PRICES – GENERAL

1993

Tariff reform will cut food prices in SA

(244)

S/Times (Buss) 3/1/93.

By CIARAN RYAN

FOOD prices are set to fall early in the new year, when government will take action to expose South African food producers to increased local and foreign competition.

The Board on Tariffs and Trade proposes introducing a system of adjustable tariffs on imported food to keep local prices in line with international prices.

The reform of the agricultural control boards is also expected to bring down food prices. The Kassier Commission, which reports in the new year, is expected to make recommendations to this effect.

"We are proposing a system of adjustable tariffs on food such as is used in several developed countries," says Helgard Muller of the Board on Tariffs and Trade.

"These tariffs can be changed at short notice as international prices move. I would hope that this would bring SA prices into line with overseas prices."

Quantitative controls on imported food and price-fixing by the agricultural control boards are two of the main reasons for the high cost of food in SA.

Dr Muller was responding to an IMF report which criticises SA's protectionist policies which have led to high food prices. The report says these policies are inappropriate for a country suffering drought and poverty.

Stubborn

There is considerable disquiet in government at the system of price fixing by agricultural control boards based on local cost structures of farmers.

This has caused SA food prices to fall out of line with international prices, an issue which will take political centre-stage in the run-up to free elections.

Food prices increased by more than 30% earlier last year, one of the main reasons why SA's inflation proved so stubborn, but Central Statistical Services figures show a slowdown to 17,2% in November.

This helped lower the overall increase in the rate of annual inflation from 11,7% in October to 11% in November.

Sugar is one of the first crops likely to be subject to the adjustable tariffs once the Minister of Agriculture approves the scheme. The system will be extended to other agricultural imports.

"We cannot influence the price of agricultural products, only the level of protection, which ultimately has an effect on prices," says Dr Muller.

But pressure is mounting from opposition groups and government to change the system of fixing agricultural prices, currently vested with the control boards and the Department of Agriculture. The present system is perceived to protect farmers at the expense of the consumer.

SA is forced to import 4,2-million tons of maize at a cost of about R1,6-billion because of the drought. SA's maize crop is expected to be 2,9-million tons this year compared with around 8,5-million tons in normal years. The country needs 6,5-million tons to feed itself.

The maize is landed at SA ports at between R345 and R399 a ton, but the local price is fixed by the Maize Board at R475 a ton. All profits from the sale of imported maize go to government rather than to the consumer.

One of the biggest culprits of high food inflation is meat. Imports of live animals and animal products were just 10% of last year's total food imports of R2,7-billion. A system of quantitative controls and tariffs is designed to protect local farmers so that very little meat is imported.

One of the few meat items to be imported is spare ribs. The Board on Tariffs and Trade dropped import tariffs from 50% to between 10% and 15% on spare ribs because farmers supplied a relatively small proportion of local demand.

The meat industry is highly regulated, resulting in rapidly escalating meat prices and falling per capita consumption of meat.

By removing controls, SA could take advantage of meat surpluses around the world, importing at less than half the local cost of meat. A further challenge to the meat industry comes from the Organisation of Livestock Producers, which is bypassing the complex system of controls by selling meat direct from the farmer to consumers at up to 45% below official prices.

Illegal

Dr Muller says tariffs will still be imposed on many food imports to protect local farmers against dumped produce.

"We do not have enough manpower in our anti-dumping unit to be able to guard against dumping of agricultural products. The agricultural sectors in many countries are highly subsidised."

He says tariffs will gradually replace quantitative controls, which are illegal in terms of the latest round of the General Agreement on Tariffs and Trade to which SA will become a signatory.

"Once we have signed the Uruguay Round of Gatt, a number of food tariffs will be cut overnight, and other cuts will be phased in over a period of years."

One of the fastest-rising sectors of the JSE is food. The food index increased by about 20% in 1992 as listed food companies reported strong earnings growth.

Fighting to keep food prices down

Sowetan 7/1/93.

DIFFERENT AGENDAS Diverse groups make up the FLP: (244)

By Mzimkulu Malunga

FORMER president of the South African Chamber of Business Sidney Matus is optimistic that the downward trend in food prices will continue

Latest figures released by the Central Statistics Service indicate a modest drop from around 22 percent late last year to 17,2 percent.

With the devastating drought steadily disappearing from the scene and the VAT impact passing, prices will come down, he asserts

While they hailed the decline, consumer organisations argue much will depend on the rainfall, better farming methods and a healthier economic scenario.

Meanwhile economists are predicting a further increase in fuel tax this year in an attempt to keep the VAT rate down

Fuel tax increase is less sensitive to price increases and a much lighter political time bomb than VAT Hence; there is a widespread belief that the Government can get away with a substantial increase in this sphere

An upsurge in food prices, in the last half of 1992 in the wake of VAT's introduction, led to the formation of the Food Logistic Forum

This is a broad coalition comprising major players in the food and retail industries Trade unions as well as marketing and control boards got together to identify the root causes of food price hikes so as to formulate a comprehensive approach to prevent the escalation

Since its inception late last year, the FLF says it was able to persuade the Government to look "sympathetically" at zero-rating of basic foodstuffs

The Government was also asked to contribute R200 million generated by duties on wheat imports to keep the bread price down

Ten working groups charged with tasks of looking into key factors leading to food price increases were also established.

These include concentration in the retail and manufacturing sectors, the price gap between farmers and manufacturers, food relief for the poor, wheat and maize subsidies as well as the obvious issue of VAT.

CPI FM 8/1/93

Taste test

(244)

Consumers had a taste of deflation in November when food prices fell With a weighting of 18,64 in the total consumer price index, the food component dropped 0,3% in the month and rose only 17,2% over 12 months, according to Central Statistical Service (CSS) This was down from 21,2% in October and the lowest level since the 16,6% recorded in April 1991

Relief came from summer rains, which

continue →

brought a 6,4% monthly fall in vegetable prices This contrasts with a 43% year-on-year rise, caused largely by the effect of drought on prices earlier in the season

But the rain pattern has not been the only factor behind the rise and fall in food prices This emerges when they are plotted over three years The food inflation rate pulled ahead of overall inflation in February 1990 (see graph)

The underlying reasons relate to production and distribution distortions in the economy which have been compounded by inflationary expectations and the drought

Though the fundamental problems remain, the drought is probably over and, as annual wage increases fall, consumers are starting to resist double-digit food price increases.

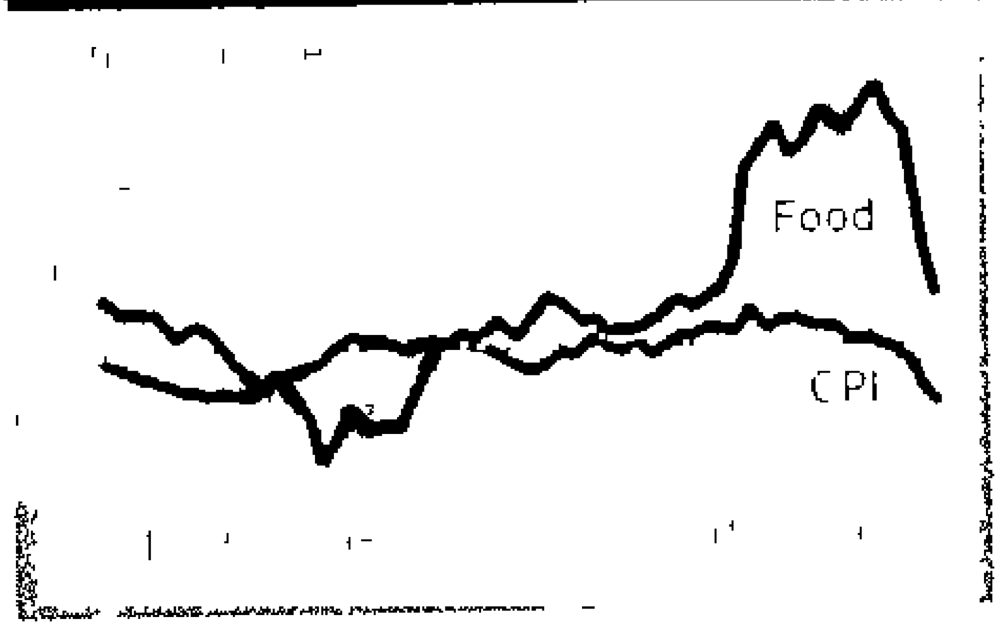
A breakdown of prices between chain stores and other food retailers has been provided by CSS since May Over six months, prices charged by large stores rose 7,3% and those of other retailers 8,1% Annualised, these increases are 15,1% and 16,9%, lower than last month's annualised 19% and 21,9%

Little pressure came from housing, which is the biggest component of the index (with a weighting of 20,54) This is influenced mainly by interest rates — which have been declining since March 1991 — and is indirectly affected by property prices which have been relatively subdued through the recession According to CSS, this index rose 0,2% in November and fell 1% over 12 months

Overall, November monthly inflation was

The food factor

CPI and food price index



0,4% while the year-on-year rate was down to 11%, from 11,7% last month This confirms the downward trend in inflation which has been in place since October 1991, when it peaked at 16,8%, and continued the consistent fall from 15,1% in June

In the month, the main inflationary pressure came from the third biggest sector, transport (14,43), where prices climbed 2,2% Over 12 months, however, the rate was a relatively modest 11,7%

There was little impetus in November from the rest of the index. Prices in many sectors were unchanged in the month, including.

- ☐ Furniture & equipment (5,5) which rose 10,7% over 12 months;
- ☐ Medical care & health expenses (5,22) 15,6%,
- ☐ Cigarettes, cigars & tobacco (1,21) 14,2%,
- ☐ Alcoholic beverages (0,96) 19,1%,
- ☐ Communication (1,61) 15,4%, and
- ☐ Education (1,76) 21,1%

The index for

- ☐ Recreation & entertainment (3,71) was up 0,1% in the month and 12,1% in the year,
- ☐ Non-alcoholic beverages (0,69) 0,1% and 16,4%,
- ☐ Clothing & footwear (7,02) 0,3% and 9,1%, and
- ☐ Household operation (2,57) 0,9% and 13,5% ■

Signs point to big fuel price increase soon

244 GERALD REILLY

THE National Energy Council's fuel equalisation fund emptied at an unprecedented rate last year and the drain is continuing, say council sources. BDay

The motor industry expects that a big petrol and diesel price increase, which Mineral and Energy Affairs Minister George Bartlett warned of late last year, could be imposed from February.

When he announced the 7c a litre increase in 93 octane petrol in October last year, Bartlett said the fund could continue to finance the huge under-recoveries for a while, but a major price adjustment would be unavoidable early in the new year. 11/1/93

Big under-recoveries were run up from March, the biggest being in June when it was 9,459c/l.

In July the under-recovery was 14,650c/l, in August 14,650c/l, in September 13,151c/l, in October 15,173c/l and in November 9,905c/l.

Bartlett estimated the direct inflationary effect of the 7c/l increase would be 0,184c/l and the indirect effect 0,32c/l.

It is also expected that government will raise the tax on petrol in the Budget as a revenue booster for the new financial year.

There could also be a VAT increase. This, with a likely tax hike and the provision for replenishing the equalisation fund, could mean a total increase of more than 15c/l.

Milk and soft drink costs rise

CT 16/1/93 **Staff Reporter** 244

BATTERED consumers already reeling from massive price hikes will be dealt further body blows when the prices of milk and other milk products and soft drinks increase on Monday.

In a statement, Mr Dave Woods, of Dairybelle, Western Cape, said the increase would be "around" 10% due to rising production costs which had been absorbed since October last year.

This means a litre of milk will now cost anything between R2,53 and R2,86.

The increases were unavoidable and the last increase was in May last year, Mr Woods said.

The price of some fruit juice products would, however, drop due to lower raw material costs.

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From page 1

Spokesmen for Joyce's Dairy and Homestead Dairy could not be contacted to determine whether their prices will also increase. 244

Meanwhile Mr Peter Childs, marketing manager of Peninsula Beverage Company — bottlers of Coca Cola, Fanta, Scwheppes and Appletiser — said a price increase of about 11% would be effective on both the wholesale and retail price of soft drinks

Dealers would, however, get an opportunity to buy stock at the old price till the end of the week, he said. CT 16/1/93

The new price for a case of 24 cans of Coke would sell wholesale at R23,87 or 99,4 cents a can. The dealer is then entitled to sell at the recommended retail price of R1,25

The one-litre bottles of soft drink have a recommended retail price of R2,12.

The popular 1,5 litre plastic returnable bottle's recommended retail price is R3,07, Mr Childs said

In some cases dealers would go over and above the recommended retail price because they were not satisfied with the profit they made.

Mr Childs said the last price increase was in March last year and since then the price of sugar has increased by 14%, bottles and crates by 13%, labour by 14%. Production costs had also soared.

Another factor was the "steep decline" in consumer spending. Peninsula Beverage experienced virtually no growth in the year ending December 31, 1992.

Another decline in PPI

(244) STAR 18/1/93

Finance Staff

Producer price inflation continued to decline in November last year, thereby encouraging prospects of a further fall in the consumer price inflation rate from its current eight-year low

The Central Statistical Service reported over the weekend that the producer price inflation rate, as measured by year-on-year increases in the producer price index (PPI), dropped to 7,5 percent in November from 7,8 percent in October.

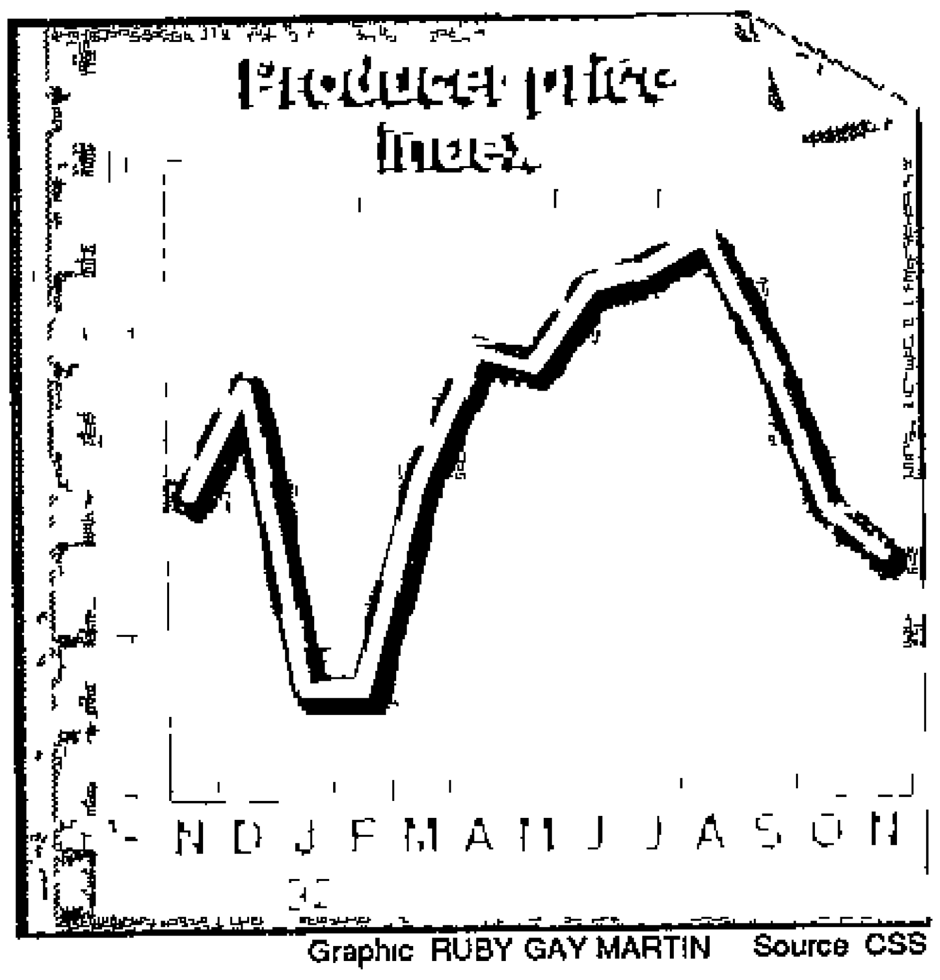
More encouraging news was provided by the monthly figures From October to November 1992 the PPI rose by a mere 0,1 percent

Surprisingly, the PPI for locally produced commodities fell by only 0,1 percent between the two months, mainly due to the easing of food price increases as the drought was broken by the November rains

For the 12 months to November, the PPI for locally produced goods still showed a fairly steep increase of 8,2 percent (October 8,7 percent)

The cost of imported producer goods rose by a mere 4,1 percent in November over November 1991 and by 0,8 percent over October 1992.

The latter hike reflects the weakening of the rand against the dollar during that period, although weaker international oil prices somewhat offset the impact of the falling currency



Graphic RUBY GAY MARTIN Source CSS

Easing PPI figures hearten economists

TIM MARSLAND (244)

THE rise in producer prices slowed to 7,5% in the 12 months to November from October's 7,8%, Central Statistical Service said on Friday. BDAY 18/11/93.

The producer price index (PPI) showed a decrease in local inflation to 8,2% from 8,7% in October Imported inflation dipped to 4,1% from 4,3%

The PPI is based on producer prices at the point of production in the case of locally produced commodities and on wholesale prices for imported commodities.

Economists said the petrol price rise in late October was offset by an easing in food price increases as the drought broke

Nedbank chief economist Edward Osborn said the lower than expected increase was very welcome and would reinforce downward pressure on inflation

He said the PPI would assist a slower increase in the consumer price index

Another economist said the PPI data was "outstanding"

A tough speech by President F W de Klerk on Friday to government workers and the promise of higher taxes indicated "unity between Finance Minister Derek Keys and the Reserve Bank.

"(Bank Governor Chris) Stals should have more room to move on the Bank rate now tht there is co-operation on a fiscal and monetary level".

He said the latest PPI data indicated that Stals had more leeway to cut the Bank rate. Nonetheless, the poor balance of payments situation and the recent lack of rain remained a worry

Buyers urged to shop around

CT 19/1/93 (244)

By CLAIRE BISSEKER

WHOLESALE milk prices increased across the Peninsula by up to 12% yesterday. But not all retailers have raised their prices, giving some hope to the brow-beaten consumer

A Cape Times survey of 10 retailers found that R1,59 for a litre sachet at the Pinelands Spar was the cheapest full cream milk available.

Runners up at R1,79 were the Ottery Pick'n Pay and the Camps Bay Spar

These outlets have elected not to raise prices despite Dairybelle's 11% and Bonnita's 12% price increases "as averaged over the various containerised options for milk"

Darling Dairies have not increased their prices but were not available for comment yesterday

The most expensive litre milk carton was R2,59 at the Flamingo Superette in Lansdowne Most of the outlets now charge between R2,45 and R2,59 per cardboard carton

Surprisingly, cafes were not

As milk and bread price hikes bite

always more expensive than supermarkets

Mrs Sheila Baillie, Housewives League national vice-president, is investigating the cause for the price increases as she refuses to accept that increased production costs are the real reason

She has urged consumers to shop around and not play into the hands of opportunistic dairies and retailers by buying milk indiscriminately.

Dairy Service Organisation managing director Mr Edu Roux said yesterday milk prices were market-driven and the market would determine whether people would continue to buy milk and whether the increases were justified

He added that although dairies had not paid the 3½ cent/litre levy for the past six months, the saving did not make the price increase unwarranted

"Milk prices are partly inflation-driven The problem in South Africa is that if you don't put up the price one year, you lose that increase forever," he said

In a similar vein, Consumer Council executive director Mr Jan Cronje announced that chain stores were now charging up to nine cents more for bread than three months ago when they undertook to contain prices

The recommended price is R1,50 for brown bread and R1,75 for white

Our survey found that Ottery Pick'n Pay was the cheapest, charging R1,37 for brown and R1,62 for white bread The top prices found were R1,68 and R1,89 respectively

"Consumers should realise that as long as they are willing to pay more than the recommended price they are telling retailers that they are satisfied with higher prices," Mr Cronje said

Hike in cooldrink price

CT 20/1/93

BLOEMFONTEIN — The wholesale price of cooldrink is to be increased nationwide by 12,4% on Monday, news reports said

(244)

Reports by Staff Reporter, Own Correspondent, Sapa-Reuter, AP and UPI

Credit charges to be reduced by 1%

CT 21/1/93 244

MAGGIE ROWLEY
Deputy Business Editor

THE plight of hard-pressed consumers is to be eased tomorrow with a 1% cut in finance charges for hire purchase (HP) and leasing credit.

Consumers who will benefit most are those paying off furniture and cars on HP or lease agreements

The drop in HP rates will be gazetted tomorrow, a spokesman for the Department of Trade and Industries said

The cut will lower the maximum interest that may be charged for amounts of R6 000 and less to 29% per annum and for amounts exceeding R6 000 to 26%

On amounts of R6 000 or less, consumers can expect to pay monthly instalments over a 24 month period of R332 against R335,50. On amounts of R10 000, the saving will be R6 a month with repayments at R538, said Mr André van Niekerk, general manager of Bankfin

Pension fund relief

CT 21/1/93

By LINDA ENSOR

FEARS that the government would rush to start taxing pension contributions in this year's Budget faded after a top Inland Revenue official indicated the government was not planning hasty action.

Inland Revenue's legal drafting director Mr Ian Meiklejohn said yesterday it appeared unlikely that material changes would be made to the taxation of retirement funds in the 1993 parliamentary session

He said the issue was highly sensitive and account would have to be taken of the legitimate expectations of vested rights Broad consultation with the retirement industry would be necessary first

There has been widespread belief in the industry that measures would be hurriedly enacted this year to generate additional revenue and enable the government to equalise pensions between the different racial groups in the March Budget.

Suggestions on the taxation of retirement funds were made by Finance special adviser Dr Japie Jacobs last year in his report on the flow of funds between financial institutions

After the release of the report the Financial Services Board asked financial institutions and other bodies to comment by January 5 on five tax scenarios proposed About 50 submissions were sent to Mr Meiklejohn for recommendation. While he had not yet studied the proposals, Mr Meiklejohn said there was a fairly widely held view that the tax allowances on retirement fund contributions were too generous However, it appeared there was widespread opposition to Dr Jacobs's suggestion that a portion of pension or provident fund contributions by employers be disallowed for tax purposes

Dr Jacobs suggested a third of employees' pension contributions be taxed and that 20% of employers' con-

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PPI FM 22|1|93

Food slide

(244)

The effect of early summer rains can be seen in the food component of the producer price index (PPI) Food is included in the agricul-

FM 22|1|93 (244)

tural index (and accounts for almost the entire 9,5% weighting in the total index), and in the manufacturing index (with a weighting of 12,9%)

Until midyear the agricultural component rose faster than its manufacturing counterpart. The gap has been closing, starting presumably with consumer resistance to rocketing prices and then assisted by cheaper fresh produce And, in November, agricultural food prices fell by 0,4% The year-on-year rate, at 18,1%, was still ahead of manufactured food's 6,4% But a three-month annualised rate showed agricultural food up 5,5%, following 31,2% in the previous month, and lower than the 12,7% for manufactured food in November

Both represent a slowing from earlier levels, which helped to bring overall year-on-year producer inflation to 7,5% (from October's 7,8%) and 0,1% in the month A breakdown shows that local prices rose 8,2% year-on-year but declined during the month by 0,1% Imported commodity prices rose 4,1% and 0,8%

The 12-month figures for local and imported components continue a trend which has been in place since PPI moved into single figures in November 1991 Falling oil prices played an important part in restraining imported inflation, and rising prices were responsible for the uptick in November — when "other" mining and quarrying rose a monthly 1,8%

The (futures) price of North Sea Brent Crude, the international benchmark, rose from about US$19,70/barrel in August to a high of $20,90 in October And the rand weakened over the period against the US dollar, increasing the costs of dollar-denominated imports.

Since November oil prices have fallen, so more relief on imported commodities is in store

□ The sectors agriculture, forestry and fishing (weighting 20%) rose 10,4% year-on-year, and 0,1% month-on-month, manufacturing (weighting 74%), climbed 6,7% year-on-year or 0,3% during the month, and electricity, gas & water (weighting 6%) rose 6,2% (-1,6% in the month) The monthly decline was largely because of a fall in the electricity index of 2,4% ■

Many jump gun on soft drink prices

(244)

CT 22/1/93

Staff Reporter

WHOLESALE soft drink prices increase from Monday — but while many retailers have already increased prices on old stock by up to 14%, there are outlets that have foregone profits to offer the consumer a fair deal

The Consumer Council received 30 complaints this week about retail price hikes in soft drinks

Public relations manager Mr Paul Roos condemned retailers yesterday for "jumping on the bandwagon" after the announcement last week that the wholesale price of soft drinks would be increased by 11,5% from Monday, January 18, although retailers would still be able to purchase goods at the old price until January 25.

A random Cape Times survey yesterday revealed that the Bona Cafe in Grassy Park and Coimbra Confectioners in Claremont had pushed up prices on soft drinks about 11%

The new recommended retail price for a 340ml can will be R1,39, for a 1 litre bottle R2,38, for 1,5 litres R3,44 and for 2 litres R6,02

Pick 'n Pay senior buyer Mr Brian Daitsh said that they would strive to keep prices constant until the end of the month

There has been no notification of a price increase for Appletiser

Our survey showed that among the stores which have decided not to increase prices ahead of schedule are the Flamingo Superette in Landsdowne, the Camps Bay and Pinelands Kwik Spars, Rosmead Supermarket in Claremont, Superite in Bothasig and Bothasig Fisheries.

'Whites shoot squatter'

SOUTH 23/1-27/1/93 (344)

By Justin Pearce and Edwina Booysen

CHASE the blacks out of Kraaifontein with guns!

This threat by a white resident in July last year had a sinister sequel when two white residents allegedly shot Mr Douglas Nkwali earlier this month.

At the July meeting, a speaker called for black squatters to be removed from the town, at gunpoint if necessary.

According to one eyewitness, the proposal was applauded by most of the people at the meeting

Nkwali's left arm was severely wounded in the shooting on January 7

Nkwali, a resident of the Wallacedene squatter camp, was walking through a white area of the town on his way to work, when two men forced him into a stationwagon at gun point The men drove him to a field at Joostenbergvlakte where they told him to leave the car and then shot him seven times

He also suffered serious injuries to his leg, chest and neck, and is still in the Intensive Care Unit at Tygerberg Hospital

Ms Doris Neewat, chair of the Kraaifontein ANC branch, said the shooting must be seen in the light of ongoing harassment of Kraaifontein's black communities

In addition to the threat made at the public meeting, Neewat told of an incident on New Year's Eve when teargas, rubber bullets and birdshot were fired at the squatter camp, and the harassment of unemployed people seeking work in the town

Wallacedene residents have rallied round Nkwali and his family. They collected money to pay transport costs for his wife, Mrs Nonsanko Nkwali, who was visiting Transkei at the time of the attack.

Mr Petrus "Peet" Rens and Mr James Downey, both 31, appeared in the Kuils River Magistrate's Court on Monday morning

Milk, soft drink hikes explained

CT 27/1/93 (244)

Staff Reporter

RECENT increases in the wholesale prices of milk and soft drinks are due to increases in the cost of cardboard cartons, the price of sugar and general production costs, according to a Housewives' League of SA survey.

An 11,5% increase in the wholesale soft drink price and increases in the wholesale price of milk of 11% by Dairybelle and 12% by Bonnita were announced on January 18.

A major supplier of cartons, Metal Box Liquid Packing, said it had increased its wholesale price to Dairybelle by 14,5% in January and to Homestead Dairies by 13% in October last year because of exchange rate fluctuations and an increase in its supplier's export price

The company's marketing director, Mr Ray Canny, said dairies could not attribute milk price hikes solely to increases in the cost of containers, because the total cost of the carton was only 10% of the cost of a litre of milk.

The survey revealed that wages, raw materials and operating costs of soft drink manufacturers and dairies increased by between 6,5% and 14% last year

Both industries also made extensive use of sugar, which rose in price by 14% last year and a further 1,24% this month

A spokesman said the league had complained about the increase in the price of soda water, which contains no sugar

Regional fuel levy possible

CT 28/1/93

244

By PETER DENNEHY

A REGIONAL levy on fuel prices may be introduced later this year to enable Regional Services Councils to pay commuter subsidies.

This prospect was raised during an RSC debate yesterday on whether or not the council should accept the central government's proposed handover of responsibility for bus services

Mr Louwtjie Rothman, deputy chairman of the RSC, told delegates who were wondering what additional source of revenue the government would make available to the RSC that "the idea was a levy on fuel prices".

Finance Minister Mr Derek Keys' assistant, Ms Lesley Lambert, said yesterday that if this was a matter to be dealt with in the budget, Mr Keys' attitude would be that it was inappropriate to disclose any information about it at this stage

RSC chairman Mr Piet Loubser said· "These subsidies are for people who can't afford their own transport, and who, as a result of former policies, live far away from where they work."

He suggested an amendment that instead of the RSC "accepting" the entrustment it would merely "consider" it in the light of various conditions

Among the conditions was that the state should not reduce its subsidy in the meanwhile in real terms, and that later an acceptable new additional source of revenue must be identified and made available to the RSC, which would administer and collect the funds

The new source may not be increases in existing RSC levies.

Mr Loubser's suggested amendment was passed.

All four Cape Town City Council representatives on the RSC — Mr Clive Keegan, Mr Richard Friedlander, Mr Louis Kreiner and Mrs Eulalie Stott — spoke against entrustment of bus services to the RSC at this stage

Mr Keegan said there was no reason why there should not be a unilateral withdrawal of subsidies by the state

Cape Town's representatives were the only ones who abstained from voting

Paarl tough on own RSC

Municipal Reporter

PAARL municipality had no mercy on the Western Cape RSC, of which it is a member, when the RSC was a day late in paying its own September bill to Paarl for water and electricity services rendered.

The municipality demanded the full 10% surcharge on the R11 264 bill, according to a report before the RSC yesterday. In effect, then, the late payment penalty was R1 126. The RSC's cheque had gone in a day late owing to a reorganisation when the administration of its Paarl and head offices merged.

Instead of paying up immediately, the RSC requested a waiver. Paarl rejected this, "as the waiving of the fine would set a precedent".

Rent boycott to go

CT 28/1/93

JOHANNESBURG

Decline in inflation widens policy options

STAR 29/1/93

244

By Sven Lünsche

Reserve Bank Governor Dr Chris Stals must be elated that his two-and-a-half years of monetary discipline have finally yielded impressive results.

While commentators said yesterday the fall in the December inflation rate to 9,6 percent — the lowest since 1978 — did not allow for complacency, it had broadened policy options to boost the economy

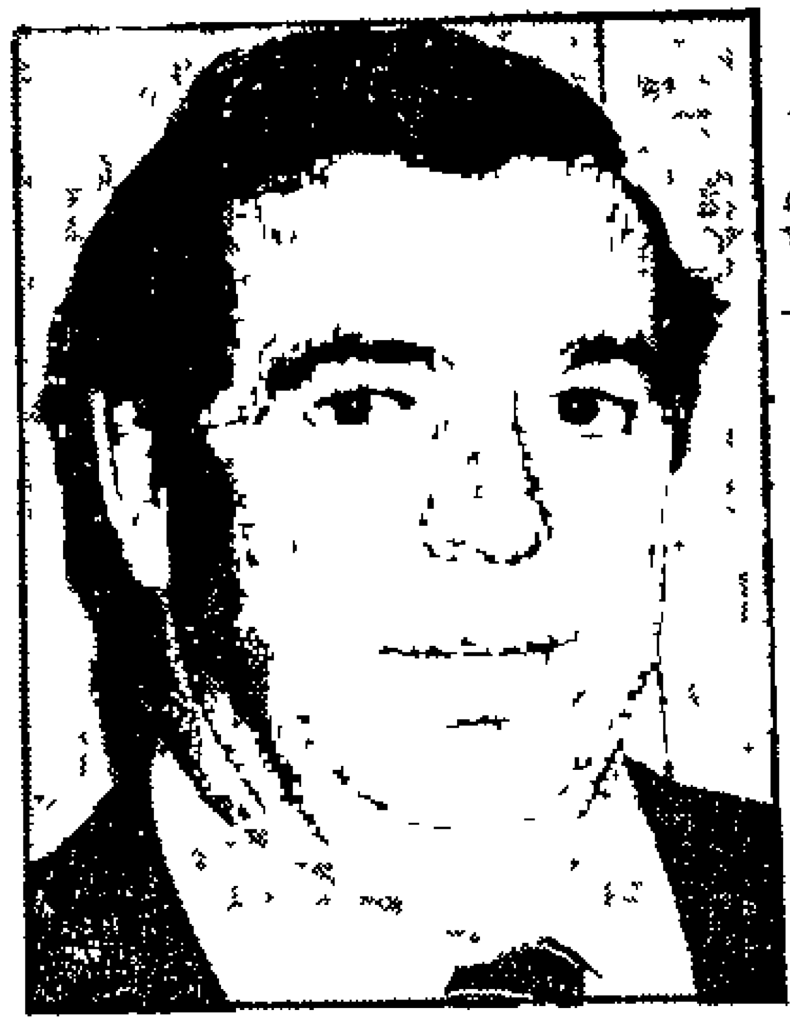
Stals told the SABC yesterday it would enable the Bank to consider a further relaxation of monetary policy

A cut in the key Bank rate from 14 to 13 percent, however, is not expected this week, but could be part of a thorough reconsideration of monetary policy when the Bank sets its money supply targets for 1993.

According to the Bank's deputy Governor, Dr Jaap Meier, such a meeting is scheduled to take place much earlier than usual and well before this year's Budget in March

Meier says the targets — which provide a guideline for the desired increases in the broad money supply measure M3 — are likely to be below the 1992 range of seven to 10 percent.

It is thus obvious that the Reserve Bank will continue its policy of keeping interest rates at real levels of three to six percent until it is convinced that



Dr Chris Stals . . further relaxation of monetary policy

underlying inflationary tendencies have been reduced to a minimum

Stals has gone a long way to achieving just that.

Economists said yesterday that one of the main benefits of the drop in inflation below 10 percent was that it had seriously dented inflationary expectations

"South Africans have been so used to double-digit inflation that they have almost come to accept it as inevitable and structured their wage and price increases accordingly

"The December inflation figure has hopefully started eroding this process," one economist said

Meier believes that purely technical factors could keep the inflation rate at single-digit levels in January and February, but that possible tax increases in the Budget in response to the high deficit before borrowing could once again accelerate price increases.

Certainly, tax hikes, particularly an increase in VAT and the fuel levy, have emerged as the major threat to a lower inflation rate

The underlying trends in the December consumer price index (CPI) figures point to a mid-year inflation rate of 5,1 percent, provided VAT and the petrol price are not raised.

Econometrix estimates that a rise in VAT from 10 to 13 percent and a 15 percent increase in the fuel levy will almost immediately add two percentage points to the annual inflation rate, apart from seriously hampering a consumer spending-led upturn.

Southern Life economist Mike Daly calls on the authorities to exploit the fall in inflation by lowering interest rates as soon as possible

Lower interest rates would speed up the recovery, boost revenue collection and weaken the need for large tax increases.

The scenario of higher taxes is, however, not the only factor in limiting the scope for substantial rate cuts.

Before such a move is considered, says Meier, the Reserve Bank will have to assess the outlook for the balance of payments in view of the latest fall in the foreign exchange reserves and foreign debt repayments of about $1,6 billion due this year.

The current optimism could also be shattered if the drought were to ravage agricultural production, as it did last year.

The return of more normal weather patterns in November and December certainly played its part in bringing down inflation.

Food price increases, a major component of the CPI, and long the nemesis of inflation-fighters, actually reversed into a 0,1 percent fall between November and December to produce a year-on-year measure last month of 14 percent. As recently as September, food inflation was munching away at 27 percent.

Owing to its large weighting in the CPI, the drop in housing costs as a result of lower bond rates was also a factor in the lower inflation picture.

Combined with the impact of poor consumer demand, these factors resulted in a relatively steep decline in the overall inflation rate from over 15 percent in June to 11,7 percent in October and 9,6 percent last month.

Despite the sharp fall in price rises towards the end of the year, the average inflation rate for 1992 at 13,9 percent remained relatively high.

In 1991, inflation averaged 15,3 percent and in 1990 14,4 percent.

Average food prices last year rose by 25,3 percent, well up on 1991's 19,6 percent

Cape Town still crippled by prices

244

ALIDE DASNOIS, Business Staff

CONSUMERS in Cape Town did not fare as well as those in other cities over the year to December.

Central Statistical Services figures released this week show that food prices dropped a little more in the city than in the country as a whole in December (0,8 percent compared to 0,1 percent). But over the year to December food prices have risen 17,5 percent in the Peninsula, compared to 14 percent for the country as a whole. ARG 30/1/93

Inflation in Cape Town is still measured in double figures Though the inflation rate (all items including food) for the country as a whole dropped under 10 percent in December — for the first time since 1978 — in Cape Town the consumer price index in the city rose 10,1 percent over the year. Only in Bloemfontein (11,1 percent) and in Maritzburg (10,7 percent) did prices rise faster

The figures also show that the higher income group benefitted the most — countrywide — from the slowdown in inflation in December The index for this group was up 9,0 percent over the year, compared to 10,3 percent for the middle income group and 10,9 percent for the lower income group

Star 2/2/93

25c petrol increase is likely — AA

(244)

Consumer Reporter

Motorists could pay up to 25c more for a litre of petrol after the Budget, according to AA spokesman Robin Scholtz.

Addressing the National Consumer Union in Pretoria, he said AA research found it likely the Government would increase revenue through fuel tax or a combination of fuel tax and VAT.

He envisaged a rise of between 15c and 25c a litre. October's rise of 7c took the price to R1,59 a litre.

Scholtz said fuel here was comparatively expensive. Last year, 7,4 litres could be bought for one hour's earnings compared to 14,9 litres in Germany and 29,6 litres in the US.

January sales expected to be poor

B/DAY 3/2/93 (244)

MARCIA KLEIN

AFTER a relatively buoyant Christmas period, January's retail sales are expected to reflect a traditionally poor start to the new year.

Recently released CSS figures showed retail sales in January were expected to decline 7,2% in real terms compared with January 1992. Sales would drop 6% in real terms compared with the previous month after seasonal adjustment.

Sales would be R6,6bn, which compared with an expected R11,3bn in December.

Actual sales figures for December have not yet been released, but expected figures indicated a 12% increase over the previous year in nominal terms.

The expected sales for December were more or less in line with major retailers' estimates.

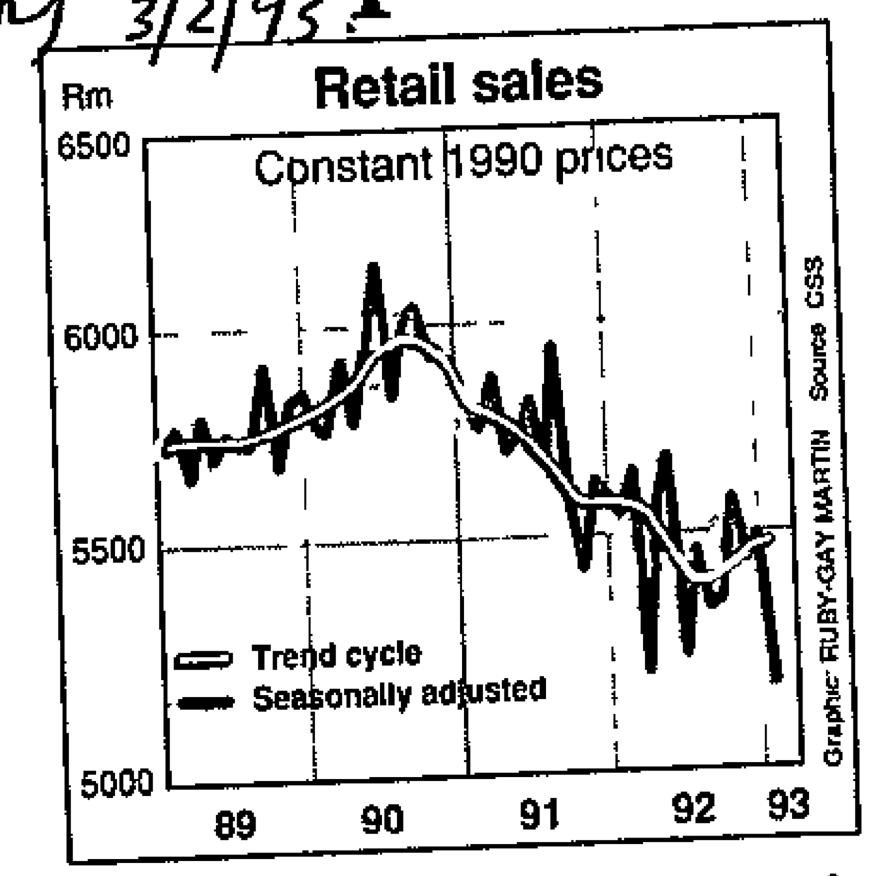
Most retailers said they had budgeted for sales growth in the region of 10% and 12%.

Analysts said traditionally January and February were the lowest months in terms of retail sales.

But the 4% increase in actual values was far lower than the 11,8% increase in January 1992's figures over the previous year.

In October, sales rose in real terms for the first time in more than two years, according to the CSS. But in November and December, sales increases were between 10% and 12%.

According to the CSS figures, actual sales rose 9,2% in the three months to end-January. This reflected a 3,5% drop at constant 1990 prices.



Petrol up soon, minister warns

ARG 4/2/93 244 183

Political Staff

THE petrol price would go up when the Budget was tabled on March 17, Minister of Mineral and Energy Affairs Mr George Bartlett announced today.

There would be an increase to balance the books of the Equalisation Fund — but there could be a second rise for tax reasons.

At present 3,5c in the price of a litre of petrol went into the Equalisation Fund, but under-recoverey was still running at 7c a litre.

But he did not think the price rise would be as high as the 7c a litre under-recovery.

The government wanted people to get accustomed to the petrol price rising or falling two or three times a year, Mr Bartlett said.

Petrol cost may rise by 7 cents

244

CT 5/3/93

ANOTHER petrol price rise is in store for South Africans on March 17

A price increase of up to seven cents a litre — the present rate of under-recovery on the fuel price — is likely to be announced in this year's budget speech, the Minister of Mineral and Energy Affairs, Mr George Bartlett, said yesterday

He said a further increase was needed to balance the equalisation fund — and there could be another one to raise additional taxes

Addressing a media briefing, he said the government also planned more frequent fuel price increases in future as international prices fluctuated

Mr Bartlett said at present 3,5 cents of the price of a litre of petrol was put into the fund, but the under-recovery was running at seven cents a litre

This was putting pressure on the fund and a price hike was unavoidable However, he did not believe it would be as high as seven cents

"It is difficult to predict the exact increase, but I don't believe it will be as high as the full under-recovery at present The most opportune time will be when the budget is presented"

— Political Staff, Sapa

CONSUMER PRICES (244)

Bottling the genie

FM 5/2/93

Just when statisticians were beginning to despair of ever seeing inflation down to single digits again, the consumer price index (CPI) for December showed the price indicator down to 9,6% year-on-year It last attained this level in the late Seventies and has been on the rise, with few interruptions, ever since — until the Reserve Bank's relentless anti-inflationary policy finally began to

continued

make itself felt Inflation has now come crashing from a high of more than 16% in December 1991 to its current low level

The problem is can single-digit inflation be sustained? When the inflation genie escaped from the bottle in 1978 it proved to be almost irretrievable Will it be different this time? Certainly, with an imminent increase in Vat and further hikes expected in the fuel levy, economists have their doubts

Inflation's deceleration over the last quarter (see graph) was in many ways the result of a combination of fortuitous factors Chief among these were

- ☐ A marked slowing in the growth of the food index This component, with a weighting of 18,6% in the overall CPI, had risen excessively over the first three quarters to reach a year-on-year high of 30,4% in July But it fell, on a month-on-month basis, by 0,3% in November and 0,1% in December, to a year-on-year 14% by the year end,
- ☐ There had been a large increase in the index over the final quarter of 1991 This meant that that the CPI over the last quarter of 1992 was measured off a high base, and
- ☐ A decline in the index for housing (weighting 20,5%), to a year-on-year rate of -2,4% in December This was a direct result of the cut in mortgage rates announced by most lending institutions after reduction in Bank rate to 14% in November

Certainly, there appears to be some scope for a continuation of inflation's downward trend over the first quarter of this year The factors that kept increases down in the last quarter should continue Further falls in food prices can be expected as effects of the drought continue to wane In December vegetables fell by a monthly 8,7% but the year-on-year increase in vegetable prices is still high at 30,5% Falls could also occur in the fruit & nuts category, now at a year-on-year 41% Against this, however, the rate for meat, now a year-on-year 1,4%, looks likely to rise as farmers restock herds depleted during the drought Meat makes up about a third of food's overall weighting in the CPI

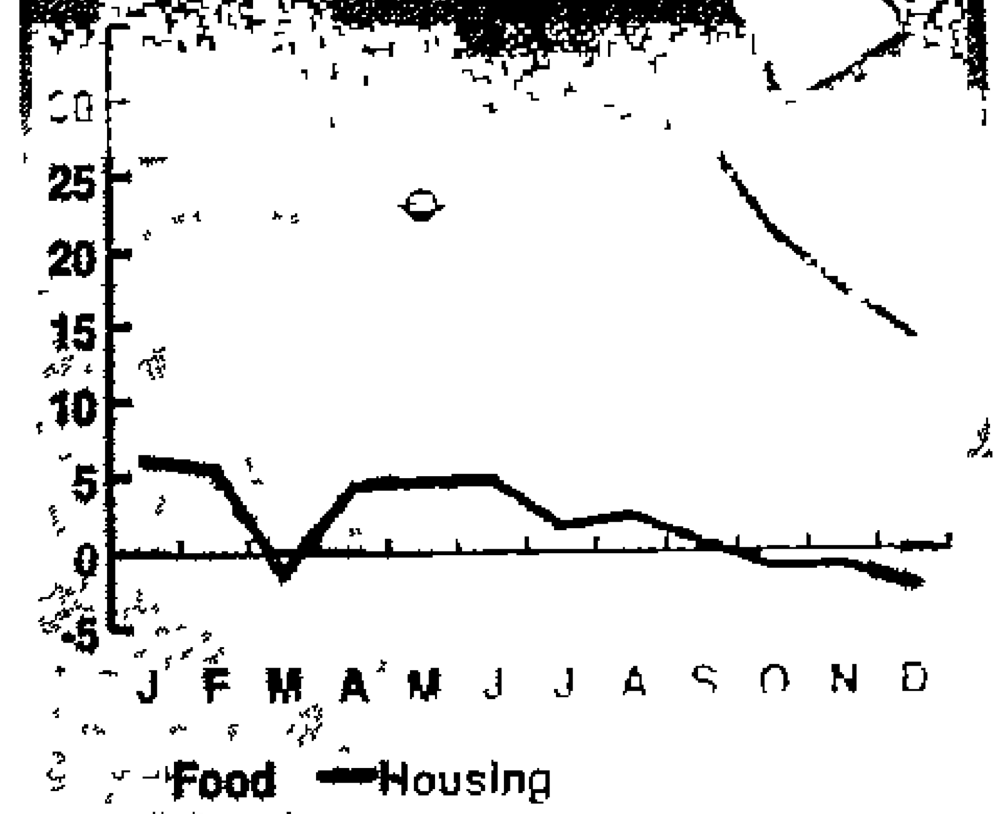
It also seems likely, given the encouraging inflation figures for December and money supply growth within the target range, that a further Bank rate cut will materialise this month If mortgage rates follow suit, which seems likely, there could be another beneficial spin-off for the housing index in March

The outlook changes somewhat for the second quarter With Finance Minister Derek Keys attempting to balance his Budget next month, increases in indirect taxes, particularly in Vat and the fuel levy, can be expected These will have a once-off price-shock effect on the CPI, the consequences of which are only likely to dissipate in the second quarter of 1994

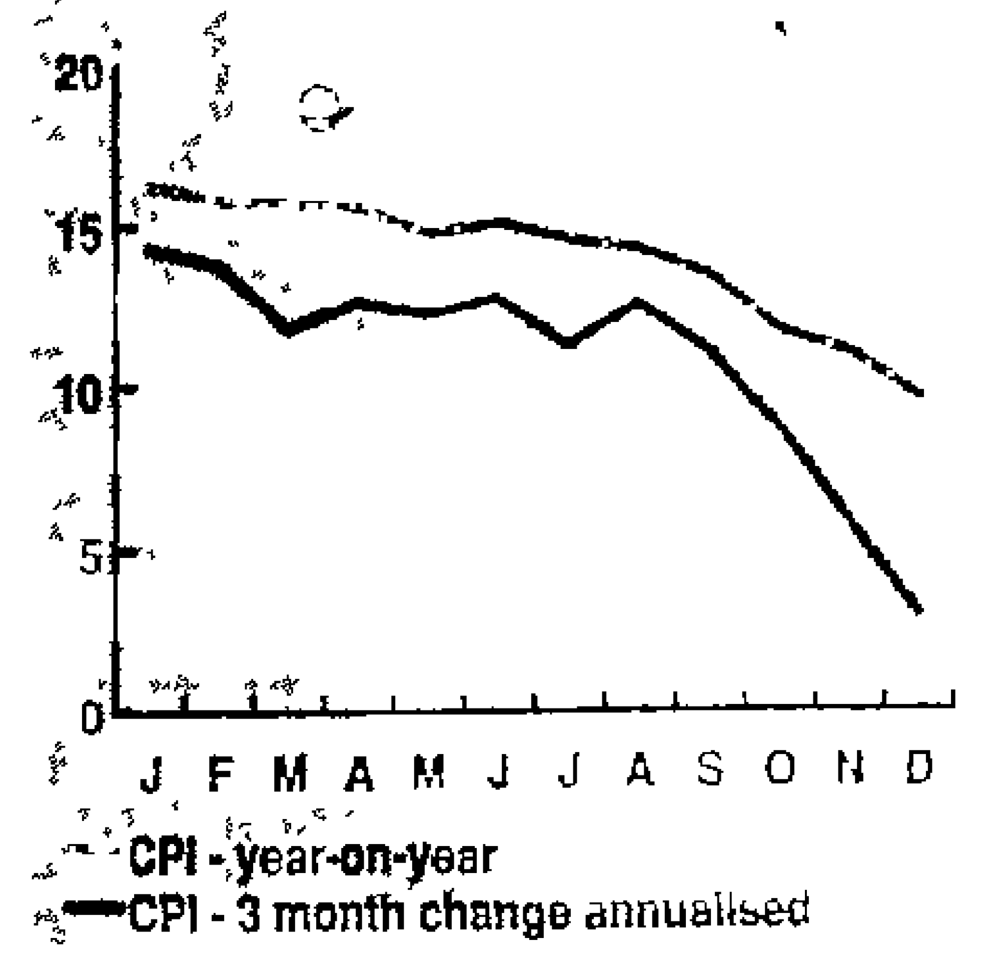
Moreover, given the current pressure on foreign exchange reserves, overseas loan commitments and the Budget deficit, Reserve Bank Governor Chris Stals may be wary of cutting Bank rate later this year So scope for further relief in lending-associated prices (such as mortgages) could be minimal

Coming back to earth

Food and housing, year-on-year



CPI: Year-on-year a three-months annualised



Sanlam economist Johan Louw notes that the base considerations, which kept the rate of increase low over the last quarter of 1992, could work in the opposite way in the last quarter of 1993 Louw predicts year-on-year inflation of 10%-11%

Longer term, though, there is a glimmer of hope that inflation can be put in a straitjacket Rand Merchant Bank economist Rudolf Gouws says the weak demand of the last year should continue throughout this year "If we look at wage demands and producer prices, the trend is definitely down " He adds that world inflation should decline further this year and result in even less pressure from imported inflation

Gouws says the real worry is 1994, when the effect of the large Budget deficit will be felt on inflation "So the bitter pill Keys forces us to take, assuming his measures do help reduce the deficit in the coming years, may be the right medicine for us after all " ■

Star 5/2/93

Petrol price up, and expected to rocket

(244)

Staff Reporters

The price of petrol is to go up by 7c a litre next month, Mineral and Energy Affairs Minister George Bartlett announced in Parliament yesterday.

Bartlett said the increase — "by not more than 7c per litre" — was necessary to compensate for under-recoveries on the fuel price.

Consumer bodies and economists, however, suspect the 7c increase is an underestimate in real terms, and are predicting an increase of about 25c a litre when the Budget is announced in March.

Economist Tony Twine of Econometrix said the Government had hinted in its announcement of a 7c-a-litre increase in October that it would soon "come back for the rest" of the under-recovered money, said to be 15c. He expected the Department of Customs and Excise to load even more tax on to the petrol price.

The Government's announcement is expected on March 17, when Finance Minister Derek Keys delivers his Budget in Parliament.

Bartlett said yesterday that although in the past the Government had relied heavily on the Equalisation Fund to make up for under-recoveries on the fuel price, things would be done differently in the future.

Twine felt the 7c, or 5 percent, increase in the petrol price would not have a profound effect on the economy

Housewives' League spokesman Lyn Morris said yesterday she was not convinced that the petrol price would go up by only 7c a litre, and felt further taxes would be added

Automobile Association general manager Robin Scholtz said the price increase and a rumoured further increase indicated that taxes would constitute a very high percentage of the petrol price in future.

Interest rate dip on cards

Star 6/2/93

2444

FINANCE STAFF

TRACY Ledger of FNB's treasury department says there is a generally held belief among her banking colleagues that there will be a drop of 1 percentage point in interest rates before the end of the month.

Ledger was one of the speakers at The Star FNB Investors' Club meetings held earlier this week.

But she cautioned that Reserve Bank Governor Chris Stals would not jeopardise long-term economic growth for a short-term solution. Large reductions in interest rates in an effort to boost the economy were unlikely

"Stals has gone on record that his main aim is to establish a framework on which future economic growth can be based."

Ledger explained that this framework must incorporate the following:

- Managing money creation, and the amount of credit available.
- Maintaining positive real interest rates, as these encourage savings and generate investment.
- Controlling increases in total bank credit.
- Increasing reserves to equal three months' imports.
- Maintaining a stable and effective exchange rate.
- Developing a sound financial infrastructure with a low level of inflation.

And you can't assume interest rates must be cut because inflation is down. "Put simplistically, high interest rates are a deterrent to borrowing, which means that spending slows down, and the whole economy slows down," she said.

"This in turn brings down the CPI (consumer price index). Food prices comprise about 30 percent of the CPI basket. Recently there have been very good declines in food inflation. If the drought ends and deregulation of control boards continues, it will bring down the price of food considerably.

"But should the CPI fall further, the scenario for further reductions in interest rates looks more promising," she added.

Star 8/2/93

244

Food prices hold key to even lower inflation

By Derek Tommey

The rate of inflation dropped steadily throughout 1992 and showed no rise whatsoever in December, raising hopes for a substantially lower inflation rate this year.

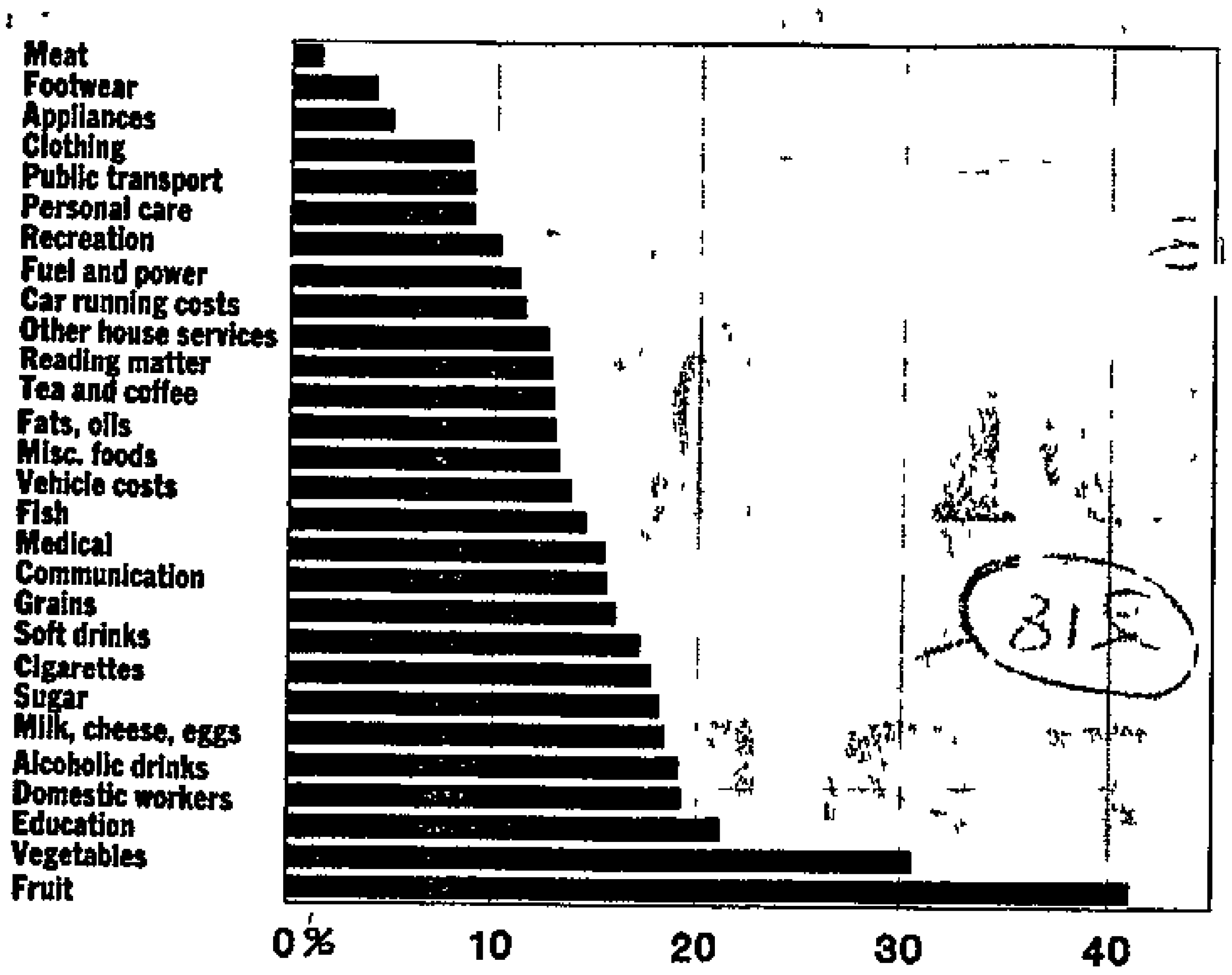
But for this to happen food price rises must be held in check and rising expenses of the average household must be no greater than last year

With the drought having possibly ended and the rand remaining fairly stable, it does seem that lesser inflationary pressures are on the cards.

But this wasn't the case for most of 1992.

In general food, medical costs, car prices and running costs had the biggest impact on consumers' budgets

An analysis of 1992's consumer price indices shows that the theoretical average South African had to spend an extra R9,60 for every R100 hespent in 1991, to maintain living standards.



Percentage rises in various commodities during 1992.

Without the drop in mortgage rates during the year, which cut his living costs by about 49c for every R100 spent, the extra spending would have been R10,09

Food took up roughly R2,60 of the increased household budget with an extra 57c on vegetables, 48c on fruit, another 46c on grains and 42c on milk, cheese and eggs.

Expenditure on fats and oils rose by some 11c, on fish by 10c, on sugar by 9c and on meat also by 9c

These figures, incidentally, help confirm the view held by many housewives that providing a meat dish is probable the most inexpensive way to cater for a large family.

On top of this expenditure, the consumer spent another 20c on what is termed "other foods".

The next heaviest outlay was on "transport". This accounted for about R1,69 of the R9,60 additional spending required.

After transport came "other" expenses These, which are believed to include such things as insurance and pensions funds, took an additional R1,12. Next were medical expenses. These took about 79c of the R9,60 and were followed by clothing which cost an additional 56c

Recreation and entertainment called for the outlay of an extra 37c and education for 36c Furniture purchases required another 37c, fuel and power 36c, household operation 33c and communications (phone, post) 25c.

315

CT 9/2/93 (244)

Soft shoe shuffle on control boards from BTT report

By TIM COHEN

THE Board on Tariffs and Trade has watered down its finding that the statutory powers of agricultural control boards should be terminated and that the boards are largely responsible for high food price inflation

Government said the complete report would be submitted to the Policy Evaluating Committee, established simultaneously with the publication of the Kassier report, which was sharply critical of the control boards

Industry sources yesterday were particularly critical of this recommendation, calling it a "triumph for foot-draggers and bureaucrats"

The board's final report on the price mechanism in the food chain, issued yesterday, explicitly refrains from recommending that the control board system be dissolved, although it identifies "inherent weaknesses" in single channel marketing systems

The board's interim report, published in June last year, aroused the ire of Agriculture Minister Kraai van Niekerk who described the report as "inadequate"

He and Deputy Trade and Industry Minister David Graaff yesterday reacted favourably to the board's recommendation that the statutory powers of each marketing board be considered individually "with a view to deregulation"

The draft report said the statutory powers of control boards and other bodies with statutory powers should be terminated.

The board's final report said a price divergence of five percentage points per year over the period 1980-91 between the farmer producer price index and consumer food prices had been recorded

It attributed the difference to input cost inflation (3%), declining productivity (1%), price and supply stabilization (0,5%), withdrawal of state subsidies (0,3%) and the lifting of price controls (0,2%)

This differs markedly from the interim report, which blamed the agricultural control boards for 1,5% of the differential

Van Niekerk and Graaff's statement signalled government's intention to address the high level of input cost inflation, saying government had commissioned the board to list important agricultural inputs

Government would give urgent attention to the customs tariff levels of those goods, the statement said

The board's report recommended deregulation of the range of controlling mechanisms affecting the competitive process in the food chain and particularly that the Competition Board act as an ombudsman

Government said it was not necessary to extend the powers of the Competition Board

On competition from abroad, the board essentially maintained its original recommendations, saying it was aware that agricultural production was heavily protected and subsidised in major Western countries

A moderate level of customs duty protection was therefore reasonable

Government agreed in principle, warning that "uncautious (sic) unilateral actions could cause great disruption" SA's participation in the Uruguay Round of the GATT negotiations would result in greater competition and the process of replacing import control on agricultural productions with customs tariffs was under way

In general, the report and government's reaction to it was evidence that government still insisted on leading farmers

Star 9/2/93

Beer prices up today

244

South African Breweries yesterday announced its beer prices will go up by 7,4 percent today. Retailers could not say how prices would be affected. — Consumer Reporter.

Star 9/2/93

Deregulation of control boards urged

(244)

By Peter Fabricius
Political Correspondent

The Board of Tariffs and Trade (BTT) has recommended further deregulation of marketing control boards to help reduce soaring food prices

Reporting yesterday on its long probe into food inflation, the BTT said each board should be examined individually to see if it could be deregulated to increase competition.

The BTT said it could find no single cause or guilty party responsible for food price inflation which had peaked at 30,4 percent in July.

It found that each level of the food chain contributed ~~about~~ the same amount to rising food prices with the greatest concentration at the primary level of storage and distribution where artificial barriers to entry were greatest.

The report could find no evidence that excessive profit-taking by any private firms in the food chain was the cause of high food prices.

The sharp increase in food inflation since the third quarter of 1991 was mainly the result of short-term effects of the introduction of VAT and the long and severe drought.

The underlying food price index, without these factors, was estimated at 15 percent

The BTT believed the effect of the introduction of VAT would disappear by April.

Also recommended was greater competition from abroad to increase competition with local producers.

● The Afrikaanse Handelsinstituut (AHI) welcomed the recommendations but bemoaned the lack of specific proposals.

Beer price goes up today

Sowetan 9/2/93

■ Taverners dismayed by price increase and warn of possible boycott: 244

By Isaac Moledi and Sapa

THE price of beer produced by South African Breweries will increase by an average of 7,4 percent from today.

SAB said the price hike would vary in geographic areas and pack ranges depending on transport charges

The brewery also said retail prices in bottle stores were set by the retailers themselves and SAB could therefore not say when and by how much these prices would increase

"This increase was well below current and expected inflation and is the 16th year in a row SAB has kept its increase below inflation," SAB's beer division chairman Mr Graham Mackay said yesterday

Shebeen owners yesterday greeted the increase with shock and said this could drive away customers.

National Taverners Association president Mr Ephraim "Peggy Bel-Air" Senne accused the SAB of "playing a dirty game" with black taverners He said it was only through *Sowetan* that he had learnt of the increase and warned that the brewery needed to be taught "one or two things" by the taverners.

"Breweries have a tendency of notifying us at the last minute. They knew that if they had notified us beforehand, many of us could have stockpiled a lot of liquor in our taverns

Senne warned the brewery of a possible boycott if another increase took place

Inflation drop 'misleading'

WMail 12/2 - 18/2/93

THE much-vaunted fall of inflation to single-digit figures in December may lead to a problem of disbelief in official inflation.

The year-on-year inflation rate figure of 9,6 percent for December, as measured by the Consumer Price Index (CPI), may be misleading. (153) (244)

Its accuracy is not in question. But Nedbank chief economist Edward Osborn has pointed out that the high weighting accorded to housing and, in turn, to the mortgage interest rate in the CPI, plus an accident of timing has led to the low CPI figure — not an overall steep decline in the rate of inflation.

Osborn points out that one-eighth of the CPI or 12,77 percent is devoted to the mortgage interest rate factor.

Add to this the fact that the new base of the index, August 1990, coincided with the peak of bond rate at 20,75 percent. In December the rate had fallen to 16,75 percent, a decline of almost 20 percent.

With mortgage interest removed, Osborn comments, the December inflation rate turns out to be as high as 13,8 percent, as opposed to the published 9,6 percent.

So are we being deluded by the extent of the drop? he asks.

"There is an incipient problem of credibility with the CPI," believes Osborn. Since the CPI year-on-year figure is an important element in containing inflationary expectations, this is worrying.

Star 16/2/93

Producer price inflation eases

2441

By Sven Lunsche

Producer price inflation eased further in December as good rains contributed to lower fresh produce prices.

Central Statistical Service (CSS) figures released yesterday show the producer price index (PPI) in December rose by 7,3 percent on the PPI in December 1991

This was slightly down from the 7,5 percent year-on-year rise recorded in November and, technically, was mainly achieved after lower imported producer price increases.

The PPI for imported commodities was up by a yearly 3,1 percent in December, compared with 4,1 percent in November, despite a slight weakening of the rand against major Western currencies

The producer inflation rate for locally produced goods remained unchanged at 8,2 percent.

On a monthly basis — between November and December last year — the overall PPI rose only 0,2 percent

The CSS also released the average producer price inflation figures for 1992 as a whole.

The average rate of increase in the PPI last year was 8,3 percent a marked decline from the 11,4 percent recorded in 1991 In 1990 producer inflation averaged 12 percent and in 1989 15,2 percent.

Breaking down the 1992 figure, the PPI for imported commodities averaged 4,2 percent and the index for locally produced goods 9,1 percent.

PPI held down by decrease in food prices

GRETA STEYN (244)

A FALL in food prices at the producer level between November and December pushed the rate of increase in the producer price index (PPI) down to 7,3% in December from 7,5% in November

Central Statistical Service (CSS) figures released yesterday showed the PPI for food fell by more than 2% between November and December, reflecting a return to more normal prices after the drought.

Although the PPI boded well for consumer inflation, the capital and money markets shrugged off the news as Reserve Bank Governor Chris Stals had said inflation would not be the only indicator determining monetary policy. BDAY 16/2/93

A major reason for the slowdown in producer price increases was the depth of the recession, economists said This was clear from the manufacturing producer price index, which had recorded a year-on-year increase of less than 7%.

Another important factor behind the declining trend was the slowdown in import price rises The price index for imported commodities rose at an annual rate of 3,1% for December (November 4,1%)

Old Mutual economist David Mohr said December's rand weakness had not yet filtered through to the figures. However, a major portion of SA's imports were in third currencies, and the rand had remained relatively stable on a trade-weighted basis

The stable real exchange rate had acted as a disciplinary mechanism for local producers, with foreign competition putting a brake on local price rises

The local component of the PPI rose by 8,2% in the year to December, unchanged from the previous month. It declined from 12,5% in July, and its fall below 10% was noted by Stals as encouraging.

Mohr said the lessening in inflationary pressure was becoming evident with pay settlements unlikely to exceed 10

'Public being ripped off on bread prices'

PRETORIA — Bread is being sold at "much more" than the recommended price, says the Consumer Council

2 Ч Ч BREAD

Council executive director Mr Jan Cronje claimed in a statement yesterday that chain stores were charging 11c more for white and 9c more for brown bread than three months ago when they undertook to keep prices as low as possible

"Most cafés clearly ignore the recommended maximum price of R1,75 for a standard 800g loaf of white and R1,50 for brown bread. They are still selling white bread for up to R1,96 and brown bread for up to R1,80," Mr Cronje said.

"Consumers are warned not to be misled. The price for all other kinds of bread are clearly visible except bread subject to the recommended maximum price" — Sapa CT 17/2/93

Stores sell bread at high prices

Sowetan 17/2/93

■ **Consumers warned not to be misled:**

BREAD is being sold at "much more" than the recommended price, according to the Consumer Council

Council executive director Jan Cronjé claimed in a statement yesterday that chain stores were charging 11c more for white and 9c more for brown bread than three months ago when they undertook to keep prices as low as possible

"Most cafes clearly ignore the recommended maximum price of R1,75 for a standard 800g loaf of white and R1,50 for brown bread. They are still selling white bread for up to R1,96 and brown bread for up to R1,80," Cronjé said.

"Consumers are warned not to be misled. The price for all other kinds of bread are clearly visible except bread subject to the recommended maximum price." — *Sapa.*

Consumer Council hits retailers' bread pricing

BDAY 17/2/93.

MARIANNE MERTEN

A CONSUMER Council survey of bread prices released in Pretoria this week has criticised pricing structures at cafés and chain stores, claiming that they sell bread at above the recommended price.

Said Consumer Council executive director Jan Cronje "Most cafés clearly ignore the recommended maximum price of R1,75 for a standard 800g loaf of white bread and R1,50 for brown bread They are still selling white bread for up to R1,96 and brown for up to R1,80

"Chain stores were charging 11c more for white bread and 9c more for brown than three months ago when they undertook to keep prices as low as possible."

OK Bazaars did not undertake to hold prices at levels of three months ago, and put up its bread prices in line with Wheat Board increases.

"We sell white bread nationally at R1,65 and brown bread at R1,37," said OK Bazaars merchant director food, Mervyn Kraitzick.

"As far as Pick 'n Pay is concerned, we have set a national policy We are selling white bread at R1,62 and brown bread at R1,37," said Pick 'n Pay hypermarkets GM perishables Ian Eadie.

Checkers prices in southern Transvaal were R1,63 for white bread and R1,38 for brown bread It was part of its commitment to consumers to keep prices low, a Shoprite-Checkers spokesman said

"Chain stores are very fair; there is hardly any markup on the retail price. We are selling white bread below the recommended price at R1,65 and brown bread at R1,45," a spokesman for Blue Ribbon Auckland Park Bakeries said

Catering, Restaurant and Tea Room Association executive director Frank Swarbreck said. "We have never agreed to the recommended price We were sidelined at the crucial meeting in November "

The association, which represented café owners, favoured a free market and believed the return to retail price maintenance had resulted in everybody putting up their prices gradually, Swarbreck said.

The cafés were providing a convenience service which should be allowed to cost a little more, he said

The Consumer Council supported free market principles, but was concerned about consumers' ability to react to unreasonable prices and/or quality, public relations manager Paul Roos said

"We need discerning consumers. Our main task is consumer education. The emphasis is not on playing policeman."

PRODUCER PRICES FM 19/2/93

Loosening the vice

244

The drought's vice-like grip on agricultural food prices at producer level in early and mid-1992 loosened in the final four months. The agricultural-food component of the producer price index (PPI) fell by 2,2% between November and December. This kept the year-on-year December figure to 16,8%, well down from its August high of 24,6%.

Overall monthly producer inflation was 7,3% in December, down from 7,5% in November and well below the 9,5% hit in August but not as low as the 6,7% recorded last January and February.

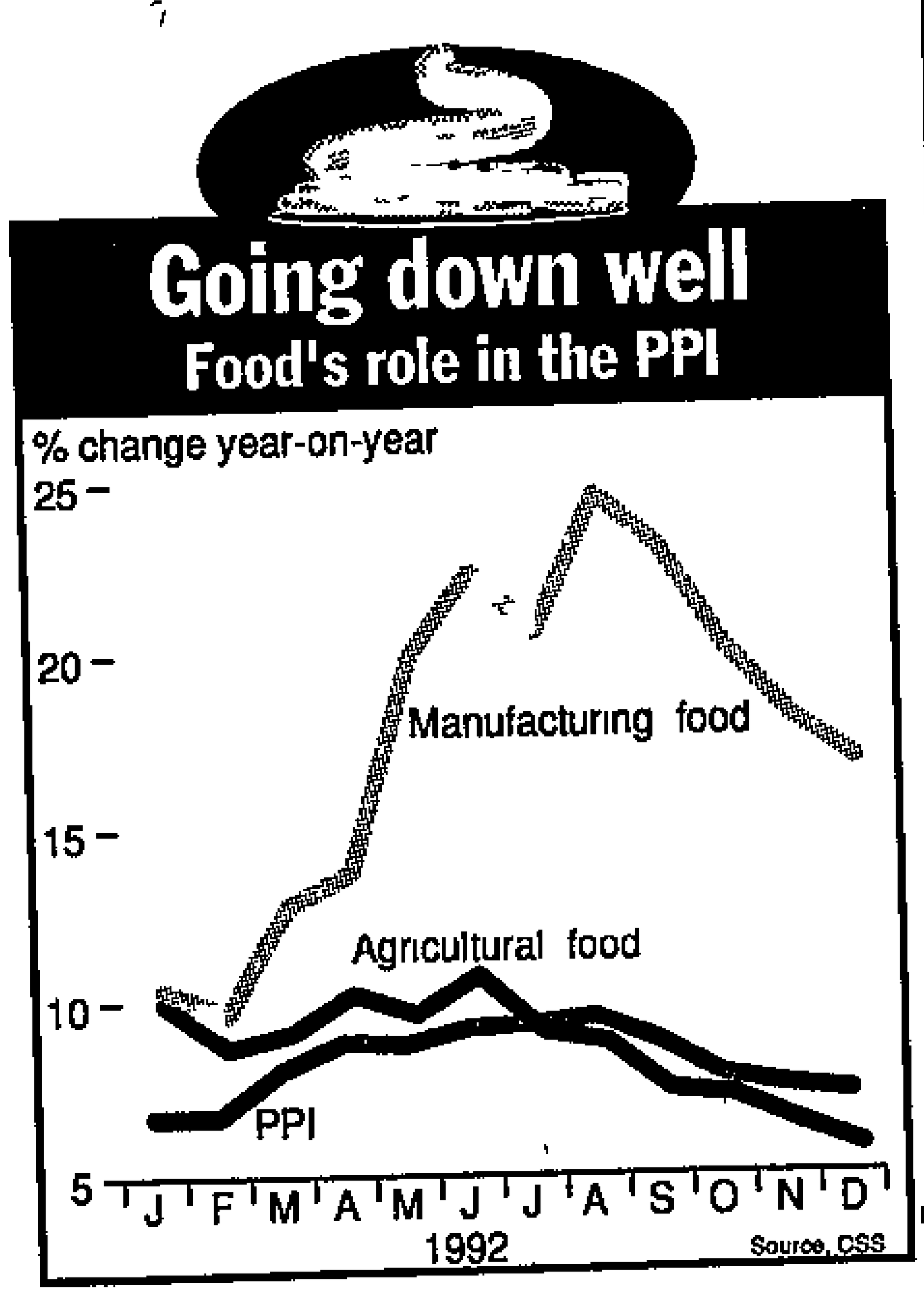
December's drop can be attributed to the categories of grain, which fell 3,4% in the month, and vegetables and dry beans, which came down by a dramatic 19,5%. The latter index has now fallen 47% since August.

But there was an ominous upturn in the figure for meat, which rose 2,5% in the month. Meat has been difficult to track in recent months, with the figure rising 3,2% in October before dropping 0,7% in November. So it's hard to say whether this is indicative of further climbs in coming months.

The index for manufactured food has grown far more evenly. Its year-on-year rate has hovered at or below 10% for most of the past year, dipping to 5,7% in December. This is a steady decline from 10,7% in July.

Good news on the food front is matched by continued low inflation for imported commodities, which have a weighting of 19,5% in the PPI. Imports followed a pattern of steady growth from a year-on-year -0,9% last February to 7,5% in July, with a subsequent easing to 3,1% in December.

Slow growth in this component can be attributed to low international oil prices, which showed unexpected weakness during



Going down well
Food's role in the PPI

19/2/93 244

the last quarter, in which demand for oil is usually high due to the northern hemisphere winter. Oil imports are shown in "other mining & quarrying", which fell 0,9% in the month or 0,2% from the previous year.

Overall economic weakness is shown in the index for manufacturing, which grew by 6,7% in the year to December, or 0,3% in the month, just below the overall rate. Of this:

- Other chemical products grew 6,9% (down 0,1% in the month),
- Petroleum and coal products 6,5% (0%),
- Basic metals 4% (-0,2%), and
- Non-electrical machinery 5,3% (0,3%).

Electricity, gas and water rose 7,5%, or 2,8% in the month. ■

Higher food prices stall inflation trend

CT 24/2/93 (244)

By AUDREY D'ANGELO
Business Editor

THE downward trend of inflation was stopped in January by higher food prices and medical costs. After dropping dramatically to 9,6% year on year in December from 11% in November the consumer price index (CPI) edged up to 9,7% last month — disappointing the markets, which had expected 9%.

Figures released by the Central Statistical Services yesterday show the month on month rise was 1,1% compared with zero in December.

The steep fall in inflation from 16,2% in January last year is mainly due to lower mortgage bond costs, although food price inflation had also slowed.

But food price inflation rose again last month to 14,9% compared with 14% in December and 26,2% in January last year.

The rise in the food index between December and January was a full 1% compared with a drop of 0,1% between November and December

The main reason for the jump in food price inflation in January was a 5,4% rise in the price of fruit and nuts and a 1,1% rise in the price of fish and other seafood

The cost of medical care went up by 13,2% year on year. The month on month rise was 7,1% as a result of higher tariffs and annual price increases.

Falling bond costs benefit the higher income group more than the lower and middle income groups, who spend a larger proportion of their total budget on food.

As a result, inflation for the higher income group fell to 9,3% year on year in January, although the month on month rise was 1,3%.

Inflation for the lower and middle income groups was 10,2% year on year. The month on month rise was 1,1% for the middle income group and 0,7% for the lower income group

The year on year rise for pensioners, who are normally affected more by food prices and medical costs and less by bond costs, was 10,6%.

Economists expect inflation to resume its downward trend in March, when the 0,75% cut in bank rate announced in January results in a further drop in bond rates.

But most of them expect inflation to rise above 10% again in April, following rises in indirect taxation virtually certain to be announced in the budget on March 17.

Southern Life economist Mike Daly said he thought a further drop in the CPI next month would bring it to "the lowest level we shall get this year

"I am sure it will rise above 10% after the March budget, but perhaps not dramatically so The Producer Price Index (PPI) has been in single digits for more than a year and that bodes well for the underlying CPI"

Daly pointed out that poor consumer demand meant continued downward pressure on the CPI Wage and salary increases this year were likely to be lower

"It could be a rough year but the potential is there for the CPI to average 10% for 1993."

Sanlam economist Pieter Calitz said that if the effect of lower bond costs were stripped out of the CPI it would have risen 12,6% year on year in January

He thought VAT would probably rise by 12% in the budget, without any extension of zero-rating This, with the expected rise in the fuel levy, would push the CPI up again to 10,5%.

Boland Bank economist Louis Fourie and Old Mutual economist Johan Els said they expected the underlying rate of inflation to remain below 10% for the rest of this year

STAR 24/2/93.

Inflation holds below 10 percent

(244)

By Sven Lünsche

Inflation stayed below the 10 percent level in January, Central Statistical Service (CSS) figures released yesterday show.

The CSS says January's inflation rate, as measured by year-on-year changes in the consumer price index (CPI), increased slightly to 9,7 percent from 9,6 percent in December

December's rate was the first time since 1978 that inflation was recorded at single-digit levels.

However, the latest figures indicate slight upward pressure on the inflation rate emanating from two sectors — food and medical care.

Over the 12 months, food inflation rose from 14 percent in December to 14,9 percent in January.

Excluding food, the inflation rate would have been 8,3 percent last month.

The monthly rate of increase in food prices — between December and January — was one percent after falling by 0,1 percent between November and December.

Large monthly rises were recorded by fruit and nuts (5,4 percent) and seafood (1,1 percent). Vegetables were up by 0,3 percent.

The monthly hike in all prices was 1,1 percent, of which food accounted for 0,2 percentage points and medical and health expenses for 0,4 percent.

Between December and January, medical and health costs surged by 7,1 percent as most medical aid tariff increases came into effect in January.

However, economists say that the recent drop in bond rates will have a favourable impact on housing costs, which have a weighting of over 20 percent in the CPI.

They expect inflation to remain below 10 percent at least until after next month's Budget when tax hikes could push the rate temporarily higher

Battle against inflation is not yet won

(244) (IIB)

By Sven Lunsche STAR 26/2/93

The Afrikaanse Handelsinstituut (AHI) cautions that inflation could return to double-digit levels over the next few months, despite its recent decline to 9,7 percent.

In the latest AHI Inflation Barometer, which points to an inflation rate of 10,8 percent by mid-year, economist Nick Barnardt says the battle against inflation has not yet been won.

The AHI is, however, confident that even if VAT and the fuel levy are raised in the forthcoming Budget, inflation will remain below 11 percent at year-end.

The Barometer, which analysis economic conditions and their impact on consumer prices about six months ahead, last year predicted the sharp downswing in inflation, but did not foresee a fall to single-digit levels.

"The fact that the inflation rate is at present below the level of the Barometer is due to factors such as declining food prices and bond rates, which have restrained inflation in a technical manner," Barnardt says.

244 Arg 27/2/93

CPI's weight debate

■ The weighting of income groups by Central Statistical Services to arrive at the consumer price index may favour the rich and not give a true reflection of the inflation situation

AIIDE DASNOIS
Business Staff

A RICH man's index? The much-vaunted inflation rate drop to less than 10 percent a year affects only the higher-income group — households earning R60 000 a year or more

Central Statistical Services figures show that for the second month in a row the consumer price index (all households) rose by less than 10 percent a year in January But the index for the lower and middle-income group rose 10,2 percent

This highlights one of the criticisms that can be levelled at the way the index is calculated Lower-income group households — those with an annual income of up to R15 999 a year — are given a weight of only 19,42 percent in the index, with 56 percent for the higher-income group

Income distribution statistics in South Africa are notoriously poor But Central Statistical Services publications show that in 1991 more than 19 million South Africans, 73 percent of the population, earned less than R3 000 a year This includes people under working age and old people

But the figures also show that only 13,6 percent of the population earned R10 000 or more

This seems to suggest that the weightings given to each income group in the CPI are unrealistic — though as CSS deputy-director, Mr David van den Heever, points out the weightings are based not only on numbers of households but also on their spending power — and poorer households obviously spent less than the rich

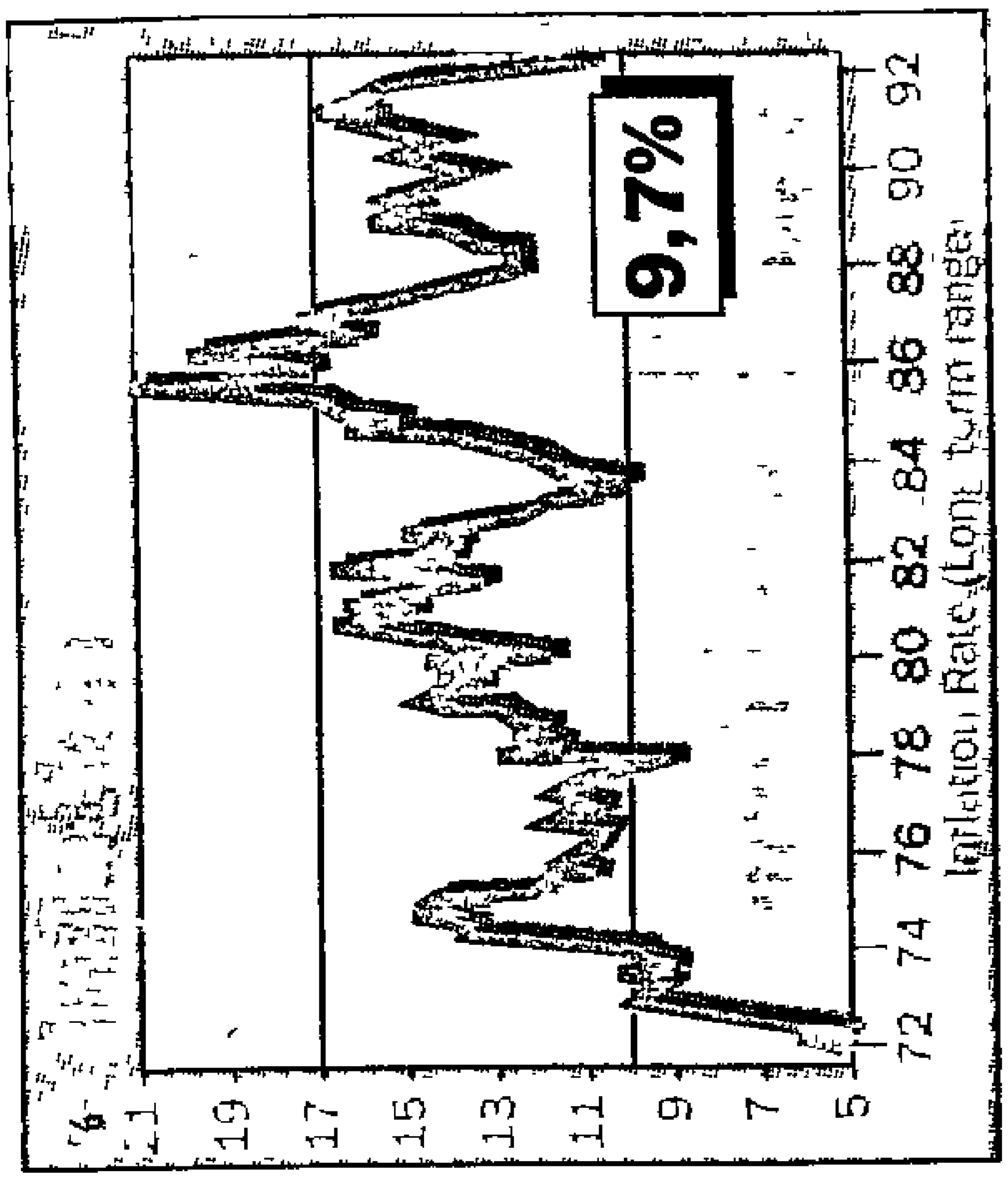
Fortunately the CSS also calculates an index for middle and lower-income categories, and though these may also have shortcomings, they are certainly a better indication of how price changes actually hit less rich families

The lower-income group, for instance, spends more than a quarter on food (compared to 15 percent for the higher-income group) On the other hand, the higher-income group spends 7,5 percent of income on vehicles and only 2,65 percent on public transport, compared to 1,18 percent and 4,75 percent for the lower-income group

□ **YOU MUST BE JOKING!:** Try to tell them the inflation rate is less than 10 percent It's in the supermarket where people see prices going up almost daily, with food inflation remaining stubornly high

Reserve Bank may cut interest rates

Inflation dips below 10%



244

By Sven Lünsche

The yearly inflation rate in December dropped to 9,6 percent, the first time it has fallen below the 10 percent mark since 1978. STAR 28/1/93

Announcing the good news today, Central Statistical Services (CSS) said the sharp drop was led by a 9 percent decline in vegetable prices in December.

