of the tenants clubbing together and buying the building?" asked Mr R Dayaljee, who owns a cosmetic shop and a fruit and vegetable outlet that was handed down from his grandfather to his father.

"I have been a shopkeeper all my life. I will lose my entire livelihood if we are forced to move."

He was backed up Mr Ramane Kersav, who said the traders would have to get together to discuss buying out the building from JCI as a last-ditch attempt to stay. This had been achieved by tenants in the building opposite, who raised R1,6 million to tender successfully for their block in 1983.

The renovated Victorian building in President, Diagonal and Pritchard streets has been sold by the Argus company to JCI for R3,7 million subject to vacant occupation in six months.

It will be pulled down and replaced by an office block if the city council's planning department allows the new development to go ahead.

"They will be destroying Johannesburg's cheapest fruit and vegetable shops trading in an atmosphere that cannot be found anywhere else in town. An historic corner of the city and an important tourist attraction is also at stake," said Mr S Daya.

Mr Ahmed Hassan . . . "Everyone buys here".

Mr Yunus Vallu . . . "10 000 people walk past daily".

time, f

Another shop owner, Mr C Keshav, said: "This means disaster for us. I have worked here since I left school. We have worked this business up from nothing to what it is today."

Trader Mr C Morar said: "I have just spent nearly R70 000 on renovations to my shop after obtaining permission from Anglo American Properties.

"They should have told us there was something in the pipeline."

New financial package for the shareblock flat market

(58) STAR 19/3/87

By Frank Jeans

In a major breakthrough in the residential property market, owners of flats in the shareblock system will now be able to get long-term building society-type finance.

This is the result of a link-up with a newly-formed Durban company, the Loan Guarantee Corporation with Syfrets Bank.

Traditionally, due to the inability of a buyer to raise finance through a building society or institutional loan, shareblock developers granted long-term loans to first-time buyers.

In the event of the buyer wanting to resell his shareblock flat, he either had to find a cash buyer or finance the deal himself.

Now loans will be granted on a conservative basis of up to 60 percent of the valuation with a minimum loan of R30 000. The interest charged will be 2,4 percent above the Nedbank prime rate.

Loan Guarantee Corporation was formed by a group of investors headed by Mr Gerald Hackner of Durban, an expert in the shareblock field.

Other shareholders are the JH Isaacs property group and the SA Eagle Insurance Company.

"Until now," says Mr Hackner, "even with South Africa's sophisticated financial markets, the finance freeze has been the major problem with shareblock ownership.

"This is one of the main reasons why many shareblock companies converted to sectional title".

Mr Hackner said many shareblock owners have been reuluctant to convert to sectional title because of the cost and because they believe shareblock ownership gives them greater control and involvement in the affairs of a company.

"The ownership of flats and even minifactories by shareblock has become completely acceptable but the financing of purchases in such developments has always been the stumbling block," he says.

Mr Hackner, who recently retired as an executive director of JH Isaacs Geshen, said the solution became practical during discussions with Syfrets Bank and a procedure was structured to meet this market neet.

Mr Hackner said the new loan facility would enable present owners to raise finance on the security of their shareblock and would provide a welcome boost to the resale market.

It will also have a special significance for those owners of beachfront properties which are leasehold and therefore cannot be converted to sectional title.

Allied loans at fixed rate

In another home lending development, the Allied Building Society has launched a fixed rate bond at 15 percent for three years (one percent above the current market rate) or 16 percent for five years.

The offer is aimed at the first-time home owner and to other clients who want to know precisely what the monthly outlay will be for the next few years.

This "first" for the Allied might also attract existing potential borrowers who want to hedge against any future rise in interest rates. Mr William Wolke, Allied's assistant general manager, marketing, says: "We want to remove uncertainty from the budgeting of the average homebuyer and to encourage more first-time buyers to come forward.

"The scheme is also open to existing borrowers who may wish to convert to the fixed rate bond."

Sash not asked to help pay for ANC ad

POST 19/3/87

JOHANNESBURG — The director of the Black Sash Johannesburg advice office, Mrs Sheena Duncan, said today that the Sash was not asked to help pay for the cost of publishing advertisements calling for the unbanning of the African National Congress.

The Sash and 14 other organisations lent their support to the advertisement that appeared in newspapers on January 8.

Mrs Duncan, who is a past president of the Sash, was subpoenaed to appear today before the Munnik Commission of Inquiry in Johannesburg.

She said a Mr Derek Hanekom and another man visited her after the advice office was closed for the Christmas recess.

She assumed the other man was from the United Democratic Front.

Though introduced, she forgot his name.

She was shown a picture of Mr Yusuf Surtee.

She said this was not the man.

The two men asked whether the Sash would support the advertisement.

Mrs Duncan said the Black Sash would support the advertisement as it contained nothing the Sash had not said many times before.

The group was not asked to contribute towards the cost, she said.

Detainee's mom compensated

By EDYTH BULBRING

3849 (58) SOUTH 19/3-25/3/87

MRS EDITH VANGA, the mother of Christopher Zongezile Tyawana, 24, is receiving R350 a month compensation from the Allied Building Society. Her son was detained last August, in Cape Town, when his auto card would not function. He was referred by the teller to the bank manager, who kept him talking "for some time". He held under Section 29 of the Internal Security Act.

Mrs Vanga said that the R350 that she had been collecting form the Worcester branch of the Allied since December, was not enough. "But Itake what Iget. I'm not in a position to call the shots," she said.

Mrs Vanga, who earns R75 a week, says that the compensation money is being used to feed and clothe Tyawana's three children and to pay the rent.

Managing director of the Allied, Mr Alan Tindall, confirmed that Tyawana's family was receiving R350 compensation a month. He said that the discplinary action taken against the Allied employees who collaborated with the security police was privvy to "those concerned and not for public consumption".

Tindall said: "the Allied had behaved and acted responsibly" towards the family. As far as he was concerned, "the matter was closed".

Mrs Vanga said that she "is finding things difficult".

Tyawana is due to appear in the Worcester Magistrate's Court on April 22.

UBS-Volkskas in R240m deal?

19/12/87 B/Day

GERALD PROSALENDIS
Economics Editor

NEW SHARES to the value of R240m could be issued to consumate the proposed merger between UBS Holdings (UBS) and the Volkskas group.

Published figures, which have not been denied by either party, are that Volkskas will acquire 10% of UBS, the maximum allowed by the new Building Societies Act, while UBS as a bank holding company will be able to obtain 27,6% of the Volkskas group.

Basing the deal on a strike price for UBS of 500c and Volkskas of R10,50, UBS will have to issue 23,7-million new shares

Phillip Sceales, UBS chairman, is expected to stand down next month. He is to be honoured for 50 years of association with UBS at a farewell dinner on April 15. Sceales was at the forefront of reform which allowed societies to operate as joint stock companies.

— increasing its issued capital to 236,7-million — and Volkskas, in turn, will have to issue 11,3-million shares raising its issued capital to 41-million.

Each leg of the transaction will involve about R118,5m.

Either the two companies will conduct a share swap involving no cash outlay or they will each pay cash for the newly issued shares.

The transaction would dilute the interests of major Volkskas shareholder, Rembrandt. Its present 30% of Volkskas would be reduced to about 22%. Obviously, Rembrandt must be a consenting party to the deal.

It is possible UBS could go ahead with

● To Page 2

UBS-Volkskas in R240m deal?

19/12/87 B/Day

● From Page 1

plans to establish its own banking subsidiary. Volkskas could acquire a direct holding in this bank and provide the expertise, thereby shortening the UBS learning curve. A clash of interest between the two banks would seem unlikely as they would service different segments of the market.

Benefits of the deal to Volkskas are:

- The bank will gain another cash-rich shareholder;
- The ability to improve its electronic banking facilities;
- An increase in capital, improving its capital ratios under the Banks Act;
- An exposure to a segment of the market which hitherto it has not been able to penetrate.

Benefits to the UBS include:

- It acquires banking facilities without launching a new venture in an over-traded market;
- Access to Volkskas clients. There is a limited overlap between the customers of the two institutions;
- Access to banking skills which are in short supply.

UBS Holdings CE Piet Badenhorst yesterday refused to discuss the deal because, he said, negotiations were still in progress.

Allied offers fixed rate bond scheme

JOHANNESBURG. — The Allied Building Society today launches a fixed rate bond scheme which will offer interest of 15%, fixed for three years — 1% above the current market rate — or 16% for five years.

Allied says in a statement it is pitching its offer towards "first-time home owners and to other clients who need to know precisely what their monthly commitments will be for the next few years".

The scheme — an Allied first — could also attract existing and potential borrowers who want to hedge against a rise in interest rates.

Limited funds

Allied foresees a secondary market for commercial property owners and developers who might wish to use the fixed rate to establish a steady return from their leases.

"Although our prime purpose is to remove uncertainty from the budgeting of the average home-buyer and to encourage more first-time buyers to come forward," says Allied's AGM, marketing, William Wolke.

"The scheme is also open to existing borrowers who may wish to convert to the Fixed Rate Bond."

Funds for fixed rate bonds were limited, Allied says, and subject to demand and to other market forces, the quoted interest rate could vary from time to time.

Adjustment

"The important consideration is that however much future rates may fluctuate — and there are strong indications rates could rise next year — borrowers who have entered a contract at 15% or 16% do not have to worry that their rates will be subject to adjustment until the period of three or five years has run its course," said Wolke.

At the end of the agreed term, bonds may be converted to standard variable mortgage contracts or re-negotiated to fixed rate bonds at the rates prevailing at that time. — Sapa

Proposed merger: R240m of shares

Cape Times 19/2/87

(58)

Own Correspondent

JOHANNESBURG. — New shares to the value of R240m could be issued to consummate the proposed merger between UBS Holdings (UBS) and the Volkskas group.

Published figures, which have not been denied by either party, are that Volkskas will acquire 10% of UBS, the maximum allowed by the new Building Societies Act, while UBS as a bank holding company will be able to obtain 27,6% of the Volkskas group.

Basing the deal on a strike price for UBS of 500c and Volkskas of R10,50, UBS will have to issue 23,7m new shares — increasing its issued capital to 236,7m — and Volkskas, in turn, will have to issue 11,3m shares raising its issued capital to 41m.

Each leg of the transaction will involve about R118,5m.

It is possible that UBS could go ahead with plans to establish its own banking subsidiary. Volkskas could acquire a direct holding in this bank and provide the expertise thereby shortening the UBS learning curve.

Benefits of the deal to Volkskas are:

- The bank will gain another cash-rich shareholder.
- The ability to improve its electronic banking facilities.
- An increase in capital, improving its capital ratios under the Banks Act.
- An exposure to a segment of the market which hitherto it has not been able to penetrate.

Benefits to the UBS include:

- It acquires banking facilities without launching a new venture in an overtraded market.
- Access to Volkskas clients. There is a limited overlap between the customers of the two institutions.

UBS Holdings CE Piet Badenhorst refused to discuss the deal because, he said, negotiations were still in progress.

2 BUSINESS DAY, Friday, March 20 1987

18

258 cheques 'bounced'

Nedbank's duty to honour cheque guarantee probed

SUSAN RUSSELL

A JOHANNESBURG Supreme Court judge has been asked to decide whether Nedbank is legally obliged to honour a guarantee on its cheques, up to R100, on 258 separate cheques for R100 paid out by a client to discharge a debt, when there was no money in his account to meet it.

Nedbank is suing the recipient of the cheques, Johannesburg attorney Eugene Marais for R25 800.

Marais was given the Nedbank cheques as payment by a client, Charles Edward Smith.

He offered the cheques to Nedbank as part-payment for what he owed on his account at the bank.

Smith's account was overdrawn and the cheques were dishonoured.

Marais said he accepted the cheques because Nedbank's advertisements had led him to believe it would honour them even if the drawer did not have enough funds in his account.

He said in an affidavit that payees must necessarily assume that the bank would not give customers a number of guaranteed cheques in excess of their funds.

Marais said the guarantee implied that the bank would pay in circumstances where they would be entitled to dishonour cheques.

Nedbank claimed Marais could not rely on its guarantee because it only applied to one cheque issued for a single transaction up to R100.

The manager of Nedbank's Eloff Street branch, Patrick Andrew Lawton, said the guarantee was not binding in law because it had never been reduced to writing — nor had it been signed by or on behalf of the bank.

Lawton said the bank did accept that it had a moral obligation to honour cheques drawn by its customers to ensure payments for goods or services for not more than R100.

This guarantee was given provided the cheques were properly drawn, that there was a genuine transaction between the drawer and payee and the cheques were not drawn for ulterior motives.

UDF 'short of money' for ads

THE UDF was short of money and pessimistic about raising the funds needed for the "Unban the ANC" advertisements, the Munnik Commission of Inquiry heard in the Rand Supreme Court yesterday.

An affidavit submitted by attorney Krish Naidoo, who placed the advertisements on behalf of the UDF, said its national treasurer Azhar Cachalia was given a R100 000 cheque five days after he had voiced pessimism about raising the funds in the short time available. Cachalia will appear before the commission today.

Earlier, Mr Justice Munnik heard evidence from the Black Sash director of the Transvaal advice office, Sheena Duncan, who said the organisation was not told who would provide the funds nor was it asked to contribute.

● See Page 6

THE MUNNIK COMMISSION

Funding the UDF's 'shortfall'

B/Day 20/3/(88)

PATRICK BULGER

SHEENA DUNCAN of the Black Sash, giving evidence before the Munnik Commission, said she was not told who would fund the "Unban the ANC" advertisements when asked whether she would support them.

Neither was the Black Sash asked to make any contribution towards the funding, Duncan — director of the Sash's Transvaal advice office — told the inquiry yesterday.

The commission is sitting in the Rand Supreme Court under the chairmanship of Cape Chief Justice Mr Justice Munnik. The deputy Attorney-General of the Cape — Francois van Zyl, S C — is leading evidence for the commission.u

Duncan concurred with Mr Justice Munnik that there "was a clear understanding that you would not be expected to make any contribution towards the cost of the advert".

She said she had been approached by a Derek Hanekom before last Christmas and asked whether the Black Sash would add its name to the list of supporters of the advertisements.

"And I said: 'Yes, certainly, the Black Sash could support it, because it contained nothing that we as an organisation have not said many times before'."

The commission later heard that five days before the advertisements appeared, United Democratic Front (UDF) national treasurer Azhar Cachalia had said there was a "shortfall" in the UDF's funds and that he was pessimistic about raising the R100 000 for them at short notice.

According to an affidavit submitted to the commision by attorney Krish Naidoo, who placed the advertisements for the UDF, Cachalia had told him on January 2 that he would, however, try to obtain the funds.

"During the early part of the afternoon of January 6, I received a call from Cachalia, who said that he had a bank cheque for R100 000."

Naidoo said he was first approached on December 21 last year by Murphy Morobe, acting publicity secretary of the UDF.

Not illegal

"He advised me that the UDF had decided to have adverts inserted in a number of newspapers throughout the country which would call for the unbanning of the ANC."

He related how he had then visited the offices of *The Star* newspaper in Johannesburg and SA Associated Newspapers (Saan — now Times Media Limited), whose lawyers decided the advertisements were not illegal. He also found out that the advertisements would cost a total of about R100 000.

☐ **DUNCAN ... not told who would fund UDF advertisements**

On January 29 he again spoke to Morobe, who said he should contact Cachalia who would arrange the financing.

After receiving the cheque, he made out four cheques: to *The Star* (for R62 726), to the *Weekly Mail* (R1 680), to *New Nation* (R1 296) and to *City Press* (R5 670).

Naidoo later made out a cheque in favour of Saan for R32 054, after learning that both *Business Day* and the *Sunday Times* had agreed to accept the advertisements.

The advertisements subsequently appeared in 16 newspapers around the country.

"On January 9, I received a cheque for R5 000, being the contribution from the SA Council of Churches towards the adverts," Naidoo said.

"On February 4, I received a cheque from Saan for R25 704, being in respect of the advert which had not been published in the *Sunday Times*.

Refused overdraft

"On February 16, I received a cheque from Argus for R13 608 in respect of the adverts not published in *The Star*, the *Sunday Tribune* and the *Natal Mercury*."

At the start of yesterday's proceedings, Johannes Greyvenstein — manager of the Sauer Street branch of Volkskas Bank, where "Mr Z" (Yusuf Surtee) kept an account — said that he had refused Surtee overdraft facilities without security.

Greyvenstein said Surtee had never given any indication that he was in a position to bring accounts to the bank.

The hearing continues today, when Cachalia is due to give evidence.

Munnik inquiry told of Mrs Mandela's 'gift' for ANC ad

Winnie's 'R62 000 for UDF'

Argus 20/3/87

JOHANNESBURG. — Mrs Winnie Mandela gave the United Democratic Front R62 000 to help to repay a R100 000 overdraft that financed advertisements calling for the unbanning of the African National Congress.

The national treasurer of the UDF, Mr Azar Cachalia, told the Munnik Commission he asked for her help in the second or third week of January. She was "very sympathetic and supportive" and identified completely with the content of the advertisements, which appeared in newspapers on January 8.

Mr Cachalia said he received the money, in banknotes, on January 23 "very much as a gift".

Mrs Winnie Mandela

In previous hearings Mrs Mandela had been referred to as the "person" who was the benefactor. Mr H F van Zyl, the advocate who is presenting evidence to the commission, asked Mr Cachalia to disclose the "person's" name. Mr Cachalia said he had obtained Mr Mandela's consent to disclose her name.

In January Mr Cachalia had "expressly asked" for Mrs Mandela's assistance. "In hindsight, if I had asked her I would probably have been able to raise the full amount," he said.

Mr Cachalia also considered using R50 000 promised by Dr Allan Boesak to the UDF for the organisation's normal business affairs to help pay for the ANC advertisement.

"Large resources"

Dr Boesak was in charge of several trusts and had access to considerable resources, Mr Cachalia said.

The money had to date not been received from Dr Boesak.

Mr Cachalia described his request to Johannesburg businessman Mr Yusef Surtee, to provide the initial R100 000 that paid for the advertisement.

He knew Mr Surtee reasonably well. Mr Surtee was not a UDF member.

"Mr Surtee is an influential and resourceful person. I would not have asked him where he was going to find the money."

Mr Surtee told him he would "try his best to raise the money."

Mr Surtee later approached the managing director of Barclays Bank, Mr Chris Ball, to ask him for a R100 000 overdraft facility "for personal use". — Sapa. ● See Page 2.

adopted that members of the SABC pa

Laws will be tightened up

B/Day

Shake-up is in the offing for SA banks

(58)

20/3/87

GERALD PROSALENDIS
Economics Editor

THE BANKS ACT, amended last year, will be rewritten in line with international practice to control escalating risks in an increasingly competitive market.

Reserve Bank GM, bank supervision, Chris de Swardt said yesterday: "We have asked representatives from the banking associations to form a committee to co-operate with us in rewriting the Act. Although this is a longer-term project, we hope to sit together with this committee towards the middle of the year.

"We will also examine the possibility of including building societies under the new Act, in line with the recommendations of the De Kock Commission which envisaged one statute encompassing all banking institutions."

Bankers say the new Act will have to curb the tendency of banks to lend off balance sheet facilities to avoid meeting the costly capital requirement of the present legislation.

Amendments made to the Banks Act last year compelled banks to hold capital against the riskiness of assets rather than as a security against deposits, the philosophy being that by measuring the exposure of banks to borrowers affords depositors greater security.

De Swardt said: "Off balance sheet transaction will receive much attention in our deliberations."

Also up for discussion will be ways of allowing the monetary authorities to supervise the mismatching of deposits and loans — borrowing short and lending long — although this is unlikely to be written into the legislation.

De Swardt said: "There are risks in mismatching and these should be controlled."

Bankers are hoping that the new Act will establish ground rules which will compel financial institutions to compete on an equal footing. The overtraded SA banking market — exacerbated by the entry of building societies and other financial institutions into more traditional banking areas — inevitably faces a shake-out.

A senior banker said. "Since competition could reach suicidal levels as the differences between financial institutions become blurred, it is essential that we all bat on the same pitch."

Bankers are particularly concerned about what they say is the unfair advantage building societies enjoy in the present dispensation. They say if building societies are to have banking facilities, they will have to forego their present privileges.

These include:

☐ Tax free investments which are due to

● To Page 2

P.T.O.

20/3/87 B/Day

Shake-up in offing for the banks of SA

(58)

be phased out over 10 years;

- While banks are required to hold an average 5% of capital to assets, societies need to maintain 4% capital against liabilities;
- Equity-based societies are permitted to acquire 100% of a bank, while banks are limited to a 10% holding in a building society;
- Banks must hold cash reserves and liquid assets on an averaging basis, but societies are allowed to calculate these requirements on end-of-the-month balances.

A banker with international experi-

● From Page 1

ence says US and European banks are finding ways of going off balance sheet. To control this, the Bank of England is assessing the risks of off balance sheet transactions and applying the equivalent on balance sheet capital ratios. It is also applying capital ratios to non-banking operators in the money market.

A banker says: "Control is all very well, but what we do not need in its place is a massive bureaucratic, pseudo-scientific measure of risk that runs to 50 pages every time we submit a return."

 ARGUS 20/3/87

ARGUS 20/3/87 58

Report cases of ill-treatment, SA nurses told

Medical Reporter

PROFESSIONAL nurses aware of physical or mental ill-treatment of detainees should take action, including reporting the matter "through appropriate channels", says the South African Nursing Association.

Stating its policy on the responsibilities of nurses during "civil unrest", the association says in Nursing News that it upholds the principle that all persons, whether involved in hostilities or not and regardless of all considerations, should receive protection and care if wounded or ill.

Nurses were "bound to hold in confidence" any information given by a patient "except, for example, in acts of terrorism" or when instructed by a court of law.

REFUSAL OF ENTRY

Police "without appropriate documentation" could be prevented from entering any health facility unless authorised by law and any other person "deemed to be a threat to the patient's safety" could be refused entry.

The association condemns "torture, mutilation, cruel treatment or murder" and any other humiliating or degrading treatment.

Bank closed Mr Z's account

The Argus Correspondent

JOHANNESBURG. — Volkskas Bank closed the account of Mr Yusuf Surtee, the "Mr Z" who paid for the "Unban the ANC" advertisements, because he was consistently overdrawn and refused to grant him an overdraft without security.

Mr Johannes Greyvenstein, manager of the bank's Sauer Street branch here, told the Munnik commission of inquiry into the financing of the advertisements that, in hindsight, Mr Surtee's account had not been operated "normally".

The commission heard earlier that Barclays Bank granted Mr Surtee an overdraft of R100 000, used to pay for the advertisements, without security. He had an overdraft facility of R30 000 on another account, which was later reduced to R20 000.

Asked to be told

Mr Greyvenstein said Mr Surtee asked him to contact him whenever there was not enough in the account to meet withdrawals.

"I couldn't see my way clear to phone him every time he was overdrawn and, in October 1986, I told him I could no longer do it and closed the account."

The bank manager said Mr Surtee had had two accounts at Volkskas, one of which was opened in August 1980 and lapsed in 1985 and another opened in June 1985 and closed by the bank in October 1986.

Mr Surtee was granted an overdraft facility on the first account after putting up investments, two insurance policies and shares as security. The facility rose from R2 500 in 1980 to R16 000 in August 1983, and was brought down the next month to R10 000.

The commission heard that Mr Surtee's account was originally well controlled but last year he issued cheques and debit orders without having money to cover them.

Mr Greyvenstein agreed with Mr Justice Munnik that this was not normal procedure. "Normal procedure is that there are always funds in the account, but that is how the account was run."

(Proceeding)

It charged him with two counts of bloodstock transactions. — Sapa-AP. | Sapa-Reuter.

THE MUNNIK COMMISSION

Munnik Commission hears of 'robbing Peter to pay Paul'

Surtee account was regularly overdrawn — so Volkskas manager had it closed

(58)

Mr Johannes Greyvenstein

Mrs Sheena Duncan

STAR 20/3/87.

By Zenaide Vendeiro and Claire Robertson

Volkskas Bank closed the account of Mr Yusuf Surtee, the "Mr Z" who paid for the "Unban the ANC" advertisements, because he was consistently overdrawn. They refused to grant him overdraft facilities without security.

Mr Johannes Greyvenstein, manager of the Sauer Street branch, told the Munnik Commission of Inquiry into the financing of the advertisements that, in hindsight, Mr Surtee's account had not been operated "normally".

The commission heard earlier that Barclays Bank had granted Mr Surtee an overdraft of R100 000, which was used to pay for the advertisements, without security. He had an overdraft facility of R30 000 on another account, which was later reduced to R20 000.

Mr Greyvenstein said Mr Surtee had asked to be contacted whenever there were not enough funds in the account to meet withdrawals.

"I couldn't see my way clear to phone him every time he was overdrawn, and in October 1986 I told him I could no longer do it and closed the account," he said.

Mr Greyvenstein said Mr Surtee had had two accounts at Volkskas, one of which was opened in August 1980 and lapsed in 1985, and another opened in June 1985 and closed by the bank in October 1986.

Mr Surtee was granted an overdraft facility on the first account after putting up investments, two insurance policies, and shares as security. The facility rose from R2 500 in 1980 to R16 000 in August 1983, and was brought down the next month to R10 000.

Mr Greyvenstein said Mr Surtee applied for an overdraft facility on the second account, "but we insisted on security".

"This is bank policy. Mr Surtee either would not or could not offer security."

The inquiry was appointed by the State President after he was challenged to repeat outside Parliament a statement that Mr Ball paid for an advertisement calling for the unbanning of the ANC. Mr Ball said the first he knew of the advertisement was when he read it in the newspapers. The advertisement was legal, and publication didn't then constitute an offence.

The commission heard that Mr Surtee's account was originally well controlled but, in 1986, he issued cheques and debit orders without having money to cover them. Mr Surtee, said Mr Greyvenstein, would deposit money into the account days later.

Mr Greyvenstein agreed with Mr Justice Munnik that this was not normal procedure. "Normal procedure is that there are always funds in the account, but that is how the account was run."

The judge said it appeared that large amounts of cash, of up to R5 000, were paid regularly into Mr Surtee's account, either by himself or members of his family.

"It sounds funny, because money was transferred from one account to another. It appears that he used (Volkskas Bank) in 'robbing Peter to pay Paul'."

Mr Greyvenstein agreed that this was not normal.

Under questioning, Mr Greyvenstein said Mr Surtee had not informed him of his relationship with the Kharbai group, nor given indications that he could bring other accounts to the bank.

In other evidence, the commission heard that the United Democratic Front had a "cash shortfall" and was pessimistic about raising the money when it was originally asked to provide R100 000 to finance the advertisements.

In a sworn affidavit, UDF attorney Mr Krish Naidoo said that when he asked UDF national treasurer Mr Azhar Cachalia for the money, the latter had indicated that he was pessimistic about the prospects of raising the money at such short notice. Mr Naidoo received the bank cheque for R100 000 four days later.

Mr Naidoo said the draft of the advertisement had been referred to senior counsel, who had told him that it could be construed as being an offence in terms of the section of the Internal Security Act which prohibits furthering the aims of the ANC.

The advertisement was also referred to two attorneys acting for the Argus and SA Associated Newspapers newspaper groups, and was accepted for publication after it was amended.

In all, R64 115 was paid for the advertisements, excluding R39 312 which was refunded when the *Sunday Times*, The Sunday Star, *Sunday Tribune* and *Natal Mercury* did not carry the advertisement.

The *Weekly Mail*, which appeared with blank spaces instead of the advertisement, still asked for payment on the grounds that the space had been booked and that factors beyond the control of the *Weekly Mail* prevented publication.

The Black Sash, one of the organisations which supported the advertisement, was not asked to contribute to the costs of publication, Mrs Sheena Duncan, co-ordinator of the Black Sash national advice office, told the commission.

She said she had been approached to support the advertisement by a Mr Derek Hanekom and another man whom she did not know.

Mrs Duncan told Mr Hanekom that the Sash would support the advertisement as it did not say anything the organisation had not said many times before.

Star reporter

Johannesburg's Rand Afrikaans University hopes the champagne will be flowing tomorrow after their match against Potchefstroom. Champagne Girl, Elma Hattingh (17), will be among the supporters.

Peres denies nuclear co-operation with Pretoria

STAR 20/3/87

TEL AVIV — Foreign Minister Mr Shimon Peres, announcing a reduction in ties with South Africa, has denied allegations of Israeli nuclear co-operation with Pretoria.

The Labour Party leader told parliament Israel had decided not to sign any new defence contracts with South Africa in line with US policy against military relations with the minority government.

In a message to Mr Peres, Pretoria had condemned the Israeli move, calling it pointless and liable to lead to "negative developments", Israeli state radio said last night.

Mr Peres declined to say how long the existing contracts, which Press reports estimate are worth up to $500 million (about R1 100 million) a year, will run.

He said officials would make further recommendations within two months on policy towards Pretoria.

Mr Meir Wilner of the Communist Party accused the government of co-operating with South Africa in the production of nuclear weapons.

"You are fabricating baseless slanders," Mr Peres shouted. "You are prepared to believe any lie about Israel."

Reports published abroad have said that Israel and South Africa may have tested a nuclear bomb in the Indian Ocean in 1979.

A US law empowers Congress to cut off aid to nations violating a long-standing international arms embargo on South Africa.

Foreign Ministry director-general Mr Yossi Beilin said Israel's ties with South Africa would be significantly reduced, especially in cultural and scientific fields. — Sapa-Reuter.

Randburg to pay more for water

STAR 20/3/87

Randburg householders will pay between 12c and 15c a kilolitre more for water from May.

The Rand Water Board's 30 percent bulk water supply tariff increase, effective from April 1, has forced the town council to increase individual domestic water tariffs.

On the principle of the less water consumed the lower the tariff, consumers who use 40 kl or less a month will still get water at cost.

Charges 'to "cover capital costs and contributions to reserves for capital works" go up from R4,50 to R5,68 a month.

Dutch bank stops SA deals

STAR 20/3/87

AMSTERDAM — The prominent Dutch investment bank of Pierson, Heldring and Pierson has halted its dealings with South African concerns because it fears terrorist action against its offices in the Netherlands, according to a company spokesman.

Amsterdam-Rotterdam Bank, Pierson's parent company, stopped its South African operations last year, citing opposition to apartheid.

Pierson is the third major Dutch firm to pull out of South Africa in two months. The SHV trading multinational announced its withdrawal on January 19 because of a series of firebomb attacks against its Makro supermarkets in the Netherlands. On January 22 Forbo Krommenie announced it was cutting ties with a former subsidiary, Krommenie Limited.

In the Netherlands firebomb attacks have also been made against Shell petrol stations to protest against the Anglo-Dutch oil giant's operations in South Africa.

The Dutch Government refuses to reinsure companies that suffer terrorist attacks in the Netherlands because of their South African affiliations. — Sapa-AP.

STAR

CAPE TIMES 20/3/87

SB

Sash 'not told' of ANC ad funding

Own Correspondent

JOHANNESBURG. — Mrs Sheena Duncan of the Black Sash, giving evidence before the Munnik Commission, said she was not told who would fund the "Unban the ANC" advertisements when asked whether she would support them.

Neither was the Black Sash asked to make any contribution towards the funding, Mrs Duncan — director of the Sash's Transvaal advice office — told the inquiry yesterday.

The commission is sitting in the Rand Supreme Court under the chairmanship of Cape Chief Justice Mr Justice Munnik. The deputy Attorney-General of the Cape, Mr Francois van Zyl, SC, is leading evidence for the commission.

Mrs Duncan said she had been approached by Mr Derek Hanekom before last Christmas and asked whether the Black Sash would add its name to the list of supporters of the advertisements.

"And I said: 'Yes, certainly, the Black Sash could support it, because it contained nothing that we as an organization have not said many times before'."

The commission later heard that five days before the advertisements appeared, UDF national treasurer Mr Azhar Cachalia had said there was a "shortfall" in the UDF's funds and that he was pessimistic about raising the R100 000 at short notice.

According to an affidavit submitted to the commision by attorney Mr Krish Naidoo, who placed the advertisements for the UDF, Mr Cachalia had told him on January 2 that he would, however, try to obtain the funds.

"During the early part of the afternoon of January 6, I received a call from Cachalia, who said that he had a bank cheque for R100 000."

Mr Naidoo said he was first approached on December 21 last year by Mr Murphy Morobe, acting publicity secretary of the UDF.

"He advised me that the UDF had decided to have adverts inserted in a number of newspapers throughout the country which would call for the unbanning of the ANC."

He said he had then visited the offices of The Star in Johannesburg and SA Associated Newspapers (SAAN — now Times Media Limited), whose lawyers decided the advertisements were not illegal. He also found out that the advertisements would cost a total of about R100 000.

On January 29 he again spoke to Mr Morobe, who said he should contact Mr Cachalia who would arrange the financing.

The hearing continues today with Mr Cachalia due to give evidence.

CAPE TIMES 20/3/87

Cape Times 20/3/87 (58) (208)

Fears over pensions report 'unnecessary'

By JANE ARBOUS

THE long-awaited report on the government inquiry into pension benefits is expected on May 18.

Confirming its completion, the chairman of the inquiry, Mr Kobus Meiring, said yesterday: "It is a pity that it can only be tabled in May because there is a lot of speculation which is totally unnecessary because the report is non-controversial."

This indicates that the report will contain more in the way of guidelines than legislation and is reassurance for anxious employees, employers, trade unions and institutions, who feared a repeat of the 1981 pensions fiasco.

This was when the government tried to introduce a draft bill to "freeze" pension contributions till retirement. The move led to widespread industrial unrest and many workers lost substantial benefits by cashing in — either by resigning or demanding to opt out of pension funds before the proposed implementation of the bill.

The bill was eventually shelved after intense protest ranging from leading business organizations to trade union leaders over the disruption and lack of consultation, despite the fact that many accepted the principles of pension preservation.

In 1984 however, because of increasing concern over the lack of adequate cover for life after retirement, a 23-member joint parliamentary select committee was appointed to hear evidence and representations on the issue. Although the report is ready now, it can only be tabled at the next session of Parliament in terms of the rules governing select committees.

The committee's brief was to inquire into and report on:

☐ The compulsory preservation of pension rights by means of transfer or otherwise;

☐ The communication of lump-sum benefits into annuities; and

☐ The manner in which satisfactory pension benefits could be provided for or assistance could be given to sections of the public which have no or insufficient pension cover.

Bid to control escalating risks

Banks Act to be rewritten

CAPE TIMES 20/3/87 (58)

From GERALD PROSALENDIS

JOHANNESBURG. — The Banks Act, amended last year, will be rewritten in line with international practice to control escalating risks in an increasingly competitive market.

Reserve Bank GM bank supervision Chris de Swardt said yesterday: "We have asked representatives from the banking associations to form a committee to co-operate with us in rewriting the Act. Although this is a longer-term project, we hope to sit together with this committee towards the middle of the year.

"We will also examine the possibility of including building societies under the new Act, in line with the recommendations of the De Kock Commission, which envisaged one statute encompassing all banking institutions."

Bankers say the new Act would have to curb the tendency of banks to lend off balance sheet facilities in order to avoid meeting the costly capital requirement of the present legislation.

Greater security

Amendments made to the Banks Act last year compelled banks to hold capital against the riskiness of assets rather than as a security against deposits, the philosophy being that by measuring the exposure of banks to borrowers affords depositors greater security.

De Swardt said: "Off balance sheet transaction will receive much attention in our deliberations."

Also up for discussion will be ways of allowing the monetary authorities to supervise the mismatching of deposits and loans — borrowing short and lending long — although this is unlikely to be written into the legislation.

De Swardt said: "There are risks in mismatching and these should be controlled."

Bankers are hoping that the new Act will establish ground rules which will compel financial institutions to compete on an equal footing. The over-traded SA banking market — exacerbated by the entry of building societies and other financial institutions into more traditional banking areas — inevitably faces a shake-out.

Suicidal competition

A senior banker said: "Since competition could reach suicidal levels as the differences between financial institutions become blurred, it is essential that we all bat on the same pitch."

Bankers are particularly concerned about what they say is the unfair advantage building societies enjoy in the present dispensation. They say if building societies are to have banking facilities they will have to forego their present privileges.

These include:

- Tax-free investments which are due to be phased out over 10 years.
- While banks are required to hold an average 5% of capital to assets, societies need to maintain 4% capital against liabilities.
- Equity-based societies are permitted to acquire 100% of a bank, while banks are limited to a 10% holding in a building society;
- Banks must hold cash reserves and liquid assets on an averaging basis, but societies are allowed to calculate these requirements on end-of-the-month balances.

A banker with international experience says US and Europe banks are finding ways of going off balance sheet. To control this, the Bank of England is assessing the risks of off balance sheet transactions and applying the equivalent on balance sheet capital ratios. It is also applying capital ratios to non-banking operators in the money market.

Cape Times 20/3/87

58

Sanlam caps it all

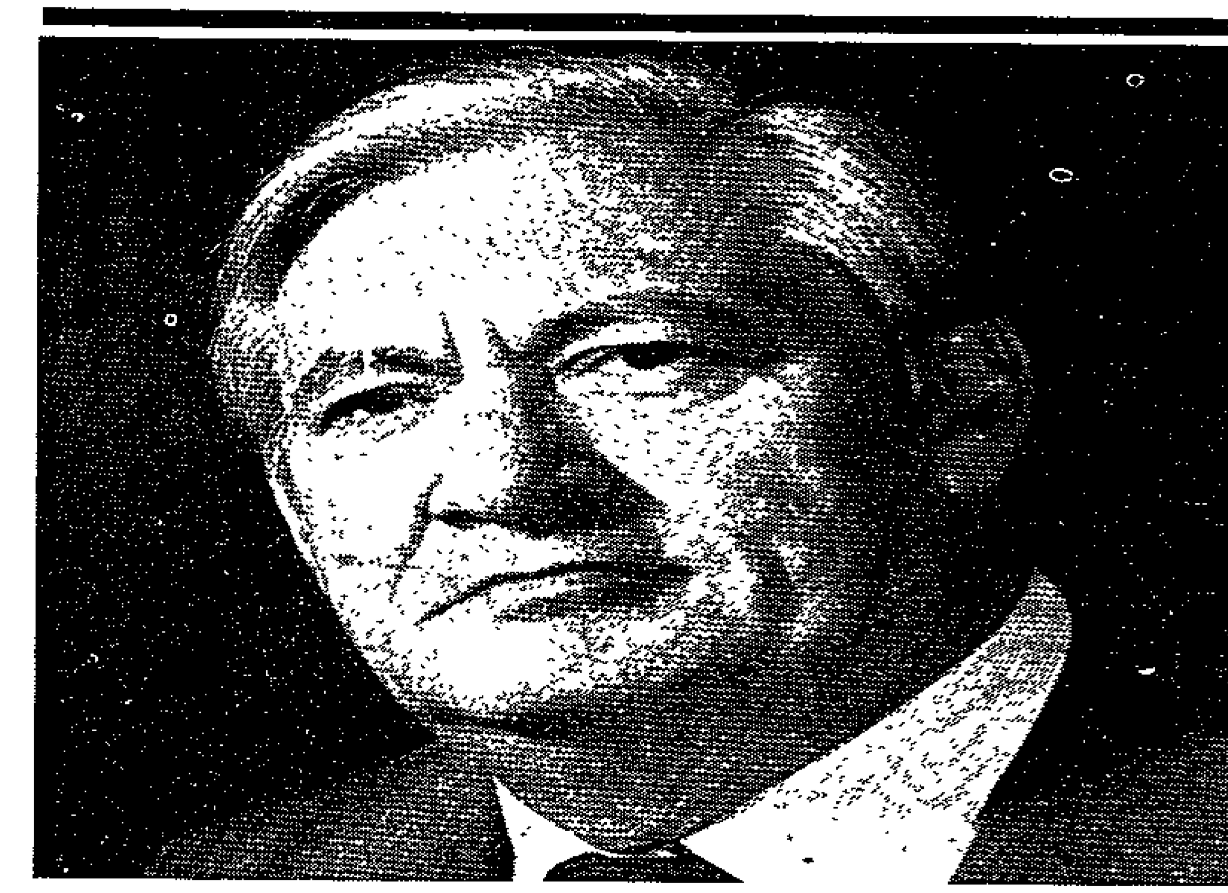
Policy-owners reap benefits

Own Correspondent

BELLVILLE. – In 1986 Sanlam accomplished a series of outstanding achievements and reached several new milestones. Excellent investment results and strict cost control ensured that the company's policy-owners once again profited from more favourable policy benefits.

This was stated here on Wednesday by Dr Fred du Plessis in his chairman's address at Sanlam's 68th annual general meeting.

He singled out Sanlam's premium income as a highlight and said the company was the first and only life assurer in the country to receive more than R2 000 million in domestic premiums in a financial year.



DR FRED DU PLESSIS – approximately two million policy-owners and members of pension funds and group schemes benefit from Sanlam's achievements.

Investment income passed the R1 000 million mark for the first time. In total, R1 075 million was earned for policy-owners – twice as much as three years ago.

"Our strategy during the past year of expanding our shares exposure so that we could utilise the expected steep rise in stock exchange prices, has certainly paid dividends. What's more, we largely succeeded in correctly anticipating interest rate movements," said Dr du Plessis.

Assets

He pointed out that Sanlam's assets were selectively distributed over practically all sectors of the economy. Assets had grown, at book value, by more than 23 per cent to R9 611 million in the year reviewed. The market value is considerably greater.

The company's outstanding investment performance meant that R2 500 million was added to the benefits of policy-owners.

Reversionary bonus rates were increased to a record level for the eighth consecutive year. In addition, higher investment growth rates for individual market-related policies and record bonuses for pension fund clients were announced.

Sanlam's payments to policy-owners, their dependants and beneficiaries totalled R1 003 million – an average R4 million per working day. This amount almost equals the total assets of the company in 1976.

Dr du Plessis said death claims amounted to R243 million in the past year. According to returns to the Registrar of Insurance, Sanlam has paid out more in death claims than any other assurer in South Africa in every single year since 1973. In addition, Sanlam's payments in disability claims make up about 40 per cent of that of the whole life assurance industry.

The total life cover Sanlam now provides to policy-owners amounts to approximately R80 000 million – more than the protection offered by any other assurer in the country, he said.

"In the field of cost-effectiveness, Sanlam has remained a leader in the industry. This is thanks to management's continued attempts to increase productivity and to manage the company in the most profitable way for its policy-owners."

Leader

Administrative costs were cut to 4,2 per cent of income – as against an estimated average of about 8 per cent for the rest of the industry. This was achieved in spite of Sanlam's infrastructure being considerably expanded.

Premium income increased by 30 per cent to R2 087 million despite the tight economic conditions. This outstrips Sanlam's results of the previous year by far.

The company received almost 29 per cent of all premiums for life assurance in South Africa in 1986 – the highest in the business. "The Life Offices' Association's figures show that of every R100 in new premiums written by the whole industry in the Republic in the twelve months up to 30 June 1986, more than R40 went to Sanlam," said Dr du Plessis.

Individual business yielded R1 181 million and pension and group business R906 million. Apart from about R3 million, all these funds came from the rand currency area.

Extension

Sanlam's policy-owners and members of pension funds and group schemes underwritten by Sanlam, together number approximately two million.

"The acceleration in Sanlam's growth made further expansion of the company's infrastructure necessary. At the start of 1987 five new regional offices were established, placing Sanlam's extensive range of services within even easier reach of our policy-owners," Dr du Plessis said.

According to him, the development of new products in both the individual and pensions sectors ensured that Sanlam kept pace with the changing life assurance needs of the public.

Winnie gave R62 000 towards ANC ad

JOHANNESBURG — Mrs Winnie Mandela gave the UDF R62 000 to help repay a R100 000 overdraft that financed advertisements calling for the unbanning of the ANC.

UDF national treasurer Mr Azar Cachalia told the Munnik Commission that, when he asked for her help in January, she was "very sympathetic and supportive" and identified completely with the content of the advertisements.

Mr Cachalia said he received the money on January 23 "very much as a gift".

Mrs Mandela was originally referred to as the "person" who was the benefactor.

Advocate Mr H F van Zyl had asked Mr Cachalia to disclose her name and Mr Cachalia said he had obtained Mrs Mandela's consent to reveal her name.

Mr Cachalia had considered using R50 000 promised by Dr Allan Boesak to the UDF for the organisation's normal business affairs to help pay for the ANC advertisement.

When he was approached by a senior UDF official and asked to provide R100 000 to pay for the call to unban the ANC, he was not optimistic that he could raise the money at short notice.

"I thought I would approach Dr Allan Boesak," Mr Cachalia, said.

Dr Boesak was in charge of several trusts and had access to considerable resources. — Sapa

(58) FM 20/3/87

MONEY MARKET

Mixed views on Bank rate cut

With the deadly quiet market poised to be "washed away" with money, the fun is only starting as rates ease and the Bank appears to have something up its sleeve. There are mixed views whether the Bank will reduce Bank rate — whereas a few weeks ago most expected a cut before or just after the May election, some now doubt any cut.

A change is rumoured in the Bank's technique of funding the market through the Corporation for Public Deposits (CPD) and other sources. The *FM* is unable to obtain details; it appears plans are still in infancy.

Certainly the Bank will have to do something when the loan levy is repaid. Interest and salary payments are also still not fully in the system.

On this basis the month-end shortage will be a virtual non-event. April will be worse, with the traditional mismatch of government spending and revenue, Custom Union payments, large interest payments, and maturities of Land Bank bills (R250m on April 15). On top of this, the Bank's forex and gold reserves are improving.

The "window" shortage was under R100m for the entire week, falling to nil on Thursday. CPD deposits with discount houses were down to R7m that day. By Friday the effective shortage (CPD funds plus the window shortage) was around R230m, falling again to R130m on Monday.

Interest and salary payments will trim the shortage even further. The inflow from these is over R500m. The Bank, some dealers reckon, has sold rands into the market to raise the shortage. One bank also reports losing a big deposit to the CPD (indicating the Bank is persuading depositors to deposit with the CPD and hence take money out of the system to increase the shortage).

In such liquidity, rates have been falling in quiet and by now familiar conditions, which dealers are fed up with. "Manipulation by the Bank is killing the market," complains one. Another adds: "The market is balanced, there is no supply of paper as banks hold on to it, nor is there demand."

The benchmark three-month bankers' acceptance (BA) rate traded at 8,9% for most of last week before dropping five points on Friday. It was still 8,85% on Tuesday, but dealers expect rates to ease marginally as liquidity builds up.

Notably, interbank call did not drop over the week, remaining around 9%. Call rates are thus higher than three-month rates — implying an inverse yield curve in the zero- to three-month area — though the effective BA yield (actual return on capital outlaid) is 9,05%.

This is probably another reason why the Bank is concerned to change its methods. Bankers claim that it is the "unnatural" 9,25% that the Reserve Bank charges for CPD funds that is keeping call around 9%. "This has become a non-market determined benchmark rate," says one.

Rates also dropped in well supported weekly tenders — the Treasury bill on Friday, for R100m (R80m), drew R228m (R150m) with the average rate bid down to 8,6% from the previous 8,72%. On Monday, the Land Bank tender, for R100m, drew R210m (R324m) at an average 8,69%, 16 points down from the previous tender. ■

etary: C. Motha

g Industry:

access agreement.

BUILDING SOCIETIES (8) (13) 17.1.20/3/8

Fixing bonds

In a major departure from traditional home loan lending, Allied Building Society has launched a fixed rate bond. As from Thursday, clients will be able to borrow for three years at a fixed 15%, or five years at a fixed 16%.

Though these rates are much higher than the 12,5% mortgage rate available from Standard, Barclays, Trust or Volkskas, Allied is at least offering home owners some certainty in the uncertain world of interest rate movements. Potential homeowners will be able to calculate more accurately the longer-term cost of owning a home, bearing in mind average bond life is about seven years. On conventional bond business Allied charges 14%.

The success of Allied's move will depend on whether buyers are prepared to sacrifice immediate advantages of lower interest rates for the medium-term security of a fixed rate. Says AGM marketing William Wolke: "We are pitching the offer towards first-time home owners and other clients who need to know precisely what their monthly commitments will be for the next few years."

Many who suffered from the steep climb in rates from about 9% in 1980 to over 20% in 1985 would perhaps see the advantage.

When rising property values and increasing incomes moved ahead or in tandem with interest rates, the homeowner knew the investment was sound. But when values and employment opportunities shrank and interest rates climbed, owners were often hard put to meet their bonds, as the large increase in the number of properties in possession over the past two years demonstrates.

Inflation, though down for the moment, is expected to put upward pressure on interest rates as soon as there is significant improvement in consumer demand.

Allied's innovation is a compromise between the variable rate bond and the fixed rate bonds which created havoc among savings and loan institutions (S&Ls) in the US. Locked in for the life of the bond, S&Ls were badly hit when stringent monetary policy sent interest rates up to giddy heights. *Forbes* magazine, for example, estimates that in 1981-1982, they lost a total of $12 the S&Ls, in shrinking margins by paying out more on deposits than they earn in interest revenue.

Whatever the hazards of exploring unknown territory, innovation is essential. With so many institutions attempting to expand into a limited market, survival may depend on getting the right idea at the right time. ■

BANK FEES

FM 20/2/87

Who's accountable?

With the intensely competitive market that has emerged over the past few years, banks have been going aggressively for market share, wooing borrowers and savers with fervour.

This suggests the average chequing account holder should be in a relatively favourable position; clients should feel themselves in some sort of consumers' paradise.

Yet this is not necessarily clients' perception.

Because of size and clout, an aura of implacability and impenetrability surrounds banking institutions. Like civil servants, banks can be accused of a take-it-or-leave-it attitude towards, in particular, the small account holder.

In times of high liquidity, like now, customer dissatisfaction tends to centre on service charges rather than availability of credit.

While banks make their profits on interest margins, collecting fees helps meet operating expenses. With low margins and low volumes, there is a particular need right now to augment interest revenue "to ensure compensation for services rendered," says Nedbank MD Anton Van der Merwe Vance.

"With new capital requirements in terms of the Banks Act, banks also have to levy charges to ensure best use of scarce capital resources," says Nedbank GM Johan Westraat.

Service charges, of course, pre-date the new capital requirements. Though banks always have reasons for levying service charges, it does not necessarily mean they are fleecing customers. As Barclays GM Norman Axten says: "Non-interest revenues don't even cover non-interest costs."

Moreover, bankers contend they aren't free to push up service charges at will. "We couldn't afford to overcharge," says Axten.

"The price is set by the marketplace," says Standard GM Bill Mansfield.

Certainly, since the disappearance of the Register of Co-operation (Roco) in 1983, banks have not agreed on minimum fees. The use of loss leaders to poach clients has conferred some benefits.

"Immediately after the abolition of Roco, banks started playing with charges," says Axten. "They would target a market at what they knew would not be a viable rate to undercut rivals."

Of course, over time, prices floated up again and, on the whole, remain within a certain range because they are wedged between cost structures on one hand and market pressures on the other.

Banks practise price discrimination in the same way manufacturers give discounts and rebates to bulk buyers. They also give a better deal to low-risk customers. Often this means the small customer pays more.

The picture is complicated by the fact that some groups allow branch managers to decide on fees charged. This leads to wide variations for the same type of customer.

But consumers still have complaints. They say they are not informed when fees are increased, that they are not aware of available options, and that they are charged for banks' mistakes — for example, for reversing account entries.

Countering this, Barclays' Axten says: "We do inform customers about increases if they are using a facility." But Standard's Mansfield says: "It's up to branch managers."

"We negotiate with corporate and prime clients," says Trust's product manager Buddy Swartz. "Retail clients are advised via their statements." The same applies to Volkskas, according to liaison manager Willie Roux.

Generally banks itemise charges individually, so at least clients find out after the event. It is up to them to check statements carefully.

As to options, clients are urged to consult branch managers. "The more a manager knows about a client the easier it is to price business," says Mansfield. ■

Battle for Diagonal Street 'national monument' looms

Traders to fight back

58 26 STAR 21/3/87

Shirley Woodgate

Indian market traders in Johannesburg's Diagonal Street have united in a bid to frustrate efforts to force them out the shops they have run for more than half a century.

The 40 tenants in the mainly fruit and vegetable market have appointed attorneys to investigate ways of preventing the building being demolished.

This is their response to the announcement that the block bounded by Diagonal, President and Pritchard Streets had been sold by the Argus Company for R3,7 million.

The buyer, Johannesburg Consolidated Investments, intends putting an office block on the site.

A spokesman for the attorneys said preliminary investigations had started.

The developer's plans could be thwarted by having the renovated Victorian building declared a national monument, he said.

Shop premises on Diagonal Street were recently extensively renovated by Anglo American at a cost of R800 000.

The shops became a tourist attraction in their setting opposite the blue glass Barnib House, one of the most avant garde buildings in the city.

CAPE TIMES 21/3/87

Boesak funds for 'ordinary UDF business'

JOHANNESBURG. — Mr Azhar Cachalia considered using R50 000 promised by Dr Allan Boesak to the United Democratic Front for normal business, to help pay for the advertisement calling for the unbanning of the ANC.

Mr Cachalia, national treasurer of the UDF, appeared yesterday before the Munnik Commission of Inquiry here into the advertisements and their funding.

The commission has heard that R50 000 of the R100 000 came from Dr Boesak's Peace and Justice Foundation.

The central UDF administration received R50 000. The Western Cape region got R50 000.

The money was used for "ordinary UDF business", and not put in a bank account.

Asked what it was used for, Mr Cachalia said he was advised this did not fall within the commission's terms of reference.

The additional R50 000 was needed "for no specific purpose" in January, Mr Cachalia said.

R72 000 in January

He also told the commission that Mrs Winnie Mandela, wife of jailed ANC leader Mr Nelson Mandela, gave R62 000 to help repay the R100 000 overdraft.

Mr Cachalia said the UDF had about R72 000 in early January but "it was a matter of debate" whether the UDF, as an affected organization which could not receive money from abroad, could use these funds for the advertisements.

Mr Cachalia rejected a suggestion by Mr Justice Munnik that the UDF was involved in laundering money through the account of "Mr Z" — Yusuf Surtee.

"The UDF is a democratic organization — it is not the Mafia," he said.

Asked where he expected to find the R100 000 to fund the advertisements, Mr Cachalia said he had approached Mr Surtee because he "is an influential and resourceful person". He was under the impression Mr Surtee would approach "one or other trust".

Mr Cachalia said it was "possible" he had told Mr Surtee the money was needed for the advertisements.

Overdraft facility

He disclosed that he received R6 000 from the National Education Crisis Committee (NECC), R3 000 from Soweto Civic Association and R20 000 from the Federation of Transvaal Women, to repay the overdraft.

Mr Justice Munnik said he could not understand why these cheques had been made out in favour of Barclays Bank and not Mr Surtee, who had obtained the overdraft facility from the bank's MD Mr Chris Ball. Mr Cachalia said that arrangement had probably been made by Mr Surtee.

He said the UDF's contribution had been made by a private individual in the "second or third week of January".

"The person was sympathetic and supportive, and identified completely with the sentiments of the adverts," Mr Cachalia said. He later disclosed the donor was Mrs Winnie Mandela.

Asked about the letter Mr Surtee was to have picked up from Swedish labour organizer Ms Elisabeth Mechanik, Mr Cachalia said it was a letter to rearrange funding arrangements for UDF affiliates. — Sapa, Own Correspondent

Who is to blame for the state of the economy?

SVEN LUNSCHE

Several leading economists have come out in opposition to the Finance Minister, Mr Barend du Plessis, for saying this week "it would be unfair and unjust to vote (in the general election) on the basis of an economy which was not firing on all six plugs".

Most economists spoken to said they would only comment if they names were not used. One explained: " A good link to the government is essential in our profession".

In his speech in Gardens, Mr Du Plessis said the real issues affecting the economy were outside the ambit of pure economic decision-making processes and went on to list internal and external factors which had affected the economy in recent years.

These included the oil crisis and changing international economic forces; the foreign bank withdrawal of credit lines; the drought and the decrease in demand for gold, platinum and diamonds.

Most of the economists spoken to pointed out that the ideological burden over the economy had increased recently to the obvious detriment of the free enterprise system.

They gave specific examples of where government had directly blundered, but added that wherever the blame was laid "every country's government is judged by the state of the economy."

PFP finance spokesman Mr Harry Schwarz commented: "A government should be concerned with the welfare and security of the people. The mismanagement of the economy not only directly affects the welfare of South Africans, but is also one of the major causes os the social unrest of the last few years."

"It is farcical to claim that they (the government) should not be judged on the performance of the economy."