The decline in the inflation rate, which is a measure of increases in consumer prices over 12 months, has fuelled speculation that a further drop in interest and bond rates is imminent.

The senior deputy governor of the Reserve Bank, Dr Jaap Meier, said he was pleasantly surprised at the drop in inflation below 10 percent, which he had only expected in February/March this year.

"We will examine the impact of the latest inflation figure on the bank's monetary policy at our weekly money market meeting this afternoon," Meier said.

Prospects

He said, however, that other aspects of the economy would have to be taken into account before a decision on interest rates was taken.

These included the balance of payments and, more crucially, the prospects of a higher VAT rate and fuel levies to counter the shortfall in tax revenues. Higher taxes would immediately lead to a technical rise in the inflation figures.

Economists have previously stated that a 13 percent VAT rate and a 15 percent increase in the fuel levy could add up to two percentage points to the annual inflation rate.

The fall in inflation to below 10 percent is seen as a remarkable victory for Reserve Bank Governor Dr Chris Stals who has persisted with a tight monetary policy despite calls to ease interest rates to boost a depressed economy

As recently as June inflation was running at more than 15 percent

In November it still measured a relatively high 11 percent.

On a monthly basis — between November and December last year — average consumer prices were unchanged while food prices actually declined by 0,1 percent. STAR 28/1/93.

This was in large measure due to an 8,7 percent fall in the price of vegetables as better rains boosted agricultural production. Compared with December 1991, however, vegetable prices were still 30 percent higher.

Other food products showed slight monthly increases in December, although well below the levels recorded in previous months

The average inflation rate for 1992 was 13,9 percent compared with 15,3 percent for 1991 and 14,4 percent for 1990

Average food prices last year rose by 25,3 percent, well up on 1991's 19,6 percent, the CSS said.

Scepticism reigns over inflation

AAG 27/2/93. (244)

"If you believe that, you'll believe anything". Stellenbosch economist Mr Willem Roets is frankly sceptical about the falling inflation rate.

"No-one will make me believe the inflation rate really did fall from 14,3 percent a year to 9,7 percent in the space of five months," he says.

"It's never dropped like this in the past, and I see no reason why it should have fallen last year."

Mr Roets believes the drop really reflects a correction in the weightings given to big chain stores — where prices are generally lower — as opposed to smaller retail outlets

"The trend in retailing is towards chain stores They're the only outlets which can survive in the recession Small corner shops are rapidly going out of business.

"But for a long time the Central Statistical Service (CSS) refused to alter the proportions of chain stores and other outlets to reflect the changing situation As a result the figures were distorted, because prices tend to be higher in the smaller shops.

"It seems the CSS has finally seen the light and has changed its weightings at last."

Not so, says deputy director of the CSS Mr David van den Heever

Of the 3 500 outlets which send in price information to the CSS each month, about two-thirds are chain stores and one-third are "other retailers", he explains.

"But the category 'other retailers' doesn't include only small corner cafes. Even big outlets are included here, provided they don't form part of a chain

Star 5/3/93

Black pupils on bus 'terrorised'

344

By Mathatha Tsedu

Athlone Boys' High School is investigating allegations that a pupil last Friday terrorised a group of black pupils on a bus, assaulting two and puncturing another's soccer ball with a knife

The pupil, whose name has not been established, is a senior at the Bezuidenhout Valley, Johannesburg, school. The incident occurred on a municipal bus after school.

School principal George Currin has confirmed that the matter is under investigation and said if the youth was found guilty, he would be severely dealt with.

"It is not the policy of this school to tolerate any racism at all and strong steps will be taken against the pupil concerned", he said.

Black pupils told The Star that the freckled pupil had demanded that black students move to the upper deck of the double decker bus.

"According to the rules, a junior is obliged to stand up for a senior if he is requested to. But this senior did not request. He demanded and the pupils refused.

"He hit one and when another black pupil tried to intervene, he hit him on the head Then the senior started insulting us, calling us stinking negroes and saying that Soweto stinks," one eyewitness said.

The white pupil then allegedly took out a knife and punctured a soccer ball on the lap of a black pupil. He then put the knife to the head of the pupil and threatened to kill him. He also threatened three other pupils with death, according to the eyewitnesses.

Other white pupils on the bus had tried to restrain him but he had continued to harass the black pupils as the bus moved on, they said.

The students said the freckled pupil had had another tiff with another black student three weeks earlier over a neck tie. They said while the school did not have a racial problem, the senior concerned "hated" blacks.

Currin said the results of the school's investigation would not be made public.

"The parents of both boys will be called in as soon as investigations are completed. But we are not going to make the findings public because I do not want to make this a race issue."

Athlone High is a Model C school where the enrolment is presently about 70 percent black

Budget likely to include petrol price increase

(244) EDWARD WEST (55)

THE continuing underrecovery on petrol and diesel in February has fuelled expectations of price increases of between 10c/l and 15c/l to be announced in the Budget next week. BIDAY 12/3/93.

The Mineral and Energy Affairs Department said yesterday motorists had paid 7,25c/l too little for petrol in February due to the deteriorating rand/dollar exchange rate and an increase in the landed cost.

Since July the underrecovery, which is charged to the Equalisation Fund, has ranged from 15,17c/l to 4,8c/l on petrol and diesel. The 7c/l price increase in October reduced the underrecovery in that month to 8,17c/l from 15,17c/l.

The deteriorating exchange rate from an average R2,75/dollar in July to R3,12/dollar in February resulted in government having to pay an extra 6c/l since July, an Energy Affairs spokesman said.

February's landed cost of petrol increased to 51,99c/l from 50,67c/l in January, while the landed cost of diesel increased to 56,84c/l from 55,9c/l. The underrecovery on diesel was 10,79c/l in February.

Econometrix economist Tony Twine believed a fuel price increase ranging between 10c/l and 15c/l would be announced in the Budget. Government had already indicated that a 7c/l price increase was imminent.

There was no indication yet how much fuel prices would increase above the 7c/l to accommodate higher income requirements by the Finance Department — especially in the light of revenue losses anticipated with the recent VAT zero rating on certain basic foodstuffs, said Twine.

Sacob transport spokesman Peggy Drotsky said an increase of at least 7c/l l was likely.

Keep in trim on the Vat Diet

ARGT 13/3/93

LIBBY PEACOCK
Weekend Argus Reporter

INTRODUCING the VAT Diet — guaranteed to suit your pocket and your waistline

South Africans have tried the Scarsdale Diet, the Beverley Hills Diet and the Weighless Diet with varying degrees of success

But the VAT Diet — made possible after Minister of Finance Mr Derek Keys announced new Value Added Tax zero-ratings on a wide range of foodstuffs this week — contains all the nutrients for a healthy eating plan

At present brown bread, mealie meal, mealie rice, samp, dried mealies, dried beans, lentils, canned pilchards, milk powder and dairy powder blends are zero-rated.

From April 7, rice, fresh fruit and vegetables, vegetable oil for use in cooking, fresh milk, certain cultured milk, brown wheaten meal, eggs and legumes and pulses (peas and beans) will be exempted.

And that's enough to live on, says Mrs Joan Huskisson, head of the Nutrition and Dietetics Unit at the University of Cape Town

"You should be able to live on the VAT Diet, provided nutrients are taken in the right quantities."

It would have been better if meat had been included in the range of zero-rated foodstuffs, but one could have a "perfectly adequate, healthy diet" without meat.

There would have been a lot of advantage in including margarine, especially to make the starches more palatable

The VAT Diet also does not provide the "comfort" of beverages like tea and coffee.

Calcium would be available from both the bones in the pilchards and the dairy products

"They have included more basic agricultural products. Hopefully this will encourage people to use unprocessed foods more freely than processed, composite foods, which are less healthy and more expensive."

On the VAT Diet, fruit and vegetables would provide the whole range of vitamins and minerals, while pilchards, eggs and dairy products would provide protein

Carbohydrates were present in mealie meal, rice and brown bread.

044

The inclusion of cultured milk showed recognition of the fact that many South Africans had a sensitivity to the lactose in uncultured milk, Mrs Huskisson said

A concern was that the vegetable oil was the only source of concentrated calories needed by people who took a lot of exercise

THE WEEK AHEAD by Simon Willson

Weaker exchange rate threatens PPI

BDAY 15/3/93.

EXPORTERS may have welcomed the steeper depreciation of the trade-weighted rand over the past few months, but the producer price index (PPI) for January released this week could supply a reminder of the inflationary implications of a drooping exchange rate

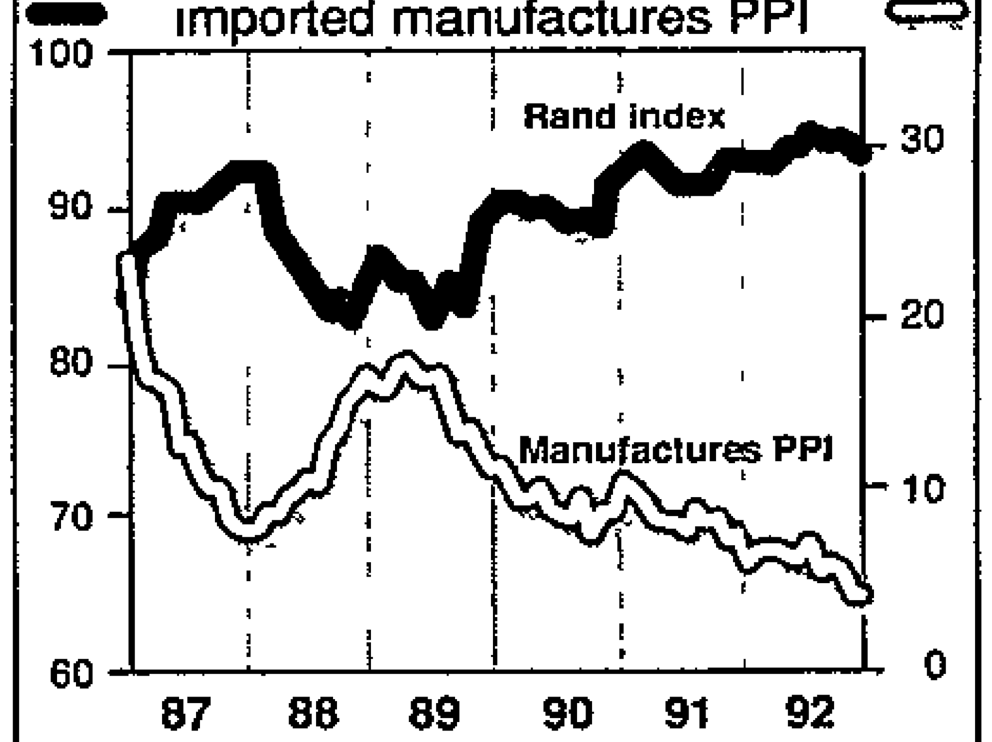
It may, however, be a bad time to remind exporters of the danger to domestic prices of a weaker rand There were high hopes in the export community that the long-awaited structural adjustment programme for the economy, published last week, would incorporate an orderly devaluation as part of a plan to revive domestic activity Some institutions last year joined the exporters in the devaluationist camp, advocating a more free-floating and market-determined rand as part of the restructuring process

All were disappointed The Finance ministry's economic adjustment plan reaffirmed the importance of Reserve Bank independence from government in pursuing its mission of defending the value of the rand irrespective of short-term policy considerations Furthermore, the plan said monetary and fiscal policy should be aimed at the *prevention* of sharp exchange rate depreciations that could cause higher import prices

With tactful deference, therefore, to the efforts of SA's exporters it has to be pointed out that the dip in producer inflation to 7,3% in the year to December from November's 7,5%, was concentrated in the imports section of the PPI Imported inflation eased to 3,1% in December from 4,1% in November, while domestic inflation at producer level was unchanged at 8,2%

Structurally sound

Real effective rand, imported manufactures PPI



Graphic RUBY GAY MARTIN Source SARB, STANDARD BANK

Homegrown producer inflation seems to have settled on a plateau towards the upper end of single digits and may stay there for a while as the apparently inevitable petrol price increase in this week's 1993/94 Budget ripples through producer prices This means continued low imported inflation — or a return to the falling import prices of last year — could be a key determinant of whether consumer inflation stays in single figures this year

As the chart shows, the rate of imported manufactures inflation factored into the PPI correlates closely with the level of the real effective rand — that is, the rand expressed as an index against the currencies of SA's major trading partners but adjusted for inflation Part of the exporters' beef against the authorities is that, while the nominal — that is, inflation unadjusted — effective rand has been falling steadily, it has declined by less than SA's inflation differential with major trading partners In other words, the real effective rand has been rising, and eroding exporter competitiveness

This was true up to the end of the second quarter of last year, when the real effective rand firmed to an eight-year high of 94,4 on an index where January 1979 equals 100 But, as the chart shows, the real effective rand subsequently weakened from its July 1992 high and, in December, had settled back at an eight-month low of 93,0 The run on the foreign reserves of the past few months has probably restricted the Bank's ability to support the rand in the market

Publication of the real effective rand lags the nominal rate because of the need to use an assortment of foreign wholesale price indices to deflate the variables, and the December outturn is the latest available The impact of the rand's renewed nominal weakness of recent weeks on its real effective value is still concealed from view, but the January PPI might this week give an indication

Internationally, it is an interesting week for the UK Chancellor Norman Lamont presents his 1993/94 Budget tomorrow and is faced by some of the same economic problems that confront SA Finance Minister Derek Keys on Wednesday UK industrial production data for January are released tomorrow and will probably look as grim as December's, when output fell 0,1% on the month UK base rate cuts in November and January are unlikely yet to have fed through to order books — assuming they ever do

UK retail sales for February, out on Wednesday, may look brighter since base rate cuts will affect sales well before production Much of the 1,6% jump in January sales arose from post-Christmas price cuts and sales promotions, but a surprise rise in preliminary UK M0 growth for February suggests there has been a rise in cash in circulation which could have spilled over into an extended increase in sales

Inflation in the UK fell to a 25-year low of 1,7% in January, and February UK inflation is out on Friday The monthly change in average prices is unlikely to match January's 35-year record of -0,9%, which was mainly the result of the new-year discounting that should help retail sales, but headline inflation is likely to remain below 2%

By Friday the UK will need some encouraging economic news, because Thursday is likely to bring another rise in UK unemployment when the February level is published The adjusted jobless total rose 22 000 in January to 2,9-million or 10,6% of the workforce, and should this week join the unadjusted total on the wrong side of the psychological 3-million mark

244

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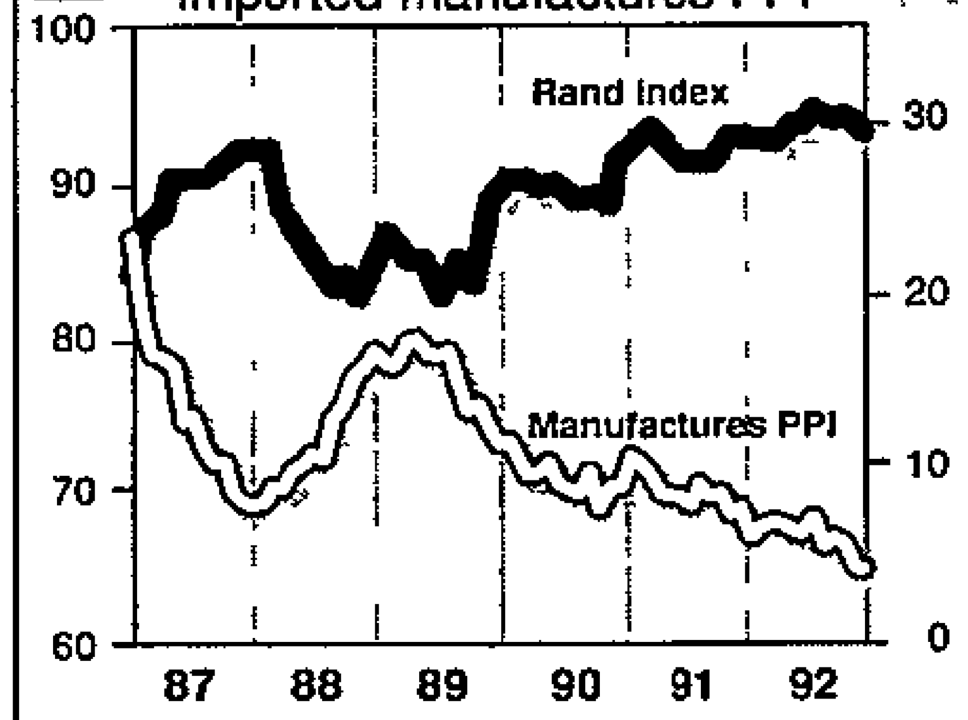

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Inflation maintains a downward trend

BIDAY 16/3/93 (244)

TIM MARSLAND

PRODUCER inflation inched up in the year to January as imported prices failed to react to the depreciation of the rand, economists said yesterday.

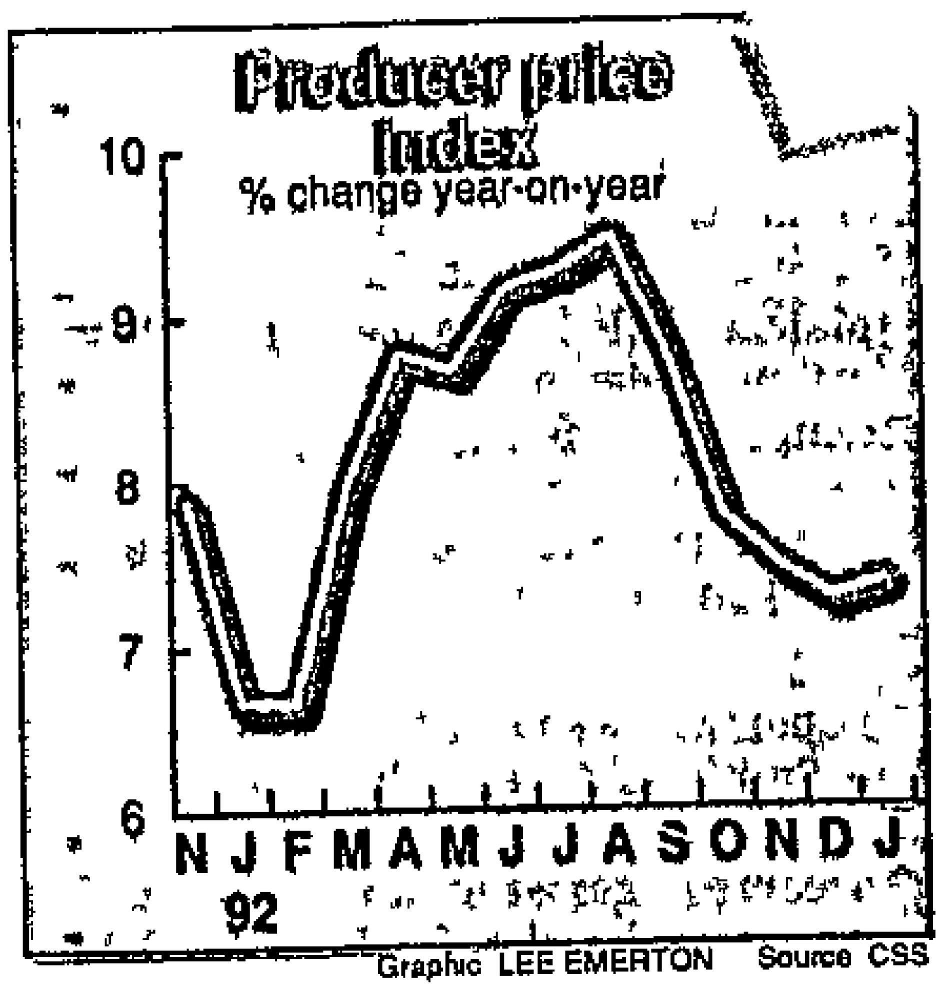
Producer prices rose 7,4% for the year to January compared with 7,3% in the year to December. The imported component makes up about 25% of SA's PPI index On a monthly basis, producer prices overall rose 0,2% in January, unchanged from December's 0,2% Locally produced goods rose 0,4% from December's 0,3%, while imported inflation fell -0,4% from 0,2%

Rand Merchant Bank chief economist Rudolf Gouws said the producer figures showed that the underlying downward trend in inflation remained intact

Producer inflation would continue to fall until the year-end. Producer and consumer inflation should have narrowed considerably by March or April in 1994.

The monthly fall in imported inflation was "particularly good news", given the weak rand and the resultant higher dollar prices, he said.

Economists had expected the imported component to rise in January because of the weakening rand.



Graphic LEE EMERTON Source CSS

Gouws said if it were not for the problems of the balance of payments, the Bank rate would have been cut already.

Absa senior economist Pierre Morgenrood said the latest producer inflation data showed that inflation would continue to fall in the months ahead January's figure was "not out of line" with expectations

He pointed out that rand depreciation had accelerated in February, so the inflationary effects on the imported side could still filter through

Star 16/3/93

Good rains dampen producer price of food

(244)

By Sven Lunsche

Food prices at the agricultural level fell sharply in January as the good rains boosted production of most agricultural products.

The latest producer price index (PPI) figures of Central Statistical Services show that the index for agriculture declined by 2,9 percent and the index for manufactured food by two percent in January compared with December last year

The fall in food prices contributed to a largely unchanged producer price inflation rate of 7,4 percent in January, compared with 7,3 percent in December.

Between December and January the PPI increased by a mere 0,2 percent, a further indication that consumer price inflation should maintain a steady rate of around 10 percent over the next few months.

The two subsectors of the PPI — locally produced and imported — showed varying trends.

The PPI for imported commodities increased by 3,1 percent year-on-year but declined by 0,4 percent between December and January.

Locally produced goods increased by 8,3 percent year-on-year and by 0,2 percent on a monthly basis.

Where large monthly producer increases occured it related mainly to industrial goods

Monthly rises were reported by rubber and plastic products (two percent), basic metals (4,7 percent) and optical equipment (3,1 percent).

The cost of electricity, gas and water also went up sharply by 5,2 percent in line with recently announced tariff increases.

Food prices keep PPI low

FALLING food prices helped to keep the producer price index (PPI) for January at a low 7,4%, in spite of high increases for some products and for electricity and water (244)

Figures released by the Central Statistical Services (CSS) yesterday showed that the PPI rose by only 0,2% between December and January.

● PPI creeps up on higher energy costs — Page 9 CT 16/3/93

Car thieves tie driver to tree

Staff Reporter

A KLEINVLEI man was robbed of his car and tied to a tree by three men with a pistol, in Mitchells Plain yesterday

Police said the men hijacked Mr Anthony George's white Nissan bakkie, forcing him into the back and drove to the False Bay coast, where they tied him to a tree and sped off

No arrests have been made as yet The bakkie's registration number is CY 150568

BUSINESS BRIEF

Gold (Ldn) (close)	$328,75
Gold (NY) (close)	$329,25
Dollar	R3,1980/95
BD 100	5738,0
FT index (100)	2922,4
Dow Jones	3442,4
Nikkei	18086,1

CAPE TIMES MON-FRI

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Deadlock: Strike by teachers looms

CT 16/3/93

A NATIONAL teachers' strike of black and coloured teachers is looming following a deadlock in the salary talks between President F W de Klerk and the SA Democratic Teachers Union (Sadtu) yesterday

Sadtu president Mr Shepherd Mdladlana told a press conference yesterday that the refusal of Mr De Klerk to budge on his 5% pay increase offer meant teachers would have to act.

Sadtu is demanding a 25% increase

Regional chairman Ms Vivienne Carelse confirmed last night that a strike ballot would be completed in two weeks

If the vote is in favour, it is expected most of Sadtu's 60 000 members will strike

Meanwhile, white teachers have also become increasingly militant about the 5% offer.

The SA Teachers' Association (Sata) has warned of abandoning responsible negotiations and resorting to "other strategies" to resolve the dispute

The giant Union of Teachers' Associations of SA (Utasa) also rejected the 5% increase, but would not say yesterday if it would consider striking The government and Sadtu reached

To page 5

REPORTING BACK ... Secretary-general of Sadtu Mr Randall van den Heever (right) reports on Sadtu's talks with President F W de Klerk yesterday. With him is Mr Shepherd Mdladlana. Picture ANNE LAING

'Trim govt and save'

CT 16/3/93

By ANTHONY JOHNSON
Political Correspondent

REDUCTIONS to the burgeoning bureacracy could result in Budget savings of at least R5,5 billion, the Democratic Party said yesterday.

Recent revelations on wastage and maladministration had confirmed there was scope for greater efficiency, DP finance spokesperson Mr Ken Andrew said.

Reductions in staffing levels were also necessary, but not in the essential services such as teachers and police.

The abolition of own affairs departments and the rationalisation of services "should result in savings of at least R5,5 billion", he said.

Other Budget proposals he outlined were:

- The equalisation of social pensions.
- The government spend the same amount on education — about R20bn — but more wisely.
- A R300 million fund to assist new farmers.
- An additional R600m for crime prevention.
- Job creation and programmes for the poor.
- An extra R500m for poverty/starvation relief.
- Zero-rating VAT on medical services.

● VAT hike: Motor sales 'still slow'

Budget to be televised

TOMORROW'S Budget speech, expected to contain increases in the fuel price and VAT, will be televised in a direct broadcast from Parliament.

The announcement of the new Budget by Finance Minister Mr Derek Keys will be broadcast on TSS from 2 15pm to 4pm

Pik to meet UN head over Angola

CT 16/3/93

JOHANNESBURG. — Minister of Foreign Affairs, Mr Pik Botha will meet United Nations Secretary-General, Dr Boutros Boutros-Ghali in New York this week to discuss accusations that South Africa is supplying Unita with logistical support.

Mr Botha flies to America tonight.

The charge against the South African government was made by Angolan President Jose Eduardo dos Santos in a letter to Dr Boutros-Ghali at the weekend. — Sapa

● Soyo dead my be local men — Page 5

Plane stowaway dies

JOHANNESBURG — The body of a 16-year-old youth was pulled from the wheel bay of a Malaysian Airline Boeing 747 after it landed at Jan Smuts Airport yesterday morning

Police believe the boy climbed into the right rear wheel bay before flight MH201 took off from Kuala Lumpur, Malaysia

The cause of death is to be determined by post mortem But at minus 52° Celcius and at 12 000m, the boy almost certainly died of cold and oxygen starvation, aviation experts said.

The body was discovered when a foot was seen hanging from the wheel bay, a police spokesman said

One of the youth's legs was crushed above the ankle, probably by the retracting undercarriage

The incident follows one in which a man recently tried to stow away in a wheel bay of an Egypt Air flight, but fell to his death when the pilot lowered the undercarriage

Malaysian Airline general manager for southern Africa Mr Helmie Daud declined to comment — Sapa

PPI creeps up on higher energy costs

244

CT 16/3/93

By AUDREY D ANGELO
Business Editor

A 2,9 [illegible] fall in the index for agriculture and a 2 [illegible] fall in the index for manufactured food helped to keep the producer price index (PPI) for January low in spite of a steep rise in the cost of electricity, gas and water.

This reverses the trend for the past few months when rising food prices because of the drought limited the fall in the PPI and the consumer price index (CPI).

Figures released by the Central Statistical Services (CSS) yesterday showed that the PPI rose by only 0,2 [illegible] between December and January.

The January figure for all commodities was 7,4 [illegible] year on year compared with 7,[illegible] in December.

The index for locally produced commodities for SA consumption rose by 8,3% year on year. But the index for the total output of SA industry rose by only 7 [illegible], implying that the cost of exports rose less than that of goods sold on the domestic market.

The PPI for imported commodities rose 3,9 [illegible] year on year compared with 3,1% year on year in December. But in fact the imported commodities index fell by 0,4 [illegible] month on month between December and January.

However economists point out that the weakening rand means the downward trend will be reversed in the February PPI.

The CSS reports "relatively large monthly increases" in the indices for footwear, which went up by 2 [illegible], rubber and plastic products, which went up by 3 [illegible], basic metals up 4,7 [illegible], scientific optical and related equipment, up 3,1 [illegible] and electricity, gas and water, up 5 [illegible].

Prices of mining and quarrying products fell by 1,6 [illegible].

Southern Life chief economist Mike Daly said these figures showed that the trend for inflation was still downward. This should feed through to a continued fall in the consumer price index (CPI) even though this trend might be temporarily reversed after tomorrow's budget.

The year on year PPI figures were higher because the rise in January last year had been exceptionally low.

'Excellent'

Old Mutual economist Johan Els said the PPI figures were "excellent".

"The positive effect of rain and better agricultural conditions was already beginning to come through.

"But the weakening foreign exchange figures have not come through to the PPI yet. They will affect the February figure.

"However we still expect the PPI to average 7,5% for 1993."

Metropolitan Life chief economist Chris Visser said he expected the SA component of the PPI to remain low for some time although the imported component would pick up.

"Over the longer term the rand will continue to depreciate but I expect it to stay around its present levels for about six months.

"The PPI is going to remain low for some time, although we shall probably see it picking up a bit towards the end of the year."

Food is biggest living expense

244

CT 17/3/93

Staff Reporter

FOOD and income tax take the biggest bite out of average South African household budgets, according to the most recent survey of household expenditure produced in 1990 by the Central Statistical Services (CSS)

The report, which comes out every five years, analyses the living costs of South Africans in various economic and demographic categories.

The only item that comes close to food, in terms of the chunk it takes out of the average budget, is income tax, followed by housing

The average household surveyed spends over 20% of income on food, but this differs between different income groups Households in the low-income group, earning under R16 000, spend 25% of their income on food and middle-income groups, earning between R16 000 and R40 000, spend just under 21% compared to just over 15% spent by high-income households who earn over R40 000 a year

The survey indicated that white households have the highest average income of R64 300 and therefore most of their money goes to the taxman Food is only their third highest expense, unlike most coloured, black and Asian households who spend most of their money on food

Each household has its own consumption pattern and the "average" household probably doesn't exist.

Checklist for higher tax level

244

Value added tax is expected to rise from 10 to 13 percent when Finance Minister Derek Keys makes his Budget speech later today

This means food generally — like everything else — will cost more

The Star today publishes its third monthly Consumer Basket so that consumers will have a comparison when the new VAT figure becomes effective

The 16 items surveyed are common among many households. But brand names have been given, after supermarkets said the first two Baskets had "not compared like with like"

The price survey was conducted on Monday.

Star 17/3/95

16 ITEMS	OK Eloff Street	PICK 'N PAY West Street	SPAR Newgate	CHECKERS Yeoville
Frozen Chicken 1 kg	Rainbow 6,29	Festive 6,49	Festive 4,79	Rainbow 7,29
I & J Hake Fillets 800 g	11,79	10,89	10,29	9,99
Rindless Back Bacon 250 g	Escort 6,35	Escort 4,99	Renown 6,19	Escort 6,19
Tastic Rice 1 kg	3,89	3,95	3,95	3,95
Floro Margarine 500 g	4,89	4,49	4,49	4,49
Butter 500 g	Mooirivier 6,69	Farmerspride 6,55	Mooirivier 6,29	Mooirivier 6,35
Bliss Milk 1 litre	2,55	1,59 SPECIAL	2,59	1,99
Cornflakes 500 g	5,89 SPECIAL	6,99	6,99	6,49
Frisco Instant Coffee 250 g	4,99	4,39	5,49	4,99
Iwisa Mealie Meal 2,5 kg	3,99 SPECIAL	4,29	4,25	4,29
Bliss Yoghurt 500 ml	3,35	3,05	3,85	2,89 SPECIAL
Omo 1 kg	6,69	6,99	6,99	6,99
Handy Andy 750 ml	3,59	3,29	3,69	3,69
Toilet Rolls 1 doz	Twinsavers 10,99	Twinsavers 10,59	Carlton 11,99	Twinsavers 9,49
Cooking Oil 750 ml	Black Cat 2,99	Black Cat 2,79	Spa Brand 3,19	Black Cat 2,89
Five Roses Tagless Teabags 250 g	7,89	7,29	7,29	6,99
	92,82	88,62	92,32	88,96

hurt the most — and the impact will be immediate. Living standards will plunge

given in the past.
This time, however, business-sector observers are op-

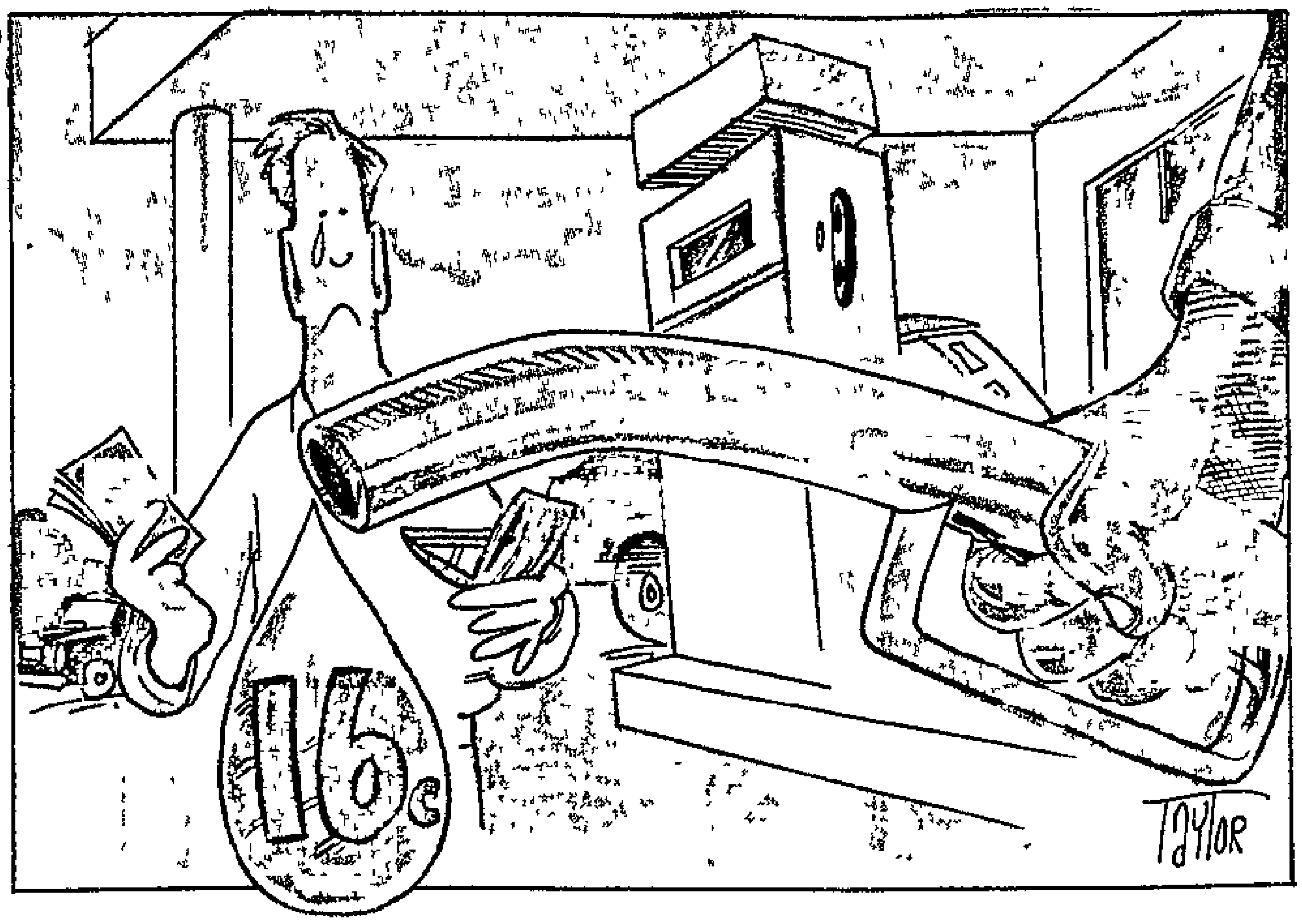
fect on all commodity prices
Syfrets economist Elmien

promote growth and discipline as well as the incentives for job creation

Star 18/3/93 244

Consumers bear the brunt

By Peter Fabricius and Sven Lunsche



For motorists . . . petrol price is going up 16c a litre on regular and premium.

CAPE TOWN — Consumers will bear the brunt of Finance Minister Derek Keys's bad-news R114 billion Budget, with a 40 percent increase in VAT and a 16c/l rise in the petrol price.

Keys squeezed drinkers and smokers with a wide range of increased excise duties, ranging from 4,8c a litre on beer to 2,45c more for 10 cigarettes

But he offered some relief to the very poor, with full social pension parity among different races, and announced a number of job-creation and other welfare benefits

His increase in the VAT rate from 10 to 14 percent provoked an outcry.

The new rate will net the Government an extra R7,5 billion, to bring total VAT income to R24,9 billion in the 1993/94 fiscal year.

Although personal income tax rates were not increased, individual taxpayers will make an even larger contribution because of fiscal drag — adding another 15,5 percent to bring their contribution to R37,6 billion.

Companies were given some relief with a reduction in the corporate tax rate from 48 to 40 percent. But this was coupled to a new tax of 15 percent on dividends and other income distribution.

The increases in excise duties on alcohol and cigarettes included:

- An extra 37,7c on a 750 ml bottle of spirits.
- An extra 4c per 750 ml of fortified and unfortified wines
- An extra 1c a litre on sorghum beer.

And the defence budget fell even in nominal terms by 4 percent — part of a general reduction in spending on protection services from 22 percent of last year's Budget to 18 percent of this one

Main items of social spending are:

- Education: R22,7 billion, up 19,2 percent on last year.
- Housing: R1,6 billion, up 27 percent.
- Health. R11,07 billion, up 10,9 percent.
- Social security and welfare· R10,6 billion, up 5,7 percent.

Keys kept the overall Budget increase to 8,8 percent above last year's spending of R104,9 billion.

Social pensions of different races are to be equalised by September 1,

White pensions will go up from R345 a month to about R370 in July, coloured and Indian pensions will rise from R318 to about R342 and black pensions from R293 to R315.

By September 1, all pensions will be raised to the white level of about R370.

● More Reports - Pages 2, 6, 7, 18 and 21

Fags, swig cost more

(2114)

Sowetan 12/2/92

State will score R320 million:

SMOKING and drinking will cost more — and boost Government coffers by about R320 million this year

These are the [illegible] glance

- Beer up [illegible] cents a litre, [illegible] cents on a dumpy
- Whisky, brandy and gin up about 37 7 cents a 750ml bottle Cold drinks and mineral water up 2 cents a litre
- Cigarettes up 4,9 cents for a packet of 20
- Pipe tobacco and cigars up 5 cents a 50 grams
- Sorghum beer up 1 cent a litre
- Sorghum beer powder up 5 cents a kilogram

Fuel hike slammed

Sowetan 18/3/93 55 244

By Joshua Raboroko and Sapa.

■ Petrol and diesel increases will lead to higher taxi fares, warn taxi bodies:

CONSUMERS, already reeling under the escalating cost of living, would be hard hit by the increase in the price of petrol and diesel, business and transport organisations said yesterday

The National African Federated Transport Organisation, the Southern Africa Black Taxi Association, the Automobile Association, South African Chamber of Business, National African Federated Chamber of Commerce and Industries and Foundation of African Business and Consumer Services expressed concern and outrage at the hikes

Nafto said its members would be forced to increase taxi fares following the rise in petrol and diesel prices

Nafto president Mr Peter Rabali condemned the increases, saying it would help the Government to continue with its "corruption and misappropriation" of public funds

"We will consult with relevant organisations before increasing fares"

Sabta's public affairs manager, Mr Mike Ntlatleng, said it was regrettable that the price of petrol and diesel should be increased at a time when thousands of blacks were unemployed and many others faced retrenchment

"We are going to be faced with no option but to increase our fares, although we will not do so before we consult with civic and other associations," said Ntlatleng, who also represents Fabcos

The Automobile Association said that many motorists would be hard hit by the hikes

Petrol and diesel prices would increase by 15c a litre at the coast and 16c a litre inland on April 2, Minister of Mineral and Energy Affairs Mr George Bartlett announced yesterday

The price of 93 octane fuel inland will increase from R1,59 a litre to R1,75 The increases will come into effect at midnight on April 2

Reasons for the increase include a 6c a litre increase in fuel taxes and an increase in the levy for the controversial Multilateral Motor Vehicle Accidents Fund

The fund has been plunged into controversy by allegations of poor management and wide-spread scams that cost contributors vast amounts Other factors, Bartlett said, were transportation costs and an under-recovery in the Equalisation Fund

The increased tax means that motorists will pay 60,9c tax on each litre of petrol, and 53,4c tax on a litre of diesel

This means that more than a third of the money motorists will pay at petrol pumps will go into the Government's coffers

Bartlett said the direct effect of the increases on the inflation rate was calculated to be less than 0,37 per cent

The price of illuminating paraffin will go up by between 7c and 8c a litre

Star 18/3/93

Rough time ahead for consumers

By Zingisa Mkhuma and Paula Fray

Any benefits for battered consumers from the recent food zero-ratings would be wiped out by yesterday's double blow of a 40 percent increase in VAT and a hike in fuel prices, consumer groups and businesses warned last night.

Consumers were in for a tough time, said SA National Consumer Union chairman Lillibeth Moolman.

"The new Minister of Finance may have done the best he could in the circumstances, but his overall proposals give consumers little relief," she said.

Any advantages on VAT food exemptions would be wiped out by the increase in VAT to 14 percent and the 16c a litre fuel rise

"They will increase consumer prices across the board and reduce the sale of manufactured goods which will, in turn, lead to weaker markets and more unemployment. There is no encouragement to consumers to save, nor any incentive to work harder," said Moolman.

Consumer Council executive director Jan Cronje described the higher VAT rate and fuel levy as a "blow to consumers" at a time when millions were unemployed and living below the breadline.

"These increases will contribute to inflation, with the fuel price in particular causing a ripple effect on all commodity prices. Many consumers are also disappointed at not being afforded personal income tax relief," he said.

Housewives League spokesman Lyn Morris made an impassioned appeal to retailers and manufacturers to be "responsible" when they applied the fuel increases.

"Let the business sector absorb all they possibly can and let us share the burden," said Morris, who warned shoppers to monitor prices and ensure the cost of zero-rated items dropped.

Shoprite Checkers slammed the "unreasonably" high VAT increase and reiterated its call to Government to extend the list of zero-rated basic foodstuffs.

Marketing director Brian Weyers said the VAT increase and the fuel price rise would have a damaging ripple effect

Yesterday's fuel rise would impact on food prices by increasing transport costs, warned Pick 'n Pay marketing director Martin Rosen

Should the industry be deregulated, said Rosen, his company could discount fuel by between 7c and 8c.

AA spokesman Robin Scholtz said the fuel increase on the Reef would have a negative effect on all consumers and put an added pressure on already shrinking disposable incomes

The increase would not benefit the oil companies as they were increases in fuel tax insurance and an adjustment to the basic price, said Caltex Oil.

Blue Ribbon Meat Corporation chief executive Gareth Ackerman said the VAT increase only made matters worse for meat consumers and the ailing meat industry.

"We have strongly objected to meat remaining a VATable item at all, since there is no question that it is a basic foodstuff and we are naturally even more alarmed at a 40 percent increase in VAT which can only further exacerbate the 16,4 percent decrease in meat retail sales," he said.

Petrol up 15c a litre on April 2

(183) (244)

CT 18/3/93

Political Staff

The price of petrol is to increase by 15 cents a litre from midnight on April 2

All users of diesel will face a similar price hike, while the cost of illuminating paraffin will rise by seven cents a litre

Explaining the increases, Mineral and Energy Affairs Minister, George Bartlett said several elements were involved in the hikes They were

- An increase in fuel tax on all petrol and diesel of six cents a litre
- Unit under-recovery of six cents a litre on petrol, and seven cents on diesel and illuminating paraffin
- Three cents a litre to the Multi-lateral Motor Vehicle Accidents Fund for petrol and two for diesel.

Mr Bartlett said the six cents a litre increase in fuel tax amounted to an increase of 10,9% from 54,9 c/ℓ to 60,9 c/ℓ Fuel tax on diesel would be increased by 12,6% from 47,4 c/ℓ to 53,4 c/ℓ

He said consumers of diesel who currently received a rebate would still receive this

The price of illuminating paraffin will also be affected by the rise in VAT on April 7

Mr Bartlett said it should be noted that diesel prices had remained unchanged since March 21, 1992 and that an increase of only seven cents a litre was now being passed on

With regard to the MMF, the minister said these increases were needed to meet the MMF's 1993-4 budgetary increase

He said the direct effect of the increases on inflation was calculated as being 0,37%, while the indirect effect would be slightly higher This could be restricted by the anti-inflationary measures announced in the budget

PETROL UP, THUMBS DOWN ... Ms Charlotte de Villiers, 25, of Tamboerskloof, indicates her displeasure at the impending increase in the petrol price.

Picture ALAN TAYLOR

Fuel price increase 'inflationary'

CT 18/3/93

2144

Staff Reporter

TRANSPORT bosses were disappointed by yesterday's "inflationary" fuel price increase announcement, although a rise had been expected

When the new price comes into effect on April 2 it will cost an extra R6 to fill a small car with a 40-litre tank (97 octane) — and a larger car with a 60-litre tank will cost R100,80 to fill — an increase of R9

It will now cost well over R200 in petrol alone to drive one-way from Cape Town to Johannesburg in a medium-sized car

Mr Deon Blignaut, chief executive of the transport division of Trencor, one of the largest trucking groups in the country, said the diesel price rise justified road transport tariff increases of 2,5% to 3%

The government had not followed its earlier practice of increasing the petrol price more than the diesel price, Mr Blignaut said. (Both rise 15c/ℓ at the coast and 16c/ℓ inland from April 2)

Diesel price increases had far worse knock-on inflationary effects than petrol price hikes, he said, as large commercial vehicles, farm vehicles and vehicles used to supply factories were diesel-fuelled.

"The minister appears to be using fuel as an economic instrument to balance his books," Mr Blignaut said, referring to the cent per litre going to Regional Services Councils for bus commuter subsidies, and to the bailing-out of the Multilateral Motor Vehicle Accident Fund

"It is possible to achieve the same results in other ways," he said

AA general manager for public affairs Mr Robin Scholtz said motorists were no longer prepared to "serve as a cash cow for the government".

The fuel price increases put motoring "even further beyond the means of most South Africans", he said

"The vast majority of our population and the whole economy are utterly dependent on motor vehicles," Mr Scholtz said

New levies will squeeze consumers

Star 18/3/93

(244)

Hard-hit consumers will have to cut tighter notches in their belts to cope with next month's VAT and fuel levy increases, various critics echoed yesterday.

Petrol costs for small vehicles travelling 20 000 km a year will increase by R75 a month, according to Nedfin Bank calculations.

Drivers of luxury cars covering the same distance will pay R200 or more.

Municipal rates wll go up as the increased VAT rate is applicable to municipal services accounts.

Pretoria's ratepayers, for example, will fork out an additional R12 million while the fuel bill for council vehicles will rise by R1,5 million.

Car and home buyers will also be hit. Representatives of both industries said they expected a rush of buyers before the VAT implementation date of April 7, but a slacking-off thereafter.

Star 19/3/93

Few cheers over Budget

By Paula Fray

Those who rely on cigarettes and alcohol for a good time may well regard Finance Minister Derek Keys as a party pooper — the products' prices could rise three times during the next few weeks

A beer dumpy, which cost R1,53 (R1,70 VAT inclusive) before yesterday's budget, now increases by 2c in excise duty (R1,55 VAT exclusive) and with the new 14 percent VAT rate will cost R1,77

A normal cigarette packet of 20s (now R1,60 VAT inclusive) increases by 5c in duty and will cost R1,70 after the VAT increase.

A leading brand of 750ml whiskey, being sold at R37,10 in a Johannesburg liquor store yesterday, will cost R38,61 after the 37,7c tax rise and new VAT.

But, there is more.

When petrol price increases begin to filter through, consumer groups expect more price increases

244

PPI FM 19/3/93

To the bone

(244)

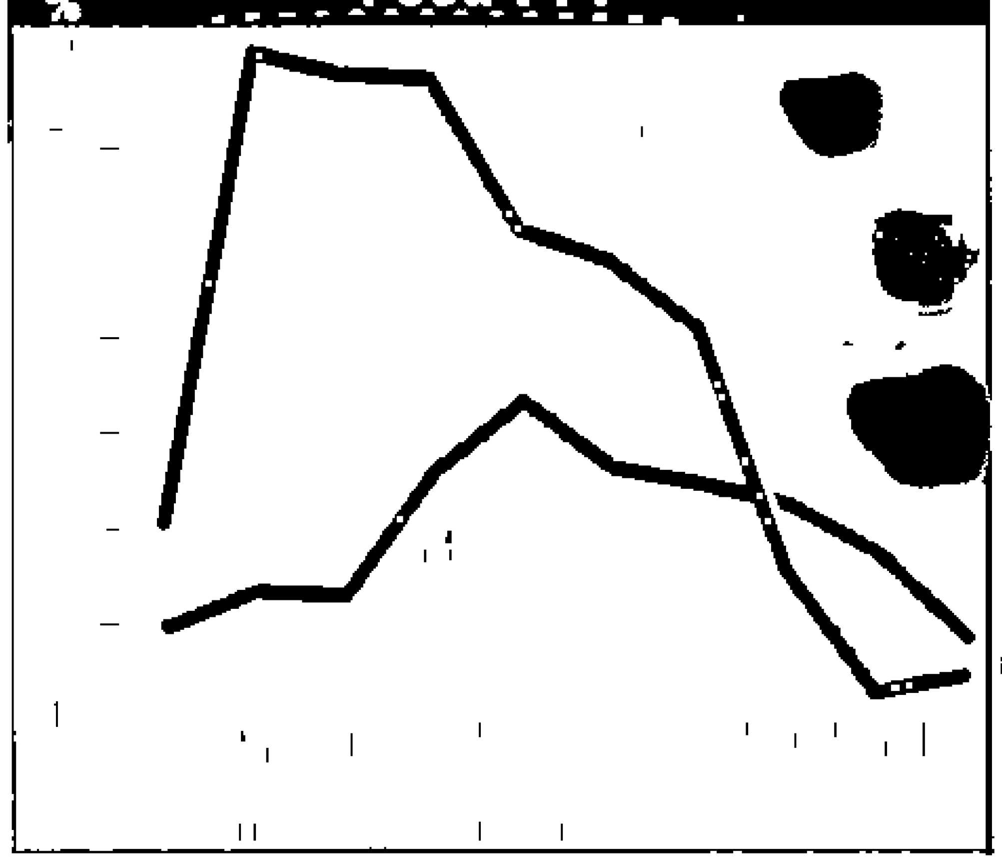
Meat producer prices fell sharply in January Agricultural meat prices dropped a monthly 8,6% and fresh meat (a subsection of manufacturing) came down 6,8% The same trend was not seen in the item meat products (also a subsection of manufacturing), where the rise was a modest 0,4%

Fruit prices, in the agricultural component, fell an incredible 25,3% in the month But its weighting is only 0,4%, so the impact was limited

The remaining items recorded only small rises and, as a result, both food components measured in the PPI, manufacturing and agricultural, recorded month-on-month declines Agricultural food dropped 3,1% and manufactured food 2%, continuing the

How low can it go?

Food PPI*



FM 19/3/93 (244)

downward trend of the previous months (see graph)

The effect has yet to be reflected in the CPI for food, which rose 1% during January This is probably because food prices at consumer level tend to be stickier (up and down) than their producer counterparts But it does indicate there is no inflationary pressure on food prices at producer level

Overall, PPI rose 0,2% in January (as in December) And the 12-month increase was 7,4% (December 7,3%) The uptick is technical, as the index rose by only a month-on-month 0,1% in January 1992

Prices of locally produced commodities went up 0,4% in the month, 8,3% year-on-year Prices of imported commodities fell 0,4% in the month and rose only 3,9% over 12 months An important factor in the period was a 2,3% monthly fall in "other" mining and quarrying, which includes oil imports

The imported component of PPI might start rising because of recent declines in the rand exchange rate On the other hand, this could be countered by oil producers' difficulties in restricting output to bolster prices ■

VAT gobbles up small relief

(244)

By CLAIRE BISSEKER

CONSUMER relief will amount to about one percent on a basket of basic foodstuffs once new VAT zero-rating is in place. But this gain will be eliminated with the hike in VAT to 14%.

A Cape Times survey yesterday found a basic monthly shopping basket, which now costs R222,38, will increase by R6,13 (2,76%) with the implementation of 14% VAT on April 7.

The full four percent increase is softened by a R2,77 saving (1,24%) on the new zero-rated foodstuffs announced last week by Finance Minister Mr Derek Keys.

Rice, fresh fruit and vegetables, vegetable cooking oil, fresh milk and eggs are items that will no longer be subject to VAT.

At present only brown bread, mealie meal, mealie rice, samp, dried mealies, dried beans, lentils, canned pilchards, milk powder and dairy powder blends are zero-rated.

The red meat industry has expressed grave dissatisfaction with the absence of zero-rating on meat and has requested a meeting with Mr Keys to discuss the depressed sate of the industry.

Red Meat Producers' organisation manager Mr Gerhard Skitter said consumers would save R725m annually if red meat was zero-rated

Blue Ribbon Meat Corporation chief executive officer Mr Gareth Ackerman said. "We have strongly objected to meat remaining subject to VAT at all, since there is no question it is a basic foodstuff. And we are naturally even more alarmed at the 14% increase in VAT which can only further exacerbate the 16,4% decrease in meat retail sales."

Housewives' League national vice-president Mrs Sheila Baillie said that meat, fish and cheese should have also been zero-rated because VAT placed an unbearable burden on the poor

Price hikes 'shocking' 244

Business Staff CT 19/3/93

THE budget was described as "shocking" and "lack-lustre" by Luke Doig, senior economist with the Credit Guarantee Insurance Corporation of SA, at a luncheon in Cape Town yesterday.

He said the drastic fuel and VAT price adjustments were "shocking" This contractionary bias could lengthen the recession.

Depressed domestic demand could induce a further cut in bank rate before mid-year. "This would, however, fly against the narrowing of real rates as a result of an uptick in inflation to 12% in 1993

"The spectre of a debt trap cannot be disguised — R22bn on servicing public debt is the second biggest single item in the budget."

CT 19/3/93

Too much dough in bread — league

(244)

JOHANNESBURG. — The Housewives' League of South Africa yesterday criticised deregulation and accused millers, bakers and retailers of making a big profit from the sale of bread.

Analysing price increases over a 10-year period, the latest issue of the league's Rands and Sense magazine says the cheapest loaf in 1983 weighed 900g. Today it weighs 600g.

"If we calculate the cost of a loaf today at a weight of 900g we find an increase of 312% for white and 431% for brown bread. Brown bread was subsidised in 1983 and is zero-rated under VAT in 1993."

The league said other increases for items on its basic shopping basket list ranged from 142,97% for rice to 516,62 for cornflakes.

"Rice, virtually all of which is imported, has had the lowest increase. The importers must be congratulated on providing a staple so efficiently," the magazine says. — Sapa

CT 19/3/93

The 1993 Budget at a glance ...

By Lynda Loxton

2444

Value-Added Tax (VAT) to increase from 10 to 14 percent on April 7.

(Zero ratings apply to mealie meal, brown bread, mealie rice for human consumption, dried beans and lentils, tinned sardines, milk powder, rice, vegetables, fruit, vegetable oil, milk, cultured milk, brown wheat, flour, eggs, edible legumes and legume seeds).

Customs and Excise duty increases from April 7:

Beer: 4,8 cents per litre
Spirits: 37,7 cents per 350ml
Cigarettes 2,45 cents per 10
Cigarette tobacco 5 cents per 50g
Pipe tobacco and cigars, 5 cents per kilogram
Cold drinks and mineral water: 2 cents per litre
Unfortified wine, fortified wine and sparkling wine. 6 cents per litre
Other fermented drink 10 cents per litre
Sorghum beer 1 cent per litre
Sorghum beer powder. 5 cents per kilogram

No changes in **personal tax.**

Company tax reduced from 48 to 40 percent to encourage investment

Petrol price to increase by 15-16 cents a litre from April 2.

Transfer duty adjustments in line with VAT increase

Sowetan 23/3/93

Checks on zero-rated foodstuffs

ARG 20/3/93 320 244

■ Hard pressed consumers will have to use consumer-clout to ensure that the benefit of zero-rated foodstuffs will in fact be passed on to them after April 7 when a number of new items are exempted from VAT.

WILLEM STEENKAMP, Weekend Argus Reporter

THE government and consumer bodies have admitted they are powerless to ensure that the recent zero-rating of several basic foodstuffs from value added tax will be passed on to hard-pressed consumers.

In fact, it is quite possible the price on zero-rated foodstuffs will rise as a result of the 15-cents-a-litre petrol price increase from April 2

This could be used as an excuse to push up prices across the board — including zero-rated foods.

Although there is no legal recourse against retailers who raise prices on zero-rated goods, the Consumer Council of South Africa is to announce a massive monitoring operation in conjunction with a host of other consumer bodies on Monday in an effort to ensure that the benefit of zero-rated food is passed on

The best way to ensure you are not ripped off by unscrupulous retailers, say consumer advice experts, is to compare prices, shop carefully, and vote with your feet

The Consumer Council, with the Consumer Union, the National Black Consumer Union, the Housewives' League, the Black Housewives' League, the Congress of South African Trade Unions, the National Coucil of Trade Unions, the Vroue Federasie and several women's agricultural unions, will monitor closely the prices of food to be zero-rated from April 7

Consumer Council spokesman Mr Paul Roos said prices on these foods would be checked before and after April 7 and if increases were found, retailers' names would be published.

"We call on consumers who find that prices on zero-rated foods have increased to contact any of our branches with this information

"But apart from this action there is basically nothing else we can do.

"If one shopkeeper wants to charge R1 000 for a loaf of brown bread and people are prepared to pay that price, there is nothing we can do. It is after all a free market system," said Mr Roos

Earlier, Finance Minister Mr Derek Keys said the Food Logistics Forum (FLF), which was appointed in August last year to investigate unbridled rises in food prices, had played a valuable role in bringing prices under control

He called on the FLF to play an equally important role ensuring that the prices of zero-rated food would reflect their changed VAT status from April 7.

But FLF convenor Mr Norman Fowler said his organisation was powerless to ensure this.

"This is a free market system and it is up to the consumer not to buy at places that push up their prices or fail to heed the zero-rating — it is as simple as that.

"Also, competition between retailers should ensure that prices on these foods are kept low to reflect the zero-rating"

Mr Keys, however, did warn of further action if the required response was not forthcoming on zero-rated foods.

A spokesman for the Ministry of Finance, Ms Lesley Lambert, admitted that there was not much that could be done

She could not explain what "further action" meant

"South African consumers should become less complacent, vote with their feet and simply not buy at places where prices are too high," she said

Mrs Sheila Baillie, vice-chairman of the Housewives' League, said it would be difficult to ensure that food to be zero-rated was sold at the new lower price.

"Consumers should now go around and write down the prices of zero-rated foods and compare them after April 7 to ensure they are not ripped off.

"It is also of great concern to us that the pending rise in the fuel price may in some instances be used to justify a rise in the price of zero-rated foods

"But the consumer should apply pressure on retailers and ensure also that they (the consumers) know exactly which foods are exluded from VAT

"If they find the prices of the zero-rated foods are put up before April 7, they should complain to the manager of each and every store where this happens"

BUSINESS DAY, Monday, March 22 1993 3

Fuel price increase likely

GERALD REILLY

PRETORIA — Motorists should brace themselves for another fuel price rise in the months ahead, government sources said last week BDM 22/3/93

The 16c/l price increase announced in the Budget would by no means be the last this year, they said

In October last year, when he announced a 7c/l price increase, Mineral and Energy Affairs Minister George Bartlett warned of a big price rise early in the new year — and of smaller and more frequent adjustments thereafter.

Bartlett said avoiding large, widely spaced increases would soften the blow to consumers and the economy (244)

According to a Mineral and Energy Affairs Department source, the 7c/l in October and the latest price hike would compensate for under-recoveries and the consequent drain on the Equalisation Fund.

This drain on the Equalisation Fund had occurred almost monthly during the past 12 months

However, if the fund stayed as weak as it was, or got weaker, future under-recoveries would be corrected "timeously with price adjustments".

Zero-rated food prices to be surveyed

244

PRETORIA. — The Consumer Council yesterday started a nationwide campaign to monitor the food prices of basic foodstuffs to be exempted from VAT from April 7.

The council's executive director, Mr Jan Cronjé, said the foodstuffs should be reduced by 10% on that date.

Besides Cosatu and Nactu, other consumer groups, including women's organisations, would help with the effort.

CT 23/3/93

Mr Cronjé aapealed to consumers to help with the project by reporting sudden price hikes of zero-rated food to the council.

Foodstuffs to be exempted from VAT include rice, fresh fruit, vegetables, vegetable oils, fresh milk, cultured milk, brown wheat meal, eggs and dried and split peas. — Sapa

Price hikes predicted

(244) KELVIN BROWN

BDM 23/3/93

PRICES of big ticket items were expected to increase 10%-15% from April, retailers and manufacturers said yesterday.

Although VAT and the petrol price would affect prices, they said the main cause was the depreciation of the rand over the past few months.

Most electronic goods and top of the range appliances sold in SA were imported. Most components for appliances, TVs and hi-fi systems produced locally were also imported

Since the beginning of the year the rand had depreciated from R3 to the dollar to R3,20

Leftover stock at old prices would be snapped up as consumers bought ahead of VAT increases, Panasonic MD and Radio and TV Manufacturers' Association chairman Alan Coward said

He expected prices to rise by at least 10% in April because of the rand's devaluation.

Most imports were paid for in dollars, Philips product manager Collin Ash said. Overseas supply prices had not only been affected by the devaluation of the rand but also by the strenthening of the yen against the dollar.

To maintain price parity people would have to purchase more middle of the range items, Pick 'n Pay merchandise director Aubry Zelinsky said. SA could no longer afford products at the upper end of the market

Merchandise ariving now was purchased in October/November last year when the rand was less than R3 to the dollar, Zelinsky said.

● Comment: Page 10

Star 25/3/93

9% inflation lowest in almost 20 years

(244)

By Sven Lunsche

The inflation rate fell to 9 percent in February — its lowest level in almost 20 years — the Central Statistical Services (CSS) announced yesterday

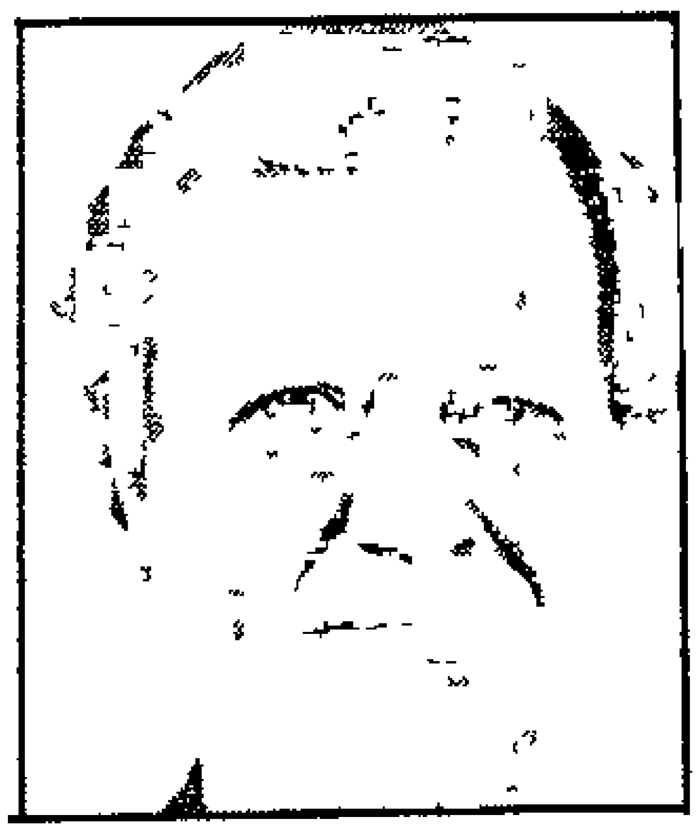
However, economists are bracing for a further rise in inflation once key tax proposals announced in the Budget take effect

The latest drop in inflation, which measures 12 months' rises in the Consumer Price Index (CPI), follows dramatically improved agricultural conditions in the wake of good summer rains

The 9 percent inflation rate in February compares with a rate of 9,7 percent in January and is the lowest since 9,5 percent was recorded in 1973

The food component of the CPI showed a 14 percent increase between February this year and February 1992, well down from a peak of about 44 percent last year

Further downward pressure on food prices is indicated by monthly price trends between January and February this year Overall food prices only showed a modest 0,3 percent increase led by a 0,4 percent rise in the cost of meat



Derek Keys . . . Budget will up inflation by 2 percent.

Prices of vegetables and fruit, however, fell by 0,5 and 0,2 percent respectively on a monthly basis

The CPI for all products was up by 0,3 percent

Pressure

Economists believe that the downward pressure on prices would have continued had it not been for the impact of a number of tax proposals in the Budget.

These taxes, which include a rise in VAT to 14 percent, a 16c per litre hike in petrol and diesel prices and higher excise duties, could lift inflation to 11 or 12 percent by April, when they take effect

Sanlam's chief economist Johan Louw warned yesterday that the Budget proposals on indirect taxation could push up the inflation rate by as much as three percentage points in April

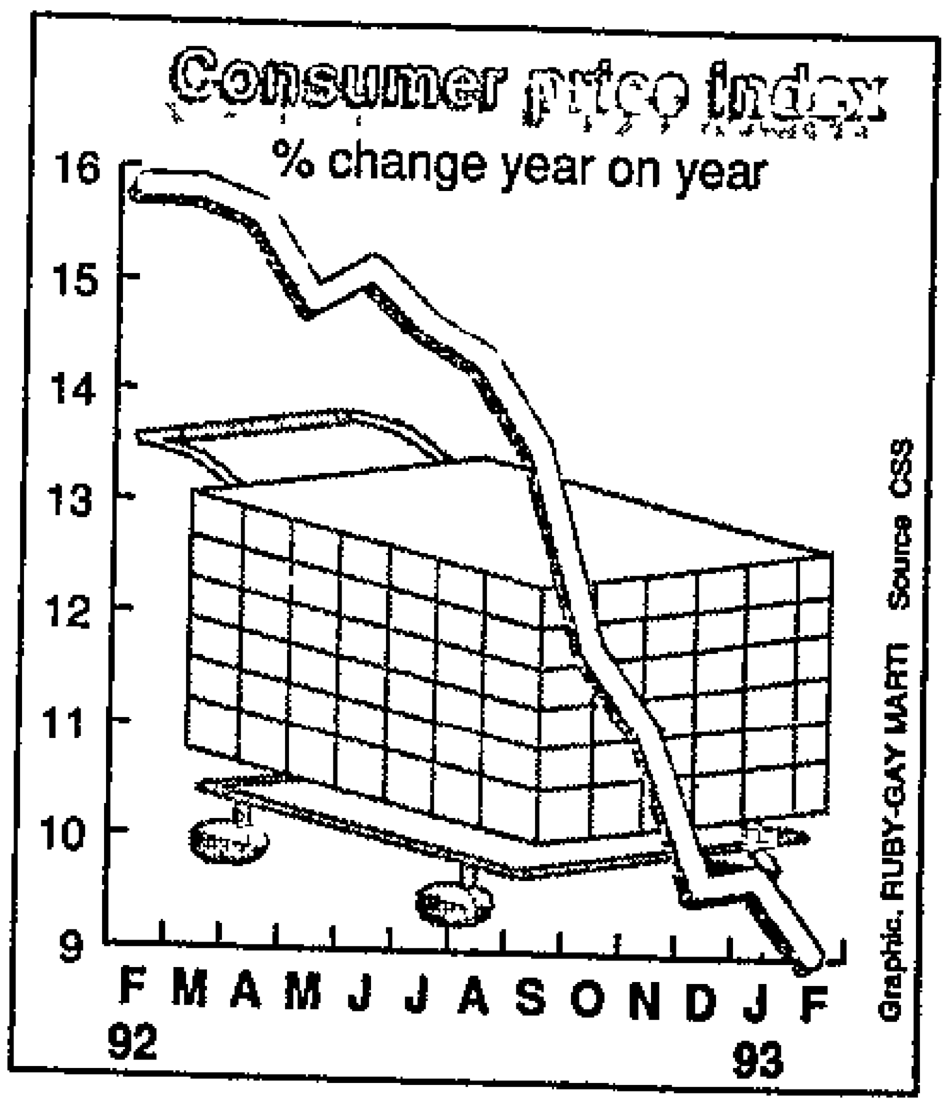
However, Louw still expects the inflation rate to average 10,5 percent this year This is considerably lower than 1992's rate of 13,9 percent.

He says the underlying inflationary pressures had been noticeably reduced as a result of considerably slower increases in labour costs higher productivity and lower interest rates

However, Louw warns that the improvement since late 1992 would be temporarily reversed by the higher VAT rate, increased excise duties and the fuel price rise announced in the recent Budget

This could cause the inflation rate to jump to more than 11 percent in April

In his Budget speech Finance Minister Derek Keys said inflation would rise by two percentage points as an immediate result of his proposals.



Consumer inflation falls to 15-year low

BIDAY 25/3/93

(244) TIM MARSLAND

CONSUMER inflation fell to 9% in February, its lowest level in 15 years, as the rise in food prices continued to slow with the effects of the drought subsiding, economists said yesterday.

But they warned that inflation would rise sharply in April as the VAT and fuel price increases took effect.

Central Statistical Service (CSS) figures yesterday showed that consumer inflation in the 12 months to February slowed to 9% from January's 9,7%. For the month, consumer prices rose just 0,3% in February from January's 1,1%

In the food category, soft drinks rose 5,3% in February while meat prices rose 0,4% Seafood was up 1,4% from January, and tea and coffee rose 1,3% But fruit and nuts, which rose 44% in the year to February, fell 0,2% during the month

UAL Merchant Bank economist Dennis Dykes said the figures were encouraging, particularly the food component.

Inflation appeared to be slowing significantly as indicated by the prices of durable and semi-durable goods

Inflation was likely to fall to about 8,5% in the year to March, partly because of the reduction in the bond interest rate "After that, the fireworks start," he said. Inflation would rise about 3,3% in April from March.

Absa economist Dominick Sutton agreed the inflation figure was good news, particularly because of the slowing in prices on a monthly basis He expected inflation to rise about 2,5% in April from March

Inflation rate down to 9%

. . . but food index still high

25/3/93

(244)

By AUDREY D'ANGELO
Business Editor

THE inflation rate as measured by the consumer price index (CPI) continued its downward trend in February. Figures released by the Central Statistical Services yesterday showed that the year on year figure eased to 9% compared with 9,7% in January.

The month on month rise was only 0,3% compared with a larger than expected 1,1% in January.

But the food only index was still high at 14% compared with 14,8% in January.

Because food makes up a higher proportion of their total expenditure, the CPI for the lower and middle income group was 9,8% year on year compared with 8,5% for the higher income group.

This compares with 10,2% year on year in January for the lower and middle income groups and 9,5% for the higher income group.

The CPI for pensioners was 10% year on year compared with 10,6% year on year in January.

The food inflation figure for chain stores was 9% over the past nine months compared with 8,7% for other retailers.

However, some items which had risen steeply compared with February last year had in fact fallen in price month on month. Among these were fruit and nuts which were up 44% year on year but in fact had fallen by 2,2% between January and February.

Vegetables were up 21,6% year on year but dropped 0,5% month on month. Meat was up 3,3% year on year but only 0,4% month on month.

One of the biggest monthly increases was for non alcoholic beverages, which rose 20% year on year and 5,3% month on month.

Economists said that although they expected the CPI to move upwards in April as a result of the 4% rise in VAT and higher petrol and diesel prices, this month's figures showed that inflationary pressures were still downwards and that the end of the drought was already beginning to affect food prices.

Boland Bank economist François Jansen and Amalgamated Banks of SA (Absa) economist Dominick Sutton pointed out that weak disposable incomes were keeping prices down because consumers could not afford to pay more.

Sutton said that, because of this, inflation might not rise in April by the expected 3%. "In many cases, retailers may have to absorb at least some of the VAT increase."

Jansen said: "Demand is depressed because people just have not got the money to pay more. Retailers will have to keep their prices down if they want to stay in business."

Syfrets economist Elmien de Kock commented: "The immediate concern lies with the March inflation rate.

"There may have been some pre-VAT increases, similar to the last time. However it is my view that the economic environment is very different.

"Lower mortgage rates should also negate any increase in prices — the cut in bond rates will be reflected in the March housing cost.

"The bulk of the VAT increase and the fuel hike will be felt in April — with some spill over into May. The index can rise fairly sharply in April, but these statistical factors will fall out of the index in a year's time, at which stage inflation may be in single digit territory again."

Old Mutual chief economist David Mohr said that although the CPI would move up in April the small increase in February was encouraging. It meant that prices would move upwards in April from a low base.

"No one expected such a small increase in February after such a big one in January. It shows that the underlying inflationary pressures are more subdued than they have been for years.

"We shall see the CPI kick up, but these figures give us more confidence that it will come down again."

More for less

(244)
CRU 27/3/93

CONSUMERS were paying up to 70 percent more for potatoes sold by mass than potatoes sold in 10 kg pockets and up to 105 percent more for onions, a Consumer Council survey showed.

Supermarkets 'fool public'

(244) CT 31/3/93

Former dairy boss hits out

By GLYNNIS UNDERHILL

A FORMER director of Dairybelle has hit out at supermarkets for "fooling the public" into believing that they are the friends of the consumer.

Mr Maarten Henning, of Panorama, who retired due to ill-health, is going public with his accusations that many supermarkets "don't give a hoot" about keeping prices down

"I had 24 years of exposure to supermarket intimidation and inefficiency and, when I dared open my mouth, not only did they throw out my product, but that of the whole group as well Fortunately a strong brand name kept me going," he said

Among the many charges Mr Henning makes are that supermarkets only pay their suppliers after 60 days — pushing up the suppliers' overdraft costs and adding to the product's price

Mr Henning claims that supermarkets over-order perishable goods to make shelves look impressive "The supermarket over-orders to create an image of demand, especially dairy products The next day he hands the surplus order back for full credit Should the supplier refuse, he is told not to call again, and the consumer pays for the intimidation by and inefficiency of the supermarket," he said

Mr Alan Baxter, general manager of Pick 'n Pay Supermarkets, responded in a newspaper letters column to Mr Henning's allegations by accusing him of having had a "stranglehold on the Cape Town dairy industry" for many years

"He obviously still continues to have an axe to grind with the supermarkets, as we fought his cartel all the way," he said

Mr Henning's allegations were "irresponsible and utter nonsense", he said

Mr Mike Bevon, group marketing director of Spar, said yesterday that he recognised a lot of the complaints that Mr Henning had with some supermarkets

"But our policy is to pay the supplier according to his terms" The cost to the consumer for the gripes Mr Henning listed would be minimal, he said

Mr Marius Kritzinger, marketing manager of Bonnita Dairy, said his group had a very good relationship with supermarkets

"I don't want to comment on Mr Henning's claims If we have any troubles with the supermarkets, we will fight it out with them ourselves," he said

ACCUSATIONS ... Retired former director of Dairybelle Mr Maarten Henning has accused supermarkets of inefficiency Picture ANNE LAING

FM 2/4/93.

CPI

Apples again

It's round two in the battle between Pick 'n Pay chief Raymond Ackerman and Central Statistical Service head Treurnicht du Toit In a *Radio Today* interview last week Ackerman again claimed that food price rises in his stores are running way below the official food inflation rate

A transcript from *Radio Today* reports him as saying that inflation was "just on 3% over the last three months and, if you take it for six months, it's just over 3,5%." Annualised, these amount to inflation of about 12,5% and 7% respectively.

Ackerman later amended these figures. He told the *FM* his prices had risen only 1% in the past three months — an annualised 4% These figures are all below the official food inflation figure for February of 14%

Terribly unfair

Last year, when a figure of 30% for July food inflation was published, Ackerman claimed his food inflation rate was only 15%. He raised the point again in the interview Attacks on retailers, he said, were "terribly unfair because we challenged the (official) figures and after we had challenged them for three or four months, the figures are now down with food at 14%"

Ackerman later told the *FM* "that figures such as these (30%) have an inflammatory effect on consumers and labour organisations, which is wrong for the country"

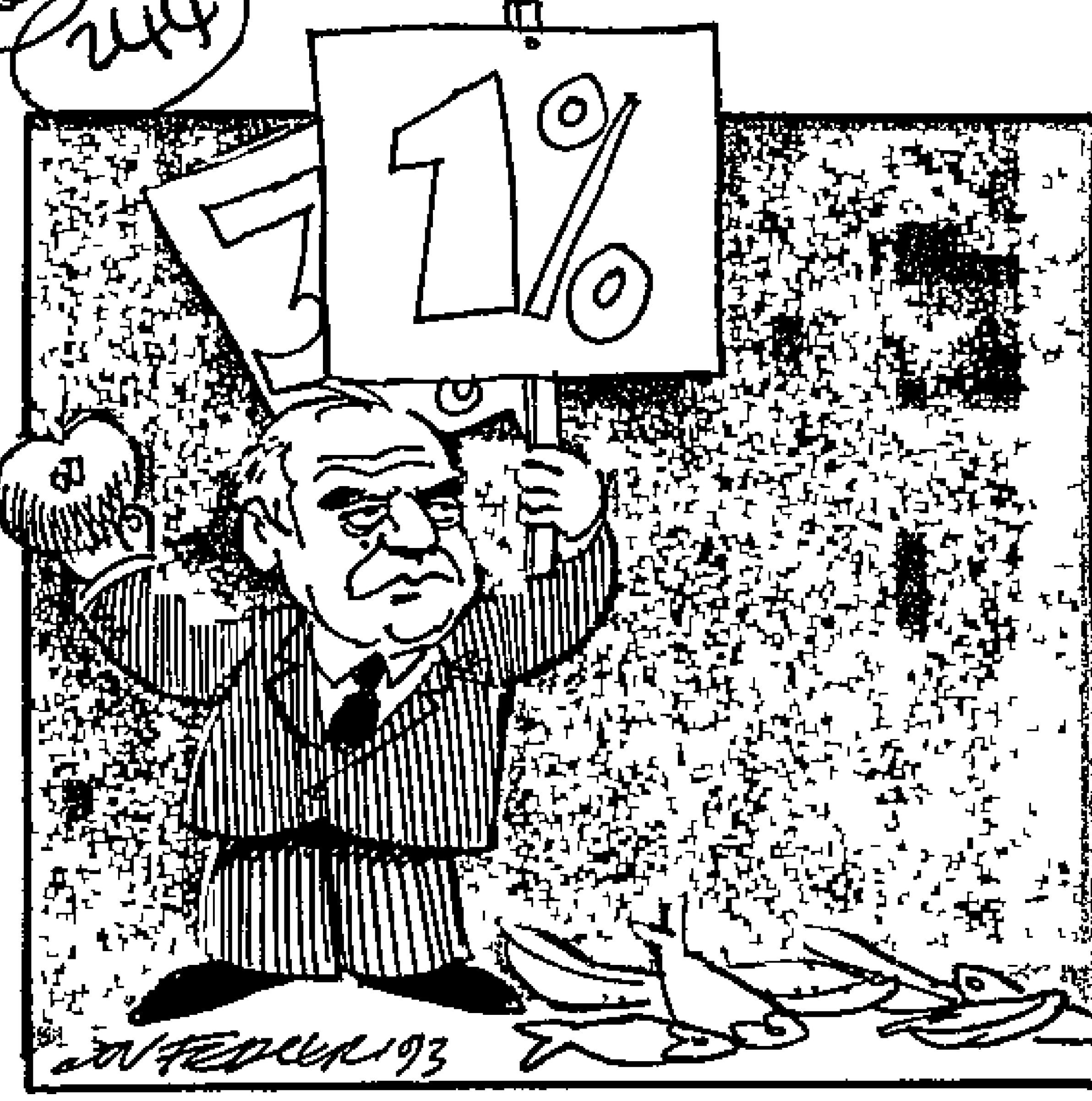
Du Toit rose to the challenge He says the innuendo in Ackerman's statement is offensive "Ackerman forgets that his own Food Logistics Forum gave the official index a clean bill of health He might succeed in persuading his customers that he is running his stores as a public service He has not persuaded us that his primitive statistical method of turnover divided by number of items has any validity Until he uses standard statistical methods to compare apples with apples, we will maintain that he is indulging in a publicity exercise at the cost of the credibility of scientific data produced at the taxpayers' expense"

Ackerman responded: "I'm not questioning the scientific basis of the official figures. However, I am saying that they don't represent the price increases which our customers have to pay for food." Ackerman says his prices are fairly representative of large retailers.

Last year, Ackerman complained that the added weighting of small retailers in the index distorted the overall figure But, since a breakdown of price changes between large and small outlets was first published late last year, price increases at the large retailers have not differed much from the official rate Between May and February, prices have risen more at the large retailers than at their smaller counterparts, 9% against 8,7%

Du Toit says that if Ackerman continues to claim that the official figures are wrong, "he should allow us to publish the information we collect from him to back up his claims that inflation at his stores was significantly lower than the official rate" Ackerman says he is prepared to allow this if necessary He says he does not want to get involved in a further dispute with Du Toit "I just believe our method is better"

Du Toit says he eagerly awaits Ackerman's written approval to publish the data Without it, the Statistics Act forbids publication



Food makes up 18,5% of the total consumer price index Slowing food inflation since October has played a major part in bringing overall annual inflation down into single figures, currently at 9%

The increase in the food index between January and February was 0,3%, as was the increase in the overall index The small rise had much to do with the monthly declines in the indices for fruit and nuts (-0,2%) and vegetables (-0,5%)

The index for all nonfood items rose 0,3% in the month and 7,7% year-on-year.

In the month

☐ Housing (with a weighting of 20,5% in the overall index) rose 0,1% The index is, however, 3,2% lower than it was 12 months previously;

☐ Transport (weighting 14,4%) which rose 0,3%, year-on-year 10,8%,

Continued on page 34

FM 2/4/93.

Continued from page 31

☐ Clothing and footwear (7%), up 0,2%, year-on-year 6,3%;

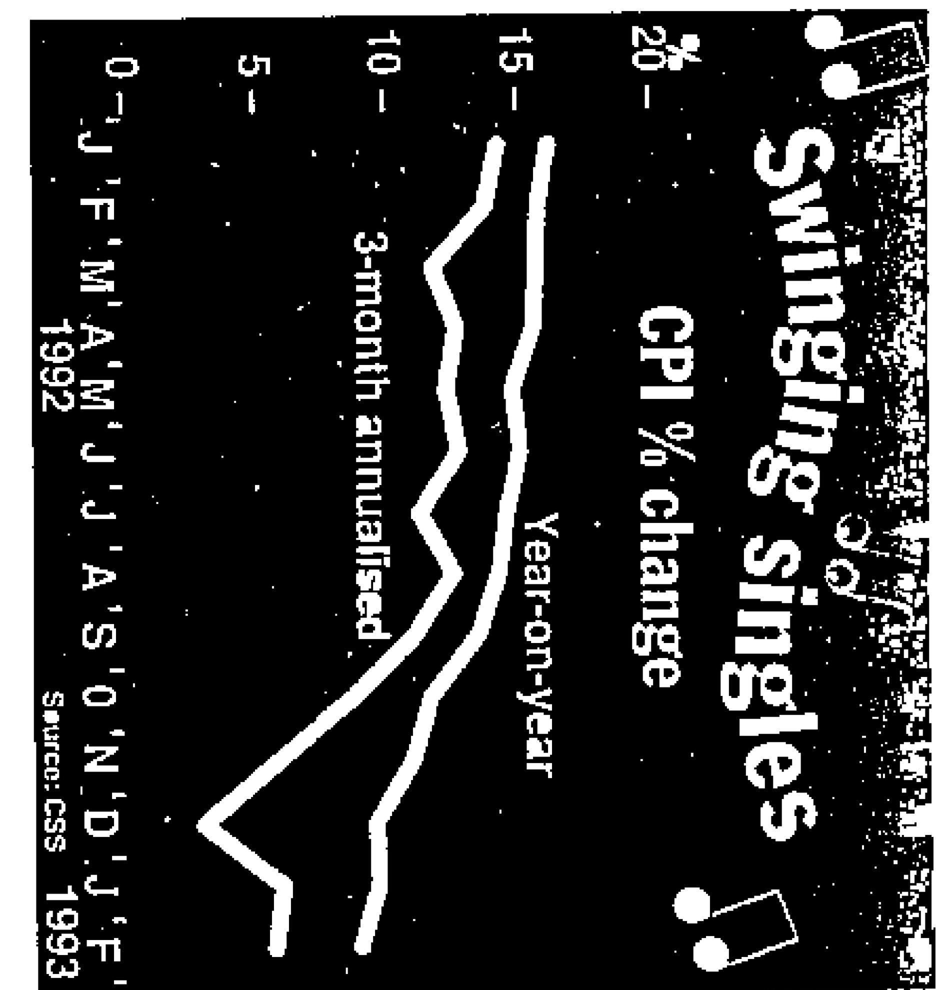
☐ Furniture and equipment (5,5%), up 0,1%, year-on-year 6,7%;

☐ Medical care and health expenses (5,2%), no rise in the month, year-on-year 13,2%

Most of these items are expected to rise only moderately in March and the housing index will fall as mortgage rate cuts, announced in mid-February, come into effect

Coming after several months of small price increases and occasional price declines, the 12-month inflation figure for March might be less than 8,5%.

Thereafter, one can expect increases across the board due to the latest Budget proposals



The overall increase in Vat, from 10% to 14%, will affect all items other than basic foods The higher fuel levy will push up the transport index — running costs in particular, but probably public and hired transport as well The fuel and power index should also be affected And increased excise duties will nudge up alcoholic and non-alcoholic beverages and cigarette, cigar and tobacco prices

To this must be added the other price increases which generally follow the Budget, such as increases in postal tariffs, which will affect the communication index

These factors should mean an overall monthly increase in the index of about 3% in April, pushing the year-on-year rate above 10% that month ■

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Petrol price rise biggest so far

(244) South 10/4-14/4/93

By Waghied Misbach

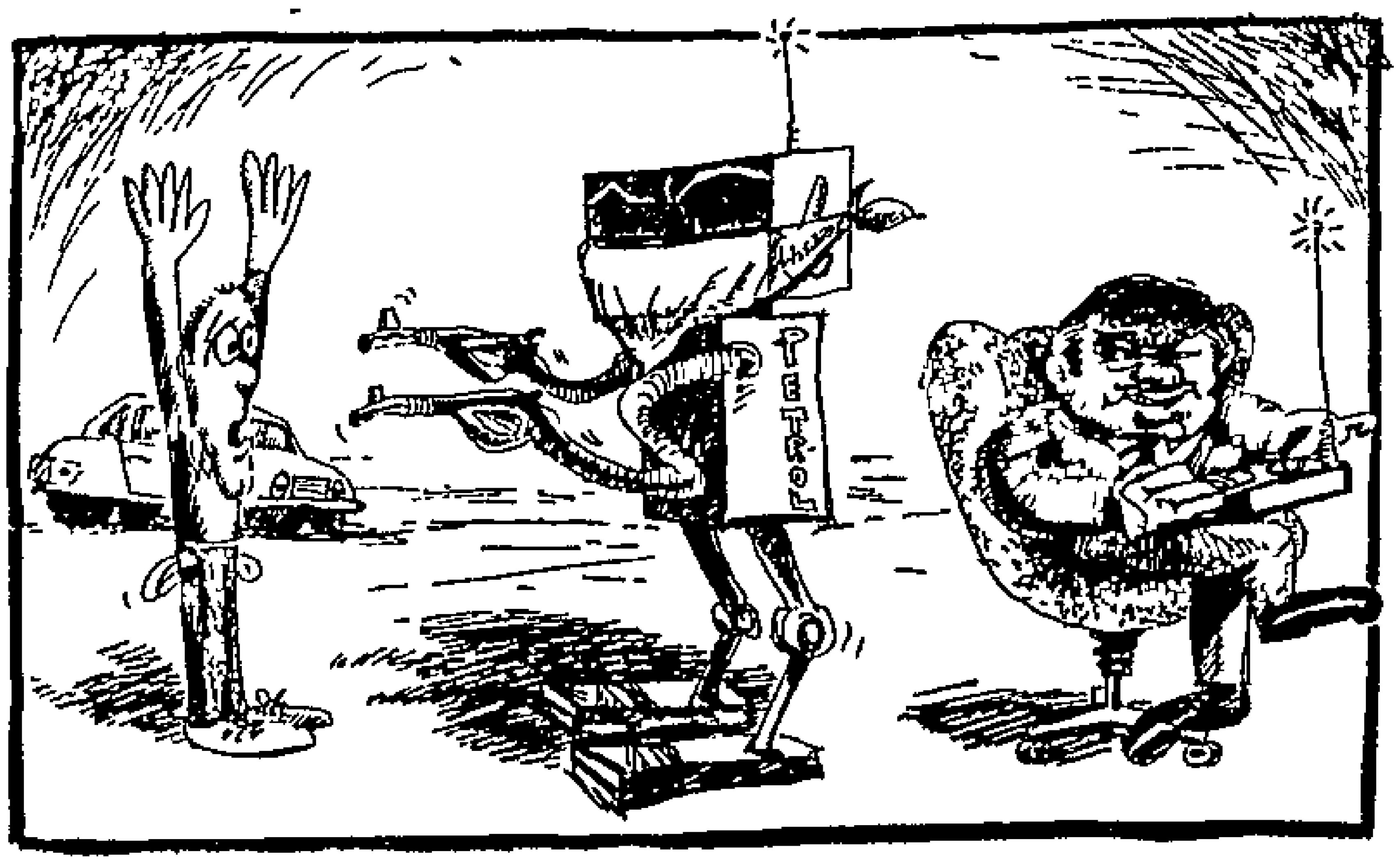
WHILE the increase in VAT attracted much attention, the biggest hike in the petrol price since 1979 — 16 cents a litre — came into effect quietly on April 2.

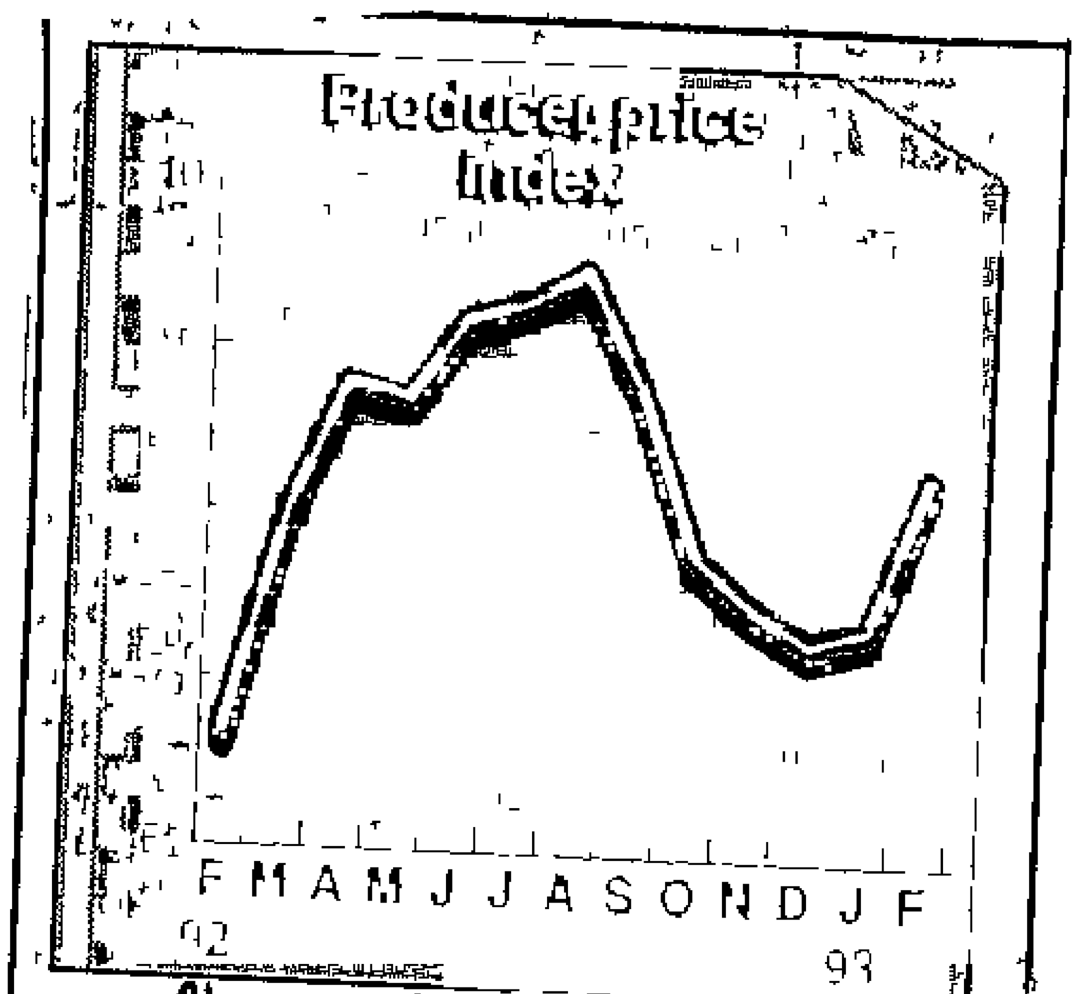
The increase affects every consumer and business. It was the heaviest since the last major oil crisis when the Shah of Iran was overthrown in 1979.

However, this increase is not about an oil crisis, but is aimed at increasing government revenue.

In effect, consumers will be paying the government an extra six cents a litre, which amounts to revenue of R740m in a year.

Consumers will further subsidise the controversial Multilateral Motor Vehicle Accident Fund, with an extra three cents a litre for petrol and 2 cents a litre for diesel.





Graphic LEE EMERTON Source CSS

BDay 16/4/93

PPI jump startles capital markets

244

GRETA STEYN

INFLATION at the producer level took a sudden turn upwards in February, jumping to 8,3% from 7,4% in January after sticking below 8% since October last year.

The release yesterday by the Central Statistical Service of the producer price index (PPI) sent shivers through an already bearish capital market.

However, economists said the underlying inflation trend was still downwards and the markets should not read too much into one month's figures. Once the inflationary impact of the Budget had been absorbed, the PPI rate of increase could again fall below 8% by mid-year.

An important feature of the PPI in February was the acceleration of import prices after months of stability. The index for imported commodities rose by 1,3% between January and February, after falling in January and registering virtually no increase in December.

Economists ascribed the upward spurt in the imported component of the PPI to sharp increases in crude oil prices towards the end of last year and the beginning of 1993. An economist said these price increases were only now beginning to filter through because of the lag between purchasing of oil and delivery. The month-on-month increase in oil prices in January was almost 11%, after increases of about 5% the previous two months.

The effects of the weak rand are also starting to fuel inflation, with the imported component of manufactured goods on a rising trend (up by 0,76% month on month after 0,7%, 0,5% and 0,1% in the previous

☐ To Page 2

PPI

BDay 16/4/93

☐ From Page 1

months). But economists predicted the effects of rand depreciation would be muted as the weak demand in the economy would force importers to absorb price increases.

Locally produced commodities also rose by a substantial margin (1,2%). One of the main reasons was a sharp rise in the price of fresh meat — almost 5% between January and February.

244

Economists said the drought had seen farmers slaughter livestock at a faster rate than usual, so that meat prices were low during the drought. The situation was now being reversed as shortages had arisen, putting upward pressure on prices.

Producer inflation increases to 8,3-pc

Star 16/4/93

By Sven Lunsche

244

After falling almost continuously since August last year, producer price inflation moved sharply upwards in February

The Central Statistical Services reported this morning that the Producer Price Index (PPI) in February was 8,3 percent higher than in the same month last year In January producer price inflation was running at 7,4 percent

The jump in producer inflation is bad news for consumer prices, which are already under upward pressure from this month's rise in VAT and last month's increase in fuel levies and excise duties

Economists cautioned, however, that not too much significance should be attached to the one month spurt in producer prices, as this could be largely attributed to higher international oil prices

This is confirmed by the high monthly 1,3 percent rise of the PPI for imported commodities.

While on a year-on-year basis price rises of imported producer goods at 5,4 percent are still fairly low, they have come under pressure from higher oil prices and the weaker trade weighted value of the rand.

The PPI for locally produced goods rose by 1,2 percent on January this year and by nine percent on February 1992

Large monthly rises were recorded by two main sectors — meat products and motor vehicles

According to the CSS fresh meat prices rose by five percent in February, agricultural meat prices by 5,2 percent and other agricultural food products by 4,5 percent

However, reflecting the improved agricultural conditions following the recent good rains, prices of grain products fell by 2,3 percent and fruit and vegetables by 7,3 percent

In view of recent price rises in the car industry the average price of motor vehicles, parts and accessories rose by 3,2 percent in February.

Other large increases were reported by non-metallic mineral products (3,4 percent) and other manufacturers (8,2 percent).

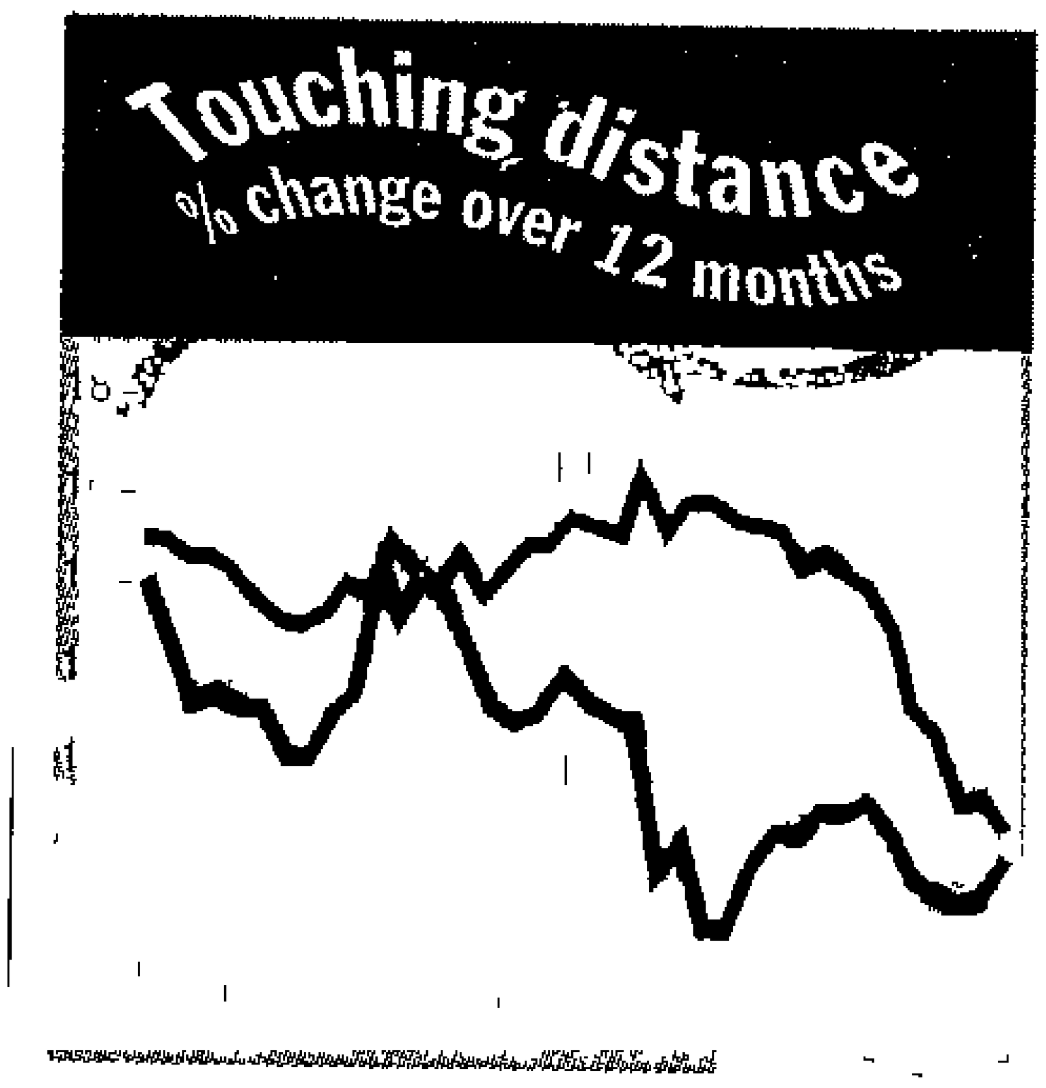
PRODUCTION PRICE INDEX

On course

(244) FM 23/4/93

Producer inflation rose in February to 8,3% from 7,4% in January The monthly rise was 1,2%, well up on January's 0,2% Central Statistical Service reports a sharp monthly rise in various products The only declines were in grain and fruit prices, which fell 2,3% and 7,3% as the drought receded These prices are likely to remain low

The item other manufactures registered an 8,2% monthly rise This category covers a wide variety of goods, including jewellery, musical instruments, toys, pens and firearms There is no obvious explanation for the sudden surge, says Sacob economist Keith Lockwood



Other increases were in

☐ Meat (agriculture), up 5,2%, and fresh meat (manufacturing) 5% Meat Board figures on auction prices reflect a different picture only the mutton price rose, from R7,32/kg in January to R7,51/kg in February, the price of beef dropped, from R5,24/kg in January to R5,13/kg in February, and the pork price remained static at R4,46/kg Figures for March show beef fell to R5,06/kg and lamb to R7,29/kg, while the pork price rose marginally to R4,47/kg

cont

FM 23/4/93. (244)

Meat Board figures are not directly comparable, says a Central Statistical Service spokesman, because "weighting methods differ and the components are not identical"

Considering the lack of correlation of the figures, it is difficult to estimate the impact of the downward trend in auction prices on the production price index in March,

☐ Other agricultural food products up 4,5% — largely due to a 6% rise in the price of distilled wine which constitutes about half of this item,

☐ Fishing products 3,5% Steve Malherbe, MD of Federal Marine, the central selling organisation for the canned pilchards sector, says the rise is largely the result of its annual average increase of 11,5%,

☐ Other mining and quarrying, largely oil, 3,1% The price of the benchmark Brent Crude rose over US$18/barrel at the end of January It subsequently topped $19 on a number of occasions So pressure from this source remains,

☐ Beverages up 3,7% This followed an 11,5% increase in prices charged by soft drinks manufacturers,

☐ Metal products 3,4% Says Seifsa economics head Michael McDonald "There was an 8,1% increase in the steel price between December and January This would have started coming into the production price index in February, when order levels increased,"

☐ Motor vehicles, parts and accessories 3,2% The pressure has come mainly from motor vehicles and includes a price increase by Mercedes-Benz on February 1 and Nissan on January 15 Increases, from Toyota on March 3 and Nissan on March 8, will be felt later The first will appear in the March producer price figures and the second in the April figures In May, increases from Volkswagen will come through These rises relate to the strengthening of the Japanese and German currencies Little pressure came from parts and accessories Denzyl Vermooten, executive director of the National Assocation of Automotive Components & Allied Manufacturers' Association, says "We have to negotiate price increases and have been under severe pressure from manufacturers to absorb cost increases We don't expect any significant movements in the first half of this year," and

☐ Nonmetallic mineral products — comprising lime, crushed stone, asbestos and glass products — up 2,9%

Sacob's Lockwood expects the index to stabilise in March and rise in April under the impact of the administered fuel price increase announced in the Budget "Thereafter, I believe the index will continue the downward trend, though marginally, and could end the year at 6,5%-7%"

The disparity between consumer and producer inflation has almost disappeared Consumer inflation has fallen steadily from more than 16% in January 1992 to 9% in February 1993

The two rates diverged after January 1991 when both were 14,3% (see graph) Following the end to the Gulf War, producer price inflation fell steadily, helped by relatively small increases — and later absolute declines — in the prices of imported commodities Consumer prices, however, started climbing steadily, peaking at 16,8% in October as the index absorbed the impact of Vat (which is levied on a wider range of foodstuff than the GST it replaced), before slowly subsiding to its present single-digit level ■

Pretoria 'most expensive city'

PORT ELIZABETH — For lower-income groups Pretoria is the most expensive place in the country and Queenstown the cheapest.

This is according to the latest household subsistence level survey by the Institute for Planning Research at the University of Port Elizabeth. CT 24/4/93

In March the subsistence level of a family in Pretoria was R946, and in Queenstown R827 — Sapa (244)

Star 24/4/93. 344

Final cost of Hani march

CAPE TOWN — Final cost of damage to city council property, including burnt-out Grand Parade stalls, during the Chris Hani march was R165 747. Now the city council is considering tougher controls — with large gatherings confined to the Parade, sports fields or stadiums. — Sapa

THE WEEK AHEAD by Simon Willson

March's one last hurrah for single-digit inflation

Bdom 26/4/93. (244)

INFLATION may, temporarily, be making its single-digit swansong this week with the release of the March consumer price index (CPI). But attention is already turning to how the historically low inflation rates of recent months can be locked in once the effect of the Budget's tax and duty increases fades from the CPI.

Consumer inflation eased to a fresh 15-year low of 9% in the year to February as increases in food and housing costs, which have the two biggest weightings in the CPI's shopping basket, continued to subside. The February outturn took inflation to its lowest level since the 9% recorded for June 1978

The higher VAT rate, petrol price rise, and increased excise duties included in last month's Budget will boost the April inflation rate and end, for a time, the current sequence of historic inflation lows. But there should be one last hurrah for falling inflation in the March CPI figure due this week.

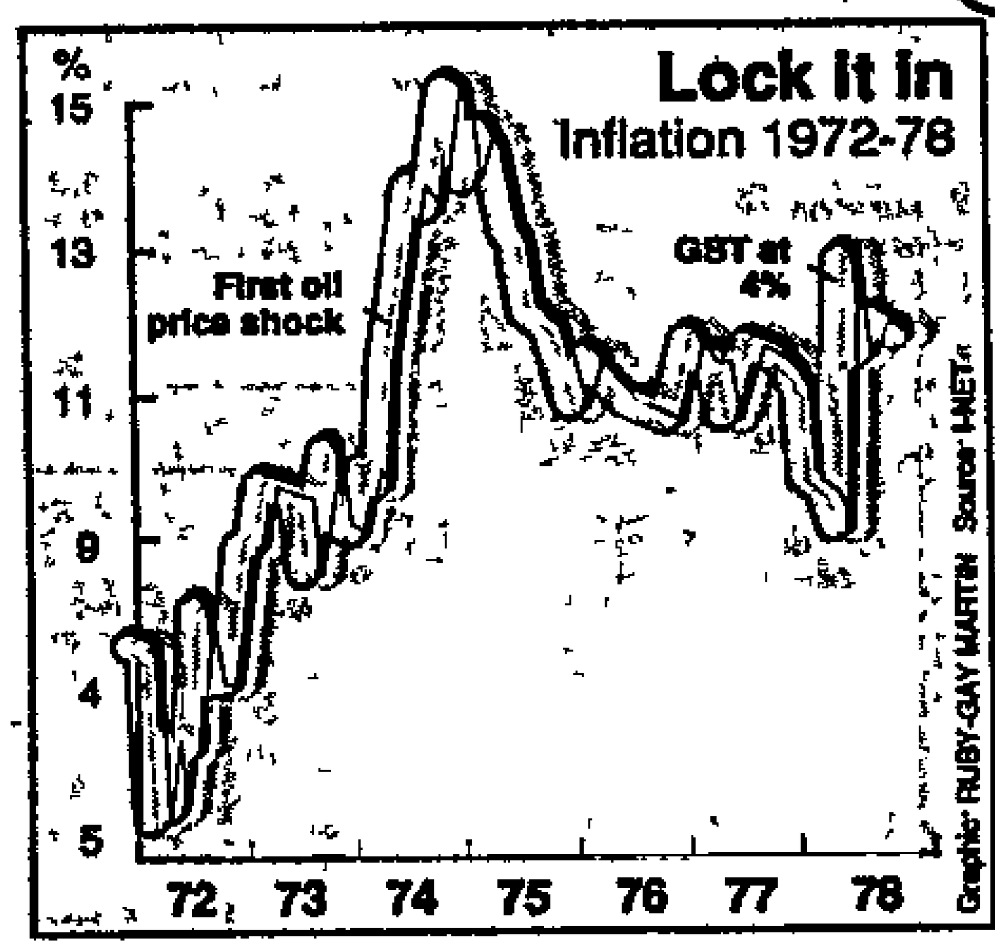
Most analysts expect the CPI's two most influential components, housing and food, to continue to push headline inflation lower in the March readout.

A popular projection is 8,5% which, as the chart shows, would be a truly epochal event in SA's inglorious inflation record. The next inflationary low in the CPI's sights is the 8,4% posted in 1973. Whatever this week's precise CPI outturn, the March inflation rate could be at or very near a 20-year low instead of around the 15-year lows of January and February.

This would represent another material advance in the monetary authorities' painstaking campaign to reduce inflation to trading partners' levels, and raises the question of how the disinflationary gains made to date can be locked in.

Inflation rose in the '70s and '80s for mainly structural reasons and the ultimate solution is therefore the type of restructuring set out in the Finance Department's economic model. But the model has a medium-term time span — its objectives are five years distant. The challenge is to lock in inflation at its current lows over the short term.

Since macroeconomic restructuring has not yet begun in earnest, today's relatively low inflation is perceived as a purely cyclical event. But SA is not alone in trying to override a cyclical upturn in inflation. Some other traditionally high-inflation countries are also trying to lock in inflation rates that are cyclically low. The encouraging part of this analogy is that SA is ahead of the game.



The UK (1980 inflation average: 18,5%) and France (13,5%) have, with mixed results, been trying to lock in their low inflation (now 1,9% and 2,1% respectively) by stabilising their exchange rates, confining their monetary growth to targets and freeing their central banks of government control. Neither has yet achieved all three. SA has.

The desperation of would-be low-inflation countries such as the UK and France to adopt short-term adjustments that were accomplished in SA some years ago offers hope that SA may already have the capability to lock in single-digit inflation. Whether its authorities will have the resolution required to defy the remorseless business cycle is another matter.

An important part of the process of locking in low inflation should feature this week when the March money supply data are published. Growth in the broad-money M3 aggregate was little changed at 5,4% in the year to February from January's 5,3%. Growth from the base of the guideline year, at 1,4% in February, is moving towards the 6%-9% 1993 guideline range. If the Reserve Bank is still able, in the transitional years ahead, to confine the rate of M3 growth to that of expected nominal GDP it will help lock in prevailing inflation, since higher inflation will thus not be accommodated by the monetary base.

Internationally, markets will be looking for further evidence of economic recovery in Britain when UK first-quarter GDP is released today. Marginal growth of 0,1% in the fourth quarter of last year is expected to be superseded by a rise in real GDP of around 0,5% for the March quarter, which would support the upswing signals in last week's UK unemployment and retail sales data.

Conversely, slower growth is likely to be indicated when US first-quarter GDP is published on Thursday. The US economy grew at an annual rate of 4,7% in the December quarter — the fastest pace for four years — and some lacklustre US monthly data during the last three months suggest a slowdown in the three months to March.

A big week for Japanese statistics starts tomorrow with Japanese February leading indicators. The index rose in January to the watershed 50 level that separates a growing or contracting economy in six to nine months' time. The strong yen, an uptick in money supply and the government's public works programme might raise the index again.

On Friday Japanese March industrial production figures are published. Factory output rose 1,9% in February, breaking a run of four monthly falls, but the increase was mainly due to the availability of new car models. The unwinding of this effect, and the problems for export industry from the strong yen, may yet dull the March outturn.

Japan's March inflation rate is also released on Friday and, although the annual rate has risen for three consecutive months to February's 1,4% the monthly rise in prices has never been more than 0,1%. The yen's new record dollar highs and continued sluggish domestic demand should keep price increases measured in March tightly in check.

THE WEEK AHEAD by Simon Willson

Buss. day 11/6/93

Extended data prepared for April CPI

244

APRIL's inflation rate is expected towards the end of the week, after delays associated with broadening the survey of consumer prices to make sure the effect of the VAT hike shows up in the figure.

In its quest for a thorough study of the impact of VAT's rise from 10% to 14%, effective on April 7, the Central Statistical Service (CSS) April price survey was more detailed than usual.

It was extended to cover all items that feature in the consumer price index (CPI) — including those normally surveyed less often than once a month

The expansion of April's monthly CPI survey to accommodate prices usually monitored quarterly or biannually is primarily responsible for the delay in publishing the inflation rate, although the VAT hike itself will also have contributed

Respondents to the price survey were asked to quote prices effective from April 7 and inclusive of VAT at 14%, but many of the larger outlets withheld VAT-related price increases until after the April 9-12 Easter weekend. Deciding which price to quote to CSS has probably held up some of the CPI questionnaires

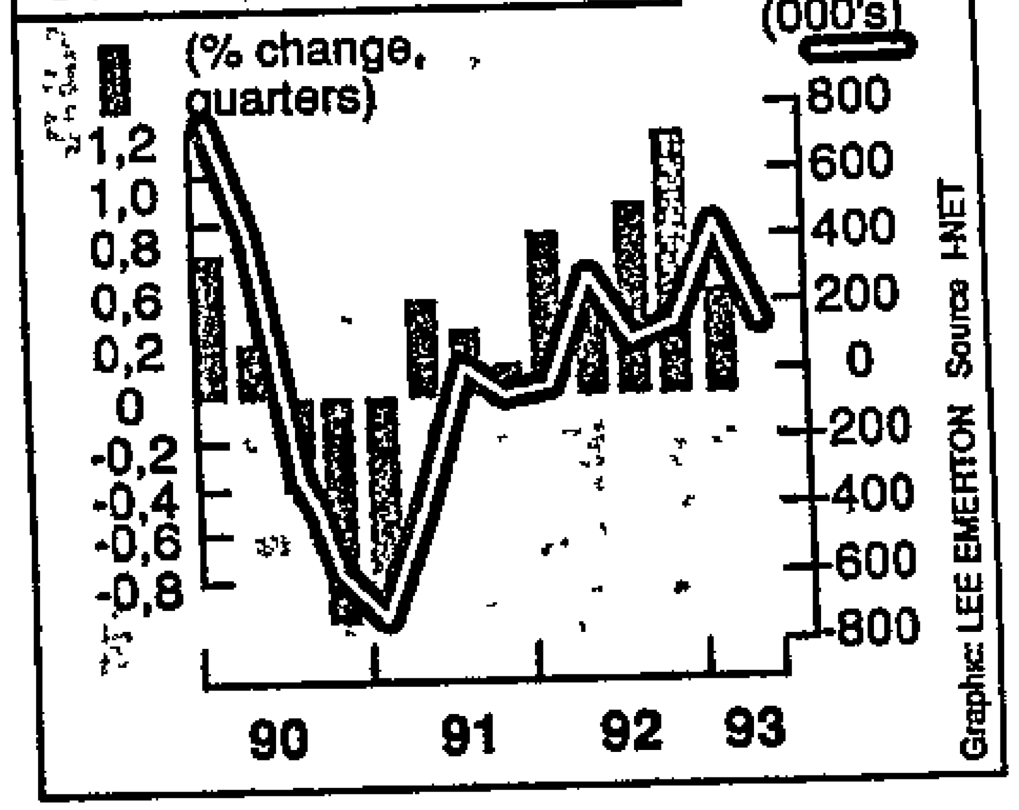
When April's annual inflation figure emerges it is likely to undershoot initial expectations of a three percentage-point rise from March's 9,7%, mainly because of the proportion of prices in the survey incorporating VAT still at 10%. Reserve Bank Governor Chris Stals said last week he expected an outturn of about 12%.

Internationally, the week's most watched date release in the financial markets is likely to be Friday's US employment report for April

After falling by a tenth of one percent for eight successive months from a high of 7,8% in June last year, US unemployment has remained at 7% for the past three months

This has heightened perceptions that the US recovery from the 1990-91 recession has lost momentum, and has raised concern in US trading partners about demand prospects in the world's largest economy

Lost momentum
US GDP, non-farm payrolls



Graphic: LEE EMERTON Source I-NET

As the chart shows, there is more than a passing relationship between US growth and the change in recruitment outside of the agricultural sector

Expressed quarterly, recruitment — as measured by monthly non-farm payrolls — closely follows quarterly GDP.

An appreciable increase in payrolls could be in the pipeline because the average manufacturing workweek hit a 25-year high in April, raising the likelihood that employers would have to recruit to shorten the workweek

If payrolls regain the momentum they picked up last year, growth can be expected to respond If payrolls drop back, the chart suggests a matching impact on growth and another lacklustre quarter for US GDP after the dismal 0,9% revised growth in the three months to March

Elsewhere, German first-quarter GDP is due on Thursday The western German economy is already in recession, having contracted in the last two quarters of last year, and another fall is likely to have occurred in the March quarter

The German government last week estimated that the drop would be 1% Another fall would be food for thought for the Bundesbank council meeting that also takes place on Thursday

A widespread feeling that ousted UK Chancellor Norman Lamont had already brought recovery to the British economy could be reinforced tomorrow when UK money supply figures for May are published Growth in narrow-money M0 has topped its 0%-4% 1993 target range for two consecutive months and, at 4,8% in the year to April, is one of the UK's financial signs of life

Tomorrow's data will include a preliminary May M0 growth rate and a final April annual growth rate for the broader M4 monetary aggregate, whose preliminary April readout was 3,5%

Bread price may rise 10c

244

DI CAELERS
Weekend Argus Reporter

THE price of bread will rise by up to 10c a loaf at the end of the month following the termination of the subsidy on wheat which will send wheat prices shooting up by more than 10 percent. WA 12/6/93

The increase will mean that the recommended price of a loaf of white bread may rise from R1,75 to R1,84 and that of brown bread from R1,50 to R1,58, but supermarkets and cafes may set their own prices.

The price hike was confirmed yesterday by SA Chamber of Bakers director, Mr Nic Alberts, who said it was impossible to speculate on how much deeper consumers would have to dig into their pockets as no price control whatsoever existed on bread.

Housewives' League national president Ms Jean Tatham said every single baker determined their own bread price.

Price war cuts cost of food

S Times [Buss] 6/6/93

By CIARAN RYAN

PRICE wars have lowered the cost of food.

New competitors in meat, confectionery and rice have sent prices back to levels of the 1980s, exposing market leaders to charges of profiteering.

Reef meat prices were slashed by as much as 50% this week as supermarkets tried to undercut the new Farm to Family budget outlet in Edenvale.

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Supermarkets knocked up to R10 off a kilogram of rump steak to match Farm to Family's R14,95.

Nils Dittmer, chairman of the Organisation of Livestock Producers which owns the franchise, says "It's remarkable that the opening of a single Farm to Family could have that effect."

Rice prices tumbled after Mars International began promoting Uncle Ben's. Market leader Tastic, owned by Tiger Oats, could be bought in some shops for R4,99 a 2kg pack this week compared with R6,99 last year, says Cliff Sampson, marketing director of Royal Beechnut. Tastic disputes this, saying its prices have fallen by an average of 10% to R5,59.

Rice was zero-rated for VAT in March. Mars is represented in SA by Royal Beechnut.

Uncle Ben's has 3% of the R700-million-a-year market, and is aiming for 5%. Tastic has more than half

Another bleak month as more people eat less

S T Times [Buss] 6/6/93

(128) (244)

By TERRY BETTY

IT WAS a black April for retailers as food sales plummeted

Some report a drop of as much as 20% in rand terms after the Hani assassination.

Although a few chains reported 5% growth in the rand value of sales, volumes were lower, continuing the miserable trend of the first quarter

OK Bazaars marketing director Arthur Solomon says. "The drop was felt across the board — even bread and potatoes were seriously affected."

This is in sharp contrast to an expected retail sales increase of 1,83%

Central Statistical Service (CSS) confirms the decline. Retail sales for the first three months of 1993 increased year on year by a mere 0,37% in rand terms

A Tiger Oats spokesman says "We have never had such a bad four months as those since January."

However, Tiger says there are signs that manufacturing volumes are recovering.

People did not even try to drown their miseries in alcohol

Western Province Cellars financial director Kosie Herbst says sales were 4,5% below budget and 3% off April's in rand terms.

Beer sales were also depressed, says an SA Breweries spokesman But the 1991 increase in excise duties had a more serious effect on volumes

May did not bring a release of pent-up demand Pick 'n Pay chairman Raymond Ackerman says sales remained low at the beginning of May, although they started to pick up later

Scant retail demand is shown by lower-than-expected consumer-price index and money-supply figures

CPI figures released on Friday show an 11% inflation rate for April

Credit Guarantee economist Luke Doig says inflation was expected to be closer to 12% because of the 4% VAT increase on April 7

Target

After factoring out the impact of VAT, the underlying inflation rate is closer to 9%, showing consumers are not spending money

Mr Doig warns that VAT's full impact will be reflected in the May inflation figures because many retailers did not increase prices immediately

Year-on-year money-supply growth rate was 3,35% in April, way below the Reserve Bank's target range of 6% to 9% It shows a drastic decline in consumer demand for credit

Retailers blame the aftermath of the Hani assassination as well as the number of April public holidays for poor sales

Fedfood marketing manager Rob Paine says April had three public holidays and several trading days were lost in sensitive locations

"Shops that were on march routes or in turbulent areas had to close doors or face looting"

Mr Herbst says some of his group's bottle stores were forced to close

Mr Paine says that even people in areas far from the violence were too scared to go outdoors.

He says lack of confidence is also a cause of poor trade

"People stop shopping, even for basic foods, as soon as there are reports of violence."

Many shops were unable to obtain stock.

"A normal trading month was turned into half a month in terms of trade"

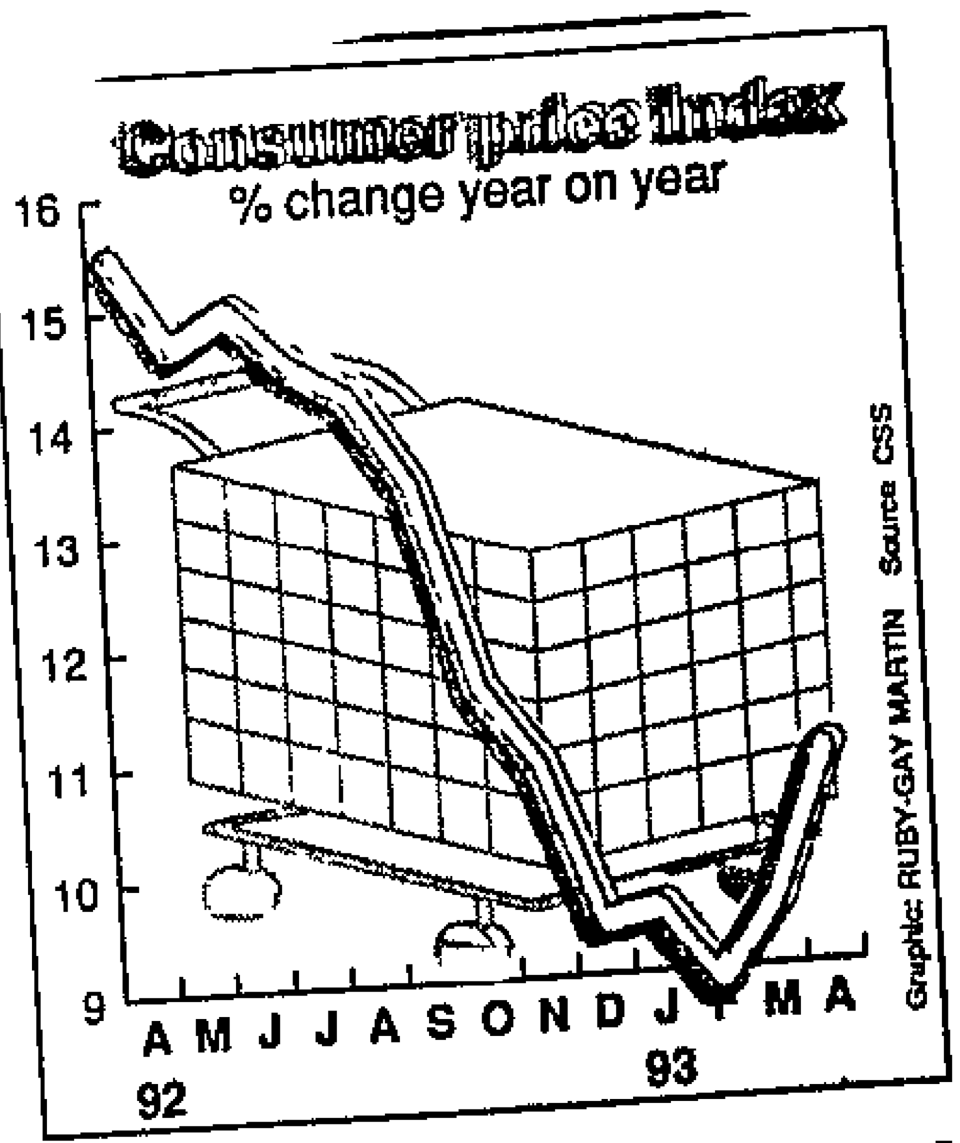
Other implications of falling confidence are that people buy down or take smaller packs

Mr Paine says "There is less hoarding of food because families live from hand to mouth.

"Instead of a huge monthly shop, people are using baskets and buying goods as they need them"

Retailers also report declining customer loyalty Customers shop where they believe bargains are to be had.

Consumers benefit because retailers are using discounts to gain a greater share of a shrinking market.



CPI holds hope of potential rate cut

Buss Day 7/6/93

TIM MARSLAND

CONSUMER prices rose a "surprisingly low" 11% for the 12 months to April, highlighting the potential for a cut in Bank rate, economists said at the weekend.

The Central Statistical Service reported on Friday that April's inflation rate — as measured by the CPI — was 1,3 percentage points above the 9,7% in March The month on month increase for April was 2,5%.

The CSS said the total effects of the new VAT rate had not yet been reflected in the CPI and noted many retailers had not increased their prices to reflect the new VAT rate by April 7 — the day of the survey

The increase in the transport category, at 5,6%, was due to the higher fuel price. A 15% monthly increase in communication costs was due to higher postal tariffs.

Economists said this, coupled with lower money supply growth and the improvement in reserves, strengthened the case for a cut in Bank rate.

(244)

UAL economist Dennis Dykes said the figure was better than expected, but much of the VAT-related increase had still to filter through to prices.

It was encouraging that the inflation rate excluding VAT showed a monthly rise of 0,6%, indicating that the underlying trend in inflation remained under control.

Standard Bank chief economist Nick Czypionka said some stores might have delayed raising prices in line with the VAT increase, distorting the figures. If the current trend of slowing inflation continued, there could be room for a rates reduction

● Comment: Page 6

Hopes rise for early cut in interest rates

Star 7/6/93

(244)

By Sven Lünsche

A reversal of current Reserve Bank interest rate policy is on the cards in the wake of the lower-than-expected increase in the April inflation rate.

Concerned at the continuing poor state of the economy, sources in the Bank say "the doves calling for an easing in monetary policy" gained considerable ammunition from last week's inflation and money supply figures

Pressure is said to be mounting to bring forward a cut in the Bank rate, which is expected only in the fourth quarter.

The Central Statistical Service (CSS) reported on Friday that inflation rose from 9,7 percent in March to 11 percent in April

However, this is well below expectations of 12 percent, given the hike in VAT from 10 to 14 percent and the 10 percent rise in the petrol price, both implemented in early April

According to CSS figures, inflation would have been nine percent, excluding VAT.

The higher VAT rate also lifted the CPI on a monthly basis — between March and April this year — by 2,5 percent.

While the CSS suspects that the changes in VAT, including the lowering from 10 to zero percent on some food items, have not yet been fully reflected in the consumer price index (CPI), Reserve Bank deputy governor Dr Jaap Meijer said the April inflation rate was a pleasant surprise.

A few days before the release of inflation figures, the Bank's money supply figures confirmed that demand in the economy was still extremely poor

The broad measure of money supply, M3, showed a 3,35 percent increase in April, compared with April last year, and declined by one percent on a monthly basis.

More importantly, M3 was only one percent up on October last year, the base for the Bank's 1993 target range of six to nine percent

Meijer said that the M3 figures had to be approached with caution as they reflected a substantial shift from traditional savings instruments to access bond-type products, the recent fall in gold and foreign exchange reserves and the issue of government stocks.

Yet economists suspect that even if the one-off factors are excluded from M3 and the reserves once again show an uptrend, as is expected in view of the gold price rise, money supply will still only linger at the lower end of the Bank's guidelines

Furthermore, evidence is mounting that far from showing a slight upturn, the recession is deepening.

CSS figures show that for the three months up to May, real retail sales were 0,6 percent lower, compared with the previous three months. May's sales are also forecast to be 3,8 percent down in real terms on those of May 1992.

In view of these trends, Econometrix director Azar Jammine expects inflation to remain subdued through at least the beginning of 1994.

"The expected hike in the official inflation in April and May should be a one-off phenomenon since in the face of as low a growth in money supply as has been recorded for several months now, there is no way that a new upward trend in inflation will materialise in coming months," Jammine says

The official Reserve Bank line is that the pressure to lower interest rates exerted by poor consumer and credit demand, as mirrored by money supply, inflation and retail sales, is still offset by the poor level of the foreign exchange reserves, capital outflows and the high deficit in government finances.

Yet in a bid to inject some life into the economy, a cut in the Bank rate has become essential.

If the gold price continues to boost reserves and political developments halt the outflow of foreign capital, sources in the Reserve Bank feel that lower interest rates could be implemented in a few weeks', not just a few months', time

Food inflation 'falling steeply' — Ackerman

244

CT 9/6/93

By ARI JACOBSON

FOOD inflation has risen by a meagre annualised 3,8% (including VAT) in the first half of this year, according to Pick 'n Pay chairman Mr Raymond Ackerman

Mr Ackerman said the retail group's estimates showed that food inflation was falling "steeply"

He said the Food Logistics Forum, a national body formed by manufacturers, retailers and consumer organisations, had proved successful in curbing inflation

CPI 11/6/93 (244)

Slipping the ratchet

Official inflation in April was 11%, with a month-on-month increase in consumer prices of 2,5% Excluding Vat, year-on-year inflation for April was 9%; the month-on-month increase was 0,6%.

Though the four-percentage-point increase in Vat pushed overall inflation back into double digits, consumers of food benefitted from the zero rating of many items Food inflation over 12 months fell to 8,5%. Prices in the month declined 0,4%.

Many consumers feared food retailers, who move quickly to pass on extra costs, would fail to pass on the benefit of food zero rating

But fears turned out to be largely groundless There were declines in the month in milk, cheese & eggs (2,7%), fruit & nuts (9,4%) and vegetables (6,3%), all of which are heavily weighted with zero-rated items. These offset rises in items not exempt such as meat (2,4%), fish & other seafood (3,7%), sugar (4%), and coffee, tea & cocoa (4,6%)

Retailers have experienced poor turnover in recent months — and increased consumer vigilance. And they face stiff competition not only from one another but from the informal sector, much of which is involved in the sale of nondurable items

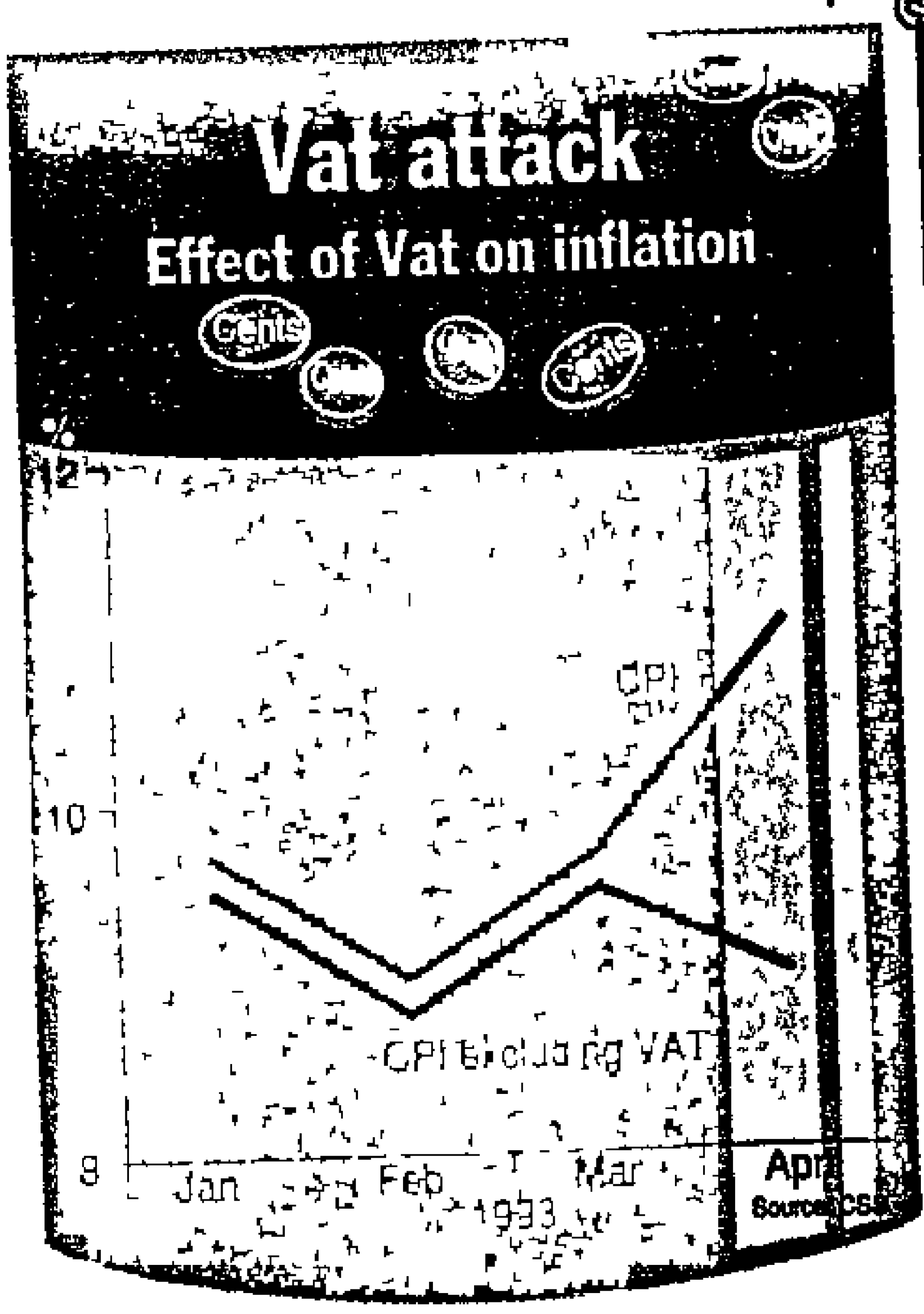
Retailer wariness of losing market share or further turnover might have accounted for the lower-than-expected increase in overall inflation (many thought it would go as high as 12%).

Retailers of many items have either decided to absorb the extra costs of Vat or postponed increases until they saw where sales volumes went in April

Says Nedcor chief economist Edward Osborn. "As noted by Central Statistical Service, the full effect of the 14% rate of Vat has not come through for a number of reasons, notably the dispensation on durable goods bought before April 7 and delivered by April 24 as well as the 10% on sales of vehicles, maintained by many in the motor trade. The full impact of the Budget will only be felt on prices through the course of April and May The euphoric expectation of a cut in Bank rate is therefore premature."

He argues that the increases should not be underestimated "If one strips out mortgage interest payments, which are not subject to

 FM 11/6/93. (244)



Vat, one gets an underlying year-on-year rate of 13,7%, from March's 12,2% If one also excludes the seasonal items, such as meat and fresh food, the rate jumped from 12,9% to 15%."

☐ The increase in the fuel levy announced in the Budget pushed up the running cost component of the transport index by 7,3% month-on-month or a 12-month 15,8%. ■

Bread price set to increase

CT 12/6/93

Staff Reporter

THE bread price is set to rise by about four to five cents when a government wheat subsidy is scrapped on July 1 — but consumers could be hit by an even bigger hike.

By the time petrol and VAT costs have been included the price increase could go as high as nine cents, said Mr Phillip Breet, assistant general manager of the Wheat Board, yesterday.

He said, however, that a maximum of a five percent increase was expected given the wheat prices

Guideline

After the last increase in November 1992, the recommended bread price was set at R1,75 for white bread and R1,50 for brown bread by the Wheat Board and the Ministry of Agriculture.

Mr Breet said the board would be issuing a new price guideline, but that individual bakeries and retailers set their own prices.

Cape Town bakeries said yesterday that they knew a bread price increase was coming but could not yet release their new prices.

The governments subsidy on the wheat price was about R200 million

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lu'

Bread increase

S/Times 13/6/93

The recommended price of a white loaf of bread may rise from R1,75 to R1,84 and from R1,50 to R1,58 for brown bread when a government wheat subsidy falls away on July 1.

THE WEEK AHEAD by Kelvin Brown

BiDay 14/6/93

Petrol hike may pump up PPI

THE 10% increase in the petrol price early in April is expected to pump up the producer price index (PPI) by about half a percentage point to 8,5% for the year to April when figures are released later this week.

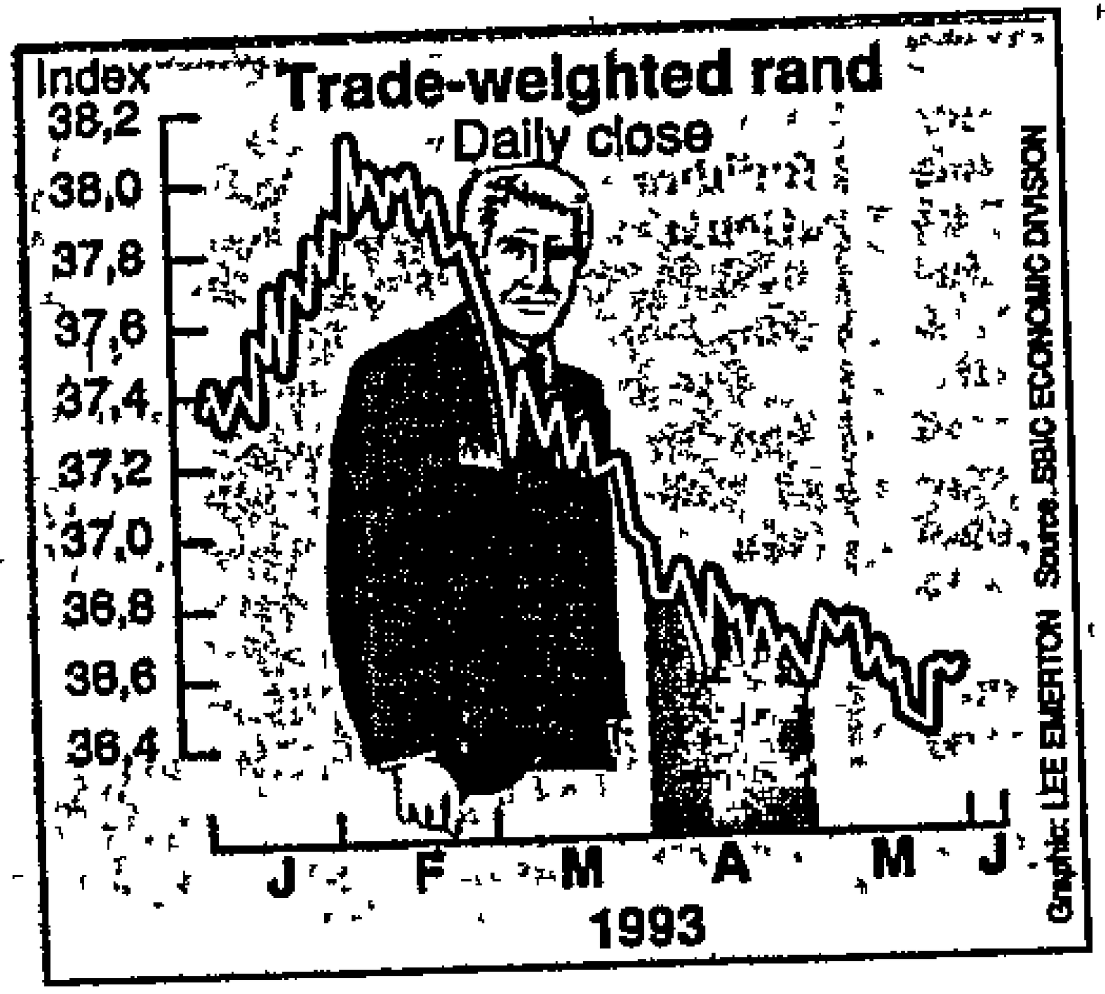
Producer inflation has hovered around the 8% mark since last October. It fell to 8% for the year to March from 8,3% in February, re-establishing the downward trend evident in the second half of last year In March the monthly rise in producer prices slowed to 0,2% from 1,2% in February

Absa economist Adam Jacobs says the only item likely to show any significant rise in the index is petrol He points out that its overall inflationary effect is likely to be small because petrol does not carry a large weighting in the PPI basket, while the recession has also forced producers to absorb some of the increase.

The index for local commodities has recorded a downward trend as the recession has deepened In March monthly local commodity prices fell 0,5%, and the annual increase slowed to 8,5% from 9% in February "With volumes under pressure many producers are forced to keep price increases as low as possible," says Jacobs

(244)

Mathison and Hollidge economist Tracy Ledger agrees with his assessment, saying consumers cannot afford further price increases "The trend of low wage settlements and continuing retrenchments have caused demand for credit and personal disposable income to fall significantly, putting producers under severe pressure to absorb cost increases"



The PPI should also obtain some relief from a slowdown in the depreciation of the rand in April The fall in the value of the rand against the currencies of SA's trading partners was considerably less in April compared with the previous two months (see graph) "Imported inflation should not be so much of an issue due to the rand remaining fairly steady in April," says Ledger According to the graph, the situation should remain much the same in May

However, imported inflation is unlikely to disappear "The trend is towards a lower effective exchange rate," says Nedbank economist Edward Osborn

Import prices carry a significant 19,5% weighting in the PPI The large fall in the rand's value earlier this year exerted considerable upward pressure on the imported component of manufactured goods.

After the significant fall in the trade weighted rand index from February, manufactured import prices rose 0,76% in the month, from 0,1% in January. In March the rate came down slightly to 0,7%.

According to Osborn, this year should see the last of low wage increases and big retrenchments "As we approach nirvana, as far as politics is concerned, demands for higher wage rates are likely to increase." Next year unions could argue that it is time to reward workers who have sacrificed so much by accepting wage increases below inflation

International economic indicators due out later this week include Japanese first-quarter GDP figures A rebound from the 0,3% fall recorded in the last quarter of 1992 seems likely after the introduction of the government's multi-trillion yen public works package

UK May retail sales, out on Wednesday, are not expected to show any rise Sales have increased in tandem with a faster rate of growth in narrow money supply The May figure, already released, showed a large slowdown in M0 growth for the year to end-May to a preliminary 3,3% while the broader M4 measure remained fairly dormant

UK unemployment figures for May follow on Thurday. In April unemployment fell by 14 000 to 2,94-million or 10,5% This was the third consecutive month the jobless figure fell, raising some concern that it is slowing unusually early in the business cycle

Star 15/6/93

Bread price increase slated

The Congress of SA Trade Unions said yesterday the increase in the bread price from July 1 was unacceptable and it would campaign against the rise. A price increase of between 5 and 7 percent is set to come into effect when the Government's subsidy of wheat falls away and the cost of flour rises. — Staff Reporter. (2144)

Sowetan 15/6/93

Bread price hike slammed

By Joe Mdhlela

THE increase in the price of bread would continue to erode the living standard of blacks, the Congress of South African Trade Unions said yesterday.

Condemning the hike as unacceptable — the price of white and brown bread will go up by eight cents and 14 cents, respectively from July 1 — Cosatu spokesman Mr Neil Coleman said the decision to increase the price was insensitive.

The increase came at a time of mass retrenchments and joblessness The argument that food prices were set by the market was not a good enough excuse.

He said Cosatu would intensify its campaign against high food prices and would oppose the increase in the bread price. 044

Coleman said Cosatu would also seek ways to democratise the control boards which, he said, did not represent the interests of the majority.

Cosatu would consult its allies, civic associations, welfare organisations and consumer groups before taking up any position on the matter.

PPI figures set alarm bells ringing

Star 17/6/93

By Derek Tommey

(244)

The latest producer price index (PPI) suggests that the Reserve Bank still has a fair amount of squeezing to do if inflation is to fall to the overseas levels.

While the overall trend in producer prices is still low, an analysis of index constituents shows significant price rises could be on the way.

At first sight the figures for April look encouraging. They show that in the 12 months to April prices of all commodities for local consumption rose 7,9 percent — a slight improvement on the 8 percent for the 12 months to March.

But there is also a danger sign in the performance of prices in April alone.

Prices of goods produced by SA industry for local consumption rose 1,2 percent — equal to an annual rate of 15 percent. The seasonally adjusted figure for April was 0,9 percent — equal to annual price rises of over 10 percent.

At first sight the price index for imported commodities also looks encouraging. The year-on-year increase to April was 5,9 percent, which is remarkable in view of the slide in the exchange rate of the rand against the dollar and other currencies.

But a closer look also shows a deteriorating position. Although the unadjusted increase in imported prices in April was only 0,5 percent, seasonally adjusted it was 2,1 percent — equal to an annual rate of increase of 26 percent.

PPI continues downward

ST 17/6/93 (244)

By AUDREY D'ANGELO
Business Editor

THE producer price index (PPI) continued its downward trend in April — although the weakness of the rand was reflected in an upward tick in the index for imported commodities.

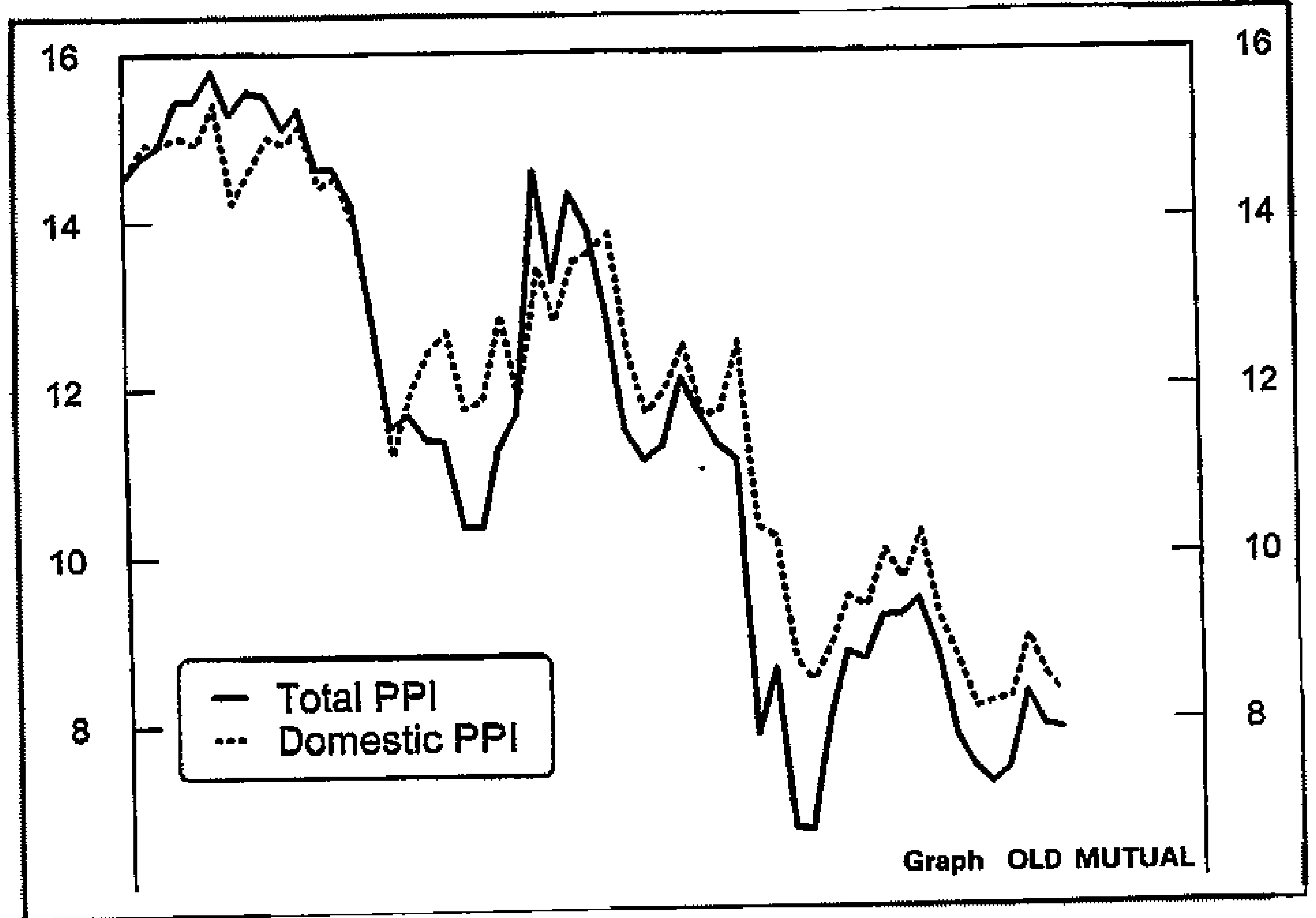
The PPI rose by 7,9% year on year, compared with 8% in March. The month on month rise was 1,2%, but the seasonally adjusted rise was 0,9%.

Locally produced goods rose by 8,3% year on year, compared with 8,5% in March.

Imported commodities rose 5,9% year on year compared with 5,6% in March. But although the actual rise, month on month, was only 0,5% the seasonally adjusted rise was 2,1%.

The biggest rise was 7,7% for petroleum and coal products. Forestry products rose by 2%, fishing products by 1,1%, alcoholic and non-alcoholic beverages 1,2%, tobacco products 4,4%, leather and leather products 1,8%, wood products 1,2%, furniture 4,4%, chemicals and chemical products 2%, rubber and plastic products 2,1% and scientific, optical and related equipment 1,9%.

Old Mutual economist Johan Els said it was encouraging that the PPI remained below [illegible]. Although the month on month rise might seem high it included the increases in excise duties and fuel prices introduced in [illegible]



[illegible] consumer price index (CPI).

[illegible] imported component [illegible]

Although [illegible] month on month [illegible]

[illegible] encouraging [illegible] they implied [illegible] CPI inflation.

He was not concerned about the prospect of higher imported inflation because the rand had not depreciated [illegible] against a basket of currencies [illegible] again [illegible] PPI inflation was still low [illegible] industrial countries.

[illegible] demand [illegible] prices and [illegible] would also [illegible] the PPI.

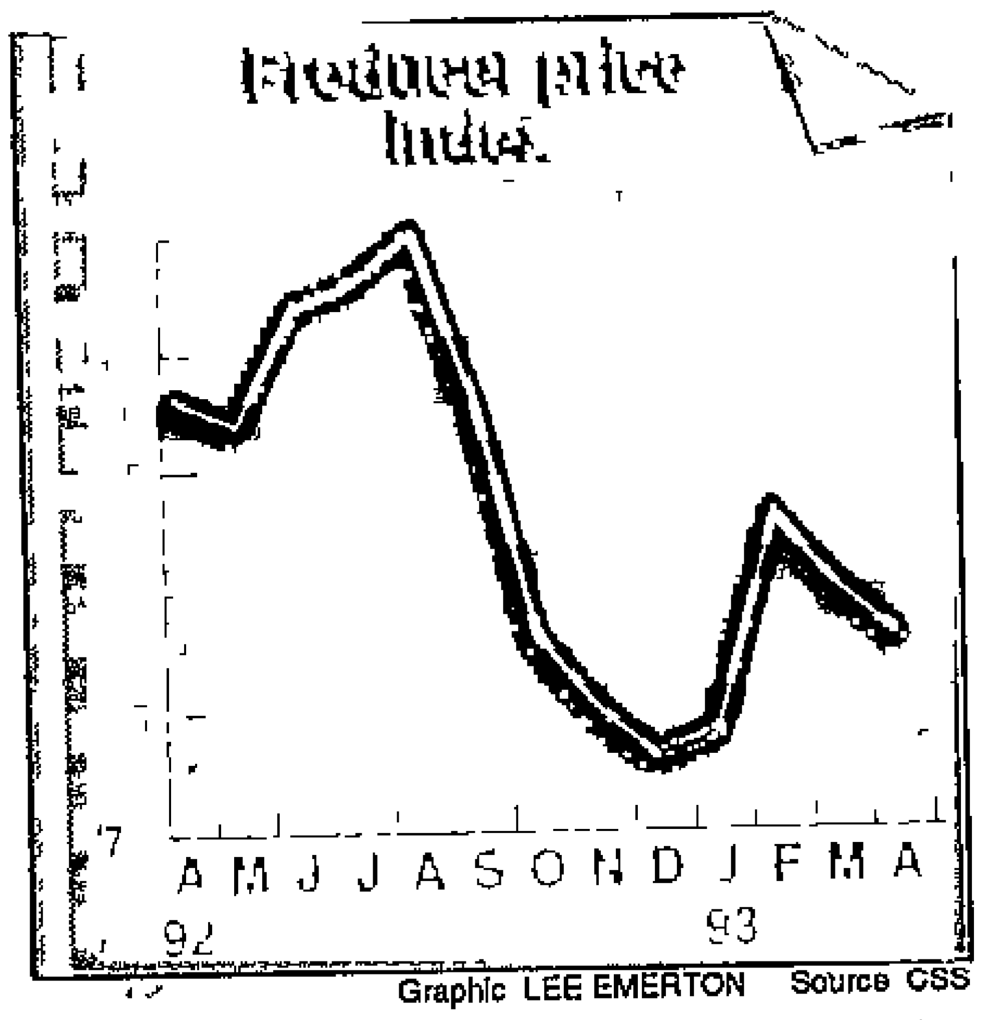
[illegible] Southern Life economist [illegible] although at first [illegible] the PPI looked encouraging he [illegible] a little concerned about the [illegible] of imported inflation.

In the present state of the economy producers were cutting costs as much as possible and were unable to raise prices much.

But although imported inflation [illegible] much [illegible] is yet an further weakening of the rand, as a result of falling reserves was a threat to the PPI.

The fate of the rand depends on whether we can stem the capital outflow. I think [illegible] will be [illegible] the rest of the year."

However [illegible] the [illegible] rand [illegible] not would not be rolled over and the rand would [illegible] main weak.



Graphic LEE EMERTON Source CSS

Producer price rises slow to 7,9%

B/Day 17/6/93

TIM MARSLAND

PRODUCER price rises slowed further in the 12 months to April, with a year-on-year rise of 7,9% from 8% in the March period, Central Statistical Service said yesterday.

But producer prices, as measured by the producer price index, rose quite sharply month on month — by 1,2% in April from the March figure

(244)

Prices of imported producer goods rose a year-on-year 5,9% in April from March's 5,6%, while prices of locally produced goods were up 8,3% (March 8,5%) Economists blamed the high monthly rise on higher fuel prices announced in the Budget

UAL economist Dennis Dykes said the slowing of price rises during the past few months was due to better food prices after last year's drought — a one-off factor.

Food prices in the six months to October last year rose at an annualised 43,5% but during the past six months fell by an annual rate of 11,6%

Nedcor Bank chief economist Edward Osborn attributed the decline in the yearly figure to statistical factors, since there had been a monthly jump of 1,8% in April from March last year The current PPI figure had come off a relatively high base A "disturbing" rise in imported prices reflected higher world fuel prices and the rand's depreciation against the yen

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BUSINESS

Major SA price rise shock seen

(244)
ARGT 19/6/93

Business Staff

THE latest producer price index (PPI) suggests that the Reserve Bank still has a fair amount of squeezing to do if inflation is to fall to overseas levels.

While the overall trend in producer prices is still low, an analysis of index constituents shows significant price rises could be on the way.

In the 12 months to April prices of all commodities for local consumption rose 7,9 percent — a slight improvement on the eight percent for the year to March.

But there is also a danger sign in the performance of prices in April.

Prices of goods produced by South African industry for local consumption rose 1,2 percent — equal to an annual rate of 15 percent. The seasonally adjusted figure for April was 0,9 percent — equal to annual price rises of more than 10 percent.

The price index for imported commodities rose 5,9 percent in the year to April, which is remarkable in view of the slide in the exchange rate of the rand. But the seasonally adjusted rise in imported prices in April was 2,1 percent — equal to an annual rate of increase of 26 percent.

22/7/93

Consumers spend more

246

JOHANNESBURG — Consumers spent more in real terms and the fall in investment spending slowed down in the first quarter this year — fuelling optimism that the economy is moving out of recession. 244

Reserve Bank deputy governor Mr Jaap Meijer said real private consumption spending showed a small increase in the first quarter

But Stellenbosh University's Bureau for Economic Research says consumer confidence is at its lowest since 1975

● Full reports — Page 8

Fillip for SA private consumption spending

244

CT 21/6/93

From GRETA STEYN

[illegible]

While the [illegible] private con[illegible]tion spending was small, it is significant [illegible]

[illegible] more positive spirit than private sector economists did.

[illegible] tions assumed a higher dollar gold price and improved agricultural production

. . . but consumer confidence at eight year low

(244) (3446)

CT 21/6/93

CONSUMER confidence in South Africa has plummeted to its lowest level in eight years, Stellenbosch University's Bureau for Economic Research says in its latest survey released yesterday

The survey said the composite consumer confidence index for whites fell in the second quarter of this year to its lowest level since 1985

Black consumer confidence also dropped to its lowest level since 1986, particularly with respect to consumer confidence in the employment-creating ability of the economy

This reflected a drastic drop in black expectations since 1990, when the confidence level was relatively high

Cape Town consumers were relatively more optimistic while pessimism reigned in the Durban/Maritzburg area

The bureau said the employment deterioration rate had, however, slowed down in the retail sector, and was recovering in the wholesale sector

Retailers, wholesalers and motor dealers reported poor sales and they were not optimistic about conditions in the third quarter of this year

The bureau maintained its view that the economy would at best bottom out during this year and the gross domestic product was forecast to decrease by about half a percentage point, but a real growth rate of about 2% was forecast for 1994 — Sapa

Star 22/6/93

Strife blamed for bread price rise

Wheat

244

By Zingisa Mkhuma
Consumer Reporter

Consumers are paying more for a loaf of bread because of political and criminal violence which has caused huge losses for the baking industry.

SA Chamber of Baking executive director Nic Alberts said yesterday that the industry had lost R15 million in the past three months alone as a result of the gutting in townships of 50 delivery trucks and maiming and killing of drivers.

He also cited the Government's removal of the wheat subsidy as the main reason for the 10 percent increase in the wheat price.

Salaries and the cost of ingredients and equipment also contributed to the increased price of bread.

Bread is exempted from VAT and the recommended maximum price for a white loaf of bread is R1,75 and for brown R1,50. The prices are expected to go up by 8c and 7c respectively from July 1.

● Bread sales continue to go down, the Wheat Board said at the launch of its National Bread Week yesterday.

The board said this may be due to the recession and because bread prices had risen by between 35 and 45 percent since the industry was deregulated.

"Whatever the reason, South Africans are just not eating enough bread. It is imperative, therefore, to reinforce the goodness perception of bread and restore bread to its rightful place as one of the most important staple foods in the daily diet," it said.

Crime pushes up bread price

The Argus Correspondent

JOHANNESBURG — Consumers are paying more for a loaf of bread because political and criminal violence has caused huge losses in the baking industry ARG 23|6|93

Mr Nic Alberts, executive director of the South African Chamber of Baking said the industry had incurred losses of R15 million in the past three months as a result of the gutting by fire in townships of 50 delivery trucks and the maiming and killing of drivers

"Unfortunately the bread price has to absorb these costs," he said

He also cited the government's removal of the wheat subsidy as the main reason for the 10 percent increase in the wheat price Salaries, ingredient costs and equipment costs also contributed to the increases

Bread is exempt from VAT and the recommended maximum price for a white loaf is R1,75 and brown bread R1,50 The prices are expected to go up by 8c and 7c respectively from July 1

● Bread sales continued to drop, the Wheat Board said yesterday at the beginning of its National Bread Week

The possible reasons for this, it said, were the unfavourable economic conditions, a rise of between 35 and 45 percent in price since the industry was deregulated, or that people could no longer afford bread

Bread consumption in South Africa, including the TBVC states, amounted to slightly more than one loaf a person a week, the board said. 244

"Whatever the reason, South Africans are just not eating enough bread It is imperative therefore to reinforce the goodness of bread and to restore bread to its rightful place as one of the most important staple foods in the daly diet".

Prices up 200% with packaging

PRETORIA — Repackaged fresh produce in supermarkets can cost consumers up to 200% more than the market price, the Consumer Council's latest price survey in six urban areas showed.

A statement by the council said after monitoring prices at several branches of Pick 'n Pay, Checkers Shoprite and OK Bazaars, it was found that 55% of repackaged vegetables and fruit also did not indicate the unit price or the mass. This meant consumers could not determine whether the price was fair — Sapa

CT 24/6/93

(244)

FM 25/6/93

PRODUCER PRICES (244)

Slick moves

Imported producer inflation tends to move in tandem with international oil prices When the price of Brent crude, the international benchmark, fell from levels of around US$20 a barrel in October 1992, to below $17,50 a barrel in January, imported inflation fell too, from a year-on-year 7,1% in September to 3,9% in January Steadying of the oil price at $18-$19 since February has kept imported inflation between 5,4% in February and 5,9% in April, the latest rate available.

April saw only a modest rise in the imported index on a month-on-month basis of 0,5% — which could have been the effect of lower oil prices in early April (Oil prices are hidden in the component "other" mining and quarrying, which slid 0,7% in the month)

Recent falls in the oil price to below $18 could be a harbinger of further falls in this component in May and June (see graph), with the spin-off of lower imported inflation

But the oil price windfall may be countered in May and June by negative currency effects in the same period However, this did not happen earlier in the year When the average monthly effective exchange rate of the rand declined 5,3% between December and April, producer prices for imported commodities rose only 1,6% Nor did the currency factor have much impact on non-oil prices The year-on-year rate at which imported prices under manufacturing (which excludes oil) increased was only 5,7%, lower than the overall imported rate of 5,9%

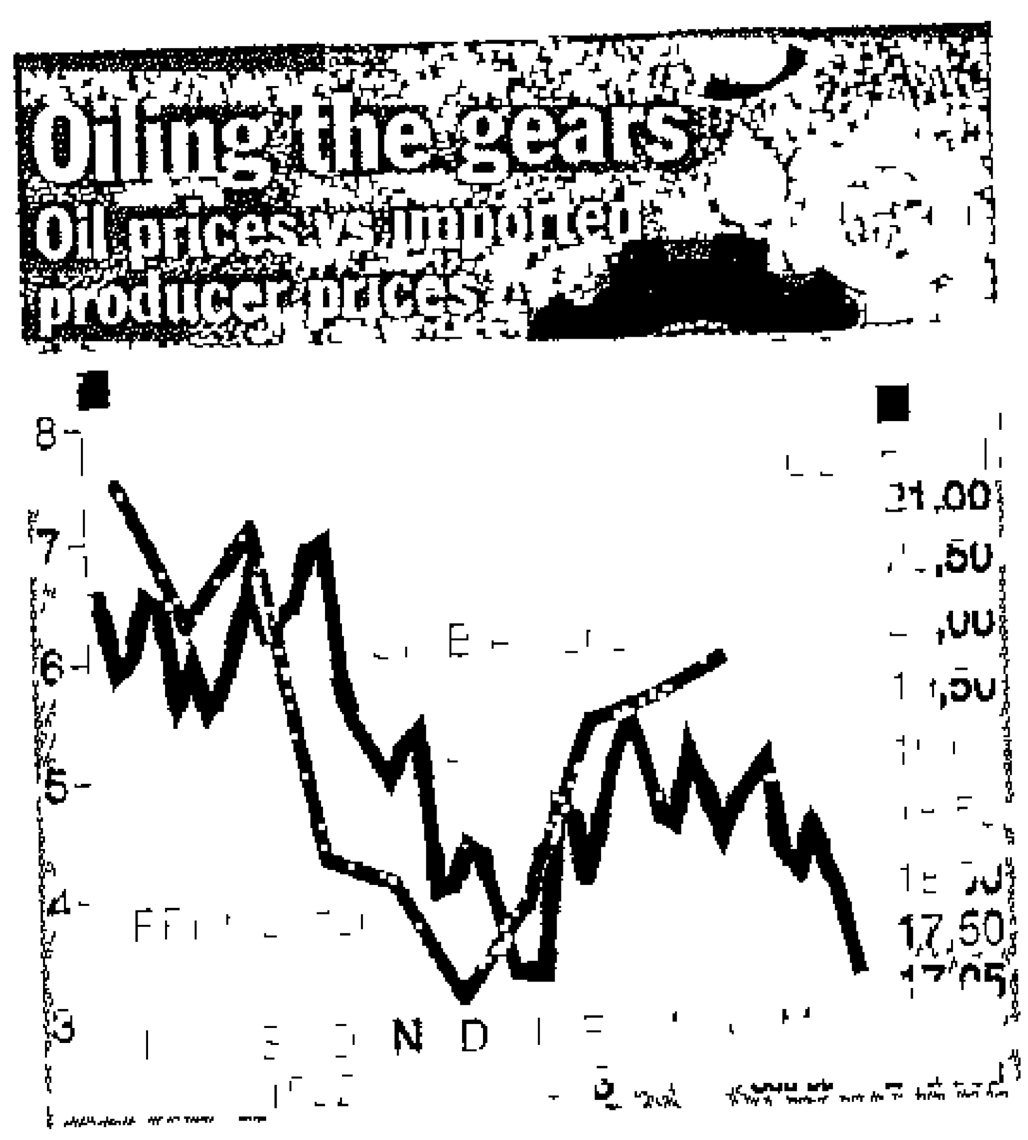
This relatively low volatility of imported prices compared with sharp currency movements could have several causes, says AHI chief economist Nick Barnardt "It is likely importers are shopping around countries to get a better deal, moving from US and Japanese producers, against which depreciation has been greatest, to Europe, where the rand has been stable It may also be that, given the international recession, importers are able to negotiate discounts "

Barnardt says international experience shows that currency depreciation is seldom inflationary where there is domestic financial discipline "In the UK, the large fall in sterling has had little or no effect on the inflation rate With money supply growth at low levels here, I don't see the recent weaker rand generating higher inflation "

The source of most of April's monthly rise in producer inflation of 1,2% (the 12-month rate is 7,9%, from March's 8%) comes from locally produced commodities These climbed 1,2% (8,3%) Of the monthly increases, the most significant were

- Vegetables and dried bean, 12% in the month No 12-month figure is available because the item has not been recorded for a full period Department of Agriculture figures show vegetable prices at producer level rose 15,8% in April while dried beans did not rise at all A spokesman for the department says vegetable prices tend to be volatile,

FM 25/6/93 (244)



- Tobacco products, 4,4% (14,4% over 12 months);
- Furniture, 4,4% (10%); and
- Products of petroleum and coal, 7,7% (11,9%)

However, food price increases remained modest overall The index, under agriculture, grew 0,6% in the month (12,6% over 12 months) The subdued monthly increase was due partly to declines in the components meat (−0,8%) and grain (−0,8%) which countered the large increases in vegetables & dried beans, milk & eggs (3,6%) and fruit (3,5%).

For food under manufacturing there was no increase in the month (8,6% over 12 months). There were declines in the month in the components fresh meat (−0,6%), sugar (−0,1%) and fats & oils (−1,3%) There was, however, a large increase in the month in the index for coffee, tea & cocoa (3,4%) ■

SUNDAY TIMES, Business Times, June 27, 1993

Wheat Board accused of inflating price of bread

S/Times (Buss) 27/6/93

(R441)

By CIARAN RYAN

BAKERIES could cut the price of bread by almost a third if the wheat market was deregulated, says Richard Theron, president of the Commodities Exchange.

"The Government makes a profit of R250 a ton on imported wheat. If that was passed to consumers, the price of a loaf of white bread could be lowered from R1,75 to R1,19."

Millers have raised the price of flour by 8% in response to an 11,5% increase in the cost of wheat. Wheat farmers were given a 13% price increase this year. More than 900 000 tons of SA's wheat requirements of 2,2-million will be imported this year.

The Government has made a profit of R147-million on imported wheat so far this year.

The Wheat Board replies that profits are ploughed back.

"The Government was able to delay the 11,5% increase in wheat prices for eight months because of the profits made on selling imports," says Phillip Breet, assistant general manager at the board.

"The reason foreign wheat is so much cheaper than ours is that it is heavily subsidised."

Wheat is landed in Durban for R441 a ton and resold for R708. SA farmers receive R703 a ton. The retail price is rising by R9,90 a month, says Mr Breet. It is the cost of storage and is not a normal price increase.

The wheat price will jump to R775 a ton in July.

Mr Theron says: "If millers were able to buy wheat themselves, they could pass the savings directly to consumers. I have been able to source wheat in South America and land it in Durban at 20% below the price the Government pays."

Eckard Kassier, author of the report on the agricultural control boards, agrees that the bread price could be lowered by abolishing the single-channel marketing system.

Professor Kassier says: "For any wheat scheme to function it needs money.

"Most of the wheat grown in the Western Cape is used in the Transvaal and Natal. Yet there is a shortage of fodder wheat in the Cape. So we have the absurd situation of having to ship fodder maize from the north to the Cape.

"But wheat which could be used at the Cape as fodder goes north because of the Wheat Board.

"This adds between R120 and R150 a ton in transport costs."

Nearly all countries protect their farming sectors from foreign competition and SA should be no exception, says Professor Kassier.

Mr Theron says the SA taxpayer is subsidising flour exports to neighbouring countries. Premier Milling quotes R1 568 for a ton of Snowflake flour to SA users, but R880 if it is exported to Zaire. This is after deducting a discount of R488 and Wheat Board subsidy of R200.

A Premier Milling spokesman confirms that flour is sold to Africa at a loss.

"We have to compete with heavily subsidised European exporters of flour."