An economist at one of the country's leading banks added: "A government sets the political and economic framework which has to be adopted by the private sector.

"One cannot blame central banks or the private sector for the economic recession as they are only parts of a vehicle which is driven by the government."

However, Trust Bank economist Ulrich Joubert says the private sector must take some of the reponsibility for the economic downturn."

He referred specifically to the fundamental change in US monetary policy in the early 80s, which led to declining inflation in that country. It not only took the South African government by surprise but also had economists tapping in the dark for a long time.

Most economists referred to disinvestment and the trade sanctions campaign as the major factors affecting the economy.

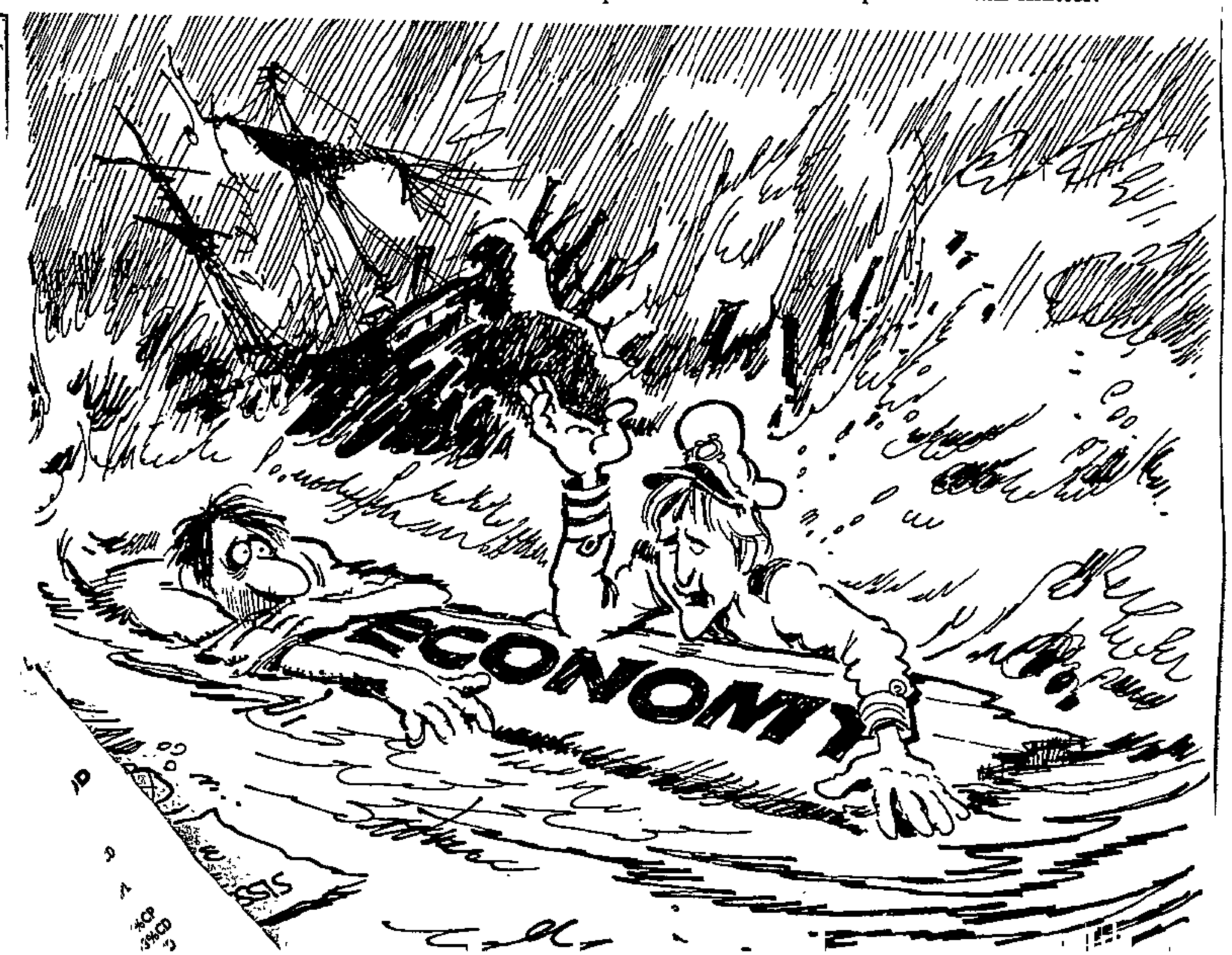
"If we ask ourselves why other countries are imposing sanctions, the answers can be found to a large extent in the government handling of political and economic affairs," said the economist of a large life insurance.

Adds Mr Schwarz: "The government did not only fail to anticipate what affect their political actions would have on overseas businessmen, they worsened these external factors by the mismanagement of the country's economy."

He pointed out that Mr Du Plessis was not entirely correct about the oil price " which has been trading very favourable for over a year now, while the worst effects of the drought are also over.

The high rates of taxation, when consumer demand should have been stimulated; an ever-growing rate of government expenditure and loose control of the money supply situation, were other points made by economists.

Rand Merchant Bank economist Rudi Gouws makes the point that "none of the other parties has sufficiently clearly spelt out economic policy and therefore voters do not have a clear choice between the government and other political parties in this matter."



SUNDAY TIMES, Business Times, March 22, 1987

RTE

Nedbank goes back into hiding as Triomf puzzles

NEDBANK owes its shareholders an explanation of its Triomf exposure.

So far the bank has disclosed only that it has provided R248-million in respect of the exposure. That was in the annual report published in December.

Otherwise the only official statement on the sale of Triomf's assets has been one by AECI and Triomf to the effect that AECI acquired the Potchefstroom plant for R58,5-million. It would also pay for stocks.

We have had an unofficial estimate that Potchefstroom stocks are worth R35-million. Debtors have not been estimated, apparently because many are farmers of doubtful solvency.

The only figures one has had on the Richards Bay plant were provided by the liquidators.

Rand Supreme Court papers disclosed that Indian Ocean Fertilisers paid R79,5-million for the Richards Bay plant.

Unofficial estimates are that stocks are put at R25-million and debtors R35-million. Debtors, being large and foreign, at Richards Bay are apparently of good quality.

From these rough figures, it appears that total realisations might come to R233-million. Of total claims against the Richards Bay plant of R280-million, Nedbank's were apparently R240-million. Most of Nedbank's loans are secured.

One can therefore probably infer that it will receive at least 85% of total realisations — about R200-million.

ADEQUATE

At this stage, Nedbank managing director Anton van der Merwe-Vance will say only that provisions already made should be adequate.

If R248-million has already been provided and the R200-million coming in merely prevents further provisions, one gathers total exposure was about R448-million.

This seems high, so naturally some shareholders are hoping for a write-back.

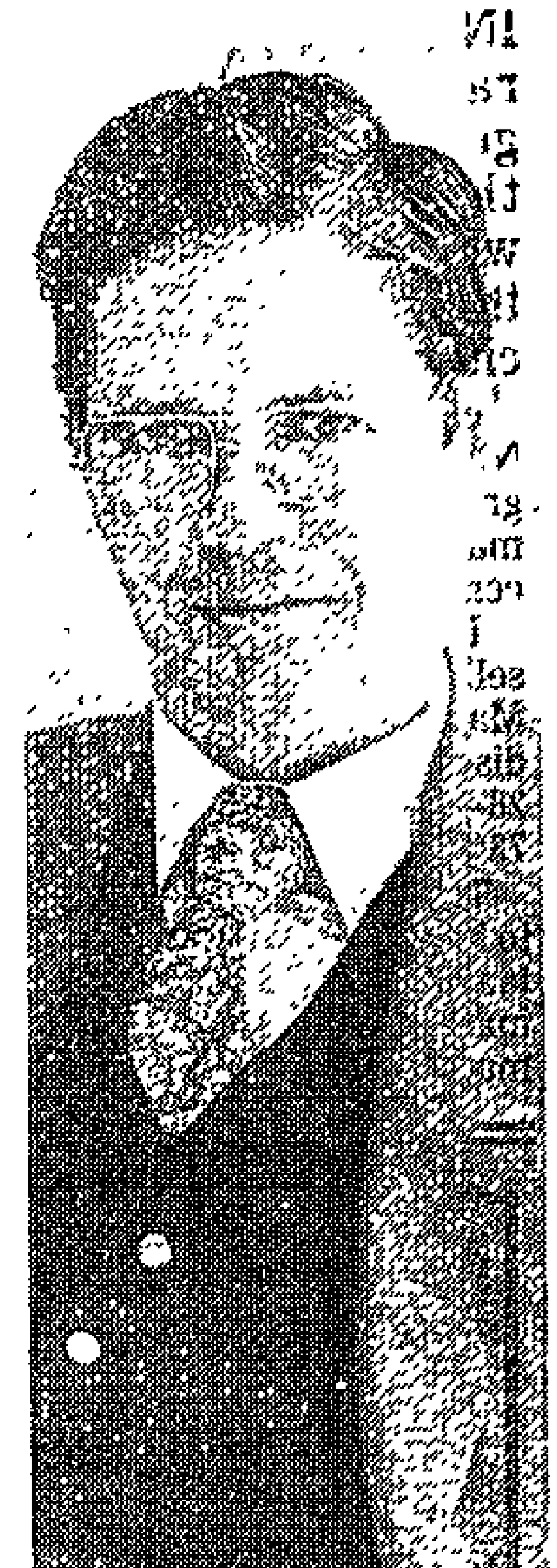
Mr Van der Merwe-Vance says Nedbank has not explained the position because stocks and debtors are of uncertain value. It will take at least six months to realise them.

FADING

In addition, there were trading losses at Richards Bay before the sale was clinched.

Point taken. Nedbank cannot be precise yet. But it can at least tell shareholders roughly what the score is and not leave them groping in the dark.

There were high hopes after the rights offer document and last year's annual report laid so much bare that Nedbank would move to fuller disclosure, but hopes are receding.



Piet Liebenberg ... invisible man

Nedbank Group managing director Piet Liebenberg has been underground since being appointed. He is the only person who can answer the question: what happens to Finansbank? But he has been incommunicado for three months.

Mr Liebenberg is the only chief executive I know who takes months to return a phone call. One has had doubts — but one is assured that he has been seen alive and well recently.

Instead of acting paranoid about his new assignment, he could take a leaf out of Derek Keys' book — tell fearlessly what he can and refuse to tell what he cannot.

22/3/87

WINNIE'S R62 000 'DONATION' FUNDED ANC AD CAMPAIGN

By CAS St LEGER

WINNIE MANDELA has emerged as a key figure in the United Democratic Front's "Unban the ANC" advertisement saga.

It was Mrs Mandela who footed the bill for the newspaper adverts to the tune of R62 000 — in cash — to reimburse sponsor "Mr Z" Yusuf Surtee's controversial R100 000 overdraft at Barclays Bank.

WINNIE MANDELA

This was led in evidence before the Munnik Commission of Inquiry into the funding of the advertisements by United Democratic Front national treasurer Mr Azhar Cachalia.

It also ended a three-week session at the Rand Supreme Court, Johannesburg, during testify included Barclays managing director Mr Chris Ball, Mr Surtee and the Black Sash's Mrs Sheena Duncan.

The commission, chaired by Mr Justice Munnik, Judge President of the Cape, now moves to Cape Town where it is expected UDF patron Dr Allan Boesak will be called to give evidence.

Evidence this week revealed that:

- Other money for the ads was paid into UDF coffers by the Federation of Transvaal Women (R20 000), the National Education Crisis Committee (R6 000), and the Soweto Civil Association (R3 000). The Black Sash was not asked to pay.
- A contribution of R5 000 from the SA Council of Churches was regarded by the SACC general secretary, Dr Beyers Naude, as "bridging finance" or a loan.
- The UDF's remaining debt to Mr Surtee was paid this week, including interest of about R1 000.
- The mystery letter Mr

AZHAR CACHALIA
"Not involved in advert"

Surtee unsuccessfully tried to deliver in Amsterdam to Swedish labour organiser Miss Elisabeth Michanek concerned UDF affiliate projects and funding and had no bearing on Mr Surtee's R100 000 overdraft, or his request to Barclays for a six-month repayment extension, according to Mr Cachalia.

- R100 000 for "running expenses" had been received by the UDF from Dr Boesak last December, and another R50 000 for a similar purpose was promised.

Laundering

Of the first sum, R50 000 had been received by Mr Cachalia personally via Mr Surtee's bank account — the transaction Mr Justice Munnik referred to last week as "laundering" :—

Judge Munnik: "Why was the money sent to Yusuf Surtee's account and not direct to you?

Mr Cachalia: "December was a particularly unpleasant month (for the UDF) ... the UDF is a democratic organisation and not the Mafia. 'Laundering' implies some intention to hide or disguise the source of the money."

It had been the intention to hide the destination, not the source, from the Security Police, Mr Cachalia said.

Mr Cachalia, a practising attorney, appeared before the commission on Friday morning. He had asked Mr Surtee to raise the R100 000 as a grant or a loan as the UDF was in financial difficulties after being declared an affected organisation, banning it from foreign funding, on October 9 1986.

Draft

Mr Cachalia testified he had not been involved in the planning of the advertisement campaign. He said he first saw a draft on January 2 and had been asked by UDF attorney Mr Krish Naidoo to raise the finance.

The UDF had a R2 000 balance in its Transvaal account at the Standard Bank, and R70 000 in its national account at Barclays, but Mr Cachalia felt that until the UDF's position as an affected organisation was challenged in court, it would not be wise to touch funds which could, in part, have come from overseas.

58

Allied gives R1 050 to mum of detainee

By ELSABE WESSELS

THE ALLIED Building Society has paid R1 050 to the mother of a detainee who was turned over to police by a Cape Town branch manager after his autoteller card "malfunctioned".

Mrs Edith Vanga — mother of Christopher Tyawana, 24, who has been in detention since last August — has been receiving R350 a month since December.

The mother of five said: "The manager of Allied in Worcester, Mr Victor Calitz brought me the first cheque for R350 and groceries for R100 in December.

"He then told me to come and fetch the money from them every month."

She has been receiving R350 a month since then.

"But I don't want money . . . I want my son released from prison so he can go to university."

Hiding

Mr Tyawana, a member of the Zwlethemba Youth Congress in Worcester, had been in hiding for three months before his detention.

Apparently, he was unwittingly kept in conversation with the manager at the Allied branch after his card "malfunctioned" in an automatic machine.

Police detained him under Section 29 of the Internal Security Act.

Attorneys allege the society official committed fraud when the automatic machine was programmed to malfunction and again when he was kept talking under false pretences.

Mr Alan Tindall, Allied Building Society group managing director, publicly apologised to Mr Tyawana, his family and Allied customers in an advertisement last November.

58

Improved prices give some hope to Rooiberg investors

By Teigue Payne

Improved conditions on the international tin market should provide some hope to investors in Rooiberg Tin — provided the rand does not strengthen against sterling.

Late last year Rooiberg announced a one-third cutback in production by reducing its mining activities by about 50 percent and concentrating on its richest "C" mine.

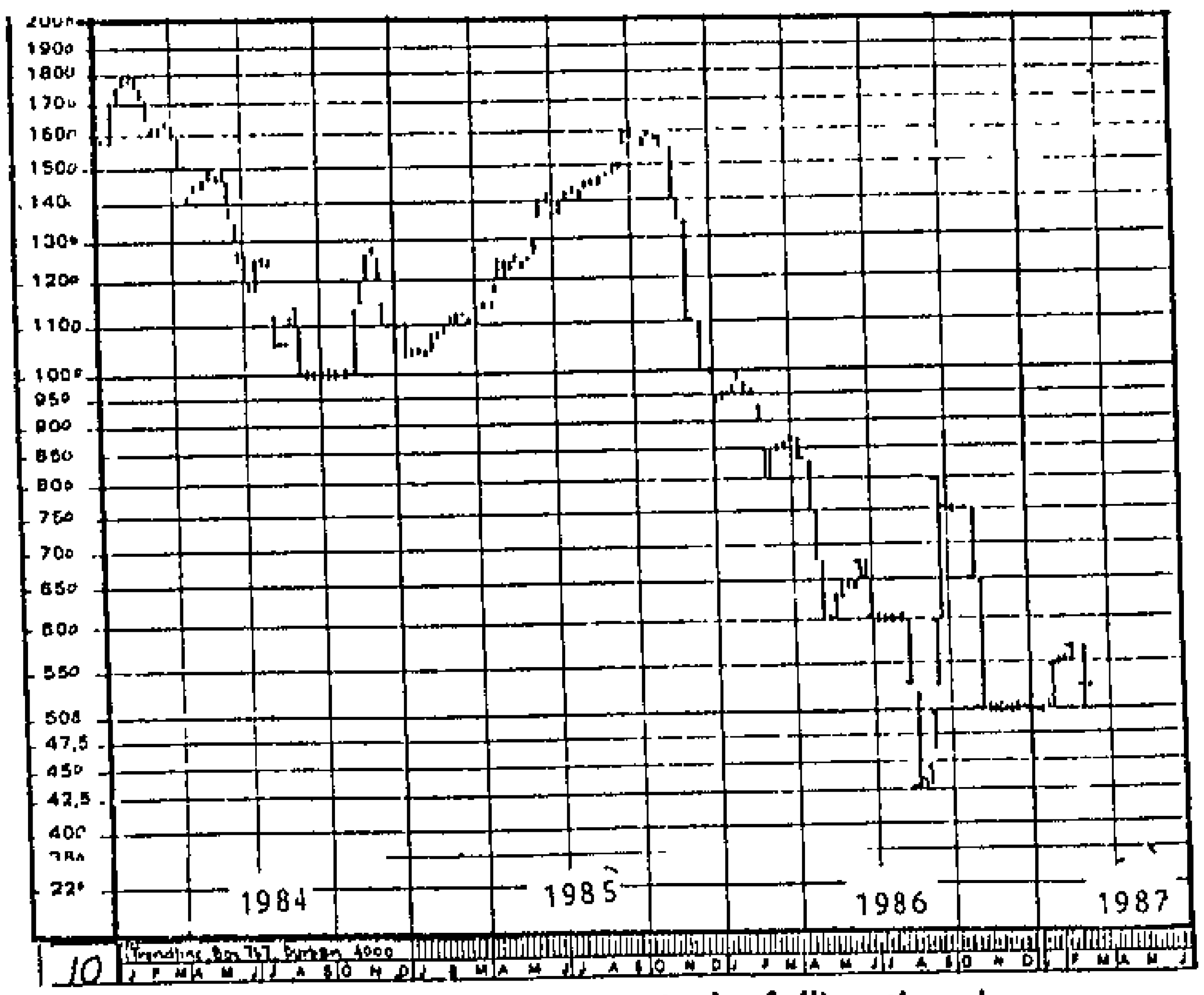
The announcement followed the collapse of the price support programme of the International Tin Council, which sent prices plunging from about £9 000 a ton in October 1985 to a low point of about £3 600 in July 1986.

The £3 600 July price was equivalent to about R14 000. Although the tin price strengthened slightly thereafter to about £3 800 in early October when the cutback decision was taken, because of the strengthening in the rand, the price for Rooiberg had dropped to about R12 500 a ton.

Almost immediately after the cutback decision, the sterling tin price rose sharply to around £4 500. Because of the stronger rand, the improvement was noticeable, but not as sharp. The price to Rooiberg rose to about R14 400, and has remained there since.

The scenario emphasises how vital the rand's movements are to Rooiberg.

At the time of the collapse, total trading stocks of tin were 88 000 tons, but since then these stocks have reportedly been reduced to 61 500 tons at the end of December. However, of that



Rooiberg's share price mirror's the falling tin price.

stock, 41 000 tons are understood to be in the very firm hands of Bumiputra Bank of Thailand, the Malaysian Bank and the Bank of Tokyo.

Two of these banks are in producing countries, and none is likely to sell large quantities of tin in a way detrimental to the market. While it had been thought the banks might start offloading tin when the price reached £4 000, this has not happened. Brokers believe they may start selling when the price reaches £5 000 a ton.

The London Metal Exchange suspended tin trading following the collapse, and is not likely to resume for some time because it is involved in a tangle of court cases about the matter. The so-called Rotterdam "free market" price is not determined by "open outcry" but is quoted twice weekly by the London Metal Bulletin, from information its editors receive.

Since the local market cannot absorb Rooiberg's production, it exports slightly more than half of this, and both its domestic and export sales are on the basis of the free market price.

The widely held perception that the free market price of tin will rise is based on large cutbacks in world production.

World average cost of tin production is about £6 000 a ton — about 27 percent above the current price. In 1986, according to the International Tin Council (ITC), production was lower than consumption for the first time in several years.

This year, the ITC, which represents all major producing countries except Brazil, has agreed to cut production further, from 103 000 tons last year to 96 000 tons.

Brazil, not an ITC member, is the major unknown in the calculation. It is reportedly not cutting back on its production last year of 25 000 tons, and may produce more this year, to become the world's largest producer.

London-based Warburg Securities believes the long-term price of tin could stabilise at around £6 000, and that the range of price in 1987 could be £4 300 to £5 500, with an average of £4 800.

● Rooiberg's production cutback was planned to bring it back to profitability. The company will not have made a profit last year and is unlikely to be trading profitably yet, since the cutback is not likely to have been completed. Operating costs will not be established before the cutback is complete, but the mine reportedly has the potential to produce profitably at current price levels. If the improving tin market is accompanied by a steady or weaker rand, the company should thus soon start trading profitably.

The company's shares fell steeply after the December 1985 collapse, and particularly after the October cutback announcement. Earnings will in future be on the basis of one-third lower production, but with the shares at about 525c currently, the potential for recovery is strong, especially on long term prospects.

Car thefts: ultimatum to drivers

58

E Post 27/3/87

By KIN BENTLEY

MOTORISTS who do not fit anti-theft devices to their cars could face an excess payment of R750 if the vehicle is stolen.

Insurance companies in Port Elizabeth have advised their clients to install suitable anti-theft devices — which cost about R140 — in their cars, or face paying far higher excesses in future.

Mr Paul Lehman, branch manager of Mutual and Federal, said failure to have a suitable auto-arming immobiliser, which activates soon after the ignition is switched off, professionally installed, would result in the owner paying an additional R500 excess or 5% of the value of the car — whichever was the higher — in the event of the car being stolen.

This was over and above the the excess in a normal domestic policy of about R250, charged in the event of an accident or the theft of the car.

Mr Lehman said companies would differ on the extent of the excess, but there was "consensus that something must be done in view of the increasing incidence of theft".

"It is in everyone's interests to reduce the number of thefts," he said.

Mr Lehman added that two years ago his company introduced a special deal for clients who had a serial number etched into the windscreen of the car. This served as a deterrent and helped the authorities to trace stolen vehicles.

The manager of another insurance company, who asked that it not be named, said today his company required both a self-activiting immobiliser connected to at least two systems (like ignition and petrol), as well as the chassis number being sandblasted on the windows, which he said cost about R23.

Failure to take these precautions would mean an additional 10% excess, over and above the basic 5%.

Asked why the requirements of his company were stiffer than those of other companies, he said: "Maybe we've had more cars stolen".

Black pensioners payment plights

Banks and building societies under fire

58

BANKS and building societies, which are turning away black pensioners wishing to open new accounts, have come under heavy fire from the black community.

The institutions are refusing to accept applications by pensioners to draw their pension money through their facilities because they fell they would become paymasters for the black aged.

The Post Office, which offers facilities to white, coloured and Indian pensioners, has flatly refused to open accounts for black pensioners.

The banks say that black pensioners should have at least R50 in their accounts — which they should maintain at all times — before they can accept them, and some building societies want pensioners to pay a R5 service fee for each of their transactions.

A street survey by *The Sowetan* yesterday revealed shock and dismay from the black community about "naked racism" practised by these institutions which claim to be moving away from discrimination.

Mr Obed Dlomo of 1464 Jabulani, Soweto, said he was shocked to learn that black pensioners were being turned away.

Mrs Sanna Mpehle of 717B White City Jabavu said the banks and building societies were unaware that many black pensioners would not draw all their pension pay at the same time.

She said these institutions stood to gain a lot instead of turning away people with lots of money. "They must do a little bit of research and they will be surprised by the results," she said.

Mrs Bertha Msimango of 282 Molapo township, Soweto said these institutions should open more branches in the townships instead of turning pensioners away. If they did not want to do that, the black community would then decide what to do.

Mrs Linah Mthembu of 852 Zola 3 said black people seem to be the only ones who get discriminated against. People ought to do something to end the discrimination, she said.

Mrs Nonkululeko Madalane, a field worker for the Advice Bureau at the Bridgeman Memorial Hall, Soweto, said a pressure group has been formed to approach these institutions to open their facilities to black pensioners.

She said it was a shame that these institutions which relied heavily on the support of blacks should turn away fathers and mothers of their clientele.

"We want to speak to them once more, and if they persist in their attitude, the only road that will be left open for us is to appeal to black community," she added.

- Social workers have temporarily stopped issuing application forms to pensioners to apply for their pay to be deposited in banks or building societies. This has resulted in delays in the gradual phasing out of the queueing system of payment.

Biggest investor in shopping centres

Escom's pension fund bonanza

(58) STAR 23/3/87

By Sven Lünsche

Escom's pension fund is estimated to top R2 billion in market value by the end of the year, making it one of the three biggest funds in the country and life insurances are scrambling for a piece of the action.

With returns of over 35 percent on investments achieved in 1986, however, the Escom investment team have made it clear that they are capable of handling the pension savings of their 60 000 employees largely on their own.

Admittedly, R150 million of the fund was handed to various outside portfolio managers, but Escom's performance is largely due to the new philosophy of running the parastatal more on the lines of a company operating in a competitive market.

Competitive

"The scrutiny of over 60 000 members and more than 8 000 pensioners forces us to be as competitive as our colleagues in the life insurance industry," says Klem van Rensburg, general manager of pensions, pointing to the 15 percent increase in pensions payouts last year.

These returns are even more remarkable when considered against the background of strict legislations, which forces Escom to invest over 53 percent of assets in prescribed investments.

Says Mr van Rensburg on Escom's investment philosophy: "When we make an investment we are not out to make a quick buck, but look at the capital growth potential of our money."

This policy certainly has paid dividends for the company's assets distributed in fixed property. Escom ranks as the biggest investor in shopping centres and despite the depression in the property market, these investments have provided good returns.

High growth

"Most of our fixed assets in shopping centres are distributed in high-growth areas like Sandton City, Westgate and Cresta Northcliff and were not hammered by the recession," Mr van Rensburg said.

He is very bullish about the property market adding that now was the ideal time to invest in property. "A R60 million shopping centre is under construction in the south-west of Johannesburg — details of which will be released later this month — confirming our confidence in this market," he added.

The remainder of its assets are largely in office blocks. "We have sufficient ground in high growth areas to spend on future development, but at the moment an 11 percent yield coupled with nine percent escalation are not sufficient to match investment returns on the JSE or in other property markets," Mr van Rensburg said.

Despite the boom in the stock market, Escom has reduced its investment in equities from 14,9 percent last year to an estimated 11,4 percent, with the emphasis shifting to the mining sector.

Active stance

Commented Mr van Rensburg: "We are looking at an equal spread in mining and industrial shares by the end of this year. We also intend to take a far more active stance in the market, rather than be long-term holders of stocks."

The parastatals like Sats and Escom have recently tried to rid themselves of their image as unprofitable organisations, which simply fall back on taxpayers money when in trouble and certainly Escom's recent performance is the first step in correcting this impression.

B/DAY

23/3/87

(58)

Munnik Commission of Inquiry

Winnie gave R62 000 to repay ANC ad

PATRICK BULGER

WINNIE MANDELA, wife of jailed ANC leader Nelson Mandela, gave R62 000 to help repay the R100 000 overdraft used for the "Unban the ANC" advertisements, the Munnik Commission of Inquiry was told on Friday.

Giving evidence before the Chief Justice of the Cape, Mr Justice Munnik, United Democratic Front national treasurer Azhar Cachalia said Mandela gave him the contribution in cash on January 23.

Cachalia said the UDF had about R72 000 in early January but "it was a matter of debate" whether the UDF as an affected organisation, which could not receive money from abroad, could use these funds for the advertisements.

Cachalia said when he was first approached about the campaign he considered asking Dr Allan Boesak for the money.

"Dr Boesak is in charge of several trust funds and he has access to considerable resources," Cachalia said in reply to Francois van Zyl, SC, deputy attorney-general of the Cape leading evidence for the commission.

On a previous occasion Boesak had given the UDF R100 000 and had indicated he could help the movement financially once it had been declared an affected organisation.

Cachalia rejected a suggestion by Mr Justice Munnik that the UDF was involved in laundering money through the account of "Mr Z" — Yusuf Surtee.

"The UDF is a democratic organisation — it is not the Mafia," he said.

Asked where he expected to find the R100 000 to fund the advertisements, Cachalia said he had approached Surtee because he "is an influential and resourceful person". He was under the impression Surtee would approach "one or other trust".

Cachalia said it was "possible" he had told Surtee the money was needed for the advertisements.

He disclosed he received R6 000 from the National Education Crisis Committee (NECC), R3 000 from the Soweto Civic Association and R20 000 from the Federation of Transvaal Women to repay the overdraft.

Mr Justice Munnik said he could not understand why these cheques had been made out in favour of Barclays Bank and not Surtee, who had obtained the overdraft facility from the bank's MD Chris Ball. Cachalia said that arrangement had probably been made by Surtee.

He said the UDF's contribution had been made by a private individual in the "second or third week of January".

"The person was sympathetic and supportive, and identified completely with the sentiments of the adverts," Cachalia said. He later disclosed the donor was Winnie Mandela.

Asked about the letter Surtee was to have picked up from Swedish labour organiser Elisabeth Mechanik, Cachalia said it was a letter to rearrange funding arrangements for UDF affiliates.

He was not expecting funds for the advertisements from her, he said.

Cachalia insisted the advertisements were not illegal, to which Mr Justice Munnik replied: "I am not concerned with lawfulness."

Cachalia said he felt Surtee had arranged an extension of the overdraft with Barclays "for his personal use". It was not because he had failed to meet Mechanik in Amsterdam as arranged.

Mr Justice Munnik cut Cachalia short when he referred to the commission as resulting from "a political blunder made by P W Botha".

58

Boesak to give evidence today

Staff Reporter

DR Allan Boesak will give evidence before the Munnik Commission into the financing of ANC advertisements today when the commission moves to Cape Town for a two-day sitting.

Mr Justice George Munnik, Judge President of the Cape, will also hear evidence from a number of local Barclays Bank managers.

The commission was established by President P W Botha last month after Mr Botha linked Barclays Bank MD Mr Chris Ball to the funding of newspaper advertisements calling for the unbanning of the ANC.

Mr Ball has strenuously denied knowing anything about the advertisements until they appeared in the press on January 8.

It has emerged in evidence that Mr Ball granted Johannesburg businessman Mr Yusuf Surtee a R100 000 overdraft facility which Mr Surtee used to finance the advertisements.

Personal favour

Mr Surtee has repeatedly told the commission that Mr Ball gave him the overdraft as a personal favour, and without being told what it would be used for.

At an earlier hearing of the commission in Johannesburg, transcripts of bugged telephone calls between Mr Surtee and Dr Boesak's office were produced as evidence.

In one call, Mr Surtee told Dr Boesak's secretary, Ms Thelma Sacco, that "my friend Chris Ball was so sympathetic he gave it (the money) to me".

The commission will sit from 9am today at the Customs House on the Foreshore.

ANC ads: Kuils River manager gives evidence

Boesak bank probe

Argus 24/3/87

58

Staff Reporter

AN account held by Dr Allan Boesak at the Kuils River sub-branch of Barclays Bank came under the spotlight of the Munnik commission today.

The commission, which has moved from Johannesburg to Cape Town, is holding an inquiry into the funding of African National Congress advertisements in newspapers.

Dr Boesak, moderator of the World Alliance of Reformed Churches and patron of the United Democratic Front, is expected to appear before the commission later.

Mr John Ettisch, manager of the Kuils River office, testified that Dr Boesak had had an account with Barclays bank but closed it after "a nasty experience" at a branch in the northern areas.

Received instructions

He said he received instructions from the regional general manager of Barclays Bank, Mr Bob Hood, to open an account for Dr Boesak.

Mr Hood contacted him after having been approached by Mr Chris Ball, managing director of the bank.

Mr Ettisch said his bank was close to Dr Boesak's home and it was felt it would be more convenient for him to open an account there.

One of Dr Boesak's clerks, Mrs Lucille Fester, was a former colleague of his. She had told Dr Boesak that his branch was a small one and that having an account there would be to his advantage, Mr Ettisch said.

Account transferred

Dr Boesak opened his personal account at the Kuils River sub-branch on September 16 last year.

On September 24 the Foundation for Peace and Justice, which Dr Boesak heads, opened an ordinary account, a No 2 account and a bursary account.

In October a savings account was transferred from Nedfin Bank in Bellville. On December 29 a trust account was opened.

Mr Ettisch said he was instrumental in transferring the account to his branch.

No specific instructions

He could not say if there was a lot of activity in the foundation's accounts; they were normal accounts and money came in and went out regularly.

He had not issued specific instructions to monitor these accounts.

He could not remember if Dr Boesak said there would be substantial cash withdrawals from the account.

He examined a telegraphic transfer handed to him by Mr H F van Zyl, SC, who was leading evidence.

He agreed that a transfer of R50 000 was made from the Bellville branch of Barclays to another branch in Simmonds Street, Johannesburg.

He explained that a client wishing to make a telegraphic transfer had to apply at a branch and have his account debited accordingly. Alternatively, the client could hand in a cheque at the particular bank.

Mr Ettisch said a cheque drawn on December 2 could have been the telegraphic transfer credited to the account of Mr Yusuf Surtee in Johannesburg. At the end of that day the account of the foundation on which it was drawn was R56 516,73 overdrawn.

R100 000 cheque

Mr Ettisch telephoned Miss Thelma Sacco at Dr Boesak's office and told her the account was overdrawn. She came in with a cheque for R100 000, drawn on the World Alliance of Reformed Churches, to correct this.

About that time amounts of R21 276, R22 000 and R28 000 were drawn from the account.

The only major deposit from overseas was on January 9. It was for 20 000 Deutschmarks — R21 974.

On November 21 the NG Sendingkerk paid R50 000 into the ordinary account of the Foundation for Peace and Justice.

(Proceeding)

Three-year 'easy' repayment plan seen as a triumph

New deal lifts rand

Argus 25/3/87

58

Business Editor

SOUTH Africa's favourable new overseas debt agreement gave an immediate boost to the rand when the foreign exchange market opened in Johannesburg today.

The rand was quoted at 49,05 US cents, up from 48,47 cents yesterday and its best rate since January 28, easing slightly to 48,83 cents later.

The financial rand did even better, hitting 31,25 cents at the opening and soon moving to 31,35 cents, a rise on yesterday's 31,10 cents and the highest since April 29 last year, when it stood at 32,50 cents.

The improvement came in spite of the American dollar strengthening on world markets today.

The Minister of Finance, Mr Barend du Plessis, said the agreement to roll over South Africa's foreign debt brings the country a step nearer to re-establishing normal relationships with its bankers.

Mr du Plessis was commenting on yesterday's announcement that South Africa and the country's 333 foreign bank creditors had made a second agreement to roll over $13 000-million (R28 000-million) of foreign loans for another three years.

The deal is that South Africa repays all the interest and 13 percent of the capital on these loans in instalments during the period.

In terms of the original deal, which is now expiring, South Africa had to pay back five percent of the capital on the loans.

"Inside the net"

The $13 000-million affected by the agreement falls "inside the net" — which means that repayments on them were unilaterally suspended by Pretoria 18 months ago in terms of the debts "standstill".

The remaining $10 000-million (R22 000-million) of South Africa's total foreign indebtedness falls "outside the net" and is not affected by the agreement. The amount continues to be repaid as it matures.

The 34 banks together represent about 70 percent of the country's foreign debt and they have undertaken to help to secure the support of the other 299 banks for the agreement.

Mr du Plessis and Dr Gerhard de Kock, governor of the Reserve Bank, were all smiles at a Press conference to announce the new deal last night, saying it was a great and important day in the economic history of the country.

Capital needed

"South Africa should not be a capital-exporting country. We need capital for development, employment and technology."

"This agreement reflects our willingness against this background to get back to a normal situation. We want to have a situation where South Africa can get all the capital it needs for development."

The new agreement, which unlike the first agreement had been negotiated without an intermediary, reflected a growing international confidence in the economy and the political situation in South Africa.

Dr de Kock said the bankers and South Africa were getting a "very good deal".

Mr Harry Schwarz, the Progressive Federal Party's spokesman on finance, said the arrangement to extend repayments over three years instead of one year as before was obviously more satisfactory.

However, substantial amounts would still have to be paid on loans "outside the net".

(Report by T Hood, 122 St George's Street, Cape Town, and D M Braun, 216 Vermeulen Street, Pretoria)

INVESTMENT

R18-bn flood of cash from institutions likely to push down rates

ARGUS 25/3/87 58

From MAGNUS HEYSTEK

JOHANNESBURG. — Despite the recent incursions of private individuals into the stock market, South Africans are still by tradition contractual savers and this is the underlying cause for the substantial growth in assets still being chalked up by insurers and pension funds regardless of the poor economic conditions, says stockbroker PLJ van Rensburg and Partners Inc. in its latest newsletter.

Projected cash flow of R18 085-million in 1987 — R4 703-million more than the previous year — will result in fierce competition between institutional investors and could lead to a reduction of capital market rates later in the year.

The projected figure will consist of R11 152-million from life offices, R6 168-million from pension funds and R765-million from short-term insurers.

Approximately R7 500-million of total 1987 cash flow will in some form or another be channelled into prescribed investments in the money and capital markets.

HISTORICAL HIGH

Since the yield gap between the money market rates (as measured by the discount rate on 90-day banker acceptances) and long-term rates (as measured by the R124 stock) is currently at a historical high of six percentage points, switching from money market to capital market prescribes is expected to occur. This will push down long-term rates, says the newsletter.

The expected downward trend in the inflation rate will have a strong bearing on capital market rates.

However, in the recent past inflationary considerations have been overruled by supply-demand conditions. This could again happen, says the report.

It adds that the closure of overseas capital markets to South African borrowers could lead to an above-normal supply of paper to the local market.

This will, however, be compensated far more adequately by the tremendous build-up of internal liquidity as the local capital and money market becomes more isolated.

"This will be the most striking resemblance to the Rhodesian situation where disruptions on money flows caused steep declines in interest rates."

ECONOMY ARGUS 25/3/87

Unemployment becoming

Boesak says he wasn't involved in ANC ads

STAR 25/3/87

Own Correspondent

CAPE TOWN — Dr Allan Boesak was not aware of the decision to place African National Congress advertisements in newspapers and he was not asked to help finance them nor consulted about them, the Munnik Commission heard yesterday.

But he told the commission he was "pleasantly surprised, but surprised" when his secretary, Miss Thelma Sacco, told him on January 8 about the advertisements.

The commission is sitting in Cape Town to hear evidence into the funding of newspaper advertisements calling for the unbanning of the ANC. It was established by President P W Botha last month after he had linked Mr Chris Ball, managing director of Barclays Bank, to the funding.

Dr Boesak, patron of the UDF and president of the World Alliance of Reformed Churches, said he was in New York at the time. UDF national treasurer Mr Azur Cachalia, who placed the advertisements, did not ask him for financial assistance. By the time he arrived home from America in January it was common knowledge that the UDF placed the advertisements.

Dr Boesak said the R50 000 his bank had transferred to Mr Yusuf Surtee's account had been requested to assist families of detainees. He could have paid the contribution directly into the UDF's account, but as an "affected organisation" he feared the Government would ban it.

Paying the money to Mr Surtee and asking him to pass it on to UDF treasurer Mr Azur Cachaclia would circumvent this, he said.

He said Archbishop Desmond Tutu introduced him to Mr Yusuf Surtee, the man who had originally paid for the advertisments, in Johannesburg two years ago when Senator Edward Kennedy arrived in the country.

The inquiry was appointed by the State President after he was challenged to repeat outside Parliament a statement that Mr Ball paid for an advertisement calling for the unbanning of the ANC. Mr Ball said the first he knew of the advertisement was when he read it in the newspapers. The advertisement was legal, and publication didn't then constitute an offence.

He saw Mr Surtee regularly and they were trustees of the Equal Opportunities Trust Fund started by Coca-Cola last year.

Dr Boesak described Mr Surtee as a very resourceful and decent person.

"It is very good to have such a person who can make things happen. He knows many people, he succeeds in getting people together. He succeeded in getting me together with business people I had not met."

He said their relationship was based more on personal affinity than on political activism and Mr Surtee had introduced him to Mr Ball.

He did not know if Mr Surtee was a member of a UDF affiliate.

"Broadly we talked about the political situation. I know that he, along with three or four million other South Africans, are sympathetic to the UDF."

After being introduced to Mr Ball, they agreed that they would meet later. They subsequently had dinner in Cape Town where they discussed the general political situation in South Africa. Dr Boesak's wife was present.

Last month he went to Johannesburg to address a group of businessmen at Mr Ball's home.

He said it would be presumptuous for him to say he and Mr Ball had become "good" friends.

Inquiry adjourned

CAPE TOWN — The Munnik Commission adjourned indefinitely after a one-day hearing here yesterday, and may move back to Johannesburg.

The secretary to the commission, Mr Andre van der Berg, said another witness might be called in Cape Town towards the end of the week.

The commission is hearing an inquiry into the funding of advertisements calling for the unbanning of the African National Congress. — Sapa

58 16 CP 25/3/87

NBS tender offer strikes R3 minimum

25/3/87

LESLEY LAMBERT

A MINIMUM price of 300c has been struck in NBS Holdings' tender offer which was 41,8% oversubscribed.

Analysis of the applications indicates that about 7,9-million shares of the total 11,25-million on offer were subscribed for at prices above the 300c minimum striking price, while the remaining 8-million shares were subscribed for at 300c.

Applications at prices above 300c were allotted in full and applications at the striking price were allocated 41,4% of the number of shares applied for, rounded off to the nearest hundred.

The NBS was satisfied with the result which, it said, indicated that the underwriting price of 300c was "very finely pitched."

The NBS, the second building society to go for a listing, is scheduled to join the UBS on the JSE boards on April 18.

58

BDay

'Adverse publicity' insurance available

KAY TURVEY

INSURANCE against adverse publicity is being offered in SA, in line with international trends, Price-Forbes Federalle Volkskas (PFV) Transvaal senior director Dudley Saunders says.

He says media publicity of an oil spill at a beach resort, a food poisoning incident at a restaurant or an outbreak of an infectious disease at a hotel, could cause such businesses to close for weeks or months.

Saunders says PFV now has overseas access to "adverse publicity insurance" or "ill fame business interruption insurance".

As all manner of incidents could have serious repercussions on hotel, resort and restaurant businesses in particular, Saunders believes cover of this nature should be an integral part of their overall fire and other risk insurance packages.

However, there is no standard form of insurance to cover such situations in SA now.

PFV Transvaal MD Adrian Leighton-Morris said yesterday the facility provided protection where there was no direct loss, but subsequent pecuniary losses, when a business could not continue to trade in its normal pattern.

He said cases in America such as a murder in a hotel or a hepatitis epidemic had exposed the necessity for such policies, yet many "vulnerable" SA businesses were unaware that cover was available here.

BUSINESS

INVESTMENT

Argus 23/3/87 (58)

NBS shareholders in line for 50 pc profits

By TOM HOOD
Business Editor

PROFITS of at least 50 percent can be expected by thousands of Natal Building Society shareholders when their shares are listed on the Johannesburg Stock Exchange on April 18.

Some 80 000 shareholders who do not qualify for the listing will get R3 each for their R2 shares as a result of the tender offer and cheques will be posted to them around April 10.

Their shares went into a pool and 11,2-million shares were offered to financial institutions and pension funds by NBS Holdings.

The tender offer fetched a minimum price of R3 for the R2 shares — an offer which was almost 42 percent oversubscribed, said NBS today.

The tender offer drew bids over the R3 striking price for 7,9-million shares and those will be allocated in full.

Bids were also made for another R8-million shares R3 but those applications will get only 41,4 percent of what they wanted.

A total of 57,7-million shares will be listed under the name NBSHOLD.

Only about 84 percent of qualifying shareholders applied for their R2 shares, the society reports.

Mr Mark Farrer, assistant general manager, said the result made it clear that the underwriting price of R3 was very finely pitched.

"We aimed to get the highest possible underwriting price so that our non-qualifying shareholders would derive the maximum benefit from the disposal of their odd-lot shares. This has been achieved."

● If ANGLO AMERICAN INDUSTRIAL CORPORATION (Amic) is able to maintain its 1986 earnings, this will be a satisfactory performance, says the chairman, Mr W G Boustred.

Turnover rose by R579-million to R3,1-billion and earnings soared by 51 percent to R260-million, thanks to higher profits from Mondi Paper, Highveld Steel and AECI.

The final dividend is being raised to 135c, making the total payout 10c higher at 190c a share.

● BOYMANS, the retail clothing stores group, boosted its turnover by 16 percent to R48-million for the year ended December.

Taxed profit recovered to R1,4-million (R817 000) or 20c (10,5c) a share after adverse trading conditions in the first half of 1986.

Chairman Mr E Ellerine says stock levels were contained and the accounts drive that was mounted resulted in a significant increase in the number of debtors.

He predicted an increase in turnover above that of the inflation rate and said he expected pre-tax profit for this year to be above 1986's.

SA cheers over debt agreement

(58) STAR 25/3/87

By David Braun, Political Correspondent

South Africa's financial authorities are smiling following yesterday's favourable Second Interim Debt Arrangements agreement to reduce the country's foreign liabilities.

The agreement with 34 major foreign banks, representing about 70 percent of South Africa's total foreign debt, to repay $1 420 million over the next three years is regarded as a triumph by the Government.

It also indicates a more relaxed line taken by the international banking community towards South Africa, and a revival of foreign confidence in the country's economy and political future.

The Governor of the Reserve Bank, Dr Gerhard de Kock, described the agreement as a very positive move.

He said: "When the representatives of 34 banks sat down in London they knew they were dealing with a country that is running a current account surplus equal to 5 percent of GDP, rising reserves and a responsible fiscal and monetary policy.

"They did not enter into an agreememt because they were overcome with affection for us.

"Compared with what is going on in South America and some other parts of the world, South Africa is paying all its interest, and not just in theory.

"The banks are getting some of their capital back and they have the option to convert their short-term debt into long-term debt outside the net.

"So they are getting a good deal.

"We are getting a good deal because we were never over-borrowed to begin with and now we are under-borrowed by all international criteria.

"Our exports are rising in monetary and volume terms, the current account surplus is growing and the economy is growing."

It hardly seems possible that this is being said of the country which, barely 18 months ago, saw its currency crashdive and the international banking community pull the plug on what to it seemed to be a country about to be consumed in the fires of violent revolution.

Although the latest debt repayment agreement does not by any means represent a return to the situation before the crisis which prompted Pretoria to freeze its international obligations, it is, in the opinion of Finance Minister Mr Barend du Plessis, a step back towards normal relations between South Africa and its creditors.

Just 18 months ago, South Africa was in the position of having to declare a standstill on repayments of a large portion of the country's foreign debts when nervous banks refused to roll over or renew loan agreements because of the rapidly deteriorating political and security situation.

Pretoria was obliged to hire the services of respected Swiss banker Dr Fritz Leutwiler to negotiate an interim debt agreement with the 300-odd banks which had lent the country a total of $24 000 million.

In terms of this arrangement, South Africa paid 5 percent of the indebtedness while the creditors undertook to retain the balance of 95 percent inside South Africa until at least June 30 1987.

Since then, South Africa has in fact repaid $3 000 million although, because of the fall of the United States dollar, the country's total foreign debt has declined by only $1 000 million to $23 000 million.

Of this outstanding amount, about $13 000 million falls under the standstill and is, therefore, subject to repayment restrictions while the remaining $10 000 million, which includes a significant amount of medium-term liabilities, falls outside the standstill restrictions and is repayable on the normal maturity dates in terms of the loan agreements.

The Second Interim Debt Arrangements, which cover the period July 1 1987 to June 30 1990, are substantially a continuation of the existing arrangements.

CAPE TIMES 25/3/87

58

Easy terms on SA debt

Financial Editor

SOUTH AFRICA is to be allowed to repay the $13 billion of foreign debt which the government froze in the "standstill net" on easy terms, according to an agreement announced last night by the Minister of Finance, Mr Barend du Plessis.

Its 34 main creditors, to whom 80% of the money is owed, have agreed to accept 13% over three years.

Of this, 5% — or $502 million — must be repaid in the second half of this year compared with the $3 billion repaid in 1985 and 1986.

After that the repayments become steadily less onerous, with 3,5% ($400 million) to be repaid in 1988, 3% ($346 million) in 1989 and 1,5% ($166 million) in the first half of 1990.

Such an agreement is a clear sign of returning confidence in South Africa and it seems likely that the recent inflow of foreign capital which has strengthened the financial rand will continue or increase.

The news was welcomed by economists last night.

Both the head of the University of Cape Town's economics department, Professor Brian Kantor, and the director of the Stellenbosch Bureau for Economic Research, Dr Ockie Stuart, described it as "a good deal" for South Africa.

☐ **SA breaks back of foreign debt, page 10**

58

Munnik Commission

Boesak 'knew nothing' of ads

Cape Times 25/3/87

By HILARY VENABLES

UDF patron Dr Allan Boesak told the Munnik Commission yesterday that he knew nothing about the UDF's decision to place newspaper advertisements calling for the unbanning of the ANC.

In evidence before the commission in Cape Town yesterday, Dr Boesak said the first he had heard of the advertisements was when he phoned his secretary, Ms Thelma Sacco, from New York on January 8 — the day the advertisements appeared.

He said he had not been consulted about the advertisements, had not been asked to fund them and was "suprised" to hear they had appeared.

Dr Boesak said he had been approached by the national treasurer of the UDF, Mr Azhar Cachalia, in December last year and asked to give R50 000 to the Transvaal UDF for the relief of emergency detainees' families.

He had drawn a cheque for the amount from the bank account of the Bellville South Sendingkerk's Foundation for Peace and Justice and sent it to Johannesburg businessman Mr Yusuf Surtee

Asked by Cape Deputy Attorney-General Mr Francois van Zyl SC, leading evidence for the commission, why he had not deposited the money directly into the UDF's account, Dr Boesak replied: "It was a time of a number of attacks on the UDF by cabinet ministers. I did not know that, since the UDF was considered an affected organization, it would not be banned and the money confiscated by the State."

'Ball gave it to me'

Dr Boesak said Mr Cachalia had subsequently approached him for an additional R15 000 — also for detainees' families — but Dr Boesak had not yet been able to provide this amount

Dr Boesak said he had flown from New York and met up with Mr Surtee in Amsterdam on January 10, just before the two flew to New Delhi for a conference.

Mr Surtee had told him he was supposed to have picked up a letter from Swedish labour organizer Ms Elizabeth-Mechanik in Amsterdam, but that he had not seen her.

Asked whether he had also had an arrangement to meet her in Amsterdam, Dr Boesak said he had met Ms Mechanik on a number of occasions, but did not meet her in Amsterdam, nor was he under the impression that he was supposed to meet her

Mr Surtee had told him during their trip to India that he had been given a R100 000 overdraft from Barclays Bank to pay for the advertisements.

"He told me he went to the bank to get an overdraft or loan or something to give security to the newspapers. In his way of speaking he said 'Chris Ball gave it to me'."

Dr Boesak had considered this a "perfectly normal business transaction".

Dr Boesak was also questioned about transcripts of bugged telephone calls between Mr Surtee and Ms Sacco in which Mr Surtee appeared confident that he and Dr Boesak could make some arrangement to repay the overdraft.

Dr Boesak said Mr Surtee might have made the statement on the basis of their friendship.

However, he and Mr Surtee had not discussed the matter in detail.

"I was pretty confident the UDF could raise the money through its affiliates," Dr Boesak said

"I might have said (to Mr Surtee): 'Don't worry, the UDF will find the money,' to put his mind at ease."

Dr Boesak said Mr Surtee had introduced him to Mr Ball last year He had met Mr Ball on a number of occasions since, and had discussed with him the UDFF and the situation in South Africa.

Mr Van Zyl asked the commission to stand down yesterday afternoon, saying he wished to call additional witnesses.

It will be known this morning when the commission will reconvene.

Mrs Cosby plans Winnie film

Staff Reporter

CAMILLE COSBY, wife of American TV comedian Bill Cosby, is planning to make a movie on the life of Mrs Winnie Mandela.

This was disclosed during yesterday's sitting of the Munnik Commission into the funding of the ANC advertisements.

Dr Allan Boesak, who gave evidence before the commission, said he had asked the man who took out a R100 000 overdraft to fund the advertisements, Mr Yusuf Surtee, to serve with him on a trust which would administer the proceeds of the proposed film.

The profits would be used to promote equal education.

The only problem is that calypso singer Harry Belafonte has a similar scheme in mind.

Dr Boesak told the commission he had visited the Cosbys in New York to discuss the matter and was confident that the clash between Mr Belafonte and Mrs Cosby could be resolved.

More workers join rail strike

Cape Times 25/3/87

JOHANNESBURG. — The first major rail strike in South Africa escalated yesterday as SATS reported that up to 11 000 workers were out on strike at Johannesburg stations, cargo depots and Jan Smuts Airport.

The illegal strike, triggered by the dismissal of a worker accused of theft, entered its 12th day yesterday with little hope of an early settlement.

"We cannot be sure, but we think there are between 9 000 and 11 000 men out at present," said Mr Tienie van den Berg, a spokesman for SATS.

"We will continue negotiations (today), but at this moment we don't see any light at the end of the tunnel.

"We have never had a strike on the railways before. At this stage no one has been dismissed, but they are not actually allowed to strike."

Mr Van den Berg said transport workers were forbidden to strike because railways and airports were considered essential services.

The government on Monday enacted special legislation giving SATS the right to dismiss strikers.

The Bureau for Information confirmed yesterday that police had dispersed about 250 strikers with teargas on Monday. There were no injuries or arrests.

A spokesman for the SA Railways and Harbours Workers' Union (SARHWU) said it was difficult to say how large the strike had become because of the rate at which it was spreading. He said workers at Standerton had joined on Monday.

SATS is refusing to meet the Cosatu-affiliated SARWHU as it is not recognized, although it claims to represent the majority of those on strike.

The National Union of Railway Workers, which claims 12 000 members, yesterday said it would put aside its differences with SARHWU to "unite in action". — Sapa, UPI and Own Correspondent.

Titanic dinner to aid ferry orphan

Own Correspondent

LONDON. — The Titanic's last dinner is to be served next month on the 75th anniversary of its sinking to raise funds for eight-year-old Martin Hartley, who was orphaned in the Zeebrugge ferry tragedy.

The R75-a-head guests will have oysters, salmon, duckling and Waldorf pudding in the event organized before the ferry disaster by Mr Alan Fox, 49, a builder of Belper, Derbyshire.

He hopes to raise R900 and said yesterday: "It's right that the memory of one disaster at sea should help the victims of another."

But don't go near the water

Own Correspondent

PORT ELIZABETH. — A multiracial volleyball tournament will go ahead on King's Beach — as long as the black competitors don't go for a swim between matches.

And Coca-Cola, which withdrew its sponsorship at first, is now back on tap because the tournament will be open to all races.

Mrs Linda Mee, secretary of the Eastern Province Volleyball Association, confirmed yesterday that SA Bot-

3-year deal with creditor banks

SA breaks back of foreign debt

Cape Times 25/3/87

From GERALD PROSALENDIS

JOHANNESBURG. — SA yesterday struck a three-year deal in London with its foreign creditor banks, effectively breaking the back of its foreign debt problem.

In terms of the agreement, which runs to June 30, 1990, SA will pay a total of 13% of the outstanding capital amount of debts caught inside the standstill net during the next three years — a total of $1,42 billion. Last year, SA paid 5% on its outstanding commitments of $13 billion in the net. Its total foreign debt now stands at $23 billion.

The success of the London meeting — held behind a veil of secrecy — is likely to boost confidence in the SA economy, effectively containing the capital haemorrhage.

SA 'underborrowed'

Reserve Bank governor Gerhard de Kock said yesterday: "This is a good deal for SA and for the creditor banks. Both sides are very happy. A three-year agreement, as opposed to a one-year agreement, is of enormous significance."

He said SA was now underborrowed. While the country's exports were rising in dollar terms, its foreign debt was declining.