RICHARD THERON: I can buy much cheaper wheat

THE WEEK AHEAD by Kelvin Brown

Price rises likely to be restricted

B/Day 28/6/93

ALTHOUGH the delayed effect of the Budget's VAT rise should exert upward pressure on the May inflation rate, due out later this week, the recession is expected to restrict price rises in the coming months

In April annual consumer inflation rose to 11% from 9,7% in March Economists had been expecting a figure of 12% as a result of the VAT rise It appeared many retailers withheld VAT-related price increases until after the Easter weekend The pre-Budget VAT rate also applied to purchases of durable goods delivered before 24 April As the survey was done on April 7 these delayed price increases were not reflected in the figures

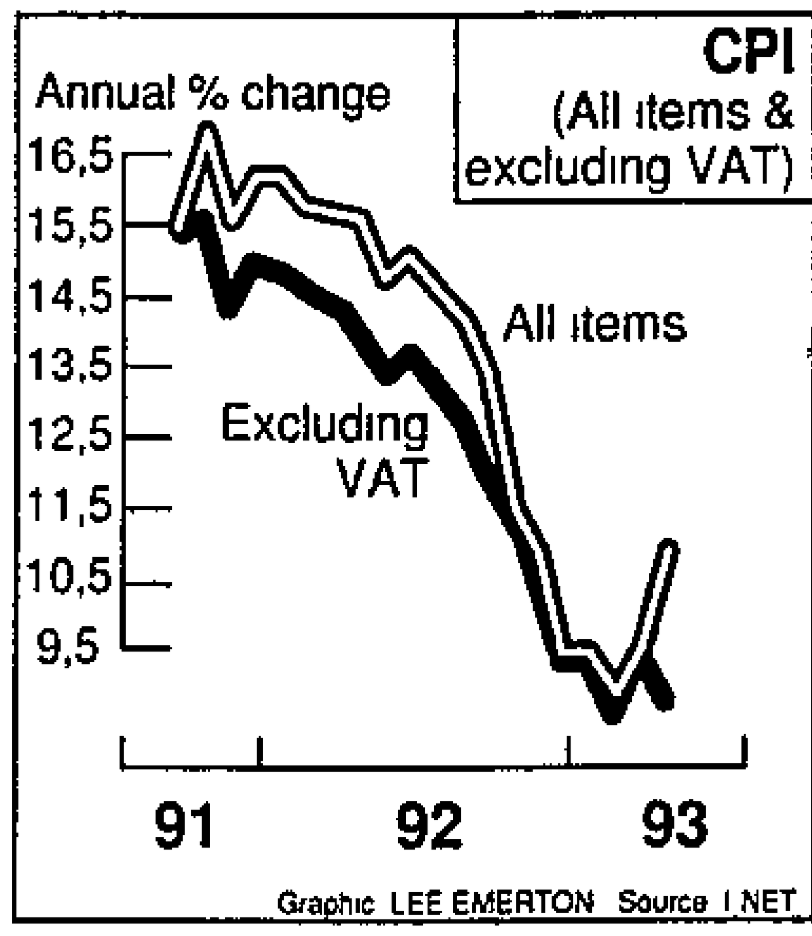
The rest of the VAT rise should come through in the May figures, say economists UAL economist Dennis Dykes is expecting delayed VAT-induced price increases to add 0,4 percentage points to May inflation

He predicted the VAT increase from 10% to 14% would add 2,3 percentage points to the monthly inflation rate in April But the figures disclosed that VAT added only 1,9 points to monthly inflation

Dykes says he expects the overall monthly rise to be 1,2% with yearly inflation around 11,5%

What about the rest of the year? Recent Reserve Bank comments seem to indicate that the authorities' forecasting model shows lower inflation in the next 18 months

In its latest quarterly bulletin the Bank says that although the rate of increase in the consumer price index (CPI) rose in March and April "this



upward movement should be transitory, provided these movements do not fuel expectations of accelerating inflation"

Sanlam senior economist Pieter Calitz agrees with the Bank's assessment "I feel very positive about inflation for the next couple of years"

Calitz bases his assessment on the fact that the recession is putting downward pressure on costs and prices "Retailers are not in a position to pass on price increases, and major cost factors like salaries are unlikely to rise while the economy continues to decline." (244)

The effect is particularly noticeable on food inflation, which has fallen dramatically over the last few months to 8,5% in April after being at 30% at one time last year

By far the largest cost element for many companies is salaries, says Calitz Salaries have increased by 6%-8% this year, a much lower rate than in the past

Calitz expects inflation to slow down in the last quarter of this year, as it will be compared with the corresponding period in 1992 when inflation was especially low "From then until the recent VAT rise works itself through the index, inflation should show significant declines"

Further downward pressure on inflation could come from a cut in interest rates "If inflation performs as predicted and reserves remain stable a one-point drop in official interest rates should occur nearer the end of the year Due to the large weighting housing prices carry in the index, a one-point cut in mortgage rates would cause a half-point fall in the inflation rate," says Calitz

On the international front the focus is on Japanese and US economic indicators this week Economists will be keeping their eye on Japanese May retail sales for signs of a bottoming out of the recession in Japan

When first-quarter GNP figures were released earlier in the month the government announced the recession had turned Economists disagreed, saying latest economic indicators for April and May suggested otherwise There are few reasons for private demand to show any sustained growth in the coming months

Several important US indicators are due out in the week The May leading indicators index, May consumer confidence index and June purchasing managers' index will indicate if growth in the economy is showing any signs of accelerating

First arrests

US MISSILES HIT BAGHDAD

AFTERMATH . Two of the buildings in Baghdad that were reduced to ruins by Tomahawk missiles fired by United States forces in an attack on Iraqi intelligence headquarters in retaliation for an alleged plot to kill former president Mr George Bush Iraqi officials said five people were killed Picture AP

At least five dead in missile strike

BEIRUT — Initial Iraqi reports indicated yesterday that at least five people were killed, including a famous painter, and many others wounded in a United States missile attack on the Iraqi intelligence headquarters in Baghdad

The reports came as President Bill Clinton said yesterday he considered the missile raid a success but regretted "very much" that civilians were killed by missiles off target.

Speaking on CNN, General Colin Powell, chairman of the Joint Chiefs of Staff, gave one of the first official reports on the attack, ordered on Saturday by President Clinton against Iraqi intelligence headquarters after "compelling evidence" that the Iraqis had plotted to assassinate ex-president Mr George Bush during his visit to Kuwait in April

Iraqi officials said claims of a plot against Mr Bush were "baseless"

But allies of the United States voiced understanding and firm backing for the strike

Arab countries, including Egypt, criticised the strike as typical of Western double standards

The Iraqi news agency Ina counted at least five dead, including the painter Leila Al Attar, director-general of President Saddam Hussein's arts centre

Ms Al Attar's husband and housekeeper as well as a 38-year-old Iraqi citizen and his child were also killed, Ina said

A statement by the Iraqi Revolutionary Command Council referred to the "new cowardly aggression on Iraq"

According to the statement, a number of people living in nearby houses were killed "Many others, including women and children, were wounded and houses were damaged"

Iraqi citizens flocked to the targeted areas, shouting, "Allah Akbar" (God is great) and "Death to America, enemy of the people" — Sapa-Reuter-UPI

Four held as police close net

By ANTHONY JOHNSON
Political Correspondent

POLICE last night made the first arrests in their countrywide hunt for 300 right-wingers identified from videos of Friday's violent onslaught on the World Trade Centre at Kempton Park.

At 10 30pm police headquarters in Pretoria reported that four people were being held for questioning Their names and gender were not given.

Police, who were working through the night, said more arrests were imminent.

But one top security source cautioned "Things are balanced on a knife-edge at the moment — we have to move carefully because we don't want to start a bloodbath or a revolution"

Police Commissioner General Johan van der Merwe said yesterday that AWB leader Mr Eugene Terre'Blanche could be among those detained in the police swoop, but he defended Afrikaner Volksfront (AVF) chairman General Constand Viljoen, who, he said, tried to stop the right-wing rioters during the raid on the multi-party talks

Police spokesman Major Ruben Bloomberg told the Cape Times that CP MPs would also be arrested if evidence emerged that they were involved in any criminal acts during the three hour rampage on the site of multi party negotiations

"A number of those involved have been identified so it is just a case of tracing them," he said

Maj Bloomberg said police investigations were taking longer than expected because right-wingers from across the country took part in the raid

Police denied that they were dragging their heels in the investigation — much of which was captured on video

However, defiant "arrest us if you dare" taunts by the AWB at the weekend were being taken seriously

The head of police liaison, General Leon Mellet, said last night "We are determined to round up, get to court and get convictions against those people who broke the law during the raid on the World Trade Centre"

As the police dragnet swung into operation, a stern-faced Mr Nelson Mandela warned on television last night that the ANC would never agree to an independent Afrikaner homeland and was ready for violence from right-wingers demanding separatism.

"If they think in terms of violence, we are ready for that," he said on Agenda.

He said the ANC considered the militants as unrepresentative of the majority of peace-loving Afrikaners

The ANC was prepared to discuss right-wing demands at the multi-party negotiating forum, he said.

CT 28/6/93

(344)

Price of bread to jump nine percent

CT 1/7/93

JOHANNESBURG — You could be paying up to nine percent more for your loaf of bread today, as the new price hike comes into effect

This follows a 10% rise in the wheat price and other cost increases in the baking industy

The profit made by the government on the importation of wheat last year, which was passed on to the industry, has been spent and the price of wheat has returned to actual market levels

A spokesman for the Chamber of Bakeries, Mr Nic Alberts, said that bakers could decide for themselves on price increases because the price of bread was not regulated

Various supermarkets and chain stores had indicated that they would not increase the price of bread immediately Some of these shops were selling bread at a reduced price — Sapa

Inflation pointer to Bank rate cut

BIDay 1/7/93

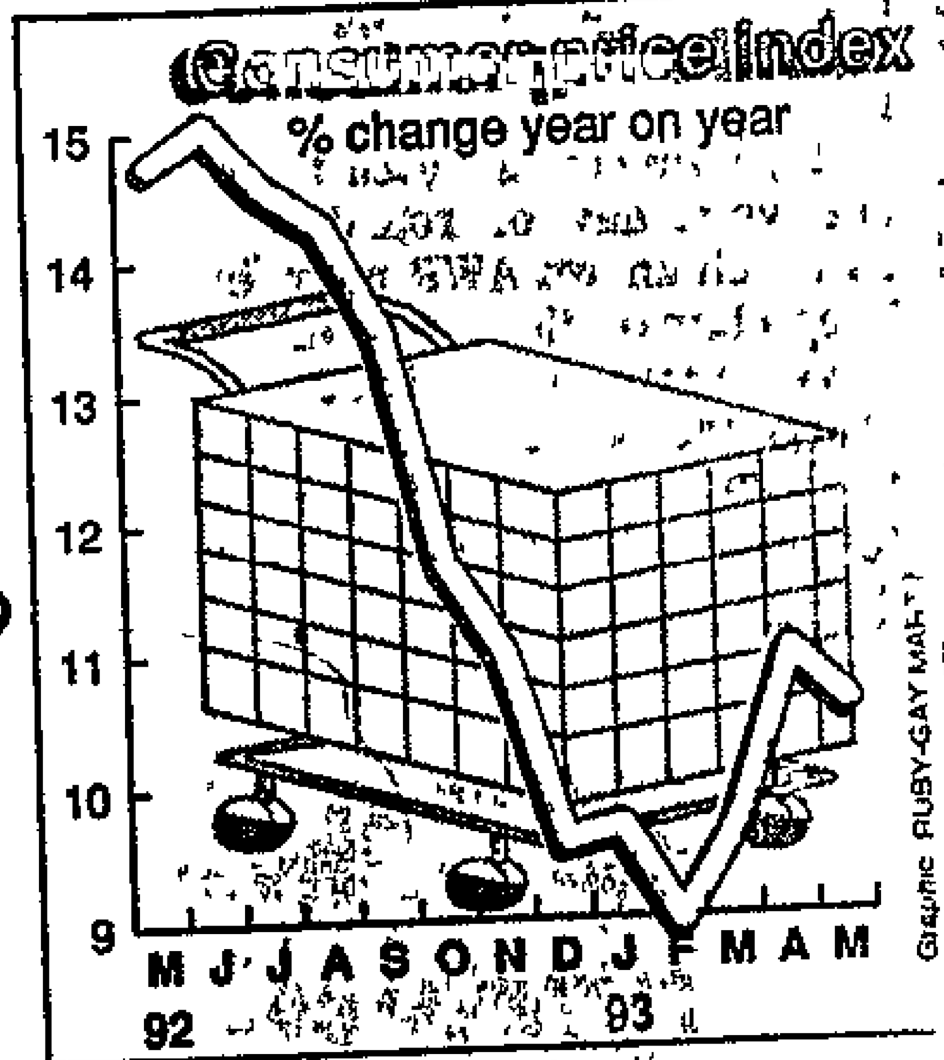
TIM MARSLAND

CONSUMER inflation slowed to 10,6% in the year to May compared with April's 11%, prompting economists to call for a quick drop in Bank rate. (458)

The Central Statistical Service (CSS) said yesterday the inflation rate for the year to May, as measured by the consumer price index (CPI), was 10,7% against April's 11% and March's 9,7%. The month-on-month rise in May was 0,4%. (244)

CSS said last month that the full effects of the higher VAT rate had not been reflected in April's figure, which led most economists to forecast a rate of between 11,5% and 12% for May.

CSS head Treurnicht du Toit said he was satisfied that May's data were accurate and said the decline indicated the sharp downward pressure on underlying inflation. He pointed out that some food items had been zero-rated for VAT, which contributed to the slower price rises.



CSS figures show food prices rose just 7,4% in the year to May, with fruit and nut prices dropping 5,1%.

□ To Page 2

Inflation

BIDay 1/7/93

□ From Page 1

Economists were surprised at the figures but said this gave the Reserve Bank room for a cut in Bank rate now.

AHI chief economist Nick Barnardt said the latest figure was "extremely encouraging", especially since the inflation rate excluding VAT was 8,4% for May. Seen against a prime rate of 16%, this implied a real interest rate of 8%, and he questioned whether this was realistic "SA's cost of money must be one of the highest in the world," he said. (458) (244)

He noted problems remained with the reserves, although this was a "fact of life".

FNB senior GM Viv Bartlett said banks were unlikely to pre-empt a Bank rate cut by lowering their own interest rates first. The current high month-end money market shortages meant the banks were unlikely to lead rates down. The high shortages had forced short-term rates up, putting banks' margins under pressure.

Absa economist Dominic Sutton said the lower inflation rate indicated extreme weakness in the economy and could mean retailers were being forced to absorb the higher VAT by slowing the implementation of the new VAT rate.

Consumer Council head Jan Cronjé said consumers could look forward to a drop in Bank rate.

Capital market rates fell 15 points at the long end of the market in bullish trade. Dealers said insitutions had been major players in the market and some noted buying from London. The popular Eskom 168 ended at 14,53% from 14,65%.

Glad tidings as inflation rate takes another tumble

Star 1/7/93

(244)

By Claire Gebhardt

In one of the best pieces of economic news for some time, the inflation rate fell again in the twelve months to May — to 10,6 percent

Latest Central Statistical Service (CSS) figures show that the consumer price index (CPI) registered a 0,4 percentage point decline from April's figure of 11 percent

Non-VAT inflation was 8,4 percent

For the month, consumer prices rose by 0,4 percent, largely because of increases in the price indices for housing, health costs and transport.

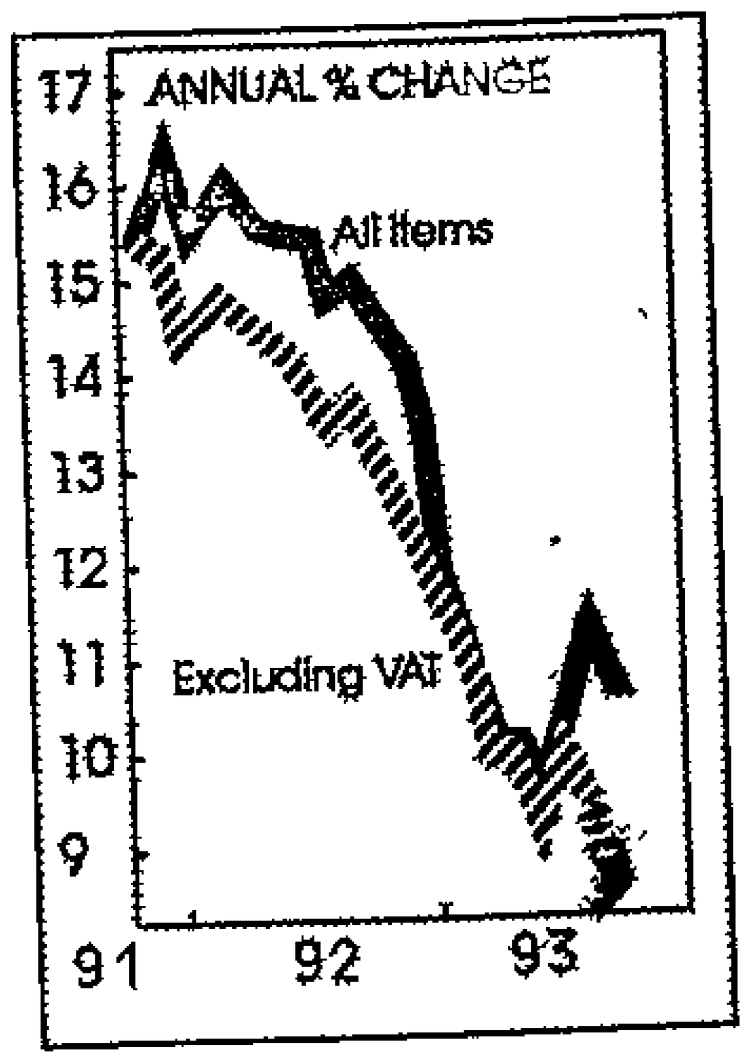
Afrikaanse Handelsinstituut economist Nick Barnardt said yesterday the figures were a pleasant surprise and reflected current monetary discipline

"If money supply is growing at 3,7 percent, there is a limit to which economic participants can raise prices and wages.

"Given a CPI of 10,6 percent and non-Vat inflation of 8,4 percent, this puts the VAT input at 2,2 percent

"The VAT factor will fall out of the figure in April next year, which means that if there is no further VAT increase, inflation could fall to 7 percent or 8 percent at that time

"By the end of next year inflation could be 5 percent.



Barnardt said it was crucially important that business adjusted price and wage decisions to this figure

He said falling inflation put a question-mark over a prime rate of 16,25 percent.

"If inflation is 10,6 percent, we're looking at a real interest rate of 8 percent in a totally depressed economy

"With the economy going down further and further, the political situation is almost certain to explode."

Calling for a review of interest rates, he said a cut would stimulate growth and lead to higher employment and this could stabilise the capital outflow.

Econometrix director Azar Jammine said the figures were unexpectedly low and indicated that companies were not passing on the increase in VAT.

"The drop enhances the possibility of an interest-rate cut, but at the moment the foreign reserves are just too shaky to lower interest rates.

"But the good news is that money will buy people a few more goods and services.

"In this sense the inflation figure will contribute to turning the economy around"

The Consumer Council welcomed the lower figure and said a drop in Bank rate would benefit the economy and bolster consumer spending

Executive director Jan Cronje said consumers would be gladdened by the relatively low inflation rate of 7,4 percent for food.

But he warned that the favourable figures were not a signal for consumers to spend injudiciously.

Bread prices go up today

Star 1/7/93

By Stan Hlophe

Consumers will pay 8c more for a loaf of white bread and 7c more for a loaf of brown from today due to a 10 percent rise in the price of wheat

However, supermarket chains have pledged to hold bread at R1,67 for white and R1,35 for brown until the end of July, when prices will be set at R1,75 and R1,42

Bread, which is VAT -exempt, is normally dearer in cafes The recommended maximum retail prices before today's increases were R1,88 for a white loaf and R1,57 for brown.

In some cases, the price of a white loaf was as high as R2 and brown cost as much as R1,80.

OK managing director Mervyn Serebro said his group was prepared to assist customers in a staple-food area (244)

"We'll take action to keep prices down until the end of July "

Wheat Board general manager Louis van Staden said wheat imports to supplement the small local crop had resulted in a profit of R147 million for the Government as imports could be landed at substantially less than the regulated price.

He said the profit had been used to counter a 10 percent increase last November by subsidising the Wheat Board's price to the industry

"This year the Wheat Board only received a crop of 1,2 million tons As a result we had to import about 1 million tons on behalf of the Government," said Van Staden

"The Wheat Board had no alternative but to increase the price of wheat by 10 percent when the Government's subsidy could not last for the full year," he added

SA Chamber of Baking executive director Nick Alberts said the industry had lost R15 million in the past three months alone, some as a result of the gutting and hijacking of 50 delivery trucks in the townships

Higher salaries and equipment costs were contributing factors

Sowetan 21/7/93

Price freeze by chain

THE price of bread went up yesterday but OK Bazaars said they would sell at the old prices until the end of the month.

A loaf of white bread will increase by 8c to R1,77 and brown by 7c cents to R1,65. The OK said it would not only sell at the old prices but would reduce the price of white bread to R1,65 and brown to R1,35 a loaf. (244)

Group managing director Mr Mervyn Serebro said the chain was "here for our customers in these tough economic times".

Meat prices 'should be lowered'

Staff Reporter

MEAT prices should not be affected by increased Meat Board producer levies, and "should rather be lowered", the Consumer Council advised yesterday

In a statement which followed the Meat Board's announcement on Saturday that red meat levies were to be increased to 1990 levels, the executive director of the Consumer Council, Mr Jan Cronjé, said retailers should not use the increase "as an excuse to increase meat prices"

The new tariff at abattoirs will be raised from the present R11,37 per head of cattle to R15,80

Mr Cronjé said the new producer levies should have no influence on retail prices as they had virtually no effect on the supply and demand basis which determined red meat prices

He said the council was already worried about the large difference between producer and retail prices and "retail prices should rather be lowered"

The levy increase will be applicable from July 19, the Meat Board said

The board said the maintenance of effective fund levels ensured the continued survival of an independent red meat industry, which would benefit all interest groups — producers, meat traders and consumers — as well as the country's economy.

CT 5/7/93

(244)

Cigarette prices set to rise up to 3%

244

ARG 8/7/93

Business Staff

SMOKERS will pay more for cigarettes after an increase in the wholesale price.

Introduction of the new recommended prices will depend on how quickly wholesalers and retailers pass on the increases and run out of old stock

Rembrandt pushed up prices to wholesalers yesterday The increase will result in retail prices rising between 2 and 3 percent.

At the same time Rembrandt has reduced the number of price categories with the recommended price for cheaper brands (packs of 20) going from R2,44 or R2,45 to R2,50

The middle-priced brands go from R2,49 to R2,55.

The "international" and luxury length-type cigarettes will be in a new price range of R2,62 to R2,70.

Cheaper packs of 30 go from R3,68 to R3,75 and the middle range from R3,73 to R3,80.

A wholesaler said today most wholesalers would start passing on the new prices from early next week. It was up to retailers to decide when to pass on the increases.

Cigarette price to go up by 2,8%

244

CT 8/7/93

Own Correspondent

DURBAN. — The price of cigarettes is to increase by six cents for a packet of 20s and nine cents for a packet of 30s from August 1, a spokesman for a major retailer confirmed yesterday

Senior buyer for Pick 'n Pay Mr Michael Lafferty said the chain's cigarette suppliers had informed him of the increase, without notice, early yesterday

"This increase of 2,8% means the price of cigarettes has increased by a total of 13,75% over the past 12 months

"In July 1992 manufacturers raised their prices by 4,1%, in March this year it went up a further 2,8% as part of a government excise increase, then it jumped 4% with the VAT increment in April."

Merchandise director for Spar Natal Mr Mike Forsyth confirmed that he had also been told about the increase but said it was not excessive

Price of a puff goes up immediately

BiDay

MARCIA KLEIN

SMOKERS will fork out more money for their cigarettes with immediate effect following yesterday's increase in cigarette manufacturers' prices

Intercontinental Tobacco said yesterday there had been some confusion. The manufacturers' price increase to wholesalers was effective from yesterday and not from August 1 as had been reported

9/7/93

Retailers were at liberty to adjust prices as and when they deemed fit. The increase was roughly 2%, but varied depending on trademarks This would translate to about 6c for 20 cigarettes after VAT.

Some retailers — like the OK — said they would hold prices at current levels while stocks lasted. Some cafes said they would increase packs of 20 by about 8c from R2,75, and packs of 30 by 12c from R4,10. The increases at major retail chains would generally not be as high as this.

(244)

Although the major manufacturers could not be reached for comment, tobacco industry sources said the increases represented increased factory costs, and not a rise in the price of tobacco

(~~198~~)

FM 9/7/93 (244)

CPI (244) FM9/7/93

Back down

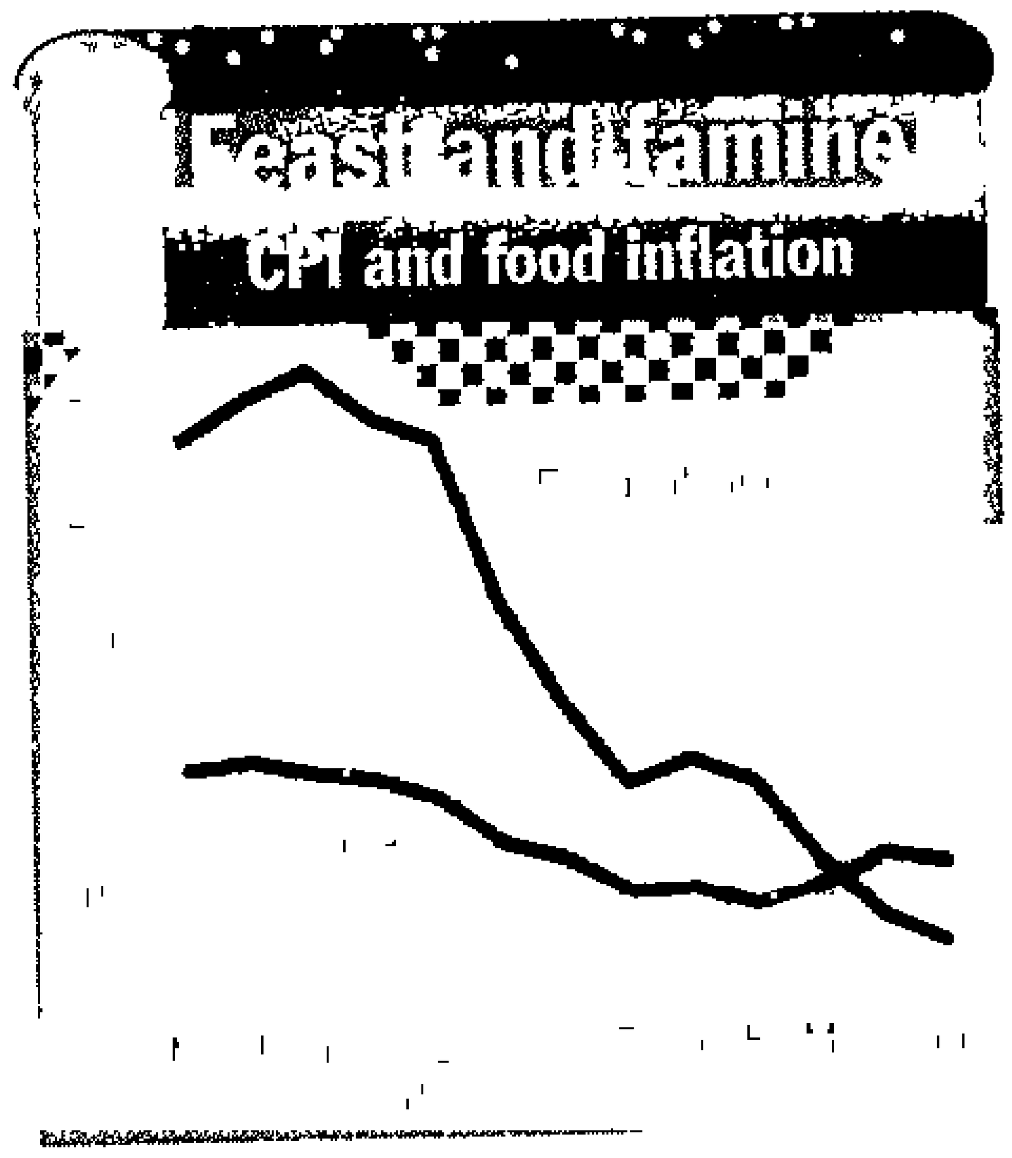
Inflation resumed its downward trend after moving up in April. Over the 12 months to May, the consumer price index grew 10,6% (after 11% in April) In the month, the index grew only 0,4%

This rate was surprisingly low Economists had expected a number of Vat-related increases to filter through in the May figures (*Economy*, June 4) and an inflation rate of above 11% was predicted

That it didn't can be attributed partly to the squeeze on the economy — retailers are finding it more and more difficult to pass costs on to the consumer

In the food sector, where the rate has been below the overall rate, relief from the drought has been an important contributing factor The index for food rose only a monthly 0,2% in May, while the year-on-year rate is 7,4% — far from the heights of 30% seen a year ago The rise in prices of fruit & nuts was at a year-on-year rate of 4% (from 41% as recently as December) and vegetables at -15,4% (30,5%)

The Vat factor explains the volatility of food inflation, compared with the inflation



rate on all other items When Vat was first introduced at 10%, in October 1991, the impact was greatest on food, previously exempt Initially only six items were zero rated In April this year, zero rating was extended to a further nine items

Excluding food, prices rose 11,5% over the 12 months And, says Sanlam senior economist Pieter Calitz, if housing, which is sensitive to interest rate changes, is also excluded, there is a "core" rate of 15,2% However, the "core" includes the bulk of items now charged at the new Vat rate of 14%, or subject to the new series of levies and excise duties introduced in the Budget (for which the major increases would already have been made in April).

The Vat-free inflation rate of 8,4% is probably the most accurate measure of underlying inflation

The highest rates of increase were seen in

- ☐ Non-alcoholic beverages, a year-on-year rate of 18,9% (but only 0,2% in the month),
- ☐ Cigarettes, cigars & tobacco, 15,8% (no change in the month),
- ☐ Fuel & power, 19,2% (0,6%),
- ☐ Household operation, 16,2% (0,7%),
- ☐ Medical care & health expenses, 14,2% (1,2%),
- ☐ Transport, 15,7% (0,6%),
- ☐ Communication, 15% (no change in the month);
- ☐ Reading matter, 20,3% (no change in the month), and
- ☐ Education, 64,5% This was because of new school and university fees, effective from March ■

Another fuel price increase expected

CT 10/7/93 (244)

By ANTHONY JOHNSON
Political Correspondent

SOUTH AFRICA's battered consumers can brace themselves for yet another general fuel hike – the third in nine months.

The Automobile Association believes the price could go up 25c/ℓ this year.

Mineral and Energy Affairs Minister Mr George Bartlett warned yesterday that another fuel price rise would be unavoidable in the near future if there was not a big increase in the value of the rand or a fall in the cost of fuel imports.

He said the fuel price hikes in October last year and April this year had not taken account of "full unit under-recoveries" and that less than the actual required fuel price increases were passed on to consumers.

The remaining under-recoveries had been financed from the Equalisation Fund, which had now reached the point where it was "being drained at a considerable rate" and would "not be able to sustain this withdrawal rate for much longer."

He said lower international market prices of refined petrol products since October 1992 were offset by a steady worsening of the rand/dollar exchange rate.

The AA said that because of "dis-economies" in the oil industry (including R70 million in tariff protection and R10m in compensation paid to oil companies per year), increases of about 25c a litre could be expected this year.

The AA maintains that the only way to ensure the lowest possible pump price is to allow market forces to operate.

Star 13/7/93

Margarine price up 84 pc

(244)

Nuts & Seeds

By Zingisa Mkhuma
Consumer Reporter

The producer price of margarine and fat spreads will go by up to 84 percent from Monday, a Shoprite/Checkers spokesman said yesterday.

The spokesman said consumers must expect to pay up to R1 more for a 500 g medium fat spread. She advised shoppers to stock up before the new prices come into effect.

It is believed that the increases were the result of a recent 11 percent rise in the producer price of sunflower seeds and soya beans.

Retailers gave assurances last month that the hikes would not affect the retail price of oil seed products such as cooking oil, butter and margarine and promised to sell current stocks at old prices until they ran out.

But the Shoprite/Checkers spokesman said: "The major increases on all brands of medium fat spreads and margarine have been presented by the manufacturing industry as non-negotiable.

"Supermarkets were also precluded from buying additional stock to allow current prices to be maintained for a longer period."

Asked if their stocks had ran out, she said that margarine and fat spreads were perishables and were not kept for a long time. She said the manufacturers had waited until their old stocks ran out before introducing the increases. This meant retailers had to buy new stocks at an increased price.

The retail group also criticised what it called an "unwarranted" move from margarine manufacturers — to bring in line prices of competing brands.

"It is more likely that these price increases are prompted by an attempt to bring the prices of medium fat spreads in line with those of margarines.

"It is furthermore believed that it is an untimely move and to the detriment of consumers to bring price parity into the market at this stage."

Margarine Manufacturers Association chairman Rick Griffiths said however prices of most margarines would not be increased but retailers would just stop selling them at below-cost prices.

"Producers have been selling the cheap brands of margarine below cost as they were engaged in a price war," he said.

He added that the recent 11 percent increase in oil seed crop prices by local farmers; increases in edible oil prices abroad, the deteriorating rand against major currencies; and heavy duties on oil seed imports had forced producers to stop discounting prices and return to the list price.

Shops slash prices

BRUCE CAMERON, Business Staff

Argus 244 14/7/93

MAJOR retailers nationwide are slashing prices on products from washing machines to basic foods and changing marketing tactics as consumer demand plummets.

The price wars have brought down the rate of inflation against expectations of economists, including government economists, as retailers battle to maintain market share — and, in some cases, survive — in the longest recession the country has faced.

The year-on-year inflation rate for May was 10,6 percent — against predictions of 12 percent — and for food 7,4 percent

The inflation rate would be dropping even faster if it were not for the government pushing up administered prices against free market forces and increases in VAT and fuel prices

The latest government intervention resulted in the increase in medium fat margarine prices this week.

The government gave permission to the Oilseeds Control Board to raise the cost of oilseeds by 11 percent — well above world oilseed prices.

At the same time the government has maintained tariff barriers of R590 a ton on imported seed oil to prevent margarine manufacturers taking advantage of the lower world price

Figures from Central Statistical Services show in real terms (taking account of inflation) that retail sales fell 1,8 percent from R5,4 billion to R5,3 billion in April. Furniture, appliances and clothing sales were particularly hard hit.

And the Department of Agriculture has pointed out that although people are spending more because of the inflation rate they are buying less, which is hitting manufacturing volumes

As shops slash prices a strong buyers' market has developed, particularly for furniture and appliances, with consumers able to negotiate rock bottom prices

The major food chains are also taking each other on in a battle for market share

Checkers-Shoprite and OK Bazaars have been pricing aggressively in an effort to win market share This is contributing to the rapid fall in the rate of food inflation this year

Food inflation for May dropped to its lowest level in 17 years

Pick'n Pay has given notice that it also intends moving firmly soon, introducing a new wide range of in-house branded products.

Joint managing-director Mr Rene de Wet says the price of 600 new in-house brand products — ranging from food to toiletries — will be 10 to 15 percent lower than equivalent manufacturer brand names

This in itself is likely to spark a further price war as manufacturers drop their own branded prices to maintain market share

In the United States the battle between retailer and manufacturer brands has resulted in widespread price-cutting

Economists said today that suppliers and retailers could no longer put up prices automatically if they wanted to retain sales.

Pictures RICHARD RUBIDGE

BIG SWELL: Sightseers are dwarfed as a massive wave crashes into the Table Bay breakwater this week The Port Captain estimated the swell was running at about six metres in the bay.

Bleak weather to persist until Sunday

AKG 14/7/93

244

☐ Vegetable prices may rise by 30%

Staff Reporters

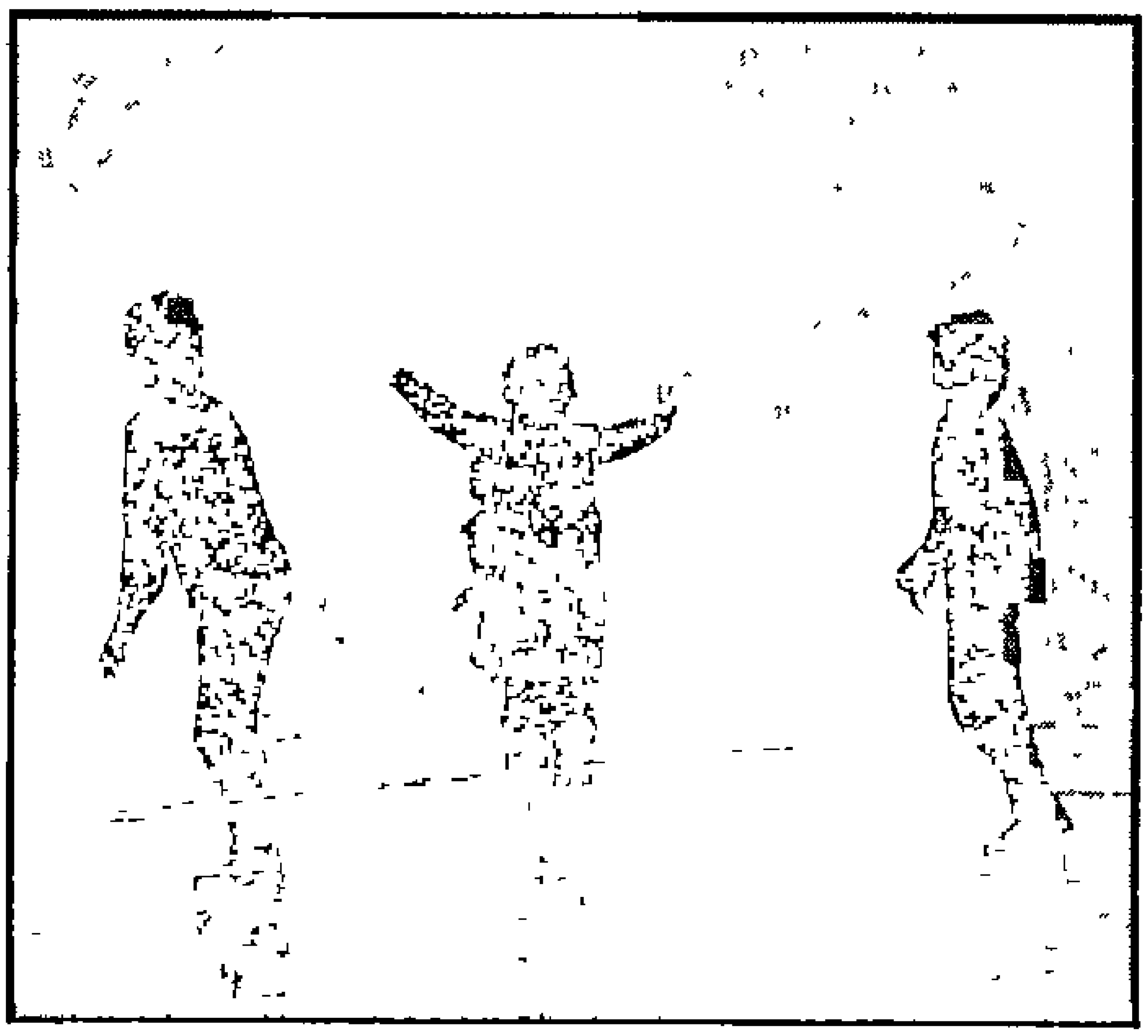
CLEAR skies by Sunday is the good news from the Weather Bureau today But before then, more rain is expected

Today will be cloudy and cold with light showers, clearing partially tomorrow

The wind will swing briefly from the north-west to the south-west later today, but another frontal system will move over the Western Cape tomorrow afternoon

"Although wind is expected to be moderate north-westerly, between 20 and 30 knots, Friday looks like a bad day, rainwise," said a Weather Bureau spokesman

The wind and rain will persist into Saturday morning, but the first blue sky for a week is expected on Sunday



WAVE POWER: Boys play in the spray on the breakwater

Table Bay has been severely discoloured by a huge volume of soil and silt washed from river catchment areas during the storms, but this is unlikely to have a major effect on marine life

Professor George Branch, of the University of Cape Town's zoology department, said the silt load was "not a big problem", although it could have short-term smothering effects on marine plant life

Usually the silt would be kept in suspension and then shifted offshore by turbulent conditions

But the soil erosion was a "sad reflection" on the management of the land "That is a bigger issue," said Professor Branch

The price of cabbages, cauliflowers, leeks, lettuces, potatoes and carrots could go up 20 to 30 percent in the next few weeks as the effect of the wet weather is felt in Cape Town's vegetable-producing area in Philippi

Although farmers were able to harvest most of their crops before the rain set in, seedlings and young plants were severely battered by the storms, said Epping Market deputy director Deon de Goede

Potatoes in the Clanwilliam and Citrusdal areas "have been difficult to harvest with fields under water" and as demand exceeded supply, prices would rise, he said

Prices of vegetables from the Transvaal — including peppers, brinjals, green beans, baby marrows and pumpkins — would be unaffected

Mr De Goede said he expected some vegetables to be in short supply as volumes decreased

Margarine price hike 'exaggerated'

BiDay 14/7/93

MARCIA KLEIN

THERE was some panic buying yesterday as consumers rushed to beat the imminent increase in the price of margarine.

But major margarine manufacturers said yesterday price increases were not as high as announced on Monday, and only certain products were involved (244)

Generally, the price of some products would increase by about 15% to 20%, they said. Only a few product ranges would rise by as much as 84%, while the price of the major brands would remain unchanged.

Shoprite/Checkers said on Monday margarine manufacturers had notified major supermarket chains of increases of up to 84% in the price of medium fat spreads and margarines It said the effect was that consumers would pay as much as R1 more for a 500g brick of medium fat spread

It advised shoppers to buy as much stock as they could before July 19, when the prices would go up

Derek Dixon, marketing director of major margarine manufacturer Vandenbergh Foods, said the company advised major retailers at the end of May and beginning of June that it was increasing prices of some products Since then, most of its competitors had followed suit.

Over the past 18 months, there had been an escalating price war between lower price brands, one of which was its own product Rondo Many retailers had also used these products as loss leaders, and had not added on the normal retail margin

The price increase would return the pricing of these products to its normal level He said Rondo was sold for R2,15 for 500g two years ago, and at the end of July would increase to R2,49 — a 16% increase

There would be no change in the major normal brands, whose prices varied from about R3,59 to R4,99

Dixon said an IBIS analysis showed that the margarine price rose by about 244% from 1980 to 1990, while inflation rose by 357%.

Oil Expressers Association deputy chairman Hamish McBain said the price had increased after the 11% increase in oilseed prices in June, a decline in the realisation price of oilseed by-product oil cake (which was sold to the animal feeds industry), and the increase in price of some imported raw materials

He said there was no collective decision to increase prices. The price of some margarines would increase by about 15% to 20%.

MZIWAKHE HLANGANI reports that the SA Oil Mills and Cape Oil Products have advised consumers to "shop around" and check prices of different brands of spreads

A spokesman said the higher producer price imposed by the Oilseeds Board came at the same time as major increases in the cost of packaging materials

He said there had been little increase in the price of medium fat spreads in the past seven years, but it was unfortunate market forces came into operation with the increase in farmers' prices and packaging

Thomas said further pressure on local prices had come from sharply higher world vegetable oil prices, a weaker rand and high import duties over which manufacturers were in dispute with the Board on Tariffs and Trade. "Until the free market forces have come into full play and the recent supply increases have been absorbed, the consumer should shop for the best price"

Spreads: Competition Board probing

CT 15/7/93

Staff Reporter

THE Competition Board is investigating the possibility that margarine and low- and medium-fat spread manufacturers colluded on price hikes.

Competition Board chairman Dr Pierre Brooks said from Pretoria yesterday that when any association, especially one relating to consumer goods, announced price hikes coupled with statements about price wars, the board sat up and took notice.

"For manufacturers to fix prices is a serious criminal offence carrying a fine of R100 000 and/or a maximum jail sentence of five years. When an association of manufacturers gives a specific figure to a price increase, instead of saying 'in the region of', the red lights start flashing and we have an obligation to investigate. There is a possibility of collusion between manufacturers in this case, especially as statements about price increases were coupled with statements by manufacturers that price wars could not continue," Dr Brooks said.

Mr Derek Dixon, marketing director of Vandenbergh Foods, which supplies about 50% of the market, said from Durban yesterday that he was unaware of the board's investigation.

"We have had no contact with the board and have nothing to fear from them as there was no collusion between manufacturers. After we informed retailers of price increases it is understandable that competitors followed quickly," Mr Dixon said.

He denied that the price increases were as much as 84% on low fat spreads, but said discounts had merely been removed.

Inflation takes another knock

Star 15/7/93

By Claire Gebhardt

A drop in annual producer price inflation (PPI) to 7 percent in May from 7,9 percent in April is another milestone in the fight against inflation

Economists said yesterday the better-than-expected figure, coming on top of a drop in consumer price inflation (CPI) to 10,6 percent in May, could translate into lower prices across the board two to three months down the line. (244)

Latest Central Statistical Service (CSS) figures show that the rate of price increase for locally produced commodities slowed to 7,1 percent for May against 8,3 percent in April.

Although the monthly index remained unchanged from April to May, the seasonally adjusted index showed a decrease of 0,3 percent over the two months.

Imported inflation was 6,3 percent in May — up 0,4 percent from 5,9 percent in the previous month

UAL economist Dennis Dykes said inflationary pressures were obviously under control given the lengthy recession and weak money supply figures.

"Though some would say the PPI figure increases the potential for a Bank Rate cut, the Reserve Bank is likely to hold off given the foreign reserves position."

Dykes said the imported inflation was surprisingly low.

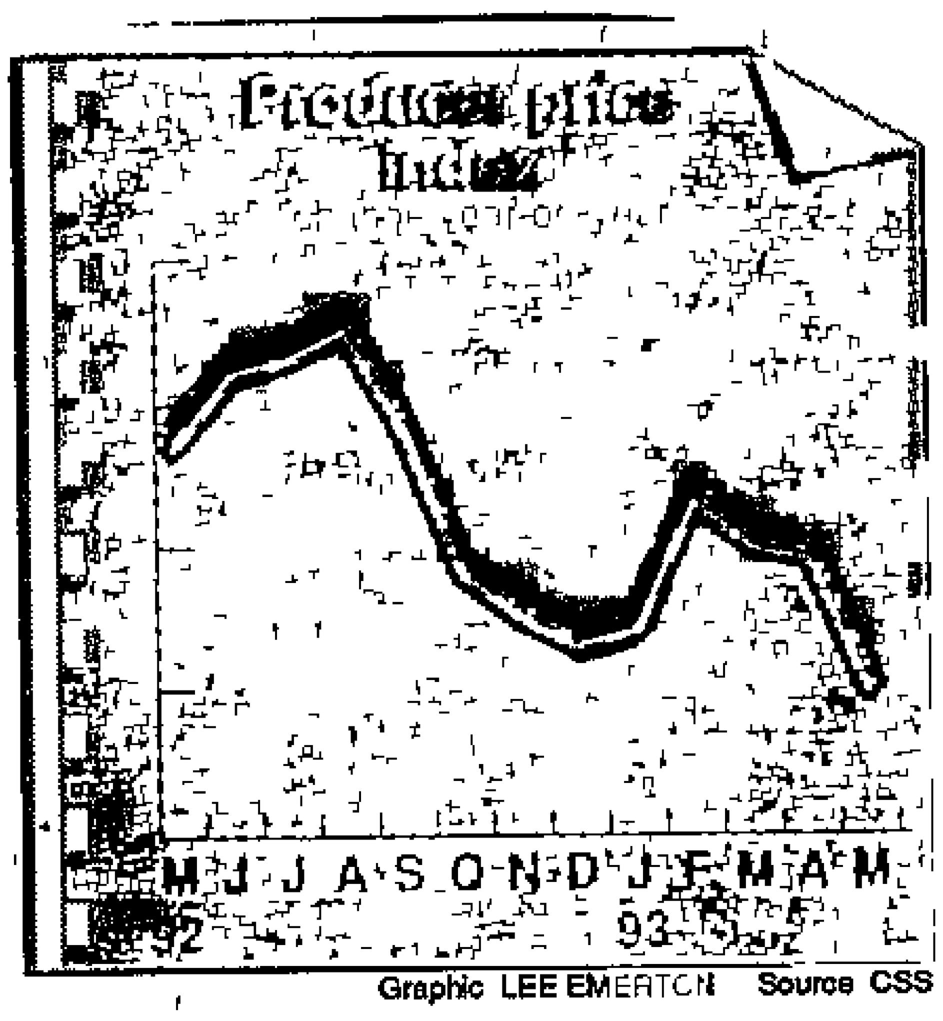
"On exchange rate considerations alone I would have expected it to be 10 percent given the decline in the value of the rand since the end of January against both the dollar and the yen."

Sanlam economist Pieter Calitz said wage settlements were at their lowest levels in years and producers were pricing more realistically.

"The effect of the weakening rand could start coming through later on in the year in the imported inflation component, but this will be offset by lower domestic producer inflation."

Calitz said he expected to see single-digit figures for the CPI from September next year.

"The average inflation rate for this year will be about 10 percent, dropping to 9 percent next year."



Graphic LEE EMERTON Source CSS

Producer price hikes slow to 7%

BiDay 15/7/93

TIM MARSLAND

PRODUCER price increases slowed to 7% in the year to May compared with 7,9% in the year to April as tight economic conditions forced producers to absorb higher costs, economists said yesterday. (244)

Figures released by the Central Statistical Service show there was no month-on-month increase in the producer price index (PPI) Locally produced commodities were slightly cheaper in May and imported goods slightly more expensive

Rand Merchant Bank economist Rudolf Gouws said the figures confirmed the strong downward trend in inflation Economic conditions were so tight producers were unable to pass on cost increases

Absa senior economist Pierre Morgenrood said the figures were well below market expectations Weaker food prices may have played a major part in the drop in the locally produced component, he said

However, the full effects of the weaker rand exchange rate had still to be felt on imported commodities, though these made up just 19,5% of the total index. This would be reflected in June's figures

For the 12 months to May, local commodities rose 7,1% compared with 8,3% in the year to April and were down 0,3% month on month The price of imported commodities was up 6,3% in May from April's 8,3% and up 0,2% month on month.

Margarine price rise investigated

BiDay 15/7/93

MARCIA KLEIN

THE Competition Board is to make inquiries regarding the margarine price increase after reports that the hike resulted from a joint manufacturers' decision.

Board chairman Pierre Brooks said yesterday the board had not yet established if the price increase was announced by individual manufacturers or by an association.

He emphasised the board was not investigating the price increase, but merely satisfying itself that manufacturers had informed supermarkets independently. (2 iii)

On Tuesday certain major margarine manufacturers said they had alerted supermarkets as much as six weeks ago of a price increase. According to industry players, major manufacturer Vandenbergh Foods had told supermarkets at the end of May and early June, and competitors had followed suit. (3)

Manufacturers' comments came after an announcement by Shoprite/Checkers that the price of margarine would increase by up to 84% on July 19. They said this applied to only a few product ranges and the price of major brands would not change.

'Monopoly' blamed for margarine price rises

2414

BRUCE CAMERON
Business Staff

THE Oilseeds Control Board, government connivance at monopoly conditions, abuse of export rebates by some manufacturers and price setting were blamed today for a wide range of increases in margarine and "yellow-spread" prices

The biggest increase is for medium fat spreads, which will go up between 20 and 30 percent, according to Pick'n Pay food merchandise director Shaun Summers.

Mr Summers took a sideswipe at competitor Shoprite-Checkers, accusing the chain of "recklessness" in claiming the price of medium fat spreads would go up by 84 percent.

Mr Summers said the full fat bricks would go up 10 to 11 percent and the tubs by about five percent

He called for a full investigation into recent increases in prices of oilseed and "irregularities" in the importation of oilseed.

"What we do strongly protest against is any move by our suppliers to orchestrate price increases together and collude on this issue."

Van Den Bergh Foods, which supplies about 50 percent of the market, today blamed the increases on the Oilseeds Control Board and high import barriers on imported oilseed

Managing director Rick Griffiths denied there was collusion in pricing

As the market leader, his company could no longer afford to keep the price down because of farmers putting up the price of oilseed 11 percent, an increase in edible oil prices abroad, the deteriorating rand and heavy duties on oil seed imports

There was general agreement in the industry that the recent 11 percent increase, awarded to farmers by the Oilseeds Control Board with government agreement, was unjustified as South African prices were now well above world commodity prices

Mr Griffiths said before the increase the South African price was R2 200 a ton, while the landed price of imported oilseed was R1 500 to R1 600.

Osborn fears 1994 revival in inflation

S Times (Buss) 18/7/93

By CIARAN RYAN

INFLATION could reverse its downward trend in 1994 as, among other factors, the effects of a falling rand work through the system, says Nedcor chief economist Edward Osborn

"I fear we have deluded ourselves into believing that the back of inflation is being broken," says Mr Osborn.

Optimism was fuelled by the fall in headline inflation from 13,5% in September 1992 to 9,6% in December 1992 The fall was the result of the inclusion of the heavily weighted mortgage interest in the index

Mortgage interest has a weighting on 11,51% in the consumer-price index (CPI) By lowering interest rates, the Reserve Bank is able to "administer" lower inflation.

Mr Osborn says if mortgage interest is removed from the index, the underlying inflation rate is 13,7% compared with a headline rate of 10,6%

"The improvement in 1991 and 1992 may well be explicable in terms of the impact of the recession, lower wage awards, heightened competition and the like," says Mr Osborn. (155)

"It would appear likely that there will be a swing-around in the fresh-food category and a resumption of an upward trend, but nothing as extreme as 1991-92. (244)

"It would not be unreasonable to expect the resumption of an upward trend in underlying inflation in 1994," Mr Osborn says

S/Times [Buss] 18/7/93

Sandton dear, Brakpan cheap

THE average price of houses in the last six months of 1992 increased 2,8% over the first six months, with average house prices the highest in Sandton at R284 474 and lowest in Brakpan at R108 515. (2-44)

The CPS Property Price Index (CPPI) shows that at R204 329, Randburg is the only other city with an average house price exceeding R200 000.

The CPPI shows average house prices for 24 cities in SA.

NEWS IN BRIEF

B/Day, 20/7/93

Margarine 'to soar'

STEEP price increases for margarine were forecast yesterday. Retailers said the largest price rises would be in the medium-fat spreads, which could increase by up to 60%.

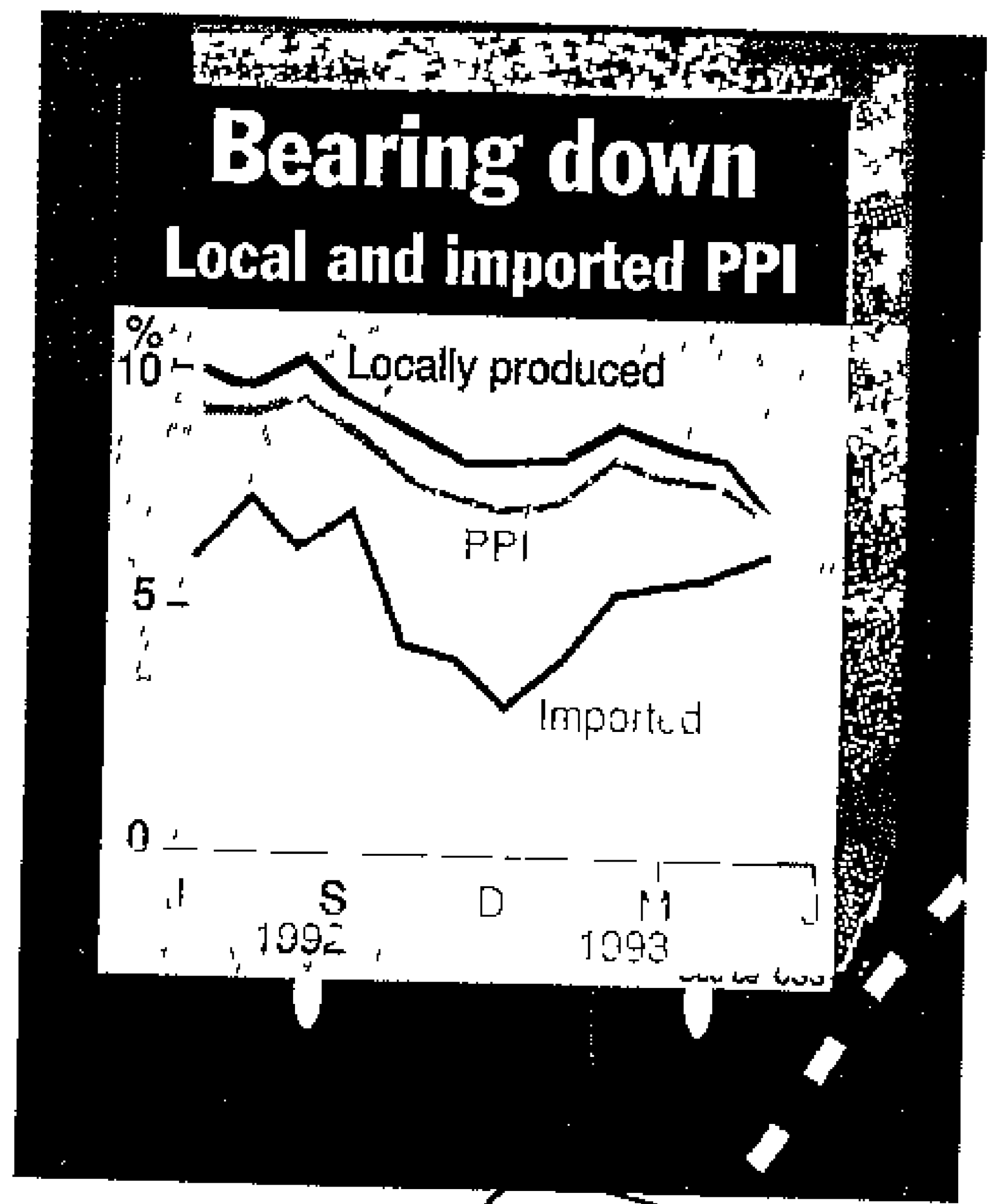
Regular margarines, which had a higher fat content, could go up by an average 30%, they said.

(244)

FM 23/7/93

PPI FM 23/7/93.

Local counter (244)



(244)

For many months, producer price inflation was restrained by the reduced rate at which imported commodity prices were rising Now it is being moderated by smaller increases in the index for locally produced commodities — which showed no growth in the month of May The 12-month rate of local producer inflation slipped to 7,1% in May from 8,3% in April

As a result, the overall index remained static in the month and the 12-month rate of increase came down to 7% from 7,9% in April

The slowing in local inflation was due to the local portion of the item mining & quarrying Central Statistical Service doesn't publish a breakdown of the local and imported components, but a spokesman confirmed that the 3,2% fall in this index in the month was not the result of lower crude oil prices, which are the most important imported component in the index

Also dampening local producer inflation was a 1,8% monthly fall in the index for electricity, gas and water Countering this were relatively high increases in manufacturing (0,5% in the month) and food, listed under the subhead agriculture (0,6%)

Imported prices, on the other hand, could be on the way up The rand's depreciation against the US dollar, by 5,3% between December and May, boosted the rate of imported price rises from 3,1% in December to 6,3% in May Fortunately, the rate at which the rand fell against other currencies slowed that month The rise against the six most important currencies was, therefore, less than 0,5% (from 2% the month before)

This would account for the relatively modest rise in the imported index in the month, by only 0,2%

But the relief may be temporary; the rand fell 4,4% against the dollar in June The effect of this accelerated decline should be seen in the July figures, since producer prices are measured in the first seven days of each month

However the rand effect could be offset by weaker oil prices The futures price for North Sea Brent Crude, the international benchmark, fell from around US$19 a barrel in May to below $17 for most of this month and below $16 on Monday So, in subsequent months, this significant fall in the oil price, may effectively counter the deterioration in the value of the rand

□ Of the individual items, large monthly increases occurred under manufacturing in non-metallic mineral products (2,3%), metal products (2,3%), motor vehicles, parts & accessories (1,9%), sugar (5,3%), while fresh meat fell 1,9%

Under agriculture, there were large increases in fruit (4,6%), sugar cane (8,1%), and oil seeds (3,9%) But declines were seen in meat (-2,4%), vegetables & dried beans (-3%), and "other" agriculture (-1%) ■

Agricultural sector pulls economy technically out of recession

Star 13/8/93

Worst is over

FINANCE Minister Derek Keys and leading economists have hailed the improvement in economic performance.

BY CLAIRE GEBHARDT

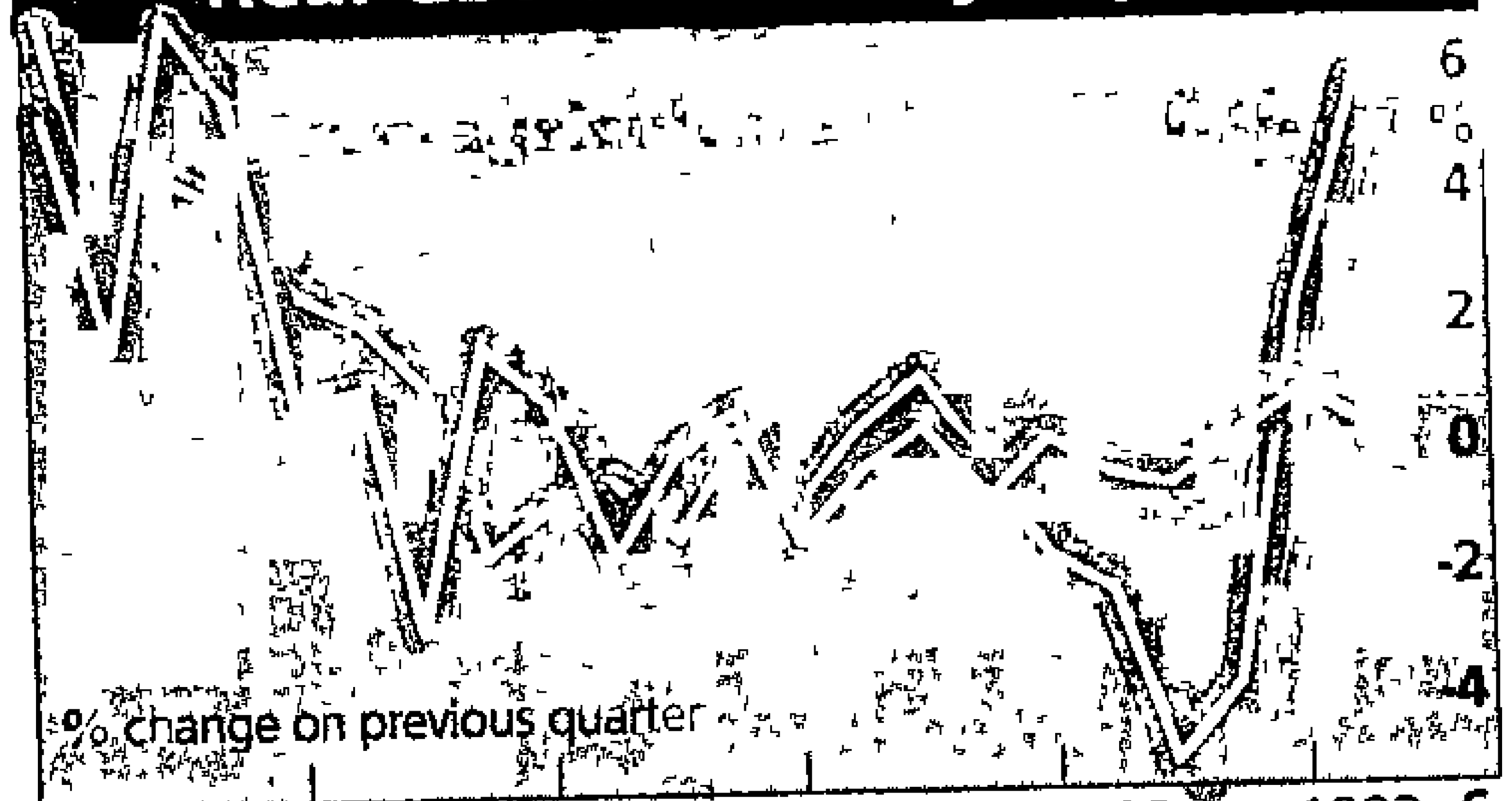
South Africa is technically out of recession

Figures released by the Central Statistical Service (CSS) yesterday show real gross domestic product (GDP) surged for the second consecutive quarter to 5,1 percent in the period April to June, compared with 1,4 percent in the first three months of 1993

Producer price index (PPI) figures also brought good news

The PPI fell by 0,6 percentage points from May to an annualised 6,4 percent in June, auguring well for a sustained period of single-digit consumer inflation

Real GDP seasonally adjusted



GRAPHIC GAIL IRWIN

Finance Minister Derek Keys expressed satisfaction yesterday with the rise in real gross domestic product

He said the continued growth in GDP vindicated his viewpoint that the cyclical turning point to the downturn had been reached at the beginning of the year

Economists also expressed their delight, but cautioned that the growth had mainly been on the back of a strong agricultural turnaround

Agricultural production rocketed 231,5 percent in the second quarter from 53,9 percent in the first

Non-agricultural sector GDP, however, declined to a negative 0,2 percent in the second quarter from 0,3 percent in the first (244)

UAL economist Dennis Dykes said the GDP figures showed that the primary sector was improving, rather than the secondary and tertiary sectors

But he said the 0,2 percent fall in manufacturing GDP, compared with 1,8 percent in the first quarter, should not occasion too much alarm, given the negative impact of Chris Hani's assassination and the ensuing strikes, stay aways and violence

"Manufacturing took a heavy knock in the second quarter and has held up surprisingly well "

He called the fall in the PPI and CPI figures extremely encouraging, given the hike in VAT and fuel prices

Absa economist Adam Jacobs cautioned that SA was not yet out of the woods

"Agriculture has improved because of the higher rainfall and there has been an improvement in mining but, for the rest, domestic demand is very weak

"If we remove agriculture from the figures, the economy is moving sideways and has been doing so for the past twelve months "

Sanlam's Johann Louw said although SA was technically out of recession with two quarters of positive GDP growth, theoretically the non-agricultural sector should also show positive growth and he was hopeful that this would happen by year-end

"We are sticking to our forecast that the growth rate for the year as a whole will be zero, or a negative 0,5 percent "

Afrikaanse Handelsinstituut (AHI) economist Nick Barnardt was less optimistic

He doubted whether agriculture would continue to post higher figures for the rest of the year

"The sugar crop is bad this year and there are problems in the fruit and tea sectors

"The latest GDP figures are good, but total GDP in the first half of this year is 2 percent down on the first half last year "

He said mining had also contributed to the positive second-quarter figures, increasing by 2,5 percent from 2,6 percent in the first quarter

Producer inflation slows to 6,4%

KELVIN BROWN

INFLATION at the producer level performed better than expected, slowing to 6,4% in the year to June from 7% in May, as the recession continued to put downward pressure on prices, economists said yesterday B Day 13/8/93

The month-on-month rise in the producer price index (PPI) remained fairly subdued at 0,4% from 0% in May. Economists said the higher cost of imported items and an increase in food were the only real factors exerting upward movement.

The imported component of the index rose by 0,9% in June from the month before, reflecting the fall in the value of the rand since February (244)

The food index was up 1,6% between May and June, from a previous rise of 0,7%. The largest price increases were recorded in milk and eggs, grain, vegetables and dried fruit The food index carries a weighing of 8,64% in the PPI

UAL economist Dennis Dykes said the decline in the yearly inflation figure was partly due to statistical factors as the current figure came off a high base. Last year saw a jump of 0,9% between May and June

Although the rise in food prices went against the recent stable trend it was too early to say if this signalled the beginning of new food inflation

He said imported inflation's rise was lower than expected given the depreciation of the rand in recent months.

Star 26/8/93

(244)

Economic signals are the best in years

■ BY CLAIRE GEBHARDT

THERE is scope for as much as a two percent cut in the official interest rate within the next six to eight months

The Afrikaanse Handelsinstituut s (AHI) inflation barometer which measures underlying inflationary pressures, has dropped to 9,1 percent — its lowest recorded level

Releasing the third-quarter reading chief economist, Nick Barnardt said this suggested that underlying inflation had entered single-digit territory for the first time in 20 years

He said a single-digit consumer price inflation (CPI) rate was likely during the first half of 1994

Barnardt said there was scope for as much as a 2 percent cut in the official interest rate in the next six to eight months

"Though this will depend on developments in the balance of payments (BoP), we expect the current account surplus to exceed capital outflows in the third and fourth quarters

Barnardt said a decline in government spending from about 30 percent in the first quarter to 13 percent in the second quarter, and a concomitant narrowing of the fiscal deficit, had helped to ease inflationary pressures

Also positive were a decrease in monetary expansion to around 4 percent, PPI inflation of around 6 percent, a perceptible decline in long-term interest rates in recent weeks and lower wages salaries and labour cost inflation

"These positive trends considerably outweigh the further depreciation of the rand exchange rate, the rise in export prices and the slight increase in the fuel price under-recovery in recent months

AHI economist Johann Rossouw said surprisingly low inflation figures in recent months, higher JSE prices and a perceptible decline in long-term interest rates were positive for an economic recovery

"The average prices of gold and platinum have ~~improved~~, while the world price of oil, South Africa s biggest single import has fallen '

"A perceptible improvement in the overall terms of trade, together with higher export and lower import volumes, producd an outstanding trade surplus in the second quarter '

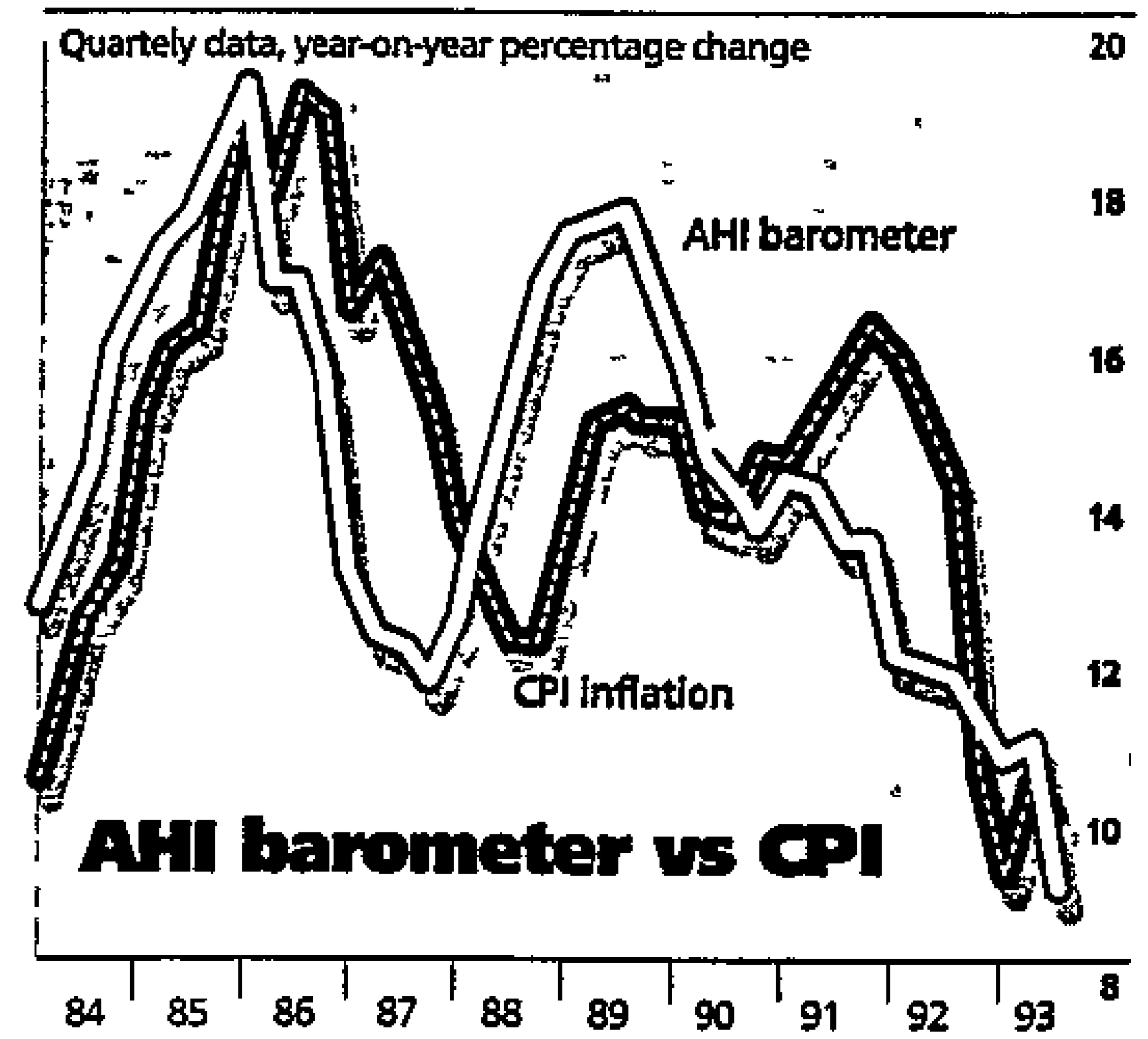
Vulnerability

But Rossouw cautioned that the economy remained extremely fragile and vulnerable to exogenous shocks.

Severe capital outflows continued on the balance of payments (BoP), causing a further decline in South Africa's foreign reserves in the second quarter

"This tightened money market liquidity, and was reflected in the real prime rate — prime less non-VAT CPI inflation — rising to an 8-year high of 8,34 percent, currently the highest in the world."

Rossouw said that although the restrictive effect was partly mitigated by the weaker exchange rate, it represented a significant tightening of monetary conditions



AHI barometer vs CPI

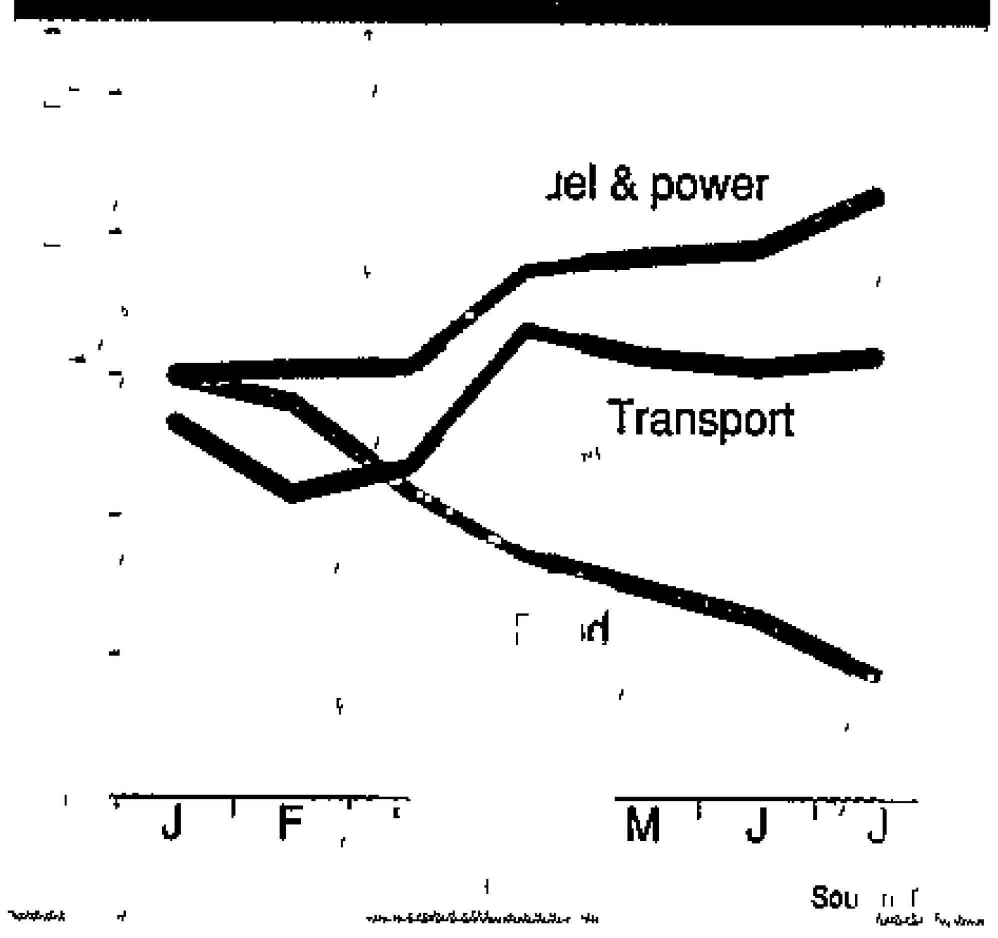
CPI Fm 27/8/93

No transport of delight

July's higher-than-expected consumer price inflation (CPI) of 9,9% over 12 months, against 10% in June, can be blamed on specific increases in a number of items The most important were housing (with a weighting of 20,54% overall), which rose 2%

The influence of vat

CPI components, year-on-year



in the month, and transport (weighting 14,43%), which rose 1,4% These accounted for 0,5 percentage points of the 0,8% overall month-on-month increase (2.44)

Standard Bank group economist Nico Czypionka says· "The large increase in the housing component is partly a consequence of a technical distortion, with the exception of the rent component, which is spread over

NJ Fm 27/8/93

12 months, and mortgage costs, items in this category are measured only once a year."

New car prices were the main reason for the increase in the transport index, which rose 1,8% in the month, or 17,5% over 12 months Czypionka attributes high vehicle inflation to "structural changes, the depreciation of the rand against the yen and the increased Vat in April In addition, a large number of new models were introduced, accompanied as usual by price jumps."

Higher municipal bus tariffs also pushed up the transport index The index for fuel & power also rose (2% in the month) because of higher municipal rates (2.44)

Czypionka says these factors made the overall inflation rate disappointing· "About 9,7%, or even lower, might have sent the kind of signal (Reserve Bank Governor) Chris Stals is waiting for to consider a cut in the official interest rate structure "

The impetus for lower inflation in recent months has come from lower food prices Food inflation in July fell to 4,3% (0,5% in the month) But this was partly technical figures this year have been measured against the high base of 1992 prices (in July last year food inflation was above 30%), and the removal of Vat on several important food items in April has kept the rate low

The opposite is true for a number of other items, which are taxed at the new Vat rate of 14% (see graph) ■

Star 7/9/93

Petrol price rise slammed

PRETORIA BUREAU

The Government's announcement yesterday that the price of petrol is to rise by 7c/litre from next Wednesday led to a renewed barrage of accusations that the motorist is being forced to pay even more to subsidise synthetic fuel projects.

And Tony Twine of economic analysts Econometrix pointed out that the price of crude oil in London had fallen from a rand price of R60,63 in April — when the fuel price was last increased — to R57,48 at present. (244)

Along with the petrol price increase, Mineral and Energy Affairs Minister George Bartlett yesterday also announced that diesel and paraffin prices would rise by 5,5c/litre

The petrol price at pumps on the Reef will now be R1,82 for 93 octane.

Twine said South African motorists lost out because the Government based its calculation of the landed price of fuel on the average cost of shipping refined fuel from refineries in Singapore and Bahrain to South Africa.

He said Singapore prices had risen disproportionately lately because the facilities there had cut their production in line with the slack demand from economically depressed Japan.

"I believe that's a major

▶ To Page 3

Petrol price rise condemned

Star 7/9/93

◀ From Page 1

contributor to the disharmony that exists between the calculations of the Department and the reality of the international light crude market," said Twine.

The Democratic Party claimed that the equalisation fund had been under pressure due to the enormous costs and subsidies of Mossgas and Sasol.

"The motorist is having to pay more than 40 percent higher than the world price of crude oil because of the Government's misguided synfuel policy ($23 a barrel in SA and $16 on the world market)."

DP MP Roger Hulley called for the deregulation of the petrol price and the oil procurement industry. This would mean the closure of unnecessary, protected plants and a lowering of the petrol price. (244)

While consumer experts believe the price hikes could mean an increase in the cost of food and other commodities, the SA Chamber of Business said an ideal opportunity was created for a probe into the layers of secret regulations covering the SA fuel industry.

It said the increases were not unexpected as a result of the weakening rand on world currency markets.

It estimated that ripple effects could force an upward tilt in the overall inflation rate of between 0,3 and 0,4 percent.

The Consumer Council said the increase could mean a price rise for particular products.

"It will further erode consumers' buying power and contribute to higher inflation," executive director Jan Cronje said.

The Automobile Association (AA) says that the drop in the international price of crude since April, despite the weakening in the exchange rate, "makes a mockery of the announced increase and is evidence of the artificial methods that are used to determine the pump price of petrol in SA. The motorist is being called upon to pay for increases in the profit margins of oil companies and service stations".

Petrol price will rise again

244

CT 7/9/93

Staff Reporters

MOTORISTS, reeling after the announced petrol price hike of seven cents a litre, should brace themselves for a possible further increase, the government warned yesterday in the face of a barrage of criticism.

Six cents a litre of the petrol price rise will go to the estimated landed cost — the price of petrol bought on the Bahrain and Singapore markets.

Mineral and Energy Affairs Minister Mr George Bartlett said a 4,8c increase would have been appropriate for retailers and wholesalers, at 2,4c a litre each, but the cabinet had decided to allow only 0,5c a litre each, making up the one cent increase, as an interim measure "in the interests of consumers" and to "minimise the influence of increase on the rate of inflation".

The Automobile Association (AA) slammed the increase — which comes into effect at midnight on September 15 — saying that since the last petrol price rise in April, the price of crude oil had decreased by R3 a barrel to R57,48.

Weakening rand

DP energy spokesman Mr Roger Hulley said motorists were being forced to pay 40% more than the world price of crude oil because of the government's misguided synfuel policy.

The equalisation fund was under pressure because of subsidies for Mossgas and Sasol.

The price of 97 octane in Cape Town will increase from R1,68 to R1,75 a litre. Diesel and paraffin will rise by 5,5c a litre.

The increase was necessary because of the continued weakening of the rand against the dollar and the draining of the equalisation fund since June, Mr Bartlett said.

The Consumer Council's said the increase would further erode consumers' buying power and contribute to inflation.

The SA Chamber of Business said the ripple effect could cause an increase in the Consumer Price Index of between 0,3% and 0,4%.

However, the Motor Industries Federation said it was "relieved" the increase had been contained to "as little as seven cents".

bad news for hard-hit consumers

Unions attack fuel price hike

Sowetan 7/9/93

By Joe Mdhlela

THE two largest worker-federations, the Congress of South African Trade Unions and the National Council of Trade Unions, described the looming petrol price increase as bad for consumers

(244)

Mineral and Energy Affairs Minister Mr George Bartlett yesterday announced that the fuel price would rise on September 15 by 7c a litre

Diesel and paraffin prices will increase by 5,5c a litre

Spokesman for Cosatu Mr Neil Coleman said the Government seemed unconcerned about what effects increased prices would have on consumers

"At the same time our people are expected to accept low wage increases. This is obviously unacceptable to Cosatu," he said

General secretary of Nactu Mr Cunningham Ngcukana believes the increase in fuel prices will be inflationary and force transportation costs to increase substantially

"If this happens the retailers will pass on increases to the consumers," he said

He said Nactu would discuss the increase with its constituencies and decide on what action to take.

Ngcukana said the increase would help inflame the taxi feuds that have claimed the lives of many black people

Standard Bank group economist Mr Nicko Czypionka said consumers would be badly hit by the increase

But he said he did not see it having any effect on inflation

Chief economist of Die Afrikaanse Handelsinstituut, Mr Nick Barnardt, said "The increase was not unexpected in view of the weaker rand/dollar relationship"

The petrol price has gone up 23c since April and a total of 52c since August 1991

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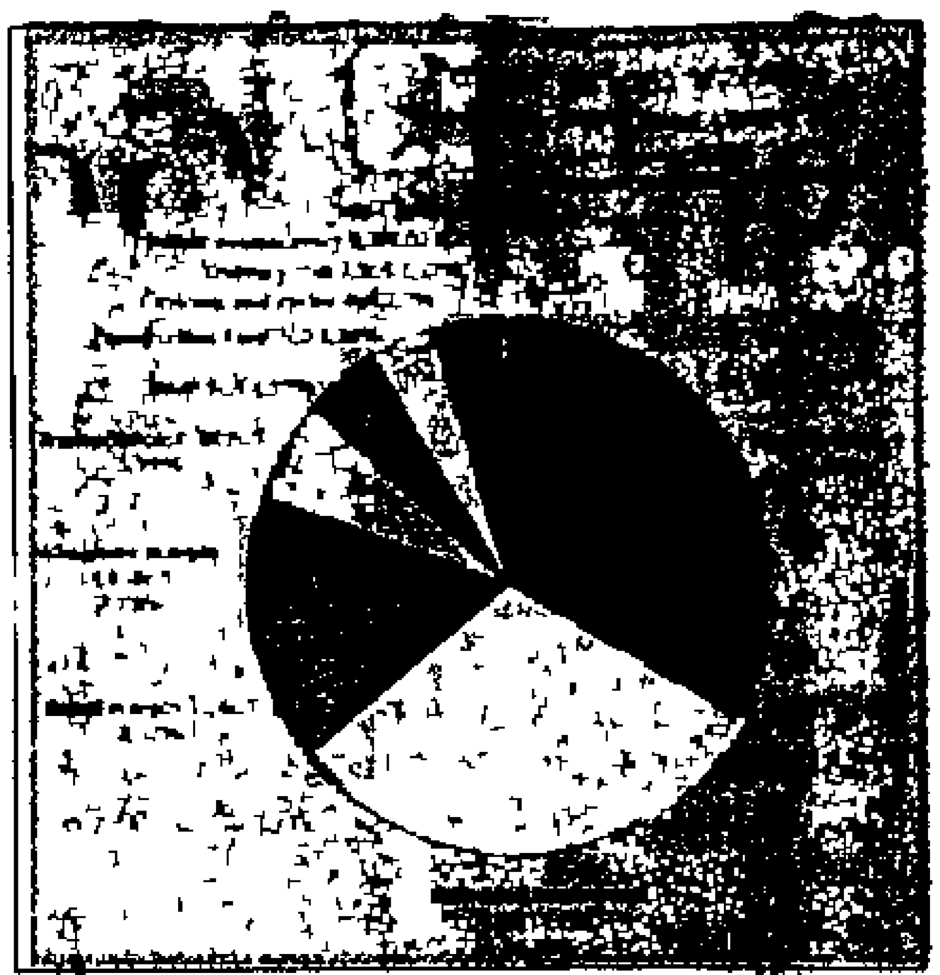

Fuel fund cited for price increase

EDWARD WEST

GOVERNMENT is to raise petrol prices 7c a litre on September 15 as a result of the weakening of the rand/dollar exchange rate and the draining of funds from the fuel equalisation fund. BlDay

The price of 93 octane petrol in the PWV will increase to 182c/l, while the price of diesel will increase 5,5c/l to 168c/l. Paraffin prices will increase 5,5c/l. 7/9/93

Prices have increased 19,7% since last October. The equalisation fund was also cited then as the reason for a 7c/l petrol price increase. In April, petrol prices climbed 16c/l. (244)

The SA Chamber of Business (Sacob) estimated the effect on inflation of the latest increase to be about 0,3%-0,4%. Econometrix economist Tony Twine said fuel prices had a CPI weighting of 3,2% and the effect of the latest increase would be about 0,128 inflation percentage points which was relatively small.

Shoprite Checkers said the increases barely six months after the previous hike would have a ripple effect. Industry price increases would start filtering through to the retail sector in a few months, dampening consumer preparations for the summer festive season.

Transnet economist Mike Schussler said the price increase was unwarranted. [illegible] price was increased on [illegible] rand price of Brent crude oil was R60,6[illegible] a barrel. Since then, the price had fallen to about R55 a barrel, notwithstanding the rand/dollar exchange rate.

Fuel pricing should be deregulated [illegible] the transport industry, said Schussler. He

☐ To Page 2

Petrol price

BlDay 7/9/93

☐ From Page 1

questioned whether the consumer would ever see the benefits of the lower international oil prices which had lowered inflation in most OECD countries.

The Automobile Association (AA) said declining crude oil prices in the face of SA's continuing increased fuel prices made a mockery of the artificial methods used to determine the local petrol pump price.