Added to this was a sharp rise in SA's foreign exchange and gold reserves in the past two months of about $800m, a continued current account surplus and the appreciation of the commercial and financial rands.

De Kock said: "Given our reserves and current account surplus, SA should have no difficulty in sticking to the details of this agreement."

From the status two years ago of renegade debtor, SA creditworthiness has been upgraded — its debt is now considered to be some of the best business on the books of international banks which are not required to build up reserves against the loans because they are not classified as bad debt.

In terms of the agreement, announced by Finance Minister Barend du Plessis in Pretoria yesterday, SA will pay all interest due on outstanding loans at rates agreed upon in the previous agreement — roughly 1% above the going rate. Also, the Public Investment Commissioners (PIC) will continue to absorb loans which are not rolled over. Funds paid into the PIC will continue to receive interest at ⅞ above the London Interbank Rate.

Foreign creditors will retain the right to cede their claims on debt inside the standstill net to other foreign creditors, or persons, under certain conditions.

Payments due in terms of the agreement on loans caught inside the net will be as follows:

- A down payment of 3% of the debt on July 15 this year followed by a further 2% on December 15 making a total for the year of $508m;
- In 1988, 2% of the outstanding balances on June 15 and 1,5% on December 15 — a total of $400m;
- In 1989 a further 1,5% on June 15 and December 15, a total of $346m;
- And a final payment in 1990 on June 15 of $166m.

'Exit' clause

Du Plessis said yesterday that an "exit" clause was provided in the agreement which offered foreign creditors the opportunity to convert short-term claims inside the net into long-term claims outside the net. Claims converted in this manner will be repayable over 10 years as follows:

- From date of conversion to June 30, 1990, 13% would be repayable, the same as for debt inside the net;
- In 1991 and 1992 no repayments would be made on these loans;
- The balance would be repayable in 10 equal half-yearly instalments between 1993 and 1998.

'IN THE NAME OF HUMAN DECENCY'

Plea for black pensioners

By LANGA SKOSANA

THE Transvaal Association for the Care of the Aged yesterday made an impassioned plea to banks, building societies and the Post Office to allow black pensioners to open accounts with little or no money in their books.

Their plea follows the refusal by three institutions to permit blacks to draw their pension pay from their facilities.

Banks, building societies and the Post Office have said "blacks are too many" and they could not cope in paying them out and some have said the Government is shifting its responsibility of paying out the aged to private institutions.

In a letter to these institutions, Mr Jimmy Rasekoala, chairman of the association, said in the name of human decency these institutions should waive the stringent conditions of demanding a R50 balance in the books of pensioners.

He said "The history of pension payouts among the black communities has been a nauseating one. Our fathers and mothers, builders of this great industrial giant which is Transvaal, have been penned in their thousands over the years into community halls, municipal offices or even worse in any available soccer field to receive their pension pay.

"These poor people of God have had to suffer the degradation and humiliation of receiving their pension money in public and in all types of weather."

He said the queueing system of payment was allowed to grow over the years without check.

"Every year the queues grow longer and longer at these pay points. That these elderly people start queueing with the break of dawn is not an exaggeration someone had to call a halt to this dehumanising process whereby our fathers and mothers are herded like animals to receive what is rightly theirs after building the South African nation," said Mr Rasekoala.

Indignity

He said people of other races do not suffer these indignities and appealed to banks to waive the R50 required to enable blacks to draw their pension pay from these institutions.

Yesterday a number of elderly people visited the Advice Centre at Bridgeman Memorial Hall, Soweto, where they were told by community workers that applications for their pay to be deposited at banks or building societies have been temporarily halted until these financial institutions respond to pleas to allow blacks to open banking accounts.

A field worker for the Advice Centre, Ms Nonkululeko Madalane, said a pressure group has been formed to look into problems related to opening accounts at financial institutions by blacks.

'Kicked on his private parts'

A NUMBER of the accused who allegedly murdered Ms Rosaline Maki Sikhosana were assaulted, threatened and one of them kicked in his private parts by the police, their lawyer submitted in the Pretoria Supreme Court yesterday.

Mr David Soggot, appearing for the 11 accused, also submitted that Ms Dudu Mofokeng was fetched by the police from her home in Duduza, Nigel, in the night wearing only pyjamas and a gown shortly after Ms Sikhosana was murdered near the local cemetery on July 20, 1985.

Mr Soggot also alleged that Ms Mofokeng was assaulted and threatened by Sergeant Joel Msibi. One of the accused, Mr Jacob Tshabalala (22) was kicked in his private parts by a policeman nicknamed "Vulture" said Mr Soggot.

Warrant Officer Daniel Scott, who was the investigating officer at the time yesterday denied these allegations.

Assault

He was testifying in the trial of 11 men and women including two youths aged 15 and 17 years who have been charged with Ms Sikhosana's death. They have pleaded not guilty before Mr Justice Hartzenberg and two assessors.

Mr Soggot put it to Warrant Officer Scott that some of the accused including Ms Matlakala Elizabeth Motaung (28)

APARTHEID WATCH

It cost more to insure on the other side of the railway line

58 South 26/3 – 1/4/87

LIVING on the wrong side of the track is proving to be expensive for householders in Kuilsrivier.

People living in the so-called coloured group area of the northern suburb find themselves paying at least R168 more for insurance.

Residents say the only obvious reason for the discrepancy in insurance payments is that whites reside on the "right" side of the railway line and "coloureds" live on the "wrong" side.

Although houses in neighbouring areas are similar, the racial classification of the area would determine the loading on the insurance premium according to a broker.

"Few insurance companies would investigate the risks in areas such as Mitchell s Plain. They come up with stringent requirements and exclusions that are slightly out of touch with reality," he said.

"It is generally known that the Small Business Development Board is assisting people in Guguletu,but only one insurance company ventured into the area.

"In both Guguletu and Khayelitsha businessmen could not get fire cover, which debarred businessmen from public riot cover as underwritten by the government."

Mr P Bester,Senior Manager Underwriting for Santam Insurance said premium rates for each area were calculated after looking at the crime statistics for the area.

"If the risk rate is more than 70 per cent we run at a loss and are forced to increase premiums.

"The risk rate in white areas is generally lower than in other areas," he said.

"A spokesperson for Incorporated General Insurance (IGI) said that premium rates were not based on the colour of the applicant's skin. "Sea Point is a white area but the premium rate is high because the crime rate is higher than in some black areas.

"If clients are dissatisfied with the rates they have been quoted, they should come and discuss the matter with us," he said.

M &F bounces back to black

B Day 26/3/87

MUTUAL & FEDERAL Insurance (M & F) showed a remarkable turnaround in the six months to December, slashing last year's underwriting loss of R11,7m to an underwriting profit of R486 000 and boosting taxed earnings almost 500% to R12,9m.

Earnings a share grew 227c to 276,7c. An interim dividend which, at 40c, is 29% up on the previous interim period, has been declared.

MD Ken Saggers yesterday attributed the growth largely to the substantial inflow of new business after the collapse last year of the A A Mutual short-term insurance company and the increase in premiums.

Despite pressure on reserves because of a 60% increase in net premium income to R186,8m in the period under

LESLEY LAMBERT

review, Mutual & Federal's solvency margin — a vital measure of financial strength — is above 90%.

"The additional business was absorbed satisfactorily because the company had the infrastructure and resources to cope with it," Saggers said.

These results strongly underscore the current pattern of general improvement in the previously depressed short-term insurance industry.

Investment income, which includes R1,3m attributable to the subsidairy company ICLEF, grew 29% to R17,4m. The market value of group assets was R617m at end-December.

58 SMP 26/3/87

Banks accuse Govt of passing the buck

By Pat Devereaux
Star Line

Banking institutions, accused of discriminating against black pensioners, claim that the Government has passed the buck and forced them to become "paymasters" for elderly people.

Last year the Government told pensioners their money could be paid into bank accounts. Banking institutions were not ap proached about this new plan.

In the past, pay-points were set up in the townships, and pensioners queued for hours before they received their cheques.

An investigation into pensioners' banking facilities was launched after complaints of discrimination were made to social worker Mrs Nonkululeko Madalane, of the Bridgeman Memorial Hall Advice Bureau in Soweto.

Banks do not have the manpower or facilities to cope with the estimated 400 000 pensioners who queue for money each month, bank spokesmen said.

'TRANSACTIONS COST MONEY'

One banking source said: "Each transaction costs money, not to mention the inconvenience of queues. We would simply be paying out on accounts which are not financially worthwhile."

Reacting to accusations that financial institutions are discriminating against black pensioners and discouraging them from opening accounts, the general manager of the United Building Society, Mr Martin Keyser said: "The same rules on minimum balance apply to all account holders."

The Press officer of the S A Permanent Building Society, Mrs Amanda Andreae, quoted a recent Press statement from the company: "Our mission is to provide savings facilities for all".

The Perm's emphasis was on "savings", and many pensioners could not afford savings accounts, she said.

A Standard Bank spokesman admitted that their banking packages were not viable for black pensioners. "We are aware of the problem and are monitoring it closely."

Foreign bankers now more optimistic about SA stability

STAR 58 26/3/87

By Anthony Robinson

Foreign bankers' acceptance of a three-year debt rescheduling agreement with South Africa is the clearest evidence to date of a fundamental change in perceptions about the country, its political stability and economic strength.

On February 20 last year bankers, especially United States bankers, refused South African pleas for a long term rescheduling. Mindful of shareholders and public opinion, they insisted on one year only and also pressed hard for maximum repayment of the $14 billion frozen by the August 1985 "debt standstill".

In the 13 months since then much has changed, both in the world and in foreign perceptions of South Africa. A year ago the nightly television of township violence and repression helped fuel the feeling that South Africa was heading for an Iranian-style revolution. Mounting sanctions and disinvestment pressure added to doubts over the ability of the economy to function and the willingness or ability of the authorities to continue servicing the frozen and unfrozen portions of a debt totalling $24 billion.

Few today would still argue that South Africa is on the verge of either political or economic collapse. Re-imposition of the state of emergency, accompanied by draconian curbs on the media, have succeeded in reducing the level of violence, although not, of course, the underlying causes. Neither sanctions nor disinvestment has had a significant effect, thus far at least. Some evidence points to the contrary.

Exports last year rose from R36,5 billion to R41,8 billion, while imports rose less, to give a record trade surplus of R14,9 billion, a major factor behind the more than R7 billion current account surplus.

Higher gold, platinum and other prices helped. But figures released this week, which showed that GDP grew by only 0,5 percent, instead of the original target of 3 percent, and other statistics which show a 16 percent decline in real fixed investment last year, demonstrate that the surplus from which loans are being repaid is largely the fruit of a depressed domestic economy.

But barring fresh political disasters, the economy is poised for faster growth. The Reserve Bank expects a current account surplus of around R5 billion, more if gold rises further.

Even before this week's debt agreement, the reserves had been rising sharply with the narrowing discount on the financial rand confirming brokers' reports that foreign investors attitudes were becoming more bullish.

The latest debt agreement, by removing a major uncertainty and putting the financial scene in a longer term perspective, is expected to encourage a further re-rating of South Africa's prospects.

Even so, it still leaves South Africa, essentially a developing country, in the position of a net capital exporter.

The real breakthrough still depends on developments in the political arena and convincing proof that apartheid is indeed about to be replaced by a form of power sharing acceptable to all race groups — and the watching world. — *Financial Times.*

Business Report

M & F boast 500% taxed earnings boost

58

CAPE TIMES 26/3/87

Own Correspondent

JOHANNESBURG. — Mutual & Federal Insurance has shown a remarkable turnaround during the six months to December, slashing last year's underwriting loss of R11,7m to an underwriting profit of R486 000 and boosting taxed earnings almost 500% to R12,9m.

Earnings a share have grown 227c to 276,7c and an interim dividend, which at 40c is 29% up on the previous interim period, has been declared.

New business

MD Ken Saggers attributes the growth largely to the substantial inflow of new business following the collapse last year of the A A Mutual short-term insurance company and the increase in premiums.

Despite the pressure on reserves of a 60% increase in net premium income to R186,8m during the period under review, Mutual & Federal's solvency margin — a vital measure of financial strength — is above 90%.

These results strongly underscore the present pattern of general improvement in the previously depressed short-term insurance industry.

Along with others in the sector, Mutual & Federal insurer has breathed a sigh of relief at the lack of any major natural catastrophes, but has borne the brunt of alarming increases of claims in the domestic and commercial crime categories. It has also reported a number of large fire losses.

Investment income, which includes R1,3m attributable to the subsidiary company ICLEF, grew 29% to R17,4m and the market value of the group's assets was R617m at the end of December.

W/Mail 27/2-5/3/87

Mr X likely to testify

THE man who guaranteed payment for the UDF's R100 000 pro-ANC advertisement will probably testify before the commission probing its funding.

"Mr X", as he has been dubbed, is actually a wealthy Johannesburg businessman with many friends in the UDF.

UDF officials have refused to disclose his identity. They have, however, confirmed that he may give evidence before the Munnik Commission, which starts sitting in Johannesburg on Monday.

The commission was set up to find out who paid for the advert.

The UDF has already explained that its lawyer, Krish Naidoo, physically paid for the adverts, using bank-guaranteed cheques.

"Mr X" was said to have been responsible for guaranteeing the cheques.

Although "Mr X" is not active in the UDF — which placed the advert, along with the SA Council of Churches and the National Education Crisis Committee — or in politics in general, he has close personal relationships with leading activists. — TOPS.

27/2/87

US INSURER BUY-OUT

BDay

LESLEY LAMBERT

(58)

AMERICAN International has sold its SA subsidiary, American International Insurance, a medium-sized short-term insurer.

The buyer, Johannesburg Insurance Holdings, which is owned by a consortium led by Rand Merchant Bank, plans to change the name of its newly acquired subsidiary to AI Insurance.

While the value of the transaction could not be determined last night, Rodney Schneeberger, CE of the SA Insurance Association, said it looked like a good deal from the buyer's point of view.

Schneeberger said that AI Insurance had operated in SA for many years under the control of its US parent and was financially sound.

"The transaction follows the general pattern of US companies transferring their holdings in South Africa to SA companies," he said.

Barclays still the front-runner

27/3/87

HELENA PATTEN

THE BARCLAYS Bank Group is still the front-runner in taking financial institution business, but the Standard Bank Group has gained ground in several areas, Standard Bank BA 9 figures show.

Barclays' total deposits last year were ahead of Standard's, but by a smaller margin than in 1985. Barclays' average market share of total deposits was 18,3% (18,5% in 1985) compared with Standard's 18% (18,1%).

Barclays' total deposits rose to R12,72bn in 1986 from R11,98bn the previous year, while Standard's deposits rose to R12,57bn.

The five major building societies increased their share of total deposits to 29,1% last year from 27,9% in 1985.

Barclays also maintained its top spot in the share of cheque deposits, but Standard is narrowing the margin between the two giants. Barclays last year on average held 32,9% (33,1% in 1985) of cheque deposits compared with Standard's 30,5% (30,1%).

Barclays held R3,18bn in cheque deposits last year compared with R2,54bn the previous year. Standard, on average, held R2,95bn worth of cheque deposits in 1986 and R2,31bn in 1985.

The largest share of hire purchase was still squarely in the hands of Barclays in 1986, with the group taking 34% of business. This compares with 35,3% in 1985. The Bankorp Group beat Standard with 22,9% of the market compared to Standard's 22,4%.

Worrall seeks legal advice on funds issue

STAR

Political Staff

27/5/87

CAPE TOWN — A political row has erupted over allegations by former Deputy Minister of Information Mr Louis Nel that the three independent election candidates, Dr Denis Worrall, Dr Esther Lategan and Mr Wynand Malan, were raising funds illegally for their election campaign.

Dr Worrall today denied the allegations "categorically" and said he was seeking legal advice.

Mr Nel, MP and National Party candidate for Pretoria Central, made the allegations yesterday.

Today he said the independents had invited the public to contribute money to a "Reform Trust".

In terms of the Fundraising Act, permission could not be granted for organisations which did not have a constitution to raise money.

There were certain exceptions such as church organisations and registered political parties.

The independents had however not formed a political party, and no party registered on their behalf.

NO APPLICATION

The office of the Director of Fundraising had told him no "Reform Trust", nor any of the independents, had received permission to raise funds or had applied to do so.

It appeared, therefore, that the independent candidates had contravened the Act. He urged them to clarify the matter.

Dr Worrall commented: "This is a very serious allegation. I deny it categorically. We are seeking legal opinion."

He declined to discuss the question of registration as a party or Mr Nel's other points.

A spokesman for the Director of Fundraising said he was not aware of any applications received from the independent candidates in terms of the Fundraising Act.

The Director-General of the Department of Home Affairs, Mr G B S van Zyl, said today no applications for registration of a political party had been received from the independent candidates concerned since January 1 this year.

Dr Esther Lategan and Mr Wynand Malan could not be reached for comment today.

(Report by F S Esterhuyse, 122 St George's Street, Cape Town)

LIFEGRO (58) FM 27/2/87

Extra cover

With a little over 3,5 ha of unused ground remaining after the development of its 27 000 m² Sandton HQ, assurer Lifegro is set to develop the first of a series of office blocks that could provide an additional 50 000 m² of decentralised office space.

Planning is in the early stages for the first component which will involve a small 4 000 m²-6 000 m² block.

The new offices will be separate and distinct from the head office building which Lifegro is due to occupy in July. Some 18 000 m² will be office space with the balance taken up by computer, printing and training facilities.

Lifegro property manager Howard Schachat says that if the demand for space in Sandton is maintained, the first of the new

FINANCIAL MAIL MARCH 27 1987

Lifegro's Schachat . . . showing new development flair

developments could break ground within the next four to five months.

Preliminary planning envisages about six buildings of different sizes in a garden setting.

"Our plans," says Schachat, "are to be as flexible as possible so that we can cater for the requirements of prospective tenants. The final scheme will be integrated with common walkways and attractive landscaping.

"Our idea at this stage is to build the first block on spec as a catalyst for other development and thereafter we'll build in line with demand.

"This formula worked well in our Knightsbridge Manor development in Bryanston where the first of eight phases was built on spec and fully let on completion. This then motivated us to continue with the next two phases which are presently under construction."

He points out that the park concept follows the style set at Lifegro's new business park in Midrand which will provide around 30 000 m²-40 000 m² of leasable property when complete. ■

teel,

MONEY MARKET

(58) FM 27/3/87

New strategy, new tender?

The Reserve Bank has switched its unpopular liquidity balancing strategy, and the introduction of a tender system for Corporation of Public Deposit (CPD) funds is a distinct possibility. Instead of using CPD funds to balance the market shortage (the amount the market owes the Bank), the Bank has embarked on a strategy of purchasing and selling securities — such as Treasury bills (TBs) and Land Bank bills — at market rates to control liquidity.

Now, if the market is in surplus (liquid) the Bank sells assets to mop up liquidity; if short, the Bank buys assets. Previously up to R800m CPD funds were made available when the market was short. It was taken for granted that CPD deposits would ensure adequate accommodation.

So with present liquid conditions, CPD deposits with discount houses have been allowed to drop to zero since Wednesday; rather, the Bank has been selling RSA 1991 stock for settlement on April 1 and 15, which has the dual purpose of funding Treasury (whose borrowing season is starting) while reducing surplus liquidity by taking money out of the system when large inflows are expected (interest and Custom Union payments on April 1 and further interest and salary payments on April 15).

This, clearly, does not mean the Bank is relinquishing its right to assist the market on its own terms. Its impact on market conditions and hence the effectiveness of monetary policy remains and may become more efficient.

With high liquidity the market has not needed accommodation from the Bank. So the Bank's rediscount rates — especially the main Bank rate (at which it rediscounts TBs) — became virtually irrelevant.

Instead, the rate the Bank charged discount houses for CPD funds became the trendsetter for all money market rates. Discount houses were until last week borrowing CPD money at a fixed 9,25%, which made it difficult to lower rates below 9%.

Houses and banks have been complaining about this. The Bank is also known to have been unhappy, especially about the fact that call rates were higher than three-month rates — implying an inverse yield curve in the 0-3-month area.

The new strategy is thus also an attempt to restore the "authority" of the Bank's rediscount rates by the use of open-market operations. By selling the Bank assets, discount houses are now borrowing from it at cheaper, market-related rates. Call has dropped to around 8,5% from last week's 9% and the short yield-curve is now positive as the benchmark three-month bankers' acceptance (BA) rate has dropped from 8,85% early last week to around 8,7%.

This new strategy also means that the "window" shortage, quoted every morning after returns from houses and banks are in, is more realistic. With CPD deposits it previously did not reflect the actual shortage. The window shortage has been under R100m for the entire week, and zero at times.

At the same time the Bank is awaiting comment from discount houses before possibly embarking on a tender system for CPD funds. The price of CPD money could then be more market-related, no longer set by the Bank, and thus more volatile. It would also give clearing banks direct access to CPD funds. At present CPD money is only deposited with discount houses.

While much is in the air the Bank will no doubt maintain indirect control over rates by various measures, including determining the amount on tender or even rejecting tenders.

But there are potential problems. Already bank dealers are talking about cheaper money. "Banks and houses can tender together to maximise margins. This is in everyone's interest." On the other side of such collusion, there is also potential for anomalies to develop if rates are bid up on no fundamentals by keen bidders.

The market remains quiet. Rates softened to almost four-month lows as liquidity built up from the loan levy repayment and mid-month interest and salary payments. The month-end shortage is expected to be a virtual non-event, ensuring that conditions in April, traditionally easy, are even easier.

Average rates at weekly tenders also dropped — the TB tender on Friday for R100m attracted R201m (R228m) with the average rate bid down to 8,42% from the previous 8,6%. On Monday the Land Bank tender, also for R100m, attracted only R108m at an average 8,54%, 15 points down. ■

FOREIGN EXCHANGE

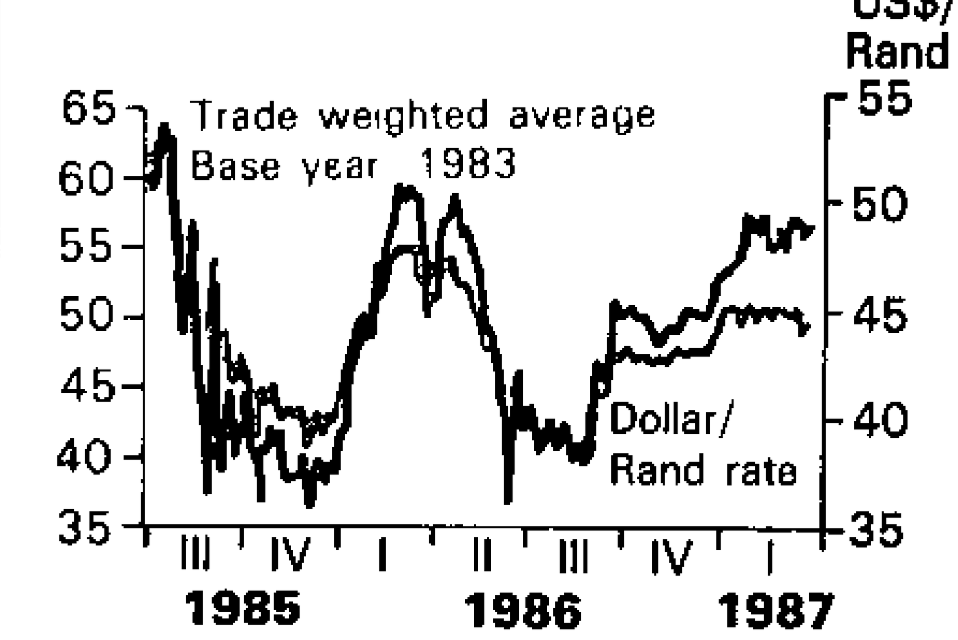
Trading range up

The rand's trading range rose slightly to US47,83c-US48,25c last week on the back of a weakening dollar and slight firming of the gold price. But bullish sentiment in the financial rand, which pushed the investment currency up from US27,25c through US30c to US30,38c on Monday, is not expected to rub off on the commercial rand.

Dealers says investment interest in the financial rand is coming from Switzerland, Germany and Japan, funds going mainly into Escom stock. However, the activities of these investors, by narrowing the discount between the two rands, may limit further overseas interest (see *Fox*).

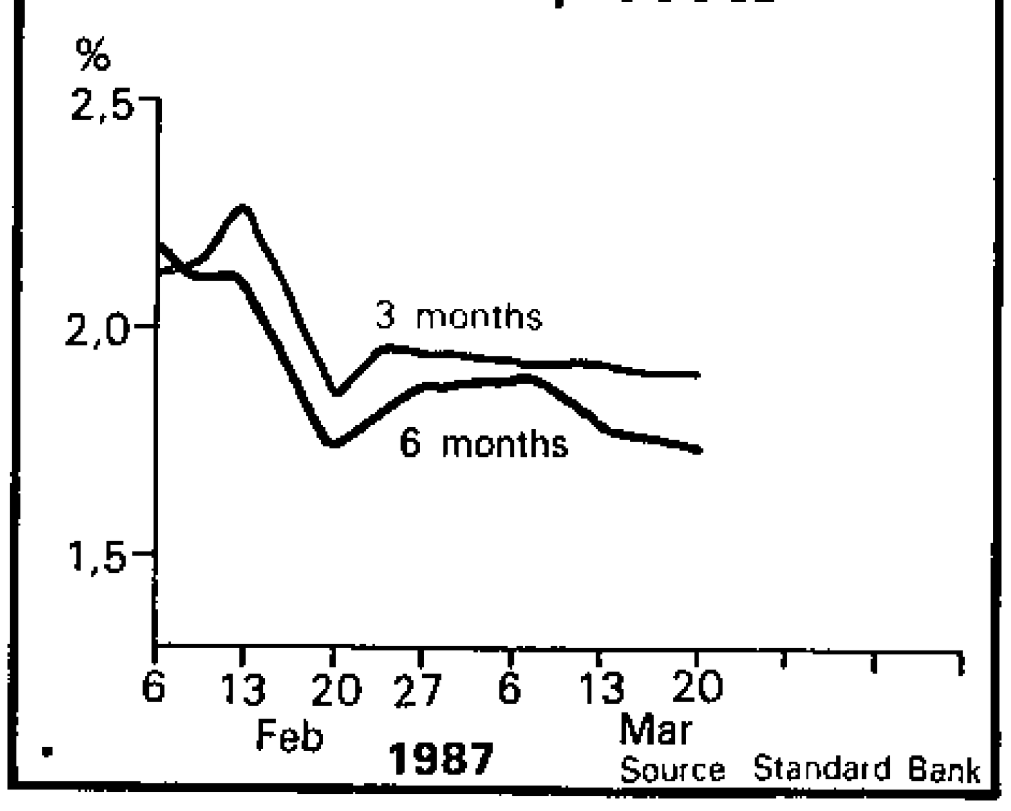
On cross rates the rand remains firm, Standard's trade-weighted index moving

Rand: weighted value



Source: Standard Bank

Forward $ costs



Source Standard Bank

RAND'S PRICE

Mar 24 1987

	R1 equals	One foreign unit equals (R)
SDR	**0,378**	**2,644**
	0,416	2,405
ECU	**0,424**	**2,358**
	0,505	1,982
UK £	**0,297**	**3,362**
	0,316	3,160
US $	**0,484**	**2,066**
	0,481	2,079
Canada $	**0,629**	**1,590**
	0,670	1,493
Switzerland Fr	**0,728**	**1,374**
	0,909	1,100
France Fr	**2,909**	**0,344**
	3,345	0,299
Germany DM	**0,873**	**1,145**
	1,074	0,931
Japan Yen	**71,500**	**0,014**
	85,000	0,012
Italy Lira	**620,250**	**0,002**
	739,750	0,001
Zimbabwe $	**0,785**	**1,274**
	0,763	1,311
Austria Schil	**6,100**	**0,164**
	7,625	0,131
Holland Guilder	**0,987**	**1,013**
	1,227	0,815
US $ value of SDR	1 157	**1,276**
US $ value of ECU	0,937	**1,146**
Financial Rand		
Cost in US $	0,325	**0,313**
Discount (%)	32,432	**35,331**

Year ago figures in light print

Average of the Telegraphic Transfer buying and selling rates used by the banking sector for the day, for amounts up to R20 000 depending on foreign currency involved.

The above rates are for guidance purposes only the small independent trader who buys in bulk for resale — has broadened to include middle-to-upper income groups through the advent of a new chain of Trade Centres, three of which came on stream last year. Covering 10 000 m² each, Trade Centres are twice the size of the average Metro store, and target a wide range of products — from food to clothing and fancy goods. They trade in a similar market to Makro.

While Metro finds growth pockets from within its structure, the cash and carry market it services is expanding rapidly. Metro's prescient founder, Lionel Katz, founded the Metro chain after World War 2 to capitalise on what he saw as a changing pattern in food sales. His target was the growing market of small black traders who were buying goods directly from manufacturers.

Katz felt there was a need for a middle man. On the one side, not all traders were happy buying direct, as they were forced to buy in far larger quantities than usually suited them; and timeous delivery could not always be relied on. On the other hand, manufacturers were not entirely happy with the costs involved in delivering to a multitude of traders, or with their bad debt exposure after delivery. In recent years township violence has further underscored the risk of township deliveries, and more manufacturers than ever are selling their goods indirectly, through distributors like Metro.

Metro grew rapidly, eventually to be listed on the JSE. In the Seventies it became a Kirsh group subsidiary and, for a while, a darling of the JSE. Then, just as Metro was reaching the pinnacle of its performance and prestige, Natie Kirsh took the disastrous decision in the early Eighties to delist and bury it, together with Checkers, Russells and other group subsidiaries, into the amorphous mass that was to become KTG. Once out of the glare of a JSE listing, and with the company's identity blurred, Metro's staff morale deteriorated.

"It was traumatic to be suddenly out of the limelight," recalls finance director Alan Sack. "We had become known as a high-profile and successful company, rated in all the Top 100 corporate surveys. Suddenly we had lost our identity, to be absorbed into KTG." To make matters worse, KTG started making losses and its poor performance rubbed off on morale in Metro.

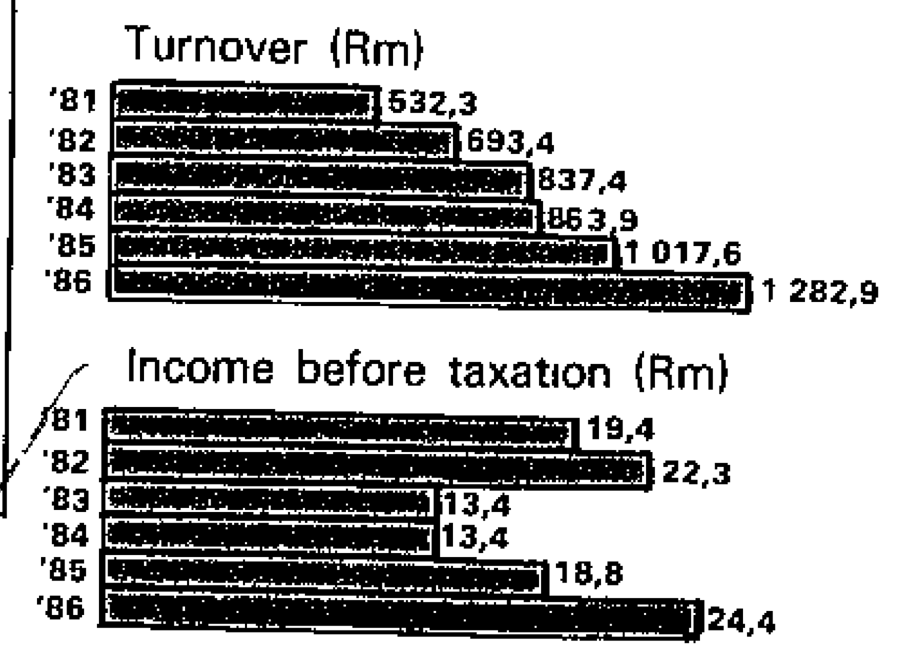
There was also confusion over the KTG pyramid, Metro Corp, which continued to be listed and many mistook to be the trading subsidiary. "We would make profits, which no one would see," says Sack. "The two listed companies, Metro Corp and KTG, would report losses, and even our own staff had trouble believing that Metro Corp was not us, and that we were, indeed, operating profitably."

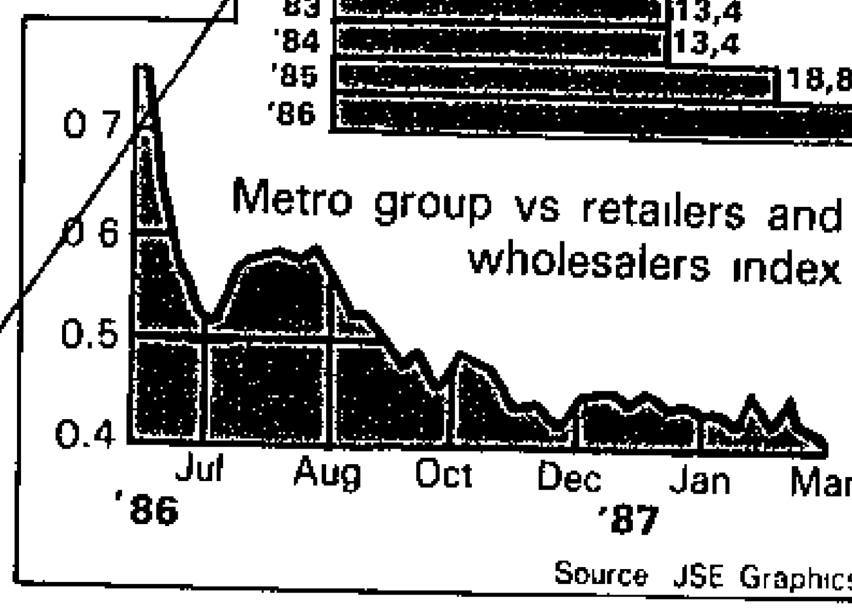
Two other events in the early Eighties were to have significant impact on Metro. One was the return to the cash and carry market of Carlos dos Santos, with his Trador chain, soon to become a formidable competitor to Metro. About the same time, an overseas subsidiary of Metro, called Jetro, was running into problems, and Katz was forced to spend most of the year overseas nursing that company back to health. Back home, Katz had left to deputise for him a management team that by all accounts was brimming in business school education, but which had limited experience in the hurly-burly of food wholesaling.

Trador was becoming more threatening, and when it started poaching top-level staff from Metro, management panicked. The group which had been so carefully nurtured by Katz slipped into crisis management. Depending on what the opposition was doing, prices were raised one week, only to be cut the next.

In line with business school theory, stock levels were cut to the bone. But this proved a poor marketing move, for as Katz was later to comment: "There is nothing a customer hates more than to arrive at an understocked store after travelling long distances." Under

Past patterns





Source JSE Graphics

accumulated pressures, Metro buckled and its profits collapsed between 1982 and 1983 from R22,3m to R13,4m.

Katz returned to resume command, and quickly put Metro back on a growth track with pre-tax profits soaring to R24m by June 1986. Motivation returned, and last year the chain achieved an important objective with its relisting. But Katz was not to live through the company's first year back on the JSE: he died last year and was succeeded by Cecil Smith.

Although Smith and his team have worked hard at restoring the chain's former image with investors, its shares have languished for months around 540c, well down on the 800c attained immediately after Metro's reverse takeover of Cokicor last year. While this makes for a worrying graph, analysts point out the fall from 800c was largely technical, as the stock was initially traded in small volumes, largely by former Cokicor shareholders. As volumes climbed, the share began to find its true rating — although many feel it might have fallen too far.

In mid-February, with the share at 540c, stockbroking firm Martin & Co's Janet Mills put out a "mild buy" recommendation. Mills predicted that Metro's earnings growth would be 30% in 1987, and higher in 1988. The market, she said, was growing fast enough to support above average growth rates for both Metro and Trador. Mills conluded, though, that Metro shares, "on the ratings to end-June 1987 and 1988, appear a little undervalued in relation to Score."

Most see no obvious downside to the present deal. Gains in terms of Frasers' potential hidden wealth (undervalued properties, etc), and rationalisation benefits that can flow from this deal, must be large. It puts Metro into a different league, and places new pespective on its share.

Neville Glaser

STOCK EXCHANGE LAW

Protecting the purchaser

(58) F 14
27/3/87

The JSE wants good-faith purchasers of "tainted' scrip to enjoy greater protection than in the past. The step makes sense — though with certain provisos.

South African law is currently out of step with international practice on an important issue affecting dealings in quoted securities. As things stand, a local purchaser (in good faith) can, at least theoretically, be faced with a claim from the owner alleging that the scrip was stolen. Under South African common law, this circumstance currently entitles the owner to "vindicate" — that is, reclaim the securities.

The JSE has now argued, in a strongly and carefully worded memorandum submitted to the SA Law Commission, that the time has come to reform this aspect of the law, on the grounds that it is "antiquated, dangerous, and inequitable." The local rule on this important issue of commercial law should be brought into line with London, New York, and other major financial centres, by conferring "indefeasible title" on the bona fide purchaser, that is the man who buys without notice of any defect in title.

This would be an important alteration to the common law, and, in the *FM*'s opinion, not one to be made lightly. But the JSE's case is rather compelling. For a start, there is the scale and nature of current dealings. The market in listed securities is vast; during 1985 there was a turnover in equities of R6 372m and in gilts (at nominal values) of R511 220m.

P.T.O.

158

 Star 28/2/87

Consumers might have the edge on inflation this year

SVEN LUNSCHE

Consumers could well find that this year there might just be that extra bit of money left in their pockets, according to the March edition of the Reserve Bank's *Quarterly Bulletin*.

Apart from the news that overall economic growth is looking upwards, the Reserve Bank also said that if the upward trend in disposable income can be maintained, gross domestic expenditure could rise, also aided by a lower inflation rate.

On a half year basis, real personal disposable income rose by two percent in the second half of 1986, compared with the same period last year, after it had shown negative growth rates over the last two years.

Apart from having more money in their pockets, consumers might also spend less this year as "the inflation rate stands to benefit further from the more recent advances in the exchange rate in the third quarter of 1986 and in the first few months of 1987," the bank said.

Although the recent improvement in the inflation rate was "largely attributable to purely statistical factors," the decline has clearly been aided by the recovery of the rand's exchange rate.

With the improved outlook in both wage renumeration and inflation, consumer spending should definitely be given a boost, but in 1986 it was still subject to inhibitions and constraints which were not normally part of the country's business cycle.

"Both investment and consumer expenditure clearly were influenced downwards during much of 1986 by private decision makers' enhanced sense of uncertainty and a reluctance to take longer-run views and enter into longer-term commitments," the bank added.

The Bank said households during 1986 had sought to work down the real burden of earlier financial commitments in the light of, among others, the decline in real household incomes, less buoyant prospects for steady employment and promotion, and a less favourable outlook for a rise in their real standard of living in the more immediate future.

Turning to employment figures the Bank said the "steady recovery in aggregate domestic production during most of 1986 failed to have a major impact on employment up to the third quarter of the year.

"Signs of more significant increase in the demand for labour could be observed in the fourth quarter in certain important sectors of the economy," the Bank said.

UBS and Volkskas talks are close to finality

158

Star 27/3/87

FINANCE STAFF

An announcement on the outcome of the negotiations between the United Building Society and Volkskas can be expected "very shortly", says Mr Piet Badenhorst, chief executive who is also destined to become chairman of the operating company at the end of next month. He will succeed Mr Philip Sceales who retires after 18 years as chairman.

Volkskas and the UBS announced on March 9 that negotiations were underway that could eventually see the two companies having cross-related interests.

An advertisement was placed by Volkskas Merchant Bank yesterday advising shareholders that the outcome of the talks could have an effect on share prices, when concluded.

The most likely deal to be struck will be a formal working relationship between UBS and Volkskas with each having important shareholdings in each other.

CROSS HOLDING

Under this scenario, if market talk is anything to go by, the UBS will have 30 percent of Volkskas with Volkskas having 10 percent of UBS.

The duration of the talks between the two parties, however, indicate that much more is at stake, possibly involving more parties than just the UBS and Volkskas.

The local business grape-vine, usually fairly accurate in its assessment of pending deals, this time is unusually reticent on the most likely outcome of the talks.

It agrees, however, that the deal is "big" and a financial conglomoration with combined assets worth more than R21 billion is in the offing.

SURPRISE

Knowing the mercurial Mr Badenhorst from previous experience, a totally unforeseen deal cannot be excluded.

It is interesting to note the differences in the share price movements since the original announcement.

Volkskas has moved up from 1025c on March 9 to yesterday's closing price of 1150, whereas UBS is virtually unchanged at 505c. This suggests that the investing public see more benefits for Volkskas than for UBS.

UBS Holdings also announced yesterday that Mr Hercules Viljoen Hefer will succeed Mr Sceales as chairman of the quoted company. At present he is chairman and senior partner in the accounting firm Aiken and Partner.

Mr Donny Gordon has been elected a vice-chairman together with Mr WG Boustred.

Insurers tighten up on policyholders in car war

(58)

By Don Robertson

INSURANCE companies are getting tough.

They are insisting that car-owners fit either an anti-theft device or have the registration or body number of the car etched on all windows. If the owner does not comply, he or she suffers penalties in the event of theft.

But there seems to be confusion as to which devices should be fitted to meet insurance requirements.

It is estimated that about 160 cars are stolen every day in Johannesburg and about 60 000 a year in SA. One of the biggest short-term companies is processing 300 stolen vehicles a month.

Premiums

Thefts have forced insurance companies to more than double premiums in the past year in an effort to avoid massive under-writing losses.

Now they insist that motorists take stringent precautions against theft.

Jim McIntosh, assistant general manager at SA Eagle, says car-owners insured through his company were advised in February to install a recognised anti-theft device.

AA report

Failure to do so will result in an additional excess of 10% of the value of the car — over and above the standard R500 — being deducted from any payout.

Insurers who pay monthly were advised that this had to be done immediately, and those paying annually will have their contracts endorsed on renewal date.

Sean Lehane, general manager of Mutual & Federal, says clients have until the beginning of July to install an anti-theft device or face an additional R500 excess in the event theft.

Mutual & Federal has based its requirements on an AA report assessing the "inhibitor value" of anti-theft sustems. It has agreed that a 70-point evaluation is suitable for most cars, but insists that for more expensive cars and mini-buses, the theft system should have a 90-point evaluation.

Percy Grohovaz, assistant general manager of Mutual & Federal, says: "The incidence of car theft has got out of hand in the past few months."

Derek Poole, business development manager of Commercial Union, advises clients that unless an acceptable anti-theft device is installed by April, a 5% excess will be charged with a minimum of R1 000. This exceeds any other excess, up to R2 000, that might be in operation.

Syndicates

Commercial Union expects the minimum requirement to cost about R150, rising to about R400 to R500 a unit for expensive cars.

The endorsement of policies will be made on renewal date.

Aegis has taken a low-key view of the issue, says deputy chief executive Peter Moss.

"We have insisted only that the registration number or body number be etched on all windows and have not insisted on anti-theft devices. The reason for this is that there is no real assessment of the effectiveness of anti-theft devices.

"Most thefts are carried out by organised crime syndicates and as anti-theft devices become more sophisticated, they will simply call in their men from the field and teach them how to break the systems."

In all cases, the fitting of an approved anti-theft device or window etchings cancels the excess.

Motor manufacturers, ackowledging the problems of car theft, are fitting cars with anti-theft devices which range in price from R150 to R1 900.

Typical of these is a basic Toyota unit which includes an engine immobiliser which is activated when the ignition is switched off and deactivated by a hidden micro switch.

Elaborate

More elaborate thief-proofing systems from Toyota have remote locking and unlocking for doors, warning alarms and the isolation of ignition, fuel and power systems which make "hot-wiring" impossible.

Control of the system is either by a hidden micro switch, electronic codes, jack plugs or remote. Steering locks have been redesigned to prevent breaking in. Interior sheet metal has been reinforced to prevent the removal of door locks.

BMW is working on anti-theft devices which include an inhibitor lock which prevents a door from being opened, even if the glass is broken.

All BMW cars have body numbers on windows, and extra plating has been installed in some areas. Cars with inboard computers have inhibitors which prevent starting. The Seven Series, to be launched later this year, is said to be theft-rpoof.

The AA has produced a report evaluating the various anti-theft devices and suggested prices. The report says that cars with electronic ignition and engine management as well as fuel injection provide more scope for anti-theft protection than those with conventional ignition systems and carburettors.

Big business

In America, car theft has become big business. As in South Africa, stolen US cars are often sold in Third-World nations.

US manufacturers have been given a three-year deadline to investigate the marketing of 14 critical components in such a way that identification cannot be erased, according to BMW magazine M South Africa.

German manufacturers are investigating computer-driven devices to control equipment that isolates critical components. Others are investigating "palm pads" for activating the computer. Instead of punching in a code to open the door, only those palms that have been programmed will be acceptable to the computer.

The Japanese are working on voice-responsive equipment to activate the computer.

Liberty and Pru like married life

29/3/87

By Ian Smith

SIX months down the line it appears that the marriage of Liberty Life and the South African operation of Britain's Prudential is working well.

The merger resulted in an industry giant with combined assets of R10-billion, estimated premium income this year of R1,1-billion and total investable income of about R1-billion.

But it was all achieved without a single retrenchment or any redundancy, says Prudential managing director Dorian Wharton-Hood. On April 1 he becomes joint managing director of the merged company with Liberty Life deputy chief executive Mark Winterton.

Shortage

The merger, approved by shareholders on March 10 and sanctioned by the Rand Supreme Court on March 17, has its roots in talks in London about a year ago when Liberty's Don Gordon raised the prospect of getting together with Prudential's SA operation.

At that time Liberty managing director Monty Hilkowitz had emigrated to Australia and Mr Gordon was worried about a possible shortage of senior staff.

Although the Prudential was doing well, a possible problem was rearing its head. It was conceivable that the Pru in Britain and in other parts of the world could come under pressure because of its exposure in South Africa.

Mr Wharton-Hood says: "If it had come to a forced sale of the SA operation the price could well have been lower. On the other hand, Don Gordon was prepared to offer a good price. It also appeared that policyholders would be no worse off, and would probably be better off."

There were certain synergies which meant that both companies would be strengthened by a deal. Liberty Life was strong in the elitist market, particularly in the Pretoria-Wiwatersranb-Vereeniging area, and Prudential had a strong base in the Afrikaner market, in rural areas and among lower-income groups.

Dorian Wharton-Hood . . . better than we expected

The companies also had compatible computer systems. The upshot was that the merger was announced last September, and the final stage came last week with the listing of 1 610 000 new Liberty shares on the Johannesburg Stock Exchange, giving the Prudential in Britain a 7% stake in Liberty Life.

Mr Wharton-Hood is particularly proud of the fact that the staff — even senior executives who are normally the first victims of such a merger — have been absorbed.

"We have only lost one senior staff member, assistant general manager and above. We are talking about 30 to 40 people. All the rest are in position and they have productive jobs."

He says three other senior people are coming up for the retirement and they will not have to be replaced. But, for the rest, natural attrition has taken care of any overmanning.

"It has been better than we ever thought possible," says Mr Wharton-Hood. The 2 500-strong staff is not significantly smaller than the total employed by the two separate companies.

Because of the differences between the companies' traditional markets the main sales staff still operate independently, selling different products.

"We see this as an opportunity to penetrate a much broader market," says Mr Wharton-Hood. It also stimulates competition."

But the operations of the field staff selling to brokers have been merged, and reps are selling both companies' policies.

One of the main benefits of the merger, as he sees it, lies in the investment field.

Savings

"Both companies had successful records in this sector, and by combining their strengths we have the first team. We have a great opportunity to develop a proper asset mix, and it would have been difficult for either company to restructure its portfolio on its own."

He says other benefits of the merger are beginning to flow from the greater penetration in the market place and the results of cost savings are being felt. Later this year agents will also be able to sell the best products of both companies side by side.

Mr Wharton-Hood says new business in the first two months of this year is about 25% up on the same time last year.

"To some extent this is due to the fact that there has recently been an upturn in confidence, which generally leads to more buoyant sales. But I believe it is also partly due to our better coverage of the market.

"Both companies' products are selling well, and we will achieve our target of a 25% increase in sales this year."

R4,9m—that's what's owing on SA cars

5/1(5)

By Don Robertson

SOUTH Africans owe R4,9-billion on their cars, equivalent to 13% of the national Budget.

The amount excludes unearned finance charges, estimated conservatively at R1-billion.

The amount owing compares with R4,1-billion in 1985, a decline in real terms.

According to the Reserve Bank the amount was owed to the four wheels banks — Wesbank, Stannic, Santam and Nedfin — on new and used cars and light commercial vehicles in December.

Since December 1985, the price of cars has increased by up to 37%. Deposits on new cars were reduced to 10% in August of that year. As a result, finance houses were required to finance a larger portion of many of the cars sold.

Rates fall

However, interest rates have fallen from above 25% to as low as 15% on a linked interest rate.

The battle for a bigger share of this lucrative market continues among the top four finance houses.

Wesbank is by far the largest in the wheels market with R2,2-million outstanding at the end of last December. This figure compares with R2,05-billion at the end of December 1985.

Wesbank claims to finance almost 35% of all new and used cars and writes an average of about R135-million a month in additional business.

Second

Stannic holds second position, being owed R1,5-billion at the end of December last year. This compares with R927,7-million in the previous December. Stannic also finances the purchase of cars through its commercial bank.

Making great strides in the market is Santam, which was owed R908-million last December. This compares with R691-million in 1985, which included substantial finance charges.

Managing director Roeland Perold says the company has made inroads into the market since the link with Trust Bank in July 1985. The size of the book has nearly doubled since that date.

58

288,

Not just another child's policy

ing,

It will cost R500 000 to educate them in 20 years' time.

IN 20 years' time, an education costing R60 000 today is likely to cost over R500 000. AA Mutual Life, a leading innovator in the life assurance industry, has incorporated its strategy of improving benefits for the living to launch a plan to combat rising costs in educaton and to ensure a financially secure future for young dependants.

The Gold Key Plan is not just another child's policy. It has been specially designed to cater for a young person's financial planning requirements from childhood to early middle age.

Innovative features of the plan are no limit on the number of withdrawals and guaranteed future assurability.

The new policy ensures tax-free income in future years to provide an education, home or even a start in business. At the same time, important death and disability benefits have been attached to the policy which will ensure that even if something untimely should happen to the parent, the policy will continue.

"Our points of departure is that all parents naturally want their children to be successful, both personally and professionally.

"The advantages of the new policy are three-fold: The parent or grandparent ensures the availability of money for the children for their major financial needs such as education, a business venture, a deposit on a home or for a car. The future insurability of the policyholder's children is guaranteed should they later become ill or disabled; and special cover is provided when a young person is called up for military duty," explained Bruce Howard, assistant general manager, marketing, for AA Mutual Life.

By adding these important benefits, the policy is transformed into a dynamic instrument which offers unique flexibility for meeting financial requirements.

There is also options to upgrade premiums annually to counter the effects of inflation. Initially, the premium may be paid by the child's parent, grandparent, guardian or any benefactor until age 21, when the child may take over premium payments. Should the payer of premiums die or become disabled, premiums will be paid automatically until the child turns 21. Full life cover is provided for the child from the age of 14.

"In additon, your son or daughter is guaranteed that one day they can take out large life policies at standard rates, irrespective of their state of health, occupation or their recreational activities when they turn 21 and every three years thereafter," said Howard.

Dr Allan Boesak ... "Ads a pleasant surprise."

'A surprise' — Boesak

29/3/87 City Press

58

CP Correspondent

WORLD Alliance of Reformed Churches president Dr Allan Boesak was "pleasantly surprised" when told by his secretary, Thelma Sacco, early in January about the publication of ads calling for the African National Congress' unbanning.

Boesak, a United Democratic Front patron, told the Munnik Commission this week he had been unaware of the decision to place the ads in SA newspapers.

Boesak said he was in New York when Sacco told him about the ads.

Boesak said UDF national treasurer Azur Cachalia, who placed the ads, never asked him for financial assistance.

Boesak said he had arranged with his bank to transfer R50 000 to Yusuf Surtee's account. The money was meant for financial help for detainees' families.

He said he would have paid the contribution directly into the UDF's account, but the UDF had been declared an affected organisation and he feared the government would ban it.

Archbishop Desmond Tutu had introduced him to Surtee – the man who had originally paid for the ads – in Johannesburg two years ago when Senator Edward Kennedy arrived in SA, said Boesak.

He saw Surtee regularly and they were trustees of the equal opportunities trust fund started by Coca-Cola last year.

He had asked Surtee to serve on a small trust fund for Winnie Mandela. Bill Cosby's wife planned to make a film on Nelson Mandela's life and the profits would be placed in a fund for bursaries, he said.

Boesak said Surtee was a very resourceful and decent person.

They had attended the Indira Gandhi Memorial Trust meeting in India last year and also the conference of the Non-Aligned Movement in Harare last September.

He did not know if Surtee was a member of a UDF affiliate.

Boesak said he had met Barclays Bank managing director Chris Ball and had had dinner with him but it would be "presumptuous" to say they were "good" friends.

MONDAY, MARCH 30, 1987

CAPE TIMES 30/3/87 (58)

R3,99-bn insurance payout

JOHANNESBURG. — The life insurance industry in SA paid out benefits of R3,99 billion in 1986. This is an increase of more than 40% over the benefits paid out a year earlier.

Statistics about the industry, compiled by the Life Offices' Association (LOA) and released at the weekend, show that benefits of more than R15m per working day were paid out last year.

Benefits in terms of death and disability claims comprised more than 25% of the total and amounted to R1,03 billion.

Annuity payments increased from R353m in 1985 to R537m in 1986 — an increase of more than 52%.

Premium income, at R8 690m, posted a leap of almost 40% over the 1985's R6 240m.

The LOA says this may be attributed partly to the generally more favourable trend in individual savings in the country and partly to the relative attractiveness of the products of life assurers as savings channels, especially over the longer term.

More than 60% of the total premium income came from premiums in terms of individual policies, the rest from group schemes and pension funds.

Investment income increased from R3 649m in 1985 to R4 238m last year.

Assets held to meet claims as they arose amounted to R54,5 billion at the end of 1986, well up on 1985's R36,6 billion a year earlier.

Of total assets at the end of December, public sector securities amounted to about 36%, shares and units to about 40% and property holdings to about 16%.

After a once-off tax levy in 1985, which was not repeated in 1986, income tax paid on policyholders' investment funds dropped from R288m to R236m. — Sapa

Insurers paid out R3,99bn in '85

THE Life Insurance industry in SA paid out benefits of R3,99bn in 1986. This is an increase of more than 40% over the benefits paid out a year earlier.

Statistics released by the Life Offices Association (LOA) over the weekend indicate that benefits of more than R15m per working day were paid out last year.

Benefits in terms of death and disability claims comprised more than 25% of the total and amounted to R1,03bn.

Annuity payments increased from R353m in 1985 to R537m in 1986 — an increase of more than 52%. Premium income, at R8,690m, posted a leap of almost 40% over 1985's R6,240m.

The LOA says this may be attributed partly to the generally more favourable trend in individual savings in the country and partly to the relative attractiveness of the products of life assurers as savings channels, especially over the longer term. — Sapa.

Deposits with CPD 322% higher

Govt faces cash surplus dilemma

CAPE TIMES 30/3/87

From GERALD PROSALENDIS

JOHANNESBURG. — Government is sitting on an enormous cash surplus which is creating problems for both monetary and fiscal policy.

Government balances with the Corporation for Public Deposits (CPD), the Public Investment Commissioners (PIC) and Reserve Bank have been rising for two years. The latest Reserve Bank Bulletin shows central government's deposits with the CPD stand at R3,991 billion — 322% higher than the R946m at end-March 1985.

In the same period, deposits with the CPD by government, Sats, Post and Telecommunications, public corporations and local authorities rose 123% to R5,131 billion from R2,3 billion.

Faced with dilemma

Part of the money is a result of the debt standstill. When foreign banks refuse to roll over loans, or SA companies switch to local sources of finance, the money is paid into the PIC. More than R700m is believed to be held in the PIC from this source.

Government surplus funds means it will have little difficulty in financing the deficit before borrowing. Government is now financing itself from cash flow, but this has presented problems, especially for the main budget.

The monetary authorities are faced with a dilemma. If the money is put into an ordinary government account it will end the fiscal year with a massive surplus, making it difficult to resist demands for increased spending by government departments.

But if it is allowed to flow into the private sector, the money market would move strongly into surplus, rates would fall sharply and the Reserve Bank would lose control over short-term interest rates.