AA GM Robin Scholtz said a public debate to determine the level of deregulation necessary to obtain commercially viable prices according to market forces was the only alternative to the current unacceptable state of affairs.

The call for a more open debate on fuel industry deregulation was echoed by Sacob, which said deregulation would make fuel prices more sensitive to developments on world oil markets.

Only 5,5c/l of the 7c/l underrecovery on paraffin prices would be paid by the consumer in the latest increase. The remaining underrecovery of 2c/l would continue to be funded by the equalisation fund.

A Motor Industries' Federation investigation recommended a 2,4c/l increase in the retail profit margin for petrol and diesel after last July's increase, but government had limited the increase to 0,5c/l this time as an interim measure.

An investigation into the yield on the marketing assets of the oil industry showed that a yield of 8,9% was realised during the 1992 financial year and that a 2,4c/l increase was appropriate this time, the Mineral and Energy Affairs Department said. However, government limited this to 0,5c/l in the latest price hike.

The AA questioned why, at a time when the country was suffering to keep heads above water, the motorist was called upon to pay for increases in the profit margins of oil companies and service stations.

Government indicated last night that a further 4c/l increase was in the pipel[illegible]

Petrol price will rise again

CT 7/9/93

244

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However, the Motor Industries Federation said it was "relieved" the increase had been contained to "as little as seven cents".

Meat 'cheaper in butcheries'

(244) CT 8/9/93

Staff Reporter

MEAT is up to a third more expensive at some supermarkets than in butcheries, Consumer Council executive director Mr Jan Cronje disclosed yesterday

This follows surveys in Cape Town, Durban, Pretoria, Bloemfontein and Vereeniging

Cheaper cuts

"The 25 meat cuts surveyed were on average 15,1% cheaper at 15 butcheries than in 15 stores of the three major chains in these centres," said Mr Cronje

"The most remarkable price differences were found among the relatively cheaper meat cuts

"Chuck, brisket, shin and rib, for example, were on average more than 24% cheaper in the butcheries"

Mr Cronje advised consumers to shop around before buying meat

Cape Town butchers last night confirmed that their prices were often cheaper than those of the chain stores

Mr Adam Jaffer, chairman of the Muslim Meat Traders' Association, said that the independent butcheries had lower overheads than the chain stores, were prepared to place a smaller mark-up on meat and could therefore charge less

Mr A Pohplonker, of Poppies Meat Hyper in Retreat, confirmed that the smaller trader was prepared to put a smaller mark-up on his meat to provide a more competitive price to the public

He said the advantage that the chain stores had was that they were informed weeks in advance of any specials and could therefore advertise

"We are often not told of these special deals in advance, as they are, and cannot then advertise in time," he added

A spokeswoman for one of the major chainstores said last night that meat would be "a bit more expensive" in the supermarkets because they had much higher overheads, including staff and packaging costs, than those of butcheries

Convenience

It was also important to note that supermarkets provided one-stop convenience shopping, she said

"If you want to go to the butcher, the baker and the candlestick-maker, that's fine, but at the supermarket you get all these things in one store"

Supermarket meat was generally also of a better quality, she claimed, saying that while there were butchers who provided excellent quality meats there were quite a few who offered meat of a much lower standard

Taxi demos on fuel 'certain'

TAXI blockades and "out-of-control" taxi drivers may greet next week's petrol price hike.

There would "definitely" be mass action, the chairman of the South African Black Taxi Association, Mr James Ngcoya, said yesterday.

The fuel hike is almost certain to result in taxi fare increases. CT 9/9/93

The SA Communist Party linked the hike to the use of tax revenues on unviable projects such as Mossgas. — Sapa

Tickets clipped at same price

ARG 13/9/93 (214)

FARES on Golden Arrow buses will not be increased after Wednesday's fuel price rise

A company spokeswoman said fares would be pegged at their present level for as long as possible in spite of the second increase in fuel prices this year

The company was aware of the negative impact transport costs had on the poor and hoped that its decision not to increase fares would help all passengers, particularly the jobless, she said

Bartlett to act on price cutting

(244)

TOS WENTZEL Political Staff ARGT 15/9/93

MINISTER of Mineral and Energy Affairs George Bartlett is prepared to discuss the structure of the petrol price, but not to freeze it.

And he was taking legal advice on supermarket price discounting

Facing a storm of protest from labour unions, the minibus taxi industry and organised agriculture, he said it was not possible to scrap the 7c a litre increase that came into effect today

It had been forced on the country by the devaluation of the rand.

While there had been a 3,8 percent drop in the world price of oil, the rand had devalued by 5,8 percent, he said.

The Equalisation Fund, long used to susidise the price of petrol, had been depleted

A report on deregulating the petrol price had been sent by his department to all interested parties, including petrol station owners, oil companies, labour and agricultural unions and business groups.

Labour unions, the Motor Industries Federation, petrol station owners and taxi owners had responded to the report with a request not to deregulate the petrol price, and a conference would be held soon.

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ARG 15/9/93 (244)

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Pictures DOUG PITHEY and LEON MULLER The Argus

FIRING: Members of the Internal Stability Unit, above, open fire with birdshot on protesting taxidrivers as clouds of teargas drift across Strand Street

MORE PICTURES PAGE 6

TAKEAWAY: A protester is dragged to a vehicle after police pounced on blockading taxi drivers in the city centre today

Taxi demo

(244) 15/9/93

□ Police fire rubber bullets and arrest 68 as drivers blockade streets i

Picture: JOHAN SCHRÖNEN The Argus

BLOCKADE: Minibus taxis, right, block Strand Street near the Parade during today s protest against the seven cents a litre rise in the petrol price.

Picture DOUG PITHEY The Argus

LIGHTER MOMENT: A policeman obliges a nervous smoker from the ranks of protesting taxi drivers shortly before the two groups clashed in Strand Street

Staff Reporters

POLICE fired rubber bullets and rubber shot, arrested 68 people and impounded 25 taxis as drivers blockaded most of the major routes into Cape Town early today, causing chaos with rush-hour traffic

Buses were stoned, bus drivers assaulted and a number of policemen treated for cuts and bruises after they were pelted with stones, bottles and tin cans in Strand Street.

Service stations and bus terminals in Mitchell's Plain, Mowbray and Woodstock were blockaded by the taxi drivers, protesting against the 7c rise in the petrol price from midnight last night.

They demanded the resignation of Mineral and Energy Affairs Minister George Bartlett and threatened to "come back tomorrow" if the price did not come down

At a press conference to discuss opposition to the petrol increase, Mr Bartlett said he was willing to talk to the leaders of the taxi protest.

An earlier offer made to them today had been turned down.

A meeting which began at noon between representatives of the taxi industry and the major oil companies, Shell, BP and Engen, at the Civic Centre, chaired by peace monitors was adjourned until 2pm, with the drivers demanding that Mr Bartlett and Western Cape police chief Nic Acker attend.

Their demand was supported by oil company representatives.

At the meeting, Trevor Kempshall of the Western Cape Transport Forum called for a moratorium on fuel price increases and for the oil industry to support the demand for the suspension of last night's price increase

By 8 45am nearly all main entrances into the central city had been blockaded

By about 10,30am blockades had been removed and traffic was flowing again, but there were still scores of angry drivers sitting on the grass verge in Strand Street and there were a number of flying blockades operated by drivers who had dispersed and regrouped

Volunteers for further city blockades were reportedly being recruited at high density taxi terminal areas at Mowbray, Mitchell s Plain, Claremont and on the Cape Flats at Hanover Park and Khayelitsha

Afternoon commuters were reassured that other forms of public transport were available to get them home

Both Spoornet and Golden Arrow reported their services would continue according to normal schedules

A Golden Arrow spokesman said buses had to be diverted earlier today but were later running on schedule, especially with the peak hour in mind

A spokesman said "Bus drivers were assaulted, bus passengers were intimidated by taxi people at terminals and bus stops and people were physically prevented from using the buses"

The taxi drivers were slated by their leaders for acting in an undisciplined and disorganised way

The bus company, Spoornet and the public had to be mobilised to join the protest as well, drivers were told

Speaking to an emotional

(Continued on page 6)

P.T.O.

■ *Taxi drivers blockade Cape Town* ■ *Business leaders angry*

Star 15/9/93

Fuel protests flare

(244)

COSATU has warned the Government of a 'social backlash' similar to the anti-VAT stayaway

■ STAFF REPORTERS

The Government is facing considerable opposition to the 7c/litre petrol price increase which came into effect last night

The Congress of South African Trade Unions yesterday warned the Government of a "social backlash" similar to the anti-VAT stayaway if the increase stood In a statement, Cosatu also proposed that the matter be discussed at today's National Economic Forum meeting and called for public input and consultation.

And taxi operators, infuriated by the increase, said increasingly militant drivers could hit cities around the country with taxi blockades such as the one which crippled Johannesburg earlier this year

But by this morning, there was no sign of a Johannesburg taxi protest Taxi operators in the Eastern Cape began blockading streets yesterday and by this morning Cape Town was affected.

A Johannesburg Traffic Department spokesman said the roads were quiet this morning and taxis into the city were running normally.

In Cape Town hundreds of minibuses blocked the incoming Eastern Boulevard freeway into Cape Town as well as the Buitenkant/Darling Street intersection causing chaos

The Johannesburg Chamber of Commerce and Industry condemned the increase and warned that the mood among businessmen could turn to "angry opposition"

JCCI president Mervyn King said a common feeling at JCCI's monthly meeting was that "if union members and taxi operators can take to the streets, business might start doing likewise".

Sapa reports that Mineral and Energy Affairs Minister George Bartlett said lowering the petrol price was "not even open for discussion"

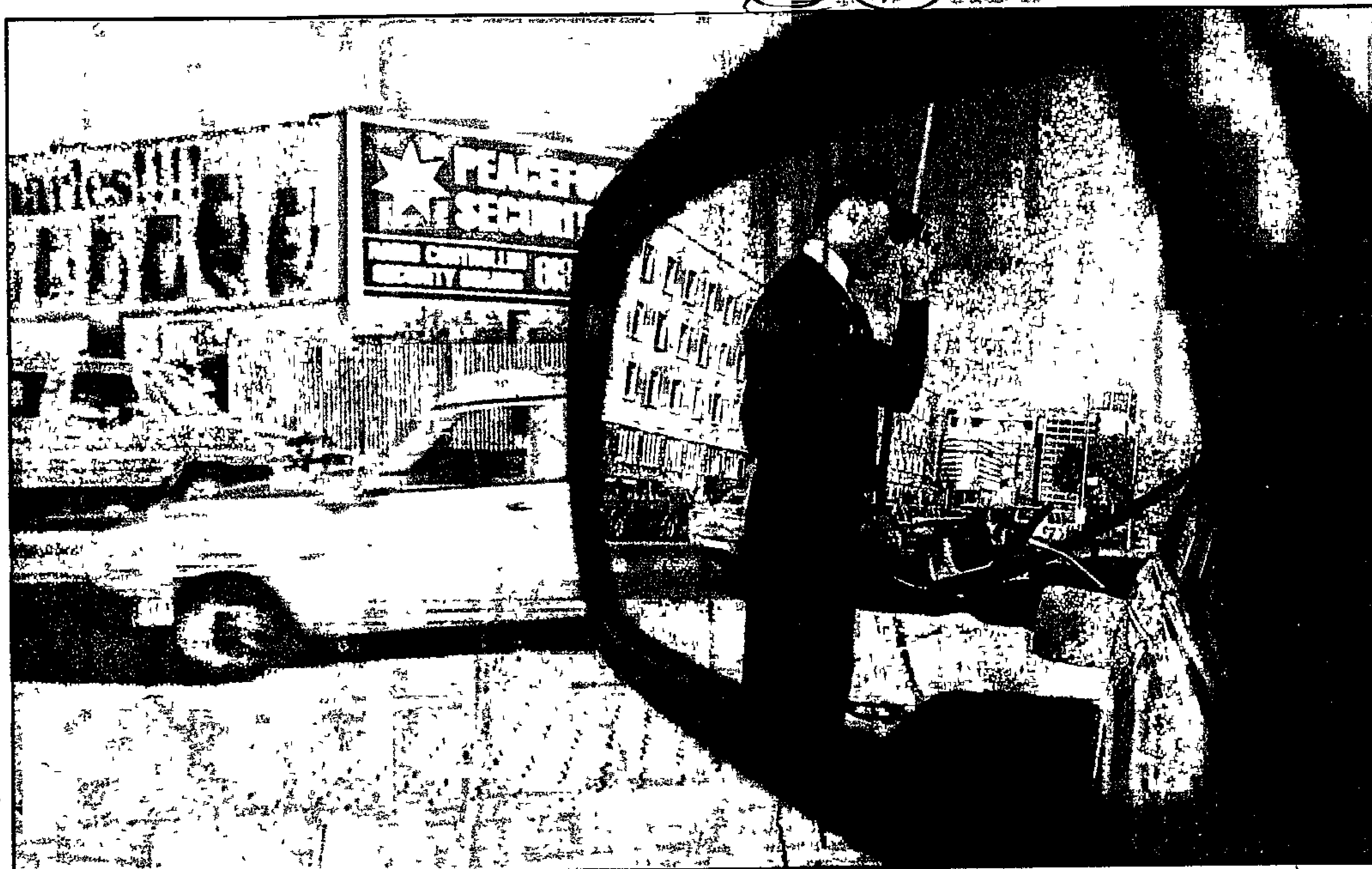
The price has risen by 7c/litre for all octanes on the Reef, and diesel and paraffin by 5,5c/litre

Southern African Black Taxi Association (Sabta) spokesman Molefe Rapodile said the Cape blockades could spread to other areas.

He said [illegible] were not part of a [illegible] campaign but were caused by "the anger of operators who .. provide an essential public service"

Taxi operators could not raise their fares because the public would object

Rapodile added that the Government could best help consumers by allowing the taxi industry to buy petrol in bulk and sell it to operators at reduced prices



Looking back . . . Matau Mathews pumps petrol into a car yesterday, when it cost 7c a litre less than it does now. PICTURE. JOAO SILVA

Talks go on to end taxi blockade on Border

Sowetan 15/9/93

NEGOTIATIONS to end the blockade of fuel facilities by taxi operators protesting against the petrol price increase continued in the Border region yesterday.

The price of petrol was increased by 7c a litre at midnight on Monday.

It is feared protests in East London, King William's Town, Stutterheim and Queenstown could spread to other areas. (244)

Border/Kei dispute resolution committee deputy chairman Mr Eddie Leeuw said unless the operators received a satisfactory response to their demands, they were determined to continue their blockade until the Border region ran out of fuel.

Police have warned protesters in East London they have surrounded a national key point and that the Border region is an unrest area — *Sapa*

Producer price inflation still slowing

Star 15/9/93 (244)

BY CLAIRE GEBHARDT

Producer price inflation continued to slow in July, dropping 0,1 percentage point to 6,3 percent from 6,4 percent in June.

Central Statistical Service figures show that imported inflation, which economists attribute to a drop in Brent crude oil prices, dragged the index lower.

South Africans will see the irony in this when they encounter higher petrol prices at the pumps today.

The production price index (PPI) for imported commodities fell 2,3 percentage points to 4,5 percent in July, with the monthly increase at 0,1 percent and seasonally adjusted at a negative 0,3 pecent

The annual percentage increase in the PPI for locally produced commodities was 0,4 percentage points higher at 6,7 percent — a monthly rate of increase of 0,9 percent.

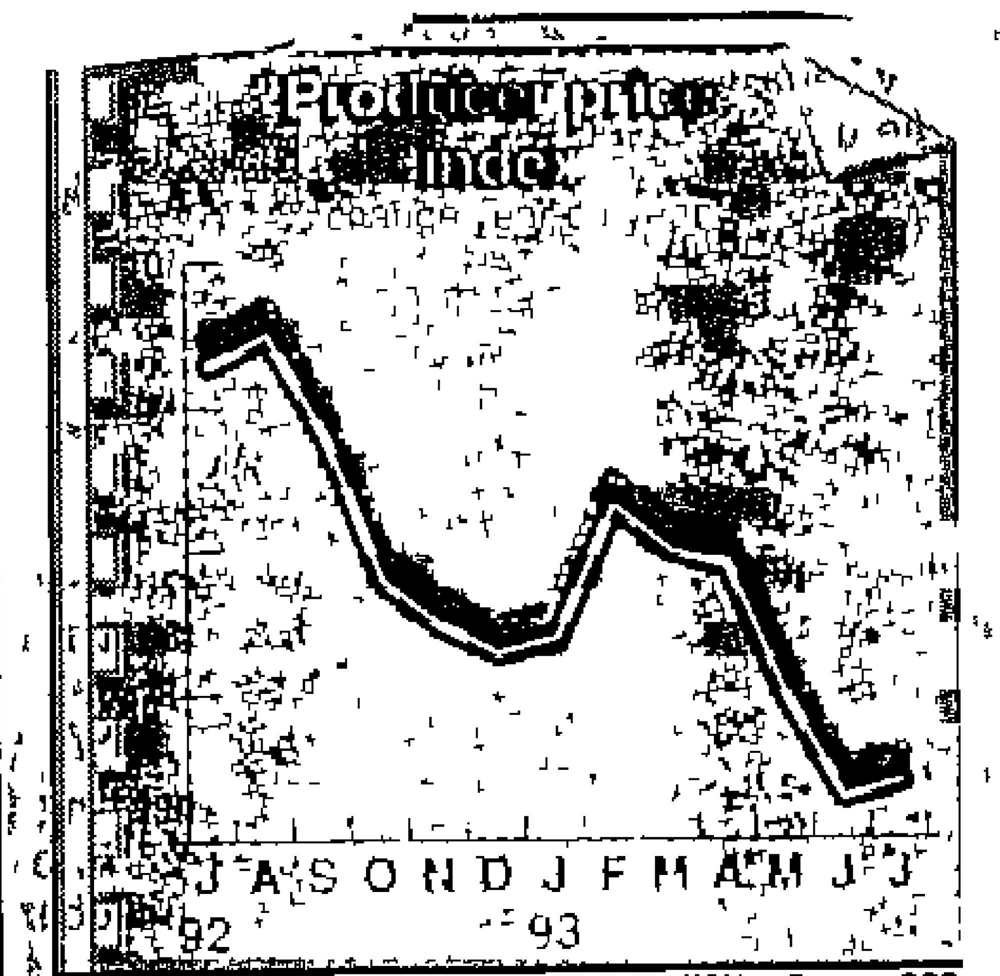
Seasonally adjusted, the index increased by one percent.

Economists were at first surprised by the drop in imported inflation, given the steady depreciation of the rand over the past few months. Further analysis, however, pinpointed lower oil prices.

Nedcor economist Edward Osborn said yesterday crude oil imports had a very heavy weighting in the index, which had more than compensated for the depreciation of the rand.

"In July, the Brent price went down 5,8 percent, whereas the currency depreciated by 3,5 percent

"This means the landed cost, which is the difference between the two, went down by 2,3 percent."



Graphic LEE EMERTON Source CSS

Producer inflation hits 21-year low

BDay

GRETA STEYN

PRODUCER inflation hit its lowest level since May 1972 in July this year with a fall to 6,3% from 6,4% in June, Central Statistical Service figures show 15/9/93

The rate of increase in producer prices has taken the weak rand in its stride and economists predicted no significant upward movement during the rest of the year.

Between June and July, there was a 0,7% increase in the producer price index. The monthly rise in the PPI reflected an increase in prices of locally produced commodities. There was a small decline (0,1%) in the prices of imported commodities between the two months (244)

Old Mutual economist Johann Els said the sharp decline in oil prices accounted for the fall in the imported component of the PPI. This would not, however, be translated into benefits at the consumer level as an increase had already been announced in the price of fuel. In the months ahead the PPI would not reflect the direct effects of the petrol price increase, but only indirect effects as input costs rose.

Another economist said the fuel price increase at a time of low oil prices could interfere with the close relationship between producer and consumer inflation. Producer inflation would become a less reliable signal of what to expect at the consumer level.

☐ To Page 2

Inflation

BDay 15/9/93

☐ From Page 1

The 0,9% increase in the price index for locally produced commodities between June and July was the result of increases in categories that were not measured every month. Els said the rise was therefore not indicative of new pressure on prices (244)

The overall picture remained positive, and producer inflation should average at about 7% this year, he said. He expected the rate to bob along between 6% and 7% for the rest of the year, despite the weakness of the rand.

On an annual basis, the prices of imported commodities rose by 4,5% while locally produced commodities were up 6,7%

Petrol revolt

State to fight fuel discount

(244) CT 15/9/93

THE government moved last night to block attempts to bypass the seven-cents-a-litre fuel price hike which came into effect at midnight.

Minister of Mineral and Energy Affairs, Mr George Bartlett, said he was seeking legal advice on schemes to issue discount coupons for fuel purchases.

He was reacting to the announcement by two supermarket chains, Pick 'n Pay and Buxtons in Natal, that they would discount petrol.

Pick 'n Pay announced its scheme late yesterday claiming a loophole had been found to circumvent current anti-discount legislation

The announcement was supported by a television and newspaper advertising campaign.

Mr Raymond Ackerman, chief executive of Pick 'n Pay, said if the discount "experiment" in the hypermarket in Durban North worked they would discount petrol nationally — Staff reporter, Own Correspondent

CT 15/9/93 (244)

Price increase backlash grows

By ANTHONY JOHNSON and Own Correspondent

JOHANNESBURG. — Cosatu warned the government yesterday that a backlash similar to that resulting from the imposition of VAT could take place over the seven-cents-a-litre petrol price hike which came into effect at midnight.

And yesterday garages throughout the Border region hit crisis levels after a two-day blockade of the region's main fuel depot by 1 000 taxi operators. SAA was forced to consider refuelling its aircraft at other airports when fuel supplies to East London's Ben Schoeman Airport appeared under threat.

King William's Town was sealed off during the blockade, which ended last night after a marathon meeting between police, peace monitors and taxi association representatives

Several garages in the Peninsula had a rush on petrol stations before the implementation of the new petrol price at midnight, but none reported any queues.

Responding to Cosatu's warning, Mineral and Energy Affairs Minister Mr George Bartlett said late last night that if Cosatu and other critics did not want to see an increase in fuel prices then fuel would have to be subsidised by the state through increased taxes or VAT.

He dismissed Cosatu charges that the increase in the petrol price was "indefensible", saying it was directly related to the cost of fuel

Mr Bartlett also dismissed Cosatu's arguments contained in a letter he received from the trade union federation yesterday afternoon to the effect that the government was "totally failing in its obligation to ensure transparency and accountability for its handling of the fuel price"

The minister said the "whole fuel price formula" was so transparent that the government had several months ago appealed to all major stakeholders — including Cosatu — to make recommendations and comments about the government's involvement in the oil industry "but they did not".

Mr Bartlett said that 180 000 jobs were at stake in the fuel industry in South Africa

Earlier Cosatu said it was making "a last-ditch attempt" to persuade the government to suspend the petrol price increase

In a letter to Mr Bartlett, Cosatu called for the suspension on the grounds that there had been no consultation with major constituencies on

To page 2

From page 1

the issue. (1654) 144

"If the government persists in pressing ahead with these indefensible price increases, in the face of mounting protest from society, it will be inviting a social backlash similar to that relating to VAT."

In the Eastern Cape, a memorandum outlining the blockading taxi operators' complaints about the increase was handed to a representative of the Motor Industry Federation, Mr Charles Clark, who will forward it to Mr Bartlett.

Yesterday garages said fuel levels at East London service stations were critically low and some garages had run dry by late yesterday afternoon and warned of a "fuel crisis".

No fuel deliveries had been made in the region since the taxi blockade of the depot began early on Monday. CT 15/9/93

A taxi man was shot dead in a confrontation at Mdantsane, East London, and shots were fired at a Stutterheim garage.

Thousands of commuters were left without transport and employers were hit by absenteeism.

Taxi industry sources said the protests might spread to big cities as operators in Johannesburg had expressed solidarity.

Neither Codeta nor the Cape Peninsula Transport Association (Captra) are planning to protest against the increase.

This decision followed a statement by the chairman of the South African Black Taxi Association (Sabta), Mr James Ngcoyo, that "taxi blockades and out-of-control taxi drivers" might greet the petrol price hike.

State to fight fuel discount

(244) CT 15/9/93

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Mr Raymond Ackerman, chief executive of Pick 'n Pay, said if the discount "experiment" in the hypermarket in Durban North worked they would discount petrol nationally. — Staff reporter, Own Correspondent

Your lives in danger if the taximen attack, Golden Arrow bus drivers warned

'Standstill' threat by cabbies

ARG 18/9/93 244

DALE KNEEN,
EDWARD MOLOINYANE
and MICHAEL MORRIS
Weekend Argus Reporters

TAXI organisations have been asked to join a government, business and union task force to investigate the fuel industry in the face of the growing petrol-price crisis.

But the taxi strike is expected to continue

Minister of Mineral and Energy Affairs George Bartlett met a small group of taxi leaders at D F Malan airport yesterday, but scores of others claimed they could not find the venue at the airport and returned to the city and organised 'moving blockades' on various roads in the city and southern suburbs

At meetings at the Civic Centre, Hartleyvale soccer stadium and Guguletu community hall taxi operators from Elsies River, Bellville, Mitchell's Plain and other areas resolved to continue the strike

Chairman of the Congress of Democratic Taxi Associations (Codeta) Kidwell Magwayi warned at the Guguletu meeting that the taxi industry could bring South Africa "to a standstill" if they remained united The taximen slammed Golden Arrow bus service for running during the strike

Transport and Bus Workers' Union spokesman Mogamat Soeker expressed fear that bus drivers could be targeted by taxi-drivers and that their lives were in danger

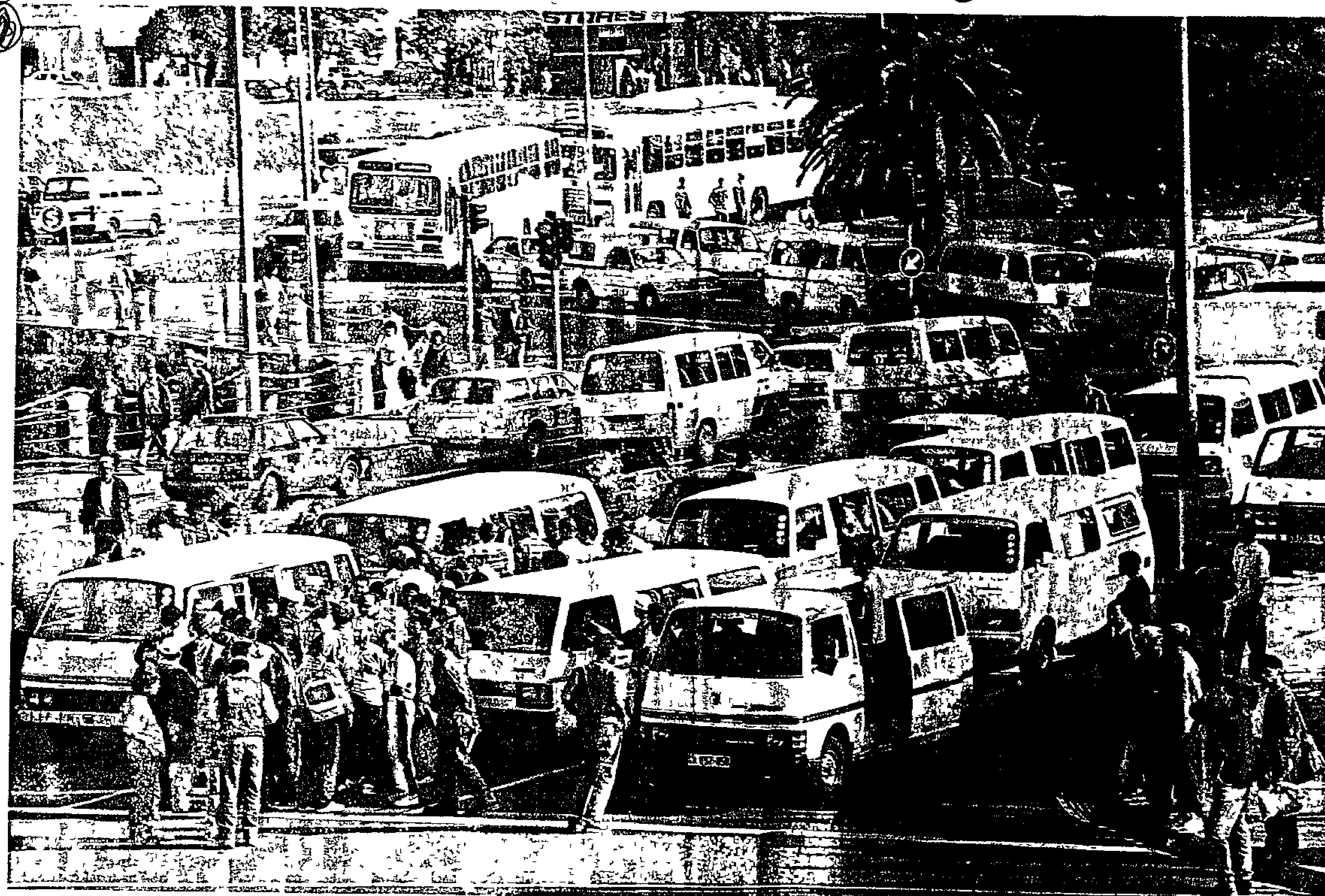
As the crisis deepened, President De Klerk last night expressed regret that the issue had become politicised This was because of next year's election

Mr Bartlett insisted in his meeting with the National Economic Forum (NEF) in Johannesburg and with the Cape Town taxi drivers that the decision to increase the petrol price was based purely on economics

He undertook to convey taxi drivers concerns to the president, but ministry spokesman Carel du Toit said there would be no 'giving in to pressure"

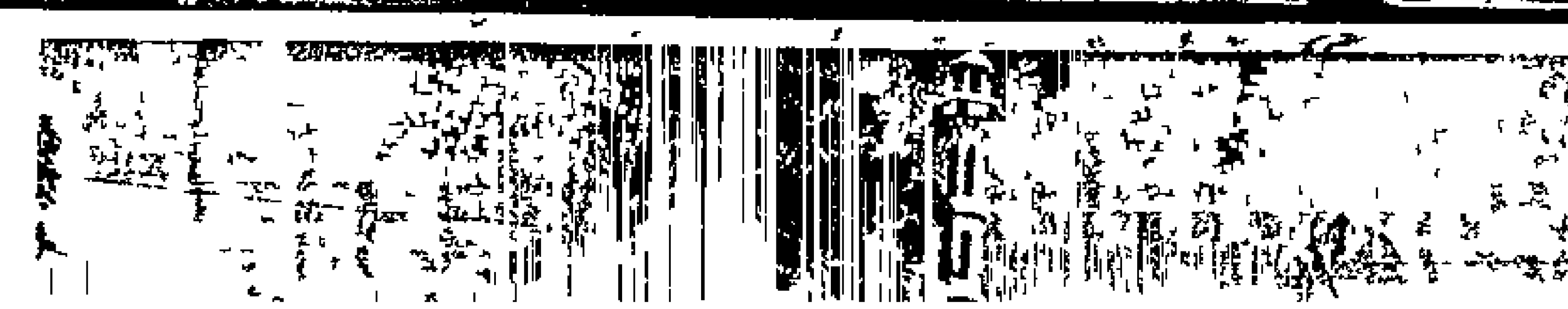
"There is no question that the new prices will be reduced or scrapped," he said

The task force being set up by the NEF after discussions with Mr Barlett a d Minister



Picture WILLIE de KLERK Weekend Argus

☐ **ANXIOUS WAIT** Taxi drivers gather at the parade to hear what Minister of Mineral and Energy Affairs George Bartlett tells representatives at a meeting held at the airport



Picture LEON MULLER Weekend Argus

☐ **HIGH AND DRY** Shoppers laden with groceries wait in queues for buses near taxi-drivers and that their lives were in danger"

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'There is no question that the new prices will be reduced or scrapped,' he said

The task force being set up by the NEF after discussions with Mr Barlett and Minister of Finance Derek Keys in Johannesburg earlier yesterday has the job of drawing up proposals on the fuel industry and submitting them to a summit on October 4

Trevor Kempshall of the Western Cape Transport Forum and Mr Soeker pleaded with Mr Bartlett during their meeting at the airport yesterday to suspend the seven cent increase to avert violence in the country

Mr Bartlett responded "The fuel industry contributes R23 000 million to the economy and hundreds of thousands of people are working in refineries and gas stations Before I tamper with the system, I need to know from all the role players"

Mr Kempshall said the Department of Mineral and Energy Affairs had a "non-negotiable attitude" towards the price increase and this had angered consumers

Mr Bartlett said his "door has always been open" and that three months ago, when he mentioned the fuel price was under-recovering and that the Equalisation Fund was running out of money, he had invited groups to make representation.

He had sent invitations to over 70 organisations to discuss the fuel industry and only about 20 had responded They included the Small Business Development Corporation, Caltex the AA and some major labour unions

Picture WILLIE de KLERK, Weekend Argus

□ **ANXIOUS WAIT:** Taxi drivers gather at the parade to hear what Minister of Mineral and Energy Affairs George Bartlett tells representatives at a meeting held at the airport

Picture LEON MULLER, Weekend Argus

□ **HIGH AND DRY.** Shoppers laden with groceries wait in queues for buses near empty taxi ranks

Picture LEON MULLER Weekend Argus

□ **MOBILE PLACARDS:** Taxi drivers show their displeasure at the recent petrol price hikes during a blockade of city streets

ARG 16/9/93

22 'appear' in court over traffic block

2444

Staff Reporter

TWENTY-TWO taxi drivers and supporters appeared in absentia in Cape Town Magistrate's Court today on allegations of protesting illegally and obstructing traffic

The men were allegedly among those who blocked Strand Street yesterday in protest against the petrol price increase.

Two taxis dropped the men at court, but they left when told they could appear in absentia.

The case was postponed to October 18

A second group is to appear on October 19 and a third on October 20

A total of 67 protesters were arrested during the blockade.

ANC calls on taxi drivers for discipline

Staff Reporter 244

THE African National Congress has called on all taxi drivers taking part in blockades to do so in a "dignified and disciplined manner".

"In principle we support the blockade by taxi drivers who will be seriously affected by the (petrol) price increase and will be obliged to raise their fares, causing further hardship to commuters already struggling to make ends meet," regional vice-chairman Lerumo Kalako said.

Raising the fuel price was an "act of grave irresponsibility" by the government. It would have an impact on the price of food and other commodities.

But he expressed "serious reservations about some of the actions these taxi drivers are reported to have taken".

Meanwhile the Inkatha Freedom Party pronounced itself in favour of the taxi blockade.

Regional organiser Malcolm Bayley said Inkatha saw "no reason why the fuel price has gone up" and supported calls for the deregulation of the fuel industry. ARG 16/7/93

"The IFP (Western Cape) supports the taxi blockade of Cape Town. It seems that the government is using fuel to prop up a failing economy and to subsidise a failed Mossgas project."

Police said they had no option but to take "action" against blockading taxi-drivers after all efforts at negotiations proved futile yesterday.

Chief police spokesman Colonel Raymond Dowd said the police were "legally bound to maintain law and order and, where necessary, to maintain free access to the city".

"All efforts (at negotiation) proved futile. Numerous suggested alternatives were met with ridicule and childish retorts like. 'It's now tea-time'," he said.

"Almost all the arrests effected were met with resistance"

● Murray and Roberts Construction has warned that "the construction industry is in no position to absorb any of the cost increases" resulting from the fuel price rise.

"Thus property developers and their clients will be saddled with the higher costs," managing director Arthur Coy said.

TAXI BLOCKADE .. Riot police arrest a protester during yesterday's blockade of Cape Town's city centre by taxi owners. The taxi operators were protesting against the increased petrol price which came into effect at midnight Tuesday.

Uproar over fuel

Sowetan 16/9/93

By Mzimkulu Malunga, Ismail Lagardien and Sapa

TWO CABINET MINISTERS are to be summoned to the National Economic Forum to explain the reasons behind the fuel price increase

Mineral and Energy Affairs Minister Mr George Bartlett and Finance Minister Mr Derek Keys have been called to an urgent meeting which will take place within two days to justify why the petrol price went up by 7c a litre yesterday (244) ( )

The decision follows representations made to the NEF process committee by the Congress of South African Trade Unions yesterday amid widespread condemnation of the fuel price hike (83)

Cosatu's publicity officer, Mr Neil Coleman, said the organisation would call for the suspension of the increase and agitate for a broader investigation of issues relating to fuel price increases

He said Cosatu would consult other interested forces to decide on appropriate forms of protest should the meeting fail to produce results

"We know that nothing will happen without a fight and we know who we are dealing with," said Coleman Earlier in the day Bartlett reneged on his previous statements on the fuel price and offered to meet representatives of the infuriated taxi drivers to discuss the issue

He attributed his flexibility on the issue to a pending lifting of the United Nations oil embargo against South Africa

About 68 people were arrested in Cape Town yesterday when taxi drivers blockaded the city centre in protest A total of 25 vehicles were towed away and impounded at a police garage in Maitland

Police later decided that charges would not be withdrawn but, where possible, those arrested would be released with a warning to appear in court and impounded vehicles would be returned

Meanwhile, organised business has also threatened to join the anti-fuel hike protests with the president of the Johannesburg Chamber of Commerce and Industry, Mr Mervyn King, warning that such action could turn into an "angry opposition"

The Southern Africa Black Taxi Association has strongly criticised the increase, saying it was done "insensitively"

The organisation's public affairs officer Mr Isaac Nkama, said they had asked for a meeting with Bartlett to discuss previous increases "but before we could be given a date, the Government came up with another increase We feel the hike was done quite insensitively"

'Bartlett must go'

~~ARG~~ CT 16/9/93 (244)

Staff Reporters

THE government yesterday defiantly stuck to its guns over the petrol price hike in spite of mounting nationwide protests and demands for the axing of Mineral and Energy Affairs Minister Mr George Bartlett.

In a fiery debate in Parliament, irate opposition MPs accused the government of creating a "Frankenstein monster" which had to be fed a diet of billions of rands of taxpayers' money each year.

The row followed a violent taxi protest in Cape Town's city centre. Taxis blockaded the streets, police fired birdshot and rubber bullets, scuffles broke out, and 68 drivers were arrested.

The Democratic Party said motorists were justifiably in revolt at the minister's attempt to milk them in the form of tariff protection payments of R250

Several bus drivers and passengers were injured when taxi drivers assaulted them at bus terminals, mostly in township areas, a spokesman for Golden Arrow Bus Services said.

Late yesterday a meeting took place between taxi drivers and representatives from Engen, BP, Caltex and Shell

President of the Convention for a Democratic Taxi Association (Codeta), Mr Kidwell Magwayi, told about 400 taxi drivers "If he (the Minister) has not met us by 3pm (today) we will report back and decide on what further action to take

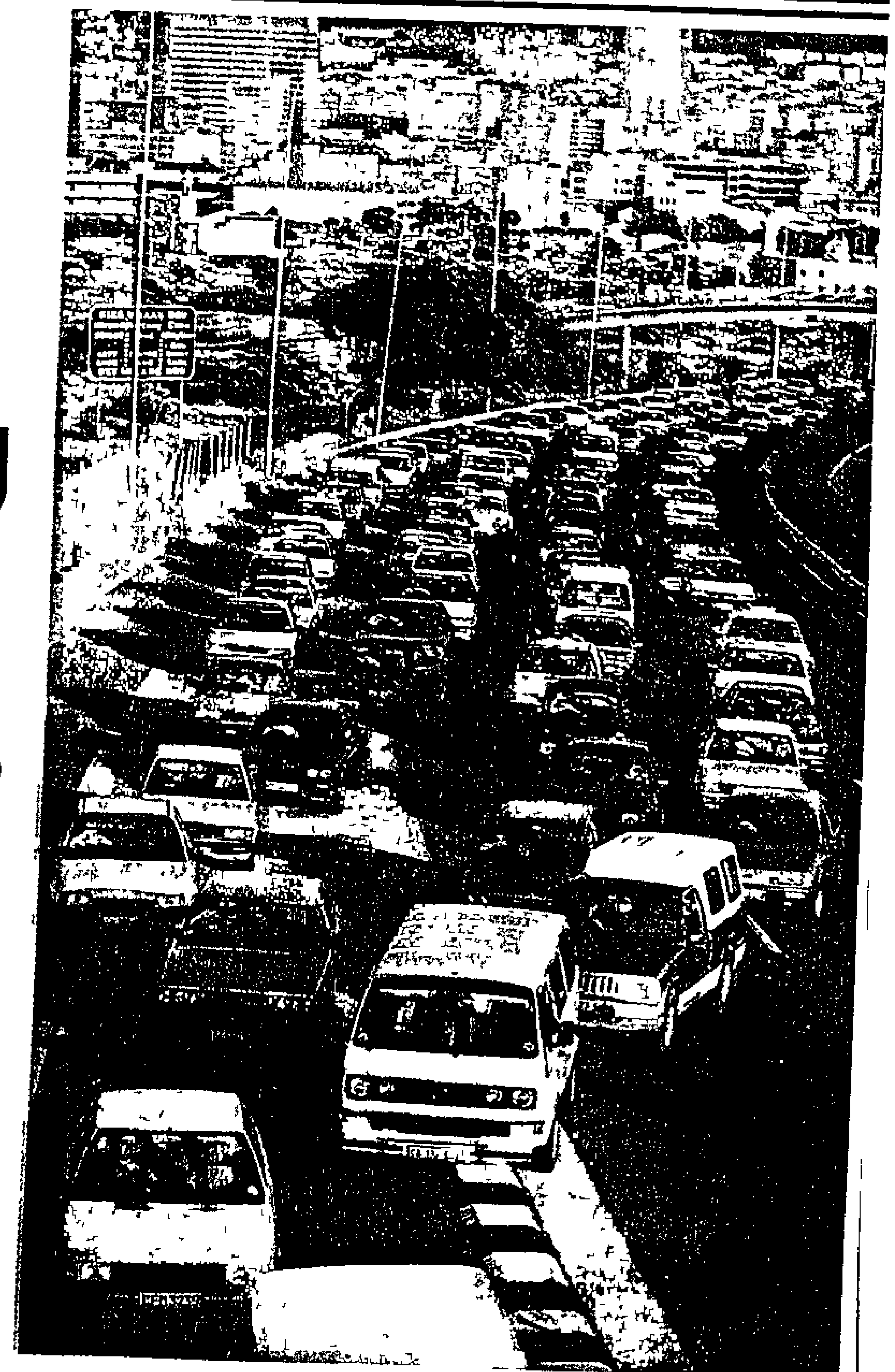
"Meanwhile we have a duty to our commuters to take them home and bring them to work tomorrow "

During the meeting Mr Trevor Kempshall of the Western Cape Transport Forum asked oil company representatives to support the taxi industry's call for a moratorium on fuel price increases.

Mr Oliver Purcell of Caltex said the oil industry believed the petrol price increase was economically justified as the rand was depreciating.

"Any freezing of prices now will imply higher

To page 2



TRAFFIC CHAOS . . . Angry commuters drove down the wrong side of Eastern Boulevard when more than 300 taxi drivers blockaded major intersections

From page 1

Petrol price hike

(244)

price hikes further down the road," Mr Purcell said.

Earlier Mr Bartlett told a hastily arranged press conference that he was happy to talk to all critics and interested parties to explain the complexities of the fuel industry, but he was not prepared to allow groups like Cosatu to become involved in fuel price decision-making.

Mr Bartlett also warned that South African motorists could not look foward to a reduction in the pump price of petrol once the long-standing oil embargo was lifted against South Africa

The minister said the state had been reached that such a "market-related" step had become unavoidable because fuel had become more expensive in rand terms.

Mr Bartlett spoke strongly against the deregulation of the fuel industry, stating that this would cost thousands of jobs, and could damage the economy.

Supermarkets, if allowed, were likely to sell petrol below cost as "loss leaders" in a bid to attract consumers into their premises, but customers would end up paying for the difference in other purchases.

• Late yesterday at least 10 of 17 impounded taxis were returned to taxi-owners as isolated blockades — which had little effect on traffic — were being set up in Mitchells Plain.

07/6/9/93

All taxi-drivers who had been arrested were released from police custody and warned to appear in court, a police spokesman said.

Many commuters and motorists told the Cape Times they supported taxi-drivers who opposed the petrol price increase but felt inconvenienced by the manner in which the protest took place

● Fuelling chaos — Page 6

23 buses stoned in taxi protests

2144

ARGT 16/9/93

□ Drivers converge on Strand Street, resist police bids to move them

Staff Reporters

AT least 23 buses were stoned, 92 windows smashed and passengers were pulled from their seats today in incidents apparently related to taxi drivers' protest actions against the petrol price increase

Shortly after noon scores of taxis, apparently from Mitchell's Plain began converging on the Caltex Refinery at Milnerton, blocking the entrance despite a strong police and peace monitor presence

More taxis converged on Strand Street outside the Castle, resisting early efforts by police and traffic officials to get them to move

The Minister of Mineral and Energy Affairs, George Bartlett, will meet the National Economic Forum in Johannesburg tomorrow his office has announced, and then return to meet local taxi drivers

Golden Arrow Bus Services reported that blockades were set up in Mitchell's Plain Elsies River Valhalla Park and Bellville South early today

In Mitchell's Plain, passengers were pulled from buses and some had to walk One passenger was injured during the stonings

By mid-morning the service had returned to normal and there were no further incidents a bus company spokesman said

During the morning, scores of taxis charged across the Cape Flats, demanding that garages close until a meeting was held with Mr Bartlett.

Police claimed the taxi drivers and their supporters had been guilty of theft and assault at several petrol stations and that random shots had been fired from one taxi

One driver was arrested when police found a gun they said was unlicensed.

Mr Bartlett said he would be unable to see a delegation of drivers today because of his full programme, but he remained willing to talk to anyone about the price rise.

Speaking shortly before joining the Tuynhuys meeting this morning between Inkatha leader Chief Mangosuthu Buthelezi and President De Klerk — which he is attending as Natal leader of the National Party — Mr Bartlett said the timing of tomorrow's meetings might have to be altered to allow him to meet the Cape Town taxi fraternity in the morning and the NEF in Johannesburg in the afternoon

The NEF is a key forum representing business, the unions and government.

Mr Bartlett said he had been willing to meet representatives of the Cape Town taxi industry yesterday, but this had not suited them

Taxi operators had permission from the Cape Town City Council to stage a protest at the Caltex Refinery refinery in Milnerton

On the Cape Flats, taxis — hooters blaring and with lights on and shouting protesters hanging from doors and windows or clinging to the outside — sped though Bellville, Belhar, Elsies River and other areas, trailed by police vehicles

At garage after garage the owners agreed to close as taxis streamed in

One Elsies River owner initially refused but agreed to close when police offered to "remove" the protesters and violence seemed likely

● See page 4

'Frankenstein monster' built

CT 16/9/93 (244)

MINERAL and Energy Affairs Minister Mr George Bartlett was roasted by members of the Democratic Party in a debate on Mossgas yesterday as Constantia MP Mr Roger Hulley described the oil from the gas project as a "Frankenstein monster"

Speaking on the day the petrol price increased by seven cents a litre, Mr Hulley said the government, under a cloak of secrecy, had built up a "Frankenstein monster" to control South Africa's energy supply during the sanctions era

He said Soekor, Sasol, the Central Energy Fund, the Atomic Energy Corporation and Mossgas were linked in an "intricate web of vested self-interest, mutual back-scratching, fat mark-ups, special subsidies all of which

DP slates 'scandal of Mossgas'

had to be fed on a diet of billions of taxpayers' money derived essentially from crude oil purchases and the petrol price"

Mr Hulley said petrol was about 10% cheaper in Zimbabwe "This minister must explain how it is that a small disadvantaged land-locked country like Zimbabwe can price its petrol so much cheaper than we can." Petrol was also cheaper in Botswana

Mr Hulley said the attorney-general's report into Mossgas showed that the R11 billion capital expenditure on Mossgas so far was "sunk cost" — this was a polite business way of saying "the money has been poured down the drain".

Rustenberg MP Mr Willem Botha said Mossgas was one of the biggest scandals that had ever hit a government.

Mr Bartlett said that the decision to build Mossgas had been taken at a time when the country faced total sanctions Mossgas was currently contributing to the economy by saving R1bn a year in foreign exchange.

He said it was clear that in appointing an independent board of directors, allowing the project import parity for its products as well as tariff protection for 10 years, investigating the possibility of privatisation, the government had taken into consideration the recommendations of the Joint Committee on Public Accounts

Mayor promises action

(275) (263) (244) (183)

Staff Reporters ARG 17/9/93

MAYOR Clive Keegan says the full force of the law will be used against taxi drivers if they continue their blockade.

"While I completely understand and share the taxi industry's anger at the way the petrol price increase has been been handled — and believe (Minister of Mineral and Energy Affairs) George Bartlett has behaved with extraordinary arrogance and insensitivity in failing to meet the taxi drivers — their battle is with the government and not with the people of Cape Town.

"To stone buses and cars, dragging innocent people out of public transport, and bringing the city to a standstill is completely unacceptable.

"Negotiating gently with them clearly has not worked and we cannot allow the city to be disrupted."

Mr Keegan said he had refused to get involved in negotiations unless blockades were lifted.

The city council would act firmly against those who disrupted the economy of the city and disrupted the lives of people who were already disadvantaged.

The way the protest was conducted was out of place in peace month.

Meanwhile the chairman of the Mitchell's Plain Taxi Association, Don Lawrence, said taxi drivers were concerned about commuter safety.

● See page 4

Security forces prevent taxi blockades

AAG 17/9/93 244

□ Protests around country over petrol price rise

The Argus Correspondent

JOHANNESBURG — Police and the Defence Force today prevented taxis from blockading central Pretoria in protest against the fuel price increase

As police helicopters flew overhead and SADF and police vehicles patrolled the streets, taxis appeared to be plying their normal routes, with Friday's busy traffic pattern unaffected

Personnel carriers and other military vehicles were on the streets by 9 am, while the SADF moved in heavy towing vehicles during the night and placed them at strategic areas in order to remove taxi barricades

The threatened blockade of Pretoria did not materialise by mid-morning, although there were sporadic incidents in the Bloed Street area when about 300 taxi owners protested at a cordon thrown around the taxi rank

Security vehicles — including casspirs, police vans and armoured cars — lined both sides of Bloed Street from early today, closing two lanes of traffic

Later, as taxi drivers started their blockade, more security vehicles arrived and blocked off other lanes

Only one lane was left open for traffic but this too was closed by a large lorry, which could not squeeze through the small opening left by the security vehicles

Traffic in the street came to a standstill, but the threatened taxi blockade fizzled out when taxi drivers suspended the action

In Durban, "fed up" Democratic Party members organised a protest meeting at the city hall to call for Mineral and Energy Affairs Minister George Bartlett to be axed from his job

In Johannesburg a broad range of taxi and other black business organisations, Cosatu, the PAC-aligned National Council of Trade Unions and the African National Congress said they would give the government 10 days to review its position after today's meeting of the National Economic Forum (NEF)

In spite of the growing protests, Mr Bartlett repeated in East London yesterday that the fuel increase was here to stay

He and Finance Minister Derek Keys discussed the issue today in the forum — an economic consultative body consisting of organised labour, business and the government

The meeting, closed to the public, started this morning in Johannesburg

Cosatu spokesman Neil Coleman said the organisation was determined to see the increase suspended

If this did not happen, the 16 organisations which met yesterday to prepare for today's forum meeting in Johannesburg would hold a summit in 10 days' time to decide on further action

The ANC said it was unacceptable that "hard pressed" consumers were being forced to subsidise "white elephants" such as Sasol and Mossgas

"Sasol continues to receive large handouts from the Equalisation Fund while at the same time declaring increasing distributable profits to its private shareholders," the ANC said in a statement

Nactu information officer Mudini Maivha dismissed the planned forum meeting as a waste of time It would result only in "economic jargon"

The embattled energy minister met angry taxi drivers in East London yesterday On leaving the meeting, he told reporters the price increase was a reality

He said "They're paying it at the petrol stations", adding that he was "not in a position" to withdraw the increase

Taxi drivers in East London agreed to suspend their action for four days

Port Elizabeth police threw a stun grenade to break up a brawl which erupted when protesters, onlookers and police clashed after police had tried to tow away taxis blocking the main street of the city

Taxi violence flares again

Buses stoned, commuters injured as petrol price anger grows

ARG 7/9/93

Pictures WILLIE DE KLERK, The Argus

STANDOFF An irate taxi driver remonstrates with a member of the Internal Stability Unit negotiating at a "face-to-face" standoff at a taxi road block in Mitchell's Plain.

TYRES SLASHED A minibus taxi driver who defied the taxi boycott and picked up passengers in Highlands Drive, Mitchell's Plain, had his tyres slashed

Staff Reporters and Sapa

AT LEAST 24 commuters have been injured as taxi violence flared in the city for the third consecutive day, with buses being stoned and taxis blocking routes leading into Cape Town from high-density areas on the Cape Flats

Thousands of commuters were stranded as township taxis did not run and buses were prevented from operating

Taxi ranks at Guguletu and Khayelitsha were deserted as hundreds of drivers converged on the Nyanga rank for a meeting

Bus services were forced to withdraw from Khayelitsha, Bonteheuwel and Manenberg, and had to avoid other areas including Lansdowne Road between Eisleben Road and Duynefontein Road

About 11am hundreds of taxis were reported to be converging on the city centre from the southern suburbs

Golden Arrow buses became a major target of angry taximen protesting against the seven cents a litre increase in the price of petrol

They claimed the buses were cashing in during the blockade They also claimed, incorrectly, that the price of diesel, bus fuel had not been increased (It was increased by 5,5c a litre)

Buses braving township hell-runs were stoned and ambulances were called to take eight bleeding bus commuters — hit by glass from shattered windows — to hospitals

Buses were stopped at Claremont station Wynberg station and Sheffield Road depot in Philippi

Emergency service staff treated two injured patients at Claremont and another two at Wynberg before rushing two people to Victoria Hospital

Four injured women were taken from Philippi to Groote Schuur Hospital

A bus company security guard was stabbed in the back and hit on the head by a stone

Yesterday 14 injured people were taken to hospital after a stone damaged bus stopped at Palotti Road Montana

At Nyanga many taximen who assembled at a taxi rank said today the fuel increase only affected their business and not that of the white establishment

The drivers said they would hold a meeting in Guguletu to decide on a course of action They would also warn the community not to board buses

In Mitchell's Plain there was commuter chaos with taxis surrounding the bus terminus

Two taxi drivers were arrested at a 30 vehicle blockade at the intersection of A Z Berman Road and Spine Road

The taxi encirclement from 6am at the town centre prevented buses from entering or leaving the terminus and many irate commuters rushed to the adjacent station to board trains

Random road blocks shut off traffic in the main arterial roads at the intersections of Vanguard Drive and Highlands Road and at A Z Berman Drive and Trampoline Roads

A Colorado Park resident said there was absolute chaos at the Highlands and Vanguard intersection where taxi drivers formed a roadblock

Passengers were pulled out of buses People stood around like lost sheep

Scores of workers were hiking in Spine Road In the Town Centre, workers were milling around a temporary bus terminus erected opposite the police station

(To page 4, col 1)

Four held over Spur killing

JOHAN SCHRONEN
Crime Staff

FOUR men have been arrested after the killing of a part owner of the Rocky Mountain Spur in Tokai

Jeff Lomax was stabbed to death early yesterday

Police spokesman Raymond Dowd said clues at the steak house led detectives to believe that robbery was not the only motive for the attack

Colonel Dowd said Lieutenant Vossie Vos and Warrant Officer Mike Barkhuizen worked around the clock and arrested two men in Langa at 5pm yesterday

A bloodied knife and clothes and a car, believed to be the getaway vehicle were seized

Colonel Dowd said two more men, including a person involved in the business, were arrested early today

The suspects are expected to appear in the Wynberg Magistrate's Court on Monday

DRESSED FOR SUCCESS Iris Natan shows off the official Seeff/Argus Gun Run T-shirt that will be on sale at next Sunday's half-marathon through the streets of Cape Town

Entries hover around the 3 500 mark

ENTRIES for next Sunday's Seeff/Argus Gun Run half marathon rocketed through the 3 000 mark this week, and the 3 500 mark is under fire

The original estimate was 2 500 but entries are coming in thick and fast and should exceed 3 500 by tomorrow's deadline

Herbie Rebder, chairman of host club Atlantic AC, said today "To my knowledge there's no other inaugural road running event in the country that has attracted this type of response"

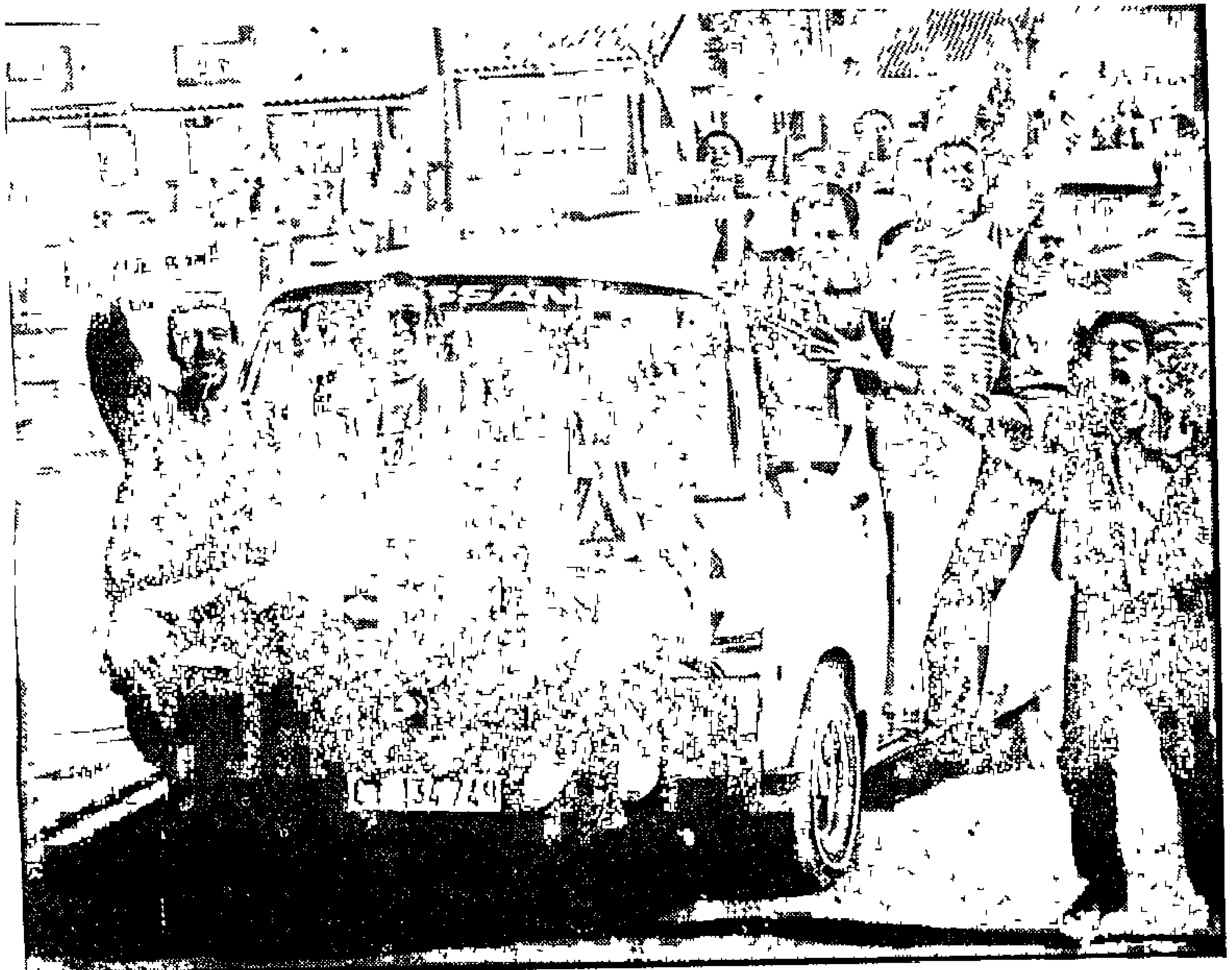
Organisers have urged participants to register early and not leave it until Sunday morning

"Although we are equipped to deal with large numbers registering at one time, we would prefer runners to collect their entry packages on Friday," says Mr Rebder

Registration hours at Green Point Stadium next Friday will be between 8 am and 7 pm and on Sunday between 7 am and 9 am

● See page 5

P.T.O.



Picture STEFAANS BRUMMER, The Argus.

HIGH SPIRITS: Supporters of the protests, spearheaded by taxi drivers, throw peace signs from a taxi which has more people hanging on it than in it.

SURROUNDED: A lone traffic policeman finds himself surrounded by protesting taxi drivers in Mitchell's Plain

Pictures, WILLIE DE KLERK, The Argus

HAPPY PROTESTORS: Jubilant taxi drivers in Mitchell's Plain today.

Negotiators see Bartlett on petrol rise

PBS 244

ARG 7/9/93

JOHANNESBURG. — Urgent discussions on the controversial petrol price increase began today between the National Economic Forum and Minister of Mineral and Energy Affairs George Bartlett and Minister of Finance Derek Keys

The two cabinet ministers arrived here early today for the talks with the NEF, a multi-party organ of the negotiation process, at an undisclosed venue, a NEF representative said.

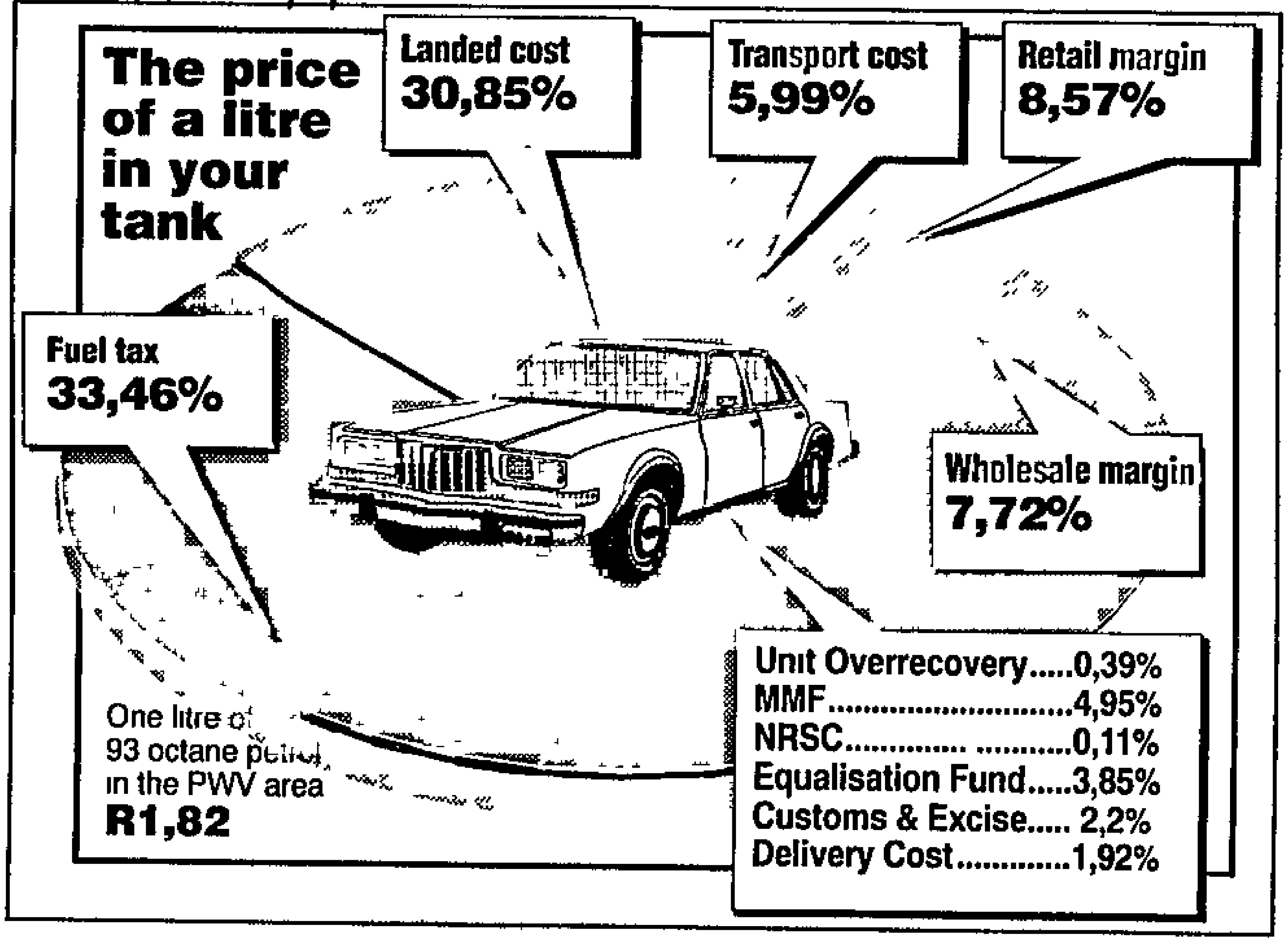
The NEF said on Wednesday it planned to discuss the broader composition of the fuel price with the two ministers.

The petrol price was increased by seven cents a litre from Wednesday and has been met by widespread criticism from trade unions and business, as well as by protests from taxi drivers — Sapa.

Step through the looking glass

(244) WM 17-23/9/93

Reg Rumney delves into the mysterious ways the state and oil companies arrive at the fuel price



Who gets the slices of the petrol pie One third goes to the state in tax

Drive over the border and petrol prices plunge — even though neighbouring states are part of the SA Customs Union and get their fuel from South Africa

Is it any wonder the consumer feels puzzled and abused?

The workings of the fuel industry are partly explained in the publication of the Department of Mineral and Energy Affairs *Report on Government Involvement in the Oil Industry* Mineral and Energy Affairs Minister George Bartlett referred to this publication recently in hinting at legal action against Pick 'n Pay's discount fuel offer

What do we really know about the way the pump price of petrol is arrived at?

First, take the bare facts.

Almost a third of the petrol price is accounted for by the fuel levy,which is simply a tax (see graph)

Hence it is not surprising that nearby Botswana, which is obliged to get its fuel from South Africa, sells petrol for around one Pula, or around R1,35 a litre.

Then there are the fixed and immutable wholesale and retail margins, anathema to those who believe free markets should govern prices

If a retailer such as a supermarket decided to use it as a loss leader and make no profit at all on petrol, the price could drop by 15,6c a litre.

Then there is the equalisation fund, originally created to counter the "sanctions premium" on South African oil Coincidentally it is 7c, equal to the recent rise in the petrol price

But what about the basic fuel price to which all the cents and percents are added?

That too is the subject of dispute, because it is based on free market prices elsewhere, but is a controlled price set by the government and the oil industry cartel that operates in South Africa. The Department of Mineral and Energy Affairs uses a complex formula to calculate a putative international price of petrol

Why is the petrol price rising when world oil prices are falling?

The South African fuel price is not based on the prices of crude oil bandied about in the media overseas, such as Brent crude These spot prices, says the department, are not indicative of long-term oil contracts with built-in assurances on quality of the product and security of supply

So the department uses "In Bond Landed Cost (IBLC) postings", jargon for the prices of refined petrol produced at one refinery in Bahrain and three in Singapore An average of the price of petrol at these refineries is the basis of the estimated landed cost, now 56,14c a litre, making up 30,85 percent of the petrol price in the accompanying chart

The department contends there is no comparison between spot and posted prices since they represent two different markets

However, a fall in spot prices means contract prices and so the Singapore and Bahrain postings are likely to fall in time, admits a department spokesman

The problem is that while oil prices are falling so is the rand against the dollar, the currency in which oil and petrol are priced internationally

The present petrol price is calculated using an exchange rate of $1 equals R3,3516 The dollar midweek bought more like R3,41

This could wipe out the gains of the recent rise in the petrol price

Already the tiny and artificial "overrecovery" or overpayment by the motorist has been eroded from the 0,39 percent or 0,702c to around 0,5c a litre by the weakening rand

The over and underpayment by motorists also causes confusion They are usually marked against a "slate" — a theoretical account between the government and oil companies — to avoid daily rises and falls in the price of petrol

However, the underpayment by the motorist, says the department spokesman, has been financed this time around by the "equalisation fund " into which is paid 7c a litre The equalisation fund has spent more than R1,4-billion since January propping up the petrol price "This is money that has been put back into the pockets of the motorist," contends the department spokesman

Motorists are often enraged by what they believe is subsidisation of Sasol and Mossgas through the petrol price

The pros and cons of whether and how this should happen is too complex for this article Sasol and Mossgas are subsidised according to a long and complicated formula The government calls this "protection"

That then, in brief, is the government's byzantine method of calculating the basic petrol price

Econometrix economist Tony Twine puts it in perspective Asked if the department's explanations for its calculations are acceptable he says "If you are prepared to step through the looking glass Their sums are internally consistent "

The problem is stepping through the looking glass in the first place

Resistance to fuel price hike grows

Weekly Mail Reporters (2244)

TAXI operators, caught between maintaining their own profit margins and keeping their cash-strapped commuters happy, pitched Cape Town into a day of chaos and threatened to bring the Border region to its knees. WM 17-23/9/93

They see no reason why petrol should cost more now when it costs less to land. Or why they should pay an extra 7c a litre and face losing passengers to cheaper buses when buses are subsidised by the government.

The Congress of South African Trade Unions sees no reason why the government should not suspend the price hike and negotiate on how the fuel price is regulated.

The price rise has been imposed for reasons which were neither clear nor convincing. The rand price of oil had declined even faster than the rand/dollar exchange rate. Cosatu also criticised government secrecy over its oil reserves and contingency fund, and said consumers were still subsidising "government patronage" for synthetic fuel projects such as Mossgas and Sasol.

Calling for urgent meetings with Energy and Mineral Affairs Minister George Bartlett and the National Economic Forum, Cosatu warned of a "social backlash" similar to that of the anti-VAT stayaway if the price rise was not suspended.

Little support for deregulation

(2352) WM 17-23/9/93

Mondli Makhanya

WHILE everyone huffs and puffs about the petrol price increase, few are prepared to support deregulation of the fuel industry, as proposed by Pick 'n Pay boss Raymond Ackerman and ardent free marketeers

The fuel industry in South Africa is heavily regulated, from the importation of crude oil through to the pump. Ackerman and others claim regulation keeps costs high, and demand a gradual relaxation of controls.

Ackerman says Pick 'n Pay's petrol outlets can sell petrol at a significant discount: in an experiment under way in Durban, consumers get a 7c-a-litre discount coupon — half the retail margin of 15,6c a litre — for every R10 worth of petrol bought If successful, this could be taken to other major centres.

Ackerman scoffs at suggestions that this will be harmful to small garage owners. "I don't buy those arguments. If you can deregulate supermarket retail, why not petrol stations? In the retail sector, Spar has done excellently in challenging the big chains. I don't see why small petrol station owners can't club together and form chains of the same kind"

Mineral and Energy Affairs Minister George Bartlett is unmoved by such arguments· this week he said he would not tolerate discounts and that deregulation was not even up for discussion at this point.

Bartlett has some support from both the private sector and the unions, who agree small garage owners should be protected and deregulation would jeopardise jobs

Said one energy analyst: "In the event of a price war between the large companies, small service station owners would lose great volumes and most would be put out of business. Bigger firms would also be driven to mechanising and this would put a lot of pump attendants out of work In this climate of high unemployment it's the last thing we need."

Rand Afrikaans University Energy Studies Institute's David Kotze argues for some relaxation of the industry, but "we must not tinker with the good things in the system.

"While regulation is not necessarily in line with the trend of freeing things up to market forces, it has brought about efficiency, order and stability South Africa has reasonable fuel prices by international standards," Kotze argues.

Whether prices would drop as a result of deregulation remains unclear. Free marketeers hold that prices will move according to market forces. Movement, whether up or down, will at least send the right signals to consumers. Sceptics, however, point to the world-wide trend towards fuel industry cartels

Government is adamant removing retail price maintenance would confuse consumers. Regulation is also the cornerstone of the agreement with the oil companies protecting the synthetic fuel industry.

At least until the economy picks up, there appears to be an argument for limited regulation

But, as one observer puts it, the case for maintaining certain controls is severely undermined by "the unfortunate fact that Bartlett does a deplorable job of explaining"

Make or break day over petrol price

Sowetan 17/9/93

By Mzimkulu Malunga and Sapa

JUDGMENT DAY Economic revival at stake if price hike is not reversed :

(244) (183)

TODAY IS JUDGMENT day for the controversial petrol price increase when two Cabinet Ministers present their case before the National Economic Forum

It is the outcome of this morning's crucial meeting that will decide whether the pending threat of mass action by the labour movement and other forces goes ahead

Mineral and Energy Affairs Minister Mr George Bartlett and Finance Minister Mr Derek Keys are in Johannesburg to substantiate reasons which led to the fuel price hike.

Trade union

The country's two major trade union federations, Cosatu and Nactu, have threatened to unleash unprecedented mass action should the increase not be reversed immediately

Nactu's information officer, Mr Mudini Maivha, said today's meeting was a waste of time. "The only thing that ever comes out in such meetings is high-flying economic jargon

"We need to mobilise people into the streets to bring attention to the fuel increase issue," he said.

The South African Taxi Drivers Union has threatened to blockade the Pretoria city centre today if the Government does not budge on the fuel price increase

The drivers' union has appealed to taxi association to suspend taxi fare increases pending discussions with the minister

After today's meeting, Bartlett has promised to rush back to Cape Town to meet taxi drivers who have launched blockades since the fuel price hike.

Yesterday all hell broke loose in townships around Cape Town when buses were stoned and windows smashed as rampaging taxi drivers pulled passengers off buses

Twenty two of the 68 drivers who were arrested for blockading the city centre on Wednesday were charged in the Cape Town Magistrate's Court yesterday and the case postponed to October 18. The remaining group of drivers will appear on October 19 and 20

Economic experts and consumer groups say an increase in the petrol price will shatter consumer confidence

"Fuel price increases totalling 15 percent this year will further erode consumers' buying power and contribute to higher inflation," said the Consumer Council's executive director, Mr Jan Cronje

The South African Chamber of Business' chief economist said the pending threat of mass action should today's meeting fail, could derail prospects of economic revival after four-and-a-half years of recession

PPI FM 17/9/93

Rand vs oil

Despite the fall in the value of the rand — from an average of about US31c in June to US30c in July — the production prices of imported commodities fell that month Figures released by the Central Statistical Service show they declined 0,1% in July — while over 12 months prices rose only 4,5%

The reason is the decline in oil prices An indication of its impact on production prices comes from Tony Twine of Econometrix "Between the second week of June and the second week of July, the light crude oil fell from R56,30 a barrel to R55,50"

(244)

Other mining

The drop in oil prices is also reflected in the index for "other" mining and quarrying, which fell 1,4% in the month However, rand depreciation did have an impact on the prices of imported manufactured goods These rose 0,7% in the month

Locally produced commodities rose 1% in the month and 6,7% in the 12 months to July A major contributor was the index for electricity, gas & water, which recorded a monthly increase of 1,7%, or an annual rise of 6,4%

Overall producer prices rose 0,7% in the month, or 6,3% year-on-year This compares with the 12-month figure of 6,4% for June. ■

Accord on taxi protest

Staff Reporter

TAXI DRIVERS and police agreed last night to act peacefully in protests planned for today in Elsie's River

Police claimed taxi drivers had looted garages and hawkers' stalls in Elsie's River and broken traffic rules

Taxi drivers admitted breaking some traffic rules, but blamed lootings and robberies on "an unruly element" unrelated to taxi operators

In meetings between police and taxi operators facilitated by the regional peace committee, it was agreed

- Only taxi operators would take part in today's protest. They will wear identifiable armbands,
- Taxi drivers will obey the law and traffic rules,
- Police will not interfere in the protest and will be restrained, and
- Three arrested taxi drivers will be freed

CT 17/9/93

Commuter slams stoning

Staff Reporter

BUS commuters "are your brothers and sisters" — and have nothing to do with the petrol price hike, a hurt and angry township commuter said in a message to taxi operators yesterday.

Mr Madoda Guwata, a passenger on a bus stoned "by taxi operators" in White City near Nyanga yesterday, said three passengers and the driver of the bus were injured on the head and in the face

CT 17/9/93

Meanwhile, Golden Arrow Bus Services said at least 23 buses had been stoned on Wednesday and yesterday with some passengers being pulled from their seats

"There was pandemonium on the bus with wailing women and children It was unfair to attack us — we are brothers and sisters," said Mr Guwata

Calling from Guguletu police station — to which the bus raced to avoid further stonings — he condemned the attack, saying the community was not consulted on taxi operators' actions or warned not to use buses

Petrol hike will add 0,5% to CPI

CT 18/9/93

(244)

THE higher petrol price should push the inflation rate up "by less than 0,5 percentage points during the next 12 months", Sanlam chief economist Johan Louw says in his September Economic Review.

"At this stage we estimate an average inflation rate of just under 10% for 1993 and foresee that it could fall farther next year."

244 183

'Scrap Mossgas white elephant'

ARG 18/9/9

■ From page 1

around the world"

"The ANC challenges the oil companies operating in South Africa to open their books to public scrutiny, so that the "apartheid premium" earned during the sanctions era can be determined"

On future policy, the ANC said "the end of the necessity to pay the 'apartheid premium' should make it possible to decrease real fuel prices These reductions could be at the expense of excessive industry profits"

Continued support for "apartheid 'white elephants', Sasol and Mossgas, needs to be thoroughly investigated"

Long time critic of government fuel policies and the Mossgas project, Democratic Party energy spokesman Roger Hulley said the public was paying to keep "P W Botha's folly" Mossgas alive

"With a subsidy paid on every litre produced, the more Mossgas produces the more it is costing the motorist"

Mr Hulley also challenged claims made by Mr Bartlett of enormous savings for the country in foreign reserves, demanding details of whether the well-paid foreign contract Mossgas workers were being paid in foreign currency and how much had been spent and would be spent in imports of plant and equipment for the project

He said an example was the man in charge of the offshore rig, Noel Fitzgerald, who was on a three-year contract at about R1 million a year

Mr Hulley called for the phased, total deregulation of the industry

"This includes Mossgas and Sasol If they cannot compete they should be closed down"

He said it was disgraceful that motorists were being forced to subsidise Sasol as a publicly listed company which had declared profits to be paid as dividends to its shareholders

Picture WILLIE de KLERK, Weekend Argus

☐ BELEAGUERED BARTLETT: Minister of Mineral and Energy Affairs George Bartlett addresses some taxi leaders at a meeting at D F Malan Airport while peace committee chairman Professor Jaap Durand covers his face as the crisis in Cape Town worsens

'Scrap Mossgas' call as petrol price fury mounts

BRUCE CAMERON and MICHAEL MORRIS
Business and Political Staff

THE government is under pressure to close P W Botha's R11 billion Mossgas blunder and take a new look at the petrol pricing structure, including subsidies for all the costly synfuel projects

The National Economic Forum, which held a special meeting with beleaguered Energy Minister George Bartlett yesterday, has appointed a task force to look at the current position and longer term fuel industry

The NEF, which has members representing business, labour and government, could reach no agreement at yesterday's meeting and has scheduled a "summit" for October 4

Criticism of Mossgas is growing, with even top executives in the fuel industry now describing it as a "a bloody white elephant and a monument to P W Botha's apartheid regime"

Engen, which managed the development of the project and defended it while it was being developed, has not only refused to take up its share option but is now scrambling to dissociate itself from the project

While taxi drivers caused chaos in challenging the seven cent increase, petrol companies as well as the government were taken by surprise at the ferocity of the protest

Some of the petrol companies attempted to defend the price claiming South Africans had some of the cheapest petrol in the world, while laying the blame for the increase at the door of the government

But an ANC statement yesterday focused attention on the oil companies, saying the highly regulated system of pump price fixing "has guaranteed generous profits" to transnational oil companies and maintained the viability of the synfuels industry

The ANC said it suspected that the import parity pricing mechanism had ensured the profitability of crude refining operations had historically been high by international standards to compensate the oil majors for defying sanctions

There had been no public debate on this, but "one can only assume that returns must have been substantial since the transnational companies remained in South Africa despite strong criticism from anti-apartheid lobbies

■ To page 6

244 183

He called for the remaining secrecy about fuel pricing to be scrapped and for the the fuel industry to be deregulated not only at retail level, but also at producer level This was in line with the deregulation of the fuel industry that was taking place internationally.

He also demanded an explanation from Mr Bartlett, whom he described as weak and unable to make decisions, on how Zimbabwe managed to sell petrol at 20 cents a litre cheaper than South Africa.

Mr Hulley challenged the basic pricing system It was not set on the petrol companies competing against each other in a free market in South Africa, but on a "fictitious" price — the supposed cost of petrol refined in Singapore or Dubai and transported to South Africa

Everything else was then based on this price

Mr Hulley said the government should reveal the real cost of landed crude and subsequently refined fuel, compared with the fictitious price

"I could weep at what R11 billion could do Mossgas employs only 1 000 people

■ IN SUNDAY MONEY tomorrow: Is cheaper petrol possible?

Petrol wars

CT 18/9/93 (244)

Commuters assaulted

By PETER DENNEHY and EUNICE RIDER

COMMUTERS were attacked and beaten, petrol stations damaged and major routes in Cape Town were snarled up by rolling taxi blockades as violent protests against the petrol price hike rocked the city yesterday.

And Mitchells Plain taxi drivers vowed late last night to continue their action until at least Tuesday

Enmity between bus and taxi drivers burst into the open yesterday with bus drivers threatening to hit back.

A Transport and Omnibus Workers' Union spokesman, Mr Mogamat Soeker, said some bus drivers had already taken action and rammed taxis

Mr Soeker said a postponement in the fuel hike for two weeks would save lives

"We can't go on like this My members have said that they will fight violence with violence," he said Passengers had been taken off buses and "brutally handled"

Police said bus commuters in Mowbray, Claremont and Wynberg reported that taxi drivers forced them off the road and that a number of drivers were robbed

Commuters were also harassed and hurt in several stoning attacks on buses

Taxi drivers rampaged at petrol stations, stealing fuel, cutting petrol pump pipes and vandalising stations

Several 24-hour petrol stations closed down last night.

During evening rush-hour the N2 and N1 were disrupted as drivers blocked the connecting Black River Parkway between the two highways. Drivers also blocked the highways but sped off when police arrived. Rolling blockades snarled other southern suburbs main routes

Mineral and Energy Affairs Minister Mr George Bartlett met taxi industry leaders, a bus union official and peace workers at D F Malan airport last night. Peace monitors warned him the Western Cape was about to erupt and that lives would be lost.

Mr Bartlett refused to suspend the 7c/ petrol price rise, but invited taxi industry representatives to join a new forum to consider the increase in two weeks' time

He was due to meet President F W de Klerk last night to brief him on the situation

On a radio phone-in programme last night Mr Bartlett struggled to defend the price hike to angry callers

Meanwhile the ANC challenged oil companies operating in South Africa to open their books to public scrutiny, so that the "apartheid premium" earned during the sanctions era could be determined

The ANC said it suspected the import parity pricing mechanism had ensured that the profitability of crude refining operations had been high by international standards to compensate major oil companies for defying sanctions

● A Khayelitsha bus commuter said five women were injured when the bus he was travelling in was stoned and the driver robbed near Guguletu yesterday morning.

Police said they saw five men drag commuters off a bus and assault them near the Pinelands off-ramp on the N2 yesterday afternoon. Police gave chase but no one was arrested

A working taxi driver was also seriously assaulted and his guard was stabbed by other taxi drivers before they robbed them of cash and forced commuters from their vehicle at the Athlone bus and taxi rank. Taxi operators slashed tyres of operating taxis at the rank.

Yesterday a special national "task force" was formed to propose new price structures for petrol and diesel after a closed meeting between Mr Bartlett, Finance Minister Mr Derek Keys and members of the National Economic Forum

The price increase is to remain while the petrol price structure is investigated.

● Brothers and sisters victimised — Page 5

TRAPPED .. Caught in a blockade by taxi drivers on Hospital Bend, this woman was anxious and upset as taxi drivers shouted at her and her companion Commuters in Mowbray, Claremont and Wynberg reported that taxi drivers forced them off the road and that a number of drivers were robbed. Picture BENNY GOOL

SAMARITAN TO THE RESCUE — PICTURES

See PAGE 2

'We will fight on gas hike'

C/Press 19/9/93

(65)(244)

By ALI MPHAKI

THE "war" against the recent petrol price hike is far from over, a Cosatu spokesman warned yesterday.

This was despite an undertaking on Friday by Minister of Mineral and Energy Affairs George Bartlett to convey taxi owners' anger about the seven cents price hike to President de Klerk.

Bartlett made this promise to Cape Town taximen after taxis blocked routes leading into the "Mother City" for three consecutive days.

The blockades resulted in a flare-up of violence with buses being stoned and thousands of commuters left stranded.

Reports on SABC TV on Friday incorrectly stated that the Minister had given in to pressure from the taximen.

A Cosatu spokesman said, "Our demands are basic. While we say the recent petrol hike should be scrapped, the whole process of deciding on the petrol price should be opened for discussion. We've had three petrol increases in the last year.

"Anything is possible this week, but we would not like to make empty threats lest there be a backlash," he added.

Meanwhile Satdu has confirmed its planned protest of blockading Pretoria's main streets tomorrow

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TARGET A member of the Internal Stability Unit aims at taxi drivers in Cape Town

Everyone bar the consumer is happy

S Times 19/9/93

(244)

By PETER DE IONNO

SOUTH Africa's fuel supply is controlled by a cosy cartel, uncompetitive by agreement between the oil companies, the government and their assorted hangers-on. They win every time.

They write the rules to suit themselves, and referee and play the game knowing the result before they start. None of the players wants the game to end. Viva the status quo Everyone's happy

Everyone except the customers, that is. If they want petrol they must pay the regulated price. No more and definitely no less

Awash

The only variation allowed is 10,9c added for transporting petrol to the Reef and smaller differentials elsewhere.

Everyone is suffering, but for blacks the price is especially high and humiliating. They are being forced to pay over and over for Fortress South Africa's determination to maintain apartheid at any price. It is a legacy of cloak-and-dagger deals and ultra-expensive schemes like Sasol and Mossgas.

Customers faced with price rises at the pumps see oil prices, now around $17 (R57,80) a barrel, tumbling as the world again finds itself awash with oil.

But what happens to the international oil price has little bearing on the South African price at the pumps unless the price rockets as it did during the Gulf war The system is designed to cushion consumers from frequent rises.

Since March 1991, 93-octane petrol in the PWV has risen by 38 percent from R1,30 a litre to R1,82 after Wednesday's 7c rise.