Inflationary spiral

This would force the Reserve Bank to issue paper to mop up excess liquidity and prevent Treasury bill rates and other short-term rates from falling. This would be costly as government would be obtaining funds, on which is has to pay interest, that it does not need.

Monetary authorities fear lower interest rates because they could set off a programme in the private sector leading to more capital-intensive production at the cost of higher unemployment and an inflationary spiral.

So what to do? Rather than giving the money to state departments or the money market, expect the Budget to hide the money from both.

Added to the surplus of government funds are banks flush with cash because of low demand for credit in a stagnant economy, and insurers flooded with funds because they are unable to invest abroad in terms of foreign-exchange controls.

Shares dispute in court

Star 31/3/87

The ownership of shares in two companies formerly owned by the Triton group is the subject of a dispute being heard in the Rand Supreme Court.

Mr Gerald Lubner is suing W & A Investment Corporation for 25 percent of the shares of Macphail Holdings, formerly Triton Energy, and Enyati Resources. Both were subsidiaries of the Triton group, now in liquidation.

Mr Lubner's claim arises from an oral agreement he claims he had with the managing director of W & A Investments, Mr M Simchowitz.

Mr Lubner says that he represented the General Lubner Group, Abe Swersky and Associates and a Mr Robert Newman in a written agreement with W & A in 1982.

The three parties agreed to sell their ordinary Triton shares to W & A Investments. At the same time, according to Mr Lubner, Mr Simchowitz agreed orally that if the Triton group was restructured, Mr Lubner would obtain 25 percent of the shares and pay 25 percent of the costs.

Mr Lubner says restructuring took place after the alleged oral agreement was made.

W & A contest this, saying there was never any oral agreement. The company also denies that Triton Energy and Enyati Resources were restructured.

End to army insurance

31/3/87 B Day

HELENA PATTEN

SADF Citizen Force members have been found to have such high claims rates on their cheap short-term insurance that their policies will be cancelled.

SA Army Foundation chairman General "Witkop" Badenhorst said an investigation had shown the Citizen Force claim rate was 124%, compared with 54% for the Permanent Force (PF). He said he did not know why Citizen Force claims rates were so high.

To avoid raising premiums through the roof, it had been decided to cancel the 3 000 to 4 000 policies held by Citizen Force members from the end of April.

There are about 12 000 PF members.

A spokesman for IGI, the insurance company underwriting the policies, said the scheme, offering reduced premiums, had been initiated to help PF members.

He said if a claims rate was more than 60%, an insurance company would not be able to break even. The Citizen Force had abused the privilege of participation in the scheme. He said Citizen Force members had been warned that their

● To Page 2

58

Citizen Forces' claims rate too high

● From Page 1

31/3/87

claims rate had to come down, but the situation had worsened after the warning. The policies were thus being cancelled.

B Day

Badenhorst said the foundation was negotiating for a new Citizen Force insurance system, but he would not identify the insurance company involved.

The IGI spokesman said the company was prepared to offer Citizen Force members the standard short-term insurance package available to the public, but no preferential rating would be offered to them.

□ The high theft rate in the Witwatersrand has led General Accident Insurance Company to restrict writing of new household all-risk policies to clients who already have business connections with the company.

Assistant GM of General Accident, Peter Trustham, said other areas would not be affected.

Cape Times 31/3/87

Rand climbs to 12-month high

58

From HAROLD FRIDJHON

JOHANNESBURG. — With the rise in the gold price outpacing the decline in the dollar, the rand reached a year's high yesterday, pumping fresh adrenalin into the share market.

Gold closed in London at $423,75, a gain of 4,4% in the past fortnight, compared with the dollar dropping to Dm1,8025 (at the European close), shedding 2,1% in the same period. The rand at $0,4963 appears to be pushing towards the critical $0,50 mark.

The biggest gainer was the financial rand which, closing at a middle price of $0,3512, has spurted 28,9% from $0,2725 since March 16.

Record dollar low in Tokyo

On Diagonal Street, the JSE Overall Index came within four points of its all-time peak in hectic trading before falling back on a combination of profit-taking and a firmer financial rand, writes **Mervyn Harris**.

Golds and mining houses made strong initial gains when gold opened in London at $426, a rise of almost $10 from Friday's close and its highest level since late October.

The dollar plunged to a record low of 144,70 yen in Tokyo. It closed at 146,20 yen after the Bank of Japan intervened.

Tuesday March 31 1987

ARGUS 31/3/87

58

ECONOMY

Capital outflow down 50 pc — BER

By MAGGIE ROWLEY

NET capital outflow from the country this year is expected to be R3,3-billion — half the amount originally forecast by the Stellenbosch Bureau of Economic Research — and this is likely to underpin the rand.

The bureau's revised predictions follow the recent favourable rescheduling of South Africa's foreign debts.

Senior economist at the bureau, Mr Nick Barnardt, said today the country's economic position was much more favourable than in October last year when a net capital outflow of R6,6-billion was predicted.

"At that time foreign perceptions of South Africa were extremely negative and we were expected foreign banks to demand heavy repayments.

"While any outflow of capital has a constraining effect on the domestic economy, the outflow now foreseen is considerably lower than previously projected.

"Current account surpluses are expected to exceed capital outflows, enabling the country to continue building up its holdings of foreign reserves.

"This will provide strong support for the exchange rate of the rand, preventing serious depreciation.

"Consequently import prices are projected to rise by about 8 percent a year for the next two years against the 1985-86 period where they rose by an average of more than 20 percent," Mr Barnardt said.

The bureau also predicts:

- Declies in domestic inflation and rising foreign reserve holdings will increase the scope for higher consumer spending and overall economic growth. Real gross domestic product growth rates of 2,9 percent for 1987 and 3,5 percent for 1988 are projected.
- The improvements of South African holdings of foreign reserves, together with declining inflation, will also largely neutralise any upward pressure on interest rates which may arise from domestic credit demand. It is unlikely that official money targets will be significantly exceeded. Consequently, no sharp increases in bank lending rates are foreseen.

Mr Barnardt said South Africans could look forward to a period of stable economic growth with moderate improvements in living standards and employment levels.

"However, we emphasise strongly that these positive prospects hinge crucially on the assumption that political stability and reform will continue in South Africa.

FINANCE - GENERAL

1987

APRIL

US bank-account ban is 'not feasible'

B/Day 1/4/87

SIMON BARBER

WASHINGTON — Prohibiting SA citizens from holding bank accounts in the US is "not feasible", the US Treasury Department has concluded.

The conclusion is contained in a report requested by Congress in the Comprehensive Anti-apartheid Act.

US banks are already barred from accepting deposit accounts from the SA government and its parastatals.

Congress had hoped to include all South Africans under the ban on the grounds that it would focus sanctions on whites.

The theory, outlined in August by Republican Senator Richard Lugar, then chairman of the Senate foreign relations committee, was that by cutting off "bolt holes", the US might force white South Africans to deal with their problems at home.

"Exactly how we were supposed to make this work is unclear," a Treasury spokesman said. "Demand birth certificates of everyone wishing to open a bank account?"

Several other reports are also on their way to Congress this week.

These include the controversial study on SA arms embargo violators, and a Justice Department inquiry into illegal US lobbying efforts by the ANC.

The latter, demanded by conservative senator Jesse Helms, is to cover "possible violations of the Foreign Agents Registration Act (FARA) by the ANC and other opposition groups in sub-Saharan Africa".

Black outrage over municipal elections date

B/Day 1/4/87

THEO RAWANA

THE recommendation that October 19, 1988 be the date for all-race municipal elections has been greeted with outrage by black leaders.

The date coincides with the 11th anniversary of government's crackdown on the anti-apartheid movement that saw two newspapers banned, their editor detained, 18 organisations banned and many other leaders detained.

The Co-ordinating Council for Local Government Affairs recommended last week that this date be set for the elections.

Among leaders to slate the move were *City Press* editor Percy Qoboza, Soweto Civic Association chairman Nthato Motlana, and Azapo deputy president Lybon Mabaso, who said the date was held dearly by blacks.

ANC ad probe halted

Cpt Times 1/4/87 58

Staff Reporter

THE Munnik Commission into the financing of the ANC advertisements has come to a standstill because a key witness is "not available", according to the secretary of the commission, Mr A van den Bergh.

Mr Van den Bergh would not disclose who was being sought to give evidence, and said the commission's position was "uncertain at this stage".

He did not know when or if the commission would sit again, saying Mr Justice George Munnik, Judge President of the Cape, was still "studying documents" to decide whether any other witnesses should be called.

STAR 2/4/87

(58)

Citizen Force policies cancelled

Incorporated General Insurance (IGI) has confirmed that it has cancelled between 3 000 and 4 000 short-term insurance policies held by Citizen Force members — because their claim rate was too high.

A spokesman for IGI said the Citizen Force claim rate was 124 percent, as compared to only 54 percent in the Permanent Force.

Citizen Force members had abused what was effectively a group scheme, and which had been initiated to help members of the PF, he said.

To avoid raising premiums to unacceptable levels, it had been decided to cancel the policies held by Citizen Force members from the end of April.

The spokesman explained that insurance companies could not break even if claims exceeded 60 percent.

Bank acts to steady rates

2/4/87 B/Day (S8)

HAROLD FRIDJHON

THE Reserve Bank appears determined to stabilise Bank Rate and the present short-term interest-rate structure.

Yesterday's innovative tender offering the banking sector R1bn worth of deposits from the Corporation for Public Deposits (CPD) was designed to prevent month-end money market rates shooting up in the face of an unexpectedly large end-of-month shortage.

The feature of the offer was that the Reserve Bank allowed the market to set the rate — an average of 8,88% on the R963m deposits taken up. In the past CPD deposits, fixed by the Bank at between 9,25% and 9,5%, had the effect of pushing up the call deposits rates of the banks and the building societies.

Senior deputy governor Japie Jacobs said yesterday that the availability of the CPD money resulted in the call rates paid by the banks and the discount houses dropping sharply from 9,5% to 8,75%.

Jacobs added that this new mechanism demonstrated the Central Bank's intention to maintain stability in the rates structure, including Bank Rate. He said that the Reserve Bank would continue to use its other levers to prevent the system from being distorted. These included providing facilities through the Reserve Bank's discount window and the buying and selling of assets to mop up excess liquidity.

The disadvantage of moving assets temporarily in and out of the market was the paperwork involved.

Discount House chairman Colin Dunn said yesterday that including the banks in the CPD offer made things very difficult for the discount houses, which had to

● To Page 2

Reserve Bank acts to steady rates

(S8) B/Day

● From Page 1

2/4/87

tender against a whole range of securities, the rates of which fluctuated from day to day, while the banks could bid against the average of the rates on their books.

He thought that this would put upward pressure on the call rates. On the other hand he agreed with the new mechanism "in principle". Money market flows in SA were very uneven and he welcomed the move to even them out. Nevertheless he had some reservations.

The rate for 90-day bankers acceptances (BAs) rose from 8,40% to 8,50% and a dealer said yesterday that he believed that the Reserve Bank would like to see this rate rise. He added that if the Reserve Bank fed more Treasury bills and other assets into the market it could influence the BA rate to move up.

Aids: Fear of heavy life payouts

ARGUS 2/4/87

58

By DICK USHER
Staff Reporter

A LIFE insurer has introduced an Aids-related question on its policy proposal forms as concern about the disease grows among insurance companies.

Other companies are considering their position and the industry has held several seminars dealing with Aids.

The main fear of insurers is that victims might take out heavy cover on their lives to the detriment of other policyholders.

This could affect the industry's profitability and reduce bonuses on other policies.

But insurance spokesman do not expect the fatal disease to threaten the industry.

Mr Neville McKay, senior manager of product development for Southern Life, said: "If an Aids epidemic reached the scale at which it would threaten the life insurance industry it would be of such proportions that the whole of society would be endangered."

QUESTION

He said the industry's main concern was to protect policyholders from the threat of people with Aids taking out heavy life cover.

Old Mutual has introduced a question on forms asking whether an individual has received, or expects to receive, medical advice, counselling, treatment or blood tests in connection with Aids or an Aids-related condition.

Dr Ivan Lockyer, the company's chief medical officer, said: "Depending on the answer we reserve the right to call for more information.

"Our major concern is to protect the general body of policy-holders from those who know they have Aids."

Mr McKay said several American states had declared that insurance companies could not discriminate against Aids victims. He said: "As soon as that legislation was passed re-insurers refused to underwrite business in those states."

Industry spokesmen said life insurance was based on life expectancy and it would be bad business to insure people whose life expectancy was severely diminished.

Pick 'n Pay's results which are du
tommorrow range from earnings
percent to 14 percent, with a divi
100c and 105c.

Frankel Kruger's retail analyst,
expects earnings of 205c a share, u
181c, and recommends accumulati
a longer term view up to about R

Anderson Wilson's Chris Gilm
earnings of 209c and a dividend of 1
the second half of the year should

ARGUS 2/4/87

58

INVESTMENT

JSE outshines world bourses

From NEIL BEHRMANN

LONDON. — The South African market in the first quarter of this year outshone all other bourses because of the extraordinary rise of gold shares on international markets.

In dollar terms Johannesburg beat Wall Street, London, Tokyo and Paris.

Even over the past twelve months, Johannesburg was among the winners. The FT-Actuaries World Indices in dollars rose 40 percent.

Singapore was top of the pops with a 106 percent gain, followed by Japan 93 percent, Mexico 74 percent, Malaysia 72 percent, South Africa 60 percent, Spain 51 percent, France 49 percent, Australia 42 percent, Canada 39 percent, United Kingdom 36 percent and United States 24 percent.

In the rush for special situations, South African gold shares in London and New York have appreciated by 25 percent in the past fortnight. Since its low point in July last year, the Financial Times South African gold share index has soared 167 percent.

Average dollar yields on quality South African mines are between 6 percent to 8 percent, last seen in 1983 when the market reached a peak. Their PEs are around 13 to 15. The better brokers say that the shares are discounting a gold price of $450 to $500 an ounce.

But international fund managers have been piling in on the grounds that the shares offer better value than the inflated North American gold stocks which are on PEs of 40 to 60 and Australian counters which are valued on PEs of around 20.

Says Julian Baring of James Capel: "What strikes us as interesting is the way that fund managers who have so recently and vehemently expressed the intention of never investing in South Africa again, are now behaving badly in the queue, jostling each other in a most ungentlemanly way in their efforts to get to the feeding trough."

4 Cape Times, Friday, April 3, 1987

58

Tutu attacks banks for softening on SA

Staff Reporter

INTERNATIONAL banks had done black South Africans "a great disservice" by extending credit to the government without extracting guarantees that apartheid would be eliminated, Archbishop Desmond Tutu said yesterday.

Addressing a packed lunchtime meeting of the Institute of Citizenship in the St George's Cathedral hall, Archbishop Tutu said it appeared that the country's creditors had adopted a softer attitude towards South Africa as a direct result of the government's "strong-arm tactics" and reports that the state of emergency was to be extended.

"These international bodies are prolonging the misery of blacks," he told the sympathetic and largely middle-aged white audience.

It was a measure of the split between black and white attitudes that while whites were "ecstatic" about the anticipated economic upswing, blacks believed it would only bring more political and economic exploitation.

He said that an economic recovery coupled with an extended state of emergency would compound white complacency and a false sense of security.

The alienation of black from white enabled the government to create an illusion of perfect quiet, "but underneath it is seething", he said.

"Blacks do not want reform," he said.

"Revolution is a word most of us want to run away from, but it means radical change and it doesn't necessarily have to be accompanied by violence.

"But is has to be thorough-going . . . the height of my political ambition is not to share loos with white people."

Blacks would also not accept the government's "darlings" as their leaders.

"The people know who their leaders are. Why do white believe we are such slow thinkers that we cannot make a choice. They are repeating the Muzorewa syndrome."

Archbishop Tutu said many whites had been "shocked out of their skins" to discover Zimbabwean Prime Minister Mr Robert Mugabe was urbane, educated and articulate and urged the reconcilation of black and white.

"You are going to be doubly suprised when you meet Oliver Tambo," he said to loud applause.

(Report by H Venables, 122 St George's Street, Cape Town.)

Archbishop Tutu

BOP MVA

Carrying the can

Insurance companies handling Third Party claims, and motorists who believe this compulsory cover provides adequate protection, could find themselves responsible for large sums owed by Motor Vehicle Assurance (MVA) funds. For if the funds run out of cash, responsibility for payment lies with both the insurer and insured.

This has emerged from threatened litigation against Incorporated General Insurances (IGI). An attorney representing an MVA claimant issued summons on March 24 for R42 278,55. The amount — which represents costs incurred (including medical and legal expenses) in a suit against IGI, acting for the Bophuthatswana MVA fund — was paid on March 30.

The original action was settled in September, when more than R150 000 was paid to an accident victim as compensation for injuries received when his car was involved in a collision with a vehicle registered in Bophuthatswana.

A bill for legal costs was informally served on the defendant's attorney and agreed to by both parties on February 18. But payment was delayed. According to the defence attorney, the delay originated with the Bop MVA fund. "A cheque was requested but we were advised that the signatories were not immediately available to sign a cheque as they were in Pretoria."

However, an official at the Bop MVA fund denied this. "We only received the claim on March 16 and it was paid on March 27 — in good time and in accordance with the provisions of the agreement with the fund."

Though the delay seems to have been the result of an administrative hitch, the threatened action has far-reaching implications, given the escalation in size and value of claims.

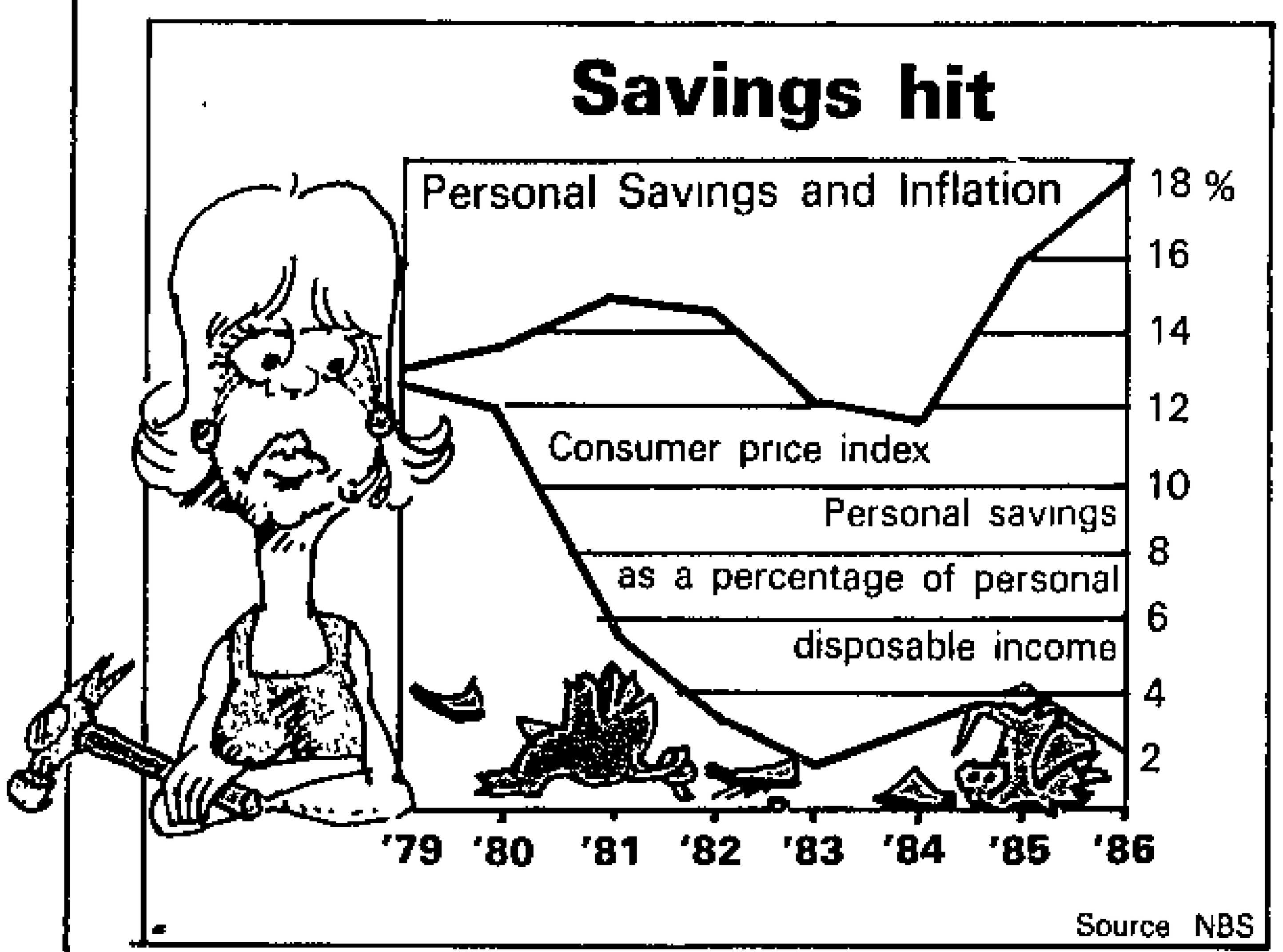
The MVA funds of SA and the TBVC states run on a hand-to-mouth basis. Should claims settlements continue to increase sharply, current revenue will never be able to keep pace with the demands made on them.

Bop MVA, which has experienced an increase of 80 000% in the number and value of awards paid, was down to its last R3m in August, with claims to be paid out in 1986-1987 alone expected to total R11m. The position was eased in December when funds levied on petrol in both SA and the TBVC states, as well as contributions paid directly by fuel companies to Bop, reached the MVA fund (*FM* February 20).

While MVA funds carry reinsurance, this applies only to large amounts — more than R250 000 for Bop for 1986-1987, and more than R5m in the case of SA. It also applies only to that portion of the claim exceeding those figures.

For insurers, the moral is that their involvement in Third Party cases is not limited to administration, in return for a fee or percentage of the premium (depending on which fund is involved). If the MVA fund is unable to meet its commitments, the insurer is responsible. Moreover, following the precedent of a 1963 case, the insured is ultimately responsible if both the MVA fund and insurer are unable to pay. ■

FM 3/4/87



able to save, have changed their savings behaviour. Negative real interest rates and low interest rate expectations have encouraged the transfer of savings from bank and building society deposits to other media."

Contractual, as opposed to voluntary savings, play an increasing role. The premium income of the life assurance industry has soared to 284% of net personal savings in the past five years, according to Sanlam chairman Fred du Plessis, implying substantial dis-saving in other media. Between 1977-1981 this figure was only 64% (*FM* March 20).

The second half of 1986 saw a surge in investment in life assurance, says Dorian Wharton-Hood, chairman of the Life Offices' Association. He says: "This continued into the first months of 1987 and indicates significant dis-saving from other instruments such as building society and bank deposits, plus sales of property."

This has been surpassed by the dramatic increase in unit trust investment in the past few years, says Bernard Nackan, executive director of Sage Holdings and MD of Sage Mutual Fund.

Keir Dellar, corporate planner at Natal Building Society, agrees that inflation has changed the composition of saving. But the associated and probably more significant impact has been on the actual level of personal savings.

Steenkamp points out that historically the consumer's propensity to spend on durables and semi-durables has been a major determinant of personal savings rates.

"If durable spending is high, personal savings tend to be low. Increases in sales of durable and semi-durable goods in the past few months suggest just that for 1987."

Corporate savings present another side to the story. The major contributors to corporate savings in 1986 were businesses that survived the recession, grew lean and are now experiencing healthier profits.

"Balance sheets of the corporate sector took a severe hammering during the recession, but the storm is over for those that made it," says Hans Falkena, chief economist at United Building Society.

"In general, 1986 surpluses were not enormous (with the exception of the mining houses), but efficient inventory management and cautious forecasts for medium-term economic activity have channelled available surpluses into the interbank market rather than capital investment."

Steenkamp expects reduced profits in 1987 for the mining houses, many of which have embarked on long-term capital expenditure programmes, but increased profits for industrial companies.

Rob Lee, chief economist at Old Mutual, believes corporate savings could reach even higher levels in 1987. "Earnings are looking good, but businesses are unlikely to invest at higher levels."

The third contributor to national savings is government, which has been a net dis-saver since 1982, but moved into surplus in the second half of 1986.

Says Falkena: "The State's financial situation is not good, but given the economic climate, the deficit is a must to generate activity."

Critics of negative interest rates have ample ammunition in the national savings predictions.

Says Falkena: "The Reserve Bank has indicated that it would like positive interest rates in the long term, but how long is the long term?

"National savings, in the form of the balance of payments surplus, are being spent on repaying foreign debt. Until the debt is paid off, SA will grow slowly at rates of about 1%-2%. We cannot repay foreign debt and at the same time expect growth in the order of 3%-5%." ■

SHORT-TERM INSURANCE

58

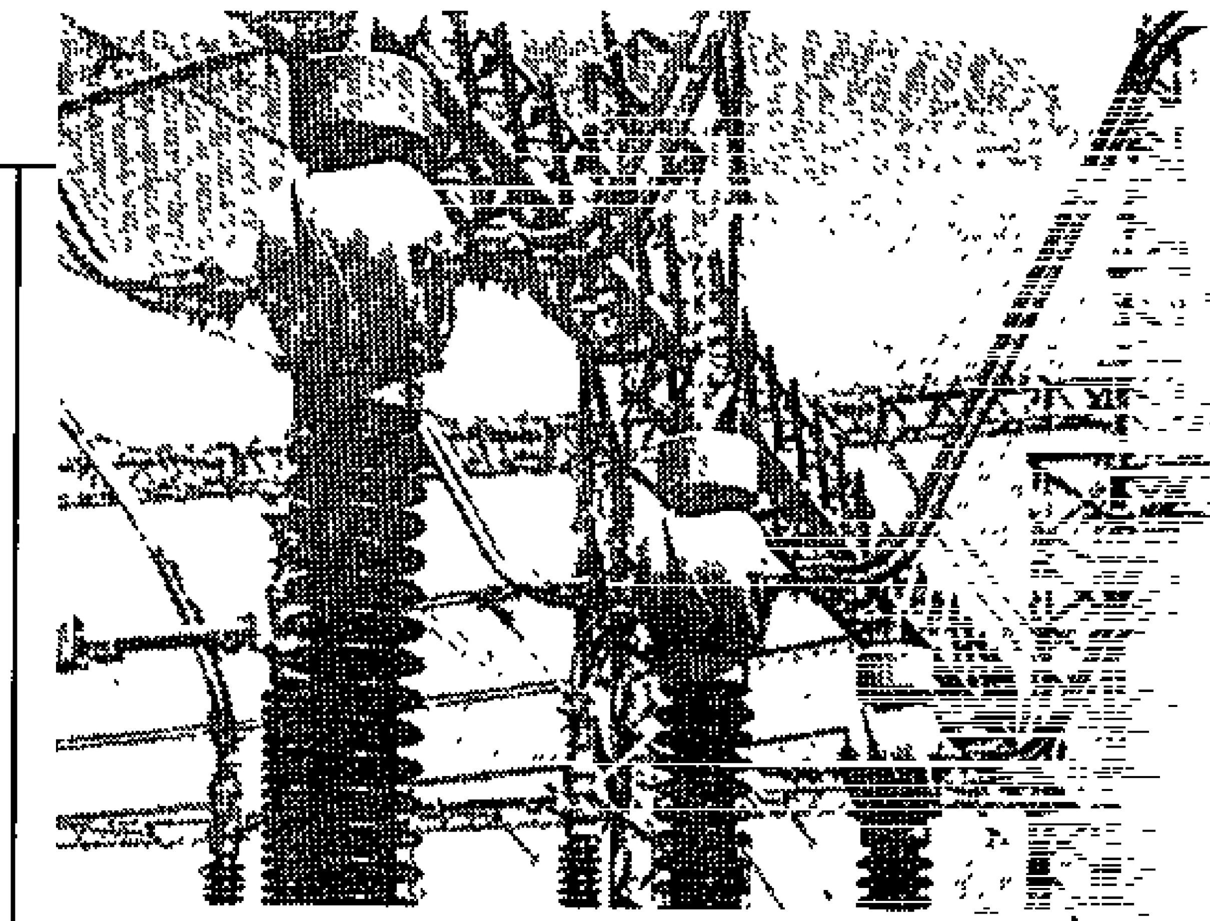
Electric storm

The electricity blackout recently may have put both Johannesburg city and Escom into the dark, but for insurers all seems sweetness and light.

Most policies, individual and corporate, are subject to a "time excess", usually about 12 hours. Losses caused by disruption to electricity supplies for 12 hours or less are excluded. The disruption of supply on March 17 from 7.37pm ran for just 47 minutes, according to a spokesman.

Explains Peter Moss, deputy CE of Aegis: "Our personal lines policy, for example, covers the contents of refrigerators and deep freezers up to R500 in the event of breakdown, accidental damage or failure of the power supplied by public authorities for more than 12 hours."

On the commercial side, he says the normal policy provides cover for disruption of



Transformers . . . a real turn-off?

supplies caused by certain perils, for example, fire, storm, and earthquake.

Companies can buy an All Risks extension which is more expensive. This extends cover way beyond standard perils, except things like pollution of, or shortage of, water, fault of equipment and deliberate disconnection, and, of course, political risks.

Escom, on the other hand, could face liability. Says its assistant legal manager, Ben Rheeder: "I don't believe we are protected by the 1958 Electricity Act. If we were negligent, we might have to pay claims from municipalities and corporations. Each claim will be dealt with on its merits."

Section 50 of the Act limits Escom and other suppliers to liability through negligence caused in connection with the supply of electricity. But there is nothing in law, according to Rheeder, that covers injury caused by the *lack* of supply.

He says that Escom is contractually obliged to provide "suitable equipment" and "suitably trained personnel". "If we haven't, we could be liable," he adds. "Though my initial feeling is that we have not been negligent and are therefore not liable, we are investigating all angles."

Referring to the fact that disruption was caused by an Escom operator failing to carry out corrective procedures properly, Rheeder says "we provide staff suitably trained with the necessary experience."

Major users, such as mines, are advised by Escom to instal stand-by equipment. Other examples are hospitals, large buildings and premises with heavy industrial plant. They wouldn't have a claim anyway.

As for Johannesburg municipality, its chief insurance officer, Vere van Eden, says the city is not liable for failure to supply, adding: "But we may entertain claims from people with medical equipment at home, for example, who incur further costs because of disruption to electricity supplies." It's a question of goodwill.

He says municipalities are also protected by the Act against being held liable for negligence, though "courts have found against councils for *gross* negligence in spite of the Act."

Again, on a point of goodwill, Van Eden says "I don't think we will make a claim on Escom. Although, under our contract, we can claim for loss of revenue, as it affected mainly domestic users I don't think we lost enough to justify losing goodwill." ■

FM 3/4/87

STANBIC

Up to standard

Activities: *Banking and financial services group which operates countrywide networks.*
Control: *Standard Chartered PLC owns 38,98%.*
Chairman: *H P de Villiers; managing director: C B Strauss.*
Capital structure: *74m ords of R1 each; 8m cumulative prefs of R1 each. Market capitalisation: R1 721m.*
Share market: *Price: 2 325c. Yields: 3,4% on dividend; 9,2% on earnings; PE ratio, 10,8; cover, 2,7. 12-month high, 2 300c; low, 1 775c. Trading volume last quarter, 174 000 shares.*
Financial: *Year to December 31.*

	'83	'84	'85	'86
Advances (Rm)	8,2	12,4	15,1	15,9
Total Assets (Rb)	11,4	16,1	19,1	20,7
Pre-Tax Profit (Rm) .	170,2	210,4	250,0	267,3
Attributable Profit (Rm)	121,6	144,6	183,6	209,0
Earnings (c)	186	213	227	214
Dividends	55	62	71	78
Net Worth (c)	926	1 005	1 197	1 648

The latest accounts from Standard Bank Investment Corp (Stanbic) are certainly the most informative the group has yet produced. They reflect an organisation well placed to benefit from any rise in demand for banking services, but which last year succeeded in increasing taxed profit only as a result of acquisitions.

The banking group's contribution to taxed profit fell by 10,7%, while that of the commercial bank dropped by 12,1%. The main reason was bad debts, the provision for which increased by 15,7%, partly negating a 10,5% rise in operating profits. Net new provisions were R187,6m, while a further R101,6m (R61,1m) was written off during the year against existing provisions. Specific provisions have now reached R219,5m and general provisions R178,2m, compared with R156,9m and R154,8m at end-1985.

Group MD Conrad Strauss regards the low demand for credit as one of the main problems facing the bank. Loans and overdrafts at the end of 1986 were slightly less than 1% down on December 1985. But Strauss also points to intense competition for funds, lower funds margins, and an increase in operating costs of 18,7%.

Despite the rise in instalment sale and leasing accounts of R293m or 9%, Stannic's contribution to taxed profit fell by 22,4%. The reason was again bad and doubtful debts, which were 10% (R63m) higher. Profit margins were hit by a poor funding mix, given that 49% of Stannic's loans are at prime-linked rates, while the cost of funds fell only slowly because it was locked into "expensive long-dated deposits."

The merchant banking arm improved profits by 13,9%, following improvement in all divisions.

The rise in group taxed income in 1986 was thanks to the higher contribution from investment, finance and services. This rose from R6,7m to R47,7m, mainly owing to the first-time consolidation of Unisec and Hesperus since they were acquired at the beginning of the year. As income from the two companies was previously brought into the Standard accounts on a lagged basis, another R3,5m for the six months prior to acquisition is included under income from associates.

The group is heavily committed to automation. Though Standard was one of the first in the field, it has to ensure that the lead is maintained, and in 1986 it spent R93,9m on improving computer infrastructure.

Strauss is cautious on prospects for the current year. "We are in a very competitive environment and competition will remain strong," he says. "However, this year we will not have the same rapid fall, if any fall at all, in overdraft rates. In consequence, I do not expect the same pressure on margins. Gross margins also have to accommodate bad debts, and a decline in bad debts will improve profitability."

Strauss points out that it is more difficult to assess the bad debt position in the commercial banking sphere than in the leasing and hire purchase section, where the situation can be assessed monthly. There does, however, seem to be some improvement in the bad debt situation since year-end.

This alone will not be enough. According to Strauss: "The problem is volumes and operating costs. Costs grow in line with inflation and we don't see an exciting year unless there is an improvement in the demand for funds."

The market is pushing the Stanbic share price to record levels, on perceptions that it is positioned to take advantage of any upturn in demand for funds, without having to raise more capital. Chairman Henri de Villiers insists that there will be no need to raise additional capital from shareholders for some years to come, but capital already raised (the average number of preferred and ordinary shares increased 19% last year) needs to be serviced. Earnings a share fell by 5% last year, and this year there will probably be no equivalent of Unisec and Hesperus.

But it is not simply a question of whether the company is a good investment, but rather a matter of when the banking sector will pick up again.

Pat Kenney

Stanbic's Strauss . . . strong competition

'Yes' vote for Allied conversion

CM Times 4/4/87

ALLIED BUILDING SOCIETY'S conversion from a mutual society to a public company was approved by an overwhelming vote at a special general meeting of shareholders in Johannesburg.

This is an important formality leading to the conversion of the society to Allied Building Society Ltd and the planned acquisition of the society by newly-formed Allied Group Ltd.

JSE

Allied Group, which will also become the holding company for Allied Bank, Allied Development Co and Allied Insurance Co, is expected to be listed on the Johannesburg Stock Exchange on June 10.

Allied Group, capitalized by approximately 300m R1 shares, is likely to be the biggest JSE newcomer of 1987.

Yesterday's decision also clears the way for investors holding shares worth R1 000 or more in the building society to acquire shares in the new listed company.

W/E News 4/4/87

Nice NBS slice for city investors

By DEREK TOMMEY
Finance Editor

58

ABOUT 18 000 people in Cape Town will find themselves with a useful — and for most of them — tax-free windfall next Wednesday when the Natal Building Society is listed on the Johannesburg Stock Exchange.

The NBS is the second building society to be listed on the JSE.

Those members of the society who received equity shares can expect to make a profit of at least R1 a share when trading starts.

NBS regional manager for the Cape Province Mr Kingsley Loney said today the response of the society's Cape Town members to the share offer had been a good one.

Just under 76 percent of Cape Town members had applied for shares, taking up 90 percent of the city's entitlement.

Those members who had not qualified for an issue of equity shares would receive R1 for every R12,50 they had invested in NBS interst-bearing shares.

Altogether, with an issue capital of 60-million shares, NBS members would be at least R60-million richer. And most of them are unlikely to have to pay tax on their profits.

The Commissioner of Inland Revenue, Mr Clive Kingon, said today that genuine investors would not have to pay tax on any profits made from the NBS listing.

However, speculators would be taxed.

He said the payments to members who did not qualify for shares were tax free, as these payments were beyond their control.

Also, the authorities were not particularly concerned with the small man who had R10 000 to R20 000 in NBS interest-bearing shares.

However, they would be watching those people who had recently invested large sums in the NBS merely to qualify for shares, and also those people who had been buying NBS shares prior to the listing to make a stagging profit.

Mr Loney said that as the cut-off date to qualify for shares had been May 1 last year, and this had not been advertised, he believed there were few qualifying members who could be considered speculators.

The NBS has forecast earnings of 34c a share for the 12 months ended March 31, and expects to earn at least 39,2c a share in the year ending March 1988 — an increase of 15,3 percent.

It expects to pay dividends totalling not less than 17c for 1987-88. If the shares open at 300c on Wednesday it will put them on a prospective earnings yield of 13,7 percent and a prospective dividend yield of 5,6 percent.

This is a more favourable return than the prospective 4,6 percent dividend yield UBS shares at 525c are offering.

UBS — the other listed society — is forecasting a dividend of 24c for the 12 months ended March 1988.

Investment analysts say the low return on building society shares is justified because the societies are a sound investment and at the same time have reasonable growth prospects.

They give three reasons for this:

- Building society loans are secured on property which make them as "safe as houses" and the risk of bad debts is extremly low. This is in sharp contrast to the recent poor experiences of the banks. Last year these were reported to have provided huge sums (one report was R900-million) to cover bad debts.
- They should enjoy steady growth as they will be called on to finance a substantial portion of the increased housing needed for the growing population.
- Their move into financial services will further increase profits. The close and lasting link that usually exists between building societies and their savers and borrowers makes it easier to sell financial services to these clients.

The NBS is seen as well placed for good growth. Among factors favouring the society are its large retail deposits which reduces its cost of money, and its large reserves which should enable it to aggressively expand its operations.

It is also seen as enjoying a strong position in the over 60s market as a result of it pioneering bonuses to people in this age group. At the same time the small size of the NBS gives it flexibility and enables it to move faster than its main rivals.

NBS earnings for the 12 months ended March are expected to be about R39,3-million before tax and R19,3-million after tax. This is an increase of 50 percent in the 1985-86 figure, but down slightly on the R20,5-million earned in 1984-85.

BUSINESSMAN OF THE WEEK

Going from strength to strength

By DEREK TOMMEY

DIXIE Strong, well known in Cape Town and Johannesburg financial circles, has recently been appointed managing director of Simpson and McKie, formed by the merger this month of Simpson Frater Stein and Strong, Cape Town's oldest stockbroking firm and McKie Van Velden of Johannesburg.

Stockbroking firms are not normally associated with corporate management structures "but it had to come", Mr Strong said this week.

"The new firm had grown too large to be managed in the way Simpsons had been for the past 85 years. We are one of the bigger firms on the Johannesburg Stock Exchange with 12 divisions already and expect to grow larger," he said.

Stockbroking in South Africa was no longer just a a matter of broker-client relationships, he continued. Brokers were engaged in a great many other activities and needed the same sort of management as any other business.

These days they were involved in arbitrage dealing, arranged new share issues, acted as agents in the gilt-edged and short-term money market and undertook extensive research, he explained.

Dixie Strong . . . confident of the future

This was in addition to carrying out their traditional activities of portofolio advice and stock exchange dealing.

The financial services industry has expanded rapidly in recent years and Simpson McKie is not the first member of this industry to have to make major structural changes in their operations to meet the different conditions.

For the past two years the JSE has had a full-time executive president, while the Government last year passed the Building Societies Act to enable these societies continue to exist and expand in the new conditions.

Mr Strong, 44, was born in Bulawayo, went to school in Grahamstown and graduated from UCT with a double blue in swimming and boxing.

After leaving UCT in 1963 he joined Old Mutual. In 1967 he moved to the shares and company analysis department and immediately realised where his future lay.

"I was fascinated with the share market. I also fell in love with Cape Town." So he did not find it difficult to decide to make his career in the share investment world — but only in Cape Town.

In January 1969 he joined a portfolio management company "just in time for the 1969 share market slump".

In 1970 he joined the stockbroking firm of D P de Villers Graaff, and soon built up a substantial client base. He became a director of Saunders and Taylor following the merger of the two firms in 1972.

In 1979 when Arthur Taylor, the firm's senior partner, retired, Mr Strong accepted an invitation to become a director of his present firm and took on the portfolio of director of research.

In 1984 his firm opened a branch in Johannesburg under the direction of Mr Strong, reversing the usual procedure of Johanneburg brokers establishing branches in Cape Town.

Mr Strong says he is extremely confident that South Africa will have a prosperous future. Politics is a stumbling block, but he is convinced that all South Africans together will find a satisfactory solution and the country will have the best race relations in the world.

He is also confident about the share market. It might seem to be over-extended, but company profits are picking up, he says.

Business Report

CAPE TIMES 3/4/87

Anamint dividends boosted 48%

JOHANNESBURG. — Anglo American Investment Trust Ltd (Anamint) has declared a final dividend of 960c a share for the year ended March 31.

This, with the interim dividend of 240c a share, results in a total distribution of 1 200c (810c) for the year, an increase of 48%.

Anamint derives most of its income from its shareholding in its associate company, De Beers Consolidated Mines Ltd.

Dividend increase

In the year under review, its dividend from this investment increased to R78,6m (R54,0m).

Income from other investments increased to R43,1m (R28,1m) which, together with interest earned, provided Anamint with a total income of R122,2m (R83,1m), a 47% increase.

After deductions for administration expenses, taxation and payment of preference dividends, Anamint's earnings attributable to ordinary shareholders, excluding its share of retained profit of its associate, amounted to R120,3m (R81,2m), or 1 203c a share.

Retained profit

Attributable profit, including Anamint's share of its associate's retained profit of R235,6m (R228,5m), rose to R355,9m (R309,7m). Total attributable profit was R342,0m (R292,5m).

Anamint's share of its associate's retained profit is transferred to a non-distributable reserve.

The market value of De Beers, Anamint's listed investment, amounted to R3 903,4m (R2 278,2m) at the year end and Anamint's net asset value a share, after providing for the dividend, was 41 885c (24 483c). — Sapa

HOME LOANS

(38) FM 3/4/87

Standard's home moves

Plans to extend home loan repayment periods well beyond the present 30-year maximum to "stabilise" monthly bond repayments are being considered by Standard Bank. An announcement is expected within weeks.

Standard is still working on the details, but there is talk that repayment periods could be extended to 50 years or more, saving up to R100 a month on substantial (R100 000) mortgage repayments.

In the fiercely competitive home loans market, in which Allied Building Society has introduced a guaranteed fixed interest rate option, Standard is looking for ways to show that it, too, is in the market to stay.

Building societies are currently restricted to granting loans with a maximum period of 30 years on certain lower amounts, while the majority run over 20 years.

The question of the repayment period, however, is largely academic. The average "life" of a home loan is seven years.

Given the current high inflation rate, even if nothing has been paid off the capital of a loan, the resale price is usually much higher than the loan and is, thus, good security for any lender. Recently, of course, there have been exceptions.

New buyers would find extended loan periods particularly attractive as for them low monthly instalments are far more critical than they are to long established home-owners.

Older buyers, who are concerned about paying off their homes before retirement, could elect to pay larger than minimum instalments to avoid that situation.

Extended periods also mean that the interest proportion of total repayments over the full period would rise substantially and bondholders would be well advised to step up their instalments later on. Repayments, for example, on a R100 000 loan at 14% over a 30-year period would total R426 600, of which R326 000 is for interest only. Against that, of course, runs the old argument that accelerated payments amount to no more than throwing good money after bad.

Still, as salaries increase, the ratio of monthly instalments to income has tended to fall dramatically, even allowing for hikes in the bond rate.

If one were to assume a 20% inflation rate over the next 10 years, a R1 000 instalment today would have the same value as R138 today by 1997. At the same time, a salary today of R5 000 a month, assuming increases kept up with inflation, would equate to more than R30 000 in 1997. The ratio of instalments to salary would thus drop dramatically.

"The first five years on a home loan are, in any event, the most difficult," says Standard Bank Financial Services managing director Dennis Matfield. "During that period there is hardly any capital repayment anyway." If Standard Bank proceeds with its plans to extend home loan periods, it could have a significant effect on building societies which, unlike banks, are presently restricted by law in terms of the periods over which they can lend on homes.

Standard's entry into the home loans market has already caused a significant ripple effect. In the first three months of this year — the period in which it has openly been involved in home loans — it has been an aggressive rate cutter and has approved loans totalling R250m. That is still small fry compared to Barclays, which hopes to top the R1,5m mark by year-end. But then Barclays has been in the home loans market for much longer.

Matfield is adamant that Standard is here to stay. He points out that with more large companies raising their own finance through inter-corporation loans, the banks are increasingly looking to the personal market for expansion.

Such competition can only be beneficial to the residential property market and add significantly to the economic recovery which, as our cover story shows, looks well set for improvement. ■

RENT DECONTROL

Last lap

(123) FM 3/4/87

A month after the announcement that the last remnants of the Rents Act are to be phased out, notices are already being sent to protected tenants by the Department of Local Government, Housing and Works (DLG) advising them personally of the changes.

The process, when complete, will see the emphasis changed from controlled rentals on flats — many of which were occupied by people who could afford higher rentals — to individual protection of the indigent. This protection will not be transferable when the "protected person" moves out.

The immediate effect will be to reduce the number of units on which landlords have to accept uneconomic rentals. The ultimate aim is the total abolition of control which has been partly responsible for the dearth of new rental flats over the past decade.

But, warns the DLG, it will be a slow process as existing staff are being utilised to process the applications. As a result, local offices of the DLG have selected "priority" areas where they believe the need for phasing out is most needed.

Generally these are areas which, because of their location, should be considered high-rent districts. Clearly it is unfair to expect landlords to subsidise tenants in such prime locations.

In Johannesburg and Pretoria, such "priority" areas remain to be defined whereas the coast is off to a better start. In Cape Town, for example, areas such as Constantia, Tokai, Rondebosch, Hout Bay and Llandudno have already been defined. Durban's Point area, South Beach, Marine Parade and the central area will also receive priority.

The DLG says that it is writing to tenants in blocks in these areas instructing them to make application to the DLG for protection.

Rent-controlled flats . . . a question of priorities

However, since it is virtually impossible to check each tenant's income personally, these applications will be in the form of a sworn affidavit.

Tenants who tell lies in these affidavits about income or age could face perjury charges.

To qualify for protection occupants have to be over 70 or earning less than R750 a month (single) or R1 250 a month (married couple).

The process, however, applies only to whites since the phasing out announcement was made by the DLG which represents

Insurers' concern over AIDS threat

6/4/87 (58) SMM

Own Correspondent

SOUTH African life insurers are concerned about the AIDS problem and one company has introduced an AIDS-related question on its policy proposal forms.

Others are considering their stance and the industry has held several seminars dealing with AIDS.

Insurers' main fear is that AIDS victims might take out heavy cover on their lives to the detriment of other policyholders.

If victims did this it would affect the industry's profitability and reduce bonuses on other policies.

But insurance spokesmen do not expect the fatal disease to pose a threat to the industry.

"If an AIDS epidemic reached the scale at which it would threaten the life insurance industry it would be of such proportions that the whole of society would be endangered," said Mr Neville McKay, senior manager of product development for Southern Life.

He said the industry's main concern was to protect policyholders from the threat of people with AIDS taking out heavy life cover.

Old Mutual has introduced an Aids-related question — whether an individual has received or expects to receive any medical advice, counselling, treatment or a blood test in connection with AIDS or an AIDS-related condition.

"Depending on the answer, we reserve the right to call for more information," said Dr Ivan Lockyer, the company's chief medical officer.

"Our major concern is to protect the general body of policyholders from those who know they have AIDS," he said.

For insurance companies the concern is to make sure people who already have AIDS do not get heavy cover on their lives.

Mr McKay said that in America several states had declared that insurance companies could not discriminate against AIDS victims.

"As soon as that legislation was passed reinsurers refused to write business in those states," he said.

Aids questions now from one SA insurer

(58) 6/4/87 SP

CAPE TOWN — A South African life insurer has introduced an Aids-related question on its policy proposal forms as concern about the disease grows among insurance companies.

Other companies are considering their position.

The main fear of insurers is that victims might take out heavy cover on their lives to the detriment of other policy holders.

This could affect the industry's profitability and reduce bonuses on other policies.

But insurance spokesmen do not expect the fatal disease to threaten the industry.

Mr Neville McKay, senior manager of product development for Southern Life, said: "If an Aids epidemic reached the scale at which it would threeaten the life insurance industry, it would be of such proportions that the whole of society would be endangered."

He said the industry's main concern was to protect policy-holders from the threat of people with Aids taking out heavy life cover.

Old Mutual has introduced a question on forms asking whether an individual has received, or expects to receive, medical advice, counselling, treatment or blood tests in connection with Aids or an Aids-related condition.

Dr Ivan Lockyer, the company's chief medical officer, said: "Depending on the answer we reserve the right to call for more information."

He said the company wanted to ensure that people who already had Aids did not get heavy life cover. — Sapa

Chocolate hares, a common present for Easter in Germany, are on sale now in Frankfurt — with condoms inside. The hares were commissioned by an organisation which helps Aids victims and are on sale for about R9 each.

After deaths, US defends tests for its diplomats

WASHINGTON — Aids killed five of the nine US diplomats who have contacted the deadly disease, the government said in defending its new Aids-testing programme for foreign service officers.

The Aids cases in the foreign service were revealed in court papers filed by the Justice Department against a lawsuit challenging the testing program that began on January 5.

A public employees' union that represents foreign service officers contends the tests violate the privacy of diplomats and threaten to hurt their careers.

In papers filed in the US District Court, the Justice Department said the testing programme was a legitimate effort to protect diplomats against the spread of Acquired Immune Deficiency Syndrome. — Sapa-AP

Booming cottage industry in Sweden

HENNAN, Sweden — A firm which tests and packages condoms in a former schoolhouse in this remote northern Swedish villlage is struggling to cope with orders in the wake of the spread of Aids.

In the abandoned school building which Centri took over from the education authorities 11 years ago, each of the six noisy production machines crank out one packed condom a second.

The weekly output is now up to 1,3 million, about twice the level of 12 months ago, but still not enough to satisfy local and international demand.

Demand is so great that staff of the Centri rubber factory work overtime, management is contemplating buying new machinery and a night shift may be the next step to keep up supplies.

"Of course we are happy to be making money, but it's a pity Aids has caused it. We would have preferred the reason for our success to be an increase in love-making," said factory head Mr Mats Lindqvist.

Centri's workload has rocketed since condoms were recommended as the best form of protection against Aids. — Sapa-Reuter

 CS 6/4/87

Dramatic fall in SA debt, but experts sound a warning

Post Correspondent

JOHANNESBURG — Civil debt has dropped significantly and attorneys handling debt recovery say this type of work is on the wane.

Banks, too, have noted the fall-off in bad debts with the slight economic upturn.

Nedbank GM (advances) Kay Davidson said the number and amounts of bad debts were "happily" lower than last year.

Barclays Corporate Banking group senior GM Mr Peter Springett said the debt position of companies had also improved dramatically. Corporate debts had dropped by about 50% since March last year, he said.

Figures released by the Information Trust Corporation show the value of civil judgments passed against companies in January this year as R6,5m — a decrease of 39,4% compared with January 1986 and 43% compared with the monthly average last year. The number of judgments was down by 40%, while the summonses issued shrunk by 29%.

Individuals did not fare quite as well, recording debts of R46,73m in January this year, down 19% compared with January 1986 and 24,5% below the monthly average last year. The number of recorded judgments declined by 18% and summonses issued decreased by 11%.

A Johannesburg lawyer said: "The massive decrease in debt recovery can be attributed to the improving economy and the fact that the financially weaker individuals and companies have gone under already."

Credit Guarantee Insurance Corporation manager Mr Mike Truter said the fall-off in insolvencies could be attributed to lower interest rates, a slight strengthening of the rand, and firming business and consumer confidence.

"Most of the companies that survived the recession have done so on tighter asset management and improved financial structuring," he said.

He noted there was still a "distinct" shortage of disposable income and said businesses would have to continue to monitor credit control very closely.

Information Trust MD Mr Paul Edwards said the sharp drop in business failures indicated healthier cash flows.

However he cautioned that company failures could increase counter-cyclically as a result of overtrading as the economy strengthened.

Under-capitalised companies could find themselves short of working capital to fund larger debtors books, "as after the poor trading conditions of recent years it might be hard to refuse business", he said.

Lower interest rates on debt commitments and higher salary increases benefited individuals.

Mr Edwards said salary increases of about 14% at the end of 1986 had enabled individuals to pay off debts at higher levels than in 1984 and 1985.

It would seem people were now getting their debts down to manageable proportions. However, the ratio of debt to disposable income was still over 20%. This would have to drop even further before there was a return to the market and demand for new credit, Mr Edwards said.

(58) BDay 1/4/87

NBS — top of the profits

LESLEY LAMBERT

THE NBS — which is to list its holding company tomorrow — ranks as the most profitable building society in terms of its gross margin but lags behind the mortgage lending market, according to a review by its sponsoring brokers.

Fergusson Bros, Hall, Stewart & Co contend that NBS has significant potential for growth in view of its strong capital position, flexibility and capacity for market share gains.

The Natal-based society's gross margin — a basic measure of profitability which relates to the difference between interest income and cost of funds — has consistently ranked high in relation to the margins of its major rivals, according to research done by the brokers.

A low cost of money has contributed significantly to NBS' high gross margin. Factors which have kept its cost of money low are:

☐ The high proportion of "free" funds represented by reserves which carry no service costs;

☐ The high proportion of savings accounts in the NBS' deposit mix. The society's 1986 balance sheet showed savings deposits at 30,9% of liabilities, compared to 23,6% for the UBS, 26,9% for the SA Perm and 25,9% for the Allied.

However, the society has trailed market growth in mortgage lending with the result that its compound growth rate in mortgage advances is lower than the whole building society movement's.

The brokers say that reserve ratios have become one of the most critical measures of building society performance since the promulgation of the new building society legislation, which introduced a reserve requirement of 4% of liabilities for all societies.

"As has been the case with banks, the introduction of this requirement has set a significant constraint on industry capacity, and has also made possession of large reserves a strategic advantage for societies such as the UBS and the NBS.

"This is because societies with high reserve ratios have the most capacity for growth in assets, and should sustain a dynamic advantage in relation to low-ratio competitors.

After the conversion the NBS' advantage will be enhanced.

The R70m raised by NBS Holdings that will be used to acquire 100% of the issued capital of the society, will further augment the reserve ratio of the society to around 7% of estimated total assets as at March 1987, indicating capacity to improve assets by more than 50% in relation to 1987 balances.

Correct price for a Guardbank unit

Business Day Reporter

THE re-purchase price of a GuardBank unit increased by 11,6% over the March quarter to 1 077,3c from the December quarter's 965,45c.

The report on the growth fund's unit price rise was incorrectly stated in Friday's *Business Day*.

Tei turnaround shown

Market loses liquidity

BDay 7/4/87

Experiments by Reserve Bank add to confusion

LIQUIDITY appeared to have gone down the plughole last week, throwing the money market into a state of disarray, sending rates rocketing and damping some of the bullish ardour of the bond market.

And, to add to the market's confusion, the Reserve Bank experimented with different techniques of using funds from the Corporation for Public Deposits (CPD) when giving a helping hand to the banks and the discount houses, which had to cope with greatly diminished cash balances.

In theory, April should have opened in a relaxed and comfortable state.

An outflow of some funds had been expected as the Receiver of Revenue took some of his share of mining profits.

The market also reckoned on losing some of its liquidity as buyers paid up for the 10% 1991 RSA bonds the Treasury had sold a week or two previously.

Offsetting this drain there should have been a reasonable inflow of cash from government spending, but only a trickle emerged when the taps were opened.

Apparently the Treasury encountered some snarls as books were ruled off for the close of the financial year on Tuesday.