The landed cost of crude oil, calculated on refined costs in Bahrain and Singapore, South Africa's nearest suppliers — plus shipping and insurance costs, rising 19 percent from 47,1c a litre to 56,1c — was not responsible for the increase.

A falling rand makes the cost of crude, priced internationally in US dollars, more expensive. In the past five months the decline of the rand has added about 5c a litre to the cost of crude oil, which is priced in US dollars

The chase continues The petrol price is based on an exchange rate of R3,35 to the dollar On Friday that had slipped to R3,40

The government's slice, the fuel tax, accounts for almost half, rising from 36,9c a litre to 60,9c, up by an inflation-beating 65 percent. The tax was last increased in April, when a rise of 8c a litre pushed the price rise to 15c a litre.

The oil company wholesalers' margin took an extra 9c over the period — up from 5,6c to 14c, a 250-percent rise. And still the companies complain, because, though a formula agreed with the government, the Marketing of Petroleum Return, established a benchmark of a 15 percent return on assets, the companies claim their best return since 1990, when it was minus 1,6 percent, was 8,9 percent last year A review of the formula is expected to be completed by the end of next month.

Delivery costs have almost doubled — up from 1,8c a litre to 3,5c

The cut for third-party insurance under the Multilateral Motor Fund has also more than doubled from 4c a litre to 9c, a reflection of our road-safety record.

Customs and Excise has not been half as fortunate. Its cut of 3c a litre in 1991 has gone up by a relatively modest 33 percent to 4c.

Retailers have improved their margins by 44 percent from 11,5c a litre to 15,6c.

Agreed

The National Road Safety Council receives 0,2c a litre, as it did in 1991. This levy will be phased out by the end of this financial year

The Equalisation Fund, which subsidises Sasol's synthetic-fuel operations up to an agreed level, equivalent to an international oil price of $23 (R78,20) a barrel, rose from 5,4c a litre to 7c in late 1991, and has stayed steady since.

But, even though this element in the equation has remained relatively constant, it is one of the most contentious factors. Sasol, SA's most profitable listed company, making 60 percent of its after-tax profit of R1,4-billion from producing half the country's fuel from coal, admits it could survive without "protection"

The phenomenon of taxpayers subsidising the dividends of private shareholders makes a mockery of free-market rhetoric, but Sasol argues boldly "Surely tariff protection should not be given only to companies which lose money?"

Dealing with Sasol presents a huge dilemma. Sasol saves the country around R4-billion in foreign exchange that would otherwise be spent on imported crude oil, a point the company readily underlines, saying that without Sasol's contribution the rand would depreciate nine percent against the dollar, adding 5c a litre to the petrol price.

Tariff protection in the last financial year was R627-million before tax, and Sasol pays normal company tax on it. Fending off criticism, Sasol says its vast contribution to the economy more than justifies the average 12,5-percent protection it has received since its inception in 1977, a modest amount compared with the average 30 percent enjoyed by other manufacturing industries.

Transport costs paid to Petronet, which operates pipelines from the coast to the Reef, accounted for 9,2c a litre in 1991 It is now 10,9c, clearly a restrained increase. Petronet claims its charges are competitive internationally, that it receives only half of the 10,9c levy and lashes out at the increases taken by other players in the fuel-price game.

George Bartlett: A sorry history of bungles

By NORMAN WEST
Political Reporter

THE man at the centre of the storm over this week's increase in the price of petrol, Mineral and Energy Affairs Minister George Bartlett, has been called on no less than 20 times by the Democratic Party to quit his job.

Mr Bartlett, who started his political career as the United Party MP for Umzonto1i in 1974, switched to the New Republic Party in 1977 and the NP in 1984.

In 1987, he became deputy minister of economic affairs and technology He held several other cabinet responsibilities and ended up as Minister of Mineral and Energy Affairs in 1991

He has been accused of bungling in all the portfolios he has held.

He took over as Mineral and Energy Affairs from Dr Dawie de Villiers after a cabinet reshuffle in 1991

With the portfolio he inherited the multi-billion rand Mossgas fuel project. He was quick to defend it.

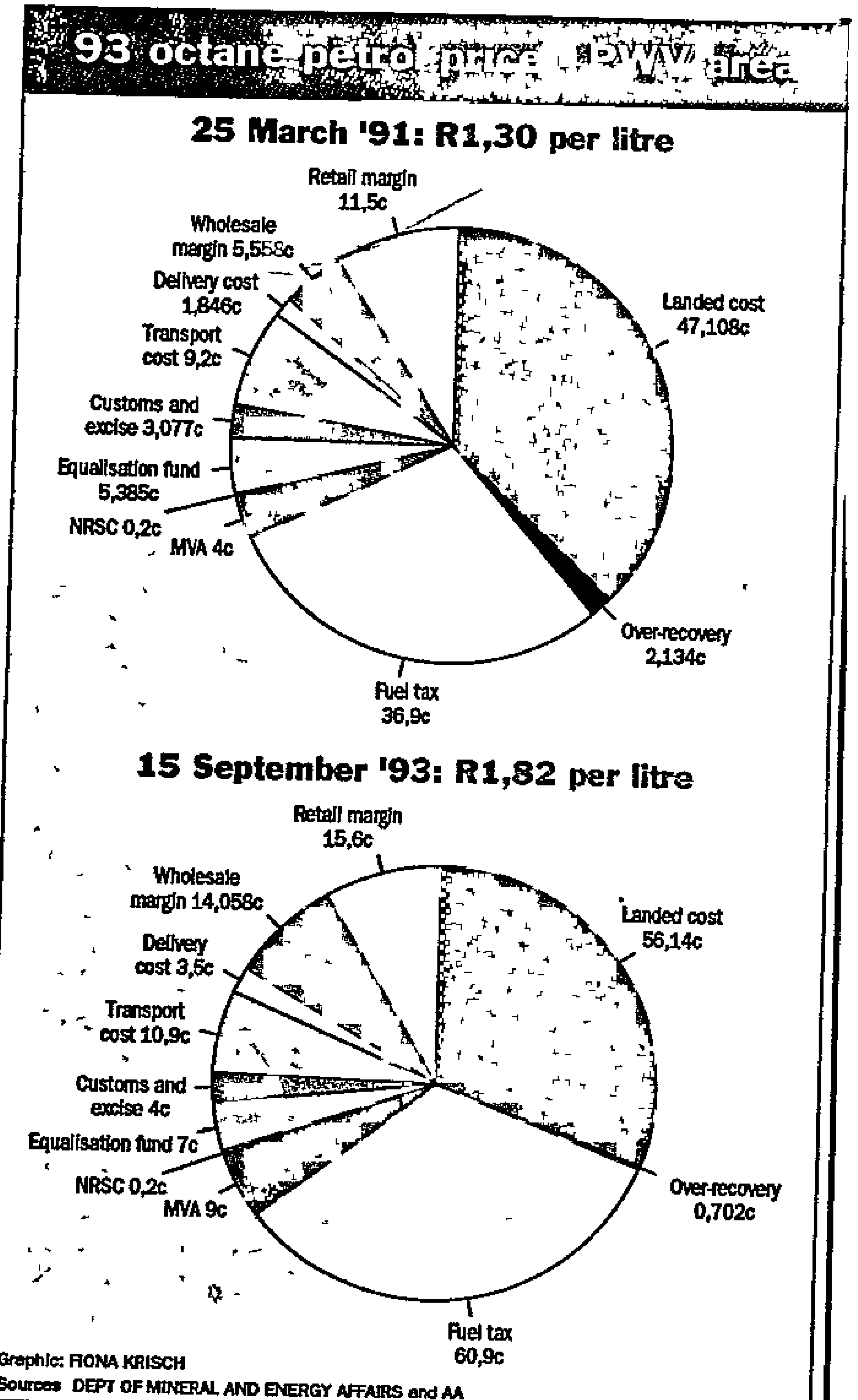
He has since maintained that the R12-billion project was not commissioned on the commercial viability of the venture, but to achieve fuel self-efficiency

It would make a profit, he claimed, despite a blunt statement by Deputy Minister of Finance Theo Alant that Mossgass was "a bad investment"

In 1991 Dr Piet Welgemoed succeeded Mr Bartlett as Minister of Transport.

The following year, Mr Carlisle called for Mr Bartlett's resignation after the Melamet commission revealed large-scale corruption, fraud and maladministration in the third-party insurance system while Mr Bartlett held the transport portfolio.

As Minister of Transport, Mr Bartlett also presided over the rail commuter corporation debacle. Officials invested some R250-million in the Cape Investment Bank and when it went bankrupt, some R162-million was lost.



Graphic: FIONA KRISCH
Sources DEPT OF MINERAL AND ENERGY AFFAIRS and AA

Sharing the petrol cake, in 1991, and now

March against Bartlett

(244) 18 ARG 20/9/93.

Staff Reporter

SCORES of Cape Flats taxi drivers and owners chanted "Bartlett must go" as they marched to parliament today

But beleaguered Minister of Energy Affairs George Bartlett was not available to accept a memorandum from the leaders of the 300-strong group

He sent his representative, Charles Edwards, to accept the document from Lotus River-Grassy Park taxi association chairman Shireen Carter

"We didn't expect to see you The minister's not available to see you," Mr Edwards told Mrs Carter

In the document the group demanded the scrapping of the 7c a litre increase in the price of petrol and the same VAT-free subsidy on fuel enjoyed by bus companies

Bartlett's fuel threat to Ackerman

Business Staff 244

ARG 20/9/93

PICK 'n Pay chief Raymond Ackerman today jumped a government stop sign on his discounted petrol scheme by expanding his campaign of defiance nationwide

Embattled energy Minister George Bartlett was still trying to slam the brakes on the scheme today, saying he had the power to stop fuel deliveries to Pick 'n Pay garages.

Mr Ackerman "is breaking the law"

Mr Bartlett said Mr Ackerman was being confrontational. He advised Mr Ackerman to await finality on the legal dispute.

Mr Bartlett said much of the criticism of himself over last week's petrol price increase had been unfair as he had tried to be as democratic as possible

Earlier this year he had sent out a memorandum on the fuel industry to 74 interest groups from Cosatu to the Housewives' League asking for a response. These responses were to be discussed by the National Economic Forum

The process had been accelerated by the price increase and a special task force had been appointed by the NEF to look at the whole matter.

A "summit" would now be held on October 4

In the meantime Mr Bartlett said he had no option but to apply the law

He warned that the whole pricing structure of the fuel industry could be placed in jeopardy by the discounting scheme

Within 24 hours Mr Ackerman hopes to be selling petrol from 11 hypermarkets (including those at Otterey and Brackenfell) and three super stores at the old price

And he has a legal team on hand to continue his legal battle with Mr Bartlett.

An angry Mr Ackerman said today it was not only the question of the price of petrol — "it is the principle of free enterprise"

Ackerman in fuel hike talks

Sowetan 20/9/93

Sowetan Correspondent

A NATIONWIDE petrol discount coupon scheme could go ahead if retail king Mr Raymond Ackerman convinces Minister of Transport Mr George Bartlett he has found a legal loophole in the petrol regulations.

The Pick 'n Pay chairman has been summoned to a meeting with Bartlett in Cape Town today to discuss his price cutting scheme. A petrol seller has to receive the full price laid down by law. Price cutting is illegal.

Ackerman said his lawyers had found a loophole in the legislation. (56) (244)

"What we have done is legal," he said.

With each purchase over R10, Pick 'n Pay shoppers in Durban have been issued with coupons entitling them to a discount of 7c a litre. If Ackerman can convince Bartlett the measure is legal, Pick 'n Pay plans to introduce discount coupons throughout the country.

Natal taxis in fuel demos

Own Correspondent

DURBAN — Large convoys of minibus drivers drove through here and five other Natal towns yesterday, honking their hooters and flashing headlights in protest against the petrol price increase.

The drivers claimed passengers were refusing to pay increased taxi fares

Police said demonstrations here and in Newcastle and Ladysmith went off smoothly No incidents were reported during similar protests in Vryheid, Dundee and Greytown.

Taxi strike in city suspended

CT 20/9/93 (244)

Two-week halt — but peaceful protest goes on

By PETER DENNEHY

THE taxi strike which has severely disrupted the city has been suspended for two weeks and several taxi associations have apologised for abuses during the strike, which included violence against bus commuters.

Commuters were attacked and beaten, petrol stations damaged and major routes in the city jammed in violent protests which started on Wednesday after the 7c/l petrol price hike.

Strike violence declined yesterday, said Mr Frans Mayoss general

Mr Faiek Ariefdien, a spokesman for the Hanover Park Taxi Alliance, said taxi drivers had realised they were "harming the very people in whose interests we were protesting"

At another meeting at Community House yesterday, Mr Isgak Kamaar of the Hanover Park ANC said "This meeting is about isolating those causing the violence

● Pick 'n Pay vows to find a way — Page 3

CT 20/9/93 (244)

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Strike violence declined yesterday, said Mr Frans Mayoss, general manager of Golden Arrow bus company, whose buses were among the taxi drivers' primary targets

He said, however, that one of his company's senior inspectors had been "cold-bloodedly shot in the neck" in Mitchells Plain on Saturday. He is in a stable condition in Groote Schuur Hospital

Mr Mayoss said bus passengers were intimidated and harassed. Some were forced off buses and drivers and passengers were robbed.

Intimidated

The police placed men on some buses to "ride shotgun".

Several taxi associations apologised yesterday for the abuses.

At a meeting of about 700 people convened by the ANC and others at Community House on Saturday, and at subsequent meetings, taxi associations decided the strike should end today. However, some will go ahead with "peaceful protest action".

Drivers from the Lotus River taxi association intend to park in District Six from about 10am today and then to march on Parliament, and some Mitchells Plain drivers may protest outside the Caltex refinery in Milnerton "all week".

Mr Don Lawrence of the Mitchells Plain Taxi Association said members were standing by to see what happened at Wednesday's cabinet meeting, where the protest will be discussed

About 30 drivers representing Manenberg, Kensington, Heideveld, Bonteheuwel, Bridgetown, Claremont, Wynberg, Grassy Park and part of Mitchells Plain met in the Hanover Park town centre yesterday.

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At another meeting at Community House yesterday, Mr Isgak Kamaar of the Hanover Park ANC said

"This meeting is about isolating those causing the violence.

● Pick 'n Pay vows to find a way — Page 3

Pick 'n Pay vows to find a way

(2144) CT 20/9/93

By WILLEM STEENKAMP

RETAIL giant Pick 'n Pay has vowed to find a legal way to continue its controversial new petrol discounting scheme, which could be shut down today by Mineral and Energy Affairs Minister Mr George Bartlett.

And today a specially convened National Economic Forum task force is to hold urgent talks to discuss the growing furore over the petrol price rise, and the influential Road Freight Association has joined calls for a moratorium on the increase.

Pick 'n Pay is to fax a legal argument to Mr Bartlett today, detailing reasons why it feels its 7c/ discount scheme should not be disallowed.

Last week Mr Bartlett told Pick 'n Pay chairman Mr Raymond Ackerman that the price-cutting scheme contravened petrol price regulations. He summoned Mr Ackerman to his office at 8am today to explain why he had defied the regulations.

In the Pick 'n Pay scheme motorists who spend more than R10 at Pick 'n Pay are given coupons for their service stations, allowing the discount on as much petrol as they want.

Last night Pick 'n Pay managing director Mr Gareth Ackerman said the discount scheme was totally within the law.

However, Mr Bartlett had the right, according to the law, to be "totally arbitrary" and put a stop to the discounting.

Cabinet looks at petrol hike

Sowetan 20/9/93

THE Cabinet is to discuss the petrol price increase of 7c/litre on Wednesday, Mineral and Energy Affairs Minister George Bartlett said on Saturday.

Bartlett said he had discussed the increase with the State President as well as the "problems" in Cape Town following his meeting with delegations from the taxi industry at D F Malan Airport.

Key intersections in Cape Town were blocked by angry taxi drivers last week while bus commuters were attacked and petrol stations damaged as drivers protested against the petrol hike. (SS)

Bartlett said the National Economic Forum had set up a task force to look into the current situation and longer term fuel industry policies. — Sapa (244)

☐ Plight will be put to cabinet tomorrow, W Cape leaders are promised

Bartlett may drop fuel price for taxis

ARG 21/9/93

(244)

BACKGROUND TO THE NEWS

ROGER FRIEDMAN, Staff Reporter

THE cabinet will discuss the fuel price and possible relief for the taxi industry tomorrow, Mineral and Energy Affairs Minister George Bartlett promised a delegation of Western Cape taxi association leaders

Mr Bartlett met representa-ives of Codeta and the Mitch-ell's Plain Uitsig and Belhar-Delft Taxi Associations esterday

Initially given 24 hours to drop the fuel price or face in-creased action Mr Bartlett brokered an additional 24 hours o allow him to raise the mat-er with the cabinet.

Codeta general-secretary Mi-hael Kupiso said after the 90-minute meeting "Mr Bartlett s the first minister who has been prepared to meet us and ddress the root cause of prob-ems within the taxi industry t gives us hope."

Mr Bartlett said "Maybe here can be some form of sub-idy for the taxi industry You annot ask us to to drop the rice for all — but for the taxi idustry, maybe."

He called on the taxi indus ry nationwide to prepare a memorandum and submit it to he National Economic Forum.

He said "Perhaps it can be nade a requirement that every egistered taxi carry some orm of identification sticker nd every driver some form of lentification When he fills up ith petrol the attendant signs form and once a week he can e reimbursed

But as the Minister of Min-ral and Energy Affairs I be-eve the increase was abso-tely essential because it is arket-related

'If relief is to be granted it ill have to be found else-here The petrol price cannot e reduced

"I can assure you I will work with you I will speak to my colleague the Minister of Transport. He pays subsidies to bus companies If there are subsidies available, maybe there's something for the taxi industry

"To say the price must come down with the market going up makes no sense You are ask-ing for the impossible If you want assistance it must be clearly structured and in terms of the service you provide to the public.

"If the Rand continues to de-value the petrol price will go up again"

Mr Bartlett said the 7c a li-tre increase translated into R93 million a month in extra revenue for the government.

The National Economic Fo-rum had been charged with in-vestigating ways and means of lowering the fuel price and would report back in two weeks

Asked whether the increase could not be held over until af-ter the elections, Mr Bartlett said the loss of R93 million a month for eight months would 'close down our refineries"

Meanwhile he appealed to the taxi leaders for discipline.

He said the country was seeking international invest-ment to generate wealth.

"To hold a gun to the govern-ment's head, threatening to tear the country apart, will frighten investors away"

Mr Bartlett said he could not reduce the price of petrol or implement subsidies alone. He would have to discuss the issue with the cabinet and the minis-ters of Transport and of Fi-nance

Earlier he defended govern-ment's stance against deregu-lating the fuel industry and ac-cused the supermarkets of "loss-leading" fuel, but making up their losses on the sales of food and other commodities

He showed the delegates a graph depicting fuel prices in 13 European countries, three of which had reduced prices

"In Britain the price of pet-rol was reduced and two Brit-ish refineries had to close."

Federated National Trans-port Organisation consultant Jan Prinsloo asked whether the government was prepared to tolerate further loss of lives. "Are lives worth less than R93 million a month?" he asked

Mr Prinsloo, who is in regu-lar contact with the 1 700 taxi associations countrywide, told Mr Bartlett the industry would discuss structuring a proposal around subsidies

"We are leaving this prickly pear in your lap and it might hurt you," he told the minister

Codeta general-secretary Mr Kupiso said taxi operators wished to set up a broad forum to resolve the matter of the fuel price and other problems within the industry

"We don't want to hear of the ANC or Cosatu, and we don't want to talk with (PAC presi-dent Clarence) Makwetu or (ANC president Nelson) Man-dela

"We are not politicians but business people and we don't want to involve ourselves in politics

"At this stage all we are ap pealing for is for you to listen to the people who work with the taxis every day You are trying to nurse the BPs and the Caltexes

"Financial institutions are ripping us off and political or-ganisations don't want to touch us at all because we have been marginalised by the govern-ment"

Mr Kupiso said Codeta driv-ers had nothing to do with at-tacks on Golden Arrow buses

He appealed for Golden Ar row to discuss these issues with Codeta

Mr Bartlett said general problems within the industry did not fall under his jurisdic-tion but he undertook to work with the minister of transport and the state president to ad-dress them

● Mr Bartlett will report back to the delegation tomor-row afternoon after the cabinet meeting

The taxi leaders refused to speculate on their action should their demands not be met

Picture WILLIE DE KLERK The Argus

PETROL TALKS: Embattled Energy Affairs Minister George Bartlett met a delegation from the taxi industry in his offices at Parliament yesterday

Petrol protest backla:

Centre city traffic brought to a sta: bus drivers hit back at assault and

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Staff Reporters

LUNCHTIME traffic came to a standstill in the centre of Cape Town as bus drivers hit back at the assault and murder of their colleagues and blockaded main routes into town

Scores of single and double-decker buses blocked Strand, Darling and Plein Streets shortly around noon today as drivers parked their vehicles and walked off

The protest comes in the wake of the killing of Golden Arrow driver Mr Ganief Karriem in Khayelitsha yesterday

Bemused bystanders stared in amazement at the chaotic scene which echoes the petrol protest blockades mounted by taxi drivers over the past week

The traffic department was hard pressed to clear the roads as traffic officers took over the driver seats of the abandoned buses and started moving them away

One bystander expressed strong support for surprise action saying "the taxi drivers are killing them, what else are they supposed to do?"

Police stood by helplessly

Drivers insisted on speaking to top management of Golden Arrow Bus Services "The safety of drivers is at issue here," said spokesman James Roubain "Over the years nothing has been done to look after the drivers The taxi people fight with us even though we have no fight with them"

Leaving their buses where they were, drivers walked to the Good Hope Centre for a meeting with Golden Arrow representatives

Picture: ANDREW INGRAM The Argus

BUS BLOCKADE: Rush hour traffic comes to a standstill as Golden Arrow bus drivers abandon their vehicles in Strand Street today.

Earlier a move to bring peace to Cape Town's troubled public transport system ended in disarray when taxi leaders squabbled and walked out of a meeting called by the Peace Committee at the Good Hope Centre today

This follows days of disruption on Peninsula roads after a 7c a litre petrol price rise last week.

Bus services were badly disrupted yesterday and today and drivers were threatening a stayaway unless their safety could be guaranteed Thousands of commuters were late for work

And Caltex has stopped deliveries to Mitchell's Plain service stations over fears for its drivers and tankers

Today's meeting between taxi organisations and representatives of bus company staff arranged by the regional peace committee broke up in confusion after power squabbles between rival taxi groups

Two taxi groups walked out of the meeting because they claimed there was no agenda, but Peace Committee representative Susan Collin, who chaired the meeting, said there was no agenda because it had to be determined by those present

Members of the Mitchell's Plain Taxi Association, who claimed to be affiliated to the Federation of National Transport Organisations (Fento), walked out of the meeting after complaining about the lack of an agenda and claiming that another taxi organisation had tried to speak on their behalf without a mandate

Representatives of Codeta also left on the issue of the agenda and because of the

(Continued on page 4, col 5)

Centre city traffic brought to a standstill as bus drivers hit back at assault and murder

...st backlash

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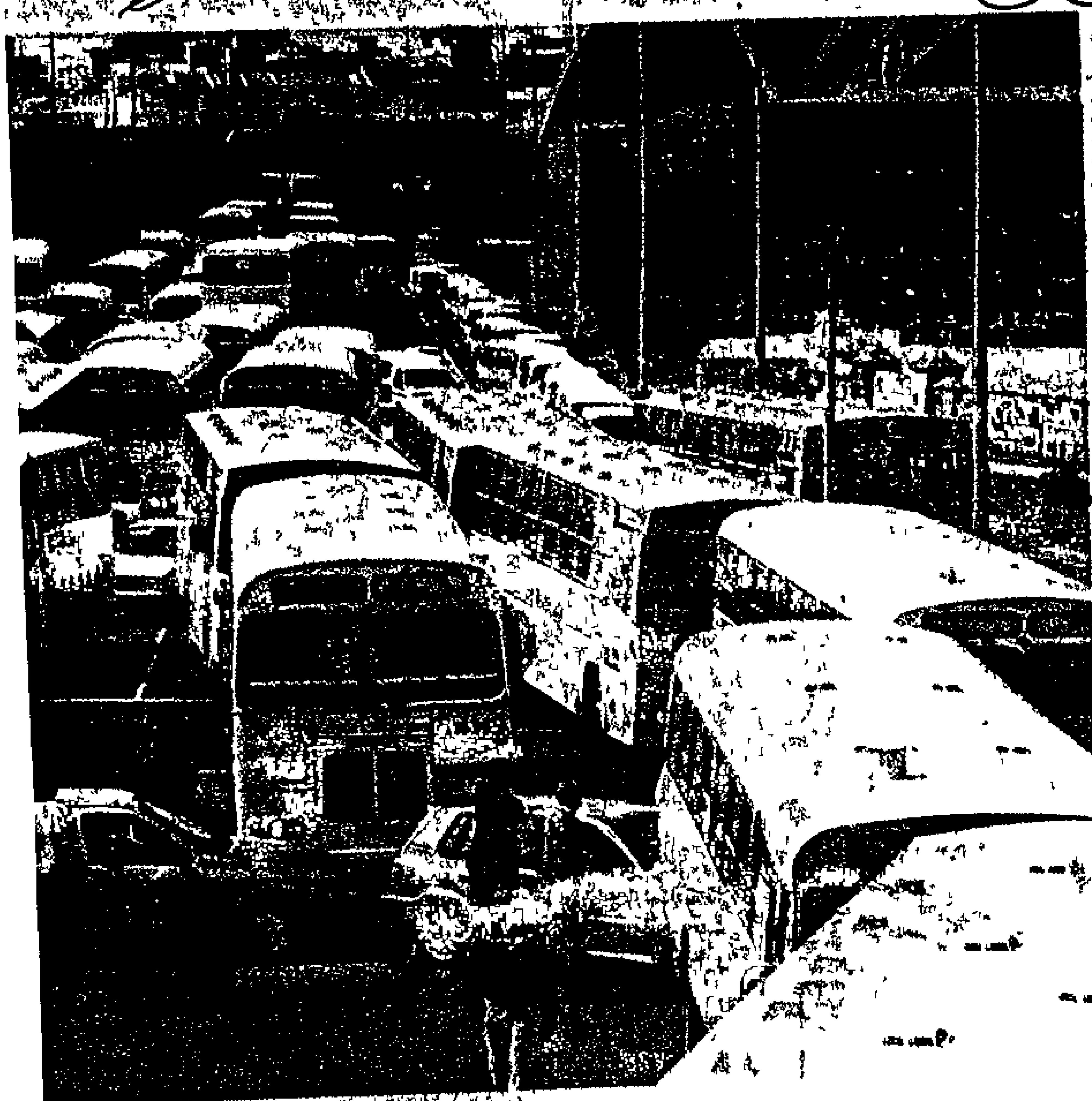

Picture: ANDREW INGRAM The Argus

...fic comes to a standstill as Golden Arrow bus drivers abandon their vehicles in Strand Street today.

Ackerman vows to go ahead with fuel cuts

The Argus Correspondent

PRETORIA — Pick 'n Pay chief Raymond Ackerman has vowed to go ahead with his countrywide petrol discount plan from Thursday

Mr Ackerman said this in a telephone interview after a top-level meeting of the chain store's directors today

He said that company lawyers had advised them there was no way Energy and Mineral Affairs Minister George Bartlett could stop Pick 'n Pay's 7c a litre discount petrol scheme

"We are definitely going ahead with our plans with discount petrol at our outlets throughout the country on Thursday," he declared

Mr Ackerman said Mr Bartlett could not — either through the Petroleum Act or acting on his ministerial powers — stop the chain store from selling discounted petrol

He said Pick 'n Pay directors had information that Mr Bartlett was geared to offer the taxi industry a coupon discount petrol scheme, a concession Mr Ackerman said was similar to the one offered by his company

● Sapa reports that Mr Bartlett is waiting for a legal opinion on Pick 'n Pay's scheme

Traffic in city brought to standstill

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(Continued from page 1)

walkout of the Mitchell's Plain group

Mitchell's Plain drivers and owners were visibly angered when Ms Collin said the meeting was being held at the request of taxi drivers and the bus company employees

When told the Peace Committee had been asked to arrange the meeting by National Transport Forum member Trevor Kempshall who claimed to speak on behalf of taxi associations, they rejected Mr Kempshall's mandate, saying he did not speak on their behalf

They also rejected the mandate of another organisation, the Cape Province Public Transport Association (Captra), who initially claimed to speak on their behalf

But Captra secretary general Dawood Adams criticised Fento as a group of self-made leaders without support

"Fento has a problem with itself We have had enough of self-made, self-styled leaders in this industry who have no support and will not let the process be held to ransom

"We are involved in a process to save lives and stop violence We are willing to talk to anybody who has proof of support This is why we have a good relationship with Codeta"

Ms Collin and assistant Chris Spies decided to adjourn the meeting after Codeta left

Bartlett sees taxi operators

(153) (244)

CT 21/9/93

By ANTHONY JOHNSON

NO finality on how to resolve the petrol price controversy was likely until the National Economic Forum gave its views in two weeks time, Mineral and Energy Affairs Minister Mr George Bartlett said last night.

However, another top government source told the Cape Times yesterday that the government would not back down on the decision to increase the price of petrol by seven cents a litre.

Mr Bartlett said he had told the Convention of Democratic Taxi Associations during a two-hour meeting yesterday that he could not see the price being lowered, as it was "market-related"

The state had been losing R19 million a month before the price was raised

He described his meeting with Western Cape taxi operators as "very friendly and positive" and he undertook to report back to them after the fuel price issue was discussed at tomorrow's cabinet meeting

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CT 21/9/93

Public forks out R100m a month

By GORDON KLING

SOUTH AFRICAN consumers are subsidising Sasol and Mossgas to the extent of about R100 million a month, an investigation by the Cape Times has revealed.

And much of this goes straight back to the government in the form of taxes and dividends on "profits"

Oil industry figures show the latest price rise has in fact taken place in the face of a decrease in the cost of petrol in rand terms

The director, transport, of the Energy Department of Mineral and Energy Affairs, Mr H T Burger, has confirmed the R100 million figure

It represents a total subsidy of about R1,2 billion a year to the oil from coal and gas operations, and accounts for virtually all of Sasol's taxed profit

Our inquiry shows that this "profit" goes back to the government in the form of dividends to its own Industrial Development Corporation (IDC) — which holds 20% of Sasol

The Government Pension Fund holds another 10% Other key shareholders are the Mutual with 16% and Sanlam, 14%

The R1,2bn a year protection excludes another 10,9c a litre "zone differential" (the cost of transporting the product to the Reef via pipeline from Durban) which Sasol enjoys as a bonus because it refines on the Reef.

Mr Burger agrees that Sasol, which supplies about 30% of South Africa's petrol, currently enjoys protection, excluding the zone differential, of about 11c a litre on its 150 000 barrels (24 million litres) daily production

Mossgas produces about 45 000 similarly subsidised barrels a day.

Industry sources, working on different definitions of protection, maintain the subsidy on 93 petrol on the Reef is 19c a litre. The confusion results from the varying methods of protection

The basic Sasol protection formula is derived from the In Bond Landed Cost of importing the refined product from Singapore and Bahrain, implying an expensive means of transporting petrol rather than crude oil and from an area featuring prices which are considerably higher than those prevailing from major refining centres such as Rotterdam

Rotterdam is considered to be the most competitive market.

However, the government maintains and the industry concurs that Rotterdam prices would wipe out the local refining industry

Industry figures indicate some 6 000 people are employed in crude oil refining in South Africa compared with 28 000 employed by Sasol, and 1 100 by Mossgas

The industry says it invests about R1,6bn in South Africa annually The government and the industry put the savings on foreign exchange from local production at R1,8bn last year.

Figures supplied by BP on the latest breakdown of the petrol price show the IBLC at 56,1c a litre as of September 15, compared to 56,6c last June

Sasol and Mossgas protection derives from a floor oil price of $23 a barrel.

At present the subsidy is about $7 a barrel since the relevant key world oil prices are about $16 a barrel

The lower world oil prices go, the greater the subsidy to Sasol until 1996 when all protection is due to be phased out.

In addition to the tariff protection for Sasol and Mossgas, the government also pays a synfuel levy to the oil industry, which has to buy Sasol's production, to compensate for the loss of their own refinery capacity.

In addition to the subsidies, an agreement has been reached between the government, industry and the Motor Industries Federation prohibiting the introduction of self-service stations in order to protect the jobs of 45 000 pump attendants in the Republic's 4 900 service stations

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The agreement also prohibits oil companies from operating petrol stations to make room for small business and limits the number of sales sites to ensure viability

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Oil industry sources make no secret of their commercial antagonism towards the government regarding both Sasol and Mossgas

CT 21/9/93

Industry sources say their lack of enthusiasm for Energy Affairs Minister Mr George Bartlett was the reason why industry spokesmen declined to appear with Mr Bartlett on a recent Agenda programme

They emphasise, however, that the maze of agreements and subsidies is not of Mr Bartlett's making

Mr Burger estimates that in addition to the current basic protection of about 11c a litre, the synfuel levy amounts to about R9m a month, other tariff protection about R13m a month, and about R12m a month compensation for Mossgas

He notes that the derived figure for the formula on which the IBLC price is based entails Sasol paying back tariff protection should the IBLC price exceed $28,70 a barrel

Sasol communications manager Mr Jan Krynauw says Sasol had nothing to do with the fixing of the IBLC

With regard to the pipeline levy bonus, he notes that Sasol simply established itself near the market which happened also to be where the coal is. Sasol pays some of the levy, he says, since it has to pump from the refinery in Durban to Sasolburg "We don't get the protection on every litre"

Mr Krynauw accepts that much of Sasol's earnings go back to the government in the form of tax (R348m in the past financial year), the IDC and the Government Pension Fund. This implied that all of the money went back to the public, he says

Ackerman challenge spreads

Own Correspondent

JOHANNESBURG — Pick 'n Pay threw down the gauntlet yesterday on its petrol discount scheme and started "rolling" the campaign to its outlets countrywide

The supermarket chain would take the government to court "and win" if it tried to stop it supplying cheaper petrol to consumers, Pick 'n Pay joint managing director Mr Gareth Ackerman said

And yesterday about 40 taxis drove up to the Union Buildings in Pretoria with a list of demands for President F W de Klerk and 150 placard-waving Peninsula taximen picketed outside Parliament.

Lawyers for Mineral and Energy Affairs Minister Mr George Bartlett were considering a submission from Pick 'n Pay lawyers on the group's discount petrol scheme

The supermarket group hopes to bring the system to two Cape Town Hypermarkets this week.

Sapa reports the Cape Town demonstrators demanded that petrol revert to its previous price and that Mr Bartlett resign.

Bartlett 'protecting the SA consumer'

(88)(244) ARG 22/9/93

□ Report completed on entire fuel question and its impact on econom}

BRUCE CAMERON
Business Staff

ENERGY Minister George Bartlett is in many ways the man who reaped the whirlwind, taking over as a transitional administrator of a mystifying fuel supply and retailing structure embedded in apartheid economics.

No longer able to beat opponents into submission with the crude club of patriotism, cabinet ministers suddenly find they have to explain their decisions in the face of vehement opposition

The latest student of the lessons of consumer resistance in recent days has been Mr Bartlett.

Over the past two weeks he has been called an array of interesting names as he has tried to adapt to accountable politics, beat off public anger, control a profit-oriented retailer demanding free market principles and conditions, explain away the R11 billion squandered on the Mossgas fiasco and appease powerful vested interests in the fuel industry.

Through it all he has expressed a puzzlement about why he should be the target of such vehemence

He is convinced that he — and not Raymond Ackerman — is protector of the consumer.

In an interview this week Mr Bartlett repeatedly said his concern was the consumer — but not only the consumer who has a supermarket petrol station around the corner but also the motorist in Riviersonderend who would have to pay much, much more for his litre of petrol in a deregulated market

He said that when he took over the portfolio in 1991 he had been prepared to deregulate at the retail level or even offer an upper and lower level range within which petrol could be sold

But the petrol companies and the Motor Industries Federation had warned that the whole carefully planned, R23 billion-a-year edifice could collapse if a single brick was touched

It was a warning he had to heed, he says But he did not then just sit on his hands Neither does he feel he allows the petrol giants to bully him into submission.

He had his department do a full analysis on the government's role in the industry. He received a 32-page report in May He sent out about 400 copies to interested parties for comment

"It's part of the new democracy"

Now he is waiting for replies He says some significant players — such as Cosatu and the South African Chamber of Business — have yet to reply.

When the replies are in they will be summarised into another report A conference attended by the major players will be convened and a final decision will be taken by the government on deregulation of the industry

George Bartlett

At the same time he has referred the latest fuel hike to the National Economic Forum, which last week appointed a task group to study whether the increase was justified or could be restructured

The increase will be considered at a National Economic Forum-organised "summit" on October 4.

For nearly every argument in the debate on deregulation there is a counter argument and Mr Bartlett is aware of them all He does appear to favour some form of protectionism, but adds he is open to argument

About the only issue over which there appears to be no argument now is Mossgas. Even Mr Bartlett, who himself was a proponent of another synthetic fuel project — cane sugar to ethanol — is not very keen on P W Botha's special inspiration

With hindsight Mr Bartlett said he would not have approved Mossgas He points out he was not a member of the cabinet that did approve it

And it is the job aspect that Mr Bartlett uses as his main argument in blocking the repeated efforts of retailer Raymond Ackerman to discount petrol

Not only are there 5 00 small businessmen out ther who could face closure bu there was also the 40 000 petrc attendants who could lose thei jobs

Mr Bartlett does accept tha industries protected by goverr ment do become inefficient bu he bases his arguments on tw legs:

- If there is to be deregula tion it should come in carefull considered stages
- Governments the worl over protect key industries

He did back down on his a gument comparing South Afr ca's synfuel industry to pr tected industries in Japa when it was pointed out to hi that Japan only protected cap tal-effective industries

In reply he argued that tl years of international isolatic did give another angle to pr tectionism

He also knocked his own a gument by saying that sin the government and the fuel i dustry rationalised petrol st tions there had been greater e ficiency, which had al resulted in a slow-down price increases

Petrol coupons: Ackerman asks court to approve scheme

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ARG 22/9/93

Staff Reporters

ANOTHER round in the battle over discounted petrol began today when Pick 'n Pay chief Raymond Ackerman applied for an urgent interdict to prevent Mineral and Energy Affairs Minister George Bartlett from outlawing the scheme

Mr Bartlett banned the scheme yesterday and threatened to cut off the supermarket chain's fuel supply if it did not halt its voucher scheme immediately.

Mr Ackerman said he would not stop the discounted coupon scheme at the Durban Hyper, but had decided not to extend the plan to a further 14 stores until the issue had been resolved

While he had asked for the matter to be considered urgently, Mr Ackerman said he hoped it would come before the Cape Town Supreme Court today or tomorrow

The government raised the petrol price by 7c a litre last week and the supermarket chain is selling it at the old price

At a Press conference in Cape Town yesterday, Mr Bartlett said the scheme was a contravention of the law

He said the scheme would "negatively affect" the petrol price and that it would ultimately benefit only Mr Ackerman and Pick 'n Pay "to the detriment of service stations and consumers at large"

Housewives' League president Lyn Morris and the Congress of SA Trade Unions warned in separate statements that giving big retailers the right to sell petrol did not mean the price would stay down

Meanwhile representatives of the taxi industry and community organisations met today to discuss the fuel crisis, the way forward and joint action

The meeting, jointly convened by the Congress of South African Trade Unions (Cosatu) and National Council of Trade Unions (Nactu), was held after the second death during the current transport crisis

Senior bus inspector Pelele Mgudhlwa, 55, died in Groote Schuur Hospital last night, two days after colleague Ganief Karriem was shot and killed in Khayelitsha

Mr Mgudhlwa, the father of five children, was shot in the neck after helping passengers in Khayelitsha on Saturday.

His employers, Golden Arrow Bus Services, have offered a R50 000 reward for information leading to the arrest and conviction of his killers

Company chairman Nic Cronje said in a statement that Mr Mgudhlwa's death had resulted from the mindless violence plaguing the Cape Peninsula

Cosatu's regional secretary Jonathan Arendse said "Bus drivers are workers who have nothing to do with the increases It's unacceptable that they are being attacked and killed Off course, we can't say who's responsible"

● See page 4

FED UP ... Bus driver Mrs Jappie de Vries shows her frustration in the middle of yesterday's protest in which bus drivers blockaded the city centre, causing chaos at lunchtime. Bus drivers threatened a stayaway unless their safety can be guaranteed in the wake of the killing of a Golden Arrow driver in Khayelitsha on Monday. Picture BENNY GOOL

'No' to cheap fuel: chainstore warned

CT 22/9/93 (244)

By ANTHONY JOHNSON

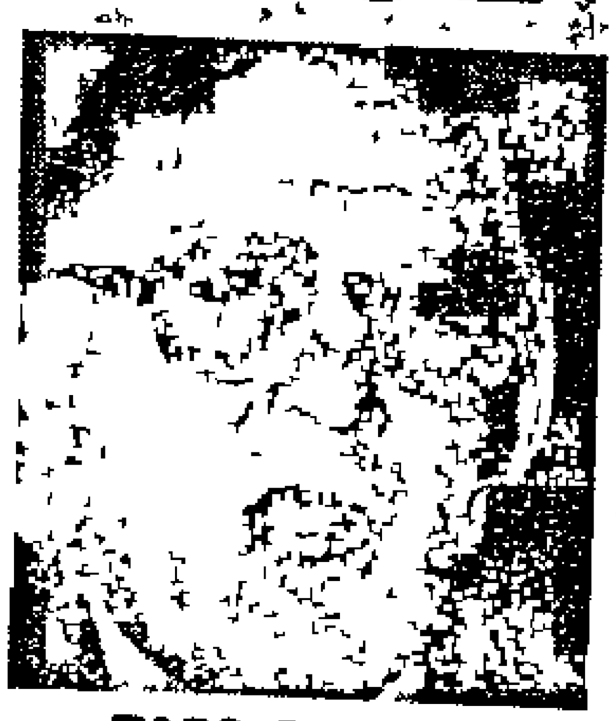
Political Correspondent

THE government last night turned off the taps on petrol discounting — and moved to end speculation that today's cabinet meeting will reverse last week's controversial price hikes

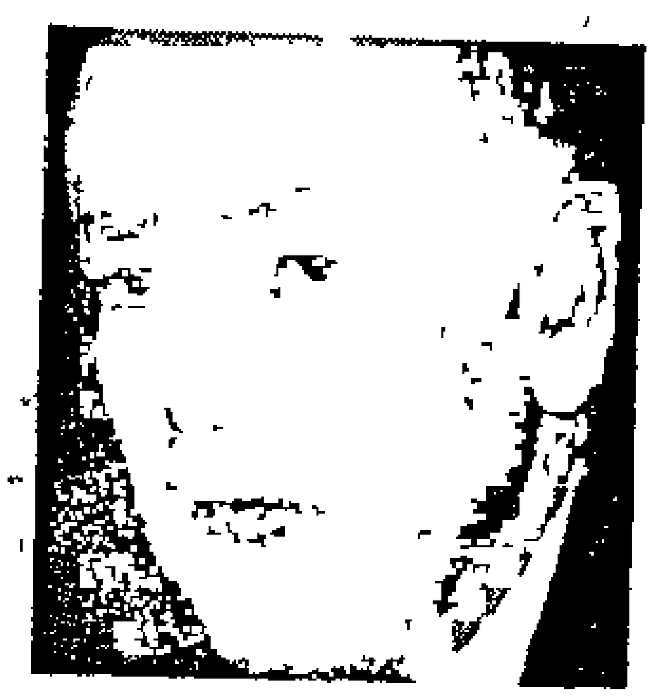
Mineral and Energy Affairs Minister Mr George Bartlett threatened to order oil companies to stop supplying Pick 'n Pay if it continued selling cut-price petrol in Durban

He also ruled out petrol subsidies for taxis as the government believed the entire structure of the taxi industry should be re-examined

An angry Mr Ackerman said last night he would comply with the ban but fight it in the courts by seeking an urgent interdict against the minister



TAPS OFF ... Mr George Bartlett



OFF TO COURT ... Mr Raymond Ackerman

He said his company was convinced there was a legal loophole that could overturn the ban

Mr Bartlett said the discount scheme would be banned under the Petroleum Products Act as it may cause "the collapse of all regulations".

He said Mr Ackerman could be fined if he continued to flout the law

Mr Bartlett said the supermarket chain's discounting scheme would "negatively affect the selling price of petrol and will ultimately only benefit Mr Ackerman and his group to the detriment of service stations and consumers at large"

He said smaller petrol stations, in a bid to compete with the supermarket chain, would retrench staff, endangering the jobs of many of the country's 40 000 petrol attendants.

Deregulating the R23 billion a year petroleum industry would be discussed in appropriate forums to which he hoped all roleplayers would contribute

On criticism of public subsidies to Mossgas and Sasol of about R100 million a month, Mr Bartlett said these saved about R7,5 billion in foreign exchange. Mossgas supported about 14 000 jobs

EUNICE RIDER reports that at a press conference later yesterday, Mr Ackerman said. "We will not defy the order but have briefed attorneys and senior counsel with the aim of urgent court action."

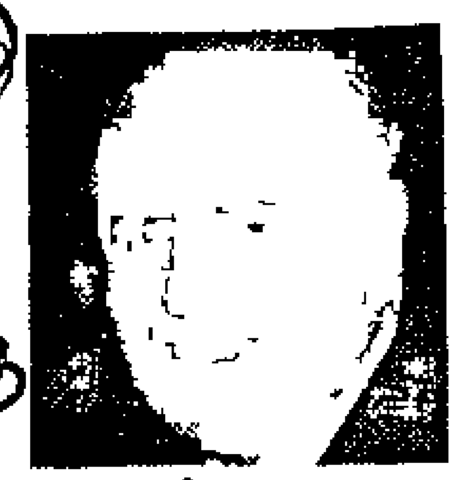
Mr Ackerman said he hoped to run the scheme countrywide on a permanent basis after court action, as it would be in the interests of consumers. He did not want a new government to "inherit state control over consumer items".

He said his company owned two filling stations in Cape Town and a further 12 nationwide

Minister turns off the taps for discount scheme

244

ARGT 22/9/93



Ackerman

Political Staff

MINERAL and Energy Affairs Minister George Bartlett has ordered an end to Pick 'n Pay's petrol coupon scheme, warning that if it goes ahead he will cut supplies to the retail giant's service stations.

Addressing a press conference yesterday, Mr Bartlett said Pick 'n Pay chief Raymond Ackerman was told of the decision by letter at 3pm yesterday and action would be taken if the scheme was not stopped immediately.

This could include court action, said Mr Bartlett.

The minister emerged with his tough line on the scheme — in terms of which Pick 'n Pay customers are given discounts on petrol at its service stations — after taking advice from the state's legal advisers.

He said the scheme was a "contravention of the law" and if Pick 'n Pay persisted "it is my intention to instruct oil companies in terms of the Petroleum Products Act to cease supplies to the offending service stations".

Mr Bartlett said he had taken the decision after "due consideration" of the facts and circumstances surrounding the scheme. He had concluded "on the whole it will negatively affect the selling price of petrol and that it will ultimately only benefit Mr Raymond Ackerman and the Pick 'n Pay group to the detriment of service stations and consumers at large".

There were already reports of service stations close to Pick 'n Pay outlets that were losing business as a result of the scheme, he said.

Mr Bartlett said that the question of deregulation of the petroleum industry would be discussed in "appropriate forums" where interested parties should have their say "rather than taking the law into their own hands".

But he admitted he favoured "some sort of regulation".

He poured cold water on suggestions that a discount petrol scheme for taxi operators could be launched, suggesting that the totally unregulated nature of the industry should rather be addressed as it gave rise to "over-trading".

Taxi body delivers Oct 4 ultimatum on fuel price rise

ROGER FRIEDMAN, Staff Reporter

TAXI associations countrywide have threatened unprecedented mass action if the petrol price increase is not scrapped or the industry subsidised by October 4.

This follows the cabinet's decision yesterday not to pre-empt proposals of the special task group established by the National Economic Forum to look into the petrol price increase and the entire price structure.

President of the Federated National Transport Organisation (Fento) Lennox Magwaza said the groundwork was being laid "for stronger but disciplined" national protest from October 4, the date the NEF task force is due to table its report.

"We are not fighting with civilians, but with the government of the day," Mr Magwaza said.

"Taxis carry 55 percent of passengers nationally on a daily basis and there is therefore a lot we could do in order to bring down the economy of the country.

"We don't want to harm the economy — we want to build it, but if the government snubs us we'll snub them back"

Fento is an emerging giant in the transport industry, representing 225 taxi associations, and with interests in trucking, shipping, aviation and tourism.

Active in the Transvaal, Free State, Natal, Lesotho and Swaziland, Fento is now making inroads in the Western Cape. ARGT 23/9/93

The Mitchell's Plain Taxi Association has already affiliated, while discussions with Codeta are in progress. 2 294

Mr Magwaza is due to meet Energy Minister George Bartlett in Pretoria today to set out the taxi industry's demands.

Ackerman stops petrol scheme

DAVID YUTAR, Staff Reporter

PICK 'n Pay has stopped selling discounted petrol at its Durban Hypermarket outlet after receiving an urgent instruction from the Minister of Mineral and Energy Affairs, George Bartlett.

He said he was acting on a directive from President De Klerk and the cabinet

Pick 'n Pay chief Raymond Ackerman said the company had decided to heed the instruction immediately

However, he said, Pick 'n Pay would still go ahead with its court application to test the validity of the prohibition

Pick 'n Pay has until now defied the government's order to stop the discount scheme

CT 23/9/93

In terms of the scheme customers spending more than R10 at Pick 'n Pay's store in Durban have been subsidised to the tune of 7c a litre by the company

Pick 'n Pay has filed papers in the Cape Supreme Court for an application challenging the validity of the prohibition of its scheme issued by Mr Bartlett on Tuesday

(244)

Book shortage in black schools — a national strategy needed

ARG 23/9/93

Education Reporter

A NATIONAL strategy is needed to tackle the chronic shortage of textbooks in black schools, according to a study by the Education Policy Unit (EPU) at Wits University and the National Education Co-ordinating Committee.

Researcher Mareka Monyokolo writes that Department of Education and Training policy is that pupils are entitled to one textbook for each subject.

But the system of textbook provision in the department was beset by serious difficulties and had not worked properly for a long time, he said.

Schools had tried various ways of coping with shortages

The most common approaches were sharing among pupils and relying on teachers' notes

Often there were four to five pupils to each textbook, while in some schools textbooks were rotated from one class to another — usually weekly.

The DET consistently failed to get all the necessary books to schools on time, while some schools were sent books they had not ordered

The DET's requisition system did not meet the needs of schools

Principals were normally pressured by parents and local communities to enrol pupil numbers exceeding the school's capacity.

This meant that departmental records did not match actual pupil numbers

Principals and community organisations therefore argued that textbooks should be based on headcounts rather than official figures

Black schools lack book storage facilities, which makes it impossible to preserve textbooks, said Mr Monyokolo

The DET supplied pupils with textbooks free on loan, but many pupils did not return the books.

This contributed to making it impossible to operate a cost-effective re-use system

Large numbers of books were stolen and teachers on textbook committees found it difficult and time-consuming to retrieve the books from pupils

Mr Monyokolo proposed training for those involved in textbook management and said there was a need for supervision and regular inspection of schools

Food price steadying

244

ALIDE DASNOIS
Business staff ARG 23/9/93

FOOD price inflation slowed further in August, holding the inflation rate down to less than 10 percent over the year.

Figures released today by the Central Statistical Service show the consumer price index rose 0,5 percent in August, compared to 0,8 percent in July

The index has risen 9,3 percent since August last year. But, food prices have risen only 3,4 percent over the year.

Prices of vegetables, fruit and nuts, fish and sugar actually fell in August

Economists said retailers had been holding prices down because of lack of consumer demand

Most retailers reported lower sales in the third quarter of the year, a survey by the Stellenbosch Bureau for Economic Research shows

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(244)

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Most retailers reported lower sales in the third quarter of the year, a survey by the Stellenbosch Bureau for Economic Research shows.

Food prices slow consumer inflation

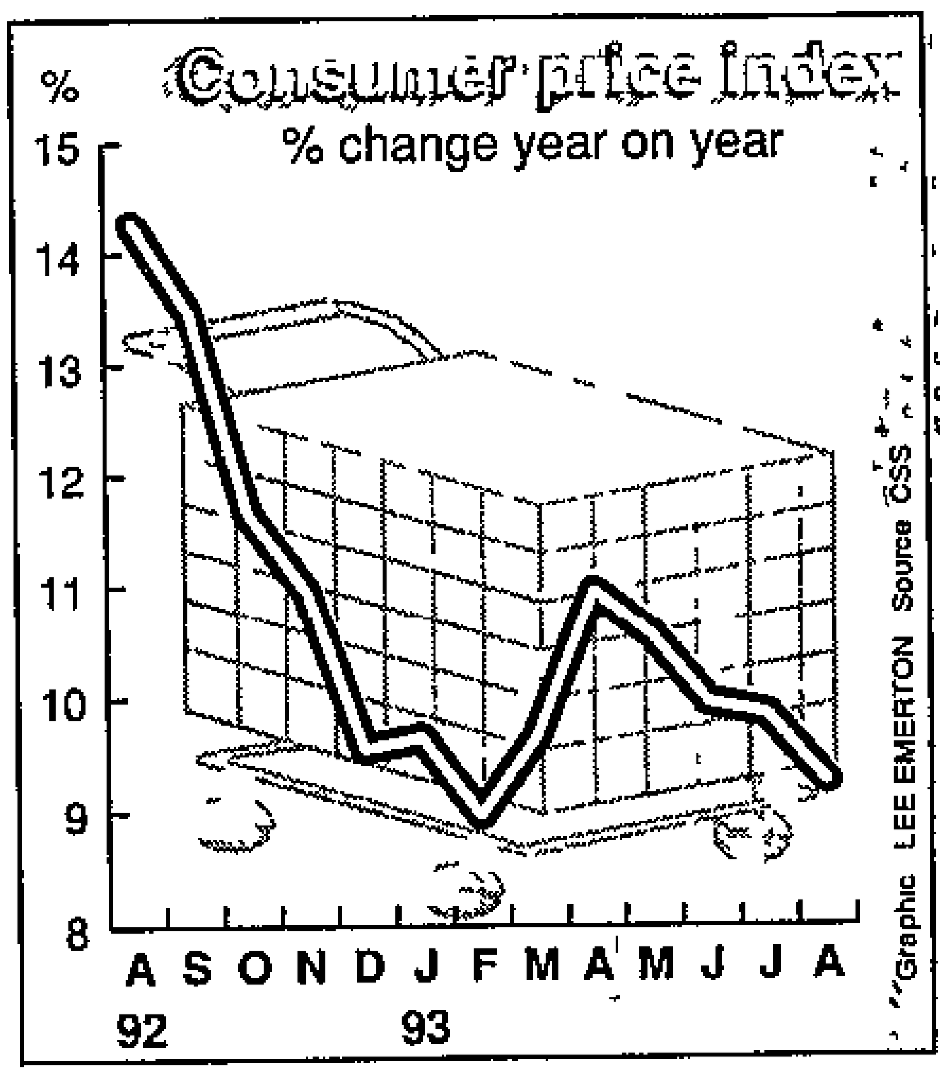
KELVIN BROWN

CONSUMER inflation slowed further to 9,3% in the year to August as lower food price rises continued to keep headline inflation in check, economists said yesterday

Figures released by the Central Statistical Service showed that the annual inflation rate — as measured by the consumer price index (CPI) — declined for the fourth month in a row, dropping to 9,3% in August from 9,9% in July Month-on-month inflation fell to 0,5% last month after rising to 0,8% in July (158) (244)

The lowest annual percentage increase in food inflation since May 1970 was the main contributor to the good inflation figure, said economists The rise in the food index — which carries the second highest weighting in the CPI — eased to 3,4% in the year to August from 4,3% in July

Economists said a fall-off in the advance of annual housing prices to 0,8% in August from 1,2% also played a role in lowering the percentage change in the CPI The housing index has the largest weighting in the index at 20,5%.



Nedbank senior economist Edward Osborn said, excluding mortgage interest payments and fresh food prices, inflation continued dropping to satisfactory levels The core inflation rate stood at 12,9% last month against 13,4% in the year to July

He expected the downward inflationary

☐ To Page 2

Inflation

BDay 23/9/93

☐ From Page 1

trend to continue as recessionary conditions and low wage rises prevented any flare-up in the rate of price rises.

The depreciating rand and the recent increase in the fuel price were the only factors which could exert upward pressure on prices in the next few months

But Osborn warned the declining inflation trend could be reversed next year when fresh food prices would start increasing again off a low base. "The effect of the drought on fresh food prices would have worked through the system by then" (158)

Mathison and Hollidge economist Tracy Ledger said retailers were likely to cut margins in the fourth quarter, "There is no sign of an increase in consumer spending in the coming months."

She said even a fall in interest rates was unlikely to lead to more spending as cutbacks in the labour market and political uncertainty made consumers reluctant to increase purchases

Consumer Council executive director Jan Cronje said the sustained fall in the inflation rate was a factor in favour of the Reserve Bank lowering the Bank rate.

(244)

Comment: Page 4

300 taxis blockade Welkom

CT 23/9/93

WELKOM. — About 300 taxi drivers laid siege to this northern Free State city yesterday to protest against the 7c/litre petrol price increase.

The drivers parked their vehicles in the city centre and locked them, effectively blockading the city.

A Free State police spokesman confirmed the blockade, which began at 9am. He said most drivers had begun a peaceful exodus, and those taxis still blocking traffic were being impounded.

A driver was arrested for obstructing police.

Sporadic fighting had broken out between drivers, but had been quelled. Police used stun grenades to disperse the crowd, the spokesman said, adding that 345 policemen had been deployed

The drivers had drawn up a list of demands to present to the Welkom police, Mr Fezile Dabi, legal department head of the ANC's northern Free State region, said. — Sapa

Bartlett sticks to petrol price

CT 23/9/93 244

By BARRY STREEK
Political Staff

THE cabinet had decided the increased petrol price would remain in force, the Minister of Energy Affairs, Mr George Bartlett, told Cape Town taxi drivers yesterday.

The cabinet had decided that in view of the investigation by the special task force, established by the National Economic Forum, there would be no change

The task force had to report by October 4, and the cabinet decided it would wait until it had received the inquiry's recommendations before taking any decisions about the price of petrol, Mr Bartlett said

A spokesman for his office, Mr Carl du Toit, said Mr Bartlett had reported back to the taxi driver representatives for 15 minutes after the cabinet meeting.

The cabinet had decided that a national taxi forum should be established as soon as possible to look at the whole industry.

Govt to establish taxi forum

This forum would be established under the Minister of Transport, Dr Piet Welgemoed, who had been instructed to get the forum going

Cape Town's traffic chief Mr Wouter Smit said yesterday both bus and taxi drivers who had disrupted traffic would be heavily fined.

The penalty for disrupting traffic was a R1 000 fine.

A second Golden Arrow worker has died as a result of the violence sparked by the petrol protests. The bus company has offered a reward of R50 000 for information leading to the arrest of the killers of senior inspector Mr Pelele Mgudhlwa, 55, who died in the Groote Schuur Hospital on Tuesday night.

He is survived by a wife and five children

On Monday a driver was shot dead in Khayelitsha

In another incident yesterday a bus on the outskirts of Nyanga was fired on

There were no passengers on the bus and the driver escaped serious injury when bullets shattered the windscreen.

A Golden Arrow spokesman said yesterday buses were only going to the outskirts of the townships.

● **City's traffic chief under fire — Page 7**

Fuel costs could be cut — DP

244

CT 23/9/93

By BARRY STREEK
Political Staff

THE petrol price could be slashed immediately by between 11 and 14 cents even if the current high level of tax rates were maintained, the Democratic Party's energy spokesman, Mr Roger Hulley, said yesterday.

The foundation to the petrol price was its "landed cost" but this was "cooked up" pricing

"There is a degree of fat in this system," Mr Hulley said

He also said the "vested interests" were benefiting from the system

The DP leader, Dr Zach de Beer, suggested a four-step plan for cheaper petrol:

- The removal of the Minister of Energy Affairs, Mr George Bartlett, whose tenure had been "nothing but a disaster"
- A saving, to be put into effect as a matter of urgency, of between 10,9 cents and 13,9 cents a litre with the present regulated pricing structure
- Deregulating and restructuring the fuel industry to bring further substantial savings
- Establishing an independent inquiry into the whole pricing structure.

Dr De Beer said the DP believed an inquiry would expose the unfair burden being placed on the motorist.

Supermarket defies cut-price fuel ban

244

CT 23/9/93

PICK 'N PAY has defied an order from Mineral and Energy Affairs Minister Mr George Bartlett to stop selling cut-price petrol, claiming the minister is acting beyond his powers

The Pick 'n Pay chain went to court yesterday to try to prevent the government from banning its discount petrol scheme and cutting off its fuel supplies

It will continue selling petrol at the reduced price in Durban, but will delay plans to extend its discount scheme throughout the country until the legal action has been heard in the Cape Town Supreme Court and a ruling has been made, Pick 'n Pay chief Mr Raymond Ackerman said yesterday.

Mr Ackerman had said earlier this week he would comply with Mr Bartlett's instruction.

"Since then our legal counsel have said they believe the discount scheme is legal and that the minister had no right to act as he did Our court application will see who is correct."

Durban's Hypermarket sold more than double its average daily sales on Tuesday, Mr Ackerman said

The saving on cut-price petrol on a 50-litre tank is R3,50

The Congress of South African Trade Unions said earlier that although it opposed the increase, it remained unconvinced the Pick 'n Pay scheme was a solution to the problem — Staff Reporter, Sapa

Romens clothing faces liquidation

Supreme Court Reporter

ROMENS Menswear (Pty) Ltd, supplier of men's clothing, was placed in provisional liquidation yesterday because its liabilities exceeded its assets.

This emerged in papers in the Supreme Court in an application before Mr Justice W A van Deventer, by House of Monatic Manufacturing (Pty) Ltd

CT 23/9/93

In papers, Monatic managing director Mr Stanley Stubbs, said Romens Menswear, a subsidiary of JSE-listed Romens Holdings Limited — of which Lenco Holdings, Monatic holding company, held 26% shares — owed it R1,9 million

Romens Menswear's assets were worth about R4,6m and its liabilities were about R8,5m, and it would be just and equitable and to the benefit of creditors that it be wound up, he said

In his reply, Romens Menswear managing director Mr David Marks said "The application is aimed at effecting a hostile takeover"

CPI dips on lower food price inflation

Business Editor 244

A SLOWING down in the rate of food price inflation brought the consumer price index (CPI) down to 9,3% year on year in August compared with 9,9% in July It rose by 0,5% month on month. Seasonally adjusted, the monthly increase was 0,3%

The food only index fell to 3,4% — the lowest annualised figure since May, 1970 — compared with 4,3% in July.

Southern Life economist Mike Daly said that excluding VAT the CPI would have been only 7,2%.

CT 23/9/93

"We are well on target for the CPI to come down to 6% or 7% by the middle of next year, when the effect of the higher VAT rate will fall away."

In view of this, real interest rates were very high. But the Reserve Bank would not be justified in cutting them in view of the danger to the balance of payments from continuing high capital outflows.

If SA received a loan from the International Monetary Fund it would be needed to cover debt repayments.

Sanlam chief economist Johan Louw said the CPI was lower than he had expected.

The decline in food inflation was important. "We foresee the inflation rate falling to 9% next month But it might go up somewhat in October, when the higher petrol price feeds through

"The CPI might go up for technical reasons towards the end of the year but we should get very good figures in the first half of next year."

Old Mutual economist Johan Els said transport costs had gone up by 1,3% but housing inflation was still a low 0,8% year on year.

The petrol price increase, which would feed through in the October figures, would be very small But there might be a slight upswing in the CPI year on year in December because it would be from a low base

Food hikes at lowest since '70

244

CT 23/9/93

Business Editor

FOOD price inflation has slowed to its lowest level since May 1970, bringing down the consumer price index (CPI) for August to 9,3% year-on-year compared with 9,9% in July

The food index fell to 3,4% year-on-year compared with 4,3% in July — and 28,5% in August last year when the drought was at its worst

The ending of the drought improved supplies, and some foods, including fruit, nuts, vegetables and fish, have become cheaper

Economists said they expected inflation to average 10% for 1993 and to be lower next year

Consumer Council director Mr Jan Cronje said the declining inflation rate justified another interest rate cut. But Southern Life economist Mr Mike Daly did not expect such a cut as capital was still flowing from South Africa

● CPI dips — Page 10

Sowetan 24/9/93

Protests looming over petrol hike

By Mzimkulu Malunga

A NATIONAL protest action aimed at "bringing the country to a standstill" is looming as the saga over the petrol price rise continues

A coalition of labour, business and consumer organisations yesterday threatened "mass action" if Mineral and Energy Affairs Minister Mr George Bartlett did not review the fuel price increase

The labour movement and the taxi industry will today table their demands to the technical committee of the National Economic Forum

Congress of South African Trade Unions vice-president Mr Chris Dlamini said they would demand a 10c reduction in the fuel price

"All sectors represented here have avenues to protest against this petrol price increase We warn the Government from repressing the taxi drivers who are protesting against the fuel price increase," said Dlamini (SS)

The groups represented at yesterday's meeting have given the Government until October 4 to reduce the price of petrol or "face the consequences of mass action" (244)

National Council of Trade Unions spokesman Mr Mudini Maivha said the co-ordinating committee had reserved the right to take whatever action to protest against the fuel price rise while negotiations with the Government were going on within the framework of the NEF

Greater price stability for SA

CT 24/9/93

(244)

From KELVIN BROWN,

JOHANNESBURG — SA appeared to be moving into an era of greater price stability in response to consistent monetary policy, the Reserve Bank says in its quarterly bulletin

Good domestic price movements in recent months, despite large increases in indirect taxes, confirmed that meaningful progress had been made in getting inflation under control, the Bank said

Capital outflows, which had accelerated last year as a result of the deadlocked political negotiations at the time, slowed again in the three months to June, it said

From R3,7bn in the first quarter, the net capital outflow not related to reserves diminished to R1,7bn in the second as the outflow of short-term funds, in particular, declined There was a long-term capital inflow of R21m in the June quarter, attributable to share buying by non-residents

The Bank said the inflationary effect of the rise in the petrol price and indirect taxes announced in the Budget were limited by a conservative monetary policy and the economic downturn

Lower price increases were not only a result of improved agricultural conditions "Producers were also forced to absorb cost increases in an attempt to maintain turnover in a weak business environment."

However the recent sharp fall in the rand's value was beginning to exert upward pressure on imported goods' prices

The Bank said the real effective rand exchange rate declined 2,2% in the second quarter of this year after falling 2,7% in the first three months of 1993 Compared with the end of last year the real effective exchange rate dropped 4,9%

The Bank said the annual rate of increase in imported prices had actually been lower than that of the overall production index between March 1991 and June 1993 This had contributed to the relative price stability of this index

The quarter-on-quarter percentage change in prices of imported goods turned around sharply in the second quarter of this year to 21,6% from a seasonally adjusted and annualised rate of -10,1% in the last quarter of 1992

Battle for bus routes

WM 24-30/9/93 244

Behind the Cape Town protests over the petrol price rise is an ugly fight — taxi and bus industries vying for commuters, reports Gaye Davis

CAPE Town's bus and taxi employers were using drivers as foot-soldiers in a battle for market share, the Transport and General Workers' Union charged this week.

TGWU organiser Nick Henwood made the allegation after Golden Arrow Bus Services' driver Ganief Karriem (38) was killed and five of his passengers wounded when gunmen attacked his bus in Khayelitsha early on Monday — soon after taxi associations pledged to suspend violent protest action.

Karriem was the latest casualty in a conflict which has seen taxi drivers targeting buses, drivers and their passengers — and bus drivers declaring their intention to fight back.

Earlier this week bus drivers staged their own city-centre blockade to back their demands for the bus company to provide them with greater protection.

Golden Arrow accused taxi interests of using the fuel price rise as a smoke screen in a bid to seize control of public transport in the Western Cape.

There have been scores of attacks on bus drivers over the past two years, including the abduction of drivers, stonings and petrol bombings, attacks by gunmen — sometimes fatal — as well as threats, assaults and minibus blockades.

"Taxi drivers are bearing the brunt of the fuel price increase," said Henwood. "They have to bring in a set amount of money for the taxi owner each day but have to pay their own fuel costs, rank fees and fines. Anything left over is theirs.

"They can't boost their fares because they'll lose customers to the buses. They're fighting the fuel price hike but end up fighting those who're taking their business."

But while the issue was the fuel price rise, the main problem was the lack of any policy governing the industry.

"We're saying that the government, first by unilaterally deregulating the industry and then by unilaterally raising the fuel price, is plunging the passenger transport industry deeper into crisis," Henwood said.

"There has to be a place for taxis and buses and they must be part of a regulated industry — but this mustn't happen at the expense of commuters."

At a crisis meeting this week, taxi associations and the bus company agreed that neither would use drivers as soldiers or targets in a commercial battle.

Petrol hike reveals ingrained apathy

South 24/9 - 28/9/93

By Barbara-Ann Boswell

PROTESTS against the increase in the petrol price have revealed alarming apathy among South African consumers and consumer bodies. (2.1.1.C)

Even though increases generally push up the price of necessities, the only response of consumers was to flock meekly to service stations last week to top up their tanks.

Only taxi drivers and operators militantly expressed their utter rejection of the price increase.

Mr Dan Fletcher, general secretary of the Foundation for African Business and Consumer Services (Fabcos), says consumer apathy is a result of a "National Party success story".

"Apathy has been inculcated as part of the apartheid system over the years. People were conditioned to believe they would never be able to achieve things outside the sphere of their lives," he says.

Fletcher believes South Africans are reluctant to join organisations which fight for their rights, as they were seen as violent or militant.

"Complacency also exists because of a lack of awareness about business and economics. People are indifferent towards the petrol hike, thinking that it does not affect them, but they don't realise that it affects them directly when food prices and travelling costs also increase."

According to Mr Paul Jourdan, policy co-ordinator of the ANC's Department of Economic Policy, the petrol price hike has been met by resistance only by those who have been hardest hit by the increase.

"Richer groups of people are the car owners, and if you have a car you can probably afford the petrol increase. The taxi drivers represent their clientele — the poor commuters — and are thus more sensitive to a price rise," says Jourdan.

"What we are experiencing now is a price build-up. The price of petrol includes a premium due to apartheid — the government had to pay oil companies to stay here during the apartheid years.

"Why else did companies like Shell and BP hang in here? They must have been making nice returns."

Mr Bernie Fanaroff, the general secretary of the National Union of Metalworkers of South Africa (Numsa), who co-ordinated a campaign against VAT in 1991, has a different view on the issue.

He believes that South Africa is slowly changing from a culture of

Union, taxi groups want 10c fuel drop

244

CT 24/9/93

JOHANNESBURG. — The Congress of South African Trade Unions and a labour and taxi delegation are demanding not only the scrapping of the seven cent a litre petrol price increase, but a further reduction of three cents a litre in the price of petrol and diesel fuel.

The demand was formulated by Cosatu, the Foundation for African Business and Consumer Services, the National African Federated Chamber of Commerce and Industry and representatives of several taxi organisations.

The organisations are also demanding a review of all subsidies, protection and profit margins which make up the petrol and diesel price.

Speaking at a news conference in Johannesburg yesterday, Cosatu vice-president Mr Chris Dlamini said the organisations condemned Wednesday's cabinet decision not to review the petrol price increase "especially in the light of the fact that government has agreed to be part of the National Economic Forum task group on this issue".

Mr Dlamini said a labour and taxi delegation would attend the NEF's first task group meeting today to begin negotiations on the structure of the petrol price.

●In Kroonstad, taxi drivers blockaded two streets in the central business district of this northern Free State town yesterday afternoon.

Taxis: Plan for new fuel protests

CT 24/9/93

Staff Reporter

FURTHER protest action against the recent petrol price increase is being discussed by several taxi associations and a group of trade unions.

A meeting of the Western Cape Fuel Crisis Forum was convened by the Nactu and Cosatu trade union federations on Wednesday and yesterday morning in the Sactwu Hall of Industria House in Salt River.

Participants included representatives of the Codeta township taxis, Mitchells Plain taxis, Bellville taxis, and those based at the Wynberg interchange

Representatives were also present from the bus drivers' union (Tramway and Omnibus Workers' Union), from the Transport and General Workers' Union, and from the ANC, PAC and SACP

At the meeting, a resolution was adopted rejecting Minister of Energy Affairs Mr George Bartlett's "intransigence" in refusing to suspend the fuel price increase.

Mr Joe Sineke of Nactu and Mr Xolile Nxu of Cosatu said the various organisations were discussing, with their constituencies, what further action should be taken

This will be finalised this coming Monday at 10am at Industria House.

"The forum calls on all commuters and the community at large to express their views through their communities, political parties, trade unions, civics and churches," the two men said in a press release.

Earlier this week, taxi drivers said that many commuters had complained about lack of consultation with their organisations before taxis embarked on a strike, supposedly "on their behalf".

Both bus drivers and taxi drivers who got fines during the course of their protests have yet to work out how they are going to deal with these

Task group on minibuses

PRETORIA. — A task group would be appointed to investigate the grievances and problems in the minibus taxi industry, the Minister of Transport, Dr Piet Welgemoed, announced yesterday.

The department's director general, Dr C F Scheepers, welcomed the decision and said such an independent task group would co-ordinate the findings of different inquiries into the industry.

The Department of Transport had been in the process of studying the issue of a new, more appropriate Public Passenger Transport Policy, which includes the subsidising of commuters using minibus taxis.

Views would be forwarded to the task group whose address is: The Chairman, Taxi Task Group, Department of Transport, Private Bag X193, Pretoria, 0001, Fax Number: (012) 326-4791. — Sapa

Discount petrol for big buyers

S/Times [Buss]
26/9/93

(244)

By KEVIN DAVIE

BIG buyers get discounted fuel at savings of 14c/l while the Government has stopped Pick 'n Pay's sales to the small man.

The row over controlled fuel prices intensified this week after Minister of Mineral and Energy Affairs George Bartlett ordered Pick 'n Pay's Raymond Ackerman to stop giving 7c/l discounts at his hypermarket in Durban North.

Elsewhere in Durban, Buxtons, a chain of four supermarkets, is continuing with a fuel discount scheme and in Klerksdorp an entrepreneur will this week begin a scheme to sell cheaper petrol.

Business Times has learnt that large fuel consumers such as corporates which operate their own fuel tanks, are given discounts of up to 15c/l on diesel and 14c/l on petrol.

The Department of Mineral and Energy Affairs (DMEA) confirms that such discounts are available to large customers who operate their own or hired petrol equipment.

The discount — which the Government says depends on negotiations between supplying oil companies and the purchaser as well as competition among the oil companies — is only available to sites which use at least 15 000l a month.

This applies to petrol only. Diesel "is not controlled and consumer installations can be erected without approval from the Government", says DMEA.

A survey of European pump prices by Oil Price Assessments Ltd (Opal), a leading company in the field, shows that supermarkets in Europe offer sizeable fuel price savings to consumers.

Supermarket prices are on average 11,4c/l cheaper compared to major brands, ranging from a 4,5c/l saving in the UK to 20c/l in France.

The supermarkets buy in bulk and import their own fuel, which they sell under their own brand name. Supermarket chains in SA are not allowed to import fuel.

The Opal survey, which is conducted on a monthly basis, also shows "no-appreciable-difference" prices at full-service and self-service stations which sell the major brands.

An Opal spokesman says the only outlets which get more for their fuel are those on motorways where full service is provided and a premium charged.

The Opal figures — Business Times has those for the end of May — show an average saving of only 3c/l on self-service in nine European countries surveyed.

The small difference suggests that claims by the Government and the oil industry that fuel deregulation in SA could lead to large-scale job losses of petrol attendants because of a switch to self-service are exaggerated.

Buxtons chairman Bill Buxton says shoppers who spend more than R150 on groceries get fuel vouchers to be spent at four specified service stations. The vouchers offer a 5% discount on the grocery bill, which equates to a saving of 15c/l on a 50l tank.

Mr Buxton says the response to the scheme, which pre-dates Pick 'n Pay's, has been "fantastic ... unbelievable".

Has he been visited by the authorities? "No. I don't sell petrol."

Klerksdorp businessman Anthony Tannous will also start a discount scheme this week. No discount will be offered on the service station's forecourt, but a 5c/l saving can be made on purchases in Mr Tannous's supermarket.

"We'd like to offer more than a 5c/l saving," says Mr Tannous, "as this will only buy two loaves of bread and a litre of milk. This is not enough for the man in the street."

Mr Tannous previously offered a 2c/l saving, selling more petrol in four days than in the 15 days over the Christmas period.

But as a result of "hellfire" from the Motor Industries Federation and visits from the police, including an officer who had taken advantage of the cheaper petrol, Mr Tannous stopped the scheme.

Pick 'n Pay has challenged Mr Bartlett's injunction to stop discount petrol sales in the Cape Town Supreme Court.

● See Page 9

More action on petrol price

244

Staff Reporter

TAXI organisations, trade unions and political parties are meeting today to discuss further protest action against the petrol price increase. CT 27/9/93

Mr Xolile Nxu of Cosatu and Mr Joe Sineke of Nactu said various organisations were discussing further action with their constituencies and a final decision would be taken at a meeting at Industria House today

Taximen call for another blockade

Staff Reporter

CAPE TOWN could be facing another traffic blockade after Mineral and Energy Affairs Minister George Bartlett's petrol price summit next week.

About 100 delegates from taxi associations, trade unions and other transport-related organisations met yesterday to discuss the petrol price.

Co-chairmen Mr Xolile Nxu of Cosatu and Mr Joe Sineke of Nactu said the feeling was that there should be mass action, "but we will wait until October 4". However, the meeting as a whole resolved that decisions on what form mass action should take should wait until after October 4, the date of Mr Bartlett's price summit in Johannesburg.

The meeting also again rejected the fuel price increase, re-affirmed its commitment to non-violence, and said that it wanted representation on the National Energy Forum.

The blockade suggestion was made by the Transport and Omnibus Workers' Union, with the PAC proposing a public transport stay-away on October 4. Nactu suggested a "disciplined and dignified stayaway provided that the community gives its support".

The township taxi association, Codeta, said that whatever action was decided on should depend on the outcome of the summit meeting.

A meeting is to be arranged with Cape Town traffic chief Mr Wouter Smit to discuss fines imposed on bus and taxi drivers during protests.

- Pick 'n Pay announced yesterday that the Cape Town Supreme Court will hear the petrol coupon scheme case on October 29.

244

CT 28/9/93

PRICES - GENERAL

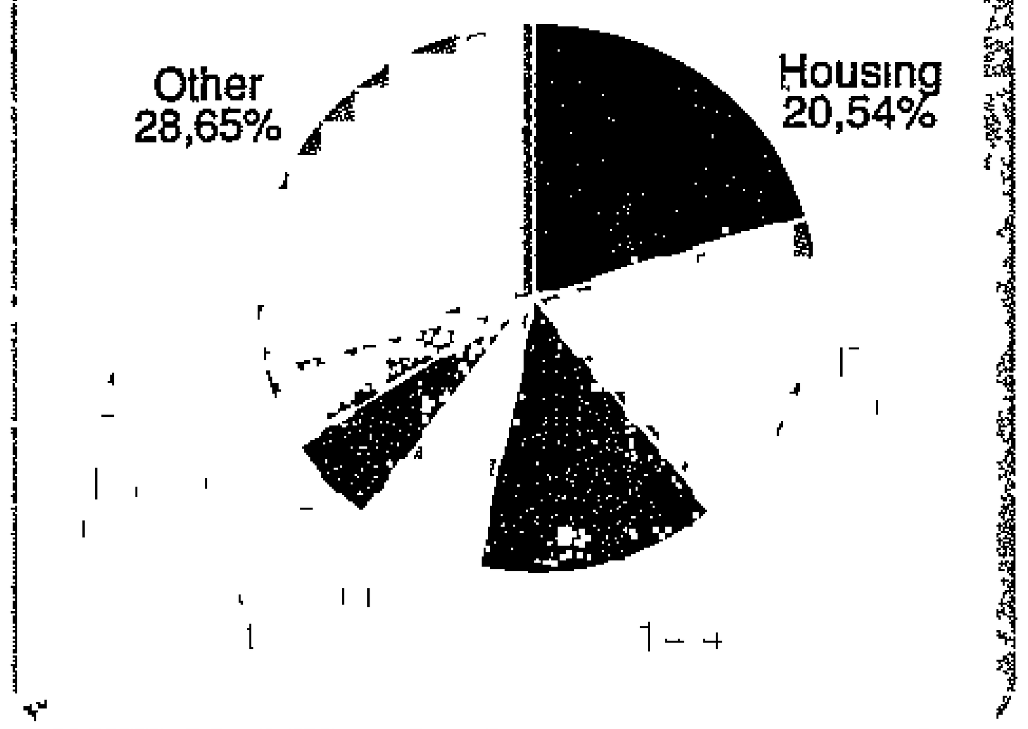
1993

Fm - 1/10/93

(188) (244)

The big slices

Weighting of components in the CPI



which fell to 3,4% from 4,3%

A breakdown of food shows that meat, which has the biggest weighting in the food index — contributing 6,17 percentage points of food's 18,64% in the total index — rose 9% But this was accompanied by a 20,1% fall in vegetable prices and a 7,6% fall in fruit and nuts — which between them make up 3,06% of the total index Milk & cheese, with a weighting of 2,28%, rose only 2,9%

The outlook for food inflation remains encouraging, provided there is normal rainfall this summer.

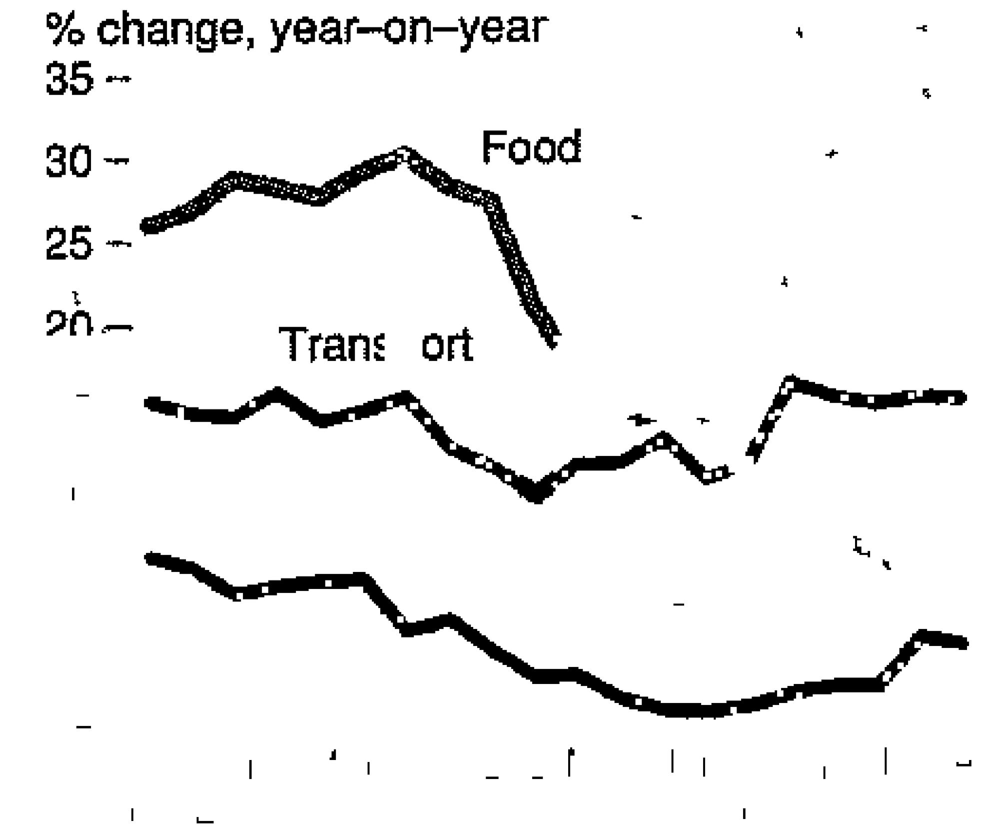
The housing index, after rising earlier in the year, due to increases in the non-interest component, is once again subsiding Interest rates, which represent 11,5 percentage points of 20,54% housing weighting, are not likely to rise in coming months So pressures on this index will be subdued

The latest petrol price increase will, of course, push up the transport index, as it did earlier in the year (and its effect will ripple through to other components) This figure is going to stay in double digits in the forseeable future

But the outlook for the other components, and inflation overall, remains encouraging ■

And how they're doing

Food, housing and transport indices



CPI Fm 1/10/93

Weight watching

Inflation was 9,3% in August, down from 9,9% in July, as all major components of the consumer price index rose at a slower rate (see graph) (158) (244)

Even transport inflation, which is in double digits, fell in the 12 months to August — to 15,6% from 15,7% in the 12 months to July More meaningful declines in inflation were seen in housing, which rose only 0,8% in August, after a rise of 1,2% in July and food

Petrol price to drop?

244 CT 4/10/93

JOHANNESBURG — The National Economic Forum's task force — set up to investigate the fuel industry — is today expected to recommend the withdrawal of the latest seven cents a litre increase in the petrol price

The task force — made up of representatives from business, labour and the transport industry — would recommend to the forum, who will debate it today, that the increase be scrapped and a moratorium placed on further petrol price increases until the end of the year, a member of the task force said yesterday

The task force supported the idea of selling the country's strategic oil stockpiles to fund any under-recovery on the equalisation fund, he said

Mineral and Energy Affairs Minister Mr George Bartlett commented yesterday that any move by the forum to seek alternative finance for the fund would vindicate his assertion that a price increase was needed because of a shortfall

He denied reports that the government would definitely rescind the increase

● The National Council of Trade Unions (Nactu) said that its planned national protest today against the fuel price rise will be put on hold — Own Correspondent, Staff Reporter

Petrol price may drop after talks

244

ARGUS 4/10/93

TOS WENTZEL, Political Staff

THE petrol price could come down after discussions today between government leaders and National Economic Forum representatives

A task force of the forum has been investigating the fuel industry, but has not yet come up with a final finding

It is recommending that part of South Africa's strategic oil reserve should be sold in the meantime to reduce the petrol price to the old level.

This would cost about R186 million over two months

Minister of Mineral and Energy Affairs George Bartlett confirmed this recommendation today.

He could not say what would happen as the decision had to be taken by the cabinet Mr Bartlett said he wondered what would happen if the value of the rand went down further.