Scramble for cash

On Wednesday there was a scramble for cash in the market. The banks withdrew deposits from the discount houses, which had no alternative but to cry to Pretoria for help.

The shortage was about R1bn, which the Reserve Bank covered, not by making CPD deposits at a rate related to Bank rate — the previous alternative to using the Reserve Bank's rediscount window — but by offering cash by tender.

The theory was sound. The tender produced a more market-related rate of 8,8%, leaving the market in balance after discounting assets to the tune of R118m at the Reserve Bank.

On Thursday, however, when new funds failed to reach the market while hundreds of millions were paid to the Treasury for the 1991 bonds, more CPD money was forthcoming for the discount houses at a rate of 8,6%.

Apparently this was insufficient to cover the deficit, so a stampede to the Reserve Bank to get funds at 9,5% ensued, which jerked up the rates structure — the very reaction the Bank wanted to avoid.

Another CPD tender for R400m was offered to the discount houses only, producing a rate of 9,42%.

And on Friday, a fourth tender for R400m attracted bids of R473m, at an average rate of 9,08%, 42 points below Bank rate.

On Friday, dealers closed up shop for the long weekend wondering whether rates would stabilise today.

If Friday's Treasury bill (TB) and the late afternoon 90-day bankers' acceptances (BA) rates are any indication, rates will be more inclined to harden than to ease.

Friday's TB tender for R100m bills attracted bids of R225m, reflecting the demand for assets and producing an average rate of 8,49% — 23 points above the previous rate.

IN THE MONEY MARKETS

Harold Fridjhon

The rate for 90-day BAs soared during the week; rising from a low of 8,40%, they were priced up to 8,95% on Friday.

Wholesale call rates offered by banks and discount houses are about 9%.

There is competitive bidding for deposits, with some banks leading the market up because of their lack of immediate liquidity.

Tight rein

The market's extraordinary performance last week is no real indication of where rates are actually poised.

By the time the Treasury collects its dues for the 1991 bonds sold last week, about R1bn will have moved out of the private sector this month.

And there is a possibility that further bonds will be offered as the Treasury's funding programme gets under way.

The monetary authorities appear to be satisfied with Bank rate where it is, and the market will be held on a tight rein, with call rates remaining closer to 9% than to the previous 8,5% and with a BA rate of about 8,75%.

□□□

THE stresses and strains of the money market took their toll of the bond market last week.

The ebullience of trading on Monday and Tuesday, which sharply pruned yields, started to evaporate on Wednesday and had vanished on the last two trading days.

The bellwether bond — now the RSA 10% 1991, which has replaced the 13% 2005 in popularity — gives a fair reflection of the swing in sentiment.

Closing at 12,19% on the Friday before last, it opened at 12,08% on Monday and was bought down to a yield of 12%.

Hyperactive jobbers

On Tuesday it closed at 11,85%, and shed a further seven points on Wednesday, to reach 11,78% when it yielded to profit-taking.

By Thursday, it was up to 11,99% and when the market closed on Friday the last sale was at 12,06%.

The 1991 was as volatile as it was because it was a hyperactive jobbers' counter.

Generally, however, yields eased across the board, a notable exception being the deposed 13% 2005, which rose from 14,78% to 14,8%.

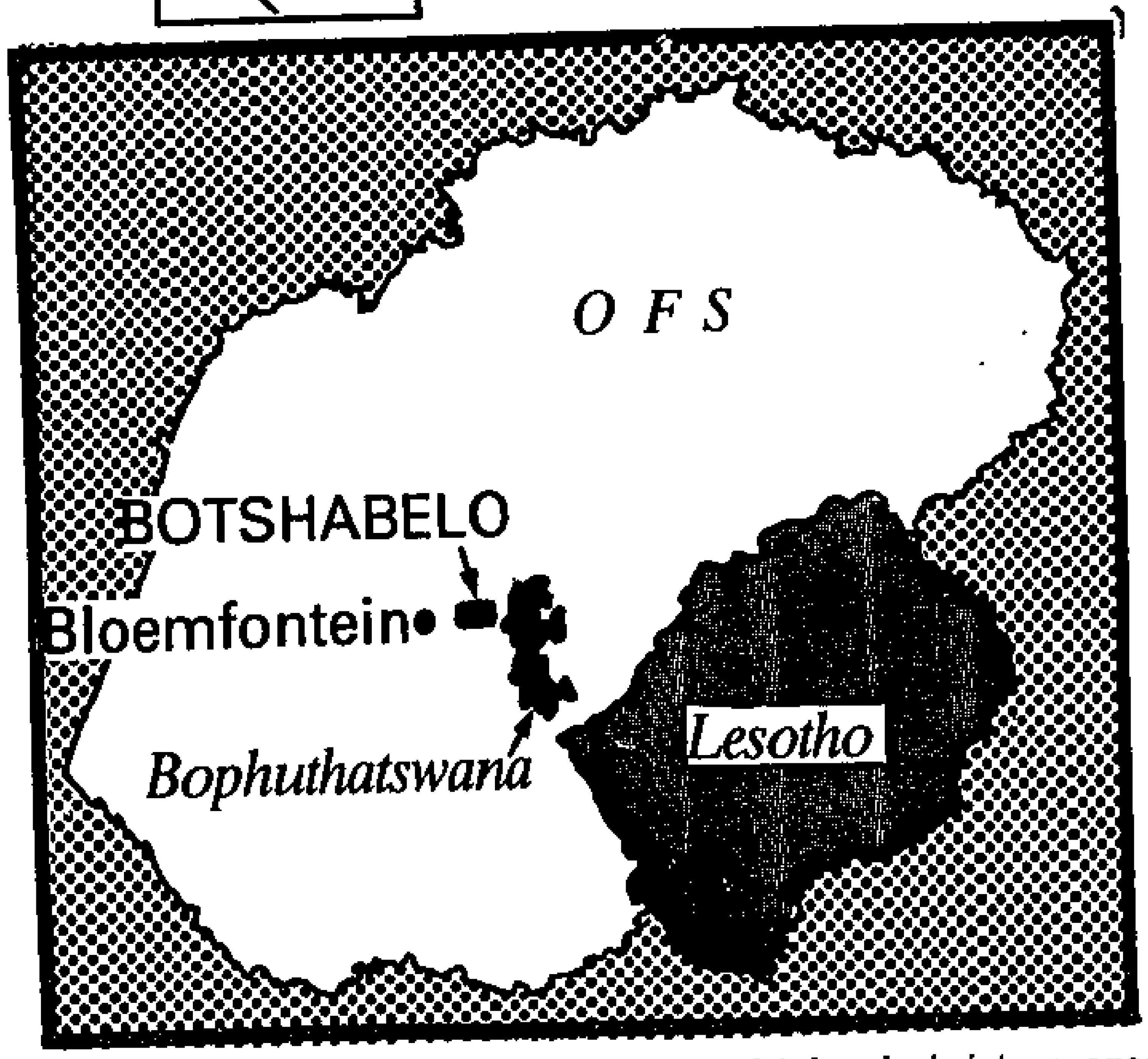
It was relatively neglected by a market more interested in medium- to short-dated stocks than those whose maturities are reaching closer towards the millenium.

The Treasury must come to the market within the next three months and the market's view is that it will sell into the 1994/95 area, with the very long bonds being palmed off to the defenceless Public Investment Commissioners.

Modern labour 'serfdom' operating in the Free State

CAPE TIMES 9/4/87 58

By ALLISTER SPARKS



BUSINESS, we are told, is opposed to apartheid.

It is incompatible with the system. It is a force for change. It works for the betterment of blacks. That is why disinvestment is so counter-productive.

Well, maybe. But I have just visited a place called Botshabelo in the central Orange Free State where I have seen businessmen profiteering from apartheid in an apparent state of highly compatible symbiosis.

Botshabelo is a resettlement camp created by apartheid in the middle of nowhere. It has a population of half a million people — making it the second largest black township in South Africa after Soweto — who have no work and cannot leave. They are a captive pool of unemployed labour, and businessmen are taking full advantage of the opportunity to exploit them.

Forty-three factories have been set up at Botshabelo, paying wages as low as R15 a week.

That is about one-sixth of the minimum wage laid down in industrial agreements, but there are no trade unions in Botshabelo so there are no industrial agreements there. Which, the industrialists will tell you, is one of its main attractions.

Fired and replaced

It means they can pay what they like — and if any workers get uppity enough to demand more money or better conditions they can be fired and replaced from the half-million other desperate people waiting on the doorstep.

If you think a wage of R15 is mean, hear this. The industrialists in fact pay only 5% of that — a thumping 75c for a 45-hour working week.

The government subsidizes 95% of the wage bill of any industrialist who goes to Botshabelo up to a maximum of R100 a month per worker employed.

That means if an industrialist pays a worker R100 a month, he only has to pay R5 of it himself — or R1,25 a week.

You may think that a pittance, but many Botshabelo industrialists seem to consider it too much. During a two-day investigation there last week I found most paid a minimum wage around R80 a month.

Why, when their own share is so minuscule? To ask the question is to get some fascinating answers.

"I think the guys are leaving themselves a bit of leeway to build up to the R100 within, say, two years," said Mr Clive Mendelsohn, a 30-year-old go-getter who runs a steelworks and is chairman of the Botshabelo Industrialists Association.

Leeway! On a rand a week per worker!

Others talk of the danger of "spoiling" the simple black folk of Botshabelo who are newly arrived from the farms of the Free State and would be corrupted if paid too much too soon. So their concerned benefactors pay them less for their own good.

But if you inquire persistently enough you'll discover another reason. By paying the bulk of workers less than the subsidy rate, the higher-paid supervisors can be included in the subsidy claim as well.

That way the smart businessman can finish up with, as one put it, "virtually free labour".

In addition he gets a 70% subsidy on the rent of his factory premises and easy-term loans from the South African Development Trust Corporation, which administers areas like this together with the Board for the Decentralization of Industries.

I wonder how many white South Africans have ever heard of Botshabelo? It is the biggest city in the Free State, nearly four times the size of Bloemfontein.

It didn't exist eight years ago. Then Bophutatswana was given independence and, with the obsession for ethnic rather that geographic tidiness, it was decided that a small community of Tswanas living around Thaba 'Nchu in the OFS should be made part of the new "state", though they were 250 km away from the rest of it.

That in turn necessitated moving 75 000 Sothos from the Thaba 'Nchu area.

The government bought a farm, called Onverwacht, 10 km away across the border of the new "state" and settled them there. Botshabelo was born.

This coincided with a period of rapid agricultural mechanization which made many black farmhands redundant. The government put pressure on farmers to get rid of their "surplus" labour, which was supposed to go to the homelands and so make "white" South Africa a little bit whiter.

Many went to Botshabelo instead, creating a pullulating Crossroads on the veld 55 km east of Bloemfontein.

The multitudes living there cannot go anywhere else. They are rural folk but there is no work for them on the white farms and because of the 1913 Land Act they cannot acquire land of their own.

They cannot go to a city unless they have a job and approved accommodation there, which is possible for only a handful. The only other place they can go is to the tiny South Sotho homeland of Qwaqwa 200 km further east on the mountainous northern border of Lesotho, where employment prospects are even more remote.

So they stay where they are, a landless peasantry held captive on a state-subsidized site, for the exploitation of dirt-cheap labour.

There are many Botshabelos in the making under the new policy of "orderly urbanization" — which means pegging the growth of existing urban townships and having "controlled squatting" take place on preselected sites an antiseptic distance from the white cities.

Massive subsidies

Industrial parks are established near these sites and the massive subsidies are applied under the policy of "economic decentralization" to lure industries there.

Forty-nine such areas have been proclaimed.

Some are going to be incorporated in existing homelands. The word is that Botshabelo is to be made part of Qwaqwa on May 15.

Others, if I hear President P W Botha correctly, are going to be proclaimed "city-states".

All this will have one further sinister effect. The homelands are exempted from the laws governing industrial relations, and trade unions are illegal in most of them.

So when Botshabelo becomes part of Qwaqwa the shameful exploitation of workers there will be regularized.

And when the "city-states" are proclaimed, this method of illegalizing unions will be greatly extended.

... himself. The safety
representatives must inspect their workplace at least once

African Bank: hopes up

SS

B/Day 9/4/87

ALAN SENDZUL

● Magomola

AFRICAN Bank's new chief, Gaby Magomola, says his appointment presents a good opportunity to take the bank out of the bad patch experienced after allegations of currency fraud last year.

Magomola, former personal assistant to Barclays MD Chris Ball, became senior GM and CEO of African Bank on April 1, and is expected to be appointed MD soon. He fills the position held by dismissed MD Moses Maubane.

His banking career began in Citibank's international corporate division in New York. He was then transferred to Citibank, Johannesburg, where he was a manager in the corporate banking division.

Magomola believes the African Bank will be able to trade in foreign exchange again.

The Reserve Bank withdrew the bank's foreign exchange licence on May 22 last year.

Attorney-General Klaus von Lieres is expected to announce details of charges against suspended African Bank staff this month.

Eight staff members were suspended and their bank accounts frozen after allegations of fraudulent dealing in financial rands estimated to involve about $110m.

The Reserve Bank is paying suspended staff a monthly living allowance from their blocked accounts.

The matter has been postponed to June 2.

TRUST BANK

Fee cuts

To ensure it is prepared to meet new rivals head on, Trust Bank has moved ahead of existing rivals on service charges. A recent survey by the *FM* shows that Trust's charges for cheques and automatic teller (ATM) transactions are below those of its main banking rivals.

Fees are also below those charged by Trust last August — when the *FM* conducted a similar survey. According to senior GM Kobus Roetz, a decision was taken in November to cut fees. In December, along with other banks, Trust moved ahead of building societies on home loans, and now offers 12,5% against societies' 14%-13,5%.

Says Roetz: "We are expecting an onslaught from building societies and are determined to protect our client-base."

Trust has introduced two new products in the past few months in its strategy to protect market share. One allows a recipient of instalment finance a four-month "breather" before repayments must commence, and a bondholder three months' grace — during which interest is capitalised, which, it could be argued, makes any benefit more apparent than real.

The second is a total credit line: clients have access to an ongoing facility, rather than negotiating loans for a specific transaction. The product is similar to that launched by Allied Bank on its January debut.

With assets of R8,9 billion last June, Trust is the smallest of the five major commercial banks. According to Trust's analysis of BA9 forms submitted by all banks, it had at December 31 only 7,7% of banks' cheque deposits, and 10,5% of total deposits. On the asset side, it had 11,5% of total loans and advances, 5,7% of HP, and 8,3% of leasing.

So perhaps Trust is the most vulnerable to any combined initiative by the United Building Society and Volkskas, which are expected soon to enter into a working arrangement.

However, larger rivals may also have to take aggressive action to protect market share. Activity will intensify once the banking initiatives of United, Allied and Natal Building Society move into top gear. In times of lower liquidity, this could mean undercutting rivals' interest rates offered to investors — and lower service charges.

Protecting market share is bound to be costly. But to justify enormous investments in technology, financial institutions will have to sacrifice margins rather than volumes. ■

Gold up 10 dollars; shares hit new peak as JSE booms

AL 645
10/4/87

By TOM HOOD
Business Editor

58

GOLD spurted more than $10 overnight and traded today at $432,50 an ounce in London, its highest price since October.

This followed the latest slide by the American dollar and added more fuel to the booming Johannesburg Stock Exchange, where prices rose to new peaks and added millions of rands to share values.

The rand strengthened today to 49,50 US cents from just above 49 yesterday.

The financial rand did even better — jumping to 34,18 US cents from 32,50 yesterday — a rise that could curb the boom in gold-mining shares.

Bullion dealers in Zurich forecast gold could reach $440 to $450 in the next few weeks if the ailing dollar is not rescued.

Besides gold, platinum and silver prices have made rapid gains as speculators switched from dollars to precious metals.

BATTERED DOLLAR

Gold's upsurge followed the collapse of negotiations by seven major industrial countries to halt the decline of the battered American dollar.

Speculators and big investors today continued to sell off dollars on world currency markets, driving it even lower.

The latest quote for the dollar was a 40-year low of 142,35 yen in London today. The currency also lost ground against the West German mark, falling to about 1,8140 marks from 1,8250 yesterday. The dollar ended the week by plunging 2.90 yen.

The dollar's sharp slide took share prices down with it on Wall Street last night and in Tokyo this morning.

Speculators have been selling the dollar in the belief that a lower U.S. currency is inevitable because of the huge United States trade deficit and because President Reagan's administration is glad to see it fall.

Gold shares led the field on the JSE yesterday, where shares worth more than R82-million changed hands.

Prices soared today in hectic trading, supported by higher bullion prices. Steepest rise was R13 by Western Deep, whose shares hit a record R218.

HEAVY BUYING

Heavy overseas buying was reported, especially from Britain and the United States.

But industrial shares were also in demand and the industrial shares index raced ahead another four points to a new peak of 1 767 yesterday — closing at a record high for the sixth day in succession.

The biggest percentage gains were made by industrial shares, including Tej, Juicy Lucy, Montays, Irvin and Johnson and Simmers.

Shares to hit new highs included Anglovaal, JCI, Western Deep, Rand Mines, Nedbank, Hill Samuel, Trust Bank, Barlows, Safren, SA Breweries, Blue Circle, Goldstein, Group 5, LTA, Chubb, Curries, Bergers, Garlick, Millys and Brokers.

- In contrast, share prices followed the dollar and plunged in stock markets in London, New York and Tokyo.

SASRIA FM (46)

Back to what? 10/4/87

Confusion about the rules governing Sasria has sent the market into disarray. Such has the controversy been regarding its proposed new wordings that Sasria has become entangled in a web of amendments and counter-amendments that have yet to address the real problems.

For the record, from January 1 1987, Sasria has provided cover for losses caused by political riot and consequential loss in respect of "standing charges;" plus losses caused by "non-political riot, strike or public disorder" as introduced by the Finance Act 1986.

Apart from the fact that this wording was confusing because public disorder was not defined, it also broke with tradition. The conventional market normally covered "riot, strike *and* malicious damage" as one package. Reinsurers complained that Sasria was missing out the malicious damage part.

The wording also left a big question mark over arson, which happens to be the bulk of malicious damage. Of course, it normally resides in the industrial fire policy as "maliciously caused fire explosions" (see box).

Various legal tinkerers tried to clear up these two problems, firstly by the Financial Institutions Amendment Bill 1986, and then by the Financial Institutions Second Amendment Bill 1986 (neither passed, as it turned out).

Then came the Finance Act 1987, passed this year, but amounting to an about-face because it *excluded* non-political riot cover — yet in such a heap of confused wordings that it made matters even worse.

Fortunately, this Act has not been promulgated, and "is not likely to be either," says one broker.

Rodney Schneeberger, MD of Sasria, comments: "We intended Sasria cover to include malicious damage and arson, but related only to specified perils embodied in our existing wording. Other malicious damage and arson would be covered by the conventional market."

The specified perils include, for example, riot, strike and lock-out.

But meanwhile the Standing Committee on Finance (Scof), which is responsible for vetting changes to legislation concerning financial institutions, became embroiled in arguments over what Sasria should cover, and how changes should be worded. Brokers, for instance, were asking whether Sasria should extend its encroachment into the private sector by offering malicious damage. Indeed, it was asked, should Sasria be involved at all in anything *not* related to politics, especially since government was advocating privatisation?

Scof accepted the protestations of the SA Insurance Brokers' Association (Saiba) and gave it a mandate to search in the conventional markets for companies willing to grant non-political riot and malicious damage cover.

However, according to certain sources, the South African market had been "effectively closed by Sasria, the SA Insurance Association and the SA Reinsurance Offices' Association" against accepting this cover.

"This is simply not true," says Schneeberger. "It has not been closed by Sasria, but closed by events. Non-political riot cover is not available in the conventional market, at least not as we could provide it on an unrefusable, non-cancellable and readily available basis."

In any event, Saiba recently stated that, not wishing to rely solely on overseas markets for this cover, it had decided to drop the investigation and request that the Act be amended again so that all riot and strike cover would remain with Sasria. It was understood that reinsurers would withdraw their objection to malicious damage remaining with the conventional market.

Says Schneeberger: "We were hindered on two grounds by brokers, firstly because they wrongly claimed cover was available in the conventional market, and secondly because they misconstrued the proposed wording. Had they had sight of the proposals, they would have seen that the malicious damage and arson aspect was not all-embracing but restricted to specified perils."

Well, let's hope there is only one more amendment, and that it sorts the confusion out.

If processed properly this time, Sasria should end up providing cover for political and non-political riot, civil commotion, insurrection, rebellion, revolution or any labour unrest, strike or lock-out, and arson and malicious damage arising from these perils only, plus related consequential loss for standing charges. ■

NBS

Pushing up profits

Low cost of funds gives Natal Building Society (NBS) an edge over competitors. The result, for many years, was healthy and growing profits.

"In relation to assets," says financial director John Gafney, "it was the most profitable building society until 1984-1985, despite slow growth in mortgage advances and high operating expenses." That year, though overtaken by United Building Society (UBS), profits still increased. But in 1985-1986, group profits fell more than 30%.

Now the group seems back on course. With the listing of its new holding company this week, it could report considerably improved profit margins. Gafney estimates group earnings were over R20m in the year just ended — back at the level of 1985 — and an increase over 1985-1986 of about 50%.

"The reasons for the dip in 1985-1986," says Gafney, "were the reduction in raising fees earned; an increase in depreciation of computer equipment; increased expenditure on refurbishment of branches; and reduced profitability of the development company."

With these setbacks behind it, Gafney is confident of future performance, predicting 1987-1988 earnings of R23m. Both strengths and weaknesses lie to some extent in client profile.

"The high proportion of retail accounts ensures that much of our money comes from a combination of savings and transmission deposits." With a difference of several percentage points between interest paid on these categories and interest on fixed deposits, this mix ensures low cost of funding.

So, when net interest revenue (gross margin) is related to asset base, NBS emerges ahead of major rivals. According to stockbroker Fergusson Bros' Hall Stewart, in three of the four years from 1984-1987, NBS's gross margin was higher than its rivals'.

The downside, however, is that the high number of individual transactions involved in retail accounts increases operating costs. This, and the problems of 1985-1986, pushed operating costs up to 20,6% of revenue — compared to UBS's 15,2% that year.

Says Gafney: "Our traditionally high expense ratio has caused us some concern. The reason is historical: until the late Forties we were restricted to Natal. We have since moved into the other provinces, but still have a comparatively small client base. We don't have the economies of scale of, say, UBS."

NBS aims to remedy this. "We are trying to grow out of the problem," says Gafney. Strategy has been to set a target for lending, and then find funding. Lending is now running ahead of funding, and mortgage advances are 18,5% up on last year.

With liquidity high, funding has been easy enough. "About three years ago, when money was plentiful, we decided not to take hot money because we feared what would happen when the market turned. This time we are taking advantage of liquidity, but matching intake to our lending programme," Gafney says.

The new dispensation also opens the way to diverse ventures. NBS will provide short-term instalment finance, expand its insurance operation, and look at the participation bond and trust company markets. But, like other societies, it will still have to channel at least 60% of assets into traditional building society lending.

Home loans are of course quality business, because they are secured by a mortgage bond over immovable property. And NBS, which has a conservative policy in evaluating security, believes it has substantial cover in the surplus of value over loans.

Certainly, it has suffered smaller losses than other societies. In the 1985-1986 financial year, the amount owing on properties in possession as a ratio of total exposure was 0,25%, compared to the 0,4% average of the five major societies.

After listing, reserves will be 7% of liabilities to the public — 3% more than required. This means plenty of scope for expansion. ■

(58)

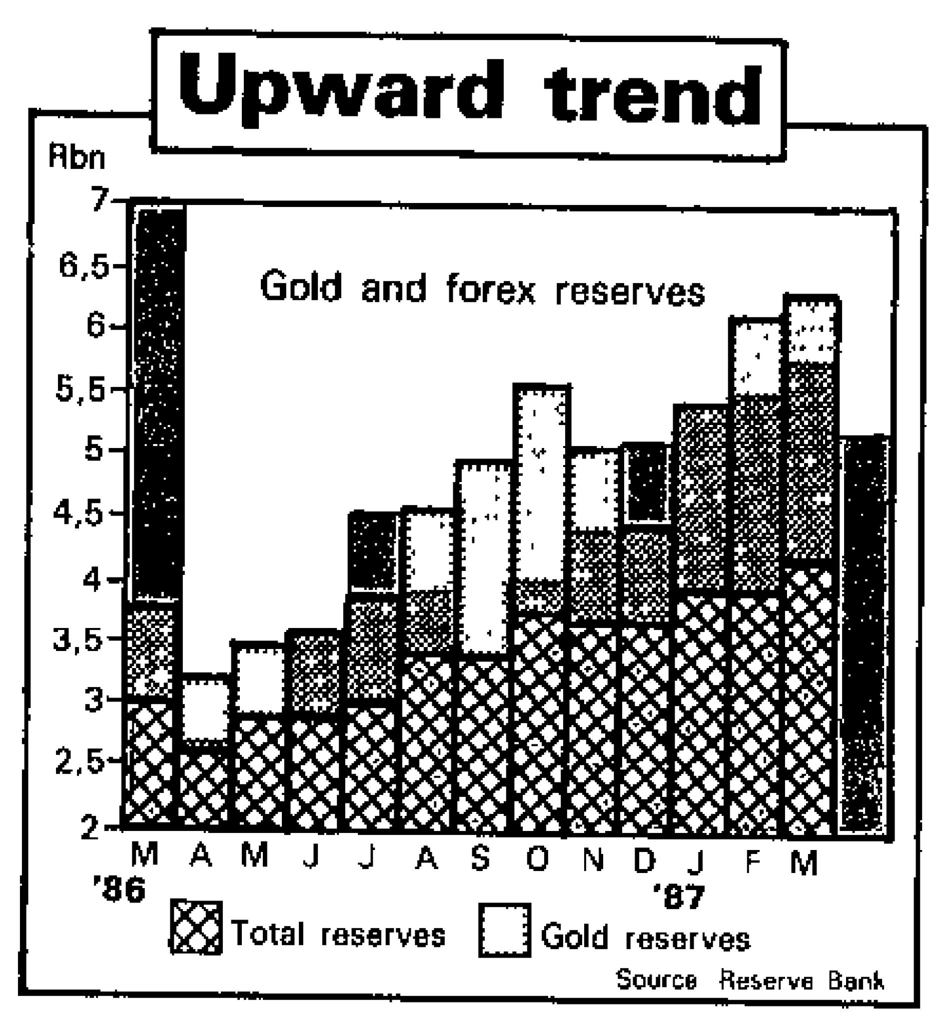
FOREIGN RESERVES UP

Gold and foreign exchange reserves rose marginally from February's R6,2 billion to R6,3 billion in March, indicating that pressure on the capital account remains light.

Gold holdings were R4,17 billion (R3,99 billion), with the physical volume at 5,51m oz (5,29m). The rand gold price was slightly higher at R757,24/oz, compared with R754,59/oz the previous month.

At an exchange rate of US49c this puts gold and foreign exchange reserves at $3,09 billion, comfortably exceeding initial debt repayments of $712m in the first 12 months of the second interim agreement.

Economists say the surplus of gold and foreign exchange reserves over debt repayments should help keep the exchange rate stable.



Business Day
c (45c + 5c tax)
For other prices, see Back Page
Natal, Western Province, Eastern Province 80c (71c + 9c tax)

"THE VITAL VIEWPOINT"

10/4/87 B/Day (55)

Renamed oil giant's trust won't be registered as a charity

MICK COLLINS

WHILE all of Zenex's (formerly Esso) profits will be going to educational and social-reform programmes, the oil giant does not intend registering as a charity.

A spokesman confirmed the setting-up of a trust, Zenex Foundation, and said the company would use up to R20m in after-tax profits to finance its programmes.

"Zenex is quite free to donate where it wants to. It will be non-political."

Asked if Zenex was aware of any tax advantages to be gained by its programme, the spokesman admitted there could be, but said: "It's early days yet."

He said even though Zenex was no longer a signatory to the Sullivan Code, it had no intention of abandoning its social-responsibility programmes.

The spokesman said there was no possibility that Exxon would return to SA because there was no buy-back clause.

Oil industry sources said the clause would have been the key that could have eased the way for a re-entry to SA should the country's political situation find favour in the US.

The spokesman said the profit scheme would begin after Zenex had paid Exxon an undisclosed purchase price for Esso.

The acquisition follows Exxon's withdrawal from SA in December.

Zenex chairman John Truscott said: "Our staff programmes and community programmes will be retained, and some will be expanded. We will continue to pay and promote on merit, regardless of race, sex or religion."

Truscott said the acquisition included 160 Esso retail service stations and bulk fuel distribution networks.

He said: "The new company will be run by South Africans for the ultimate benefit of all South Africans."

Truscott said Exxon's two SA subsidiaries were financed largely by a loan from Exxon, which would be repaid over four to six years. He also pointed out that the two subsidiaries were not being "bought", as reported earlier.

"Further, Esso and Exxon Chemicals will remain as they are in terms of operations, staffing and employees, and objectives. So there is no question of retrenchments and major restructuring.

"We have still to decide on a new name for Exxon Chemicals, or whether, perhaps, simply to incorporate it under Zenex. The new trust will be based on the island of Jersey and will replace Exxon as the parent organisation."

ARSON ADDS CONFUSION

An aspect that added confusion to the Sasria melee was the unwitting inclusion of arson under its cover, by far the greatest source of loss from malicious damage. The irony is that reinsurers spent most of their time ignoring arson, while trying to get other malicious damage included.

Don Gallimore, chairman of Saiba's Sasria Committee, explains: "With the increased violence from September 1984 — exaggerated by foreign media reports — overseas reinsurers began to ask questions. As a result, retrocessionaires (who provide reinsurance for local reinsurers) began putting pressure on the local market, to try to remove themselves from the problems as they perceived them."

Gallimore feels local insurers and reinsurers missed the point, because they identified the cause of concern as riot, strike and malicious damage, "which is why they wanted the Act governing Sasria changed."

But the real cause for concern should have been malicious fire explosion, loosely termed arson. This is "an increasing cause of fire wastage, and covered by standard fire and explosion policies." According to latest world statistics, arson accounts for as much as 50% of all fire claims.

On the other hand, malicious damage per se is wilful damage caused other than by fire or explosion.

"So, they were just looking for ordinary malicious acts to be included along with riots and strikes," says Gallimore.

Comments Lenz Keel, GM of Swiss Re: "Arson has always gone with fire cover, and that is where I believe it belongs.

The increased incidence is a great worry, but in my view it should be dealt with by premium adjustment. The feeling is that, worldwide, more and more fire claims are suspected arson. But it is difficult to prove, and even more difficult to find the culprit."

10/4/87

MrGris 10/4/87

BUS

(58)

INVESTMENTS

Tax-free windfall for stags attacked

By TOM HOOD, Business Editor

A TAX-FREE cash windfall is likely to come the way of Natal Building Society shareholders who made stagging profits of almost 100 percent when they sold their R2 shares for around R4 a share when NBS Holdings made its debut on the JSE this week.

This is the belief of tax consultants Costa Divaris and Michael Stein, who criticise an Inland Revenue ruling that exempts these profits from tax.

Normally investors become liable to tax when they sell shares, especially when they stag newly listed shares.

In the past, the small investor with only one or two share transactions might not be taxed. However, the authorities were now cracking down on everyone, Mr Divaris said today.

But the tax man, says Messrs Divaris and Stein, joint editors of Juta's monthly Taxgram, "having been persuaded to depart from well-established tax principles and practice to the great satisfaction, no doubt, of the building society lobby, can hardly do anything but extend the same privilege he magnanimously bestowed upon members of the UBS also upon those of the NBS and the Allied."

Allied will be listed on June 10 and about 90 000 of its members will be eligible to buy a certain number of quoted shares proportionate to their present qualifying investments, they say in Taxgram.

Another 80 000 with investments of less than R1 000 will not directly qualify for any quoted shares but a trust will stag their joint entitlement to quoted shares and "divide the spoils among them."

The date on which Allied members had to be members by virtue of their investments in subscription, indefinite-period or fixed shares was September 20 last year.

The public was given a week's warning of this cut-off date and fresh investments of R290-million and redirected investments from non-qualifying accounts of R110-million poured in over the week.

"Our information from a building society source is that the Commissioner of Inland Revenue has ruled that investors who held investments on September 20 will not be subject to tax should they stag the shares to which they are entitled," say Divaris and Stein.

"Presumably the same rule will apply to those investors who will be beneficiaries of the trust's bulk stagging operation. But anyone who invested during the post-listing week will pay tax on his stagging profits.

"In our opinion, from a technical point of view there is no justification whatsoever for this distinction. A stag is a stag, and should pay tax on his profits, no matter how long he has had to wait for his stagging opportunity or how fortuitously it might have arisen."

Rulings on the NBS issue as well as any further rulings on the NBS and Allied issues should be withdrawn by the Commissioner, leaving it to his individual assessors to decide — on the particular facts pertaining to each building society investor who benefits from these issues — whether tax is payable.

Perm names lawyer to assist blacks

BlDay 10/4/87

SOPHIE TEMA

(58)

THE SA Perm Building Society has appointed a black attorney, Ismail Ayob, to look into the financial problems of blacks who were given loans to purchase homes.

A Perm spokesman said yesterday the step had been taken to assist homeowners with advice to protect them from losing their homes because of financial problems and unemployment.

The Perm denied a claim by the Soweto City Council that most of those evicted in Soweto were people defaulting on bank and building society loans.

Council housing committee chairman Julius Mdlalose said yesterday: "Most people evicted from houses in Soweto are those who have not been paying off their loans to the banks and building societies. As a result court actions are instituted against them by the building societies and banks from where they got the loans."

But the Perm spokesman said: "We do not evict people. In fact, if we have to bring action against them it would take a very long time and would be costly. We try to help people instead and this is why we have appointed a lawyer to look into the people's financial problems."

Mdlalose admitted that some evictions were executed through instructions by council lawyers.

Barclays chairman questioned

Cape Times 11/4/87

58

Own Correspondent

JOHANNESBURG — Barclays could, with hindsight, have produced a fuller press statement disclaiming any involvement in the placing of the "Unban the ANC" advertisement, which possibly would have avoided incorrect interpretations.

This was said in affidavits by the chairman of Barclays, Mr Basil Hersov, and a non-executive director, Mr Thomas Chapman, at the final sitting of the Munnik Commission yesterday.

The one-man commission, heard by the Judge-President of the Cape, Mr Justice G Munnik, was called by the State President, Mr P W Botha.

In Parliament Mr Botha had claimed that the managing director of Barclays, Mr Chris Ball, had been linked to funding the ANC advertisements which appeared in January.

Mr Chapman and Mr Hersov both replied to questions in affidavits.

They were asked why the Barclays statement released after the State President's announcement in Parliament had not mentioned that Mr Ball had granted the overdraft facility to Mr Yusuf Surtee used to finance the advertisements — especially since the State President had said it was Mr Ball and not Barclays which had advanced the money.

"I wish to state that in my view," Mr Chapman said, "Mr Ball and Barnat are indivisible when publicly mentioned and Barnat by 14h00 had buildings damaged, customers disturbed at the allegation and the staff had become restless.

"The bank needed to act quickly and to state, in the context of the advertisements, that at the time Mr Ball and the staff had been involved, they had no knowledge of an advertisement being the purpose of the transaction.

"We believed this to be the relevant response to the situation which we faced."

A number of affidavits from representatives from organizations who were approached to endorse the advertisement were also put before the commission, including one by Mrs Albertina Sisulu.

She said she was approached by UDF's acting publicity secretary, Mr Murphy Morobe, in early Juanuary.

He showed her a copy of the advertisement and asked her whether the Federation of Transvaal Women would support it.

Mrs Sisulu said she, on behalf of the federation, agreed to contribute R20 000 towards the cost of the advertisement.

Sister Brigid Flanagan, who is employed by the South African Catholic Bishop's Conference, said she was approached and asked if the conference would endorse the advertisement.

She said conference president, Archbishop Dennis Hurley, and the vice-president, Bishop W Napier, both agreed without hesitation because the advertisement simply called for the unbanning of the ANC.

"Our organization did not finance nor promise to finance the advertisement," she said. "There was no question of money put to me in connection with this advertisement."

The assistant general secretary of Cosatu, Mr Sydney Mafumadi, and the president of the Southern Transvaal African Chamber of Commerce, Mr McBain Charles, said in affidavits their organizations were approached to support the advertisement but made no contribution toward the cost.

The chairman of the National Taverners Association of South Africa, Mr Cecil Tandi, said he had also agreed on behalf of his organization to support the advertisement.

w/G ARGUS 11/4/87 (SA)

R130-b boom in share markets since '85

By DEREK TOMMEY, Finance Editor

THE Johannesburg Stock Exchange is experiencing the biggest boom in its history. Share prices are reaching new peaks daily and trading volumes are at record levels and rising.

Brokers give a number of reasons for the boom. They include:

- The huge profits made from shares in the past 18 months which are a strong inducement to new investors to enter the market;
- The better economic outlook;
- Less black unrest;
- Fears of inflation;
- Lack of alternative investment avenues giving a real return; and
- Increased foreign investment in gold shares through the financial rand.

The rise in share prices in the past 18 months has been exceptionally large. Prices have virtually doubled boosting the market value of shares from around R136-billion to just under R270-billion.

POURING MONEY

This has given investors a handsome profit of around R132-billion and has helped to boost confidence.

The greatly increased interest in shares has led to investors pouring money into the market.

Share turnover, which was around R150-million a week a year ago was a record R516-million two weeks ago.

In the following week trading dropped back to an average of R80-million a day but this week it has again been exceeding R100-million a day.

But in spite of the huge flow of money to the market and the high level of share prices no one seems to fear another 1969 crash developing.

Investors now have to pay for their shares within seven business days.

This has drastically reduced speculation in shares by people with no means, which was a major feature of the 1969 boom. The result is that the market is much more soundly based and able to withstand sudden shocks.

South Africa is also seen as being at the start of a new business upturn — that could be further stimulated by a possible jump in the gold price.

The result is that brokers and investment analysts tend to consider current share prices, with a few exceptions, as being fairly valued.

HIGH GROUND

Though there is talk of shares being in high ground, the good profits that many companies have reported lately are seen as justifying present price levels.

On the other side of the coin, the record number of new listings in the pipeline should take millions of rands out of the market and help limit excessive speculation.

There has been concern in the market at the performances of some of the new listings, especially in the development capital market, as t[illegible] are prices seem to bear little relation to their assets or their earnings.

But the exceptionally good results reported by a number of these companies has led to a change in opinion and many of these companies are now regarded as promising.

MAJOR CONCERN

However, looking ahead a major concern among brokers appears to be the outcome of the election on May 6.

Evidence of a swing to the right could lead to sales of gold shares by foreign investors and a drop in gold share prices, it is pointed out.

It could also result in renewed political action overseas against this country, one broker observed.

Further unrest in the black townships could also deter foreign investments and lead to lower share prices.

However, the general feeling is that provided the domestic political situation does not deteriorate further, the economy should continue to grow substantially.

GREATER EXPORTS

The higher gold price (it is 25 percent above its year ago level), increased import replacement and possibly greater exports, together with the strongly growing demand for most goods generated by the rapidly growing population, are expected to keep the economy growing at a reasonable rate for some time.

But shortage of foreign capital is seen as a possible constraint, for it could lead to the authorities having to applying the brakes should the economy expand too qu[illegible]y.

BUSINESSMAN OF THE WEEK

Vigour restored to city construction company

By DEREK TOMMEY, Finance Editor

DAVID Lawrence, 39-year-old managing director of the Cape Town-based civil engineering and construction company, Clifford Harris, can look back on the past two years with considerable satisfaction — even though his golf has suffered badly.

In this period he has, in spite of extremely poor economic conditions, restored what was a struggling company with an uncertain future into a thriving business.

He found, when he took over the company in April 1985, that apart from its two major contracts which were almost completed it had about R8-million worth of work outstanding — and a work force of about 1 000.

REVIVED

Since then the company's fortunes have strongly revived.

In the 12 months ending June it expects to have an in-house turnover of around R35-million with a forecast for the next 12 months approaching R50-million.

However, he had a few good things going for him.

"I was fortunate that the company still had a loyal nucleus of people, some of whom had been with the it for many years," he recounted this week.

One of the steps taken to revitalise the company was to sell its premises at Wetton as these had become too large for its needs.

Another important step was to move into the more buoyant mining sector, adding a mining and tunnelling division to the company's quarrying and two civil engineering divisions.

Today this division is working on projects on three Free State gold mines and has considerable work in the coal mining sector.

This is an area where Mr Lawrence has considerable expertise.

In the 15 years prior to joining Clifford Harris, he worked for Anglo American associated companies and held senior positions at many major tunnelling projects.

These included the Orange-Fish tunnel, the Vanderkloof underground power station on the Orange River, the Drakensberg pumped storage scheme and the first phase of the Du Toits Kloof tunnel where he was project manager.

The Du Toit's Kloof project was a "first" for South Africa as it involved extensive ground freezing to enable the tunnel to be excavated and supported over the first 168 metres in an ardous 2½ year contract.

Having gone a long way to restoring Clifford Harris's original position in the market, he is now looking for ways to improve the company's growth.

The increased expenditure on roads with money from the petrol fund is seen as one important source of business for the civil engineering industry in the coming years.

Clifford Harris is already active in this sphere rebuilding the road between Rooi Els and Bot River.

Another growth area will be the provision of infrastructure for black townships.

"It is not possible to build thousands of houses without providing essential services," he says.

However, the civil engineering industry faced a number of problems. The rand's devaluation was aggravating an already delicate position by forcing the new prices of plant and spares to exorbitant levels.

"Many firms, of which Clifford Harris was one, were existing with 'well experienced' plant fleets with replacement needs a high priority. But few were adequately geared financially to implement the necessary replacement programmes. Profits taken on the exportation of secondhand equipment was now taking its toll.

SHORTAGE

"Another problem was likely to be the serious shortage of skilled people.

"The 'brain drain' had not affected the industry yet, because it had not been taking on extra staff. But it could do so when business recovered."

The industry was also likely to be hit by the cut back in training by most firms during the recession.

Recruiting staff from overseas was not a solution as the low rand made South African salaries unattractive.

Mr Lawrence, who is a graduate of the University of Cape Town, is married and has three children.

He is a keen golfer and represented UCT. When he moved to Cape Town to join Clifford Harris he joined the Royal Cape Golf Club. But Clifford Harris has been a hard task master. In the two years he has been back he has played there twice, but he looks forward to rectifying this soon, he said this week.

David Lawrence . . . looking to improve growth

VENTURES Argus 24/4/87

R55-m NBS, Hillsam deal

58

The Argus Correspondent

DURBAN. — Reshaping of the financial services sector took a fresh turn today with the announcement that NBS is to take over Hill Samuel's retail deposit business from June 1.

The R55-million deal affects about 1 000 Hill Samuel clients in Durban and 3 000 in Johannesburg who will be invited to transfer their savings and deposits to the NBS.

Hill Samuel executive chairman Laurie Korsten says the merchant bank has decided to concentrate its activities on the needs of corporate clients.

NBS will also be taking over Hill Samuel's retail premises and nine staff. The offices will become NBS investor centres which operate on a cheques-only basis. NBS sees this as a strategic opportunity to tackle the "serious" end of the retail market and enter the trust company field.

Announced just hours before the long-awaited public renaming of Barclays National Bank, the NBS-Hill Samuel deal is the latest in a series of dramatic moves in the financial services sector.

Recently NBS and the United achieved Johannesburg Stock Exchange listings. NBS is developing short-term lending, UBS has a share-based link with Volkskas and Allied Building Society has a full-scale bank subsidiary.

Munnik probe ends

By CAS St LEGER

THE Munnik Commission of Inquiry ended its month-long sittings on Friday with more evidence that Barclays Bank head Mr Chris Ball had had no prior knowledge of the ANC advertisements.

Three people have emerged as key figures in the inquiry — Indian businessman Mr Yusef Surtee, who arranged a R100 000 overdraft with Barclays to pay for the ads; Mr Ball, who authorised the overdraft; and Mrs Winnie Mandela, who footed R62 000 of the bill to reimburse Mr Surtee.

Mrs Mandela was not called to give evidence.

The commission, chaired by Mr Justice G G A Munnik, was appointed by President P W Botha after he had said in Parliament that Barclays' managing director, Mr Ball, had been involved in the financing of the UDF's "Unban the ANC" ads.

The commission will accept written submissions until Tuesday.

Among the final documents handed in to the commission's final session were similarly worded affidavits from two Barclays executives, Mr Thomas Chapman, a non-executive director, and chairman, Mr Basil Hersov.

ST 12/4/87

58

Bank 'could have issued fuller denial'

SUSAN RUSSELL

BARCLAYS could, with hindsight, have produced a fuller Press statement disclaiming any involvement in the placing of the "Unban the ANC" advert, which would possibly have avoided incorrect interpretations.

That was said in affidavits by Barclays chairman Basil Hersov and a non-executive director, Thomas Chapman, at the final sitting of the Munnik Commission on Friday.

The commission, headed by Cape Judge President Mr Justice Munnik, was called by President P W Botha after he accused Barclays MD Chris Ball in Parliament of funding the adverts, which appeared in the Press in January.

Chapman and Hersov were asked why the Barclays statement released after Botha's allegation had not mentioned that Ball had granted the overdraft facility to Yusuf Surtee used to finance the ads — especially since Botha had said it was Ball, not Barclays, who had advanced the money.

Chapman said: "The bank needed to act quickly and to state, in the context of the advertisements, that at the time Mr Ball and the staff had been involved, they had had no knowledge of an advertisement being the purpose of the transaction."

E/Day 13/4/87

Building Society mum on plans

DR 14/4/87.

Dispatch Reporter

EAST LONDON — The local branch manager of the United Building Society here declined to comment yesterday on the proposed establishment of a regional administration centre in Port Elizabeth.

Mr J. B. Engelbrecht referred all queries to his head office in Johannesburg. Repeated calls yesterday to both the managing director and the public relations department there remain unanswered.

A newsletter from management to all staff at the local branch here stated that a regional centre was to be established in Port Elizabeth with Mr C. R. Cooper, of Kimberley, as manager.

The newsletter added that this centre would handle all administration functions on behalf of Port Elizabeth, East London, Queenstown, Uitenhage and George branches.

The notice also said that details of the new structure had not yet been determined, but that staff would be kept informed as further details were made available.

14/4/87

Gold price poses dilemma for bank

BD

Dispatch Correspondent

JOHANNESBURG — The continued firming of the gold price yesterday on international markets — it closed at $436,50 in London compared with Friday's $432,00—50 — has presented the Reserve Bank with a dilemma.

If in response the bank allows the rand to rise, it would reduce inflation, but possibly extinguish South Africa's economic recovery. However, if through intervention in the market, it keeps the value of the currency low this would promote an export led growth.

South Africa's present economic recovery is in a critical phase and it must be prevented from petering out as it did towards the middle of last year, economists argue.

But yesterday's 0,6% rise in the rand — it closed at $0,4968-75 compared with Friday's $0,4938-45 — indicates that the bank has taken the view that the weakness in the dollar against the Japanese yen could be endemic and a higher gold price inevitable.

But, while gold mines remain unscathed if the rand price of gold rises, which is has in recent weeks, other exporters are hard hit.

Yesterday's rise in the rand caused near panic among some non-gold exporters who contacted the bank to complain about one per cent being shaved off their earnings.

In the past, South African exporters have had a reputation for being intermitent suppliers. But, faced with sanctions, it is crucial that they break out of this mould.

Also, some are planning investment in new plant and equipment, but would back off if faced with a rand at $0,55.

Also, if the rand was allowed to rise rapidly in response to the higher gold price, which could result in a drop in the rand price of gold, gold mining profits would be cut, and also gold mining taxes which, in turn, could cause problems for the budget.

US banks say no to further divestment

Cape Times 14/4/87

58

Washington Letter
by SIMON BARBER

SEVERAL of America's largest banks have told the US Treasury Department in no uncertain terms that they want to continue doing business with the South African private sector.

This is not because they like South Africa especially. They are simply tired of being pushed around. Government, they infer, has ordered them about quite enough in the name of foreign policy and is making it increasingly difficult for them to compete on a global basis, much less to collect their debts.

In particular, they have informed the Treasury that they utterly reject any move to bar private South African companies or citizens from holding accounts in their domestic or overseas branches. Congress is seriously contemplating such a ban if President Reagan is unable next September to report substantial progress towards the elimination of apartheid.

The threat is real because Reagan is unlikely to have the basis for a positive finding — imprisoning people for their prayers and bumper stickers is not progress — and the legislators are running out of other options besides a total trade and investment embargo. The banking prohibition is one of the few further measures prescribed in the comprehensive Anti-Apartheid Act that the curiously formulated law has not already imposed.

The ban appeals to the sanctioneers' febrile imagination because it does not appear, on the face of it, to inconvenience blacks. The latter would probably be exempted anyway, obliging the banks to commit a form of reverse apartheid in deciding whose money to accept. Whites, on the other hand, would be denied a "bolt hole" for their assets and so be forced to lie in the bed they have made for themselves. Or so, at any rate, was the theory when the ban was first advanced last year.

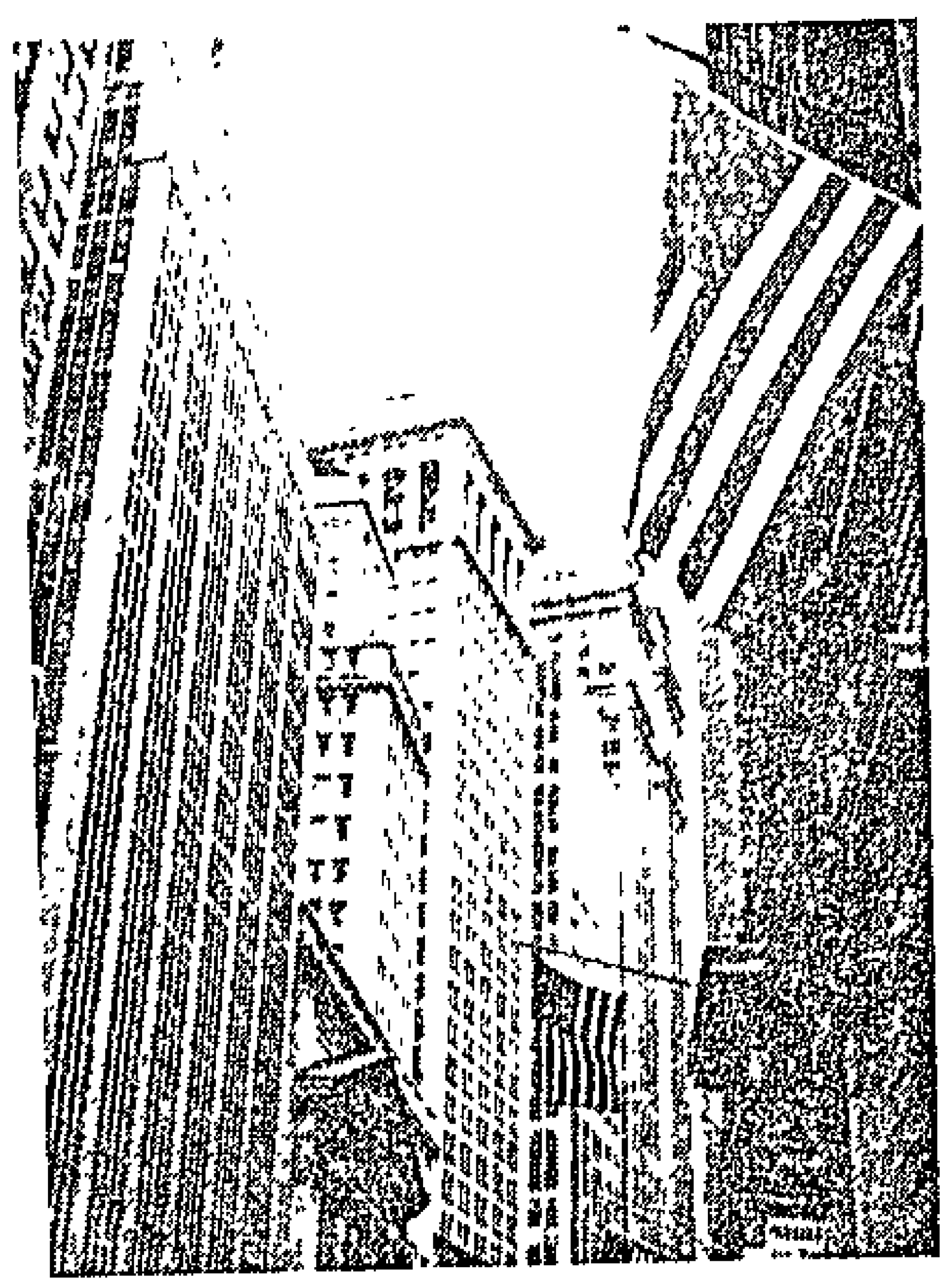
Since then the argument has become a trifle more sophisticated. John Lind of the California/Nevada Interfaith Committee on Corporate Responsibility told Treasury officials last month that the ban would serve as a "convenient moral statement" whose chief effect would be to reduce trade credits for South Africa.

According to minutes of the meeting, Lind argued that most banks which extend trade credits to South African customers require security in the form of deposits. Ergo, ban the deposits and South Africans would have to seek credits elsewhere, increasing their cost of business. Since "only a few US banks still open letters of credit for South African customers" the moral statement "could be made with little cost" to US institutions.

THE Treasury was not impressed and formally reported to Congress last Thursday that extending the existing ban on sa government and parastatal deposits was "not feasible" (words that have never stood between Congress and its whims).

The report, mandated under the CAAA, was based on a survey of seven banks: Chase Manhattan, Citicorp, Bank of America, Morgan Guaranty, Manufacturers Hanover, Irving Trust and the Bank of Boston. Copies of their submissions obtained from the Treasury show unanimous opposition to further constraints on their business with South Africa

For the record, the Treasury determined that as of December 31, 1986, banks located in the US held liabilities worth \$283 million to entities and individuals whose residence was listed as being in South Africa. This represented 0,2% of all foreign residents' deposit accounts. South African deposits in foreign branches of US banks totalled a further \$103 million.



Major American banks have drawn the line on further curbs to their involvement with South Africa.

The banks' concerns ranged from the costs of setting up a screening system (possibly greater than their entire South African liability), to the "chilling effect" on other non-South African foreign depositors, to fears that South Africa might renege on the \$3 billion still owed to US commercial institutions, to potential conflict with foreign banking laws, to the sheer impossibility of closing every loophole.

Only Bank of America took an openly hostile line towards South Africa (it is based in San Francisco where to do otherwise is perilous), vowing that "all our banking and financial relationships ... will ultimately be eliminated" Yet it was equally hostile to the idea of more government-imposed sanctions

"The cost of a truly effective and enforceable system (to identify South African depositors) industry wide could run into the hundreds of millions of dollars," warned George Coombe, the bank's general counsel.

He continued. "Such an action would be a public announcement that the US government views prohibitory action against the property of foreign nationals as a legitimate action to achieve its foreign policy objectives We note that such an extreme action was not attempted even during the Iranian hostage crisis, when the US government froze the assets of the Iranian government.

"Not only would this legitimize similar action on the part of other, presumably less stable, countries, but it would also signal that foreign investment in the US entails as much, if not more, political transfer risk as may be encountered in the rest of the world."

CHASE, which some have blamed for triggering the South African debt standstill, was also uncompromising Chief financial officer Michael Esposito wrote·

"The prohibition on South African accounts would undermine the competitiveness of Chase in at least two very important ways. First, and most obvious, Chase would lose the business of all its South African clients. Since Chase would no longer be able to act as a full-service bank to its South African clients, those clients would undoubtedly sever their business relationships with Chase and its affiliates and instead use non-US banks to handle all of their transactions.

"Second, and more importantly, the prohibition would send an unfortunate message to all of Chase's clients worldwide that the US is willing to utilize US banks as a tool for penalizing private foreign citizens for the political positions adopted by their governments. Customers would no longer feel safe in banking with US institutions if they perceive that their private assets might be adversely affected as a result of political difficulties between their respective countries and governments."

Then there was the matter of the outstanding debt. The banks do not appear overly bothered by the fact that they are not getting their money on schedule, but they would like it back one day, and they know that more bloody-mindedness will merely succeed in reducing their leverage over the debtor.

Only Bank of America was unconcerned about the rescheduling problem, citing its "already limited relationship with South Africa" More typical was Irving Trust, whose managing counsel, Michael Scher, wrote that the ban would "negatively affect recovery of South African debt by removing from US banks deposits which might collateralize loans or which might be set off against loans. It is conceivable that such a prohibition could contribute to a political consensus in South Africa to repudiate debts owed to US banks."

Chase's Esposito agreed: "One cannot underestimate the possibility that such a prohibition could cause the further deterioration of relations between South Africa and the US and might result in a chain of retaliatory actions by South Africa".

Citicorp associate general counsel Nancy Jacklin phrased it more positively: "Cooperation by South Africa . should be fostered. Sanctions . . will do little to foster cooperation, and can adversely impact US banks to the direct benefit of South Africa's non-US bank creditors"

Morgan advanced the interesting objection that the prohibition would defeat the sanctioneers' own purpose. "To the extent that the proposed new prohibitions would make more difficult the flow of dollars out of South Africa," opined vice president Lauretta Bruno, "they could also hinder the divestment of American assets by American investors."

Seeing the irony of their position has never been one of the sanctioneers' talents, and it is seriously to be doubted whether the pleas of the banks or the Treasury will divert demands for yet another futile sanction. What is encouraging, though, is that the banks, who for the past few years have gone out of the way to appear on the side of the soi-disant angels, are finally saying "enough".

New deal raised for life assurers

(58) B/Day 14/4/87

LINDA ENSOR

BASIC changes to the prescribed asset requirements of life assurers and pension funds have been proposed by the Registrar of Financial Institutions.

The draft proposals are made in a confidential circular sent to pension funds and life offices which are requested to submit their reactions before the end of this month.

Assurers' initial reaction is guarded as it is feared positive and negative aspects could balance each other.

The three interrelated aspects of the proposed package are:

- ☐ The elimination of the cash and deposit content of prescribed assets;
- ☐ The reduction of the "prescribed assets" percentages;
- ☐ A change to the valuation basis of prescribed assets.

Old Mutual's chief actuary Theo Hartwig welcomed the reduction in the percentages, but opposed the proposed removal of cash and bank deposits from the list of prescribed assets.

"People are not certain that removing the cash and bank deposits from the definition of prescribed assets will result in any significant change being introduced by the reduction of the percentages," Hartwig said. The impact of this would vary for each institution.

The Life Offices Association's executive-director, Dick Geary-Cooke, said the industry still had to formulate its views on "an extremely difficult and complex matter".

Registrar Piet Badenhorst says in the circular the revision of prescribed assets requirements will have "the major objective of encouraging the development of a more active secondary market (in gilts and semi-gilts) while at the same time not raising the absolute quan-

● To Page 2

Life assurers face basic changes

(58) B/Day 14/4/87

● From Page 1

tum of prescribed assets to be held by life offices and pension funds to more onerous levels than at present".

Badenhorst says the prescribed valuation basis of gilts and semi-gilts has inhibited trading in the secondary market.

Proposed is a reduction to 20% of the 53% presently required to be held as prescribed assets under Section 17(2)(a)(ii) of the Insurance Act and Section 19(1) of the Pension Funds Act and to 15% the percentage of 33% currently prescribed under sections 17 (2)(a)(i) and 17 (5)(a) of the Insurance Act.

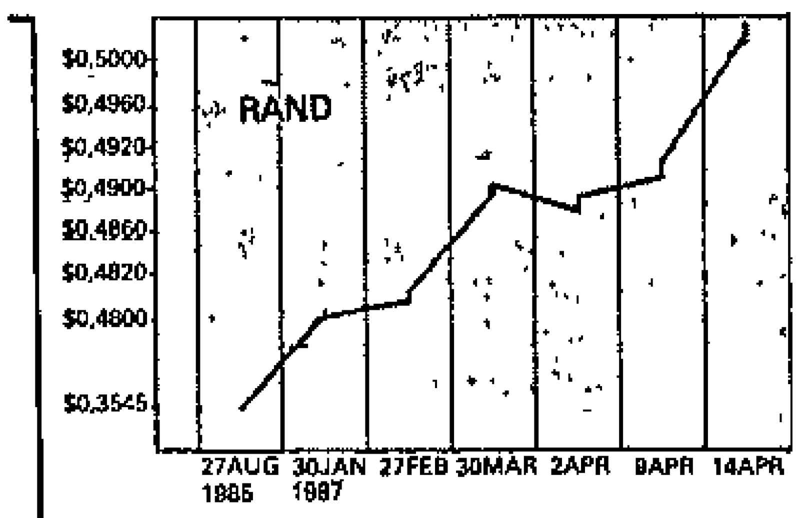
However, these reductions go hand in hand with the removal of cash and deposits with banks and building societies from the list of prescribed assets.

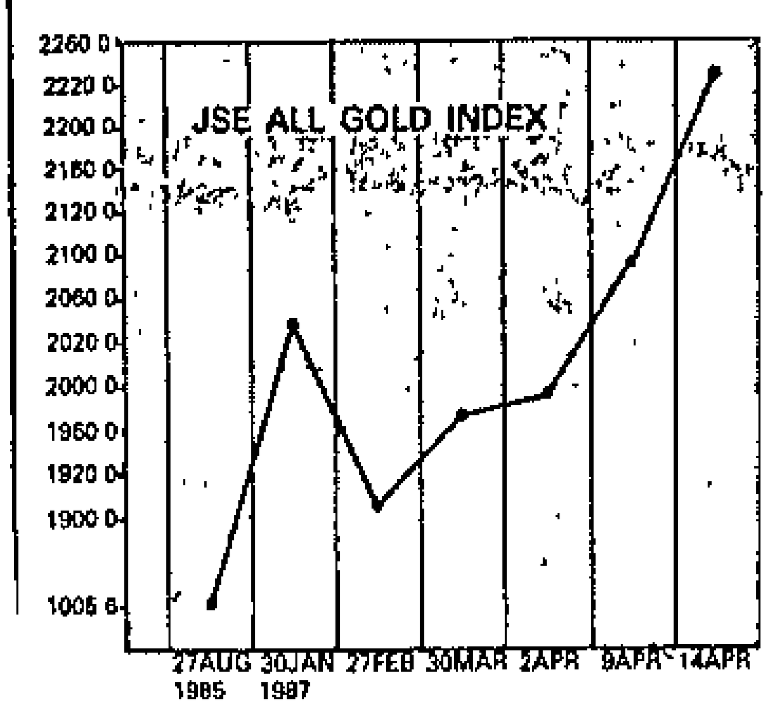
Also, life assurers and pension funds

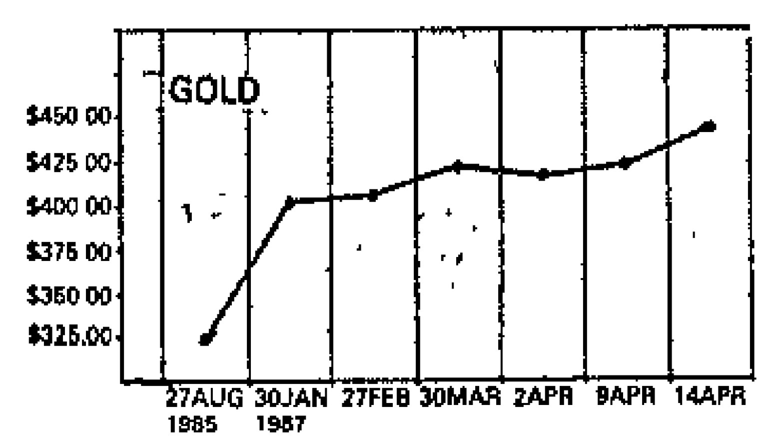
Gold up — and it looks like a boom

Cape Times 15/4/87

58







By AUDREY D'ANGELO
Financial Editor

GOLD jumped yesterday, the rand leapt to over US$0,50c, and shares on the Johannesburg Stock Exchange (JSE) surged to new highs as South Africa moved further into the first phase of a potential economic boom.

The yellow metal, mainstay of the economy, was fixed at $442,40 an ounce in London yesterday afternoon, after breaking through the $440 barrier in the morning, compared with $435,90 on Monday afternoon.

Prospects looked good for a sustained rise as investors dumped the US dollar, and the threat of a higher world inflation rate made gold look more attractive as a safe haven for their money.

Disappointing US trade figures issued yesterday afternoon also forced the dollar lower, reinforcing gold's upward trend.

Some gold share prices on the JSE moved slightly lower on profit taking, but the adjustment should be viewed in the light of a virtual doubling of prices in recent weeks.

The all-gold index eased to 2 239 from the record close of 2 240 on Monday, after rising to 2 247 at the opening.

Investment analysts regarded the slip as a temporary setback which will soon return to a recovery path.

University of Cape Town economics professor Brian Kantor said he had no doubt that the boom was coming and it was vitally important that it should not be mismanaged.

It would be disastrous, he maintained, for the authorities to keep down the value of the rand to help exports.

Saying that a higher rand would help solve the problem of SA's damagingly high inflation rate, and make it easier to repay dollar-denominated foreign debt, he worried that an artificial depression of the rand would create excessive growth of the money supply and a repetition of SA's earlier problems of inflation.

"The fundamentals are helping us. The weaker Wall Street looks, the better for gold.

"But we must watch that the authorities do not let the boom get out of hand," Prof Kantor cautioned.

☐ See Page 6

eport

Keep up with the times . . . the Cape Times

CAPE TIMES 16/4/87

Volkskas and UBS in share deal link-up

58

From GERALD PROSALENDIS

JOHANNESBURG. — In linking together in a R293,1m deal, UBS Holdings and the Volkskas Group has set the stage for the creation of a financial giant with total assets in excess of R22 billion.

The deal, announced today, involves UBS issuing 23,8m new shares to Volkskas to the value of R118,9m. Volkskas will, in turn, issue to UBS 12,7m shares at a value of R146,5m. It has been based on a price of 500c for a UBS share and 1 150c for a Volkskas share.

UBS will bridge the difference in value between the share exchanges with a cash payment to Volkskas of R27,6m.

This will raise UBS's issued capital to 236,9m shares of which Volkskas will hold 10%, the maximum allowed in terms of the Building Societies Act. Volkskas' issued capital will increase to 42,5m of which UBS will hold 30%.

Today's announcement says that UBS earnings will rise by 8,5% while those of Volkskas will be reduced by 14,2%. Dividends will not be less than those that would have been paid prior to the transaction.

The deal, which strictly speaking does not amount to a merger, could facilitate the cooperation in a number of customer and technical areas of operations to the mutual benefit of both organisations.

It gives UBS instant access to the banking market, and Volkskas's widespread branch network in particular. UBS will be the second building society to develop a specific banking link, being pre-empted by the Allied Building Society which bought the French Merchant, changing its name to the Allied Bank.

While Volkskas's customer profile has largely been confined to the Afrikaans speaking market, UBS has roughly an equal spread of customers in both language groups.

Sleeping giant

The linking of the two institutions could give Volkskas access to a much wider market than it has had in the past. Volkskas, seen by some as the sleeping giant of banking, showed a net income after taxation and transfers to reserve of R53,0m for the 1986 financial year compared with R52,9m in 1985. Both these figures had slipped from a 1984's net income of R59,0m.

At the end of the 1986 financial year Volkskas' total assets were R13,4 billion and UBS R8,2 billion.

By contrast, the Standard Bank Investment Corporation has total assets of R20,6 billion and after tax income of R214,5m, fully disclosed. Barclays showed a net income before extraordinary items of R107,3m for a nine month period on total assets of R18,75 billion.

81 election

onstructive

ost of living

e total tax

Volkskas and UBS make 'a good deal'

(58) SMB 16/4/87

By Magnus Heystek
Finance Editor

"A very good deal for both parties with outstanding long-term benefits," was the comment by Dr Danie Cronje, executive chairman of Volkskas Merchant Bank (VMB) and one of the key players in the merger between the Volkskas Group and the United Building Society.

VMB announced this morning that the UBS will acquire an interest of 30 percent in an enlarged Volkskas Group while Volkskas will recieve 10 percent of the shares in UBS Holdings, the holding company of the UBS.

In order to effect this transaction both parties have enlarged their respective issued shares considerably. Volkskas has issued 12 744 460 shares to the UBS at a price of R10,50 a share, representing 30 percent of the issued share capital.

The UBS, on the other hand, has issued 23 787 267 new shares to Volkskas at a price of R5 a share. In addition, the UBS will also pay Volkskas R27,63 million in cash. The effective date of the transaction is April 1 and still has to be approved by Volkskas shareholders at an annual meeting to be held soon.

Had the deal been in effect for 1987, UBS earnings a share would have been 8,5 percent higher, and those of Volkskas 14,2 percent lower. Based on the pro forma consolidated balance sheet of the UBS at March 31 1986 and the audited consolidated balance sheet of Volkskas at the same date and assuming that the transaction had been in effect at that date, the UBS would have had a 2,2 percent increase in net asset value while Volkskas would have experienced a 8,1 percent reduction.

The details of the working relationship between the two groups will be announced at a Press conference later this morning. Later editions of The Star will carry full reports on the merger.

Big share swap opens doors

B| Day

Volkskas and UBS unite in R293m deal

(8)

16/4/87

GERALD PROSALENDIS
Financial Editor

BY LINKING together in a R293,1m deal, UBS Holdings and the Volkskas Group have set the stage for the creation of a financial giant with total assets in excess of R22bn.

The deal, announced today, involves UBS issuing to Volkskas 23,8m new shares to the value of R118,9m. Volkskas will, in turn, issue to UBS 12,7m shares at a value of R146,5m. It has been based on a strike price of 500c for a UBS share and 1 150c for a Volkskas share.

UBS will bridge the difference in value between the share exchanges with a cash payment to Volkskas of R27,6m.

This will raise UBS's issued capital to 236,9m shares of which Volkskas will hold 10%, the maximum allowed in terms of the Building Societies Act. Volkskas' issued capital will increase to 42,5m of which UBS will hold 30%.

Today's announcement says UBS earnings will rise by 8,5% while those of Volkskas will be reduced by 14,2%. Dividends will not be less than those that would have been paid prior to the transaction.

The deal, which strictly speaking does not amount to a merger, could facilitate co-operation in a number of customer and technical areas of operation, to the mutual benefit of both organisations.

It gives UBS instant access to the banking market, and to Volkskas's widespread branch network in particular. UBS will be the second building society to develop a specific banking link, being pre-empted by the Allied Building Society which bought the French Merchant, changing its name to the Allied Bank.

While Volkskas's customer profile has largely been confined to the Afrikaans-speaking market, UBS has roughly an equal spread of customers in both language groups.

The linking of the two institutions could give Volkskas access to a much wider market than it has had in the past. Volkskas, seen by some as the sleeping giant of banking, showed a net income after taxation and transfers to reserve of R53,0m for the 1986 financial year compared with R52,9m in 1985.

At the end of the 1986 financial year Volkskas' total assets were R13,4bn and UBS' R8,2bn.

BANK SERVICE FEES

Chequing in

The banking public pays about R219m a year for the convenience of making payments and cash withdrawals by cheque. Figures kept by the Automated Clearing Bureau (ACB) show that an average of 1,2m cheques are cleared daily in the main metropolitan areas.

ACB GM Eben Venter estimates that if rural areas are included, the number is about 2m a day. At an average of 30c a cheque this works out to R600 000 paid daily — R219m a year.

It is difficult to estimate what proportion this is of banks' operating revenue. Because of scanty information provided in the annual reports of some banking groups, it is not possible to arrive at a figure for total operating expenditure of commercial banking operations.

Living with lower pricing

And comparison with the R500m after-tax income earned by the five major banking groups would not be helpful. Banks argue that revenue from service charges offsets expenses incurred. According to Barclays GM Norman Axten, non-interest revenues don't even cover non-interest costs (*FM* March 20).

So banks, like Trust, which go aggressively for market share, will have to live with the impact of lower pricing on operating margins.

On the other hand, volumes may ultimately prove more important than margins because high turnover helps absorb capital investment.

Technology costs have been enormous over the past few years. Future expenditure in a competitive climate — as banks strive to outdo each other with new products and innovative services — is virtually open-ended. ■

Heading for a crash?

CMG Times 17/4/87

58

Financial prospects are looking up: the market is booming. But are things as rosy as they seem? AUDREY D'ANGELO reports

AMID the euphoria generated by new heights on the Johannesburg Stock Exchange (JSE) this week there is also a nagging fear of the traumatic market turn of 1969.

Nearly every South African was convinced 18 years ago that the effortless way to riches was through the share market. Success then required neither intelligence nor care, not even money.

Amateur investors borrowed to buy shares — or bought them on credit — secure in the belief that they could safely rely on a profit a few days later.

Overworked stockbrokers locked their doors to keep eager would-be clients out. And buying orders were thrown in through the windows, written on paper darts.

Predictably, the bubble burst and many investors found themselves not only with badly burned fingers but deeply in debt.

Will history repeat itself in the wake of the new share price spiral?

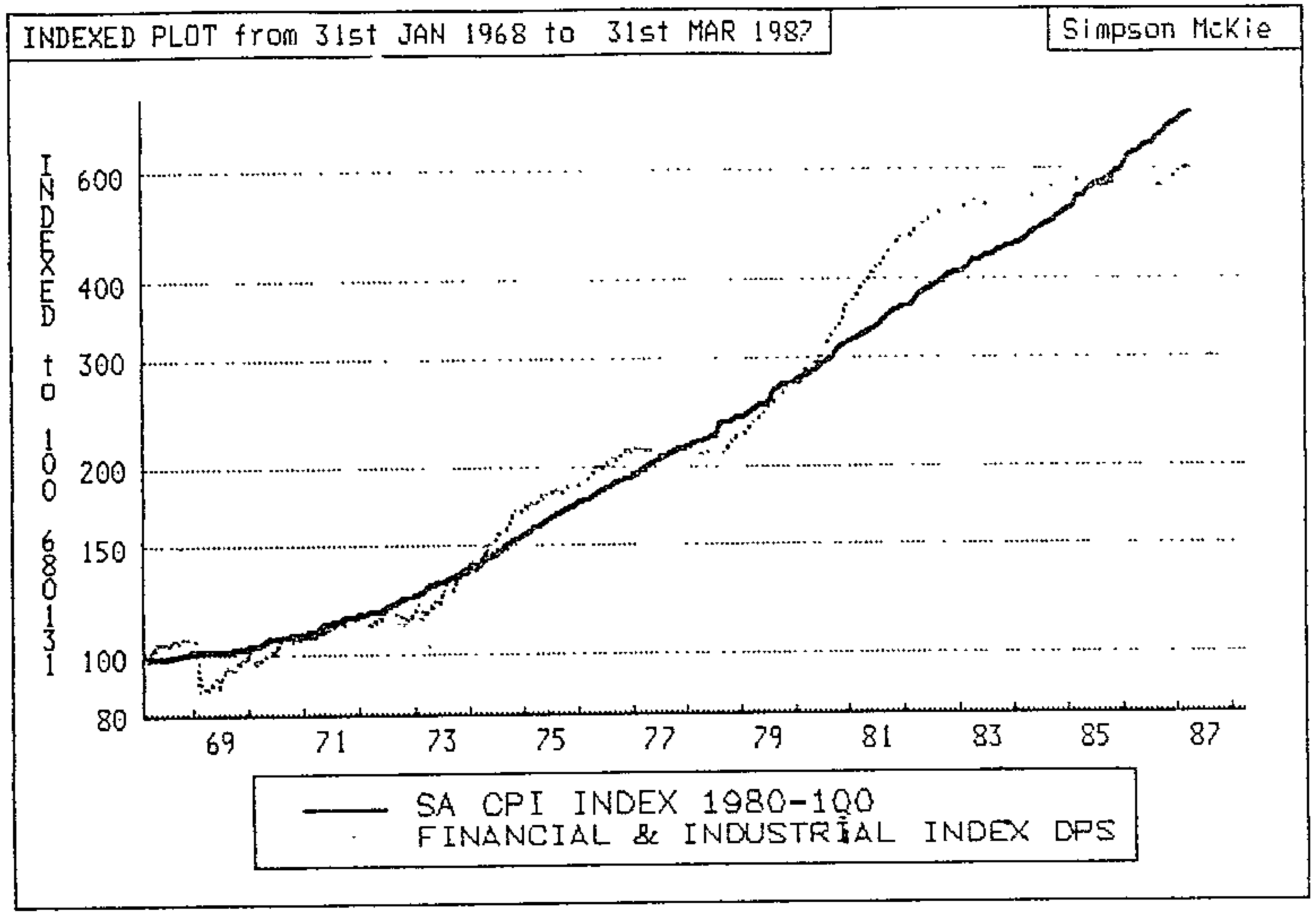
Some of the shares on the market are undoubtedly over-priced, particularly in the Development Capital Market sector.

But economists, stockbrokers and investment analysts point out that there are important differences between now and 1969 including the following:

☐ Much of today's investment emanates from the financial institutions, who are pouring in vast sums every day, rather than from individual shareholders.

☐ Shares must now be paid for within a few days of being bought, ending speculation by people without money.

☐ General opinion has it that gold is set for a continued rise on the international market, underpinning SA's economy, as the US economy weakens and its inflation rate rises.



Investments in industrial and mining financial shares have comfortably outstripped inflation and Simpson McKie Inc expect this trend to continue.

In spite of this, some anaylsts say the market is undoubtedly overheated and warn that shares must be chosen with caution.

Kevin Carter, assistant general manager, investments, at the Old Mutual, believes dividend and earnings ratings are not as demanding now as in 1969.

At the end of May in 1969, the average dividends yield in the industrial sector was 2% and the earnings yield 3,9%.

At the end of March this year the average dividends yield was 2,9% and the earnings yield 7,4%.

But, Carter warns, although today's market is not expensive in relation to 1969, it is expensive in relation to its history over the past 20 years.

"We should exercise caution. We cannot relax in this market — if a bear market started tomorrow nobody should be too surprised."

Philip van Zijl, head of Sanbes unit trusts, ponders:"We are not yet in 1969 but perhaps we are in 1967 or 1968." He believes there is a disturbing similarity between now and the beginning of the 1969 disaster.

"We are finding a lot of people who have never before invested in shares coming into the market with a lot of money.

"But a reassuring thing is that people are investing their own money. In 1969 every Tom, Dick and Harry was borrowing up to the neck to get in."

He thinks the market is overheated. Still, the prospect of rising US inflation made it likely that gold would continue to rise for at least two years.

However, although he believes the market will be firm at least till the election on May 6 "after that, there are a lot of uncertainties".

A spokesman for stockbrokers Simpson McKie says: "The biggest difference between now and 1969 is that then people did not have to pay for their shares until they were delivered, which took up to four months. So a lot of people over-extended themselves.

People are better informed about the economy now than in 1969, and are coming into the share market in a more orderly way.

☐ **All share index and consumer price inflation rate graphs on page 19.**

Censorship 'may affect fair trading'

17/4/87

JOHANNESBURG. — South Africa's censorship regulations could hamper fair trading on the country's stock exchange, businessmen said yesterday following a widespread strike at major companies that went unreported by local media.

On Tuesday, several thousand workers staged a one-day strike at food companies in the Transvaal to protest against the detention of eight union officials, according to Mr Peter Wrighton, deputy chairman of Premier Group Holdings Ltd.

But the strike, which was organized by the Food and Allied Workers' Union, was not announced by the companies and news of it leaked out only yesterday.

Vital interest

Business Day did not report the strike, saying instead in a front-page article that it had been "prevented by government censorship from publishing information of vital interest to investors and shareholders".

Officials of the Johannesburg Stock Exchange (JSE) said yesterday that they were worried at delays in reporting such incidents as Tuesday's strike, because it meant that some people were privy to information that could move the price of shares, and others were not.

"I am very concerned," Mr David Ferguson, vice-chairman of the JSE, told Reuters. "It means that certain people know and some do not."

Business Day said it had been advised by its lawyers that reporting the strike would violate censorship rules.

Other lawyers, however, said the regulations do not prevent reporting the strike, but it is not permitted to say how successful the strike was.

Censorship has prevented full reporting of a five-week-old strike by some 15 000 public-sector transport workers which has been linked by police to a wave of firebomb attacks on trains in and around Johannesburg this week.

Mr Ferguson said there had been other occasions when potentially market-moving information had not been reported, but he did not know how often.

"It could become more and more serious," he said, adding that while he did not believe that censorship had hampered stock market trading so far, it could do so.

He added: "It actually encourages insider trading."

Premier group's Mr Wrighton said: "A lot more of this sort of thing (industrial action) takes place all the time than is reported in the press."

Critics' concern

The JSE, which includes listings of a handful of foreign companies, has been booming in recent weeks, mainly due to a surge in the price of gold.

Critics of the censorship regulations have expressed concern that reporting restrictions could erode confidence in the exchange at a time when the country desperately needs new investment, particularly from abroad.

Legal experts were divided on whether the strike could be reported, highlighting the uncertainty and confusion that prevails over the censorship regulations.

On several occasions, Sapa has retracted reports it has issued on the strike, saying it had been told it was not lawful to publish them. — Reuter

Another leg in for Rembrandt

19/4/87 STT

Anton Rupert ... hand in many pies

By David Carte

THE R239-million alliance clinched this week between Volkskas and the United Building Society and the new bank emerging from it are positive for both parties — and a boost for Anton Rupert's Rembrandt Group.

Through the United Bank being set up as a joint venture between the two parties, Volkskas will at last be able to penetrate the high-growth English-speaking and black markets.

The United will be able to enter the high-risk field of consumer lending with banking skills on board.

Rembrandt, effective controller of Volkskas, can welcome another multi-billion rand financial institution to its sphere of influence. Only a few months ago, the United fell in the Standard-Liberty Life camp.

Three times

Rembrandt effectively controls Lifegro, Rand Merchant Bank and shares control of Sage and Sage Life

In this week's swop of shares and cash, the UBS acquired 30% of Volkskas and Volkskas took 10% of the UBS. These were the maximum holdings permitted by banks and building society legislation. The transaction was based on the pre-deal share prices of both institutions.

UBS will issue 23,8-million shares at R5 plus R27,6-million cash for 12,7-million Volkskas shares at R11,50.

Volkskas group managing director Piet Morkel says: "The stock market values the UBS at roughly three times the value of Volkskas, so our 10% stake in the UBS is roughly equivalent to its 30% stake in us."

The United has a higher price earnings multiple than Volkskas, so the cash and share swop will increase its earnings by 8,5%, diluting those of Volkskas by 14,2%. UBS scores on assets as well. Its net assets rise by 2,2%, and those of Volkskas are diluted by 8,1%.

More to gain

Although both parties insist mutual interest was the motivation, the terms suggest tha. Volkskas was keenest on the deal. By gaining access to new high-growth markets it appears to have more to gain.

The alliance puts a question mark over Volkskas's relationship with Saambou National Bulding Society.

This mutual society with assets of R1,9-billion belongs to the owners of its paid-up indefinite period, fixed-period and subscription shares, but has always been virtually a brother institution to Volkskas.

Volkskas chairman Albert Marais came across from Saambou. He is chairman of both boards. Five directors of Volkskas are also on the Saambou board.

Like the UBS, the NBS and the Allied before it, Saambou has expressed its intention to become a proprietary listed company.

Advertisements have stressed its independence, suggesting a rift with Volkskas, but Dr Marais sanctioned the present scheme, so it is not inconceivable the two building societies will coexist in the Volkskas fold.

Some observers have speculated that Saambou might be merged with the United, but UBS chief executive Piet Badenhorst is thought to be strongly against any such idea.

Volkskas managing director Danie Cronje told Business Times the deal should not affect the relationship with Saambou, but he agreed that Saambou appeared more independent recently.

Volkskas and UBS executives stressed that the two institutions would retain their separate identity, character and culture. The new bank would also be independent.

Because it was still being set up and staffed, the parties did not wish to disclose too much about the new bank.

But it will be a full service bank. An important aim will be to finance hire-purchase deals for home-owners against the equity in their property.

Mr Badenhorst said he did not believe hybrid institutions should handle both mortgage and banking business. Different institutions with different funding mixes were needed.

Dr Morkel said technology was reshaping banks and building societies. Banking had been a labour-intensive business with few economies of scale. Recently, technology made them capital intensive and subject to economies of scale. One-stop financial services had become not only possible but desirable.

R60-million capital

He said the new bank, which would be launched with R60-million of capital on a 50-50 basis between the partners, would compete against Volkskas. He was not worried that it might win accounts, so long as they stayed within the partnership.

Volkskas and UBS computer systems are compatible. Together they have more than 1 000 automatic teller machines.

Mr Badenhorst said the United's close relationship with Liberty Life would not be affected.

"Mr Donald Gordon is very broad minded," he said.

AA Mutual probe set to start today

(58)

DD 21/4/87

Dispatch Correspondent

JOHANNESBURG — The Melamet Commission of Inquiry into the collapse of the short-term insurer AA Mutual (AAM) begins its hearing at the Supreme Court here today.

The first witness scheduled to appear, Mr Michiel Loubser, is one of the provisional liquidators of AAM. His evidence will be led by the former Attorney General of the Orange Free State, Mr Mike Tucker.

The three-man commission is represented by Mr Justice D. A. Melamet, Mr Ken Raine and Mr Herc Hefer.

Witnesses are scheduled to give evidence until July 15, Mr Justice Melamet said.

The Melamet Commission was appointed to enquire into:

- The circumstances that gave rise to the winding up of AAM.
- Whether persons in management, or who were otherwise associated with the AAM in a position of trust, or who were assigned with professional duties, neglected their duty.
- Whether the Insurance Act provides adequate protection to policy holders.

Unlike the liquidators inquiry, the commission's findings will be made public.

Business Repo

Reichmans boosts income by 69%

Cape Times 22/4/87

58

Financial Staff

CONTINUING the strong profit trend it set at the interim stage, international trade finance company Reichmans Limited has achieved an attributable income that is 69% ahead of the previous year.

Reporting for the 12 months ended February 28, Reichmans shows an income attributable to shareholders of R5,1m as against the R3m recorded a year ago.

Impressive

Because of the 25% increase in the shares on issue, resulting from Reichmans's listing in May last year, the increase in the earnings per share is nevertheless an impressive 35%.

Earnings per share climbed from last year's 12,6c a share to 17c a share. At the time of its listing Reichmans forecast that its earnings for the 1987 financial year would be 14,5c a share.

Reichmans shareholders have another pleasant surprise in that the 4c a share final dividend makes a total of 7c a share for the year compared with the 5,8c a share that was forecast in the prospectus.

Commenting on the results, financial director Lewis Freidus notes that the increased business confidence which was noted at the interim stage gained momentum in the second half of the financial year.

"Improved confidence levels strengthened the demand for our services as traders were more willing to invest in their businesses."

Cape Times 22/4/87

VMB boosts income 21%

By AUDREY D'ANGELO
Financial Editor

VOLKSKAS Merchant Bank (VMB) lifted disclosed net income for the year to March by 21% to R10m (R8,2m) and the dividend to 4,2c (3,3c) a share, in spite of difficult trading conditions.

And MD J J Brown says: "There are positive signs indicating that economic conditions could improve.

"The favourable standstill arrangements recently concluded with overseas banks could make a substantial contribution to this improvement."

This was the 10th consecutive year in which VMB lifted disclosed income, and the rate of growth picked up again after slowing from a peak of 33% in the year ending in March 1984 to 20% in 1985 and 15% in 1986.

But return on shareholders' funds — which have increased to R50,5m (R34,7m) — was slightly lower at 24% compared with 25,6% the previous year and 26,3% in the year to March 1985.

Brown admitted that a tendency for clients to borrow for shorter periods while interest rates were declining "exerted pressure on the bankers acceptance portfolio of VMB".

But, he said: "Despite this, important breakthroughs were achieved in VMB's chosen market sector and a better distribution of clients was achieved."

He said foreign exchange volumes had "increased steadily since the consolidation which started from September 1985 as a result of the standstill arrangements", although they had still not reached the volumes which were achieved during the last two financial years.

VMB had again achieved the leading position in the primary capital market, widening the gap between itself and its competitors.

"The corporate finance division experienced an exceptionally busy year and had a record fee income."

The project finance division was also busy.

AA Mutual probe hears of processing delays

(58) B/Day 22/4/87

HELENA PATTEN

THE Office of the Registrar of Financial Institutions takes up to two years to process some short-term insurers' statutory return forms because of staff shortages.

This emerged in evidence by incumbent registrar Robert Burton at the Rand Supreme Court yesterday at the opening session of the Melamet Commission of Inquiry.

The commission is sitting to investigate the circumstances surrounding the collapse of short-term insurer AA Mutual (AAM).

Burton said he had a staff of nine people and a division of three or four inspectors. He said the investigation of about 120 insurers was a gigantic task and his team did its best under difficult conditions.

He said there was a great need for more qualified staff, although most of his staff were graduates. The work was unfortunately not seen as a "glamour job" and he struggled to find suitable people. It was not the sort of work young graduates chose. Low salaries had also played a part in the shortage of staff in more specialised areas.

He said possible insolvencies would routinely be discovered by junior clerks on receipt of the statutory F247 return forms.

Burton said he was shocked when Federated Insurance MD Johannes Hamman informed him last April that AAM's solvency margin was just 0,8%. The 14,1% calculated in 1985 for the AAM had not caused undue concern because several short-term insurers had had similar margins.

He admitted to being surprised at the speed at which the AAM affair came to a head. There would not have been time for his inspectors to make a proper investigation, he said.

He rejected the option of closing AAM's portfolio because first claimants would have had an unfair advantage over individuals who wished to claim later, if funds were insufficient to meet such claims.

He felt the current 10% solvency margin requirement was too low, but said that, with his restricted staff, it had not been possible to rewrite legislation.

● BURTON

Shareholders call for end to all ties

Eltsa will renew anti-SA pressure at Barclays AGM

LONDON — Charges that Barclays Bank "retains many links with the apartheid regime" — and will suffer because of them — will be made at the bank's AGM in London today.

Spokesmen for the End Loans to SA (Eltsa) movement, who will address the AGM as shareholders, warned yesterday they will keep up their protest campaign against Barclays until "all links with apartheid are broken".

Rev David Haslam said Barclays disinvestment from SA and Namibia would be invalidated unless the bank cut its strong existing ties.

Eltsa will call on the fast-growing American anti-apartheid groups to protest against Barclays' massive programme of investment and growth in North America, in the same way it did in Britain.

Eltsa, which led a decade-long campaign of protests which badly damaged the bank's image in many countries and its student business in Britain, said it would attack most strongly the Barclays role in financing trade with SA.

Eltsa, together with the Anti-Apartheid Movement, also wants Barclays

IAN HOBBS

to cut its "technical links" with SA through the Visa card system and its membership of the UK-SA Trade Association.

The protest groups are also critical of the Barclays role in last month's rescheduling of South African debt. Barclays is involved through its membership of the 12-bank technical committee.

In early March Barclays executives met a delegation of anti-apartheid leaders and indicated that on top of disinvestment from SA other links with the Republic might eventually be run down.

This led to rumours the pressure groups would completely lift their protest campaign. But Haslam and the AAM say until all links are cut they will call on their members to pile on the pressure.

Anti-apartheid protestors will also be at the Lloyds Bank AGM in London today, questioning the possibility of another bid for Standard Chartered and the bank's involvement in SA's debt rescheduling.

Imposters: a

(58) SMR 23/4/87

Annual returns not processed, inquiry told

AA Mutual solvency level dropped steadily

By Lesley Cowling

Five statutory annual returns by the AA Mutual had not been processed by the office of the Registrar for Financial Institutions at the time the short-term insurance company went into liquidation, the Melamet Commission of Inquiry heard in the Rand Supreme Court yesterday.

These were the returns for 1979, 1981, 1982, 1984 and 1985.

Insurance companies are required by law to submit returns for each year, showing assets, liabilities, premium income and the current solvency margin for the company — a figure calculated on the relationship between assets, liabilities and premium income.

The returns are completed by the company's auditors. A solvency margin, by law, cannot fall below 10 percent.

Yesterday, counsel for the commission, Mr J F Reyneke, said that at the time of the AA Mutual's collapse, the Registrar's office had not processed five annual returns. There was a backlog of 18 months to two years in the processing of returns, he said.

He asked assistant registrar, Mr P W L Heckroodt, who is in charge of the department dealing with short-term insurance, to explain how this situation had developed.

Mr Heckroodt said there was a shortage of staff and a surfeit of work in his department.

Insurance companies were divided between a number of controllers, who each dealt with about 25.

These controllers, with a senior controller, listed the companies in order of priority.

Mr Reyneke put it to Mr Heckroodt that the commission had heard that AA Mutual was low on the priority list. He asked why this was so when figures for 1982 showed that AA was way below the average solvency margin of 40 percent for the insurance industry at 19 percent.

Mr Heckroodt said companies often allowed their solvency margins to drop instead of putting in more capital.

Companies that were low on the priority lists were the ones who tended to give least trouble with their returns, he said.

Mr Reyneke also put evidence before the commission showing that AA Mutual's solvency margin was 30,4 percent in 1980. It dropped to 19,5 in 1981 and continued to drop until 1985, where it showed a solvency margin of 14,10.

In 1986, the company was liquidated.

ASTUTE

Mr Heckroodt told the commission he knew Mr Warren Plummer, the chief executive of AA who retired shortly before the crash. He had considered him an astute businessman, he said.

Earlier, the commission heard that an encumbered asset of about R18 million was entered on AA's return as a "Section 1" asset. Assets listed as Section 1 assets must — by law — be unencumbered.

The AA's return for the 1985 financial year, put before the commission, showed that it had unencumbered investments of about R39 million with the Trust Bank. However, Mr Reyneke said the AA had one investment of R18 million with Trust Bank which was encumbered.

The commission, which consists of chairman Mr Justice D A Melamet, auditor Mr H Hefer, and short-term insurance expert, Mr Ken Raine, is investigating the circumstances which led to the collapse of the AA Mutual short-term insurance company.

It is also investigating possible negligence by AA executives and functionaries with statutory duties and whether the Insurance Act provides adequate protection for the public.

The commission is continuing.

24/4/87 FM

TAXATION

Chasing tales

Within the next few weeks we can predict acrimony in the wake of a leading SA life assurer's launch of a Ciskei-based endowment policy. Revenue is expected to end such a policy devised by Lifegro.

The announcement will effectively end marketing of the policy from the date of the announcement. A retroactive law to give effect to the matter may be passed through parliament later in the year.

Retroactive law, unwanted in any legal system, has become commonplace in tax law. Finding tax loopholes, exploiting them, and skimming the cream until a crunch by Revenue, has become a high-powered game.

A senior Revenue official is the first to admit that law governing life policies, the Sixth Schedule to the Income Tax Act, is in a mess. Similarly, life assurers know it is one of the easiest areas of law where loopholes can be found.

When these are exploited, Revenue may step in. The life assurance industry has precedents on the point, particularly Finance Minister Barend du Plessis' "after-dinner" speech attacking a category of pure endowment policy.

Lifegro's Ciskei-based policy is transparently aimed at exploiting a loophole in SA's tax law. In the paper chase, money is routed out of SA to Ciskei, only to come back to SA. The main attraction is Ciskei's 15% top marginal personal tax rate and zero corporate tax, against 45% and 50%, respectively, in SA.

What is unusual about the Lifegro policy, perhaps, is that life industry spokesmen are highly critical of what it represents.

Says Life Offices Association Chairman Dorian Wharton-Hood: "We're very concerned. We have urged member offices not to follow this lead. We regard it as irresponsible marketing. But this is really a problem for Inland Revenue."

A letter from the Financial Institutions Office (FIO) to the life industry makes it patent that the scheme is regarded as contravening the spirit of SA's tax legislation. A crucial aspect is that Lifegro did not approach Revenue. If it had, it would have received a chilly response.

Says Lifegro senior GM Henry Worthington: "We received a letter from the commissioner in December. He asked certain questions. We answered them, and we've heard nothing since."

The scheme was not discussed with FIO either. "If we'd asked the registrar," says Worthington, "he might have referred it to an advisory committee which would have included representatives of other life offices. This would have amounted to telling competitors of our plans before we implemented them. So we decided to go ahead and market what seemed a reasonable scheme."

Worthington, who's unaware of the circular from FIO, insists: "We've not received any criticism from the registrar, or the commissioner."

So far Lifegro has received R10m premium income from its Ciskei endowment policy. Its lead has not been followed. On the contrary, some competitors are highly critical of the move.

Says Liberty Life's Brian Hewitson: "There are a lot of opportunities one can exploit that, from a fiscal morality point of view, are questionable. But the commissioner has a jaundiced view. He's likely to act too harshly rather than too lightly. Intervention could retroactively hit existing products throughout the rand monetary area."

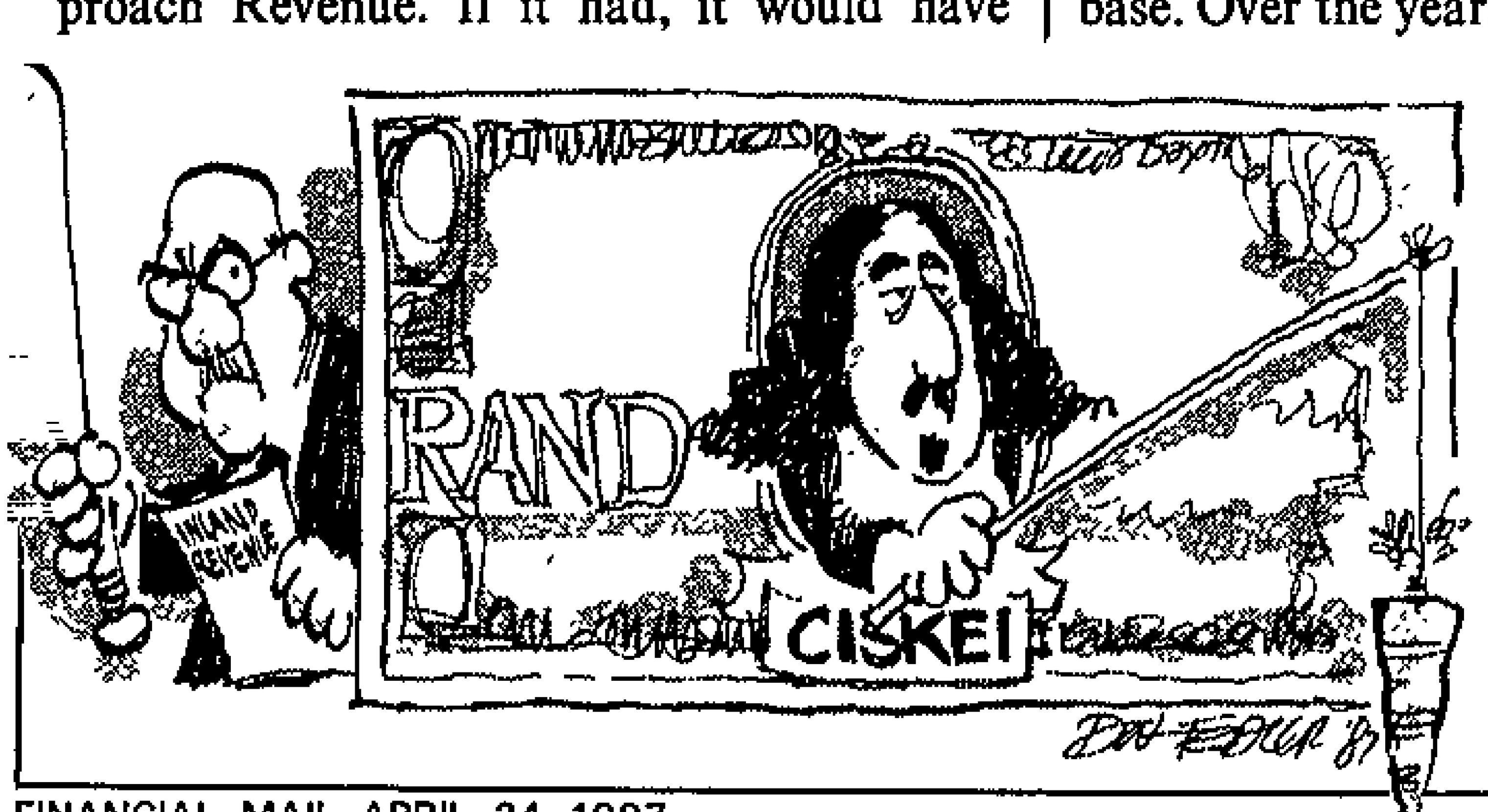
Says Sanlam's Francois Marais: "We resisted the temptation because we don't like doing business that way."

A tax consultant expresses a more cynical view: "Lifegro got a head start. It has the business as long as the situation lasts. It's not worth anyone else's while to structure something at this stage."

While Inland Revenue and FIO were ignored, Lifegro did approach the Ciskei authorities. They expressed interest, even though funds derived from Lifegro's endownment policies are not invested in Ciskei.

Says Worthington: "They seemed happy."

If, or indeed when, the tax authorities end Lifegro's Ciskei scheme, the primary motive will be to counteract erosion of the SA tax base. Over the years, there have been several official statements in which SA authorities have voiced concern at Ciskei's tax carrots.



The Lifegro scheme embraces some interesting technical aspects. Says Southern Life's Tony Davey: "It should be borne in mind that unilateral legislative changes to the Income Tax Act may not negate the relevant provisions of the double taxation agreement."

Other problems lie in the loose ends left by the Sixth Schedule. Says Marais: "It is a messy piece of legislation that badly needs tidying up."

Davey argues that legislation to counter the Lifegro scheme is unlikely to be retroactive. "Measures in terms of the Sixth Schedule have never been retroactive."

However, even if Revenue leaves untouched past proceeds of existing policies, it can still tax future proceeds. Worthington comments: "To provide for such a possibility, there is a surrender option, so the policyholder could get out at that point."

What would he stand to lose?

"There will be some loss on administrative expenses — but these are paid throughout the course of the policy, not front-end loaded." So the loss would not be as great as when a normal policy is lapsed.

The real losers are SA's taxpayers. Worthington's response: "These contracts are only a small part of the movement of funds to Ciskei, so that investment income can be sourced there."

If Lifegro's policy is hit by retroactive law, perhaps Revenue will get its message home at last. To avoid recurring acrimony, Revenue should re-draft the Sixth Schedule. ■

AAM probe told of 'shaky' deal

(58) B/Day 24/4/87

HELENA PATTEN

SHAKY reinsurance business accepted by AA Mutual (AAM) MD Warren Plummer for a foreign associated company caused AAM to suffer losses of around R20m, the Melamet Commission heard yesterday.

Shavian Research Consultants director Robert Shaw, a reinsurance consultant to the liquidators, said in evidence this was one of the main reasons for AAM's collapse last year.

The commission, consisting of chairman Mr Justice Melamet, Ken Raine and Herc Hefer, is investigating the circumstances surrounding the collapse.

In addition to Plummer's action, Shaw attributed the demise of AAM to uncontrolled growth coupled to an insufficient solvency margin, inadequate accounting and an unsound and incorrectly structured reinsurance programme.

He said the reinsurance arrangements, circumventing UK trade requirements, were apparently made to place the foreign company in a solvent position.

When this was viewed against AAM shareholders' funds (around R20m at the time) and the company's growing domestic business problems, Shaw said he had to conclude Plummer had been guilty of misfeasance. His actions had clearly placed AAM in a precarious position.

"The reinsurance arrangements were also entered into between the parties to circumvent exchange control regulations and to refrain from highlighting the need to export capital to prop up the ailing international operation.

"From correspondence within AAM it appears that the auditors must have been aware of these problems but made no adequate provision in such statements for future losses.

"I have done some research within the company and have clearly been able to ascertain that inadequate accounting procedures were in place."

il 24 1987

ARGUS 24/4/87 (58)

ARGUS 24/4/87

CAPE/NATIONAL

Former boss blamed for R20-million losses

The Argus Correspondent

JOHANNESBURG. — The former managing director of AA Mutual, which collapsed soon after his retirement last year, caused the company to suffer losses of at least R20-million, the Melamet Commission of Inquiry has been told in the Rand Supreme Court.

The commission, which consists of the chairman, Mr Justice Melamet, auditor Mr H Hefer and short-term insurance expert Mr Ken Raine, is investigating the circumstances which led to the collapse of the AA Mutual short-term insurance company.

Mr R L Shaw, an executive of Quest Insurance Advisory Service, told the commission yesterday that the re-insurance of an associated overseas company business accepted by Mr Warren Plummer caused AA to suffer losses which amounted to at least R20-million

This action was a wrongful exercise by Mr Plummer of his authority "since it quite clearly placed AA in a precarious financial position".

"Had provision for these losses been brought to account in 1985 the company would have been shown to be insolvent."

The wrongful exercise of authority by Mr Plummer was one of four main reasons for AA Mutual's demise. The others were uncontrolled growth coupled to an insufficient margin of solvency, inadequate accounting procedures and an unsound re-insurance programme.

For the greater part of its history AA Mutual had been a well-managed motor insurer.

The inquiry resumes on Monday.

Butter price to go up as surplus ends

JOHANNESBURG. — The latest shock for consumers is that the price of butter is to rise by 30 c a kg.

The Dairy Board yesterday announced it would reduce its subsidy on choice butter from May.

This and a small increase in the wholesale price, will mean an increase of 30 c a kg.

Mr J C Erasmus, secretary of the Dairy Board, said the decision to reduce the subsidy had been taken because the butter surplus had ended and its stabilising fund was "not inexhaustible".

The adjustment was being made to absorb an increase in the price of milk, he added.

The wholesale price of butter is now R5,45 a kg. The Dairy Board susidises R1,45 of that, meaning shoppers pay R4 a kg.

From May 1 the price will be R5,47 and the Board will pay a subsidy of R1,17. The wholesale price will then be R4,30.

The price of butter was reduced last year by R1,45 in an attempt to reduce the butter surplus. At that time the board said the high price was the cause of the surplus.

Mrs Lyn Morris, chairwoman of the Housewives' League, said it was praiseworthy that a level of subsidy was being maintained even though the surplus had been eliminated. — Sapa.

Charges follow finrand deals

58 B/Day 24/4/87

Afbank men in court over R100m profit

Business Day Reporters

CHARGES have been laid against the African Bank and four of its employees for alleged fraud and contravention of exchange control regulations which resulted in profits of R100,7m.

The 420 charges, read in the Johannesburg Magistrate's Court yesterday by magistrate J B van der Merwe, relate to alleged unlawful dealings in the financial rand resulting in an amount of $119m (R300m) leaving the country.

The accused are: African Bank, represented by bank chairman Samuel Mokgethi Motsuenyane, MD Moty Moses Jacob Maubane, GM foreign exchange Alan Young, GM money markets Henry Alexander Harper, and assistant GM foreign exchange Arthur Edward Ferreira.

The accused were charged on 105 counts of fraud and three sets of contraventions of exchange control regulations. These are:

□ 105 counts relating to restrictions in dealing in securities belonging to non-residents;

□ 105 counts in connection with the contravention of regulations on the purchase, sale and loan of gold and foreign exchange; and

□ 105 counts for the contravention of exchange control regulations pertaining to unlawful exports of capital from the country.

The indictment said the profits were shared as follows: African Bank, R62,1m; Afsek CC, a close corporation whose members were Maubane, Young and Harper, R26,5m; Ferreira, R6,4m; Kenneth George Bosch, R1,04m; Peter John Nock, R1,04m; Isaac Stephanus Cornelius Buys, R1,04m; Johannes Cornelius Engelbrecht, R1,04m, and Priscilla Wilson, R1,04m.

The state alleged in six of the fraud counts the accused pretended to Rand Merchant Bank (RMB) that Afbank was authorised to deal in financial rands.

Counts seven to 105 allege the accused fraudulently placed orders for financial rands with the London firm Smith New Court (SNC).

SNC was then instructed to credit these financial rands to the African Bank's account at the Commissioner Street branch of the Trust Bank.

It is further claimed the accused

● To Page 2

Afbank men face 420 charges

58 34 24/4/87 6/10

● From Page 1

bought foreign currency from Santam Bank at the commercial rand rate and had it credited to Afbank's accounts held at First Wisconsin International Bank, Manufacturers Hanover Trust and Irving Trust in New York.

The money in these accounts was then transferred back to SNC.

The accused allegedly pretended to SNC, Barclays Bank (JSE branch) and Trust Bank (Eloff Street branch) that:

□ African Bank was an authorised dealer in financial rands;

□ that the African Bank account at Trust Bank in Commissioner Street was a financial rand account; and,

□ that financial rands could lawfully be paid into that account.

On July 21 1986 false deal tickets purporting to represent certain deals with Smith New Court as well as false telexes of currency purchases from Santam Bank were found at the Afbank's offices. The state alleged these formed part of a cover-up for certain of the unlawful financial rand transactions.

The trial is set down for hearing in the Rand Supreme Court on August 17. Bail was fixed at R20 000 for Maubane, R50 0000 for Young, R50 000 for Harper and R40 000 for Ferreira. Motsuenyane was released on his own recognizance.

(58) Star 24 4 87

AA Mutual executive blamed for R20-m loss

By Lesley Cowling

The former managing director of AA Mutual caused the company to suffer losses of at least R20 million, the Melamet Commission of Inquiry was told in the Rand Supreme Court yesterday.

The re-insurance of an associated overseas company, business accepted by Mr Warren Plummer, caused AA to suffer losses which amounted to at least R20 million and could eventually amount to R30 million, an executive of Quest Insurance Advisory Service told the commission.

Wrongful exercise

Mr R L Shaw said that, in his opinion, this action was a wrongful exercise by Mr Plummer of his authority "since it quite clearly placed AA in a precarious financial position".

"Had provision for these losses been brought to account in 1985, the company would have been shown to be insolvent," he said.

The wrongful exercise of authority by Mr Plummer was one of four main reasons for AA's demise. The others were uncontrolled growth coupled to an insufficient margin of solvency, inadequate accounting procedures and an unsound re-insurance programme, Mr Shaw told the commission.

He said AA had been, for the greater part of its history, a well-managed motor insurer and from 1961 to 1978, with the exception of 1975 and 1976, had made an underwriting profit.

In the late seventies, the AA began to enter the wider commercial and industrial market and began acquiring smaller insurers. It also entered the international market, at a time when the international re-insurance market began a slow downward trend — the worst cycle in the history of re-insurance.

AA's accounting procedures failed to reveal the situation the company was in. Mr Shaw said he had done some research in AA since its liquidation and had found these procedures to be inadequate. There was no system of controls for costs incurred but not reported (IBNR), he said.

If adequate accounting procedures had been used for the 1985 statutory return, then it would have reflected a solvency margin of 6,7 percent — not the 14 percent shown.

The solvency margin of an insurance company is required by law to be at least 10 percent and must be reflected in a statutory annual return, processed and evaluated by the office of the Registrar of Financial Institutions.

"I am of the opinion that the returns were not correctly completed for the 1985 year since no detail of foreign business was shown," Mr Shaw told the commission.

Mr Shaw said it was his view that Mr Plummer had hoped that by hiding his foreign business and juggling figures, he could within a few years finance the foreign losses by means of cash flow and that the domestic business would improve so that its profits would subsidise these losses.

Re-insurance arrangements were made to circumvent exchange control regulations and to refrain from highlighting the need to export capital to prop up the ailing international operation.

From correspondence within AA, it appears that the auditors must have been aware of these problems but made no reference to them in their financial statement, he said.

Mr Shaw said the AA's reinsurance programme from about 1979 or 1980 was unsound and incorrectly structured.

Mr Shaw said yesterday that he thought the statutory solvency margin should be increased to not less than 30 percent. It should apply to net retained income, he said.

The commission, which consists of chairman Mr Justice D A Melamet, auditor Mr H Hefer and short-term insurance expert, Mr Ken Raine, is investigating the circumstances which led to the collapse of the AA Mutual short-term insurance company.

It is also investigating possible negligence by AA executives and functionaries with statutory duties and whether the Insurance Act provides adequate protection for the public.

It will resume on Monday.

Mrs Rachelle Welch
... "not bothered"

Mr Paul Gartner
... "risky"

Ms Carmen Forgues
... unconcerned

Mr Beau Pryce
... "~~totally~~ SA now"

Mr Oliver Welch
... "a small change"

CNL Times 24/4/87 (58)

Barclays change: Customers unfazed

Staff Reporter

CAPETONIAN customers of the multi-billion Barclays National Bank group are unconcerned that "the bank" is to change its name from today, as a result of effective control of the group passing from British to South African interests.

The new name is a well-kept secret in banking circles, and will be disclosed today at a press conference in Johannesburg at 3pm.

The bank has revealed that the name change could cost more than R40 million, and it indicated that the word "Barclays" may have to be altogether dropped.