The task force is continuing an investigation into the fuel price structure, including the question of deregulation, which Mr Bartlett said was what he had in mind when he called for a conference of interested parties on the issue

There has been widespread protest against the 7 c-a-litre price increase

Crucial meeting on fuel hike

Sowetan 5/10/93

THE Cabinet will meet tomorrow to decide whether to reverse the 7c a litre petrol price increase, according to Mineral and Energy Affairs Minister Mr George Bartlett

Bartlett was reacting yesterday to proposals by the National Economic Forum that the Government roll back the price increase on October 14 to give an NEF task force the opportunity to investigate all aspects of the fuel industry

The task force would then make recommendations for a fuel price increase or decrease by December 15 (65)

The NEF proposed the two-month roll-over be financed through the sale of strategic oil reserves and from the equalisation fund. The financing would be in the form of a loan (244)

Bartlett told the NEF liquid fuel industry summit at Nasrec in Johannesburg that his department proposed a roll-back period from November 1 to January 14, whereupon the price would be increased by 8,5c a litre

The Government had proposed November 1 for practical reasons and the extra 1,5c would be required to repay the loan from the sale of strategic oil reserves, he said.

"The Government is in principle in agreement with labour's position that the strategic oil reserve should preferably be used for social upliftment and job-creation programmes," Bartlett said. — *Sapa*

Forum backs call to put off fuel rise

The Argus Correspondent

JOHANNESBURG — The National Economic Forum (NEF) has endorsed a recommendation by its task force investigating the fuel industry to withdraw temporarily the 7c a litre petrol price increase — leaving the cabinet to make the final decision tomorrow

The task force — made up of representatives from business, labour and the government in an advisory capacity — proposed that the increase be postponed from October 14 to December 15 and that the shortfall in revenue during that period be financed through the sale of strategic crude oil stockpiles and the equalisation fund levy

The only point of dissent on this proposal at yesterday's special NEF meeting was the date from which the postponement should become effective

The government has proposed that should the cabinet agree to the NEF recommendation, the postponement be effected from November 1 rather than October 14 and that it should remain until January 14 rather than December 15

Mineral and Energy Affairs Minister George Bartlett said he would refer the NEF's recommendations to the cabinet tomorrow, but reiterated his view that if the petrol price increase was rescinded, the shortfall would have to be made up eventually by another increase in the future

A transport delegation warned Mr Bartlett that should the cabinet oppose the consensus of "this highly representative task group", there would again be a threat of mass protest (244) ARGUS 10/93

Ben van Rensburg of the South African Chamber of Business said the cabinet faced an essentially political decision because the task force's recommendations "cannot be justified economically"

The NEF has also recommended that during the period of the postponement, another NEF task force be established with a view to making recommendations on a reviewed pricing mechanism for the industry to be concluded by December 15

Petrol price: Cabinet to decide

244

CT 5|10|93

Own Correspondent

JOHANNESBURG. — The National Economic Forum yesterday recommended the suspension of the recent petrol price rise from October 14 and a moratorium on further increases until mid-December.

Despite angry protests from labour and the taxi industry at the forum's meeting, Mineral and Energy Affairs Minister Mr George Bartlett said the government needed to discuss the matter at its regular cabinet meeting tomorrow before it could endorse the proposal.

The government's main disagreement with the proposal was the dates of the moratorium. Mr Bartlett said for practical purposes the increase could not be revoked on October 14 but should take place at the beginning of November

Today

Labour and the transport industry said their followers had so far "held their fire" but they could no longer be prevailed upon to refrain from further action.

The suspension should be implemented today, if possible, Cosatu general secretary Mr Sam Shiloa said.

Regardless of a new regulatory framework, the minister said the petrol price would have to be increased by 8,5c/ at the end of the period for at least a year to recover the amount "lent" from the strategic oil stockpiles.

He asked for assurances that taximen would adhere to the proposals and not introduce further fare increases and that labour and business would not pass on any decreases to the consumer.

Delegates warned that Mr Bartlett would be held responsible for consequences of the delays.

Cosatu: Drop petrol hike

THE government should "heed" the National Economic Forum's recommendations and suspend the recent petrol price increase, a Cosatu spokesman said yesterday.

(2441)

Mr Bheki Nkosi also said a moratorium should be placed on further increases until mid-December.

Cosatu was keen to see what the government's decision would be when the cabinet met today to discuss the forum's proposals, he said.

Meanwhile, traffic authorities said no taxi blockades took place yesterday despite recent threats that last month's taxi strike action would resume on October 4 if the petrol price increase was not scrapped.

CT 6/10/93

Anger mounting over petrol price increase

244

ARG 7/10/93

Political Staff

ANGER is mounting over the government's refusal to scrap the petrol price increase.

Already the African National Congress and the Congress of South African Trade Unions have threatened to take steps which, they say, will force the government to back down.

The threat came after the government surprisingly refused to suspend the controversial 7c a litre increase.

The decision, announced at a Press conference by President De Klerk, was made in spite of threats of more protest [illegible] trade union [illegible] representatives [illegible] government did not accept a National Economic [illegible] that "the increase be rolled back" for a [illegible] month period to allow for an investigation of petrol pricing.

Mr De Klerk said: "After very careful consideration and in-depth discussion ... we have come to the conclusion that we cannot accept this recommendation."

The ANC and Cosatu said they were outraged by the "insensitive and arrogant" manner in which the government had ignored public opinion.

"By recklessly rejecting these recommendations (by the NEF), the government has shown it is prepared to plunge the country into a costly conflict. The consequences of such a conflict must be squarely placed on their shoulders."

The two organisations said a meeting of a broad front of groups would be held today to discuss a comprehensive programme of action.

● The South African Commuters' Organisation called on the Department of Transport yesterday to subsidise all forms of public transport after the fuel price increase.

Petrol price increase stays

Sowetan 7/10/93

THE 7c a litre increase in the price of petrol would remain in place, President FW de Klerk announced in Pretoria last night.

The decision follows a Cabinet meeting in Pretoria earlier in the day where a proposal by the National Economic Forum that the price be rolled back was considered

De Klerk told a news conference the decision was aimed at preventing another fuel price increase and to create the possibility of a price reduction by December

He stressed the Government would continue to co-operate in the National Economic Forum for the restructuring of the fuel price formula to make petrol cheaper.

To chop and change the fuel price was as unwise as it was to bring about an artificial price reduction and finance it through the sale of oil reserves, De Klerk said. (244)

Because the price rise had been kept at 7c a litre, there would possibly be no increases in December, and through restructuring possibly a decrease.

De Klerk expected the decision to be misused by the Government's political opponents but said it was not politically motivated and was economically justifiable.

Referring to the Congress of South African Trade Unions' threat of mass action if the price increase was not scrapped, De Klerk said: "We will not allow threats to force us not to take decisions which we believe are in the best interests of the country."— *Sapa.*

Petrol fury

244

CT 7/10/93

Cosatu's threat of mass action

UNDERCOVER Sergeant Ivan McLean (left) and Constable Mark Hendricks pose as blind men yesterday while Constable Bernard Sarels leads them along a platform at Salt River station Picture ANNE LAING

By ANTHONY JOHNSON and ANDRE KOOPMAN

REACTING with fury to the cabinet's decision last night to maintain the controversial fuel increase Cosatu and the ANC vowed mass action to force the government to back down on the 7c/l hike introduced last month.

After a marathon cabinet meeting President F W De Klerk announced last night at the Union Buildings that the increase would stay Effectively rejecting calls from organised labour, business and the National Economic Forum which recommended that a moratorium be placed on the increase until December.

'Total lie'

Flanked by his embattled energy minister, Mr George Bartlett and finance minister Mr Derek Keys, Mr De Klerk said the hike was justifiable in terms of the pricing formulas set.

Soon after his announcement Mr Sam Shilowa, secretary general of the powerful Congress of SA Trade Unions, described the government's reasoning in rejecting the findings of the National Economic Forum as "a total lie" adding that there would "definitely be mass action" to ensure that the government was "brought to its senses"

Meanwhile the ANC and Cosatu threatened nationwide disruption saying in joint statement last night that "by recklessly rejecting the recommendations of the NEF, the government has shown it is prepared to plunge the country into a costly conflict"

"The consequences of such a conflict must be squarely placed on their shoulders"

The gaint alliance said they were 'outraged by the insensitive and arrogant manner in which the government has ignored public opinion on the fuel price"

The "broad front of organisations on the fuel price issue" would be meeting today to "discuss a comprehensive programme of action in response to the disastrous government decision", the statement said

"This fat-cat government is as out of touch as George Bartlett is with the feelings and problems of ordinary people, and the seriousness with which they view the issue of fuel prices," they said

Mr De Klerk issued a plea to critics not to engage in irresponsible mass action which could result in a loss of income and jobs, adding "We have enough violence as it is"

"It's a courageous decision because it is unpopular and it was taken because we think it is in the best interests of the consumer

"In the final analysis the goverment must take decisions in terms of what it believes is the best possible route for the whole country"

Showdown

CT 8/10/93 (244)

Fuel hike: Unions to slug it out

By ANTHONY JOHNSON
Political Correspondent

THE stage is being set for a bruising showdown between the government, trade unions and organised business over the government's refusal to back down on the recent 7c/l petrol price hike.

Fears have been expressed that a confrontation could threaten foreign investment and damage the economy and the negotiations process

Yesterday labour movements and the taxi industry announced a mass action campaign aimed at "bringing the government to its senses"

Protests will include pickets, marches and taxi blockades of cities and towns, Cosatu secretary-general Mr Sam Shilowa said

A general strike had not been ruled out and fuel companies would be particular targets

On a television debate last night he said "We are prepared and willing to slug it out on the streets unless the government changes its mind"

UN TO DROP SANCTIONS TODAY
ANC SHIFTS STANCE ON SASOL
— PAGE 5

And Mr Bobby Godsell, the business representative on the National Economic Forum, said the government had missed an opportunity to find "a contructive way out of a difficult situation"

In Johannesburg organised business warned that confrontation seemed "inevitable" and said it was "not unlikely" that business would join hands with other organisations that registered disapproval

The comment came in a joint statement issued by the Johannesburg Chamber of Commerce and Industry and 14 Transvaal chambers, which demanded that the government reverse its decision in the national interest, as recommended by the National Economic Forum

The Afrikaanse Handelsinstituut said it failed to understand how the suspension of the petrol price increase would have cost the consumer more

The Pretoria Afrikaanse Sakekamer said the government's decision was regrettable

The Automobile Association said it was disappointed by the government's rejection of proposals put forward by the NEF

Government spokesman Mr Dave Steward said the government regretted both the nature and tone of the labour movement's response, as the government was acting in good faith

● Petrol debacle — Page 6

CRIME RAIDERS NET KISSES

MIXED RECEPTION . . . Some Khayelitsha women welcomed policemen and army personnel when they moved through the township in an early-morning crime swoop yesterday — but a number of other residents were hostile ● Report — Page 5

Picture BENNY GOOL

Rates likely to go up by 14%

CT 8/10/93 (244)

By PETER DENNEHY

THE City Council now expects rates to be set at last year's level plus 14% as major commercial property owners decided yesterday not to challenge a

why the council's 10,5% projection had jumped to 14%

If the new roll is declared invalid, most home-owners will save hundreds of rands — some thousands — and about 32 000 ratepayers mainly in Mit-

Chinese athletes in drugs scandal

PEKING — The cloud of suspicion hanging over China's world record-breaking athletes darkened here yesterday when a Sports Ministry official disclosed that 11 Chinese athletes had tested positive for drugs

Petrol protests planned

Sowetan 8/10/93

By Themba Molefe
Political Correspondent

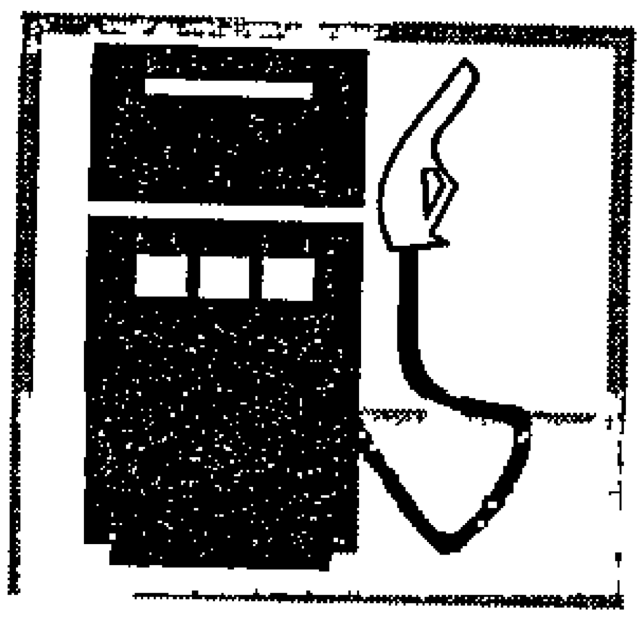
THE COUNTRY IS BRACING itself for a massive protest beginning today barely 24 hours after State President Mr FW de Klerk backed the controversial petrol price increase

"The Government's decision is political and not technical," said South Africa's largest trade union conglomerates, the Congress of South African Trade Unions, National Council of Trade Unions and the Federation of South African Labour Unions in a joint statement with the country's taxi organisations

The nationwide mass action programme, including pickets and public demonstrations, is aimed at reversing the Government's refusal to suspend the fuel price increase of 7 cents a litre implemented by Minister of Mineral and Energy Affairs Mr George Bartlett last month

However, for the next two weeks organisations would be reporting back to their constituencies and-or embarking on the demonstrations

On October 21 the different organisations would hold a meeting to decide on a co-ordinated programme which might include a general strike



In their statement, released at a Press conference in Johannesburg yesterday, the organisations said "After an emergency meeting today to discuss the Cabinet's decision to reject the National Economic Forum Task Force recommendation to suspend the fuel price increase the organisations unanimously rejected and condemned the decision because it was "insensitive to the plight of the majority"

"It will increase inflation and is a decision which undermines the process of negotiations in the NEF and shows bad faith

"They (Cabinet) don't want to back down and they don't want to admit years of mismanagement such as Mossgas and Sasol."

Action would be nonviolent, the statement said.

The NEF, which includes representatives from labour, business and the Government, proposed that the Government suspend the fuel price for two months when the task force would report on a new regulatory model and a fuel pricing structure

De Klerk's announcement on Wednesday night followed a marathon weekly Cabinet meeting (244)

He said the price would be kept at 7c a litre and restructuring could lead to a decrease

"We will not allow threats to force us not to take decisions which we believe are in the best interests of the country," De Klerk said at a Press conference

This move has been roundly condemned in both political and business sectors

Political parties in the tricameral Parliament, the Democratic Party and Labour Party have also condemned the decision

The Consumer Council, the Automobile Association and Pick 'n Pay have expressed disappointment at the Government's decision not to scrap the 7c/l petrol price increase

Consumer Council spokesman Mr Paul Roos said petrol was a strategic consumer commodity, affecting the price of all other consumer articles The Automobile Association said while it was disappointed by the Government's rejection of proposals put forward by the National Economic Forum, it was aware that any proposed short-term loan would have had to be repaid

Pick 'n Pay spokesman Mr Gareth Ackerman said he was like many other South Africans, disappointed.

"Of all issues, this was one which, had attracted unanimity among consumers, labour and, business we feel the Government may have missed a golden opportunity to demonstrate it was open to negotiation on a critical issue "

Protest gathers support

244/93

Staff Reporter

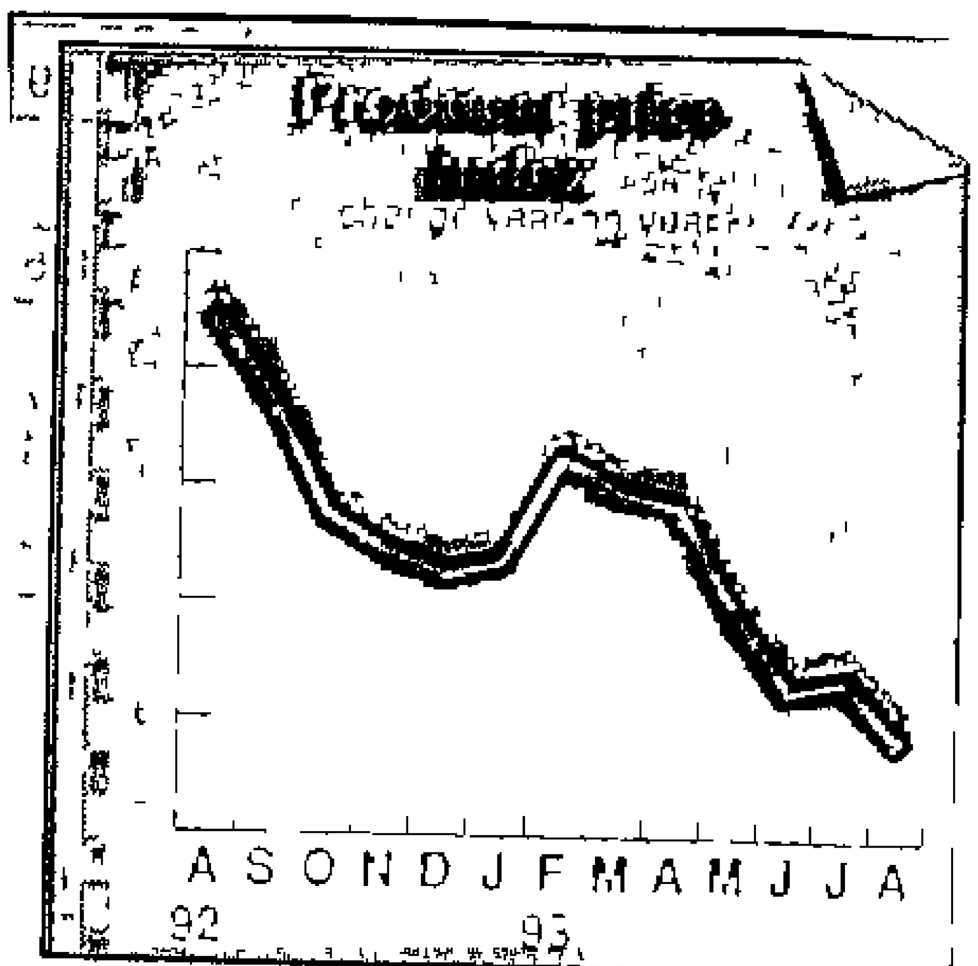
A POWERFUL coalition of taxi organisations and major trade unions is drumming up community support for a possible month-long Western Cape mass action campaign against the petrol price hike

The campaign will be kick-started at a rally at Athlone Stadium on Sunday

CT 13/10/93

Cosatu, which represents 15 unions and 185 000 Western Cape members, announced yesterday that the mass action campaign could target government buildings and oil refineries

The Crisis Forum has refused to abandon the strategy of staging blockades on the main city access routes which caused massive congestion and angered motorists last month.



Graphic KAREN MOOLMAN Source CSS

PPI dips below 6% as fall continues

B/Day 14/10/93

KELVIN BROWN

HOPES for a sustained decline in underlying inflation were boosted yesterday with the news that producer price rises eased for the sixth consecutive month in August.

Latest figures from the Central Statistical Service showed producer inflation — as measured by the producer price index (PPI) — slipped to 5,9% in the year to August from a previous 6,3%. The month-on-month increase was also lower at 0,5% from July's 0,6%. (244)

Economists said the PPI was being kept down by the Reserve Bank's tight monetary policy, improved agricultural conditions, the tough local economic situation and the weak inflationary trend abroad.

The annual percentage change in prices of imported items — which carried a weighting of 19,5% in the index — remained unchanged at 4,5%. The prices of locally produced goods rose 6,2% compared with a previous 6,7%.

Southern Life chief economist Mike Daly said the imported figures were "intriguing", considering that the rand was 13% weaker against a basket of currencies in July and August from a year ago.

This suggested that SA was benefiting from the low inflationary forces overseas. Latest figures showed annual producer inflation was less than 0% in Japan and Germany, and about 0,6% in the US.

The price rises of locally produced goods were also encouraging, Daly said. He predicted producer inflation could drop to 5% in the next few months.

"We are still in the grips of a disinflationary trend," said Daly.

Absa economist Adam Jacobs said pro-

☐ To Page 2

PPI

B/Day 14/10/93

☐ From Page 1

ducer inflation was still feeling the effect of the return to normal agricultural conditions. The prices of vegetables declined by 32,6% in the year to August from a previous fall of 27,1%. (244)

The inability of fruit producers to sell their produce abroad was also beginning to show in the figures. The annual percentage change in fruit prices fell 33,3% in August after declining 24,8% in July.

Jacobs said SA had paid a very heavy price for low inflation. "We must not forget the effect that a restrictive monetary policy has had on growth rates, unemployment levels and the standard of living."

He expected a turnaround in producer inflation next year as the economy improved and the effect of the continued depreciation in the rand filtered through.

Star 14/10/93

PPI shows another decline

BY ROY COKAYNE

Declines of more than 30 percent in vegetable and fruit prices in the past year helped the production price index (PPI) to drop further to 5,9 percent in August for a 0,4 percentage point reduction, compared with July's 6,3 percent

According to the Central Statistical Service, the rate of increase of locally produced commodities slowed further

The domestic PPI dropped by 0,5 percent to 6,2 percent (244)

Absa senior economist Adam Jacobs said the drop in the PPI's domestic component was good news; that the PPI was moving steadily downward and should pull the consumer price index (CPI) down with it

ARGT 16/10/88

Specs firm up for top award

244

ANDREA WEISS
Health Reporter

SPECTACLE Warehouse the Kenilworth optometry firm which was interdicted from advertising its services earlier this year, has been nominated for the Price Tags consumer-conscious award

The award relates to SABC-TV's *Price Tags* consumer programme

The firm hit the headlines earlier this year when it defied a SA Medical and Dental Council ban on advertising

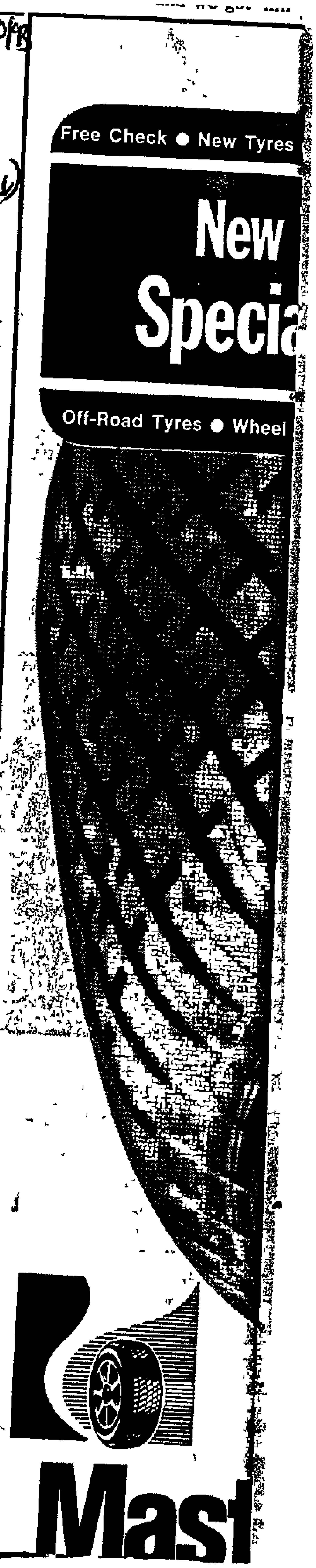
Optometrist Chris Faul, who was instrumental in setting up the firm, went on to form optometrists for a free market which has challenged the regulations instituted by professional boards and lodged a dispute with Health Minister Rina Venter

In the meantime, the medical and dental council recently announced a lifting of the advertising ban, but Dr Faul has criticised the actual amendment as falling far short of a free market

The new rules say optometrists can advertise prices and discounts of spectacle frames They can advertise various types of lenses but not the prices nor may they advertise the cost of professional services

Commenting on the new regulations Dr Faul said With these new rules she or he (the consumer) is still only getting part of the story We will continue to fight to allow the consumer freedom of choice '

The 'Price Tags' award will be made at Auckland Park on November 2



Cosatu 'to blockade city and airport'

(244)

CT 18|10|93

By PETER DENNEHY

COSATU in the Western Cape announced plans yesterday to blockade the city, the waterfront and the airport separately over three days — starting today — in protest against the petrol price hike.

Mr Xolile Nxu, leader of Cosatu in the Western Cape and a co-chairman of the Western Cape Fuel Crisis Forum, announced this yesterday at a "mass meeting" attended by about 400 people at Athlone Stadium.

"We are going to blockade town, and see what Keegan is going to do," said Mr Nxu, referring to a remark by the mayor of Cape Town, Mr Clive Keegan, that anyone engaging in a blockade of the city could expect the full force of the law to be used against them.

"On Tuesday (tomorrow) we will be blockading all the oil industries, and also the beautiful harbour," Mr Nxu continued.

"On Wednesday there will not be any 'planes flying, because we will be blockading the airport. This is the programme of action."

He stressed that no stayaway from work had been called.

In a blow to the fuel crisis forum, however, the township taxi association Codeta stayed away from yesterday's meeting altogether, and did not ferry anyone to it either.

A man at the meeting who declined to be named but who said he was from the Bellville Taxi Association, said he would report back to his organisation, which would then decide whether to take part in the proposed action.

Asked if the poor attendance did not reflect community disapproval of proposed taxi protest action, Mr Nxu said there had been problems with transport to the meeting, which had not been well publicised.

Mr Nxu said a motorcade would start from 10am in Wetton Road, Wetton, and drive slowly into Cape Town's central business district, where the taxis would conduct a "rolling blockade" by driving slowly around the city centre.

The general secretary of the ANC in the Western Cape, Mr Tony Yengeni, referred in his speech to the absence of "one of the taxi associations", and added that "we don't know why. We hope that in the forum meetings that will take place, we will get an explanation about their reservations about this rally today"

Mr Morris Nomala, general secretary of Codeta, said earlier this month his organisation wanted whatever action was decided on to cause "minimal disruption to the community".

Apart from Codeta, the taxi associations that belong to the Western Cape Fuel Crisis Forum are: The Mitchells Plain transport forum, Wynberg Interchange, Bellville, and Belhar/Delft Representatives of Mitchells Plain and Bellville were the only taxi leaders who spoke at the meeting.

● A national spokesman for Cosatu could not be reached last night for comment.

Taxi drivers boycott threatened blockade

AP2G 18/10/93

Staff Reporters

THE major blockade of Cape Town threatened by irate minibus taxi drivers did not materialise today.

It appeared only some taxi drivers were taking part in the action announced at a rally at Athlone Stadium yesterday, and the Strand Street taxi rank appeared to be as busy as normal.

Members of the largely black Convention for a Democratic Taxi Association (Codeta), who did not attend yesterday's meeting, were also plying their trade

By 10 am, when taxi drivers were supposed to have met in Wetton Road, they were still operating in Mitchell's Plain.

At 10 15 some drivers in the area met to form a convoy and drove to Wetton Road where they were due to link up with colleagues from other townships.

Members of the Internal Stability Unit (ISU) put up a roadblock in Wetton Road near Kenilworth.

Fifteen vehicles from the Hanover Park-based Park City Taxi Association were parked nearby and drivers said they were waiting for colleagues to join them.

But at 11.15 the convoy returned to Hanover Park after negotiations with ISU officer Colonel Nel, who said. "They have given us an undertaking that they are returning to work"

Former mayor Frank van der Velde, chairman of the city council's taxi liaison committee, confirmed that a meeting had been held with taxi organisations today

But their agenda had been routine and today's protest had not been discussed, he said

The taxi drivers' action was part of a planned three-day protest from today, which included threats to blockade D F Malan Airport, Table Bay docks and oil industry installations

● See page 6

Talks on plan to strike

(1528) (244) (183)

CT 19/10/93

HIGH-LEVEL but inconclusive discussions took place between ANC, SACP and Cosatu leaders yesterday as divisions between the alliance partners emerged over the union federation's proposed national strike next month

In a terse statement after the meeting, the ANC said only that it had been agreed to refer the matters discussed to the broader tripartite alliance leadership.

But an SACP leader who was at the meeting said Cosatu appeared to have "misunderstood" the implications of certain clauses in the draft constitution put forward as the reason for the strike.

Cosatu objected to the inclusion of an employer right to lock-out and security of tenure for civil servants.

The SACP source said both ANC and SACP negotiators had stressed in the negotiating council that they would not agree to any clauses which precluded restructuring of the public service and affirmative action.

He said that once negotiators had met Cosatu leadership for further discussions, the problem "would be resolved quite easily".

State acts to avert further rise

Own Correspondent 244

JOHANNESBURG. — There were strong indications that the petrol price formula would be changed soon, either leading to a cut in the petrol price or averting another increase, government and industry sources said yesterday. CT 19/10/93

An intensified review process had taken place since the government's rejection of a National Economic Forum proposal to suspend last month's 7c/llitre fuel price increase, a government source said.

Although the proposed forum to review the price mechanism had not formally been established, intense discussions were taking place. These were aimed mainly at averting protest action by trade unions and taxi federations, which are due to meet on Thursday to finalise their plans

Although the subsidisation of Mossgas did not form part of the recent price hike, this component was also being discussed.

An additional factor was the industry's offer to the forum to forgo its 0,5c/litre retail margin and its 0,5c/litre wholesale margin, which formed part of the price rise.

The restructuring process and industry's offer might allow government to decrease the petrol price by between 2c and 4c/litre.

Increased crude oil prices and a weakened rand might result in the government being unable to reduce the price, although another increase might be averted

New petrol price protest peters out

CT 19/10/93

(244)

Staff Reporter

A PLANNED three-day petrol price protest, which was to have been kick-started by a motorcade through the city centre yesterday, proved to be a damp squib when only 15 taxis turned out

Western Cape Fuel Crisis Forum co-chairman Mr Joe Sineke yesterday ascribed the failure to a lack of support from Codeta (Congress for a Democratic Taxi Association), Golden Arrow Bus Services (Gabs) and other taxi groupings

The Forum, which consists of 13 taxi associations and political organisations, including Cosatu, was formed to fight the 7c/litre fuel price increase

Mr Sineke stressed that the aim of the three-day campaign was not to disrupt commuters and that no action had been planned for peak traffic hours

Codeta, which represents 3 000 township taxi drivers, refused to attend a mass rally in Athlone Stadium on Sunday, where only 400 of an expected audience of 10 000 turned up

The township taxi association also failed to attend a Crisis Forum meeting yesterday.

Codeta secretary Mr Morris Nomala yesterday dismissed the mass action campaign as "counter-productive and disruptive to the very communities we seek to serve"

DAMP SQUIB ... Only a handful of Hanover Park taxi drivers responded to the call by the Western Cape Fuel Crisis Forum for a motorcade through the city centre yesterday to protest against the petrol price. They were stopped by police on Wetton Road and finally returned to work.

Picture CLIVE SMITH

He said Codeta was prepared to undertake protest action targeted at the government and was trying to decide on alternative forms of protest

In a statement, Gabs said they had made it clear to the Crisis Forum that they would not be party to any illegal or destructive action and denied that they were supposed to supply buses for the motorcade

● Seventeen minibus taxi operators appeared briefly in the Cape Town Magistrate's Court yesterday in connection with blockading city streets last month in a protest at the petrol price increase

No charges were put to the 17, who included a 16-year-old youth, and they were not asked to plead.

Magistrate Mr W J Faught issued warrants of arrest for five other operators who failed to appear, and he postponed the matter to November 18. The 17 accused were released with a warning.

Mr L Ackermann prosecuted None of the accused was represented

Plan to avert protest action

Govt set to act on petrol price crisis

B/Day 19/10/93

TIM COHEN

THERE were strong indications that the petrol price formula would be changed soon, either leading to a cut in the petrol price or averting another increase, government and industry sources said yesterday.

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Although the proposed forum to review the price mechanism had not formally been established, intense discussions were taking place These were aimed mainly at averting protest action by trade unions and taxi federations, which are due to meet on Thursday to finalise their plans

The formal process of discussions on the regulatory framework of the petroleum industry and the price mechanisms had broken down, but the Energy Affairs Department was nevertheless examining the issue "with gusto", the source said. (244)

The Finance Department was also involved because adjusting the regulatory framework could involve changing the taxation component of the petrol price

Although the subsidisation of Mossgas did not form part of the recent price hike, this component was also being discussed.

The source emphasised that Energy Affairs had not formalised its recommendations yet, but would do so soon

An additional factor was the industry's offer to the forum to forgo its 0,5c/l retail margin and its 0,5c/l wholesale margin, which formed part of the price rise It is understood that this offer still stands, even though the forum's package was rejected

The restructuring process and industry's offer might allow government to decrease the petrol price by between 2c/l to 4c/l.

However, Energy Affairs pointed out that crude oil and international petroleum products prices had increased significantly since last month, while the rand/dollar exchange rate had continued to worsen until the Reserve Bank intervened

This might result in government being unable to reduce the price, although another increase might be averted

Another aspect of government's plan to defuse the crisis was to give urgent attention to the taxi industry's problems. Subsidies had not been ruled out by the Transport Department, which was studying the matter, the source said.

□ Our Cape Town correspondent reports that a planned three-day protest, which was to have started with a motorcade through the city centre yesterday, proved to be a damp squib when only 15 taxis turned out They were dispersed by police. The blockade was called by the Western Cape Fuel Crisis Forum.

Fuel price may drop

AN announcement on a possible decrease in the fuel price would be made only after wider consultation had been made, Energy Affairs Minister Mr George Bartlett said yesterday. Sowetan 22/10/93

The Government proposed a 2c a litre cut in the price of petrol at a meeting of the National Economic Forum on Wednesday Bartlett said this was made possible by the Government's investigations into the structuring of the fuel price (2*) (244)

He said the Government was anxious to pass the modest price reduction on to consumers as soon as possible. -*Sapa.*

'We'll cut off your petrol supplies!'

But discounter defies government threat and vows to sell cheaper fuel

244 ARG 23/10/93

HENRI du PLESSIS
Weekend Argus Reporter and Sapa

THE government has threatened to cut off petrol supplies to branches of supermarket giant Pick'n Pay who plan to sell fuel at the cheaper price four days ahead of the official date on Tuesday instead of Saturday

A defiant Pick'n Pay has also pledged to sell petrol at even lower prices if a court decision on their coupon system was in their favour on Thursday

The dispute was sparked by the Hypermarket in Brackenfell which cut the petrol price by 2c a litre yesterday after hearing Minister George Bartlett's announcement of a 2c a litre reduction in the price, without waiting for the official date of October 30

The pump prices of petrol, diesel and illuminating paraffin will drop by 2c a litre from October 30 following Cabinet approval, Mr Bartlett announced yesterday.

A letter-faxed to the Hypermarket by Director-General of Mineral and Energy Affairs P J Hugo said Pick'n Pay managing director Gareth Ackerman should provide reasons before 6pm yesterday why the department should not obtain a ministerial decree forcing oil companies to refrain from supplying Pick'n Pay with petrol and

State submits to protest pressure

PAUL BELL and
CHRIS WHITFIELD
Weekend Argus Political Staff

THE growing muscle of the National Economic Forum in influencing economic policy was demonstrated when the government formally submitted to the NEF Liquid Fuel Task Force its proposal to drop the petrol price

The 2c/litre price cut, which includes diesel and illuminating paraffin, takes effect next Saturday. The NEF has called on "all those who raised prices as a consequence of the fuel price increase on September 15", now to reduce prices accordingly.

However, planned protests against the increase are to go ahead in spite of the cut

Cosatu said it remained committed to the programme of action — including proposed fuel blockades — agreed at the Liquid Fuel Crisis Committee summit on Thursday.

"The action will maintain public vigilance to ensure that the negotiations process delivers in the interests of workers, commuters and consum-

From page 1

Govt threat to P 'n Pay

244

Of all issues this was one which had attracted unanimous outrage among consumers, labour and business While this decrease represents at least some temporary relief, the problems and issues facing the oil industry have yet to be resolved" ARG 23/10/93

The decrease follows widespread protests against the seven-cents-a-litre petrol hike on September 15

Mr Bartlett said the two cents reduction consists of the 0,7c a litre synlevy paid to the oil industry and a decrease of 1,3c a litre in the tariff protection paid to Sasol

The minister said his department has since the release in May 1993 of its report on all aspects of government involvement in the oil industry continued with its critical scrutiny of all elements in the fuel price structure

Pick'n Pay's application to [illegible] ·ol below the regu-

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Cosatu said it remained committed to the programme of action including proposed fuel blockades agreed at the Liquid Fuel Crisis Committee summit on Thursday.

"The action will maintain public vigilance to ensure that the negotiations process delivers in the interests of workers, commuters and consumers," the trade union federation said in a statement.

NEF labour co-ordinator Jayendra Naidoo said public pressure would be kept up to ensure that negotiations on restructuring the price of petrol were in the interest of consumers.

He said that any protest actions undertaken during the course of the forum's task force investigation would fully conform to codes of conduct for peaceful protest and the Goldstone Commission recommendations.

Caltex corporate affairs spokesman Terry O'Donovan said the company was saddened by the approach of the Liquid Fuel Crisis Committee.

"We believe in negotiating in good faith.

"Any additional attempts to politicise the petrol price issue obviously have negative implications for business confidence in a very fragile economic upswing.

"This does not augur well."

The government responded rapidly to the demand by a crisis summit that by Monday it meet the NEF Task Force — whose original recommendations for a suspension of the increase it rejected — to agree to the cut and resume negotiations on a further one.

Cosatu said it welcomed the 2c/ℓ cut, the NEF's reviewing of all aspects of the liquid fuel industry, and the probe into the transport industry.

Weekend Argus Reporter and Sapa

THE government has threatened to cut off petrol supplies to branches of supermarket giant Pick'n Pay who plan to sell fuel at the cheaper price four days ahead of the official date on Tuesday instead of Saturday.

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The pump prices of petrol, diesel and illuminating paraffin will drop by 2c a litre from October 30 following Cabinet approval, Mr Bartlett announced yesterday.

A letter faxed to the Hypermarket by Director-General of Mineral and Energy Affairs P J Hugo said Pick'n Pay managing director Gareth Ackerman should provide reasons before 6pm yesterday why the department should not obtain a ministerial decree forcing oil companies to refrain from supplying Pick'n Pay with petrol and diesel.

But it was an honest mistake which happened only at the Brackenfell Hypermarket, said manager Steven MacDonald.

"We saw the report in the Press yesterday and, reacting to Mr Bartlett's call for business to pass the saving on to the consumer, immediately dropped the price by two cents," he said.

"A bit later an official and police came to see me and told me to stop selling at the reduced price I did so immediately. Only after that did we get the fax.

"Mr Ackerman told me his response was precisely what I had said It will be a bit harsh of them to cut the supply to the whole of Pick'n Pay simply because a mistake was made at one store"

Mr Ackerman could not be reached for comment and Mr MacDonald could not say whether the department had accepted the reasons given by Mr Ackerman yesterday

Meanwhile Mr Ackerman earlier yesterday announced Pick'n Pay would sell its petrol at the reduced price from October 26 and not from the October 30 date set by Mr Bartlett.

Mr Ackerman said he welcomed the decrease as a "gesture"

■ To page 3

■ From page 1

Govt threat to P 'n Pay

(244)

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ARG 23/10/93

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Mr Bartlett said the two cents reduction consists of the 0,7c a litre synlevy paid to the oil industry and a decrease of 1,3c a litre in the tariff protection paid to Sasol

The minister said his department has since the release in May 1993 of its report on all aspects of government involvement in the oil industry continued with its critical scrutiny of all elements in the fuel price structure

Pick'n Pay's application to discount petrol below the regulated price by means of a coupon scheme is still to be heard by the Supreme Court on Thursday

Protest action now in doubt

CT 23/10/93 (244) (1888)

By ANTHONY JOHNSON
Political Correspondent

PLANS for mass countrywide protests waned last night after the government buckled to mounting pressure by announcing a 2c/litre cut in the price of petrol, diesel and illuminating paraffin from October 30

The climbdown was seen as a first step towards a further reduction which may follow the outcome of an investigation into the fuel pricing structure

Pick 'n Pay managing director Mr Gareth Ackerman told the Cape Times the government yesterday threatened to cut off petrol supplies to its Brackenfell hypermarket after the outlet instituted an immediate 2c/litre cut in its pump price

The outlet yesterday complied with the order but would resume this practice next week, "because we have already got the petrol in our tanks and have chosen to take a cut in our retail price," he said

Announcing the cut, Mineral

Hopes rise for further fuel cuts after probe

and Energy Affairs Minister Mr George Bartlett said the reduction consisted of the 0,7c/litre synthetic fuels levy paid to the oil industry and a downward adjustment of 1,3c/litre in the tariff protection paid to Sasol

He also said that should any further price reductions be identified during a reactivated investigation by the National Energy Forum's Liquid Fuel Task Force into the fuel price structure, they would immediately be passed on to consumers

However, he cautioned that these possible reductions could be used to avoid further price increases

The Automobile Association welcomed the cut, saying this was the first step towards possible further reduction

The SA Chamber of Business called it a positive step to defuse the controversy surrounding last month's 7c/litre hike

Plans for widespread protests next week against the price increase may be revised following yesterday's announcement

The Liquid Fuel Crisis Committee — which has led demands for a complete roll-back of the September 17 increases — may revise its decision on mass protest actions, committee member and Cosatu campaigns coordinator Ms Lisa Seftel told Sapa

NEF labour co-ordinator Mr Jayendra Naidoo said public pressure would be kept up to ensure negotiations on restructuring the price of petrol were in the interest of consumers

The task force probing the restructuring of the fuel price should report back to the NEF on December 15

Fuel price will drop by 2c a litre this Sunday

(185) (244)

PRETORIA — Minister of Mineral and Energy Affairs Mr George Bartlett announced yesterday that the fuel price would be reduced by 2c/litre from midnight on Saturday CT 26/10/93

The reduction comprises the 0,7c/l "syn levy" paid to the oil industry and an adjustment of 1,3c/l in the tariff protection paid to Sasol

Mr Bartlett said that analysis of the composition of the Equalisation Fund levy of 7c, together with other insights had enabled the department to identify areas of potential relief — Sapa

Cosatu, taxi industry discuss protest plans

(6044)

The Argus Correspondent

ARG 26/10/93

JOHANNESBURG — Cosatu is meeting the taxi industry today to discuss action to press the government to withdraw the remainder of the 7c/litre petrol price rise

The government's decision last week to reduce the increase by 2c/litre comes into effect at midnight on Saturday, but it has failed to silence the taxi industry and Cosatu affiliates

Cape Town taxi organisations did not implement planned blockades of petrol stations yesterday

Cosatu assistant general secretary Zwelinzima Vavi said the federation would accept no less than the withdrawal of the whole 7c/litre increase, and would continue preparing for protests until the government acceded to this demand

Plans included taxi blockades, pickets, sit-ins and the occupation of government buildings

Cosatu is also organising protests from Thursday as a build-up to the November 15 strike to demand the withdrawal of the clause in the draft Bill of Rights which entitles employers to lock out striking workers.

Chain cuts 2c off petrol price

ARG 26/10/98 (488) (244)

SHARON SOROUR, Staff Reporter

SUPERMARKET giant Pick 'n Pay defiantly cut the petrol price by 2c a litre at its auto centres in Ottery and Brackenfell today, four days ahead of the date set by the government

Pick 'n Pay has also pledged to sell petrol at even lower prices if a court decision on its coupon system is in its favour on Thursday

General manager Gareth Ackerman said the decision to cut the price from today was in keeping with the way his company had always operated

"For the past 25 years, we have reacted immediately to government announcements of price cuts Similarly we have reacted to price hikes by keeping our prices down for as long as possible."

He acknowledged the situation was "slightly more sensitive" this time, but said his company should not be forced to make extra profit if it did not want to do so

Mineral and Energy Affairs Minister George Bartlett announced last week the pump prices of petrol, diesel and illuminating paraffin would drop by 2c a litre from October 30.

Department of Mineral and Energy Affairs Director-General P J Hugo was not available for comment. Department spokesman Dr G Venter said the department would comment at a later stage

BUSINESS DAY, Tuesday, October 26 1993

3

Keep petrol price protests peaceful — Business Forum

ERICA JANKOWITZ

THE Business Forum called on opponents of the fuel price increase to protest peacefully and not to interfere with the rights of citizens to "proceed with their normal activities" when pressing government to reduce the petrol price further

B/DAY 26/10/93

The forum, made up of major employer federations including Seifsa, Fabcos and Sacob, in the past expressed solidarity with groupings which urged government to rescind the price rise

The forum said that at a recent National Economic Forum meeting, all parties committed themselves to codes of conduct for peaceful protest.

"There can be no need for disruptive pressure tactics in regard to any part of business The only pressure required now for the liquid fuel industry task force to complete its work is the pressure of facts and reasons produced around the table," the forum said Also, the oil and synfuel industries had been constructive participants in negotiations which had made the recently announced 2c/l price cut possible.

The forum would seek urgent meetings with labour and taxi organisations to convey these sentiments.

Sapa reports that taxi drivers in the Border/Kei region are to embark on a week-long slowdown protest action against the petrol price from today.

Border/Kei Taxi Forum chairman Sunday Sotyelelo said taxis would travel at 10km/h below normal speed limits, with 100km/h the maximum speed.

He said the action was aimed at drawing attention to the call for a further drop of 5c/l in the petrol price, and at conserving fuel.

(244)

Meanwhile, Mineral and Energy Affairs Minister George Bartlett yesterday officially announced that the fuel price would be reduced by 2c/l from midnight on October 30 The new prices for petrol, diesel and illuminating paraffin would be published in the Government Gazette on October 29.

He appealed to the business sector to pass on to consumers any savings made possible by the price reductions.

Drop in food prices pushes CPI down

(244) (158)

CT 26/10/93

Business Editor

THE fall in inflation is due mainly to the fact that food prices have dropped with the ending of the drought — and they will soon move up again, Nedbank chief economist Edward Osborn pointed out yesterday

But he and other economists said they expected the Consumer Price Index (CPI) to resume its downward trend next year

The CPI for September, as measured by the CPI was 9,1% year-on-year compared with 9,3% in August, Central Statistical Services (CSS) figures show

The increase between August and September was 0,5% After seasonal adjustment it was 0,3%

The CSS reported "The food price increased by 2,4% from September 1992 to September 1993 This rate is one percentage point lower than the corresponding rate of 3,4% for August 1993"

But the monthly increase in the food price index was 0,8% compared with 0,4% in August

"The increase of 0,8% was due mainly to increases in the price indices for grain products (1,2 %), vegetables (2,9%) and fats and oils (2,7%) A single decrease of 0,1% occurred in the price index for fruit and nuts."

According to the CSS, food prices at chain stores increased by 2,7% year-on-year compared with those at other shops which increased by 3,1% But the monthly rate of increase in food prices at chain stores was 0,9% compared with 0,5% at other shops

Osborn said the September figure was "pretty satisfying, but we must expect it to bounce back to 9,3% in October"

This, however, should not cause alarm and despondency

Osborn explained the drought had "played havoc with the CPI" by causing "a huge climb" in the cost of fresh food — meat, fruit and vegetables — in 1991 and 1992, so that their return to more normal prices this year had caused them to show negative growth of minus 3%

Lowest

This had pushed down the CPI when in fact the underlying inflation rate without fresh food or housing would be 12,9% year-on-year

But now fresh food prices were edging up and the September CPI was probably the lowest level it would reach this year

Sanlam chief economist Johan Louw said he expected the CPI to move up to 9,5% in October and November on technical factors, because the rate of food price increases had slowed at this time last year

But there would be a big decline, possibly to 7%, in April when the effect of raising VAT to 14% passed out of the system

Pick 'n Pay vows to beat Bartlett fuel ban

244 ARCT 27/10/93

□ 2c price cut stays, says defiant Ackerman

SHARON SOROUR
Staff Reporter

DEFIANT retail giant Pick 'n Pay will continue selling cut-price petrol nationwide today in spite of a government edict forcing oil companies to cut its fuel supplies for a week

The company yesterday trimmed the petrol price at its 14 auto centres, including Brackenfell and Ottery, by 2c a litre — five days ahead of the October 30 date set by the government

Joint managing director Gareth Ackerman said Pick 'n Pay would sell petrol at the lower price, "certainly until midnight".

He said he would contact Minister of Mineral and Energy Affairs George Bartlett today to arrange a meeting, possibly on Friday

He "hoped" Pick 'n Pay had enough petrol in its tanks to last a week

The company faces the government in the Supreme Court tomorrow, when its bid to sell petrol at even lower prices via a coupon system will be heard

"The outcome will determine if Pick 'n Pay is able to continue to subsidise below the mandated retail price through the scheme, which the company believes to be within the constraints of prevailing legislation," said Mr Ackerman

In a letter to Mr Ackerman yesterday, Mr Bartlett said the company "wilfully disregarded regulations"

"Your company's actions harm your opponents, who abide by the law and compel me to take this step (of cutting supplies)"

Mr Bartlett said he was willing to reconsider if Pick 'n Pay gave him an "acceptable explanation" for its actions, or supplied "sufficient reasons" why its petrol supply should not be stopped for a week

However, Mr Ackerman said he did not expect the situation to change as Mr Bartlett had rejected compromises the company had proposed through Energy Affairs Department director-general P J Hugo

Mr Hugo yesterday gave the company one hour to conform to the fixed price or face a supply embargo of up to a month.

Mr Ackerman said he had tried to negotiate a compromise based on the fact that the company had always passed on the benefit of any price cut immediately to consumers.

Pick 'n Pay would still pay the full price for fuel, absorbing the 2c on behalf of consumers, until October 30

"What difference does it make to the government? They are not losing revenue, we are."

Threat to cut petrol supplies

(244)

BT 27/10/93

DURBAN. — Petrol supplies to defiant Pick 'n Pay boss Mr Raymond Ackerman will be cut off today if he persists in his campaign to sell cut price petrol before the official 2c/litre price drop comes into effect on Saturday.

This warning was given by energy minister Mr George Bartlett last night, following Pick 'n Pay's advertising campaign announcing an immediate 2c/litre drop in petrol prices at its garages throughout the country.

Mr Bartlett said if Mr Ackerman continued to break the law, the government would instruct fuel companies to stop his supplies for a week.

"Until the national economic forum makes recommendations that the pricing structure should be changed, I have to uphold the law," he said

Last night a defiant Pick 'n Pay joint managing director Mr Gareth Ackerman called the government a "playground bully" and said his company would not back down.

Fuel price row opens before packed court

PATRICK FARRELL and DAVID YUTAR
Staff Reporters ARG 28|10|93

A PACKED Supreme Court today heard the opening argument in a legal battle between retailer Pick 'n Pay and Minister of Mineral and Energy Affairs George Bartlett over the company's petrol pricing

A scheme, in operation at the Durban Hypermarket, entitled customers who spent more than R10 to coupons they could use at the Hypermarket's petrol station to get 7c off a litre of petrol

The minister banned the scheme on September 21 in terms of the Petroleum Products Act

Pick 'n Pay Retailers (Pty) and sister company Hypermarkets (Pty) have asked the Supreme Court to set aside the order

Director Gareth Ackerman said in papers the price at which the petrol was sold at the Hypermarket filling station remained the full price prescribed by the Act

He said the minister was under the mistaken impression that the scheme involved the sale of petrol at less than the prescribed price

Bertrand Hoberman SC, for Pick n' Pay, argued that if the minister had based his opinion on a report that concluded the scheme could force other outlets to increase the petrol price and so influence the minister to increase the general prescribed price, then such a report should have been given to Pick 'n Pay

The minister had not furnished Pick 'n Pay with the report and this was a breach of the court rule that both sides should be heard

Mr Hoberman said the minister had prohibited the scheme on the basis that it would affect the selling price of petrol But in this scheme the selling price had not been affected because the price at which petrol had been sold to the consumer was the full retail price The only difference, said Mr Hoberman, was that Hypermarkets (Pty) had paid a portion of the price

Chief executive Raymond Ackerman and his son Gareth Ackerman were in court

The hearing is proceeding with argument by counsel

Mr Justice Brand and Mr Justice Conradie are on the Bench Mr Hoberman and Willie Duminy appear for Pick 'n Pay and J van der Merwe SC and J A le Roux appear for the minister

Supermarket ends fuel cut

244

CT29/10/93

Staff Reporter

PICK 'N PAY backed down under government pressure yesterday and announced it would discontinue the sale of discount petrol fearing "threatening and unspecified steps" beyond the fuel blockade imposed by the government

Joint managing director Mr Gareth Ackerman said yesterday his petrol stations would cease their two cents a litre cheaper petrol from the start of business today "on the understanding that petrol supplies would be reinstated"

The Minister of Mineral and Energy Affairs, Mr George Bartlett, ordered a petrol blockade under the 1977 Petrol Products Act after Pick 'n Pay began sales of discount petrol ahead of tomorrow's deadline

"I would like to think that we have made the point that the legislation which exists belongs to the old days of 'grand apartheid' and sanctions and is no longer appropriate," Mr Ackerman said

"The laws governing the petrol industry have become dinosaurs that have outstayed their purpose in the greater scheme of things"

He charged that the laws governing liquid fuels were so draconian that the supermarket chain could be faced with even more severe penalties than the blockading of petrol suppplies

In a letter to Mr Bartlett, Mr Ackerman said it was inappropriate for the government to hold out on deregulation of the the oil industry

Those Pick 'n Pay outlets that sold petrol at a reduced rate in the past three days had enjoyed record turnovers and had run out of supplies

"The motoring public voted with its wheels," said Mr Ackerman

Petrol ruling reserved

Supreme Court Reporter

TWO Supreme Court judges reserved judgment yesterday on Pick 'n Pay's application to have a notice by the Minister of Mineral and Energy Affairs, Mr George Bartlett, banning a discount of 7c a litre to customers set aside

Mr Justice J H Conradie and Mr Justice F D J Brand said they needed time to consider the application by Pick 'n Pay Retailers (Pty) Ltd and Hypermarkets (Pty) Ltd to set aside the notice by Mr Bartlett prohibiting the scheme

The scheme offered customers who bought Hypermarket goods worth more than R10 a discount of 7c a litre on petrol bought at Pick 'n Pay's adjacent petrol station

Mr Bertrand Hoberman, SC, counsel for Pick 'n Pay, argued that the scheme did not increase, nor was it likely to increase the price of petrol

The selling price was not less than the official selling price so there was no basis to prohibit it

Mr J L van der Merwe, SC, counsel for the minister, said the purpose of the scheme linking goods with petrol was to sell discounted petrol This was in effect being "partners in crime" He said as the minister had wide powers it was not for the court to decide he had misjudged the matter unless he had acted in bad faith

Mr Hoberman, with Mr W Duminy, instructed by Mr D Nurek of Sonnenberg Hoffman and Galombik, appeared for Pick n Pay Mr Van der Merwe, assisted by Mr J le Roux, appeared for the minister

Fraud

CT29/10/93

News in Brief

Dog ro

CPI Fm 29/10/93

In tandem

There is little difference in the food pricing policies of large and small retailers This is clear after 17 months in which a breakdown of consumer food prices has been available from Central Statistical Service

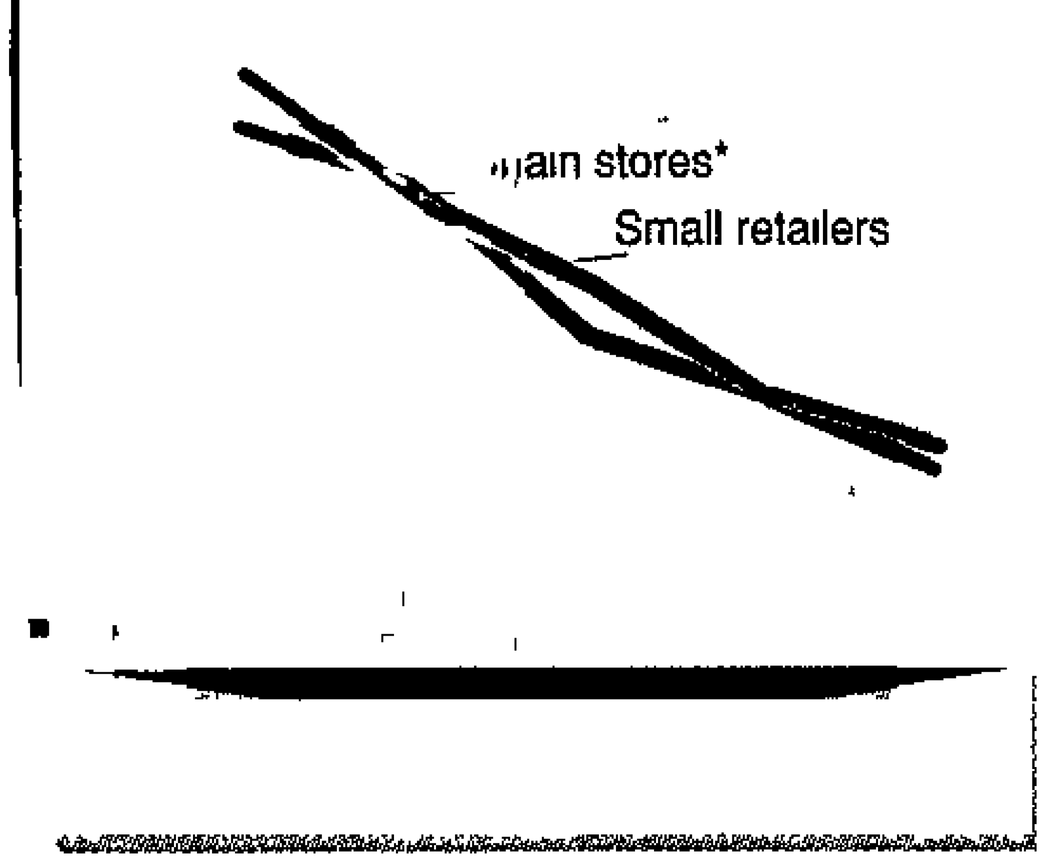
Food inflation at large (15 outlets or more) and small retailers has fallen consistently and at a similar rate (see graph) In the 12 months to September, overall food inflation was 2,4%, from 3,4% in August; 2,7% at the large chain stores and 3,1% at smaller stores The month-on-month increase at the large stores was higher at 0,9%, compared with 0,5% Overall food prices rose 0,8% in the month (244)

CSS head Treurnicht du Toit explains why overall food inflation is lower than both rates "The principle of weighted averages

cont → P42

Pressure is off

Food index of CPI, annual change



Fm 29/10/93

applies only to the indices, not to the percentage changes derived from them So it's common to see a percentage change for an overall item falling outside the range of percentage changes in the indices making up that item " (244)

The overall inflation rate for all items in September fell to 9,1%, from 9,3% in August The monthly increase was 0,5% It's unlikely that the rate will fall further until next year With dramatic declines in infla-

Fm 29/10/93

tion in the closing months of 1992, the indices for October, November and December will be measured off low bases A return to 10% inflation by year-end is therefore likely The October rate will also be affected by the petrol price increase in mid-September (prices are sampled in the first seven days of each month) (244)

But, assuming no other price shocks occur, inflation could dip to about 7% in April once the effect of the increase in the Vat rate to 14% is removed ■

Pik apology on raid and fuel price rise

ARGT 29/10/93

(244)(103)

The Argus Correspondent

JOHANNESBURG — Foreign Minister Pik Botha has apologised for the government's handling of the raid on Umtata and the petrol price rise.

Speaking at a National Party gathering in Sandton last night, Mr Botha admitted that both issues had been handled "miserably" by the government.

He said the head of the Defence Force had assured him that the Umtata house had been under surveillance for weeks and that assaults on South African citizens had been carried out from there.

The petrol price increase was inevitable but it had been handled "awfully."

He added: "The government has made some bad mistakes during the past few months and I apologise for them."

Chain store told to stop 2c/ℓ scheme

(244)

□ State 'like bullies'

ARG 29/10/93

DAVID YUTAR, Staff Reporter

PICK 'n PAY has been forced by the government to withdraw its 2c-a-litre petrol discount with immediate effect

In a letter sent to the company yesterday, Director-General of Mineral and Energy Affairs P J Hugo ordered it to stop the discount scheme which it began five days ahead of a government deadline

In an earlier letter to Pick 'n Pay chief Raymond Ackerman, Mineral and Energy Affairs Minister George Bartlett gave notice that he would prohibit the supply of petrol to the company for a week as he was "convinced" the company was "wilfully disregarding regulations".

Pick 'n Pay director Gareth Ackerman has said his company was being "treated like errant schoolchildren" and being "punished and scolded" in what was the "commercial equivalent of being gated"

He said that by constantly changing its mind, the government had "succeeded in alienating virtually every sector of society" and was "playing a local version of Russian roulette with the economy"

By its latest action it was "behaving like a playground bully", he said

Pick 'n Pay had asked Mr Bartlett for its petrol supply to be resumed in return for its compliance with the government ruling on the discount, Mr Ackerman said

Bartlett 'grossly unreasonable' on petrol discount

(255/244) ARGT 29/10/93

DAVID YUTAR, Staff Reporter

THE conclusion of Minister of Mineral and Energy Affairs George Bartlett that Pick 'n Pay's petrol discount scheme was likely to affect the general retail price of petrol was "grossly unreasonable" it was argued in a packed Supreme Court

Bertrand Hoberman SC was arguing yesterday during the supermarket chain's application to set aside the notice served on it by Mr Bartlett on September 21 to stop its petrol discount scheme immediately or have its petrol supplies cut off

The scheme, in operation at the Durban Hypermarket, entitles customers of Pick 'n Pay who spend more than R10 at the store to a 7c a litre discount on petrol supplied by the hypermarket's petrol station

This discount is paid by Hypermarkets (Pty) Ltd, a wholly-owned subsidiary of Pick 'n Pay Stores

The minister's notice banning the scheme was issued in terms of a section of the 1977 Petroleum Products Act

Mr Hoberman said the minister had prohibited the scheme under the mistaken impression that it involved the sale of petrol at less than the prescribed selling price

But, in terms of the scheme, the price at which petrol was sold to the consumer was the full retail price The only difference was that the 7c discount was subsidised by Hypermarkets (Pty) Ltd

Mr Hoberman said the conclusion on which the minister based his banning was so "grossly unreasonable" that the court was entitled to infer that he had failed to "properly apply his mind to the matter at hand"

Mr Hoberman argued that the phrase used in the section of the Act — "the selling price of petrol at any outlet" could only mean the price at which the outlet sold petrol to the consumer, not the price at which the supplier sold it to the outlet

He said the scheme's effect was not in any way to influence the selling price of petrol because the full selling price was received by the garage

Mr Hoberman said that, in deciding to ban the scheme, the minister had taken into account "irrelevant considerations", including the view that as a result of the scheme, law-abiding petrol outlets would suffer severe losses in turnover which would compel them to "revert to illegal and undesirable practices to offer cheaper petrol to customers"

Finally, he argued that the minister failed to give Pick 'n Pay a chance to see a report published recently by the Department of Mineral and Energy Affairs on government involvement in the oil industry on which the minister had based his banning action

J L van der Merwe SC, for the minister, argued that the discount scheme amounted to a "sham" by which Hypermarkets (Pty) Ltd and Pick 'n Pay colluded to sell petrol at 7c less than the prescribed price

"We submit that the court must look at the real intention of the parties concerned — in this case, to sell petrol at the discounted price in order to gain more customers"

He described the scheme as a stratagem to get around the illegality of selling petrol at a reduced price by having Hypermarkets (Pty) Ltd "cover up the difference"

"This is equivalent to an offence being committed by two parties who share a common purpose

"The object is to do what the legislature prohibits (them) from doing"

Mr Van der Merwe said the legislature had given the minister wide powers to decide when a scheme of this sort was likely, directly or indirectly, to affect the selling price of petrol

He said the aim of the Act was to "protect petrol outlets against competitors who deviated from the prescribed petrol selling price"

Mr Van der Merwe said that if the court ruled in favour of Pick 'n Pay, the company would lose no time in extending the scheme countrywide

Mr Justice J Conradie, sitting with Mr Justice F Brand, reserved judgment

Mr Hoberman was assisted by Willie Duminy and Mr Van der Merwe by J A le Roux

Demos: SAP to impound taxis

CT 30/10/93

(244)

Staff Reporter

POLICE will in future tow away all vehicles blocking public roads following taxi protest blockades countrywide.

The police vowed to impound vehicles in such protests and warned that the drivers would be prosecuted and liable for a fine of up to R20 000. 274

Vehicles would be removed by tow truck. Should this be impossible, "the vehicle will be forced open and any mechanism that prevents the removal of the vehicle will be broken," the SAP said.

Prison warders 'start violence'

JOHANNESBURG. — Prisoner representatives accused the warders yesterday of fomenting the violence in jails which has claimed three lives this week.

The South African Organisation for Human Rights warned violence in jails would "explode soon" if ill-treatment was not checked

A Correctional Services spokesman rejected the allegations.

Correctional Services Minister Mr Adriaan Vlok said yesterday by the end of August, there were 113 973 people in jail. The department can only accommodate 87 706. — Sapa

CT 30/10/93

Third Israeli

Inflation rate depends on where you live

Star 30/10/93

(244)

IT IS no secret that inflation, now gradually responding to the limiting measures of the Reserve Bank, has played havoc with household budgets in general and pensioners in particular over the past 10 years.

However, taking the national inflation figure and assuming it applies to you can be misleading

An analysis of the increase in different regions reveals significant regional differences in the rate of increase in the Central Statistical Services' consumer price index since 1982 . Bloemfontein's 228 percent increase, for instance, is a full 85 percent lower than that of top-of-the-heap Pretoria-Verwoerdburg-Akasia's 313 percent

Influenced

And the traders of Orkney definitely snork me

Prices there and in neighbouring Klerksdorp and Stilfontein have increased at a rate not far behind that of the Pretoria area The figure for the western Transvaal towns is 308 percent

Reasons for the regional variations are not always easy to find

However, Tony Twine of Econometrix says poor agricultural conditions in the OFS for much of the period might have influenced the Bloemfontein figure

Farmers, who make up a significant proportion of the population in the region, have had very little spare cash and retailers will have had to trim their margins to attract what business was available

Startling regional variations revealed

DAVE CUMMING

"On the other hand, one could say that while the farmers have been losing money, the lawyers have been making it," Twine quips

Another reason why Bloemfontein and East London (278 percent) reflect relatively low figures could be that they are both areas in which there is comparatively low industrial activity where people have access to the "casual" food sector They might buy a significant proportion of their food directly from farmers and smallholders

Since food has easily been the most rapidly accelerating item in the CPI over the decade — and since it also forms a significant part of the index — this would be reflected in the lower figures

One of the most puzzling figures is that for the mining communities in the Klerksdorp area Many people have lost their jobs through mine shutdowns and there is little to suggest that retailers could sustain higher margins

However, a possible explanation is that there is comparatively little competition — which keeps prices down — in the area

The high figure for the Pretoria-Verwoerdburg-Akasia area is probably explained by the fact that many of the inhabitants of the area are public servants who have had secure employment over the period

Also, their housing subsidies will have tended to keep property prices and rental accommodation relatively high, influencing that section of the CPI

CSS now also keeps separate figures for the increase in the CPI for pensioners, which makes a five-year analysis possible. This reveals a shocking picture, since many pensioners are on fixed incomes

11 regions

Top of the list here is the Port Elizabeth-Uitenhage region, where the CPI increased by 91 percent The Cape Town area (90 percent) and East London (89 percent) were not far behind The national figure was 89 percent

The 10-year percentages for the 11 regions covered by CSS were as follows Bloemfontein 228, OFS Goldfields 280, Vaal Triangle 281, Klerksdorp, Stilfontein-Orkney 308, Witwatersrand 293, Pretoria-Verwoerdburg-Akasia 313, Durban-Pinetown 274, Kimberley 265, East London 278, Port Elizabeth-Uitenhage 286 and Cape Peninsula 293

Petrol decision undercuts NEF

wm 8-14/10/93 (244)

The government's hardheaded move over the petrol price rise could lead to mass protests and undermines the National Economic Forum, reports **Reg Rumney**

THE cabinet decision not to "roll back" the fuel price hike is a grave blow to the emerging consensus politics that the National Economic Forum (NEF) represents.

And it could lead to a renewal of damaging mass action by the labour movement. The African National Congress and the Congress of South African Trade Unions have already intimated that mass action in reaction to the decision is on the cards.

The decision, announced by President FW de Klerk himself on Wednesday night, to stick to the unpopular fuel price hike was clearly designed to signal to the electorate that the government still holds the reins of power.

But to do so, the government had to undermine the NEF, alienate the two biggest private power blocs in the country, organised business and labour, and risk the economic damage that accompanies mass action.

Given the widespread unpopularity of the fuel price hike, the decision is a strategic gamble.

Centre for Policy Studies director Steven Friedman notes that choosing this particular terrain for a showdown raises doubts about the government's strategic competence.

"They seem to believe their constituency wants them to be in charge at all costs."

The government reversal comes a week after the NEF recommendations on the government's submission to the General Agreement on Tariffs and Trade was accepted without question.

An examination of what was actually proposed by the NEF on the fuel price shows the cabinet decision was not, as De Klerk claimed, motivated by a desire to protect consumers.

The NEF proposed a temporary roll-back of the fuel price from October 14 to December 15 while an NEF task force examined the structure of the fuel price — not a permanent halt to the price increase.

George Bartlett ... Unpopular decision

It was agreed that an outcome of the NEF task force investigation could be an increase or a decrease in the price of fuel.

The NEF did not propose, as the government has made out, to deplete oil reserves permanently.

It proposed to pay back the money derived from the sale of strategic oil reserves to replenish them, through a 1,5c levy added to the fuel price on January 14 — all other things being equal.

The signs that the government did not consider the NEF proposal binding — even though it had been hammered out by representatives of business, labour and government — began to emerge at the NEF fuel price summit on Monday. Mineral and Energy Affairs Minister George Bartlett was equivocal on whether he supported the recommendation as it stood, reiterating that the cabinet had the final decision.

He also seemed to be suggesting last minute changes to the proposal. Among other things, Bartlett said the government would need to know to what extent a price increase has already worked its way through to commodities. He gave the example of a newspaper having announced an increase due to the increased price of distribution.

He said the roll-back could not be done on October 14 and that it should remain in place until January 14.

Delegates, including Cosatu president Sam Shilowa, were insistent that the proposal be taken as it stood to the cabinet. Bartlett then claimed he had merely raised questions that the cabinet would ask him.

Taxi industry delegates were particularly aggressive in their assertions that the fuel price hike should be reversed, and seemed to understand the NEF proposal as binding. This means their disappointment at the cabinet decision is likely to be channelled into renewed protests.

Taxi industry delegates said their protests had been merely suspended and not called off.

NEF co-ordinator Debra Marsden notes that during the negotiations the government representatives of the task force were emphatic that the proposal would be taken back to its principal, the cabinet. While she regards the move as purely political, she considers it a matter of different negotiating style that the government went back on what seemed to other delegates like a foregone conclusion.

On previous occasions the NEF's proposals were accepted, notably the recent GATT offer. But from the beginning of the NEF it has been unclear whether its decisions are binding on the parties, or whether it is an advisory body.

The government from the start regarded it as an advisory body. Cosatu has insisted it is a negotiating body and not an advisory body.

Shortage sends rice price up

PRETORIA. — The price of American white rice is to increase by up to 25% from Monday as a result of a worldwide rice shortage, a retail chain warned yesterday.

A Shoprite Checkers spokesman said that from Monday retailers would have to pay rice suppliers 25% more for American rice and 10% more for thin-grain Thai rice. He addded that consumers could benefit for a short while from the group's plan to buy in bulk. — Sapa

2144

e ● Call unit price now 23,3c

Telephone rates up 6,6pc next month

Sowetan 3/12/93

LOCAL telephone rates would increase by an average 6,6 percent from January 1, Telkom managing director Mr Danie du Toit announced yesterday.

This means the price of a call unit would increase from 21,5c to 23,3c; installation costs from R222,81 to R241,68; and rental in automatic exchange areas from R34,20 to R38,76.

The increases were below next year's predicted inflation rate of about nine percent, Du Toit said.

The unit cost of calls made from coin phones remains unchanged for the third consecutive year.

Du Toit said Telkom had put aside R90 million to provide services to the underprivileged.

A detailed billing system would be phased in from January next year.

Installation charges and rentals for telex and teletex services, rates for all public telegrams (domestic and international) as well as most rates for international services also remained unchanged. (244)

But rates for telephone calls to certain neighbouring countries for which domestic rates applied because the same distance was covered, would be adjusted.

Du Toit said the tariff adjustments were necessary to cover rising expenditure.

Larger increases were avoided through increased productivity, he said. —*Sapa.*

'Good chance' that fuel price will drop soon

(244) ARG 6/12/93

TOS WENTZEL
Political Staff

THERE is "a good chance" that the petrol price will come down soon, says Minister of Mineral and Energy Affairs George Bartlett

He said a reduction depended on a meeting today of a task force of the National Economic Forum

The task force was set up to deal with the oil price structure after the controversy over a 7c-a-litre increase, which was reduced to 5c

The Democratic Party spokesman on energy affairs, Roger Hulley, today urged the minister to restore the previous petrol price level

He said the sharp fall in crude oil prices due to overproduction made it possible

Mr Hulley said this should be done immediately as people were setting off on holiday

Some economists have suggested a decrease of 6c to 8c a litre but Mr Bartlett said this was "over-optimistic" at this stage He hoped a decrease could be announced before Christmas

Crude oil prices have fallen to a five-year international low The rand has also firmed against the dollar recently.

A Department of Mineral and Energy Affairs spokesman said the in-bond landed cost of petrol had also come down This made a price decrease even more possible as the petrol price was based on this and not on the price of crude oil

A recommendation on a lower price may be submitted to the cabinet this week.

Closer links with Zim signalled by talks

CT 6/12/93

MESSINA, Far Northern Transvaal — The first meeting in 13 years between top officials from South Africa and Zimbabwe ended here yesterday with both sides expressing satisfaction with the talks

Minister of Foreign Affairs Mr Pik Botha and African National Congress national chairman Mr Thabo Mbeki met Zimbabwe's Foreign Minister Mr Nathan Shamuyarira, paving the way for closer links between South Africa and its northern neighbour

The only concrete decision to come out of the talks was an agreement to immediately lengthen the hours at the Beit Bridge border post It will now be open from 5.30am to 10.30pm daily

Mr Botha described the meeting as "historic"

'New era'

"This is an indication of the normalisation process between Zimbabwe and South Africa It is the beginning of a totally new era in our relations"

He said he was pleased the days of being political antagonists were over

Mr Shamuyarira said Zimbabwe would like to

Petrol price cut

'A definite scope for reduction,' says Bartlett

244

SUN LOVERS Yesterday's warm weather drew crowds to Peninsula beaches, although law enforcement officials said there were fewer people than expected Here sun lovers are seen enjoying themselves at Fish Hoek Beach

Picture STEWART COLMAN

By EUNICE RIDER CT 6/12/93

THE petrol price could be reduced before Christmas, but a cut of between 6c/litre and 8c/litre predicted by an economist would be "a little over-optimistic at this stage", Mr George Bartlett, the Minister of Mineral and Energy Affairs, said last night.

Mr Bartlett was responding to comments by Transnet economist Mr Mike Schussler in the Sunday Times that there was scope for an immediate 6c to 8c/litre cut in the petrol price because oil prices had fallen by 18% in rand terms since September's petrol price hike.

Mr Bartlett said there was "a definite scope for reduction" but disagreed with the suggested figure

"The tremendous overproduction of crude oil in the Organisation of Petroleum Exporting Countries, as well as the possibility of embargoes being lifted against Iraqi oil in the near future, have caused the price of petrol to tumble to a five-year international low over the past two weeks," Mr Bartlett said.

Also, the rand had firmed against the dollar in recent weeks (from 3,44 to 3,37).

"Hopefully we will be able to announce a decrease in the petrol price before Christmas"

George Bartlett

Mr Bartlett said he had discussed the possibility of a decrease with members of the National Economic Forum's task force on the fuel industry They would probably discuss local fuel pricing today

Mr Bartlett said he doubted the task group would be able to investigate all regulations surrounding the liquid fuel industry by the December 15 deadline

"However, progress has been made and my department will be able to make recommendations on pricing by the end of the week."

Mr Roger Hulley, DP energy spokesman and MP for Constantia, said he felt a decrease was "well overdue"

"The minister should restore the previous petrol price level as a matter of urgency," said Mr Hulley

"The price was decreased by two cents shortly after September's 7c/litre increase and so effectively he owes the public a decrease of at least 5c/litre."

Drop in petrol price looks likely

BY ESTHER WAUGH
POLITICAL CORRESPONDENT

Cape Town — South Africans could get an added Christmas bonus with a slight decrease in the petrol price. Star

A spokesman for the Ministry of Mineral and Energy Affairs said today the decrease could be announced after Wednesday's Cabinet meeting. 6/12/93

The ministry spokesman said the chances of a decrease in the petrol price were "more than reasonably good". (244)

But such a move is dependent on recommendations by the National Economic Forum's special task force which meets today.

The spokesman added that it was unlikely that the decrease could be as high as 6c or 8c per litre as has been speculated.

Petrol price cut 'feasible'

EDWARD WEST

TRANSNET economist Mike Schussler has disputed Mineral and Energy Affairs Minister George Bartlett's claim that a predicted 6c/l-8c/l cut in the petrol price is optimistic. B/Day 8/12/93

Schussler said yesterday there was room for a cut of about 8c/l, on the strength of the in-bond landed cost. (55)(244)

The cost for 93 octane petrol yesterday was 47,894c/l — nearly 9c lower than the landed cost element in SA's fuel price structure set in September when the last fuel price rise was announced.

Other charges making up Reef petrol pump prices — including transport, wholesale and retail margins, customs and excise duties and the MVA and NRSC levies — totalled 117,3c/l.

After adding these charges to yesterday's landed cost, and a further 7c/l for the Equalisation Fund to protect SA from sudden world oil price movements, there was ample room for a cut, Schussler said.

The fuel price could also fall because SA no longer had to pay "extra" for its oil, following the lifting of the oil embargo by the UN yesterday.

Schussler said there was also no reason why world oil prices should not decline further in the absence of effective Opec action.

Prices had already fallen 30% in dollar terms since March.

Opec had shifted its focus to market share and petrol prices had fallen recently in countries including the US, Thailand and New Zealand.

Singapore, from where SA's prices were based, would soon start competing with Korean refineries, forcing Singapore refinery margins down from 40% to 15%-20%.

Landing costs included wharfage, landing, insurance, shipping and leakage.

Schussler also used refinery postings at BP Singapore, Caltex Bahrain, Mobil Jurong and Shell Pulau Bukom to determine an average price.

☐ The Liquid Industry Task Force, charged with reviewing the liquid fuel industry, would report its findings to the National Economic Forum processing committee today, seven days before the report was due, the forum said yesterday.

Petrol price decision after Wednesday

(244) (168)

Political Staff

MOTORISTS will have to wait until after next Wednesday's cabinet meeting for a "slight" decrease — probably 2c a litre — in the petrol price, Mr George Bartlett, Minister of Mineral and Energy Affairs, said today. ARG 9/12/93

The National Economic Forum's task group on petrol has compiled a report on the petrol price, guided by the over-recovery of a few cents at the pumps, and the 18 percent drop in the international crude oil price, which is now at its lowest mark in five years.

One of the factors working in South Africa's favour is that the Opec countries cannot agree among themselves on figures.

Mr Bartlett and his department are looking at the report, and will in turn report to a cabinet committee on Monday.

Telkom must explain rise, says union

Star 9/12/93

■ BY ZINGISA MKHUMA
CONSUMER REPORTER

The South Africa National Consumer Union (Sancu) has challenged Telkom's advancement of the telephone tariff increase date from April to January 1994, and called on both Telkom and Government to give consumers a "transparent" reason for this.

Sancu chairman Lillibeth Moolman said the 6,6 percent increases on local telephone calls was a punitive measure for cash-strapped consumers.

The increases — of one call unit from 21,5c to 23,3c — were announced by Telkom managing director Danie du Toit last week.

Telephone installation costs will also rise from R222 to R241, and rentals will go up by more than R4 a month.

Du Toit said the increases were lower than the 9 percent inflation rate projected for next year. (244)

Moolman disputed this and argued that this was a second increase in a year, (rates went up by 9,9 percent and 3,6 percent in April 1 and 7 respectively), which would mean an overall increase of 14 percent.

Sancu believed that Telkom owed the public an explanation as to why the tariffs were being revised in January.

Latest on petrol price

Star 9/12/93

OWN CORRESPONDENT

Cape Town — Motorists will have to wait until after Wednesday for a "slight" petrol price decrease, Minister of Mineral and Energy Affairs George Bartlett said today.

He added that in future the price of petrol was likely to change every two or three months. (2244)

The National Economic Forum's task group on petrol has compiled a report on the petrol price, guided by the over-recovery at the pumps of a few cents, and the 18 percent drop in the international crude oil price, now at its lowest mark in five years.

Bartlett and his department are looking at the report, and will report to a Cabinet committee on Monday. The full Cabinet should discuss the petrol price on Wednesday.

Bartlett said that with the present "slight" over-recovery on petrol sold at the pumps, "we should be lowering the price of petrol".

The extra price paid at the pumps was not going into the coffers of petrol companies, Bartlett said, but on to a slate to offset any future increase.

With the lifting of oil restrictions, the price of petrol would go up and down much more frequently than in the past.

Under sanctions, the Government kept the pump price fairly stable because, Bartlett said, it did not want the world to know too much about the country's oil position.

"The price of petrol at the pumps did not reflect the frequent variations occurring in the market, which we would have had if there was a totally free market.

"In future you will find a pump price that reflects the international price of petrol. It will go up and down much more rapidly, every two or three months."

Bread up nine cents from Monday

CT 11/12/93 244

Staff Reporter

THE price of white and brown bread is set to rise by nine cents a loaf from Monday after three major bakeries yesterday announced they were upping their prices in the Western Cape

The local increase follows an increase of five and six percent nationwide from December 1.

Mr Ray Murray, the general manager of perishables for Pick 'n Pay, said both Albany and Blue Ribbon bakeries had announced they would increase their prices by nine cents a loaf on Monday.

"Their new price on white bread will be R1,84 for white and R1,51 for brown," he said

Mr Murray said he was "very unhappy" at the latest 6% price hike coming in tough times and bakeries should keep their prices down, especially over Christmas.

Bakeries, he said, were supposed to be competitive but they seemed to agree on price hikes when there was no government control on prices.

Mr Murray said his company would keep bread at the old prices of R1,78 for white and R1,45 for brown until January 16

Mr Wikus van Rensburg, manager at Sasco in Worcester, yesterday confirmed that the company was increasing its price by nine cents a loaf from Monday in line with increased prices of major producers in Cape Town

A spokesman for Albany Bakery at the end of November told the Cape Times that it was unlikely his company would put up the bread price in the Western Cape before Christmas

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Inflation tidings mixed

Star 13/12/93

By DEREK TOMMEY

The latest production price indices contain cause for cheer and for concern.

The good news is that the downward trend is continuing.

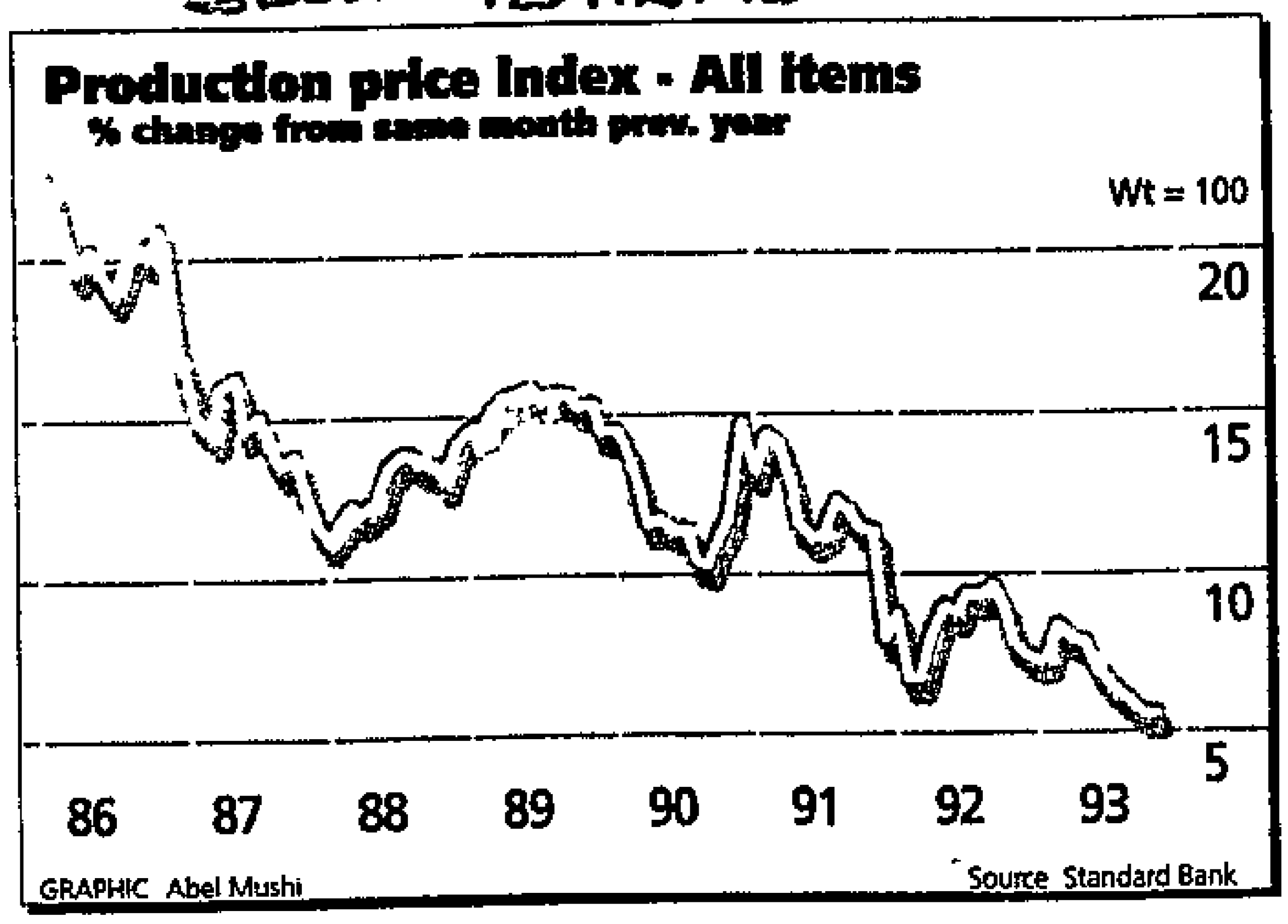
The annual growth in the index for all commodities for South African consumption slowed to 5,4 percent in the year to October from 5,5 percent in the year to September.