Wesgro chairman Mr Beau Pryce, who happened to be the first customer to come out of the bank yesterday when the Cape Times ran a quick impromptu survey, said he understood they were going to simply call it "National Bank".

"It's not an original name, but it's a fine bank which is totally South African now," he said.

Mrs Rachelle Welch said she was not at all bothered by her bank changing its name, and she hoped that the service would remain the same.

Her husband, Mr Oliver Welch, said he hoped the name "Barclays" could be kept as at least part of the new name.

"They should just make a small change," he said. "But whatever the name is, we will always be loyal customers."

Ms Carmen Forgues, of Gardens, said she had immigrated from Canada only four months ago but was not aware of Barclays operations there.

"I don't know the bank's reputation so a name change does not concern me."

Mr Paul Gartner, of Hout Bay, said changing the name of a concern which already had such a large share of the market was "risky".

In the circumstances, he said, the name change should be a major one, "otherwise it will cause even more confusion".

even on a small scale, ... editor, Mr Robbie de

T'kei denies Paulsen's torture claims

DD 25/4/87

UMTATA — Transkei authorities have denied allegations by an American Catholic priest, Father Casimir Paulsen, that he was tortured during nearly three months of detention.

Father Paulsen, 52, said he was seized by plain-clothes security police on December 17 and was held at a detention centre at Kei Bridge where he was interrogated and tortured.

He made the allegations at a reception in his honour, hosted by two Democratic senators in his home state of Michigan on Wednesday.

The head of the Transkei Security Police, General Leonard Kawe, said the priest had been allowed to see a representative from the US Consulate in Durban and had made no mention of being ill-treated.

Fr Paulsen had also seen a magistrate in private and again had made no complaint.

Gen Kawe alleged that Fr Paulsen had harboured two men the police wanted in connection with an attack he was treated as any on the Umtata police station. He had said it was his moral duty as a Catholic to hide people running from the police irrespective of the crime.

Fr Paulsen, he said, was "concocting stories" about Transkei.

When asked about the conditions of the cell described by the priest, Gen Kawe replied that other prisoner and that "it was not necessary to put him up in a hotel."

He added that Father Paulsen's colleagues were even allowed to bring him food and clothing parcels.

Fr Paulsen said he believed his detention was triggered by his decision to find accommodation for two black youths who had fled from violence in townships near the big cities. He said the youths were later accused of attacking the police station at Umtata.

Father Paulsen has called on the United States to increase pressure on the government of South Africa. — DDR-Sapa.

Soldiers die in bus blast

ATHENS — A bus carrying American soldiers to a US military base outside Athens was blown up yesterday and several people were hurt, police said.

Police said the bus was taking the soldiers from the town of Elefsina to the US base of Hellenikon, about 12 km east of Athens.

Police seize material on advert

58

DD 25/9/87

PORT ELIZABETH — Two security policemen with a search warrant seized material, dealing with an advertisement on the detention of children, from the offices of the Eastern Province Herald yesterday.

The warrant empowered them to take stencils, documents, receipts and receipt books.

The advertisement had been published after two firms of lawyers had advised that it was permissable in terms of the Police Commissioner's recently proclaimed restrictions on campaigning for the release of detainees.

The advertisement was in the name of the Southern Africa Project, Lawyers' Committee for Civil Rights Under Law, Washington DC.

Among other newspapers to run the advertisment were The Cape Times and The Star, both of which reported no police action in connection with the advertisment. — DDC

geographical sense; this

Barclays becomes First National

58

DD 23/4/87

Dispatch Reporter

EAST LONDON — Clients and staff of Barclays National Bank gathered at the main branch here yesterday to celebrate the institution's name change to First National Bank.

At the gathering the senior manager of the bank's East London branch, Mr Mike Woudburg, said the bank felt confident about its change of name.

"After having a British association for 61 years, the bank is once again wholly South African owned," he said.

● Meanwhile Sapa reported from Johannesburg that the changeover will be effective from the end of September.

The new logo will be incorporated into all subsidiary identities and was used in advertising material yesterday.

At the centre at Barclays is the group's commercial bank which is to be known as the First National Bank of Southern Africa Limited.

Barclays Merchant Bank will become First National Merchant Bank.

Barclays National Industrial Bank will be renamed First Industrial Bank of Southern Africa and Barclays' visa credit cards will carry the name FirstCard.

Wesbank's name will remain as it is, as will Persam's.

The new logo is a typical bushveld, flat-topped tree silhouetted againt a rising sun.

The announcement of the new name follows months of speculation after Barclays major shareholder and parent company, Barclays PLC in Britain, disinvested in South Africa so that a new title became necessary.

Picture page 2

PFP may act on NP ANC advert

58

DD 25/4/87

CAPE TOWN — The PFP is considering legal action over a National Party election advert which contains "a blatant factual error" regarding a quote attributed to the PFP Federal Executive chairman, Mr Ken Andrew.

The full-page newspaper advert published yesterday quotes Mr Andrew as saying (in the Sowetan on March 11): "The Progressive Federal Party would form an alliance with groups, including the African National Congress, which wanted an apartheid-free South Africa."

In a press statement the PFP secretary general and President's Council member, Mr Robin Carlisle, said the statement as printed in the Sowetan was denied by Mr Andrew in a press statement published in several newspapers on April 16 and 21.

"Mr Andrew never said this.... he denied categorically that he ever made such a statement. Since the NP must have been aware of this, we see their use of an inaccurate quote as an intentional attempt to substantiate a ridiculous advertisement.

"While the PFP is considering legal action, a court application may not be appropriate as the advertisement has already appeared. We are awaiting an opinion from our legal advisors.

"However, it is quite clear that the NP are in desparate [illegible] and for the first time take the PFP thrust towards alternative government seriously.

"We expect that the NP will be producing at least four more communist/security type smears before the election because they have neither policies nor plans for South Africa.

"The PFP, on the other hand, will continue to market its plans and policies."

(News by Heloise Henning, 626 Mutual Building, Harrison St, Johannesburg)

Banks likely to rationalize

Cape Times 25/4/87

Barclays' change of name to First National Bank is "very refreshing", says regional manager Bob Wood. "It gives us a chance to reposition ourselves as a corporation and to emphasize certain things. It will not make us a different bank but a better one." He talked to Audrey d'Angelo about the big changes to come in the banking sector, which he expects to look totally different in five years' time . . .

First National Bank

Bob Wood

BOB WOOD, regional manager of the newly renamed First National Bank, expects mergers and rationalization as both banks and building societies expand their activities, competing in a market which is unlikely to grow very much.

"I see a much thinned-out banking sector five years down the road. Each of the main banks will perform all functions required, with a few specialist banks on the sidelines.

"The market is small and there are new contenders popping up all over the place. Where they will be in five years' time is anyone's guess.

"It does not make sense for more and more people to want a slice of a cake that is not going to grow very much.

"Some rationalization is already happening and that is going to be the trend in years to come."

Wood expects home loans, which are already picking up, to be an increasing part of First National's business.

"We are now quite heavily into the home loans business and are very contented with the way our book has grown over the last six months.

"There has been a bit more excitement in the field of lending to commerce and industry in the last six months. It is definitely better than it was.

"But the property market is already picking up.

"Historically, in SA, it has picked up a little later than the share market and I think the cycle is going to repeat itself."

Wood said shrewd people were buying now because lack of demand had so far kept a lid on building costs, which would soon soar.

Discussing the outlook for building societies, some of which are turning themselves into broadly based financial institutions, Wood said they had not yet made cleartheir strategy clear or which markets their banks would aim at.

"But if they want to build up country-wide banking systems, their first problem will be overheads.

"I have branches in every town in the Cape, in buildings bought long ago."

He thought the cost of acquiring such premises now would be prohibitive.

To page 17

Cape Times 25/4/87 85

Banks likely to rationalize

Cape Times 25/4/87 58

Pointing out that the building societies would lose their advantage of offering tax-free or partly tax-free investment, Wood said: "Once that happens they will be in the same market for funds as the rest of us and their loan rates will depend on how they can structure their deposit books.

"They cannot remain almost entirely home finance lenders indefinitely, but I don't think they will all follow the same pattern. They will all be different."

Wood said that although Barclays's name had been changed it would not disappear overnight.

"We cannot change all our signs overnight like an oil company. It will take time to replace things like brass name-plates, and customers will still use their existing cheque books.

"I think a lot of people will go on thinking of us as Barclays for a long time to come."

This gave Mr Mdou a chance to leave the campus in a car.

□ Two 12-year-olds (thou said in his affidavit one ha released), 19 children aged aged 14, 110 aged 15, 312 a

Cape Times 25/4/87

Herald material seized

PORT ELIZABETH. — Two security policemen with a search warrant seized material from the Eastern Province Herald yesterday dealing with a full-page advertisement on detention of children.

The advertisement had been published after legal advice from two firms of lawyers that this was permissible in terms of the Police Commissioner's recently proclaimed restrictions.

The advertisement was in the name of the Southern Africa Project, Lawyers' Committee for Civil Rights Under Law, Washington DC.

Among other newspapers to run the advertisement were the Cape Times and the Star.

Cape Times 25/4/87

Barclays changes name to the First

BARCLAYS commercial bank is now the First National Bank of Southern Africa and its eagle emblem will be replaced by a thorn tree silhouetted against a rising sun — with the shape of Africa between its branches.

A Barclaycard will become a Firstcard but it will still be part of the international visa credit card network. Bob and Bob-T automatic teller cards will not change their names.

Barclays Merchant Bank will become First National Merchant Bank and Barclays National Industrial Bank will be First Industrial Bank of Southern Africa. But the credit finance organization, Wesbank, will not change its name and neither will Persam, Barclay's personal managed assets division.

The change of name and logo became necessary after the UK parent company, Barclays PLC, sold its final 40,4% shareholding in Barclays SA last year.

□ Banks to rationalize?. See page 15

d of more than guests

ible deposits n an attempt pilfering.

ken, deputy of the Mahael lost 20% of eason.

room service quickly but popular any it's anything ned.

e had a guest the curtains.

"But South Africans seem to have more respect and discipline than people overseas — there they steal TV sets and anything not nailed down."

Mr Clive Bolton, manager of the Marine Parade Holiday Inn, agreed that the most popular items were those which were monogrammed.

"People take glasses, facecloths and towels although we've had the pictures stolen from the bedrooms too."

A spokesman for the Beverly Hills Hotel in Umhlanga Rocks said the old towels were never stolen but as soon as a new batch was bought they disappeared.

"We can lose about 400 towels and 200 facecloths in one season. The ashtrays in the rooms never go but in the public areas, where they are quite expensive and attractive, we lose lots," she said.

Court Roll 10 Racing .... 27 Teleletters 5

Sun rises on the bank with a new name

First National Bank

MAGNUS HEYSTEK,
FINANCE EDITOR

The name-change which is costing Barclays National Bank between R45 and R50 million should have no material effect on bottom-line performance. In fact, the interim figures for the bank, which are due to be released on Wednesday, could possibly contain a few welcome surprises for shareholders.

The changeover from Barclays National Bank to First National Bank of Southern Africa is one of the biggest operations of its kind tackled anywhere in the world.

Management estimates the total costs to be in the region of R50 million, of which more than R30 million will be for signages and logos at the more than 1 400 representation points in South African and SWA/Namibia.

The remainder will be spent on changing stationary, cheque books, advertising and public relation activities.

58

Star 25/4/87

"After those silly suggestions about a name change I doubt you'll get your loan."

Not affected

The name Barclays will, however, not vanish from Southern Africa as banking activities in Swaziland, Lesotho and Botswana are not affected by the withdrawal.

At a Press conference yesterday during which the new name and corporate logo of South Africa's leading bank was revealed, Mr Chris Ball, managing director of Barclays, indicated that the after-tax effect on retained earnings is estimated at R9 million and should therefore have no material effect on reported earnings and dividends of the group either this year or in the future.

The reason for this is that part of the agreement governing the withdrawal of Barclays Plc from South Africa was that they would pay a significant part of the costs incurred by the former local subsidiary to make the name change.

The new logo and corporate identity of First National Bank of Southern Africa — an indigenous tree silhouetted against a rising sun — has been selected to emphasise the bank's growth and development with the country it served, Mr Ball said.

Legally, the new name only comes into operation on September 30 this year, but from today all advertising and corporate activity will be under the banner of First National. Cheque books and credit cards bearing the old Barclays name will still be honoured by merchants and banks and will only be replaced when they expire.

The name-change also means the end of the road for the much-vaunted eagle which has been a feature of Barclays for more than 60 years. The new corporate identity has been selected from a number of possibilties and according to the bank will have much more empathy with clients than the departing eagle.

For Barclays it is to be hoped that the name-change also heralds in a new era as far as its public image is concerned.

In recentyears, Barclays's public image has been subject to a considerable battering starting with the Aldworth-Van der Merwe affair, the eagle-publicity and advertising campaign, and, still not entirely resolved, the inquiry into the funding of that detainee advertisement.

One gets the impression, however, that the tide has turned and that First National might just bring a new dawn for the bank.

New name for Barclays

(58) Sowetan 27/4/87

By JOSHUA RABOROKO

THE State-appointed commission of inquiry asked to ascertain whether Barclays Bank managing director, Mr Chris Ball was involved in financing the "Unban the ANC" advertisement in nationwide newspapers has not released its findings yet.

This was said by Mr Ball when he announced at a function in Sandton that the name of Barclays Bank was to change to the First National Bank of Southern Africa with effect from September 30 this year.

The commission of inquiry, chaired by Mr Justice G G A Munich, has collected evidence from various people in connection with the advertisement which appeared in newspapers on January 11 this year.

Mr Ball said the commission did not influence the bank to change name, logo and colour for itself and most of its major satellites.

The change-over in September was subject to ratification by a general meeting of share-holders to be held on May 22.

Treason trial told of march

By MANDLA NDLAZI

Sowetan 27/4/87

RESIDENTS' grievances sparked off the protest march to "Houtkop" — the Administration Board offices in the Vaal, a witness told the Delmas treason trial on Friday.

The witness, Mr Gcina Malindi, former chairman of the Congress of South African Students (Cosas) in the Vaal, was giving evidence in his defence.

He is one of the 19 members of the United Democratic Front, Azanian People's Organisation and the Vaal Civic Association appearing before Mr Justice K van Dijkhorst and an assessor on charges of high treason, alternatively terrorism, subversion and murder.

The State alleges they committed the crimes during the outbreak of unrest in the townships on the Vaal Triangle in September 1984.

Mr Malindi told the court that the residents aired their grievances at a meeting on August 26, 1984.

The meeting, he said, resolved that the residents should not pay the R5,90 rent increase; that they should stay away from work on September 3 and march to Houtkop to hand over their grievances to the Administration Board officials.

Topping the list of grievances, he said, was the rent increase, a call that councillors should resign and the replanning of Evaton that would strip the residents of their property rights.

He said a Mr Kadi spoke at the meeting about residents who would eventually lose their property rights if Evaton was replanned. Mr Kadi, he said, accused the Evaton Council and Mr Rabotapi of having backed those behind the replanning of Evaton.

Mr Malindi said he told the residents that there was nothing illegal about a march to demonstrate a "dissatisfaction", and the media would be there to report about the event.

Barclays gives way to First National

HAROLD FRIDJHON

ABOUT 100 000 people attended parties countrywide on Friday evening to watch the banking eagle fly into the dawn, leaving its roosting acacia tree silhouetted against the sunrise.

At the Johannesburg head office and at the Sandton training centre, Barclays National Bank's turquoise flags were lowered for the last time and the new blue ensigns of First National Bank of Southern Africa were hoisted. And the name Barclays was taken off the buildings.

First National Bank

The removal of all signs of Barclays' 62-year link with SA has started. They will be replaced by First National's new corporate identity — the acacia tree caught in a golden circle. Part of the buy-out agreement between Barclays plc and the SA bank was that by September 30 not a vestige should remain of the former association.

Barnib (Barclays National Industrial Bank) is to be re-named First Industrial Bank. Barname, the merchant bank, will become First Merchant Bank. Wesbank will continue to trade as Wesbank, although its new legal name will be First National Western Bank. Barclaycard will ultimately become First Card.

The cost of the name change, MD Chris Ball said on Friday, would be in the region of R45m, of which about R30m would be spent on new signs for every one of the bank's 1 445 branches and representation points throughout SA and Namibia.

Shareholders, however, would effectively foot this bill only to the extent of R9m, fully provided for in the interim report due on Wednesday.

Before Barclays came to SA in 1925, the local bank, which was amalgamated with two imperial banks to form Barclays (DC&O), was the National Bank of SA. The new name is a return to its roots.

Reserve gets more muscle

27/4/87 B/Day (58)

ALAN SENDZUL

THE SA Reserve Bank has been vested with official powers over the activities of banks and building societies from today.

It will administer all aspects of the Banks Act, the Mutual Building Societies Act and the new Building Societies Act pertaining to listed societies through the new Registrar of Banks.

Banks and building societies previously fell under the Registrar of Financial Institutions in the Department of Finance.

Acting Registrar of financial institutions Piet Badenhorst will continue to monitor insurers, pension funds and mutual funds.

The Reserve Bank announced at its quarterly board meeting on Friday that the head of banking supervision, Chris de Swardt, would become the new Registrar of Banks.

He will be assisted by Deputy Registrar Gert Steenkamp and Willie Adendorf and Werner Brummerhof as assistant registrars.

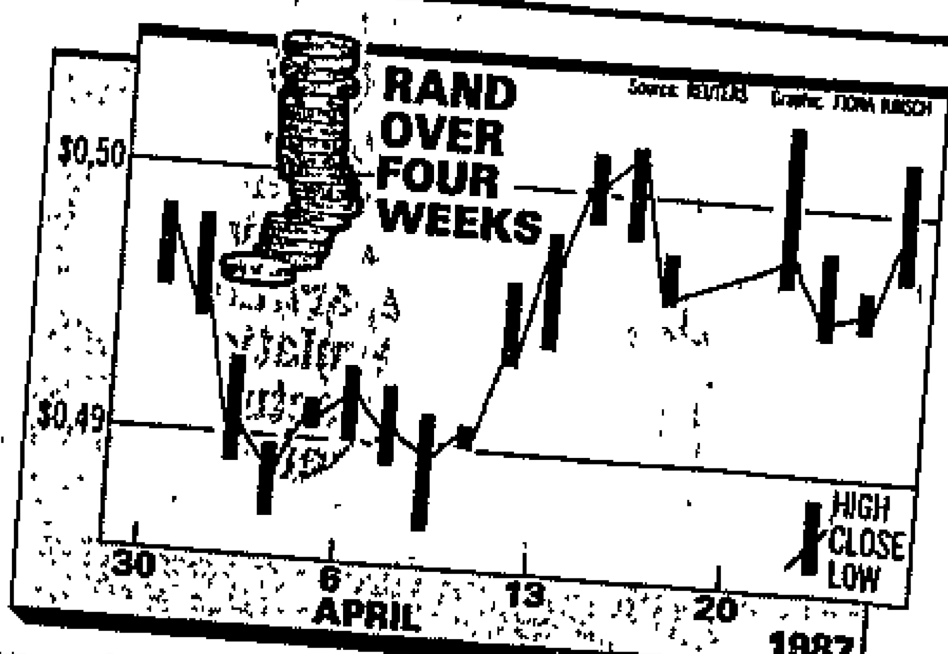
The transfer of responsibilities to the bank supervision department gave it legal status on Friday after the Financial Institutions Amendment Act No 6 of 1987 Act was promulgated in last week's Government Gazette.

The bank supervision department has been acting as an informal body within the bounds conferred on it by Exchange Control Regulations.

The department will become a legal body with the publication of the Financial Institutions Amendment Act. It was initiated as a three-man operation in January 1985 to focus on the activities of SA banks' foreign branches.

The department was given the brief to monitor foreign assets and liabilites and net foreign exchange open positions which the banks had to report on in their returns.

With the debt standstill in September 1985, part of the monitoring of offshore activities was taken over by the Standstill Co-ordinating Committee. This has subsequently been returned to the Reserve Bank.



THE rand shot up to a new high at the beginning of the week when the gold price decisively breached the $450 level. Importers came strongly into the market but the rise in the currency was contained although the trend was inclined upwards.

Reserve Bank powers over money houses

CAPE TIMES 27/4/87

58

Own Correspondent

JOHANNESBURG. — The SA Reserve Bank has been vested with official powers over the activities of banks and building societies from today.

It will administer all aspects of the Banks Act, the Mutual Building Societies Act and the new Building Societies Act pertaining to listed societies through the new Registrar of Banks.

Banks and building societies previously fell under the Registrar of Financial Institutions in the Department of Finance.

Acting Registrar of financial institutions Piet Badenhorst will continue to monitor insurers, pension funds and mutual funds.

New Registrar of Banks

The Reserve Bank announced at its quarterly board meeting on Friday that the head of banking supervision, Chris de Swardt, would become the new Registrar of Banks.

He will be assisted by Deputy Registrar Gert Steenkamp and Willie Adendorf and Werner Brummerhof as assistant registrars.

The transfer of responsibilities to the bank supervision department gave it legal status on Friday after the Financial Institutions Amendment Act No6 of 1987 Act was promulgated in last week's Government Gazette.

The bank supervision department has been acting as an informal body within the bounds conferred on it by Exchange Control Regulations.

Banks' foreign branches

The department will become a legal body with the publication of the Financial Institutions Amendment Act. It was initiated as a three-man operation in January 1985 to focus on the activities of SA banks' foreign branches.

The department was given the brief to monitor foreign assets and liabilities and net foreign exchange open positions which the banks had to report on in their returns.

With the debt standstill in Septmember 1985, part of the monitoring of offshore activities was taken over by the Standstill Co-ordinating Committee. This has subsequently been returned to the Reserve Bank.

Off with the old, on with the new

LINDA ENSOR

FIRST National Bank's executives will be changing their wardrobes along with the Barclays name.

New cuff-links, ties and T-shirts will be issued as part of the R45m exercise which is expected to take until the end of the year to complete.

The redesigning of signs on the bank's 1 445 buildings and representation points throughout SA and SWA/Namibia will cost R30m. Then there are the bank forms, cheque-books, savings books, branch stationery, plastic cards and billboards which have to be replaced.

Sporting promotions like the weekend's athletic and motocross events which were organised some time ago, took place under the Barclay's banner.

● See Page 3

It's a no-Ball to 'new' bank

E. Post (58) 27/4/87

By MICHEL DESMIDT

Cradock Council withholds account over ANC ad probe

CRADOCK Town Council has decided not to place its multi-million rand bank account with The First National Bank — formerly Barclays — because of allegations linking managing director, Chris Ball with the funding of controversial ANC advertising.

The council rotates its account from one bank to another in the town every three years. This year it was due to go to the new First National Bank.

The chairman of the council's finance committee, Mr Cas Joubert, said the committee's unanimous decision to transfer its account for the next three years to Volkskas Bank rather than the First National Bank was due to its possible involvement with the funding of a newspaper advertisment calling for the unbanning of the outlawed African National Congress.

Mr Joubert said the outcome of the Munnik Commission of Inquiry into the funding of the advertisment was not yet known. "If they're involved in politics and the ANC, they should not be given our account," he said.

"Until such time as the First National Bank sorted out its problems with Mr Ball being involved with the ANC ad, it will not be invited to handle the municipality's account," Mr Joubert said.

The decision was taken at a council meeting, when the following recommendation was approved: "That in view of the problems presently experienced by Barclays Bank, the council's bank account be not transferred to it for the next three years and that it be rotated to Volkskas Bank instead."

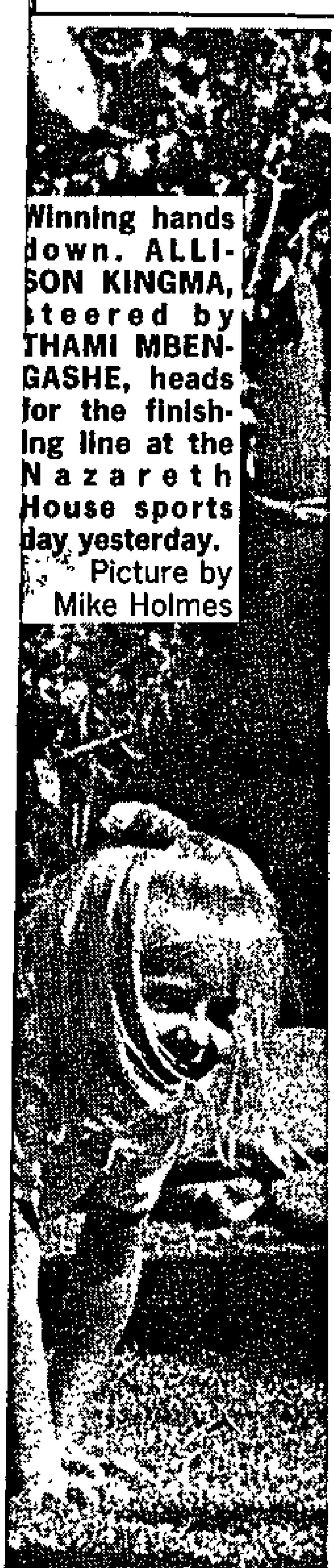
Mr Joubert said the account — worth a "couple of million" — had been with Standard Bank for the last three years and that First National had been next in line to handle it.

The acting Town Clerk, Mr Gert Jooste, today denied the council's decision to overlook the First National Bank was on political grounds, saying he would report the Evening Post's inquiries to the next council meeting on Thursday.

Mr Jooste said he had no comment as the council's banking policy was a "private matter at this stage". He said he would report the "spreading of rumours" at the next council meeting and that he was "upset" that they should be aired by the Press.

He could only comment once the matter had been referred to council.

The manager of the First National Bank in Cradock, Mr Louis Linde, said he was informed on Friday of the decision not to transfer the account.



Winning hands down. ALLISON KINGMA, steered by THAMI MBENGASHE, heads for the finishing line at the Nazareth House sports day yesterday. Picture by Mike Holmes

rand trades above 50c

close at 138,10 yen.

In London gold opened $3,25 up at $467,75 and rose to a high of $476,25 before easing to $473,50.

The rand gained nearly $0,1 to open at $0,5020, rising almost immediately to $0,5030. By early afternoon it was at $0,5025.

Against the weakening dollar other major currencies strengthened. The rand eased to 0,8924 German marks from 0,8938 marks and to 69,27 yen from 69,88 yen.

Official backs Heunis

(58) 27/4/87. DD.

JOHANNESBURG — A senior official who is to resign from the Minister of Constitutional Development and Planning's office said yesterday he did not want to be drawn into the election campaign.

In a statement issued by the department's liaison officer, Dr Andreas van Wyk, who is to leave his post as Director-General of Constitutional Development at the end of this month, pledged his full support to Mr Chris Heunis.

The statement disassociated Mr Van Wyk from reported disillusionment among senior departmental officials over the pace and style of the government's reform.

"I want to reiterate that I am proud to have been associated with the reform achievements of minister Heunis' ministry and of Constitutional Development and Planning over the last three years.

"Minister Heunis can be assured of my full support on the road of continued reform," the statement said.

Mr Heunis, South Africa's constitutional architect, was not available yesterday and could not comment on allegations of discontent in his ministry. — DDC

(Report by Dominique Gilbert, 11 Diagonal Street, Johannesburg.)

The dollar traded below the DM1,80 ... London that City brokers attributed the ... added. — Sapa-Reuter-AP.

EC aid to victims of apartheid on ice

28/4/87

MIKE ROBERTSON

LONDON — EC aid to SA, amounting to about R40m, has been put on ice after church and humanitarian groups objected to vetting procedures.

An SA delegation left Belgium last week after a row with EC officials, saying they would not submit proposals for the R40m the EC has set aside for aid to victims of apartheid.

EC officials were trying to play down the row yesterday.

But the net result is the money will not be used unless the church and humanitarian groups back down and submit proposals for new projects.

An EC spokesman said it had made R20m available last year for humanitarian aid to SA.

Of this, 40% of the money had gone to the Kagiso Trust, an independent organisation with its own board of trustees, which had been set up as a channel for EC aid; 46% had gone to the SA Council of Churches and SA Catholic Bishops' Conference; while the rest had gone to trade unions for training projects.

In all, 55 aid projects had been approved and six were still under scrutiny.

The EC spokesman said the officials and the SA delegation, led by Beyers Naudé and Ahmed Dango of the Kagiso Trust, had differed over procedure.

Allied's home loans jump 25%

B Day 28/4/87

ALLIED BANK has been granted authorised dealer status in terms of a Government Gazette dated April 24, 1987.

This means the bank, officially launched in January, is now in possession of a foreign exchange licence, and will be in a position to buy and sell foreign currency in the near future.

MD Kevin de Villiers said yesterday the bank was expected to start dealing on June 1. It was looking to transact mainly trade-related business and would downplay speculative dealing.

The bank would start an international division to facilitate imports and exports within the next two months. — *Helena Patten.*

HAROLD FRIDJHON

MORTGAGE loans advanced by the soon-to-be-listed Allied Building Society jumped by 25,4% to R4,5bn from R3,6bn during the financial year ended March 31, 1987.

Allied is the first society to report March-end results. It is probable that other societies, too, have experienced an accelerated demand for home loans indicating a revival in the property market.

In its last report as a mutual, the society says that its declared policy last year was to expand its share in the home loan market, in the course of which it innovated fixed-rate loans for set periods. More than 80% of its R1,1bn inflow of funds was made available to home-owners in a year which began when the property market was depressed.

Total share capital was increased by 46% to just over R2bn, but this exceptional growth stemmed partly from investors securing their positions to qualify for shares in Allied Group, which will be listed on the JSE on June 10. Other deposits went up from R2,8bn to R3,2bn, a 16,9% improvement.

With its reserves R34,1m higher at R168,8m, total assets rose from R4,3bn to R5,5bn, a growth of 26,9%.

Taxed income improved from R29,8m to R34,1m, but this was largely a reflection of the lower interest rate pattern. Interest paid to investors reduced to R550m from R585,5m on the increases funds which had been raised through share capital and deposits.

The costs of administration and operations, at R141,5m, were 22,7% higher than in the previous year. In their report the directors comment that total administrative and operational costs had been held to approximately the prevailing inflation level despite the upward cost pressures on data-processing equipment and systems.

Higher solvency margin sought

28/4/87 (58) B/Day

HELENA PATTEN

THE COUNCIL of the South African Insurance Association (SAIA) believes the solvency margin for short-term insurers should be higher, SAIA chief executive Rodney Schneeberger told the Rand Supreme Court yesterday.

He was giving evidence to the Melamet Commission, which is investigating last year's collapse of short-term insurer AA Mutual.

Schneeberger said the council believed a fluctuation reserve, to be built up over five years to 10% from pre-tax profits, should be introduced. This would result in an effective solvency margin of 20%. Companies should, however, be allowed to bite into this reserve.

He said the movement of any company into the reserve should serve as a warning light to the Registrar. By the time a margin had gone to 15%, the Financial Institutions Office (FIO) should be investigating, he said.

The fluctuation-reserve scheme was formulated and submittd to the Registrar in 1981. But, because of tax implications, it had had to be submitted to Inland Revenue for consideration, he said.

If the scheme for building up the fluctuation reserve were turned down, SAIA's recommended solvency margin would still be 20%.

Schneeberger said it was not SAIA's function to be the watchdog of its members, although SAIA acted unofficially to protect the industry at times.

He said SAIA had never submitted an official warning on AA Mutual to the FIO, but some members had expressed reservations to the Registrar on an unofficial basis.

Schneeberger said auditors needed more experience in assessing insurance companies' books — particularly in assessing outstanding detailed claims.

Cape Times 28/4/87

Cradock bypasses First National Bank

Own Correspondent

PORT ELIZABETH. — The First National Bank will not be getting the Cradock municipality's multi-million-rand account — Volkskas will.

But the reason cited by the chairman of the town council's finance committee, Mr Cas Joubert — the bank's alleged possible involvement "with politics and the ANC" — was an unfair taint, Mr Jimmy McKenzie of First National said yesterday.

Speaking from Cradock yesterday, Mr Joubert said the committee's unanimous decision to transfer its account for the next three years to Volkskas Bank rather than the First National Bank (previously Barclays Bank) was due to its possible involvement with the funding of a newspaper advertisement calling for the unbanning of the ANC.

Mr McKenzie said the bank was "very distressed" to lose business as a result of the commission of inquiry, especially as the bank was not yet in a position to tell clients the outcome of the inquiry.

The manager of the First National Bank in Cradock, Mr Louis Linde, said he was informed of the decision on Friday.

Allied's mortgage loans jump 25,4%

Cape Times 28/4/87

58/

Own Correspondent

JOHANNESBURG. — Mortgage loans advanced by the soon-to-be-listed Allied Building Society jumped by 25,4% to R4,5 billion from R3,6bn in the financial year ended March 31, 1987.

Allied is the first society to report March-end results. It is probable that other societies, too, have experienced an accelerated demand for home loans indicating a revival in the property market.

In its last report as a mutual the society states that its declared policy last year was to expand its share in the home loan market, in the course of which it innovated fixed-rate loans for set periods. More than 80% of its R1,1bn inflow of funds was made available to home owners in a year which began when the property market was depressed.

Total share capital was increased by 46% to just over R2bn but this exceptional growth stemmed partly from investors securing their positions to qualify for shares in Allied Group which will be listed on the JSE on June 10. Other deposits went up from R2,8bn to R3,2bn, a 16,9% improvement.

With its reserves R34,1m higher at R168,8m, total assets rose from R4,3bn to R5,5bn, a growth of 26,9%.

Taxed income improved from R29,8m to R34,1m but this was largely a reflection of the lower interest rate pattern. Interest paid to investors reduced to R550m from R585,5m on the increases funds which had been raised through share capital and deposits.

The costs of administration and operations at R141,5m were 22,7% higher than in the previous year. In their report the directors comment that total administrative and operational costs had been held to approximately the prevailing inflation level despite the upward cost pressures on data processing equipment and systems.

Allied Bank has been granted Authorized Dealer Status in terms of a Government Gazette dated April 24,1987.

This means the bank, officially launched in January, is now in possession of a foreign exchange licence, and will be in a position to buy and sell foreign currency in the near future.

Kevin De Villiers, MD, said the Bank was expected to start dealing on June 1.

While the bank will offer its foreign exchange facilities to all corporates, the middle-sized corporates are specifically targeted.

The bank is looking to transact mainly trade-related business and will downplay speculative dealing.

He announced yesterday that within the next two months, the Bank would start an international division to facilitate imports and exports. — Helena Patten.

HRIS BALL

ANC ad: Ball told truth — bank head

58

29/4/87

Dispatch Correspondent

JOHANNESBURG — The chairman of the First National Bank, Mr Basil Hersov, last night expressed "absolute confidence in the bank's managing director, Mr Chris Ball, and the fact that he was telling the truth" after the Munnik commission concluded that Mr Ball knew a R100 000 overdraft he granted in January this year was to pay for advertisments "on behalf of the UDF".

MR JUSTICE G. C. E. MUNNIK

The Munnik commission's brief was to look into the financing of newspaper advertisements placed by the UDF and calling for the unbanning of the ANC.

Mr Hersov said he was "extremely disappointed at what I've heard of Mr Justice Munnik's findings, which are totally unexpected".

He said he was "deeply distressed at what appears to be a finding by the commissioner fundamentally in conflict with the clear evidence" of the bank's chief executive, Mr Chris Ball.

Asked whether the bank was discussing Mr Ball's tenure, the senior general manager, Mr Jimmy McKenzie, said: "Absolutely not."

A Johannesburg businessman, Mr Yusuf Surtee — Mr Z in early evidence to the commission — said he was "surprised" by the findings but wanted to study the report in more detail before commenting.

The Judge President of the Cape Province, Mr Justice George Munnik, said the "probabilities" were "overwhelmingly against" Mr Ball not knowing that the true purpose of the overdraft granted to Mr Surtee was to pay for the advertisements.

The commission's findings have completely vindicated President P. W. Botha's statement during the no-confidence debate in Parliament in February that "Mr Chris Ball advanced the money for the advertisement to the advertisers".

It found that Mr Ball had authorised the overdraft of R100 000 "to hand to the UDF by way of bridging finance to pay in advance for the advertisements".

The commission said Mr Ball had granted the overdraft facility without making inquiries to the management of Mr Surtee's branch of the bank, even though the branch management previously had "a problem in acceding to Mr Surtee's request".

He had also granted the loan to a client "about whose financial standing he had no information".

Mr Ball had not asked for security for the overdraft although "elementary banking caution" would have caused him to ask Mr Surtee for a guarantee.

By concealing the purpose of the overdraft, Mr Surtee would have placed "Mr Ball and the bank at least at commercial risk".

When Mr Ball realised Mr Surtee had been "guilty of a misrepresentation by concealment by not disclosing the true purpose for which the overdraft was required", he, on his own evidence, "far from taking him (Mr Surtee) to task about the action, does not even discuss it".

The commission concluded that "Mr Ball's action is far more consistent with his having known from the outset what the money was intended and used for".

● The PFP MP for Sandton and opposition spokesman for justice, Mr David Dalling, last night slated the report as a "cheap comic strip gone wrong" and said it was essential Parliament given the opportunity to debate Mr Justice Munnik's findings.

He added that a parliamentary debate would also probe President Botha's involvement in the matter.

The Star

When the ball is out of court

MR JUSTICE MUNNIK, in his one-man commission of inquiry into the funding of a UDF advertisement, has accused Mr Chris Ball, MD of what was then Barclays Bank, of having a tendency in evidence to make "swans out of geese". The very opposite can be said of a commission of inquiry of this kind. Indeed the circumstances of the appointment of the commission are disturbing.

This is because, while men's reputations were put at stake, no crime was even hinted at in appointing the commission. Quite simply, it was asked to look into some facts hinging on a politically motivated dispute.

The commission was appointed by the State President after a parliamentary speech he made, as leader of the NP, was contested outside of parliament. Mr P W Botha said there were rumours that Mr Ball had advanced money for a UDF advertisement. Mr Ball said the first he knew of the advertisement was when he read it in the newspapers, and challenged Mr Botha to repeat his remarks outside of Parliament.

Instead Mr Botha took the surprising course of appointing a commission of inquiry. The commission found, despite Mr Ball's denial under oath, that "the probabilities were overwhelmingly against" his not knowing in advance of the funding of the advertisement. Mr Ball's bank, however, remains totally convinced that the commission's deduction is wrong.

It is clearly impossible for anyone to make judgments about the commission's findings until the 121-page report has been read. But its instant effect on the eve of an election — of supporting the State President's parliamentary outburst, and identifying swans as geese — should give every citizen goose-pimples.

ARGUS 29/4/87 58

Chris Ball knew — Munnik

By TOS WENTZEL
Political Correspondent

THE Munnik Commission of Inquiry into the controversy over the African National Congress advertisements has concluded that Mr Chris Ball, managing director of the then Barclays Bank, knew the true purpose of a R100 000 overdraft he granted to a businessman, Mr Yusuf Surtee, who channelled it through to the UDF to pay for the advertisements.

The commission also found that Mr Surtee's story that he did not disclose to Mr Ball the true reason for seeking the overdraft was untrue.

The Judge President of the Cape, Mr Justice George Munnik, yesterday handed a copy to President P W Botha at Tuynhuys.

The controversy started when Mr Botha said in the Assembly on February 4 that it was being said in "radical left-wing circles" that Mr Ball had advanced the money for the advertisements and that a sum of R150 000 was being mentioned.

The advertisements appeared in newspapers on January 8, the 75th anniversary of the ANC, and called for its unbanning.

Afterwards Mr Botha was sharply criticised for using the privilege of Parliament to make his allegation. Mr Ball denied that he had known the purpose of the overdraft.

The commission was appointed on February 5 with Mr Justice Munnik as the only commissioner.

The report said the issue in the case of Mr Ball was whether he granted the overdraft not knowing what its true purpose was.

"I have come to the conclusion that on what is set out in this report that the probabilities are overwhelmingly against this having been the case and that he in fact did know what the true purpose of the overdraft was.

"Mr Ball's calibre as a witness and the quality of his evidence were not such to lead me to a different conclusion."

The commissioner sets out his conclusion on Mr Surtee's story to the commission as follows:

"I am satisfied that on the overwhelming balance of probabilities his story that he did not disclose to Mr Ball the true reason for seeking the overdraft is untrue. His calibre as a witness and the quality of his evidence did not in anyway upset or diminish this balance."

Overdraft for personal use

Mr Ball told the commission that he had granted the R100 000 overdraft to Mr Surtee's for his personal business use and that he was unaware the money was to be used for the ANC advertisements.

Mr Surtee insisted that he had cited personal reasons for the overdraft. In one of the transcripts of telephone conversations by Mr Surtee' it was stated that he had said that Mr Ball was very sympathetic and that he had done it for a good cause.

Mr Chris Ball

appointment of a commission.

It was now conceded by all concerned that it would have been better if Mr Ball's role in granting the overdraft, as given to his employers, staff and to the commission, had been fully disclosed.

The report says it was not necessary for the purposes of the commission to speculate on the motives for not disclosing what the directors thought had been Mr Ball's role at the time.

"I do think, however, that the statement in the light of the knowledge which the authors had was a misleading one insofar as the public was concerned.

"Had it been a pleading in a civil action it would have been subject to the criticism that the pleader should have 'confessed and avoided' instead of pleading what amounted to a 'bare denial'."

The commissioner says that it is inconceivable that Mr Surtee had not enquired from Mr Azhar Cachalia, national treasurer of the UDF, or that Mr Cachalia did not tell him what the subject matter of the advertisement was.

He was satisfied that Mr Surtee in fact knew the nature of the advertisements.

Mr Surtee regarded Mr Ball as very sympathetic to the ANC and as having always been in favour of the unbanning of the ANC and of Mr Nelson Mandela being released.

In this perception he was correct as Mr Ball himself had in an article in The Star propounded this point of view.

An answer by Mr Surtee that he did not know what Mr Ball's reaction would be had he told him that the money was for advertisements calling for the unbanning of the ANC was, in the light of this, unacceptable.

The report also discloses that Mr Surtee had informed Mr Ball immediately after the advertisements had appeared of his involvement in them.

This was irreconcilable with a statement by Mr Surtee that Mr Ball could be embarrassed by knowing that Mr Surtee was borrowing the money not for himself but for a friend.

Mr Ball had told a general management meeting and the directors of the bank on January 5 that he realised the money had been used by Mr Surtee for the advertisements.

MUNNIK INQUIRY
The outcome

movement. In view of this Mr Surtee could have had no hesitation in pleading the UDF's cause with Mr Ball.

The report also refers to the contact between Mr Ball and Mrs Winnie Mandela.

In the light of this Mr Surtee must at least have considered that Mr Ball would not be averse in assisting "in a legitimate way, of course," a movement so closely associated with the Mandelas.

From some of the remarks on transcripts of telephone conversations it was consistent that Mr Surtee intended discussing with Mr Ball ways and means of providing bridging finance for the payment of the advertisements.

Dealing with Mr Ball's story before the commission, the report says Mr Ball had not asked Mr Surtee why the branch manager had a problem in acceding to the request for an overdraft.

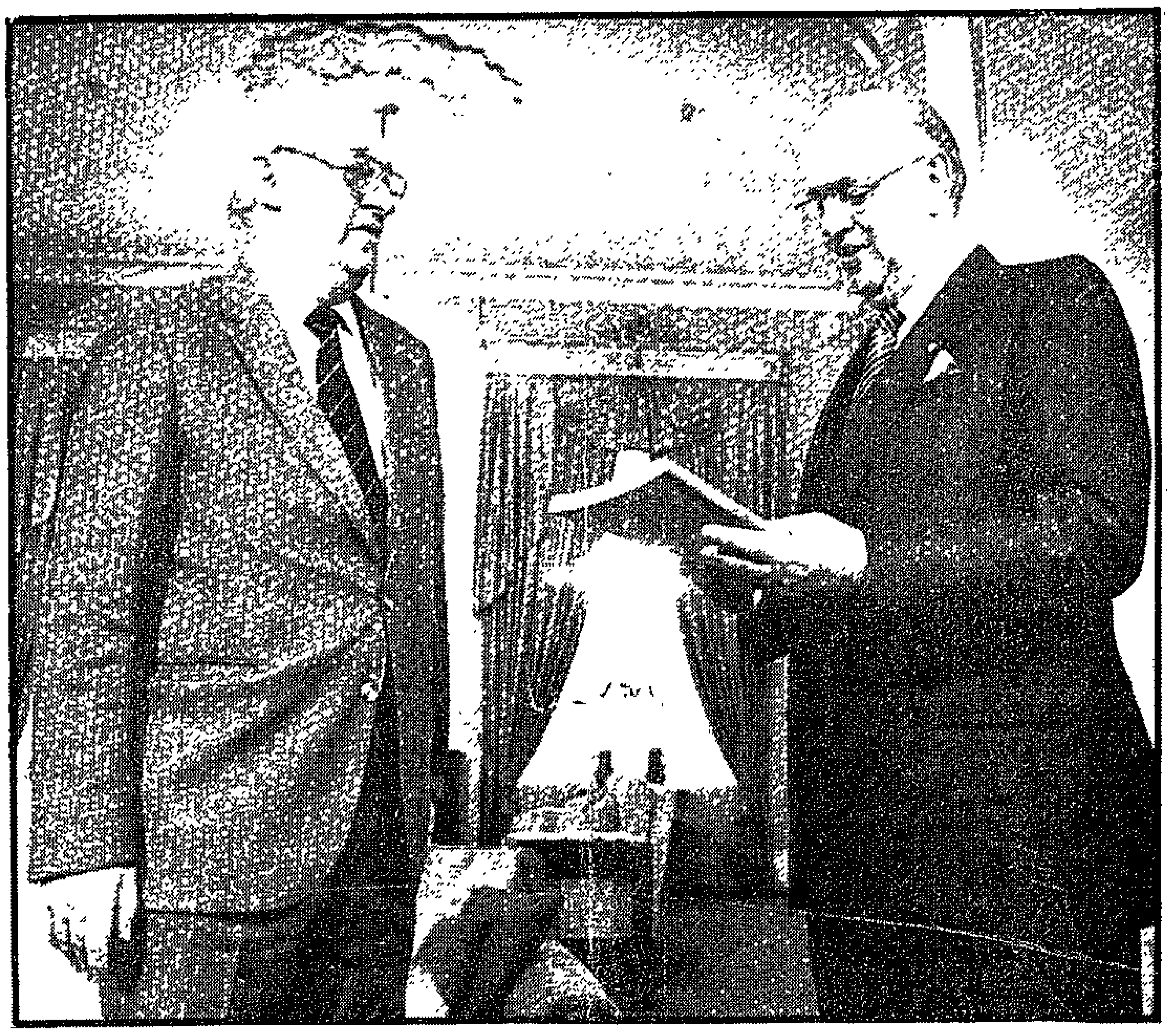
Mr Surtee said Mr Ball had asked for the purpose of the loan while Mr Ball said Mr Surtee had volunteered that he wanted the R100 000 for personal business use.

Mr Ball had not asked what the personal use was.

He had granted a R100 000 loan while having no information about the client's financial standing, save that he had been refused the facility at branch level.

By the time he gave evidence Mr Ball clearly realised that his version of his conduct bristled with improbabilities.

He was either justified in acting as he did or he had refrained from taking steps that would have been expected of him because he used his powers as managing director to grant an overdraft to Mr Surtee in order to provide him



Picture: DOUG PITHEY, The Argus

Mr Justice Munnik hands a copy of the report on the ANC advertisements controversy to President P W Botha at Tuynhuys.

with bridging finance for the advertisement.

Dealing with his impression of Mr Ball the commissioner says he is obviously a man used to having his own way and seemed to take the view that as managing director of a large bank he has such a great deal of expertise that it was not for anyone to question his judgment.

It had emerged that there was no real basis for his belief in some of the facts about Mr Surtee's business involvements.

Mr Ball had also displayed a lack of candour in dealing with various topics during the course of his evidence.

Two major findings

Staff Reporter

THERE were only two major findings by the "Commission of Inquiry into Certain Advertisements", conducted by the Judge President of the Cape, Mr Justice George Munnik.

The first, dealing with Barclays National Bank managing director Chris Ball's knowledge of what a R100 000 overdraft facility was to be used for, read as follows: "The question to be answered in the case of Mr Ball is whether he granted the overdraft not knowing what its true purpose was.

"I have come to the conclusion on what is set out above that the probabilities are overwhelmingly against this having been the case and that he in fact did know what the true purpose of the overdraft was.

"Mr Ball's calibre as a witness and the quality of his evidence were not such as to lead me to a different conclusion."

The second major conclusion related to the story of Johannesburg businessman Mr Yusuf Surtee, who applied to Mr Ball for a R100 000 overdraft facility.

It read: "Viewing Mr Surtee's story in the light of all the aforegoing, I am satisfied that on an overwhelming balance of probabilities his story that he did not disclose to Mr Ball the true reason for seeking the overdraft is untrue.

"His calibre as a witness and the quality of his evidence do not upset or even diminish in any way this balance."

Key witness identified

Staff Reporter

UNITED Democratic Front acting public relations secretary Mr Molefe "Murphy" Morobe has been identified as the key witness the Munnik Commission was unable to interview.

Mr Justice Munnik said the commission's failure to find Mr Morobe prevented it from reporting as fully "as could normally be expected of a commission with the terms of reference applying to this commission".

In the absence of evidence from Mr Morobe it was also impossible for the commission to determine how a draft copy of the advertisement calling for the unbanning of the African National Congress which Mr Morobe handed to attorney Mr Krish Naidoo "came into existence".

"Spoke about advertisements"

The report said Mr Cachalia "was not helpful in this connection either".

"He says he saw Mr Murphy Morobe on January 2 and they spoke about the advertisements. He said in evidence he asked Mr Morobe no questions as to who had taken the decision in regard to the advertisements.

"He had to arrange the finances, he was a member of the executive being the national treasurer, and it is so overwhelmingly improbable that he would not have questioned Mr Morobe as to how the decision came to be made and who made it that I have no hesitation in rejecting his evidence on this point as being unworthy of credence," the judge reported.

Safe to assume

He found it was safe to assume that the advertisements were the brainchild of a person or persons well disposed to the ANC and its aims.

The judge found that the National Education Crisis Committee had contributed R6 000 towards the costs of the advertisements and the South African Council of Churches R5 000 by way of "bridging finance" on January 9 this year.

"In citing them as co-issuers of the advertisement the UDF through Mr Morobe was acting with their knowledge and consent," the judge found.

Continued

The report points out that Mr Ball and other bank officials had admitted that, prior to the drafting of the first statement which denied knowledge of the purpose of the overdraft, Mr Ball had told the directors concerned that as from January 8 or 9 and as a result of a telephone conversation with Mr Surtee, he knew that Mr Surtee had used the money for the advertisements.

Answering the question as to why this had not been mentioned in the statement Mr Ball told an obvious untruth saying that "with hindsight had we known that a commission was to be appointed we would most certainly have said it."

On the evidence, Mr Ball and the director were busy discussing and drafting the statement when they were advised of the commissioin and its terms of reference.

The statement was vetted with counsel in view of the

If Mr Surtee did not want to embarrass Mr Ball by telling him what the true purpose of the overdraft was, he would by the same token not have wanted to embarrass Mr Ball by telling him what the money had been used for.

It further followed that there was no valid or acceptable reason why he should not have told Mr Ball about the advertisements when asking for the overdraft.

Mr Surtee also had an approach which was not normal because he went over the heads of other senior executives of the bank to ask Mr Ball for the overdraft.

The probability was that Mr Surtee would not have had inhibitions about laying his cards on the table to Mr Ball.

Mr Surtee also knew of Mr Ball's acquaintance with Dr Allan Boesak, one of the patrons of the UDF and an active provider of funds for the

Only two papers refused to carry ad

Staff Reporter

TWO newspapers, Die Vaderland and The Citizen, refused to carry the controversial advertisements calling for the unbanning of the African National Congress, according to the Munnik Commission of Inquiry.

Mr Justice Munnik said the Sunday Times and Business Day initially also refused to publish the advertisements, but they later changed their minds.

He said the newspapers were paid in advance for carrying the advertisements on January 8 this year.

The bi-weekly newspaper Post Natal also published the advertisements.

The double page advertisement booked to be published in the Weekly Mail did not appear because of the ban placed on the advertisement on January 8. But the newspaper left the double spaces blank and insisted on payment "adding a further account of R820 to the original quotation of R1 680 for this double page".

The advertisements appeared in the following newspapers:

The Argus (R6 199-20); Business Day (R6 350-40); The Cape Times R4 838-40); City Press (R5 670-40); Diamond Fields Advertiser (R550-37); Eastern Province Herald (R568-32); Ilanga (R3 749-76); The Natal Witness (R2 177-28); The New Nation (R1 296-75); Post Natal (R2 721-60); Pretoria News (R3 628-80); The Star (R10 281-60); Sowetan (R2 996-45); Daily News (R5 050-08); Daily Dispatch (R3 356-64); Weekly Mail (blank pages R2 500-00).

Each advertisment, except the one which appeared in The New Nation, was supported by the Congress of South African Trade Unions, Black Sash, National Soccer League, Health Workers' Association, Call of Islam, Release Mandela Committee, South African National Students' Council, Transvaal and National Indian Congresses, South African Rugby Union, Federation of Transvaal Women, Democratic Lawyers' Association, National Medical and Dental Association, National Taverners Association of South Africa, Southern Transvaal African Chamber of Commerce and Industry.

ANC ad: Yusuf Surtee 'mere conduit pipe' — judge

Staff Reporter

THE statement attributed by the State President to leftist activists "that Mr Chris Ball advanced the money for the (ANC) advertisement to the advertisers" was literally correct.

This was the conclusion of Mr Justice Munnik, who referred to Mr Yusuf Surtee, a Johannesburg businessman who applied to the Barclays Bank managing director for a R100 000 overdraft, as "a mere conduit pipe".

Mr Munnik said in his report it was clear that the advertisements were in the first place funded by bridging finance provided by Mr Surtee in the sense that he (Surtee) obtained an overdraft granted to him by Mr Ball in his capacity as the managing director of Barnat.

"Mr Surtee in turn drew the full amount of the overdraft and handed it to Mr (Azur) Cachalia in the form of a bank cheque made out to attorney (Krish) Naidoo on the understanding that the UDF would reimburse Mr Surtee by providing him with the funds with which to repay the bank to extinguish the overdraft.

"Mr Surtee being a mere conduit pipe and the advertisers being the UDF and the money having been intended all along for the advertisements, the statement attributed by the State President to leftist activists, namely 'that Mr Chris Ball advanced the money for the advertisement to the advertisers', was literally correct."

Mr Justice Munnik said it would be the easy way out to leave it at that and end the report at that stage.

"But to do so would be to sidestep what in fact became the main issue at the inquiry, namely whether Mr Ball, when he authorised the overdraft, knew the purpose for which Mr Surtee was obtaining and going to utilise it."

Mr Surtee was described as a lying witness, and Mr Justice Munnik said the bank records showed that Mr Surtee was not only a man of no financial substance at all but a client who did not keep his promises in regard to his obligations at the bank and had to be kept on a tight rein to prevent his account, wherever kept, getting out of hand.

"Apart from his unsatisfactory demeanour as a witness, Mr Surtee was in a number of instances proved by incontrovertible and/or acceptable evidence to have lied."

An example of an untrue statement attributed to Mr Surtee was his assertion that he did not know what the content of the UDF advertisements was to be.

Bank's statement was misleading to public, says inquiry report

Ball knew purpose of overdraft — judge

Political Staff

CAPE TOWN — The Munnik Commission which inquired into the financing of African National Congress advertisements has concluded that Mr Chris Ball, managing director of the then Barclays Bank, knew the true purpose of a R100 000 overdraft he granted to businessman Mr Yusuf Surtee who channelled the money through to the UDF to pay for the advertisements.

The commission also found that Mr Surtee's evidence that he did not disclose to Mr Ball the true reason for seeking the overdraft was untrue.

The Judge-President of the Cape, Mr Justice George Munnik, handed a copy of his report to President P W Botha in Cape Town yesterday afternoon and it was then released to the media.

The controversy started on February 4 when Mr Botha said in the Assembly that it was being said in "radical left-wing circles" that Mr Ball had advanced the money for the advertisements and that an amount of R150 000 was being mentioned.

The advertisements appeared in newspapers on January 8, the 75th anniversary of the ANC, and called for the ban on the organisation to be lifted.

Afterwards Mr Botha was sharply criticised for using the privilege of Parliament to make his allegation and Mr Ball denied knowing the purpose of the overdraft.

'The question to be answered'

The report said the question to be answered in the case of Mr Ball was whether he granted the overdraft not knowing its true purpose.

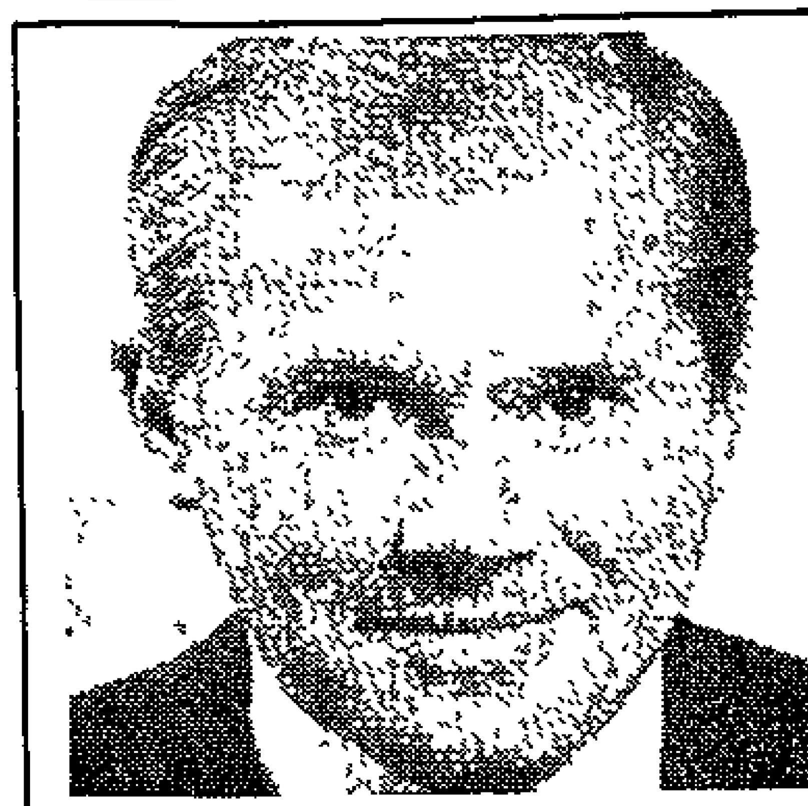
"I have come to the conclusion that, on what is set out in this report, the probabilities are overwhelmingly against this having been the case and that, in fact, he did know the true purpose of the overdraft.

"Mr Ball's calibre as a witness and the quality of his evidence were not such as to lead me to a different conclusion."

Concerning Mr Surtee, the commissioner said in his report:

"I am satisfied that, on the overwhelming balance of probabilities, his story that he did not disclose to Mr Ball the true reason for seeking the overdraft is untrue. His calibre as a witness and the quality of his evidence did not upset or even diminish in any way this balance."

Mr Surtee insisted that he had cited personal reasons for the overdraft. In one of the transcripts of Mr Surtee's telephone conversations it was stated that he had said that Mr Ball was very sympathetic and that he had done it for a good cause.


Mr Chris Ball ... Surtee regarded him as sympathetic to the ANC.


Mr Yusuf Surtee ... "evidence regarding disclosure was untrue".

The report points out that Mr Ball and other bank officials had admitted that, prior to the drafting of the first statement which denied knowledge of the purpose the money would be used for, Mr Ball had told the directors concerned that, as from January 8 or 9, as a result of a telephone conversation with Mr Surtee, he knew that Mr Surtees had used the money for the advertisements.

Answering the question as to why this had not been mentioned in the statement Mr Ball told an obvious untruth by saying: "With hindsight, had we known that a commission was to be appointed we would most certainly have said it."

The bank's statement did not take any further the assessment of whether Mr Ball knew for what purpose the money would be used.

It was now conceded by all concerned that it would have been better if a full disclosure of the role Mr Ball had played in granting the overdraft — as given to his employers and the staff and to the commission — had been given at the time.

"I do think, however, that the statement, in the light of the knowledge which the authors had, was misleading insofar as the public was concerned."

The commissioner says that it is inconceivable that Mr Surtee had not inquired from Mr Azhar Cachalia, national treasurer of the UDF, or that Mr Cachalia did not tell him, what the subject matter of the advertisement was.

He was satisfied that Mr Surtee knew what the advertisements contained.

Mr Surtee regarded Mr Ball as very sympathetic to the ANC and as having always been in favour of the unbanning of the ANC and the release of Nelson Mandela.

In this perception he was correct as Mr Ball had propounded this point of view in an article in The Star.

In the light of this, an answer by Mr Surtee that he did not know what Mr Ball's reaction would be had he told him that the money was for advertisements calling for the unbanning of the ANC was unacceptable.

The report also discloses that Mr Surtee had informed Mr Ball immediately after the advertisements had appeared of his involvement in them.

This was irreconcilable with a statement by Mr Surtee that Mr Ball could be embarrassed by knowing that Mr Surtee was borrowing the money not for himself but for a friend.

Mr Ball had told a general management meeting and the dirctors of the bank that he realised that the money had been used by Mr Surtee for the advertisements.

If Mr Surtee did not want to embarrass Mr Ball by telling him what the true purpose of the overdraft was, namely the placing of the advertisements, he would, by the same token, not have wanted to embarrass Mr Ball by telling him what the money had been used for.

It further followed that there was no valid or acceptable reason why he should not have told Mr Ball about the advertisements when asking for the overdraft.

Mr Surtee also had an approach which was not normal because he went over the heads of other senior executives of the bank to ask Mr Ball for the overdraft.

The probability was that Mr Surtees would not have had inhibitions about laying his cards on the table to Mr Ball.

Mr Surtee also knew of Mr Ball's acquaintance with Dr Allan Boesak, one of the patrons of the UDF and an active provider of funds for the movement. In view of this, Mr Surtee could not have had any hesitation in pleading the UDF's cause with Mr Ball — in this case the need for money for the advertisements — because the UDF cause was Dr Boesak's cause too.

[redacted]

continued

Contact with Mrs Mandela

The report also refers to the contact between Mr Ball and Mrs Winnie Mandela.

In the light of this, Mr Surtee must at least have considered that Mr Ball would not be averse to assisting "in a legitimate way, of course," a movement so closely associated with the Mandelas.

Dealing with Mr Ball's story before the commission, the report says that Mr Ball did not ask Mr Surtee why the branch manager had a problem in acceding to the request for an overdraft.

Mr Surtee said Mr Ball asked for the purpose of the loan while Mr Ball said Mr Surtee volunteered that he wanted the R100 000 for personal business use.

Mr Ball had not asked what the personal use was.

He granted a R100 000 loan while having no information about the client's financial standing, save that he had been refused the facility at branch level and, after being told that it was for personal use, did not inquire about the purpose.

By the time he gave evidence, Mr Ball clearly realised that his version of his conduct bristled with improbabilities.

The report states that Mr Ball, in view of his close association with Mr Surtee, had told an untruth by stating that he did not know at which branch Mr Surtee banked.

He gave the impression that he had lunch with Mrs Winnie Mandela on November 25 1986 because he was interested in talking to her as part of his range of talks with black leaders.

Although he said this was not a banker/client conversation, the transfer of funds and and an account and the possibility of a loan to a friend who was standing trial for murder were discussed as well as the difficulties about a film Bill Cosby wanted to make about her life.

There were earlier business dealings with her which Mr Ball did not initially disclose.

He was also unable to give an acceptable explanation why a file dealing with Mrs Mandela's branch account was kept in his office and why the branch had to keep his office informed about this.

His story that Mr Surtee had to arrange the lunch because he did not know where to get hold of Mrs Mandela also did not hold water.

The report says that, by displaying this lack of candour about his relationship with Mrs Mandela, Mr Ball had tried to minimise the political aspect thereof, a course of action obviously related to the nature of the advertisements.

Bank in huddle

EPost 29/4/87

(58)

Top executives draw up response to findings on Ball

By MICHEL DESMIDT

SENIOR executives of the First National Bank are meeting in Johannesburg this afternoon to draw up a response to quell negative publicity flowing from the findings of the Munnik Commission into the financing of UDF advertisements which called for the unbanning of the ANC.

Mr Justice Munnik found that Mr Chris Ball, the managing director of First National Bank, formerly Barclays Bank, had authorised an overdraft of R100 000 used as bridging finance for advance payment of the advertisements.

However, the First National Bank chairman, Mr Basil Hersov, claimed today that evidence presented to the commission did not support the judge's findings.

The finding that Mr Ball probably knew to what purpose the overdraft would be used, has drawn reaction from throughout the country, according to the bank's senior general manager of communications and public affairs, Mr Jimmy McKenzie.

By mid-morning, the flow of inquiries had slowed, he said, adding that regional managers were being left to cope with their own "communication issues".

Some clients wanted to know what the bank's political stance was. Meanwhile, the bank's general manager in the Eastern Cape, Mr Jules Opperman, said today that "some" accounts had been lost during the course of the inquiry.

"I have received a number of calls from clients today who have indicated that they are considering withdrawing their accounts but I have also had a large number of calls from clients expressing confidence in and support for the bank.

"All I can do at this

● Turn to Page 3

Just three

Bank will respond to Munnik finding

● From Page 1

time is associate myself fully with the sentiments expressed by our chairman and appeal to people not to act hastily or throw stones.

"We have not yet seen the commission's report and only once we have had the opportunity to do so will our board of directors be in a position to make decisions.

"It is sad that the finding should coincide with the start of our new name era."

In a statement issued this morning, Mr Hersov appealed to the public, and clients in particular, to give the bank a fair chance to study the report and make its response.

"The conclusion — according to news reports — arrived at by the commission, that Mr Ball knew at the time of the granting of the loan, that it was be to used to place the advertisment in question, is in conflict with the opinion and the advice of the bank's legal team," Mr Hersov said.

"Their view of the evidence is that the facts would not support such a finding by the commission."

Mr Ball, the bank's chief executive and central figure in the controversy sparked off in Parliament by the State President, Mr P W Botha, is expected to make a statement after this afternoon's meeting, convened to "thrash out" a response to the Munnik report.

Mr McKenzie said the bank had now to consider certain legal procedures. "The commission has said its piece and we will have to consider our legal response to the findings".

"We're taking the matter further. We have a large constituency of staff and clients out there to consider," said Mr McKenzie.

Her voic

By MICHEL DESMID

THE Gilbert family of Port Elizabeth have a unusual telephone answering machine — their pet Corgi Suzie.

The commotion tha explodes on the Gilber "bark-line" when Suzi answers has unsuspecting callers hearing bu not believing, said Mrs Paddy Gilbert.

"Suzie doesn't always get it right and sometimes cuts callers off and they have to phone back. But she manages to answer nine times out of ten."

On the first ring, Suzie dashes for the telephone table and "attacks" the receiver with gusto, knocking it down to the floor and barking her greeting down the line.

When the family moved to Port Elizabeth from Potgietersrus three years ago, one of the first things they did was to have a telephone installed.

While the lines were being tested, an incredu-

'Ball knew about ANC ad'

THE Munnik Commission has found true the allegation by the State President, Mr P W Botha, that Mr Chris Ball, the managing director of Barclays Bank, knew the money he was advancing by way of an overdraft would be used to sponsor an advertisement calling for the unbanning of the ANC.

In a 121 page report handed to the President yesterday, the judge found at the time Mr Ball authorised the overdraft facility in question, he knew the borrowed money was intended for the United Democratic Front to pay in advance for advertisements calling for the unbanning of the ANC.

Mr Ball, as managing director of Barclays Bank, authorised a branch manager to open a number 2 account for Johannesburg businessman Mr Yusuf Surtee and authorised an overdraft facility of R100 000 to enable Mr Surtee to draw this amount and hand it to the UDF by way of bridging finance for the advertisements.

In his two pages of findings, Mr Justice G G Munnik noted the 16 newspapers which carried the advertisements placed by attorney Mr Krish Naidoo acting in his professional capacity on behalf of the UDF which in turn had the consent of the National Education Crisis Committee and the SA Council of Churches to cite the bodies jointly as issuing the advertisement jointly with the

To Page 4

Sowetan 29/4/88

'Ball knew about Ad'

From Page 1

UDF.

The newspapers were paid a total amount of R64 115,65 by Mr Naidoo by means of a cheque drawn on his trust account and he was still obligated to one newspaper for a further amount of R820 bringing the total to R64 935,65.

These amounts had been paid by Mr Naidoo on behalf of the UDF.

The management of the First National Bank, previously known as Barclays Bank, would not comment on the findings of the Munnik Commission, saying they were taking advice before making any statements.

Mr Chris Ball, the managing director of the bank, was found by the one-man commission, to have known that the R100 000 he advanced to businessman Mr Yusuf Surtee was to be used for an advertisement calling for the unbanning of the African National Congress.

At the time the finance was approved it was not illegal for such advertisements to be published. Soon afterwards such advertisements were prohibited. — Sapa.

Marginal increase in earnings

First National pays same div

CAPE TIMES 29/4/87 (58)

JOHANNESBURG. — Shrugging off the lack of growth and increasing costs caused mainly by high inflationary pressures, First National Bank (Barclays) yesterday announced interim results for the six months to March 31 with earnings a share up from the comparable 1986 period by 5,9% to 114,2c from 107,8c.

Attributable profit before extraordinary items increased by R4,6m to R82,8m, and the interim dividend on the ordinary shares remains unchanged at 35c.

The preferred ordinary shares carry a right to receive a fixed non-cumulative preferred dividend of 157,5c a share, payable in two half-yearly instalments.

Retained income at R642,2m (R580,1m at September 1986) "gives the group added strength to meet the demands of a possible upturn".

The bank says a reduction in provision for doubtful debts was a major factor in the improved result. Net interest income was R23,1m higher while the doubtful debt provision was R18,7m lower at R70,1m.

Other income rose by R37,6m to R286,6m, an increase of 15,1%, but operating costs went up by a similar percentage to R489,1m.

The tax bill rose from R58,2m to R65,7m and the effective tax rate for the six months moved up from 45,7% to 47,1% because of a reduction in preference-share investments and lack of investment allowance business.

The costs involved in changing the bank's name will be about R45m, of which some R30m will be on signage. Barclays PLC has made a contribution to these costs and the net after-tax cost of the name change will be R9m.

□ Barnat's pre-tax earnings were 2,3% higher at R93,2m; the industrial bank, Barnib, earned 9,1% more at R7,2m; and the merchant bank's profits were 21,7% up at R2,8m.

Total deposits have recovered from last September's dip to R16 659m, standing at R17 450m at the end of March.

□ MD Chris Ball said the outlook for a recovery in the SA economy had brightened considerably in recent months, aided by the higher gold price and lower domestic interest rates. He said a fledgeling economic upturn was partly reflected in a small revival in consumer demand for credit and a decline in the bank's provisions for doubtful debts.

"The underlying economic fundamentals are good. But what we need now is investment expenditure and more consumer demand for funds."

"In some sectors of the economy there are only the very first signs of consumer interest." — Sapa-Reuter

Ball 'must have been aware'

21/4/87

CAPE TOWN — It was highly improbable that First National Bank MD Chris Ball did not know the purpose of the R100 000 overdraft granted to businessman Yusuf Surtee, the Munnik Commission of Inquiry found.

"I have come to the conclusion ... that the probabilities are overwhelmingly against this having been the case and that he in fact did know what the true purpose of the overdraft was."

The judge said his overall impressions of Ball were that:

☐ He was "obviously a man used to having his own way in the sphere in which he operates" and who believed he had such experience in forming judgments and making decisions about clients that it was not for anyone to question them;

☐ He was given to making positive statements about his belief in certain facts on which he based decisions, "which belief further questioning showed to have little or no basis";

☐ He displayed a "lack of candour" before the commission in dealing with hi[s] relationship with Winnie Mandela;

☐ Asked what criteria he expected fro[m] his managers on loan applications, h[e] gave a "series of evasive answers".

Hersov 'distressed' at finding

29/4/87
Cape Times

JOHANNESBURG. — The chairman of First National Bank, Mr Basil Hersov, said last night he was deeply distressed at what appeared to be a finding by the Munnik Commission "fundamentally in conflict" with the evidence of its chief executive officer, Mr Chris Ball.

Reacting to the Munnik Commission report he said: "The conclusions arrived at by the commission ... that Mr Ball knew at the time he granted the loan that it was to be used for the purposes of placing the advertisement in question, is in conflict with the opinion and advice of the bank's legal team ...

"In these circumstances, the public in general and its customers in particular are asked to grant the bank a fair opportunity to study the report and to respond thereto."

PFP MP David Dalling last night slated the report as a "cheap comic strip gone wrong" and said it was essential that Parliament is given the opportunity to debate Justice Munnik's findings.

He added that a parliamentary debate would also probe President Botha's involvement in the matter.

The bank management would not comment on the findings, saying they were taking advice before making any statements.

Mr Ball, clearly shocked when Reuters told him of the finding, said he had no immediate comment.

Asked whether the bank was discussing Mr Ball's tenure, senior GM Mr Jimmy McKenzie said: "Absolutely not."

Businessman Mr Yusuf Surtee — Mr Z in early evidence to the commission — said he was "surprised" by the findings, but he wanted to study the report in more detail before commenting further.

Local businessmen said the report would alarm those in the financial community who have spoken out against government policy.

(Reports by David Rogers, Glencairn Building, Market St, and Hamish McIndoe, 11 Diagonal St, JHB.)

Ball knew cash was for ad — Munnik

CAPE TIMES 29/4/87

58 322

Mr Chris Ball

Mr Justice Munnik

By BARRY STREEK

THE Munnik Commission into the financing of UDF advertisements calling for the unbanning of the ANC has concluded that the managing director of Barclays Bank, Mr Chris Ball, knew that a R100 000 overdraft he granted in January this year was to pay for the advertisements "on behalf of UDF".

Mr Justice George Munnik, Judge-President of the Cape, said the "probabilities" were "overwhelmingly against" Mr Ball not knowing that the true purpose of the overdraft, granted to a Johannesburg businessmen, Mr Yusuf Surtee, was for the advertisements and "that he in fact did know what the true purpose of the overdraft was.

"Mr Ball's calibre as a witness and the quality of his evidence were not such as to lead to me to a different conclusion," the commission said.

The commission's findings have completely vindicated President P W Botha's statement during the no-confidence debate in Parliament in February that "Mr Chris Ball advanced the money for the advertisment to the advertisers".

'Pay in advance'

It found that Mr Ball had authorized the overdraft of R100 000 "to hand to the UDF by way of bridging finance to pay in advance for the advertisements".

The commission said Mr Ball had granted the overdraft facility without making inquiries to the management of Mr Surtee's branch of the bank, which has since been renamed the First National Bank, even though the branch management previously had "a problem in acceding to Mr Surtee's request".

He had also granted the loan to a client "about whose financial standing he had no information" and in evidence he had said he had not asked for any specifics about why the overdraft facility was needed other than that it was for "personal use" or "personal business".

Mr Ball had not asked for security for the overdraft although "elementary banking caution" would have caused him to ask Mr Surtee for a guarantee.

By concealing the purpose of the overdraft, Mr Surtee would have placed "Mr Ball and the bank at least at commercial risk".

To page 8

Ball knew

From page 1

When Mr Ball realized that Mr Surtee had been "guilty of a misrepresentation by concealment by not disclosing the true purpose for which the overdraft was required", he, on his own evidence, "far from taking him (Mr Surtee) to task about the action, does not even discuss it"

The commission concluded that "Mr Ball's action is far more consistent with his having known from the outset what the money was intended and used for

"I have come to the conclusion that on an overwhelming balance of probabilities, Mr Ball's conduct is inconsistent with his having advanced the money to Mr Surtee without knowing what it was required for"

The commission said Mr Ball showed in his evidence "a recurring tendency to exaggerate the importance of facts which he regarded as favourable to the case he was making out" and that he had "displayed a lack of candour in dealing with various topics during the course of his evidence"

Mr Ball had also given one answer that was "demonstrably false and that is when he said that at the time January 6, 1986 (sic) — (1987) — he was not aware at which branch of the bank Mr Surtee kept his banking account"

Mr Ball's statement to the effect that Mr Surtee could have obtained the overdraft facility "all over town" was "a ludicrous one, having regard to Mr Surtee's financial standing at the time"

Earlier in the report, the commission said "Mr Surtee was proved to be a lying witness in so many respects, apart from his poor demeanour, and his de-merits as a witness are such as to render his evidence generally unacceptable unless supported by acceptable evidence or facts de hors his evidence itself"

The commission said that viewing Mr Surtee's story "I am satisfied that on an overwhelming balance of probabilities his story that he did not disclose to Mr Ball the true reason for seeking the overdraft is untrue.

"His calibre as a witness and the quality of his evidence do not upset or even diminish in any way this balance"

It concluded that the newspapers were paid R64 935,65 by Mr Krish Naidoo, an attorney, acting in his professional capacity, on behalf of the UDF, which in turn had the consent of the National Education Crisis Committee (NECC) and the South African Council of Churches (SACC) "to cite these two bodies as issuing the advertisements jointly with the UDF and that of the other organizations entered as supporters to list them"

(Report by Barry Streek, 122 St George's St Cape Town.)

LIZ ROUSE reports the JSE's gold
● See Page 11

Commission rejects evidence on ANC advertisements

Munnik inquiry finds against Ball

58

29/4/87 B/Day

CHRIS CAIRNCROSS

CAPE TOWN — The Munnik Commission has rejected as untrue the key element of evidence given by Chris Ball, MD of First National Bank (Barclays), at the inquiry into the funding of advertisements calling for the ANC to be unbanned.

The one-man commission came to the "overwhelming" conclusion that Ball must have known the R100 000 overdraft facility he gave to businessman Yusuf Surtee in January was to be used to finance UDF advertisements.

First National chairman Basil Hersov last night reaffirmed his absolute confidence in Chris Ball and said he was confident Ball had told the truth. (See separate report on this page).

In the 121-page report handed to President P W Botha at the Tuynhuys, Cape Town, yesterday, Mr Justice Munnik concluded that on the basis of all the submissions made at the inquiry, the probabilities were overwhelmingly against Ball not knowing what the true purpose of the overdraft was.

"Mr Ball's calibre as a witness and the quality of his evidence were not such as to lead me to a different conclusion," the judge said at the end of the report.

Appointed by Botha in February, after the UDF advertisements were published in several newspapers on January 8, the commission's brief was to determine the source of funds used to pay for their appearance, and whether Ball was in any way involved in the financial arrangements relating to their funding.

The judge made clear that on the basis of the events leading up to the appearance of the advertisements and subsequently, he found it difficult to believe Ball, as MD of the bank, could have granted Surtee the R100 000 overdraft on the security presented.

He identified several events occurring after publication of the advertisements which cast doubt on Ball's version of how and why the overdraft was granted and on his denial that he had any idea of what it was to be used for.

● To Page 2

FNB UPS PROFITS

FIRST National Bank's (Barclays) taxed profit rose by 5,9% to R82,8m in the six month period ended Martch 31 1987, raising earnings from 107,8c a share earned in the half-year to June 1986 to 114,2c a share. The interim dividend was maintained at 35c.

● Full story: Page 14

Ball 'must have been aware'

CAPE TOWN — It was highly improbable that First National Bank MD Chris Ball did not know the purpose of the R100 000 overdraft granted to businessman Yusuf Surtee, the Munnik Commission of Inquiry found.

"I have come to the conclusion ... that the probabilities are overwhelmingly against this having been the case and that he in fact did know what the true purpose of the overdraft was."

The judge said his overall impressions of Ball were that:

☐ He was "obviously a man used to having his own way in the sphere in which he operates" and who believed he had such experience in forming judgments and making decisions about clients that it was not for anyone to question them;

☐ He was given to making positive statements about his belief in certain facts on which he based decisions, "which belief further questioning showed to have little or no basis";

☐ He displayed a "lack of candour" before the commission in dealing with his relationship with Winnie Mandela;

☐ Asked what criteria he expected from his managers on loan applications, he gave a "series of evasive answers".

Bank may fight finding on Ball

ARGUS 29/4/87

The Argus Correspondent

PRETORIA. — The First National Bank (formerly Barclays) will decide today whether to challenge the finding of the Munnik commission.

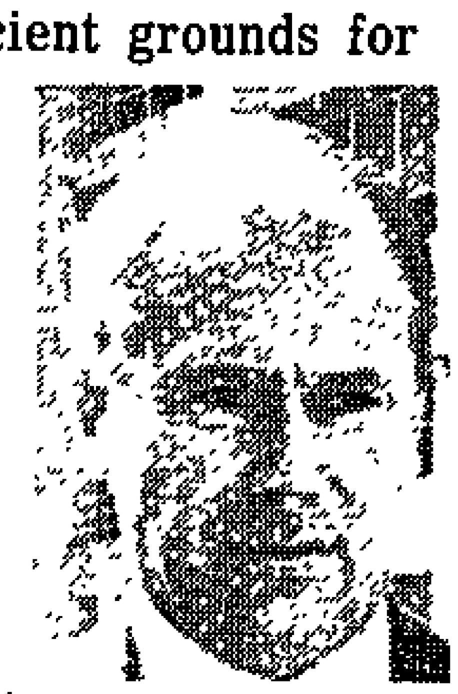
The commission found that managing director Mr Chris Ball "knowingly" advanced R100 000 to the United Democratic Front for pro-African National Congress Press advertisements.

A spokesman for Mr Ball said today an "emergency meeting" of the bank's general management committee had been convened.

"We will certainly discuss the possibility of requesting a Supreme Court review of the commission's proceedings," said the spokesman, Mr Jimmy McKenzie.

The finding of the Munnik commission, which has cast a shadow over Mr Ball's credibility, was "purely administrative" within its scope and meaning and the possibility of what he termed "fundamental irregularity" could not be ruled out, said lawyer Mr Paul Jenkins.

"Should there be sufficient grounds for such an action, the finding could even be overthrown by the Supreme Court," Mr Jenkins said.



Mr Ball

Other grounds for the overthrow of the commission's findings could be that evidence had not been correctly weighed and evaluated or that the "laws of natural justice" had not been complied with, according to Mr Jenkins.

Mr Hersov

Mr McKenzie emphasised, however, that neither Mr Ball nor the First National Bank had yet obtained a full copy of the commission's findings.

The Argus Political Correspondent reports renewed controversy about the ANC advertisement funding amid conflicting reactions to the findings of the commission.

The Opposition rejected the findings and demanded a parliamentary debate, while the Nationalist Press interpreted the report as finding that President P W Botha was right in saying that Mr Ball knew an overdraft he granted would be used to fund the ANC advertisements.

"Distressed"

Mr Ball said he was working with Mr Basil Hersov, chairman of First National Bank, and other directors.

Mr Ball said Mr Hersov had stated that the bank's legal advisers felt the commission could not have arrived at its findings in the light of the evidence before it.

In a statement Mr Hersov said he was "deeply distressed" at what appeared to be a finding in the commission report which was in conflict with the evidence of Mr Ball.

"The conclusions arrived at by the commission, that Mr Ball knew at the time he granted the loan that it was to be used for placing of the advertisements in question, is in conflict with the opinion and advice of the bank's legal team."

Mr Hersov said the public in general and its customers in

(Turn to Page 3, col 1)

ARGUS 29/4/87

Bank

(Cont. from Page1)

particular were being asked to grant the bank the opportunity to study the report and to respond to it.

There has not yet been reaction from President Botha, who started the controversy when he told Parliament on February 4 that it was being said by radical elements that Mr Ball advanced the money for the advertisements.

A spokesman for his office said that when Mr Botha was presented with a copy of the report by Mr Justice Munnik yesterday he said he would read it "with great interest".

Mr Dave Dalling, the Progressive Federal Party's main spokesman on justice, said he found the report "amazing" and demanded a parliamentary debate.

After Mr Botha's allegations he (Mr Dalling) spoke to Mr Ball, who assured him he had not known about the funding of the advertisements.

He believed Mr Ball then and he still believed him.

Rejecting the findings of the commission, Mr Dalling said it was a unique commission in that it was instructed to investigate something that was not alleged to be illegal in the first place.

This was using the President's powers in the wrong manner and was a waste of public money.

In doing this the President had forced the judiciary to become part of this wastage.

Argus 29/4/87 58

BANKING

First National Bank results disappoint

From GARETH COSTA

JOHANNESBURG. — A disappointing set of results from First National Bank (Barclays) shows net income 5,9 percent higher at R82,8-million for the six months to end-March, and a sharp drop in bad debt provisions.

The dividend has been maintained at 35c; covered 2,6 times by earnings of 114c, in what could be a trend towards increased cover.

Commenting on performance, managing director Chris Ball said that in view of the fact that the balance sheet had shown little growth and that costs had increased by 16 percent he was happy with the results.

On the balance sheet, advances were up from R15,3-billion to R16-billion, while total assets were virtually unchanged at R19,497-billion.

The only significant changes in assets were in short-term negotiable securities which fellfrom R837-million to R660-million and investment securities down from R1,423-billion to R989-million.

On the liability side were R80-million extra of deferred taxation at R357-million, R100-million from debentures and a R60-million increase in reserves to R892-million.

Net interest income increased from R389-million to R412-million, while the doubtful debt fell from R88-million to R70-million, which senior general manager, Mr Jimmy McKenzie believes will fall again in the current period.

Net interest and other operating income grew from R549-million to R628-million as operating expenditure increased by nearly R70-million to R489-million.

There was an extra-ordinary write-back of R11-million, arising from a R20-million reversal of provision for write-down of investments and a R9-million provision for the name change.

As expected, Wesbank had a good six months, increasing its profit contribution by 31 percent to R36-million in the light of the decline in interest rates and reduced bad debts.

Mr McKenzie says they accept Wesbank will have a cyclical trend in its earnings, depending on the interest rate turns, but it is less of a problem than in the past due to increased efficiency, he says.

Barnat's pre-tax earnings were 2,3 percent higher at R93-million, Barnib's 9,1 percent better at R7,2-million and the merchant bank's profits 21,7 percent more at R2,8-million.

Mr McKenzie says a noticeable increase in liquidity is in the market and he does not expect an increase in interest rates. He is confident the bank is well positioned for any changes that might occur.

He adds that he expects improved economic conditions in the current six months.

R125m move heralds joint venture

Allied, Sage agreement

GM. Tribe 30/4/87 (58) (132)

JOHANNESBURG. — A major new financial services grouping was created yesterday in a R125m transaction when the Allied and Sage Holdings groups announced they are to acquire significant minority investments in each other.

The directors of Allied Group and Sage Holdings said agreement had been reached in terms of which the two groups will jointly develop, expand and rationalize various facets of present and future services to their clients.

Allied will subscribe for 5 500 000 variable rate convertible preference shares of 100c each in Sage, at an issue price of 1300c per share, constituting a total investment of R71,5m.

These shares will be compulsorily convertible into Sage ordinary shares, on a one-for-one basis, in equal annual tranches from 1990 to 1994 and, after conversion, will represent approximately 20% of Sage's entire issued share capital.

Sage, which has underwritten the current offer of shares in the Allied Group, scheduled to be listed on the Johannesburg Stock Exchange in June, will acquire the maximum allowable of Allied's issued capital, in terms of the Building Societies Act — 10%.

It is envisaged that co-operation between Allied and Sage will take place in building society activities, life assurance, banking, financial planning, mutual funds, property trusts, homebuilding and township development, property investment, development and management, trust company activities, and investment management, mortgage participation schemes, computer services, and underwriting of security issues.

Allied and Sage control assets exceeding R7,5 billion in aggregate.

Allied Group comprises primarily the Allied Building Society, Allied Bank and Allied Insurance Company. Sage Holdings is a financial investment and management group with diverse interests in the fields of investment and finance, insurance and financial services, and property and construction.

It is anticipated the proposals will have significant long-term benefits for Allied and Sage and their shareholders. The effect on earnings per share of both companies for their current financial years will not be material. The effect on the net asset value per share of Allied and Sage will also not be material.

The agreement is conditional on the approvals of various authorities and on Sage approving the creation and issue of the convertible preference shares.

The listing of Sage on the JSE, suspended at the company's request on Tuesday, will be reinstated from the start of trading today. — Sapa

Allied, Sage in R125m swap

New financial services group announced

30/4/87 B/Day

(58)

HAROLD FRIDJHON

A NEW R7,5bn financial services grouping will come into being as a result of a R125m share swap between Sage Holdings and the soon-to-be-listed Allied Group.

Allied will become a 20% shareholder in the Sage group, while Sage will hold 10% of Allied, the maximum permissible in terms of the Building Societies Act.

Allied will be issued with 5,5-million variable-rate R1 convertible preference shares at R13 a share, which will be converted one for one into Sage ordinaries in five equal annual tranches from 1990 to 1994, making a total investment of R71,5m.

Sage's take-up price of the Allied Group shares will be about R1,75, the price at which Sage underwrote the Allied issue.

The deal has the approval of the Competition Board, which does not view it as a concentration of power nor a removal of competitiveness from the market.

On the contrary, the board considers it will enhance competition, particularly in the financial services market.

Both Sage chairman Louis Shill and Allied MD Alan Tindale emphasise that the deal is not a merger. Both groups will maintain their individual identities but there will be an exchange of directors, with two Allied nominees joining the Sage board and Sage having a like representation on the Allied board.

Shill says the joining of hands is not the result of a recent decision. The two organisations have worked together closely for the past seven years and there is a close liaison between the executives of both groups, particularly in the personal financial planning field.

Sage has major investments in assurance through Sage Life, in merchant banking through Rand Merchant Bank, and in property development through Schachat Cullum. It also manages the Sage unit trust and several property trusts.

Allied, apart from the building society subsidiary, is invested in Allied Bank, which intends moving not only into the consumer market but also into the corporate area. It also has interests in property and insurance.

Tindall says the two groups' operations dovetail with very little overlapping, and close liaison will enable them to create new products to the benefit of clients seeking personal financial planning, guidance and advice.

Close collaboration in property development and home building is envisaged.

An area that will bring big benefits and cost savings to both groups is in the computer field. Allied operates a very

● To Page 2

B/Day 30/4/87 (58)

New R7,5bn financial services grouping

● From Page 1

sophisticated computer system that links its 163 major outlets.

Sage is no slouch in data processing. It provides DP services to the group as well as operating a bureau. Tindall sees a tremendous synergy in this area.

Sage is controlled by a consortium agreement between Shill and the Rupert interests. Together they hold 40% of the total equity, with Anton Rupert owning about 27%. The next biggest shareholder is the Mines Pension Fund, with a 30% stake.

Allied's new 20% of the equity will dilute present holdings, but Allied will join the consortium agreement, thereby protecting Sage from any takeover threats.

The link-up between the two groups will not have any material effect on earnings and asset values of either company this year, but the directors believe the group linkage will have significant long-term benefits for both.

Fday 30/4/87

AAM: Actuary testifies

ACTUARIES could play a meaningful role in the short-term insurance industry, the Melamet Commission heard yesterday.

Actuary Milburn Pyle was giving evidence at the Commission which, under the chair of Mr Justice D A Melamet, is investigating last year's collapse of short-term insurer AA Mutual.

One of the Commission's terms of reference is to inquire into whether the Insurance Act of 1943 provides adequate protection to policyholders and the general public, with special reference to, among other things, the role which an actuary should play in short-term insurance.

Pyle said actuaries would be useful in evaluating assets and liabilities of insurance companies and in determining solvency margins and reserves.

The actuarial profession was fully prepared, if required, to act for the short-term insurance industry, he said.

HELENA PATTEN

Prof Van der Walt, Professor of Contract Law at the University of Potchefstroom, also gave evidence.

He focussed on insurance contracts, which he said should be made more easily comprehensible to the public.

He said certain amendments should be made to protect the buyer of an insurance policy, particularly with regard to fine print, defensive provisions and technical jargon.

He said there were too many non-legal terms in contracts and that the fine print was often unreadable. This was especially true where coloured print was used on coloured paper. He said some provisions acted against the interests of policyholders.

(58)

Chris Ball unveiled the new name of his bank just days before Judge Munnik unveiled his findings on Ball Picture: REUTERS

The Munnik report: Perfect timing, says Dugard

By JO-ANN BEKKER

THE timing of the Munnik Commission's findings — which rejected the assertion of Barclays managing director Chris Ball that he had not known of the planned "unban the African National Congress" advertisements when he authorised an overdraft to pay for them — has not gone unnoticed.

Commented Professor John Dugard, director of the University of the Witwatersrand's Centre for Applied Legal Studies: "One must congratulate the judge president for completing his report just before the election. It comes at a convenient time for the state president."

Dugard said the SABC had presented the commission's findings as though they were the findings of a judge in a criminal court. But in fact the hearing was only a commission of inquiry, which happened to be presided over by a judge; it made certain findings on conduct which was not criminal.

He said the United Democratic Front's unban the ANC adverts were completely legal when they were published in January this year. President PW Botha's subsequent attack on Ball in parliament — which was followed by his appointment of the Munnik enquiry to establish the background to the advertisements and Ball's involvement — was "clearly intended to discredit Chris Ball and other businessmen who have spoken to the ANC. Unwittingly, no doubt, the Munnik report helps further to discredit Ball."

United Democratic Front treasurer Azhar Cachalia also stressed that the adverts were completely lawful. "In our view there was no basis for the appointment of the commission."

He said the commission was a witch hunt "set up firstly to nail Ball, and secondly to whip the business community into line".

Cachalia warned that if the First National Bank (formerly Barclays) took any action against Ball, "the UDF will certainly take a very dim view of it, and the bank can expect very wide reaction".

The UDF's acting publicity secretary, Murphy Morobe, said Munnik's findings were hardly surprising.

He added: "All South Africans except Botha's backward and narrow-minded constituency fully agree with the sentiments in that advertisement, which was in any case perfectly legal."

He said attempts to illegitimise the UDF's call for the unbanning of the ANC could not succeed.

Munnik's 121-page report said Ball's reasons for granting the overdraft bore the unmistakable imprint of "ex post facto" reasoning.

Approached for comment yesterday Ball said he would probably release a statement today.

Munnik concluded that Yusuf Surtee, the "Mr Z" who provided the finance for the advertisement, was an "opportunist" and a man "of no financial substance". Surtee was not available for comment yesterday.

CAPE TIMES 30/4/87

R14,9m Amrel turnaround

Financial Editor

AN UPSURGE in sales in the final six months — particularly by its furniture division — enabled Amalgamated Retail (Amrel) to achieve a dramatic turnaround in the year to March.

It reports attributable profits of R14m compared with a loss of R982 000 last year — with earnings of 54c a share compared with a loss of 11c last year.

The final dividend is 40c making a total of 51c (nil) for the year.

Turnover rose by 21% to R627,1m (R518,2m) and pre-tax income to R26,9m compared with a loss of R941 000. Almost R21m of the pre-tax profit was earned in the last half of the financial year.

After-tax profit was R12,8m compared with a loss of R1,7m and attributable earnings from associated companies and foreign subsidiaries totalled R1,2m.

MD Stan Berger says the improvement in retail sales accelerated in the final six months.

"While national retail sales are estimated to have grown by 16% in the past year, sales in the furniture industry where Amrel is dominant were some 18% ahead of last year."

He said the clothing division also grew in line with the market and the Scotts group "turned in a very creditable performance".

Chairman Ronnie Cohen says that although unemployment remains high and consumer confidence is fragile, the group expects a continuing upswing in consumer spending in the year ahead.

"The furniture division will continue to benefit from prevailing low interest rates and the expected high growth in housing in the coming year.

"The rationalization of our footwear interests and the acquisition of our interest in Boymans should enhance earnings.

"Assuming a relatively stable socio-political environment, the group is confident of a further and satisfactory increase in earnings per share in the coming year."

FNB legal step unlikely

30/4/87 B/Day 58

HAMISH McINDOE

FIRST National Bank (Barclays) will probably not take legal steps to counter the scalding findings of the Munnik Commission's probe into the bank's involvement into the funding of advertisements calling for the unbanning of the ANC.

Legal sources say the bank has no legal avenues open and have discounted the possibility of a Supreme Court review of the report.

This follows Cape Chief Justice Munnik's "overwhelming" conclusion that MD Chris Ball knew the R100 000 overdraft granted to businessman Yusuf Surtee would be used for advertisements calling for the unbanning of the ANC.

Said FNB GM Jimmy McKenzie: "The findings were a shock to me. Even our legal advisors did not expect it to go against us to such an extent.

"We are very concerned about the impact on our business and don't want to lose one account because of it."

FNB executives met yesterday afternoon to decide on what further statements should be made on Mr Justice Munnik's report, which questioned Ball's "calibre as a witness and the quality of his evidence".

FNB last night said in a statement it was still studying the report and had not decided what action — if any — it would take.

Slating the commission's findings, PFP justice spokesman David Dalling said a parliamentary debate was essential to establish "whether or not Mr Justice Munnik handled his brief adequately," Dalling said.

□ A spokesman for the Attorney General's office in Johannesburg said no decision would be taken on whether to act on a police docket into the UDF advertisements until the AG returned from holiday on May 11.

(58) B/Day 30/4/87

Johannesburg legal firm seeks payment of R94 000

Application to wind up AA Mutual Insurance

SUSAN RUSSELL

A JOHANNESBURG firm of attorneys, Lindsay Keller & Partner, applied in the Rand Supreme Court yesterday for the winding up of AA Mutual Insurance Association Ltd.

Deputy Judge President Mr Justice G Coetzee reserved judgment.

AA's short-term insurance business was wound up last year and is currently the subject of a commission of inquiry headed by Mr Justice Melamet.

Lindsay Keller & Partners has a claim for R94 831 against the company for outstanding legal fees.

It has applied for AA Mutual Insurance Association to be wound up in terms of Section 344 of the Companies Act.

AA Mutual has opposed the application. It contends the winding-up provisions in the Companies Act do not apply to the winding up of a registered insurer. It also alleges the claim is against its short-term insurance business and not the company itself.

Counsel for AA Mutual, S A Cilliers, SC, argued that the order winding up the short-term business precluded an application for the winding up of the corporate body.

He said the order made in June last year had provided for creditors' claims like that of Lindsay Keller & Partners.

D Shaw, QC, argued that AA Mutual was still a business with assets that had nothing to do with the short-term business.

He said Lindsay Keller & Partners should therefore be given the right to apply for the winding up of the company.

Shaw argued the Insurance Act envisaged that a registered insurer could carry on another business. He said the company's returns, annexed to the court papers, reflected the business carried on through subsidiaries.

A director of AA Mutual Insurance, Denis Paxton, said in an affidavit opposing the application that the company had not carried on any other business other than as a short-term insurance and compulsory-third-party business.

He said Lindsay Keller & Partners could not evade the provisions of the Insurance Act by purporting to wind up the company, as opposed to its insurance business.

"Insofar as the applicant's alleged claim arises out of AA Mutual's former short-term business," he said, "its only remedy is to lodge a claim with the joint liquidators.

"Insofar as its claim arises out of any of the other insurance businesses, the applicant's remedy is set out in section 30 of the Insurance Act."

In a replying affidavit, one of the partners in Lindsay Keller, James Troward Mabin, disputed Paxton's contention that AA carried on no business other than as insurers.

"The company had an interest in a number of subsidiary companies," he said, "whose business included long-term insurance, property-owning and investment.

Mabin said AA Mutual's financial statements for the year ending April 30 1985, which were annexed to the court papers, showed the company had assets that had nothing to do with its insurance business.

He said these assets were of a value exceeding those required to be held by a domestic insurer in terms of section 17 of the Insurance Act.

"I believe that the nature and extent of the company's interest in its subsidiaries has not significantly altered since the preperation of the financial statements," he said, "and that it is therefore incorrect that it only conducted classes of insurance business."

Mabin said the fact that some of AA's debt to his firm arose from the short-term insurance business did not prevent it bringing the application.

He said some of the litigation conducted on the company's behalf might have been incidental to the short-term business, but was not part of it.

Isolated cases of customers quitting bank

ARGUS 20/4/87 (58)

The Argus Correspondent

JOHANNESBURG. — First National Bank (Barclays) is monitoring client reaction following the release of the Munnik report into the funding of the ANC advertisements.

So far, however, there had been only isolated cases of accounts being closed, said senior general manager Mr Jimmy McKenzie today.

He said the bank's branches and head office received a number of calls from customers yesterday after the findings of the report were published in newspapers.

The commission concluded that the managing director, Mr Chris Ball, knew the R100 000 overdraft he authorised was to pay for the advertisements.

Mr McKenzie said some accounts had been closed, but these were exceptional cases.

The bank obtained a copy of the report only yesterday afternoon.

It was being studied and there might be further reaction today.

The bank's board and general managers met yesterday to discuss the findings of the inquiry.

How Munnik condemned Chris Ball

30/4/87 58 B Day

□ BALL — "conduct . . . bristled with improbabilities"

EDITED EXCERPTS FROM THE FINDINGS OF THE MUNNIK COMMISION

THE MAIN findings of the Munnik Commission turn on what happened when Yusuf Surtee met First National Bank (then Barclays) MD Chris Ball in his office on January 6 this year to ask for an overdraft of R100 000.

The commission rejected the evidence of both men in the face of what it found to be "overwhelming probabilities".

Having examined Surtee, Mr Justice Munnik concluded that he had lied. "I am satisfied that on an overwhelming balance of probabilities, his story that he did not disclose to Mr Ball the true reason for seeking the overdraft is untrue. His (Surtee's) calibre as a witness and the quality of his evidence do not upset or even diminish in any way this balance."

Examining Ball's evidence and discussing the meeting between Ball and Surtee, the judge pointed out that Ball did not question Surtee's financial standing before granting the R100 000 overdraft.

While Surtee's and Ball's version of the dicussion differed slightly, "the point is that on either version Mr Ball did not ask what the personal use or personal business use was . . ."

Nor, according to both versions, said the judge, did Ball question how Surtee planned to repay the loan.

'On Mr Ball's version, what he had done was to grant a R100 000 loan to a client about whose financial standing he had no information, save that he had been refused that facility at branch level, and after being told it was for 'personal use' or 'personal business use,' he had not asked him for any specifics about the purpose for which the client wanted the facility.

"Added to this was the fact that the evidence revealed that had he made enquiries from the branch he would have heard of Mr Surtee's poor track record there and that he had no assets to speak of.

"Mr Ball by the time he gave evidence (and no doubt earlier on) clearly realised that, viewed against his banking background, his version of his conduct not only did not seem *prima facie* to be that of the prudent banker, but, taken at its face value, bristled with improbabilities.

"The basic question was: why had he acted in this fashion? There could only be one of two answers. Either he was justified in doing so or he had done so because he had granted the overdraft on considerations not disclosed in his evidence — i.e., to put it bluntly, he refrained from taking steps which one *prima facie* would have expected him to take because he used his powers as managing director to grant an overdraft to Mr Surtee in order to provide Mr Surtee with bridging finance for the UDF advertisement calling for the unbanning of the ANC," said the judge.

Ball's evidence on why he granted the facility was that he had "no negatives" about Surtee, said the judge. Further, Surtee was a leading member of the Indian community and a close associate of the Kharbiba's (of the Kharbiba Group).

Ball was satisfied Ahmed Kharbiba and his group would cover the loan if Surtee was to default. This association with the Kharbiba Group, says the judge, was put forward by Ball as the overriding factor accounting for the granting of the facility and the manner in which it was granted.

"This theme, together with the assertion that he knew nothing about the advertisements before he saw them in the newspaper (Business Day) on his arrival at his office on the morning of 8 January 1987, was a constantly recurring one throughout his evidence. So much so that I could not at times help getting the feeling 'methinks he protesteth too much'."

Dealing with his impressions of Ball as a witness, and the quality of his evidence, the judge said Ball was obviously a man used to having his own way in his own sphere, and that he felt it was not for anyone to question his banking judgment.

Further, he was "given to making positive statements as to his belief in the existence of certain facts upon which he based decisions, which belief further questioning showed to have little or no basis".

Put another way, said the judge, Ball showed in his evidence the tendency to exaggerate the importance of facts favourable to his case.

For example, said the judge, in building up Surtee's standing and influence, Ball had said Surtee had brought the Kagiso Trust account to Barnat. Surtee conceded in evidence he had not done so.

Referring to Surtee's past involvement in the Lesedi Trust, also raised by Ball in evidence, the judge said: "Mr Ball gave one answer that was demonstrably false and that is when he said that at the time (January 6, 1986) he was not aware at which branch of the bank Mr Surtee kept his banking account."

Apart from earlier business negotiations Surtee had held with Ball, during which the whereabouts of Surtee's account must have been discussed, said the judge, it was highly unlikely in view of the close friendship between Ball and Surtee that the question of the branch at which Surtee banked was never mentioned.

Further, said the judge, Ball displayed a "lack of candour" in dealing with various other topics, best illustrated by his evidence about his dealings with Winnie Mandela.

Ball, said the judge, gave the impression he had invited Mandela to lunch on November 25 1986 as part of his range of talks with black leaders. "He also added that it was not a banker/client conversation."

It subsequently transpired, said the judge, that at that lunch Mandela had completed documents related to the placing of her funds at the Oxford Street branch, had given instructions about the transfer of her account from Oxford Street to Simmonds Street branch, had discussed the possibility of a loan by the bank to her friend Mrs Mangaliso for legal expenses connected with the latter's murder trial, and had discussed the difficulties that had arisen about the film which actor Bill Cosby wanted to make about her life.

"This certainly does not accord with Mr Ball's original description of the conversation."

Nor had Ball initially disclosed that he had in July 1986 personally arranged the conversion into rands and the deposit in a local account of a US$100 000 cheque Mrs Mandela had received as a foreign award.

Ball, said the judge, was also unable to satisfactorily explain why he kept a file dealing with Mandela's branch account in his office, and why the branch concerned had to keep his office informed about these accounts.

His explanation that it may have been on instructions of his previous personal assistant was untenable in the light of evidence by his present personal assistant that she acted only on the instructions of Ball.

Asked why he had reported on the lunch with Mandela to Surtee, Ball said it was because Surtee may have arranged the lunch, as he did not know Mandela well and would not know where to contact her.

"This last part of the answer does not hold water," said the judge. "She was to his knowledge a client of Barnat and her address would be in the bank records. He in fact knew at which branch she banked.

"Taken as a whole I am satisfied that Mr Ball displayed a lack of candour in dealing with the question of his relationship with Mrs Mandela and that the conclusion is inescapable that by doing so he sought to minimise the political aspect thereof — a course of action obviously related to the nature of the advertisements.

'This finding does not mean that I regard it as contributing in any way to the answer to the question as to whether or not Mr Ball knew for what purpose Mr Surtee wanted the overdraft, but he was obviously trying to distance himself from Mrs Mandela," said the judge.

Returning to Ball's immediate granting of the overdraft facility, the judge said the Commission put to Ball that it was extremely difficult to accept that in the few seconds that passed between the request and the answer all the factors advanced by Ball to the Commission could have been mentally considered by Ball.

He replied: "That is often the case in earning money. I have made decisions for a multi-million rands in a few seconds."

While the last sentence might be true, said the judge, he remained convinced that Ball's evidence on why he granted the overdraft "bears the unmikstakable imprint of *ex post facto* reasoning or justification".

On this reasoning, the Commission came to the "overwhelming" conclusion that Ball must have known that the overdraft was to be used to finance UDF advertisements.

'Ball displayed a lack of candour in . . . his relationship with Mandela'

Ball inquiry an 'expensive smear campaign'

SMM 30/4/87

By Colleen Ryan, Political Reporter

First National Bank (Barclays) is monitoring client reaction following the release of the Munnik report into the funding of the ANC advertisements.

So far there had been only isolated cases of accounts being closed, senior general manager Mr Jimmy McKenzie said today.

"We also had telephone calls of support," he added.

He said a full statement would be made by the bank on the commission's findings once the report had been studied.

The report was handed to Mr P W Botha and released to the Press on Tuesday, while the bank only obtained a copy of the report yesterday afternoon.

Mr Yusuf Surtee, identified as the businessman who asked Mr Ball for an overdraft of R100 000 in January, was not available today for comment. He has so far declined to comment until he has studied the report.

Mrs Ethel Walt, chairman of the Transvaal region of the Black Sash, said tax payers have financed an "expensive and elaborate smear campaign against one of South Africa's most distinguished businessmen".

The timing of the announcement of the findings — two days after the bank's name change to First National Bank — was clearly more than coincidence, said Conservative Party spokesman Professor Fanie Jacobs.

THE ECONOMY

(49)

Bankrupt — economically and politically

WEEKLY MAIL REPORTER

IN WESTERN democracies a high inflation rate, a low level of disposable personal income, widespread unemployment and a major financial crisis would have any government outvoted in a general election.

South Africans enter this election with a 16,8 percent inflation rate, piffling growth where personal disposable income is 17 percent below 1980's level, incalculable unemployment which some estimate at six million, a 29 percent decline in fixed investment since 1981 and a major financial crisis.

The only favourable economic news that the government can point to is the hefty R7,2-billion surplus on the current account (over five percent of GDP). And even this is not out of choice and is partly a sign of weakness.

With this proud record, South Africa's white voters next week will return the National Party to power after a campaign in which the economy is conspicuously underplayed.

Monitoring issues in this election one would hardly know that demands for a change in the status quo are rapidly intensifying. The economic issues and debates fall within narrow parameters, far removed from those of the African National Congress, United Democratic Front, Congress of SA Trade Unions and other extra-parliamentary groups.

Ideologically, all participants in this election broadly support capitalism although in confused, often contradictory, forms and with policies which vary on the degree of state interference.

Furthermore, each party, particularly the Progressive Federal Party and the Nationalists, enjoys support from both business and the middle class. Small wonder ~~they are~~ so unclear ~~about class issues~~.

The Nats are in the historically unusual position of being (rhetorically) staunch supporters of private ownership, private initiative and the benefits of an efficient market system — principles embodied in the preamble to the 1983 constitution.

The Conservative Party blends its support of free enterprise with heavy support for certain interest groups — white farmers, consumers and small business. Although the CP talks about encouraging a "true" free enterprise system, anti-monopolistic legislation will be introduced (it is heavily against monopolies, portraying the Nats as the party of big business) and it will intervene to place interest rates within reach of small businesses and farmers.

~~The PFP is also relatively~~ "interventionist", mixing free enterprise with social welfare support. The party believes a market system would operate but within the constraints of a "social conscience." To prevent exploitation the PFP talks about "equality of bargaining."

So what are the issues being covered by the parties in addressing the economic crisis? The first (by now brutally obvious) is that the economy is linked to politics. All agree. Hence their respective understandings of the economic crisis and their various economic policies reflect their political positions, although at times contradictarily.

The PFP is adamant that their proposed economic reform must go hand in hand with political reform, the Nats believe interaction between political, social and cultural reform and economic development is unavoidable, while the CP argues that no economy can exist ~~without law~~ and order.

On fiscal policy the Nats aim at reducing government's share in the economy — curtailing expenditure, reducing the tax burden for both companies and individuals, maintaining a reasonable deficit before borrowing and refraining from financing current expenditure through borrowing.

The CP, which bitterly feels the tax burden has shifted from big business to individuals, will ensure big business pays its due share of the tax burden by eliminating loopholes and will reduce individual taxation in proportion to its success.

The PFP mentions creating incentives through a tax system that provides for social services and will introduce an employment programme (which the Nats have introduced). The PFP sees economic growth in the correct sectors as the key to tackling unemployment. Also like the Nats it will privatise where appropriate and deregulate to reduce bureaucracy. Both are equally vague on this.

The CP, which has the most clarity, reckons there is no need for job creation programmes and privatisation merely gives an increasing share of the country's assets to big business.

Only the CP has a solution for inflation — the one disaster which has been an election issue.

The CP will control the printing of money, abolish black unions, and suspend any narrowing of the wage gap without an equivalent increase in productivity. The PFP will restrict government's share in the economy, tighten consumer protection, ensure monopolies and economic power do not artificially increase prices, promote competition, negotiate for temporary voluntary wage and price restraints.

On inflation the Nats are particularly bankrupt, or perhaps less naïve, saying that while there is no instant remedy (it prefers market forces) for a complex problem, the Economic Advisory Council is to make proposals.

Barlow Rand buys 45% of French Bank

(58)

Star 29/4/88

Finance Staff

Barlow Rand has announced that it intends to take up 45 percent of French Bank of Southern Africa.

The bank is controlled by Banque Indosuez, which has a 54 shareholding in the bank.

Barlows is offering 20 shares for every 100 French Bank shares and R9 in cash or a straight cash deal of R3,95 per French Bank share.

Once the deal is completed, French Bank will be delisted from the JSE.

In terms of an undertaking given to the Registrar of Banks, Barlows will reduce its holding in the bank to 30 percent by placing 15,4 percent of the shares on the market.