The increase between September and October was 0,4 percent — equal to an annual rate of less than 5 percent, and suggesting that a further decline is likely in the November figures as well.

The bad news is that South African prices are still rising faster than overseas prices, which means there can be no let-up in the campaign against inflation.

The production price index for locally produced commodities for South African consumption showed a year-on-year increase of 5,7 percent in the year to October, against 5,9 percent in the 12 months to September.

Against this, the prices of imported goods for local consumption grew by only four percent in the year to October



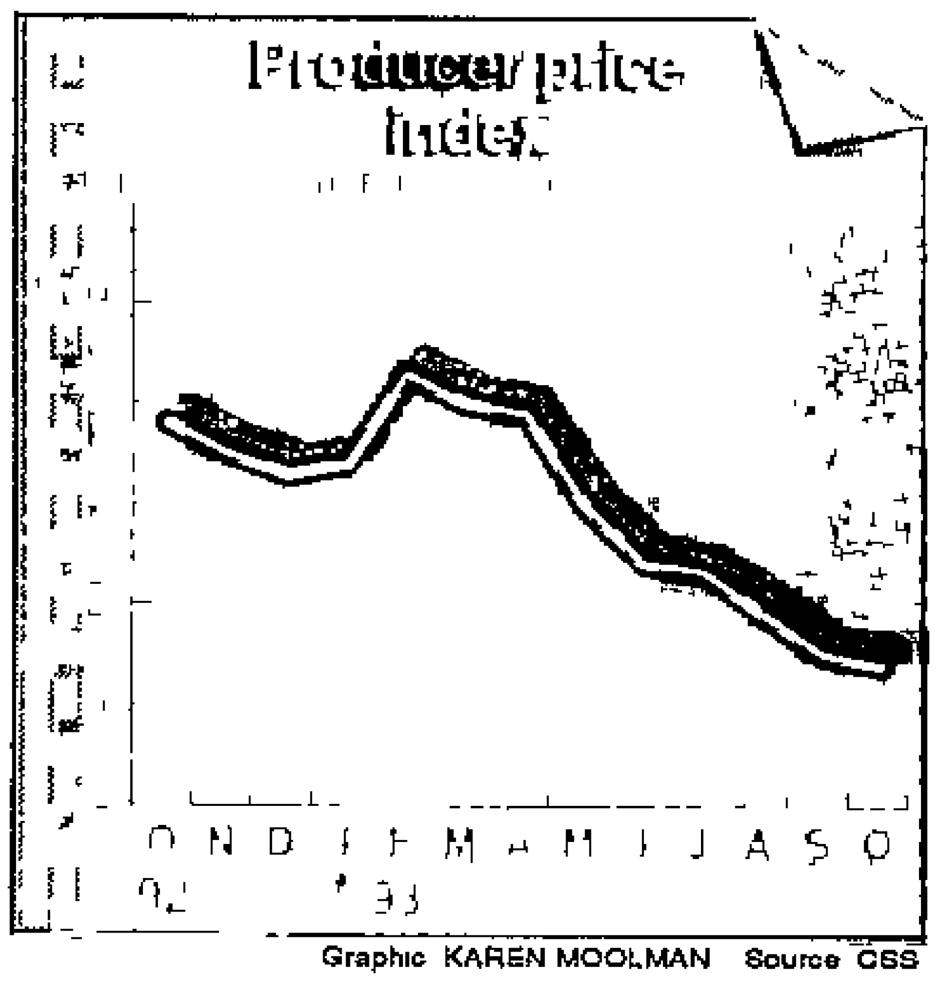
This marks a seeming deterioration from the 3,8 percent increase in the 12 months to September. (244)

But the Central Statistical Service reports that the increase in the cost of imported goods between September and October was 0,3 percent — or just over 3,7 percent on an annual basis.

It says that seasonally adjusted, imported prices actually fell by 1,3 percent between the months of September and October.

South African commodities showing major price increases in October were forestry products (1,9 percent), leather and leather products (4,1 percent), footwear (2,1 percent), petroleum and coal products (2,6 percent), basic metals (1 percent), transport equipment (2 percent) and scientific instruments (2,6 percent)

Prices of food products and equipment and products used in mining and quarrying declined in October.



Graphic KAREN MOOLMAN Source CSS

Rand, oil slow PPI's downward trend

B/Day 14/12/93

KELVIN BROWN

THE downward trend in producer inflation slowed in October as the producer price index felt the effect of the weaker rand and higher oil prices earlier in the year.

Latest Central Statistical Service figures showed producer inflation — as measured by the producer price index (PPI) — was little changed in the year to October at 5,4% (5,5%). The month-on-month increase was up at 0,4% from 0,2% in September.

Economists said the figures were in line with market expectations as the price changes were measured in the first week of October — before the recent strengthening in the rand and the fall in international

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PPI

B/Day 14/12/93

☐ From Page 1

oil prices. This came through in the imported component of the index which rose an annual 4% (3,8%). Inflation of locally produced commodities continued to decline to 5,7% from September's 5,9%. 244

Economists predicted producer inflation would decline for a few more months as the recent stability in the rand and the lower oil prices took effect, but they warned the downward trend would bottom out once the economy gathered strength.

Absa economist Adam Jacobs said the latest figures boded well for inflation at the consumer level which lagged the performance in PPI by several months.

But he said producer inflation could start moving up next year, reaching an average of 6,6% for the year if the economy picked up and the rand continued depreciating "Producers would take advantage of any mild upswing to increase prices after margins had been severely squeezed during the recession."

Southern Life chief economist Mike Daly said producer inflation was also benefiting from disinflationary forces in SA's main trading partners. This could change next year when producer inflation in the country's main trading partners would turn as most of these countries were expected to double their growth rates.

Petrol price could drop

CT 15/12/93

By ANTHONY JOHNSON
Political Correspondent

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AN announcement on a cut in the petrol price could be made today

Mineral and Energy Affairs Minister Mr George Bartlett yesterday confirmed that the fuel price would be discussed at today's cabinet meeting.

An announcement could be made at a press conference later in the day, he said

The price of petrol has tumbled to a five-year international low over the past few weeks and the rand has also firmed against the dollar, improving prospects of relief for holiday motorists.

But earlier this week Mr Bartlett described suggestions by economists that the price of petrol could drop between 6-8c/litre as "a little over-optimistic at this stage" The minister has confirmed that he has discussed the possibility of a decrease with members of the National Economic Forum's task force on the fuel industry

The price of petrol was increased by 7c/litre in September but reduced by two cents shortly afterwards following an outcry from political parties, labour unions and the public.

Two cent fuel price cut by Christmas

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ARG 15/11/93

Political Staff

THE price of petrol is to go down by 2c a litre before Christmas.

Mineral and Energy Affairs Minister George Bartlett confirmed that the issue would be discussed at the weekly cabinet meeting but he declined to say how big the reduction would be and when it would come into effect.

However, a top government source indicated that a 2c a litre decrease as soon as possible would be announced later today It would take a few days to come into effect as the independent states — Transkei, Bophuthatswana, Venda and Ciskei — had to be informed and pump adjustments were necessary.

Today's cabinet meeting will have before it a recommendation from the liquid fuel task group of the National Economic Forum that the price should be cut by 2c a litre.

The cabinet is being cautious about the adjustment because it fears the price may have to be put up again when oil prices start rising after having been at their lowest level for years.

Mr Bartlett said today that petrol prices could be expected to fluctuate more frequently in future in accordance with oil price fluctuations. Oil companies also felt this should be the case

One of the reasons why the petrol price had in the past been so stable was that in times of sanctions the government did not want to give an indication to the outside world of the country's supply position by adjusting prices.

At a Press conference today he may also, for the first time, make public where South Africa obtained its oil in the embargo years.

The NEF task group began probing the petrol price amid the uproar that followed Mr Bartlett's decision to push up the price by 7c a litre in September He subsequently announced a 2c a litre cut.

The NEF group, due to present its report on the price structuring of the industry, recommended a further cut of 2c a litre

Petrol price drop fuels deflated feeling

CT 16/12/93

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BOTH the Autmobile Association and the business community have expressed disappointment that the petrol price has been reduced by only 2c/litre — instead of "at least 5c/litre" — and expressed doubts that this will curb inflation

The AA's general manager of public affairs, Mr Robin Scholtz, said the full effect of the lower crude oil prices had not yet filtered down to the motorist.

Economists approached by the AA said R1,72c/litre would be a more realistic price for premium petrol upcountry than the R1,78c/litre price effective from tomorrow

The South African Chamber of Business (Sacob) said the price reduction would not have much impact on commercial transport and production costs because it had not been extended to diesel fuel.

Sacob said SA's large import bill would be slightly reduced

It believed the lifting of the oil embargo would enable South Africa to bring its fuel prices in line with international market trends.

The price cut was also welcomed by the Cape Town Chamber of Commerce (CTCC), but it wondered whether the cut was not "more politically than economically motivated".

The head of the CTCC, Mr Roland Hudson-Bennett, said the 1,1% decrease in the price of petrol was "very much a political gesture", which would have no effect on bringing down the inflation rate. The business community had expected a 5-6c/litre decrease.

Mr Albert Schutmaker, assistant director of the chamber, said he hoped the decrease would be reflected in the Consumer Price Index.

"It's important to note that when the price was increased in September there was a slight upturn in the inflation rate

"We hope to see the decrease reflected in the Consumer Price Index too," he said

Another petrol cut on the way

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BT 16/12/93

By ANTHONY JOHNSON
Political Correspondent

THE 2c/litre cut in the petrol price from tomorrow will herald an era of more frequent adjustments to the price of petroleum products.

Motorists could receive further relief as early as the middle of next month if the present decline in the dollar price of petroleum and the favourable rand/dollar exchange rate continue, Mineral and Energy Affairs Minister Mr George Bartlett said yesterday.

The minister said the collapse in crude oil prices had resulted in an over-recovery for petrol of 2c/litre in November. This had increased to 5c/litre in recent weeks.

Review

He hoped that this could lead to a further review of the price by mid-January, with possible price adjustments every three to four months to ensure that the petrol price reflected the market situation.

The cabinet had agreed to a National Economic Forum recommendation that movements of international petroleum products would be monitored continuously and price reductions would, whenever sustainable, be passed on to consumers as quickly as possible.

"An appeal is made to the business sector to pass on to consumers any saving made possible by fuel price reductions," Mr Bartlett said.

● Petrol price drop fuels deflated feeling — Page 5

Petrol price drop 'could not be 5c'

(244) ARG 17/12/93

Political Staff

MINERAL and Energy Affairs Minister George Bartlett has rejected suggestions that the reduction in the petrol price could have been 5c a litre because of a drop in crude oil prices.

Mr Bartlett said that while crude oil prices had dropped by 18 percent since September, the pump price of petrol in South Africa was based on what it would cost at current market-related prices to land petrol at South African ports.

The pump price was not based on the crude prices.

Only 60 percent of South African petrol requirements were based on crude oil.

Forty percent of liquid fuel used was made from either coal or offshore gas and condensate by Sasol and Mossgas, he said.

When crude oil-based international petroleum fuel prices dropped 1c a litre, only 0,6c would be passed on to motorists because South Africa's synthetic fuel received protection on 40 percent of use.

Petrol station owners lose out

Staff Reporter

PETROL station operators countrywide who bought petrol at the old price will lose millions of rands following the decrease of two cents a litre announced by the Minister of Mineral and Energy Affairs Mr George Bartlett on Wednesday. (244) (483)

A petrol station operator in the southern Cape who bought 60 000 litres at the old price says he lost R1 200 when the decrease came into effect yesterday.

The operator, who does not wish to be named, said he would now have to sell 7 692 litres to make up his loss and claims he was not informed of the two cents decrease before it came into effect CT 18/12/93

He accused the government of being "inconsiderate" to service station operators who would not be compensated for their losses

"We play an important part in combating unemployment and can't afford the losses," he said.

A spokesman for the Department of Mineral and Energy Affairs said normal procedures were followed when introducing the latest price adjustment.

When prices were increased operators made a profit that compensated for losses when the price was cut, an industry spokesman said

'Lower oil prices will improve inflation rate'

(244) CT 27/12/93

Own Correspondent

JOHANNESBURG — Oil prices are expected to drop below $10 a barrel next year as world demand fails to keep pace with increasing oil production levels, analysts say

This will be good news for SA's producer inflation rate as oil prices carry a weight of 19,5% in the imported component of the Producer Price Index

Consumers and producers could benefit further as the expected deregulation of the local fuel industry would make it easier for the petrol price to come down in tandem with lower overseas oil prices

International oil prices have been falling since mid-October Brent spot reached a level of $13,44 a barrel just before the Christmas weekend.

Mathison & Hollidge economist Tracy Ledger said last week that there was still downside potential in oil prices Prices were very low as demand for petroleum had fallen this year for the first time in a decade

She predicted that oil prices could fall to $9 next year — a level not seen since the mid-1980s

"Although the worst of the winter in the northern hemisphere has not yet arrived, most countries have already bought forward for this period"

Production was unlikely to fall as major producers were unwilling to switch to lower output levels

New Year gift for motorists on cards as Brent crude plummets to $13,23 a barrel

Fuel price expected to drop soon

Star 31/12/93

(244)

A FURTHER 3c/litre cut in the fuel price is expected as oil hits rock-bottom

■ **BY NORMAN CHANDLER**
PRETORIA BUREAU

The Government could be on the verge of giving the country a welcome New Year present — a possible 3c/litre drop in the price of petrol as well as cuts in diesel and paraffin costs.

The fuel price reduction may come into effect in the next two or three weeks as a result of crude oil prices dropping sharply on overseas markets this week.

From a high of $20 a barrel for Brent crude, the price plummeted to a five-year low of $13,23 yesterday.

Government sources were unclear yesterday as to when a decision would be taken, but indicated that the fuel price was under constant review and would be adjusted "soon".

Indications are that the petrol price cut could be as high as 3c/litre, but this could not be confirmed in Pretoria yesterday.

The possibility also exists that there will be further cuts over the next few months.

The price of 93-octane petrol in the PWV area is currently standing at R1,78/litre after it was reduced by 2c/litre on December 16.

The decision leading to that cut came after a decline in international prices.

South Africa's petrol prices have been seesawing for months, with the price climbing steeply to R1,85/litre in August, and dropping in September, November and December.

There were massive protests against the August increase, including blockades in city centres by taxi owners.

South Africa currently has crude oil reserves of about 77 million barrels, worth about R3,25 billion and representing about eight months of oil requirements.

In London yesterday, February futures for Brent — which is the international benchmark for oil prices — fell to their lowest level since November 1988.

The international recession has limited demand for petroleum, traders say, adding that output from North Sea oilfields has hit a record 5 million barrels a day.

Bread price set to rise

CT 1/11/93

Own Correspondent

244

DURBAN — The price of bread is expected to rise between three and four percent within the next month to accommodate millers' and bakers' sky-rocketing transport and labour costs

This was confirmed by a spokesman for Durban's BB Cereals who added, that today's 6,2% wheat price increase by farmers would not affect the price of bread

The bread price is no longer fixed by the government and costs vary from one retailer to the next

Fuel: Retail group relents

CT 11/1/93

Own Correspondent

DURBAN — The petrol price battle between the government and Pick 'n Pay was resolved at the weekend when the retail chain agreed to charge the price prescribed by the government

Supplies to its filling stations were also resumed

(244)

Pick 'n Pay joint managing director Mr Gareth Ackerman said yesterday he had assured Energy Affairs Minister Mr George Bartlett that he would not drop the petrol price again this week or once the chain's supplies were resumed

"We did not believe we were breaking the law but were merely implementing the government's price cut a few days early," he said

Taxis 'should supply petrol'

TAXI groups should be encouraged to take over existing service stations to provide low-cost fuel to their members, Energy Affairs Minister Mr George Bartlett suggested yesterday.

Speaking at the Motor Industries Federation annual conference in Cape Town, he said he had resisted pressures to allow minibus taxi owners to operate petrol outlets and had, in fact, imposed a moratorium on all privately-owned installations until the situation was fully assessed.

These installations could have a negative effect on existing petrol outlets and lead to the closure of many service stations, he said. 2141

One solution might be for taxi groups to take over existing service stations.

Mr Bartlett said a factor the government had taken into account in retaining a higher fuel price was that the increase had already worked its way through the economy and affected the price of goods.

CT 3/11/93

"It would have been very difficult, if not impossible, to reverse these impacts and in the end the consumer would be placed in double jeopardy should the price have to be raised again in December."

He said he was convinced that the decision not to accept the original proposal of the National Economic Forum — that the increase be held over to December — was the appropriate action and would be in the best long-term interests of the economy.

Fate of discount petrol plan to be decided today

(244)

CT 4/11/93

Supreme Court Reporter

JUDGMENT will be given in the Supreme Court this morning in an application by Pick 'n Pay to have set aside a notice by Minister of Mineral and Energy Affairs Mr George Bartlett banning a petrol discount scheme

The scheme offers customers who have bought Hypermarket goods worth more than R10 a discount of 7c a litre on petrol bought at the adjacent petrol station operated by Pick 'n Pay Retailers

Pick 'n Pay counsel Mr Bertrand Hoberman, SC, argued last week that Mr Bartlett's decision had been "grossly unreasonable"

The Petroleum Products Act clearly distinguished between "purchase price" — which he contended was the price paid for petrol by the purchaser, in this case a Hypermarket customer — and "selling price", the price received by the seller or the Pick 'n Pay petrol station.

The law appeared to provide for a scheme which could influence the price paid by the purchaser but not that received by the seller, Mr Hoberman said

Mr J L van der Merwe, SC, for the minister, argued the court should take into account that the real aim of the coupons were to sell petrol at a discounted price

Pick 'n Pay's motive was to attract more customers and by adding a condition that they must buy goods worth more than R10 to qualify for the coupons, customers ended up spending more, he said

Chainstore loses petrol price feud

183 244

ARG 4/11/93

PATRICK FARRELL
Supreme Court Reporter

PICK'n Pay today lost its Supreme Court battle with Minister of Mineral and Energy Affairs George Bartlett to sell petrol at a discount.

The scheme, in operation at the Durban Hypermarket, entitled customers who spent more than R10 to coupons giving them a 7c-a-litre discount for petrol bought at the Hypermarket's petrol station.

The minister banned the scheme on September 21 in terms of the Petroleum Products Act.

Pick'n Pay Retailers (Pty) Ltd and sister company Hypermarkets (Pty) Ltd applied to the Supreme Court for an order setting aside the ban.

Today Mr Justice Brand, with Mr Justice Conradie concurring, dismissed the application with costs, including the cost of two counsel.

Mr Justice Brand said Pick'n Pay had argued that the ban should be set aside for three reasons:

- That the decision behind the prohibition was so manifestly wrong and grossly unreasonable as to warrant the inference that the minister had failed to apply his mind.
- That the minister took into account irrelevant considerations when coming to his decision.
- That the decision was not taken in accordance with the tenets of natural justice in that Pick'n Pay was not given an opportunity for its side to be heard.

Mr Justice Brand found he could not agree with the argument advanced by Pick'n Pay's counsel Bertram Hoberman SC on these points.

The judge found the version by J van der Merwe SC, for the minister, was more acceptable.

"It is apparent from the minister's papers that in his view a scheme which allows a customer to purchase petrol at a discount in fact allows the customer to purchase petrol at less than the prescribed selling price and therefore falls within the ambit of the relevant section of the act which he used to justify banning the scheme.

"This line of reasoning can, in my view, hardly be described as being unreasonable."

The judge said that even if the minister's reasoning could be faulted, it was not so unreasonable as to warrant the reference that he did not apply his mind.

Mr Hoberman and Willie Duminy appeared for Pick'n Pay. Mr Van der Merwe and J A le Roux appeared for the minister.

Decision on sale of fuel 'disappointing'

THE Supreme Court's decision to uphold the government ban on Pick 'n Pay's discount petrol scheme was very disappointing, joint managing director of the Pick 'n Pay group Gareth Ackerman said today.

Outside court soon after judgment, he said Pick 'n Pay would study the judgment before deciding whether to appeal.

"We are very upset, disappointed, we think we've been robbed," he said.

"We knew from the start the whole thing was based on what's in the minister's mind, and whatever's in his mind, he can do. We thought our legal arguments were good enough to get round the minister's mind."

Pick 'n Pay would be "totally unable" to continue the discount scheme at its Durban hypermarket.

"We're going to have to wait for another round before we can do something else," he said.

Mr Ackerman described the Petroleum Products Act, under which Energy Affairs Minister George Bartlett issued the prohibition, as "extremely tight and very draconian".

However, the court case had been another nail in the coffin of petrol regulation — Sapa

Post office boxes to go up 10%

12/11/93

PRETORIA — Annual rentals for private post office boxes and private postal bags are to be increased by an average 10% from January, the Post Office announced yesterday

Senior general manager postal business, Mr Willie Joubert said rentals had not been adjusted at the general rates increase on April 1, and the Post Office was trying to keep rate increases linked to inflation

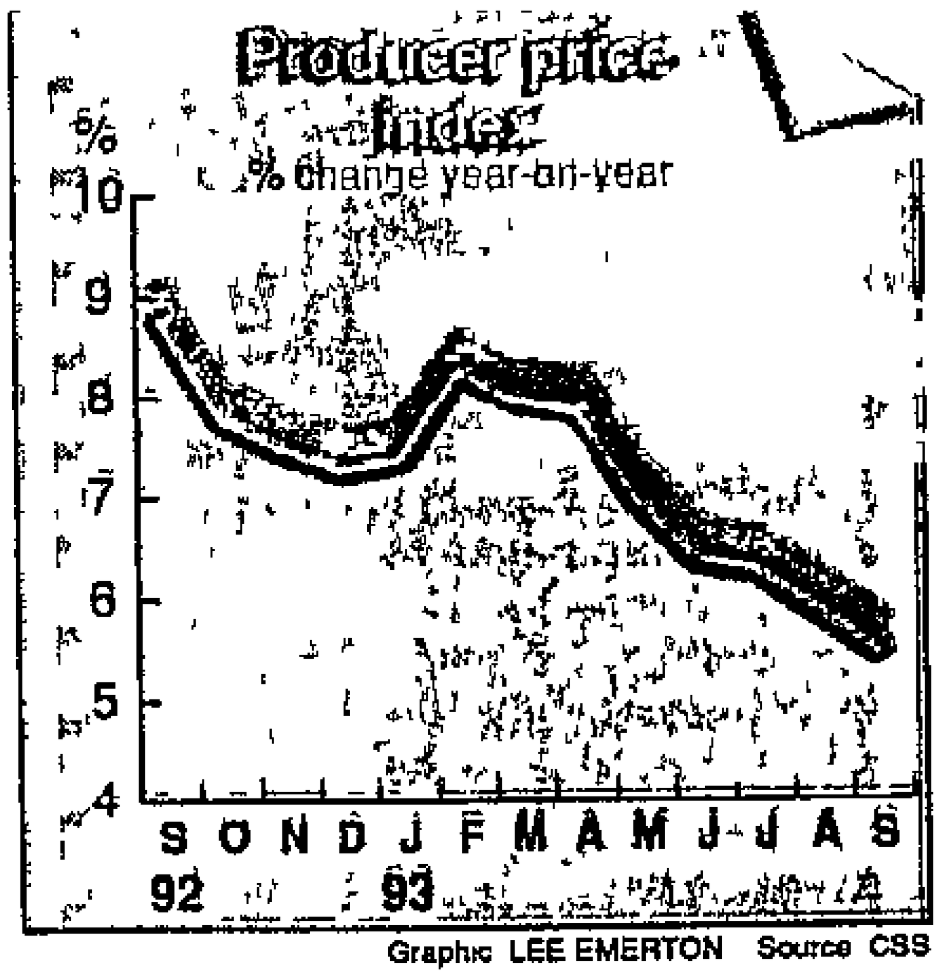
Rentals for small private post office boxes would rise by R3 to R33, by R6 to R66 for medium-sized boxes and by R10 to R110 for large boxes Annual rentals for private bags would be increased by R6 to R66

Initial lock-and-key fees for boxes at mail collection points and transportable postal lobbies would be R15

The Post Office had established a new poste restante service in areas with no post office boxes or street deliveries, Mr Joubert said

Temporary post restante services, used mainly by travellers, would remain free of charge

The Post Office would in future get annual updates on people's addresses to ensure correct mail delivery, Mr Joubert said — Sapa



Graphic LEE EMERTON Source CSS

Producer inflation hits 20-year low

B/Day 12/11/93

KELVIN BROWN

INFLATION at the producer level dropped further to 5,5% in September, the lowest level in more than two decades.

Figures released by the Central Statistical Service yesterday showed the year-on-year percentage change in the producer price index (PPI) eased for the seventh consecutive month to 5,5% from August's 5,9%. The monthly rise slid to 0,2% (0,5%).

Economists said a fall in the percentage change of the imported component of the PPI — which carries a weighting of 19,5% — helped pull inflation down. The annual rate of increase for imported commodities sank to 3,8% (4,5%). The fall in locally produced goods was less at 5,9% (6,2%).

UAL economist Dennis Dykes said imported price inflation appeared to be dropping due to zero producer inflation among SA's main trading partners and an easing in oil prices. (244)

Oil, in the mining and quarrying products category, has the fourth highest weighting in the PPI at 7,6%. In the year to September the percentage change in this catagory dropped to -6,5% (-5,4%).

Dykes said the lower oil prices and zero producer inflation overseas appeared to outweigh the effect of the rand's 16% depreciation against the dollar.

But producer inflation could be reaching the turning point.

"We might get one more month of falling inflation after which it should start rising slowly as the index comes off a low base."

Mathison & Hollidge economist Tracy Ledger expected imported inflation to contract further in October when the rand strengthened 3% and oil prices fell further.

Inflation edges slightly higher

Star 25/11/93

■ BY CLAIRE GEBHARDT

Consumer price inflation (CPI) edged higher in October for the first time in six months, according to figures released by the Central Statistical Service yesterday.

The annualised CPI in October rose to 9,4 percent from 9,1 percent in September.

This is the first upward movement in the CPI since the VAT increase in April pushed inflation to 11 percent.

Economists said yesterday the slight uptick had been expected, given the September 15 petrol price increase, and that it was not cause for concern.

Food prices increased by 2,9 percent year-on year, largely as a result of higher price rises for vegetables, fruits and nuts, fats and oils and grain products.

The inflation rate for pensioners is 9,5 percent — 0,1 percentage points higher than the official inflation rate.

Frankel Pollak Vinderine economist Mike Brown said month-on-month figures were fairly volatile and that November's inflation figure could fall to 8,8 percent on lower interest rates and the slight cut in petrol prices.

December's figure, however, could move back to 9,4 percent because of statistical problems.

"There was virtually no increase in the inflation rate between November and December last year."

Brown said he expected inflation to fluctuate between 8 percent and 9 percent in the early part of 1994 and to fall back to 6 percent or 7 percent in April when VAT falls out of the figure

(244)

"Another VAT increase in the Budget in August could however push inflation up marginally."

Southern Life economist Mike Daly said inflation figures continued to be encouraging and underlined the fact that SA was in a disinflationary squeeze as a result of tight monetary policy.

"The good figures are helping prevent inflationary expectations and wage settlements are becoming more realistic, in line with the tough economic conditions prevailing."

Daly said he was forecasting an average inflation rate next year of between 7,5 percent to 8 percent — which would be a 20-year low.

Increase in price of bread condemned by retailer

Star 27/11/93

THE price of white and brown bread is to be increased by 5 and 6 percent respectively, according to Pick 'n Pay marketing director Martin Rosen, who described the increase as appalling and said it was "just another example of collusion and price-fixing in the industry".

"We cannot understand why, when the cost of wheat increased 3,44 percent on November 1, the price of bread increases by 5 and 6 percent," he said.

2(ii)

Unacceptable

He added that the price of white bread had increased by 23 percent and brown bread by 21 percent over 12 months. 3 wheat

"As a staple food, this increase — way above the rate of inflation — is unacceptable."

Rosen said Albany and Blue Ribbon bakeries had announced the increase "within minutes of each other".

"It suggests that competition in this industry is simply non-existent. As with many other industries, collusion only breeds price increases that ultimately knock the consumer where it hurts most," he said. — Sapa.

Cheaper oil may lead to fuel cut

CT 30/11/93 (244)

Political Staff

THE price of petrol may drop as a result of a decrease in the oil price, the Mineral and Energy Affairs department said yesterday

A collapse in the oil price which has seen it drop by more than a dollar to the barrel and the stable rand/dollar rate has fuelled speculation that a drop in the price of petrol is probable

The department said the Liquid Fuel Task Force of the National Economic Forum was considering all elements of the petrol price

"Should any sustainable benefit to the consumer result from these deliberations, it will undoubtedly be passed on," the department said.

'Not a snub'

Meanwhile, a department spokesman denied that Mineral and Energy Affairs Minister Mr George Bartlett was snubbing the international oil conference in Cape Town

The minister would be attending various aspects of the function, and would be using the opportunity to speak privately to some of the delegates, the spokesman said

● Reports — Page 10

Two more bakeries raise bread prices

Star 30/11/93

BY ZINGISA MKHUMA
CONSUMER REPORTER

The recent bread price increases announced by four major bakeries would bring distress to consumers, SA National Consumer Union chairman Lillibeth Moolman said last night.

She was reacting to announcements that Sunbake and Boerstra bakeries had increased the price of both brown and white bread by 9c per loaf. At the weekend, Albany and Blue Ribbon bakeries said they would put up the price of white and brown bread by 5 and 6 percent, respectively.

Moolman said the bakeries probably lifted their prices in response to the wheat price rise earlier this month But, whenever the price of a basic commodity — such as bread — went up, there were serious repercussions for consumers. 244

"We have always maintained that the industry must exercise discipline and not increase their prices before Christmas when consumer demand is already high," she said.

The increases — the second round this year — were slammed by Pick 'n Pay marketing director Martin Rosen as "appalling".

He added that they were "just another example of collusion and price-fixing within the industry". Indeed, Rosen said the increases suggested that competition in the industry was "simply non-existent".

He said: "As with many other industries, collusion only breeds price increases that ultimately hit the consumer where it hurts most."

The recommended selling price is R1,57 for brown bread and R1,88 for white bread.

SA Chamber of Baking Industry executive director Nic Alberts said at the weekend that each bakery could determine its own prices.

Two more bakeries raise bread prices

KATHRYN STRACHAN

TWO major Transvaal bread suppliers, Sunbake and Boerstra, are to increase the price of brown and white bread by 9c a loaf. B/Da4

The increases follow an announcement last week of higher prices by the Albany and Blue Ribbon bakeries.

Sapa reports Sunbake MD Dave Gradidge said the increase was caused by higher wheat prices and labour costs.

A Chamber of Baking official said as the bread price had been deregulated, each bakery and bread supplier determined its own increases. 30/11/93

The increases were condemned by Pick 'n Pay marketing director Martin Rosen as "appalling". They were just another example of collusion and price-fixing in industry, he said.

"We cannot understand why, when the cost of wheat increased 3,44% on November 1, the price of bread increases by 5% and 6%," said Rosen.

Over the past year the price of white bread had increased 23% and brown bread 21%. "For a staple food, this increase — way above the rate of inflation — is unacceptable," he said.

Operation Hunger executive director Ina Perlman said the increase on a basic staple food drove more and more people below the level of sustainable healthy living. (24.4)

Book publishers to fight new 'tax on knowledge'

WM 26/11-2/12/93 (244)

Publishers are preparing to challenge a 20 percent surcharge on imported books which will see inflated prices skyrocketing even further, reports Mondli waka Makhanya

A GOVERNMENT proposal to introduce a 20 percent surcharge on imported books is meeting angry resistance from publishers, who warn that it will cripple the book trade.

Publishing industry bosses met yesterday to map out a strategy to fight the surcharge. They argue that they will have to pass the surcharge on to consumers, causing book prices, already high due to the weak rand, to skyrocket.

What has further incensed book publishers is that they only came to know of the proposal, which appeared in the *Government Gazette* two weeks ago, by accident. The *Gazette* gives the book trade six weeks in which to lodge objections to the surcharge, which is supposed to come into effect in January.

"That means we now have only four weeks in which to formulate a response," said Penguin Group managing director John Allen, who is also an executive member of the Publishers' Association of South Africa.

The recommendation for the surcharge came from the Printing Industries Federation of South Africa, which is feeling a squeeze as local publishers increasingly take advantage of the cheaper paper and more advanced colour printing techniques available overseas. A lot of local publishers have been sending typeset books to be printed abroad — particularly in the Far East — and then importing them back into the country.

"I'm not sure if the printing industry looked at this thing carefully. It is going to have a huge impact at retail level because 40 percent of the books sold in this country come from overseas," said Allen.

It is, however, not difficult to understand why the printers are requesting protection from the state. They are already subjected to a 10 percent duty on imported paper, which is meant to protect local paper manufacturers from foreign competition. They also have to contend with declining business as publishers send books overseas for printing and binding. Some paper manufacturers have been practising what is known as import parity pricing, whereby prices are inflated to just below import price.

"We have jobs to protect and a balance of payments account to think about," argues the Printing Industries Federation's Eric Kühl

But book publishers argue that the surcharge on foreign books will stifle local publishing rather than encourage people to do their printing at home. In terms of the intricate economics of the book trade, sales of imported books cross-subsidise those that are printed and bound locally.

Hard hit will be educational books, such as encyclopedias, dictionaries, bibles and text books, of which a substantial portion come from abroad.

A Juta representative pointed out that universities and technikons would feel the pinch as most of their prescribed books come from the United States and Britain.

The surcharge also contradicts a proposal, sent by the Board of Trade and Tariffs (BTT) to the General Agreement on Trade and Tariffs (Gatt) earlier this year, that should it consider imposing a surcharge on books, the ceiling would be 10 percent. But Kuhl says the BTT did not take Gatt into consideration because the surcharge would only provide "temporary relief"

But the book industry's main argument against the surcharge is a moral one. The trade feels it should be exempt from duties since this is effectively a tax on knowledge. And with a change in government next year, a major priority of the new authority will be to combat illiteracy.

"Books are not a commodity They are products with a unique quality," said Maskew Miller Longman MD Mike Peacock.

'Impartial' policeman dropped

Farouk Chothia (276)

A KWAZULU policeman who was apparently making progress in investigating the recent massacre of 11 African National Congress supporters in Nquthu in Northern Natal has been pulled off the case.

KZP spokesman Warrant Officer Bongubuhle Ngidi confirmed that Lieutenant Wesley Mbatha has handed over the investigation to Captain V Ngcobo.

ANC activists in Nquthu expressed dismay at the decision claiming Mbatha was an "impartial" policeman whose investigations led to the arrest of four people in connection with the massacre. The ANC supplied the names of the four WM 26/11-2/12/93

But Ngidi said the KZP had arrested only two people — one of whom appears on the ANC's list

A local ANC leader said. "We suspect a cover up. Our information is that four people were arrested."

Ngidi said it was "normal procedure" for Captain Ngcobo to take charge of the investigation as he headed a special unit which dealt with such "serious cases"

PRICES – GENERAL

1994

CPI FM 7/1/94

Drifting down

Two factors will moderate inflation in December-January One is the effect of lower mortgage rates, announced in November Central Statistical Service points out "The interest rate of only one institution was decreased before November 7" The sample survey is always conducted in the first week of the month so most of the benefit of the latest drop in the pattern of interest rates will be seen only in the December figures The second is the recent 2c/l reduction in the fuel price which will be captured by the price survey this week (244)

Last year ended on an encouraging note The latest figure shows November inflation at 9,2%, down from the previous month's 9,4%. And, in the month, prices rose only 0,2%

Major influences were housing, with a weighting of more than 20% in the CPI, and food with a weighting of 18,64% The housing index rose only 3,1% over 12 months and remained static in November; food rose 3,9% over 12 months and 0,7% in the month

In some categories 12-month inflation is still in double digits·

- Transport prices, with a weighting of 14,43% in the total index, rose 14,2% over 12 months In the month, the increase was only 0,2% following the earlier adjustment in the fuel price of 2c/l;
- Medical care & health expenses, weighted at 5,22%, rose 12,5% but was static in the month,
- Fuel & power, weighted 3,26%, rose 13,1%, static in the month;
- Household operations, weighted 2,57%, rose 15,9% — 0,8% up in the month

A breakdown of food inflation, by type of outlet, shows that chain store prices rose 4,3% over 12 months and 1% in the month, those of other retailers rose only 3,6% and 0,4% ■

Argus-TML plan is called off

(243) CT 14/1/94

By ARI JACOBSON

TIMES Media Limited (TML) and the Argus group would not proceed with proposals for restructuring that had been put before the Competition Board as part of measures to de-link the groups, it was announced yesterday

The steps would have included the sale of the Cape Times.

In a joint statement, TML and the Argus said "shareholders of both groups were advised that discussions aimed at separating the interests of the groups and broadening the ownership base had been in progress for some time and will continue".

However, the groups would "not proceed with the tentative proposals discussed with the Competition Board".

Financial director of TML Mr Lawrence Clark said he could not discuss the reasons for "abandoning" the proposals. He said these had been initiated by the Argus group

"I am aware that the Argus stated in its annual report that the intention was to decentralise the ownership of the English press and that, I believe, is what they are trying to achieve."

Argus chief executive Mr Doug Band reportedly said last night that a new round of talks would take place.

Earlier yesterday, Competition Board chairman Mr Pierre Brooks said "diversified control will be

To page 2

From page 1

TML plan

preferred in the media industry".

He said the latest restructuring proposals meant "no dramatic changes would have taken place to the status quo of press control".

Mr Brooks said Western democracies had adopted "stringent" laws on media ownership.

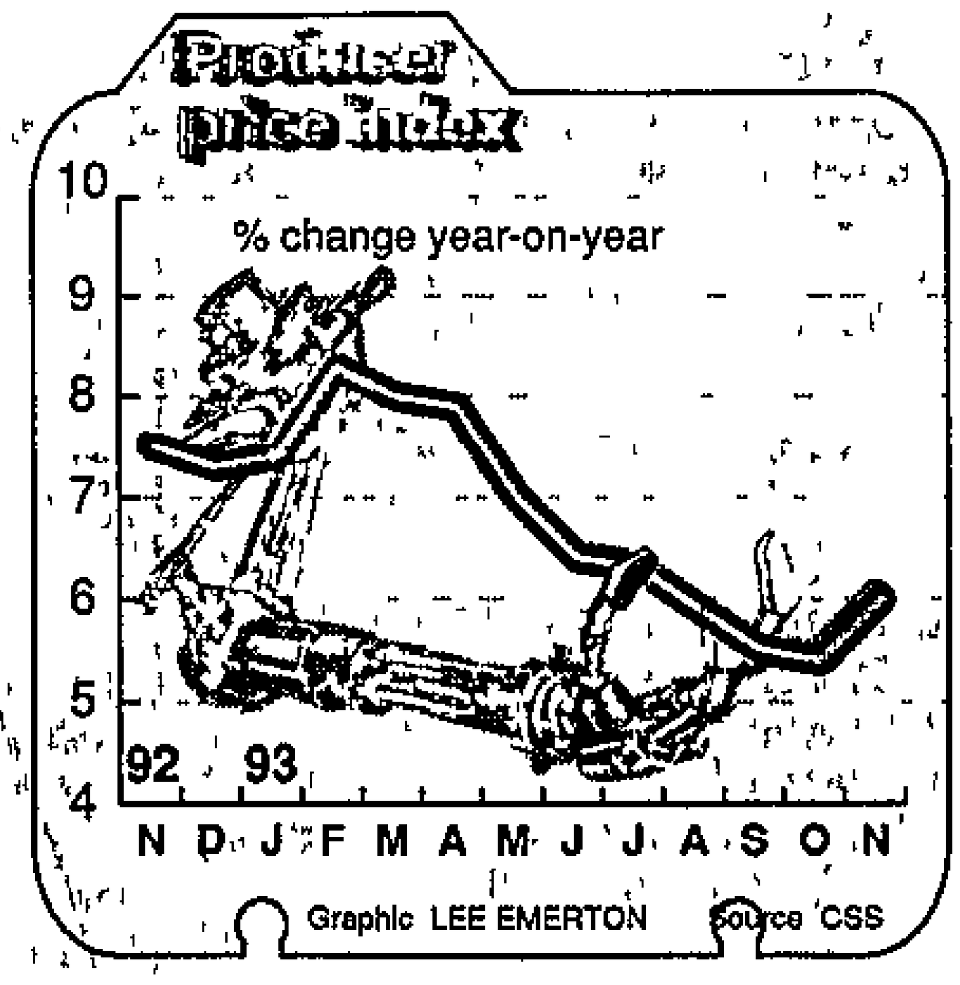
He said a document relating to possible restructuring of the two groups had been "substantially" correctly reported in the press. (243)

"The outcry was not worth it — they were not changing anything," he said CT 14/1/94

Sowetan editor Mr Aggrey Klaaste said "in the quest for truth in this country, many independent media voices are needed"

ANC spokesman Mr Carl Niehaus said the ANC would be in favour of "serious unbundling"

The proposed restructure included TML selling its 30% stake in the Cape Times, its 45% stake in The Pretoria News and its 30% in the Natal newspapers to the Argus.



Technical basis to producer price rise

BIDAY 19/1/94

KELVIN BROWN

THE first rise in producer inflation in nine months did not indicate a change in the trend as technical factors were behind the latest pick-up, economists said

Yesterday's Central Statistical Service figures showed that the percentage change in the producer price index rose to 6% in the 12 months to November from a previous 5,4%. The monthly rise was 0,6% against 0,4% in October. (244)

Economists said the month-on-month increase had a big effect on the yearly figure as the index came off a very low base.

In November 1992 there was virtually no change in producer prices, with a month-on-month rise of 0,1% (0,5%) The latest monthly rise was virtually unchanged from the 0,5% average increase in producer prices in the first 10 months of last year.

Rand Merchant Bank economist Rudolf Gouws said the November figure indicated the level of underlying inflation A demand side push was expected only in 1995.

"Inflation should remain subdued in 1994, hovering around the 5% to 7% range."

AHI economist Johan Rossouw said producer inflation could fall to less than 6% as inflationary forces remained subdued

The month-on-month rise in the imported component was higher at 1,2% from 0,3% because of a rise in the price index of crude oil. On an annual basis imported inflation was up to 4,4% (4%) in November.

Prices of locally produced commodities were up an annual 6,4% from 5,7% in October, but the month-on-month increase was only marginally higher at 0,5% (0,4%).

Producer prices on the rise

Star 19/1/94

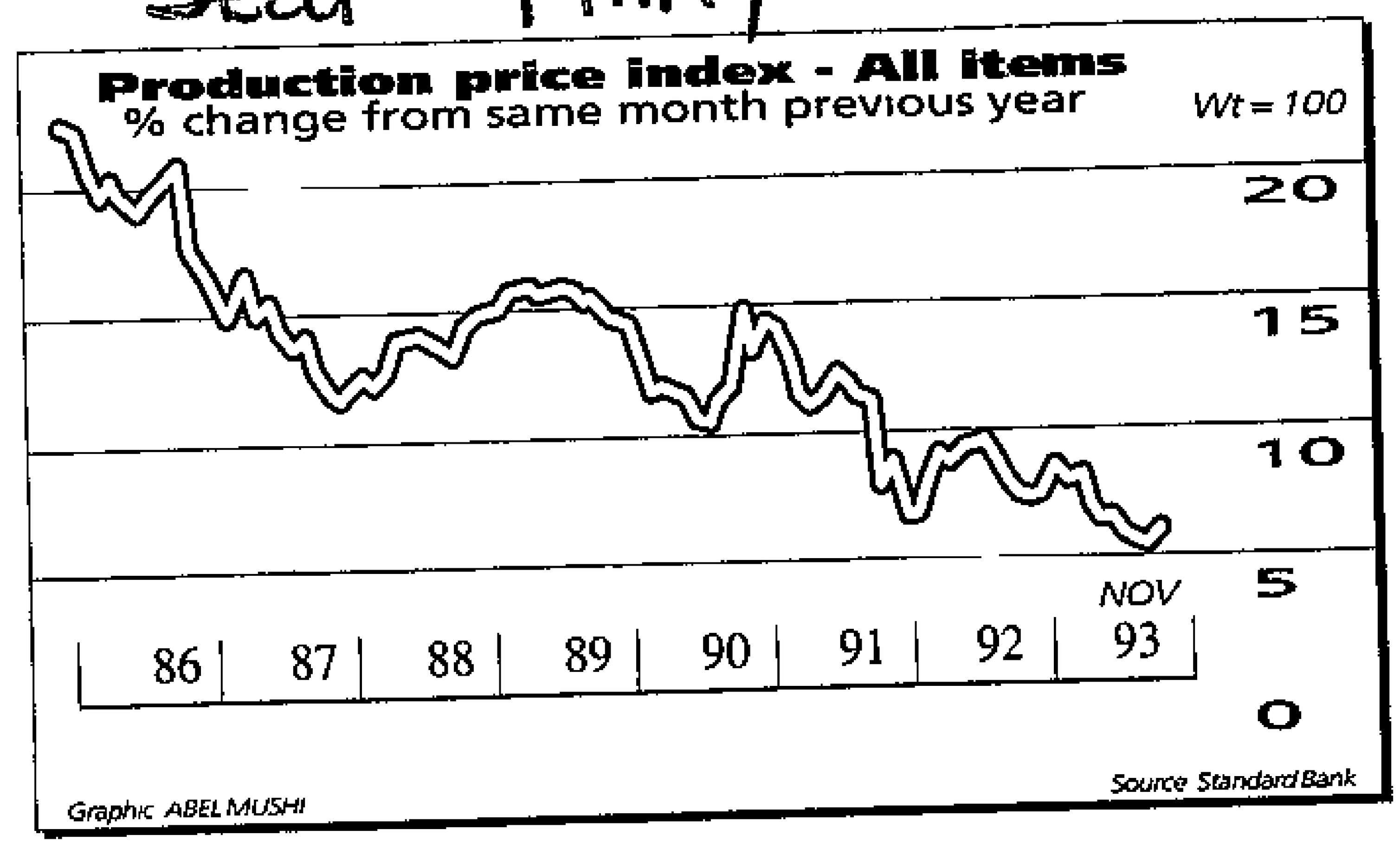
■ BUSINESS STAFF

The producer price inflation rate accelerated slightly last November, rising to six percent, compared with 5,4 percent in October On a monthly basis, between October and November, producer prices rose by 0,6 percent (244)

The Central Statistical Service said yesterday that imported commodities had risen by a relatively large 1,2 percent in November, mainly due to a higher price index for crude oil The annual increase for imported commodities was 4,4 percent

The price index for locally produced goods rose 6,4 percent, compared with November 1992, and 0,5 percent compared with October 1993

Sharp monthly hikes were recorded by agricultural products (3,1 percent), food at manufacturing level (1,4 percent) and transport equipment (1,7 percent)



Business Report

PPI edges up to 6% as import prices rise

CT 19/1/94

(244)

By MAGGIE ROWLEY
Deputy Business Editor

AN increase in import commodity prices saw the Production Price Index edge up to 6% year on year in November from 5,4% the previous month.

According to figures released by Central Statistical Services yesterday, the month-on-month increase for all commodities in November was at 0,6% against 0,5% for the previous month.

Locally produced commodities rose 6,4% in November from 5,7% the previous month, registering a month-on-month increase of 0,5%.

Import commodities, which were up 4,4% year-on-year against 4% the previous month, showed a month-on-month increase of 1,2%.

CSS ascribes the month-on-month increase in import commodities to an increase in the price index for crude oil — which has perplexed many economists as there has been a downward trend in oil prices in recent months.

They said the only possible explanation was that prices paid on futures contracts exceeded market prices.

Old Mutual economist Johan Els said that the month on month increase in the all-commodity index of 0,6% was in line with the average monthly increase of 0,5% for the first 10 months. The monthly average for the first 11 months remained unchanged at 0,5%, he said.

The increase in the domestic component was attributed by CSS to relatively large increases in the price indices for agricultural products, transport equipment and food manufacturing.

The November PPI figures in spite of the slight increase, still pointed to a continuation of the downward trend in the Consumer Price Index, Els said.

He forecast that CPI for December would come in at 9,3% — giving an average for 1993 of 9,7% against 13,9% in 1992. This would be the first year of single digit inflation since 1973 which was at 9,4%.

PPI for December was expected to be around 6% — giving an average PPI figure of 6,7% for the year against 8,2% for 1992.

The downward trend in inflation was firmly entrenched with the underlying inflation rate — excluding VAT and the volatile food and housing components — running at round 7,4%, he said.

Els forecast an average inflation rate of 7,5% for 1994.

FNB economist Cees Bruggemans forecasted CPI for December falling to around 9% and to below 7% in the first part of this year, reaching the 5% range in the third quarter. PPI, he forecast, would average around 5% to 6% for 1994

JSE actuaries indices

Wine, spirits prices 'should be steadier'

Business Staff

RETAIL prices of wine and spirits should steady this year after a decision by the KWV not to raise producer prices.

In an attempt to boost sales in a tight market, the KWV Board decided to maintain last year's minimum producer prices for wine in 1994.

KWV chairman Pietman Hugo announced this in Paarl yesterday after a meeting of the 12 directors representing 4 800 wine farmers in the eight KWV districts.

The price of natural wine remains unchanged at R1,28 per litre.

(2144)

Liquor retailers welcomed the news, which they said would help to keep prices down.

ARGT 20/1/94

Shoprite Checkers hiked prices the least, survey finds

B/Day 27 1 94

(2441)

MARCIA KLEIN

SHOPRITE Checkers increased its prices the least between November 1992 and December 1993, according to a Housewives' League survey.

The survey found that Shoprite Checkers increased the price of selected grocery and meat items by 3,5%, while the OK's prices rose 4,4% and Pick 'n Pay's 8%.

Pick 'n Pay, the OK and various analysts said the survey indicated that price increases at supermarkets seemed to have slowed to well below the rate of inflation

However, they queried the results, saying the increases did not correlate with their own calculations. They said the sample of about 30 products was extremely small, and not representative of inflation at supermarkets.

Their own calculations were based on thousands of different products. There were significant price fluctuations at certain times of the year, which were not taken into account.

The Housewives' League grocery list included basic products such as milk, bread, eggs, mealie meal, sugar, margarine and basic cleaning items The total for meat was a kilogram of rump, brisket and lean mince

However, it did not specify what brand names were used for the survey.

In terms of the 30 grocery items measured, Shoprite Checkers' were 4,7% higher in December compared with the previous year, while Pick 'n Pay's were 4,9% and the OK's 6,1% higher.

According to the survey, Checkers Shoprite did not increase its meat prices, while Pick 'n Pay increased its meat prices 18%, and the OK's meat prices declined 0,5%.

Pick 'n Pay joint MD Rene de Wet said his group's internal inflation was currently around 4%, compared with more than 12% a year ago. He said Pick 'n Pay's meat prices had certainly not increased 18%.

OK advertising and promotions manager Denise Stamm said the survey's basket was not representative of price increases at the major chains, and the OK's food basket had about 1 000 items. The survey could be comparing different brands and different grades of meat

A Shoprite Checkers spokesman said the survey was proof of the chain's commitment "to give effect to its low-price policy for the benefit of all consumers"

Task group recommends fuel price cut

B/Day 27/11/94

Business Day Reporter

THE National Economic Forum's liquid fuel industry task group had recommended a cut in the petrol price, but this still had to be put before the forum's process committee, which would discuss the recommendation with interested parties before it went before the TEC next Wednesday, a Mineral and Energy Affairs Department spokesman said yesterday. (~~163~~ 244)

Sapa reported that the recommended reduction was expected to be about 3c/*l*.

The task group met yesterday. A source said there was scope for a reduction of 9c/*l*. However, 6c/*l* would have to be passed on to the depleted fuel equalisation fund, which was used to smooth out temporary fluctuations in the cost of fuel.

Mineral and Energy Affairs Minister George Bartlett sparked an outcry in September when he raised the petrol price 7c/*l*. Government later reduced it by 2c/*l*.

Analysts have indicated that the current 7,5c/*l* overrecovery of fuel revenues means that a reduction in the fuel price of up to 6c/*l* is possible, a view described by Bartlett as optimistic.

Petrol price to fall 3c on February 17

MICK COLLINS

THE petrol price is to drop by 3c/*l* from February 17, Mineral and Energy Affairs Minister Affairs George Bartlett announced yesterday. B/Day 3/2/94

However, the price of diesel and illuminating paraffin will remain unchanged

The cut was made following a recommendation from the National Economic Forum's liquid fuels task group.

Bartlett said the group had also recommended that the equalisation fund levy be increased by 6c/*l* on 93 and 97 octane petrol, 8c/*l* on 87 octane, and 1c/*l* on diesel This would not affect pump prices (244)

The task group had reported its findings to the forum's process committee, and Cabinet had approved the proposals (323)

"Continued low crude oil prices since the last price decrease on December 17 led to a further decline in international petroleum product prices in dollar terms The rand/dollar exchange rate remained stable, resulting in current overrecoveries of almost 8c/*l* for petrol, while the diesel overrecovery was slightly more than 1c/*l*. Illuminating paraffin continued to experience an underrecovery amounting to more than 4c/*l*," Bartlett said. The equalisation fund's liabilities exceeded income by about R60m a month, with tariff protection of about 20c/*l* on synthetic fuels, or 10c/*l* spread over total volumes

Petrol price to drop by 3c/litre

244

CT 3/2/94

JOHANNESBURG. — The petrol price is to drop by 3c/ℓ from February 17, Mineral and Energy Affairs Minister Affairs Mr George Bartlett announced yesterday.

However, the price of diesel and illuminating paraffin will remain unchanged.

The cut was made after a recommendation from the National Economic Forum's liquid fuels task group.

The price was first increased by 7c last September, provoking widespread protests that led to a 2c decrease in October, followed by a further 2c decrease in December and to the present decrease.

'Delighted'

The Automobile Association last night welcomed the announcement, saying some of the benefit of lower international crude oil prices was being passed on to the consumer.

Pick 'n Pay chairman Mr Raymond Ackerman, who challenged the government on the 7c/ℓ price increase six months ago but lost his case in court, said last night he was "delighted".

● Dr Allan Boesak, Western Cape ANC leader, last night criticised the decision not to reduce the price of paraffin, saying this was the fuel most used by the poor. — Own Correspondent, Sapa

Petrol price to drop by 3c/l

Star 3/2/94

BY PETER DAVIES

The petrol price will drop by 3c/litre at a minute past midnight on February 1[illegible], [illegible] and Energy Affair[s] Minister George Bartlett announced yesterday. ([illegible])(244)

[illegible] the [illegible] fuel price decrease in two months.

The [illegible] to R1,75/l in the [illegible]. The price of [illegible] illuminating paraffin will remain unchanged at R1,66/l.

The petrol price was lowered by 2c/l in December, a fe[w] months after it had been increased by 7c/l amid public outrage.

Low crude prices

The latest reduction [illegible] the National Economic Forum's [illegible] task force [illegible] low crude oil prices and a stable rand/dollar exchange rate that resulted in [illegible] on petrol.

[illegible] that of illuminating paraffin more than 4c/l.

The task force [illegible] Fund levy on 93 octane and 97 octane petrol be increased by 6c/l, on 87-octane petrol by 8c/l and on diesel by 1c/l to make up for underrecoveries.

Bartlett [said] the cost of variables which comprised the pump price — [includ]ing landing and travel costs — had [dropped] [illegible]s than the pump price.

Beer prices to climb 5,8%, says SAB

MARCIA KLEIN

BEER prices will go up an average of 5,8% today, SA Breweries (SAB) beer division announced yesterday BiDay

Marketing director Barry Smith said prices would vary between brands and packs, and in different parts of the country, according to transport costs 8/2/94

SAB could give no indication of the rise in retail prices in bottle stores, bars and taverns as prices were set by the retailers themselves, he said. (~~182~~)(244)

SAB increased prices 7,4% last year, 9,1% in 1992 and 9,7% in 1991

Smith said that this was the 17th successive year that price increases were contained below the inflation rate, claiming it to be "a proud record unmatched in SA industry"

The relatively small increase "helps maintain the position that SAB holds as a major contributor to economic growth and reduced inflation"

Each year it had managed to contain input costs and improve productivity, while maintaining its status as a brewer of quality beers, he said

Beer price goes up by 5,8 percent

Sowetan 8/2/94

SOUTH African beer drinkers will have to dig deeper into their pockets to afford their favourite tipple following an announcement of an average 5,8 percent increase on the malt from today

The South African Breweries Beer Division in a statement yesterday said the prices could be expected to vary between brands and packs, and in different parts of the country according to transport costs

SAB Beer Division marketing director Mr Barry Smith said it was the 17th successive year that the company had contained its price increase below the prevailing inflation rate, claiming it was a proud record unmatched in the South African industry (244)

The statement added that the company could not say when and by how much the retail prices would increase, as retail prices — in bottle stores, bars and taverns — were set by the retailers themselves — *Sapa*

Price of beer goes up today

Star 8|2|94

STAFF REPORTER

The price of beer will increase by an average of 5,8 percent today. ~~(182)~~ (244)

South African Breweries said in a statement yesterday that prices would vary between brands and packs.

SAB beer division marketing director Barry Smith said it was the 17th successive year that the company had contained its price increase below the prevailing inflation rate. But Federated Hospitality Association of SA liquor chairman, Ian Rubin, said despite an industry increase last year of 7,4 percent, the increase to consumers was 15 to 20 percent.

SAB could not say when or by how much the retail prices would increase as these were set by retailers themselves.

CT 8/2/94

Beer prices go up today

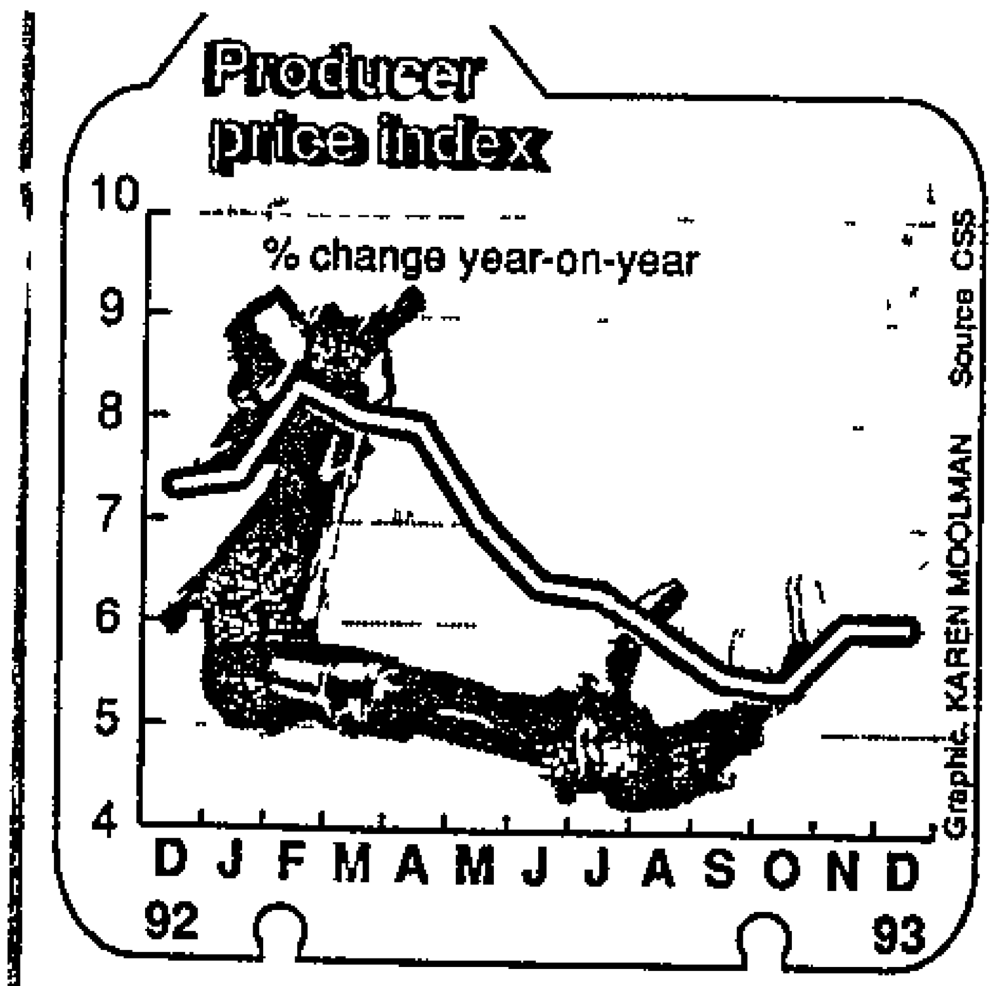
Own Correspondent

JOHANNESBURG — Beer prices will go up an average of 5,8% today, SA Breweries announced yesterday

Marketing director Mr Barry Smith said prices would vary between brands and packs, and in different parts of the country according to transport costs

SAB could give no indication of the rise in retail prices, as prices were set by the retailers themselves

244



Producer inflation hits 22-year low

SAMANTHA SHARPE

PRODUCER inflation hit its lowest point in 22 years last year with an average annual rate of increase in the production price index of 6,6% B/DAY 16/2/94

Central Statistical Service figures released yesterday showed producer inflation was 6% in the 12 months to December. The month-on-month increase was down at 0,2% against 0,6% in November (453)

Economists attributed the slower month-on-month rise to the drop in oil prices, which took place late in November, and a more stable exchange rate (244)

The lower oil price, which was reflected in a relatively large monthly decrease of more than 2% in the mining and quarrying category, offset inflationary pressure in the domestic manufacturing sector

The imported component of the PPI rose at an annual rate of 4,1% — 0,3 percentage points lower than November's 4,4%. Economists said international deflation was also keeping a brake on the price of

☐ To Page 2

Inflation

B/Day 16/2/94

☐ From Page 1

imported manufactured goods

Locally produced commodities showed a 0,1 percentage point decline on the previous month's 6,4% annual rate of increase

Large monthly increases were reflected in agricultural products and manufactured food price indices. Meat prices were leading the agricultural rise as farmers replenished stock after the drought, said Southern Life economist Sandra Gordon (453)

She said there would be upward pressure on the overall rate of increase in producer prices this year as producers took advantage of increased domestic demand as economic recovery set in. But this could be offset by lower oil prices and a stable exchange rate (244)

Old Mutual economist David Mohr said there was every reason to believe that producer inflation had, for the time being, bottomed around the 6,0% level

No end in sight to rising food prices

B/Day 21/2/94

SAMANTHA SHARPE

PRODUCER prices for agricultural and manufactured food continued to rise in the 12 months to December.

The latest Central Statistical Service figures showed producer price inflation for food in the agricultural sector was 3,4% in the 12 months to December and 8,9% in the manufactured food sector.

Both figures confirmed a rising trend in year-on-year producer price inflation since September 1993, when the agricultural sector reflected year-on-year food price deflation of 0,8% and the manufactured food sector's costs showed a 6,4% increase.

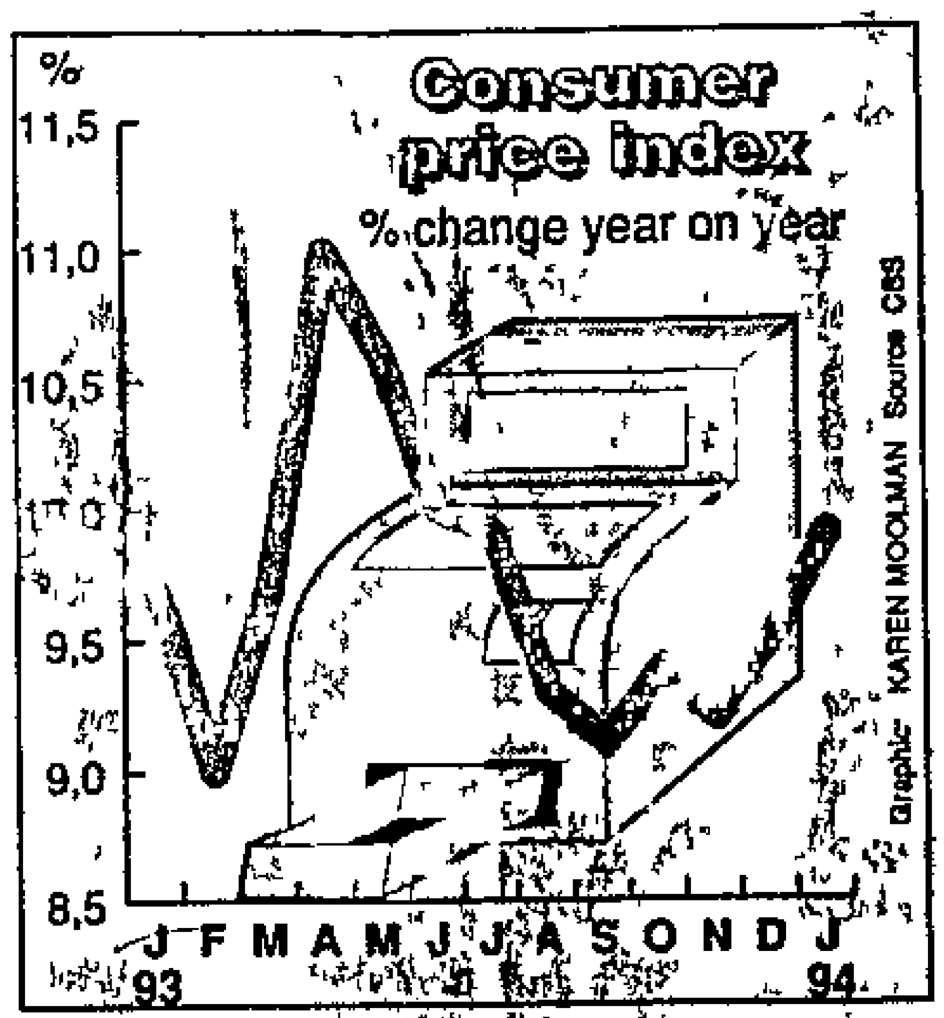
Old Mutual economist David Mohr said the trend in rising food inflation was largely attributable to higher meat prices. The breaking of the drought last year had encouraged farmers to replenish their herds, reducing supply and driving prices up.

The economy's positive performance in the fourth quarter, reflected in the latest GDP figures, showed a broad-based market recovery. The increase in demand for had put further pressure on meat prices.

Economists said December's substantial year-on-year vegetable price increase was the result of figures worked from a lower statistical base following the break in the drought and improving demand.

CPI figures for December showed food price inflation at 5,2% and a month-on-month rate of increase of 1,1% between November and December. Food prices were expected to continue to rise as supply had been reduced by unusually heavy rains which had damaged crops.

Simpson McKie food sector analyst John Biccard said increased demand, linked to the economy's positive performance since the third quarter of 1993, would put pressure on food retail prices. Supermarkets were no longer having to cut their margins because of depressed consumer spending. As demand picked up retailers were able to bump up their prices, and it was unlikely that the consumer would pay less for food in the next few months. (244)



Consumer inflation creeps upwards

B/Day 24/2/94

KELVIN BROWN

CONSUMER inflation rose to 9,9% in January from 9,5% as higher prices for medical care, health expenses and food pushed the rate up, Central Statistical Service figures showed yesterday. (244)

The latest pickup in consumer inflation — as measured by the consumer price index (CPI) — took economists by surprise.

But some analysts described the rise as "a temporary hiccup" that would be corrected in April when last year's VAT increase took the rate back below 7%.

Others said it could be the start of an upward trend in inflation as the recovery in the economy appeared to be giving re-

☐ To Page 2

Inflation

B/Day 24/2/94

☐ From Page 1

tailers an excuse to increase margins.

Technical reasons also played a role in the rise, as the change came off a low base.

The CSS said month-on-month prices rose 1,5%, compared with 0,5% in December. Medical care and health expenses firmed 8,8% from 0,2%, while food prices increased to 1,8% from 1,1%. (244)

Economists said prices of medical and health care expenses tended to be erratic as price changes were measured only every few months Food prices had returned to an upward trend.

Nedbank chief economist Edward Osborn said manufacturing prices had come down nicely to 9,9% in January, but services price rises were still averaging about 17,5%. Services had been fuelled by the latest rise in medical services.

Ed Hern Rudolph strategic economist Nick Barnardt said the pickup in price increases at chain-stores to 2,1% from (1%) in December was worrying.

Calculating the retail price of fuel is a complicated exercise

(244)

CALCULATING the retail selling price of petrol is a complex exercise

It is made up by adding together all the components of the manufacturing and distribution chain, to which are added levies and government imposts

It is worked out as follows Average free-on-board petrol price listed at three refineries in the Persian Gulf and one in Singapore, sea freight, insurance, ocean leakage, landing and wharfage charges

These components are added together and called the "bond landed cost" calculated in cents per US gallon and converted to South Africa cents a litre

After that, all further calculations are in South African currency

These are unit under- or over-recovery calculated in c/ℓ, inland transportation costs (two segments the first calculated from port to depot by Petronet and Spoornet; the second from depot to points of sale is calculated by the Department of Mineral and Energy Affairs,

Service differential, Equalisation Fund levy (includes synfuel levy, tariff protection to synfuel producers and compensation to Mossgas)

Fuel tax, Customs and Excise levy, Multilateral Motor Vehicle Accident Fund levy, Road Safety Fund levy, delivery costs, wholesale trade margin, retail trade margin.

The calculation is then rounded-off to whole cents rather than fractions of cents

ARG 2/3/94

Ackerman moves on cheaper petrol

244

ARG 3/3/94

BRUCE CAMERON
Business Editor

RETAILER Raymond Ackerman is fueling up for another head-on collision with the government over plans for a minimum four cents a litre cut in petrol prices

Mr Ackerman's latest moves in a 20-year fight for deregulation of the fuel industry follow condemnation by the Competition Board of government control of the industry in collaboration with the major petrol companies

The board has recommended that the industry be deregulated and that free market pricing and competition be allowed

In one of its harshly critical findings, the Competition Board expressed the view that the government and the petrol companies did not have the power to automatically suspend petrol supply to a retailer cutting prices, as had been done to Pick 'n Pay

It was for the courts to decide on a possible contravention of the law, the board said

Mr Ackerman has instructed his legal team to consider three options following the board's report These are

- To cut the price of both grades of petrol immediately by between 4 cents and 4,5 cents a litre
- To take on appeal the case he lost in the Cape Town Supreme Court late last year to issue food discount vouchers on petrol sales
- To wait to see how the government handles the report

Meanwhile, oil companies have gone to ground to study the report

They have also not been prepared to say why they argued strongly in favour of maintaining the current price-fixing system at the board hearings when publicly they have been claiming that they do not mind under which market system they operate

Engen was praised by industry critics today for being the only company with fuel outlets to support deregulation of the industry

Democratic Party energy spokesman Roger Hulley, a long-time critic of the country's artificial pricing and supply system, said today that the government had to take the rap and get out of the fuel industry

Mr Ackerman said that by cutting petrol by 4,5 cents a litre, all petrol retailers would still be able to make a decent profit

(News by B Cameron, 112, St George's Mall Cape Town)

Post Office to increase international tariffs

STEPHANE BOTHMA

PRETORIA — The SA Post Office plans to earn additional income of R60m by increasing international and non-standardised mail tariffs by an average 10% next month.

SA Post Office chairman Donald Masson said yesterday the increase would enable the Post Office to reduce an estimated 1993/94 loss of R498m by R141m to R357m this year. B/Day 9/3/94

But Post Office losses would remain high over the next two years as essential infrastructure was needed. "After that they should decline drastically," he said.

The Post Office planned to spend R240m on infrastructure this year. It would spend R39m installing 500 000 post boxes in rural areas.

The standard letter rate would remain 45c until August when long-term planning needs would force the rate up 5c, Masson said.

The increase in non-standard and international mail tariffs would cost the average user about R1,18 more a month and should have no significant effect on the inflation rate. (244)

He said the Post Office was "unashamedly pitching" to run a state lottery to increase profitability.

"We are getting ourselves ready to run a lottery. We already have the infrastructure in place in the form of our countrywide network of post offices."

Before the Post Office had been commercialised two years ago, annual losses of about R850m had been covered by a state subsidy, he said.

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...sed 'tried to hide papers'

Own Correspondent

ments as they were locked in his brother's office. Croukamp later saw Stafford drop the documents under his desk. They turned out to be the papers the police wanted.

The documents were alleged to be letters from the ...

Ernest Stanton's son, Lacon Stanton, a Johannesburg chartered accountant, denied the signatures on the letters were his father's.

On December 30 1991, when Ernest Stanton died, Stafford telephoned Lacon Stanton and told him most of his father's estate — about R2m — had been left ...

Producer price data ominous for inflation

CT 16/3/94 (244)

By AUDREY D'ANGELO
Business Editor

THE producer price inflation index (PPI) rose to 6,7% year on year in January compared with 6% in December and 7,4% in January last year

The month on month rise was an unexpectedly high 0,9% compared with 0,2% in December

Ominously for inflation prospects in SA, the rise was due mainly to higher prices for locally produced goods, which rose by 7,3% year on year and 1,3% month on month

This compares with a rise of 6,3% year on year and 0,2% month on month in December The year on year rise in January last year was 8,3%

In contrast, the year on year rise in the imported component of the PPI slipped to 3,7% compared with 4,1% in December and 3,9% in January last year And it fell month on month, by 0,8% compared with a drop of 0,1% in December

Economists said they were disappointed by the size of the rise in the local component but they pointed out that there were seasonal factors

Sandra Gordon, chief economist of Southern Life, however, suggested that recent signs of an upturn and increased demand could have encouraged some producers to widen profit margins

She said an 8,8% rise in electricity prices month on month, due to the higher Eskom tariff, had pushed the PPI up. A rise in base metal prices and products made of these metals was due to an increased demand for commodities

A seasonal fall in the price of fruit had helped to keep the agricultural food component of the PPI down

The fall in the imported component was due mainly to lower world crude oil prices

Old Mutual economist Johan Els said a number of categories in the domestic component had risen He thought that in many cases this was due to an annual price increase and would not be followed by continuing large rises

"I shall not be worried unless there is a steep increase in the domestic component for February, too I still think the PPI for the year as a whole will average 8%"

Sanlam economist Pieter Calitz said he had expected a year on year rise of about 6,2% The increase in the electricity tariff had been one of the main culprits for the steeper rise.

But, since agricultural food prices had been held down by the seasonal drop in fruit prices, he was worried about prospects for later in the year — particularly for meat prices

Calitz said low PPI in overseas countries, in addition to lower crude oil prices, had helped to bring the imported component down "In some countries the PPI is dropping

"I think the PPI in SA will average 7% this year I don't expect to see it rise very much until the last quarter It will be fairly steady until then, when we might see it go up to 8%"

Producer inflation on the rise again

B/Day 16/3/94

KELVIN BROWN

(244)

THE second uptick in producer inflation since October could signal an end to the downward trend in inflation as there were few factors still exerting downward pressure on prices, economists said

Figures released by the Central Statistical Service (CSS) yesterday indicated inflation at the producer level rose to 6,7% in January after remaining around the 6% level in the past two months. The monthly increase in prices was significantly up at 0,9% compared with a previous rise of 0,2%.

Economists said the latest uptick could not be explained away by erratic factors such as a increase in electricity tariffs as the trend appeared to be changing in several categories

When the monthly figures were adjusted for seasonal factors prices were still up a significant 0,9%, they said If this rate was maintained over the next 12 months producer inflation would reach 11,4%.

This suggested producer inflation was beginning to feel the effects of the turnaround in the economy

The uptick in inflation would have been much higher had it not been for a fall in imported inflation largely due to the decline in oil prices

The annual change in prices of imported commodities was down to 3,7% in Jaunary from 4,1% at the end of last year. The other mining and quarrying category, which included oil, fell 9,7% over the past 12 months

Excluding the imported component, inflation was up one percentage point to 7,3% in the 12 months to January while the monthly increase was 1,3% compared with 0,2% in December

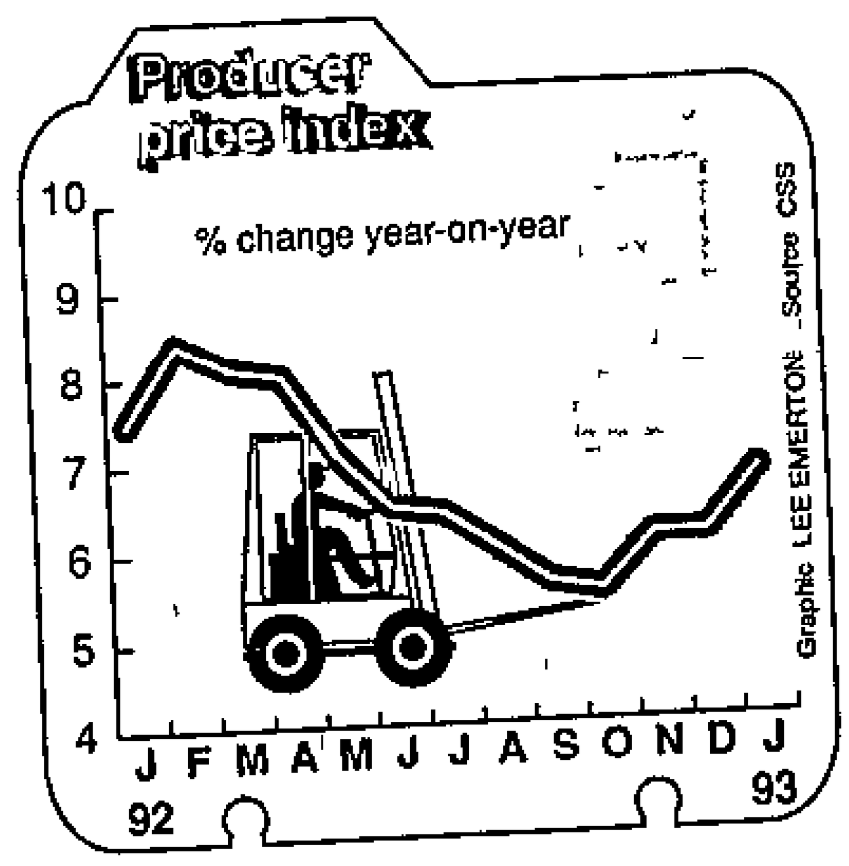
UAL Merchant Bank economist Dennis Dykes said the next figure could come down a bit as the index would be calculated off a higher base But this would still not provide enough momentum for the figures to reach the levels seen in October.

The turnaround in producer inflation should cause consumer inflation to bottom out over the next 12 months as there was usually a lag between inflation at the producer level and the consumer level, Dykes said.

He did not expect a huge surge in inflation as the economy appeared to have cooled off ahead of the election. "This should see inflation move sideways for most of this year with an upward trend only coming through in 1995."

Southern Life economist Sandra Gordon said the latest increase was a surprise and painted a less hopeful scenario for inflation this year She expected producer inflation would average 7% to 7,5% in 1995.

The recent improvement in the economy appeared to have given producers the opportunity to increase their margins



Worries about price of unleaded petrol

B/Day 18/3/94

EDWARD WEST

CAPE TOWN — The oil industry has raised concerns about the pricing structure of unleaded fuel, which is scheduled for introduction on October 1 1995.

Co-chairman of a meeting between oil and motor industry representatives late last week Paul Clarke said the oil and motor industries would hold regular meetings to assess cost analysis studies on the introduction of unleaded fuel.

It was agreed at the meeting the introduction date should not be extended and that the price differential between unleaded and leaded fuel should be as small as possible.

There were no guarantees in the motor business, but the market penetration of unleaded fuel would satisfy oil industry requirements, he said.

ANC mineral and energy spokesman Paul Jourdan said the party supported the introduction of unleaded fuel because SA could not afford to have motor industry exports impeded by outdated technology — engines compatible with leaded fuel only.

Clark said some motor manufacturers were already unable to fit imported engines on car models in SA because unleaded fuel was not available. (185)

An international oil industry consultant said yesterday consumer expectations of a drop in petrol prices in the wake of deregulation [illegible] oil industry might not materialise. (244)

Andersen Consulting senior manager Wolf Kursten said reports implied that, because of the regulated environment, oil companies and the SA government were making huge profits. The truth was nobody was making money.

Prices of most goods in shops up last year

Star 22/3/94

■ BY NORMAN CHANDLER
PRETORIA BUREAU

More than 60 percent of goods sold in South African shops increased in price last year, according to data from the Central Statistical Service

The CSS annual survey of retail prices shows that 632 of 892 products and services recorded increases in average prices over those of 1992 — and 165 jumped by more than 20 percent

Many products and services went up by more than 10 percent, including brown bread, breakfast cereals, mealie meal, macaroni and biscuits.

At butcheries, meat was in general up less than 10 percent, although corned beef rose by 14,3 percent, vienna sausages by almost 24 percent, cuts of lamb by 11 percent and pork sausages by more than 23 percent.

Fish products showed a steady increase — hake by as much as 16,5 percent and sardines by 26,9 percent.

Most dairy products, including eggs, rose in price, while fresh fruit and vegetables in general showed a decrease

Coffee, tea and chocolate drinks increased, with 250 g of ground coffee 32,5 percent more expensive than in 1992.

Condiments and other foodstuffs all increased.

The biggest increase of all was for sunfilter curtaining, up by 147,4 percent

(244)

Utility prices likely to go up in July

~~1/44~~ 2/44 CT 8/4/94

WATER tariffs must be increased by 5% on average from July 1, and electricity by 9% on average from August 1, the Cape Town City Council's utilities committee resolved yesterday

The resolution still has to be passed by the full council

Both proposed tariff increases exclude VAT In the case of water there will be no increase for those 16% of consumers who use less than 30 kilolitres a quarter The water will still cost 84c/kl

The next category up, those who use more than 30kl but under 130kl, will pay 6,5% more than they do at present This comes to an average 5% increase overall Those in flats without individual meters will pay 5% more

The electricity tariff increase is a disguised 15% increase. City electrical engineer Mr Fred Berwyn-Taylor's report to the committee spelled out that a 15% increase would be needed to balance the budget

However, this is usually introduced at the beginning of January, or close to that date. By bringing the implementation date forward, the increase can be dropped to 9% on average

While the electricity increase averages 9%, for domestic consumers it will be 10%

More increases for domestic users are on the way, according to Mr Berwyn-Taylor He said strong pressure was expected on supply authorities to implement a standard tariff for domestic users in the future, and this would lead to "a steep increase for the council's domestic consumers"

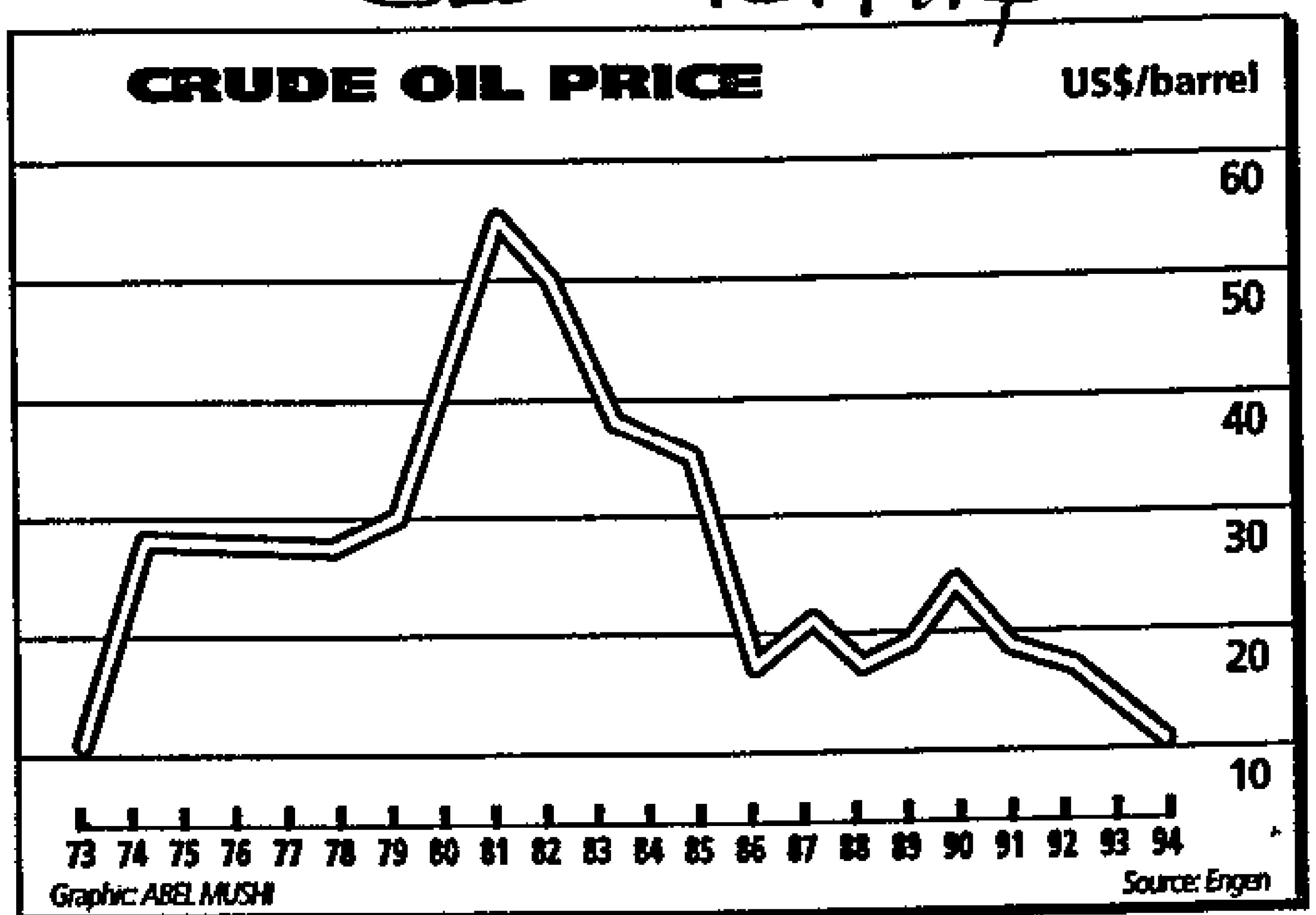
At the moment, household consumers are subsidised in Cape Town to the amount of R8 million a year This had led to complaints from big firms and the Chamber of Commerce

Petrol would be 15c to 24c a litre cheaper

The advantage of deregulation

Star 13/4/94

BY DEREK TOMMEY



Rob Angel, chief executive of Engen, has some good new for motorists.

Deregulating the oil industry — an issue now being discussed in Pretoria — could cut the petrol price by 15c to 24c a litre and save consumers R2 billion to R4,5 billion a year, he says

He was speaking at a press briefing in Johannesburg yesterday at which he revealed that Engen had lifted operating income in the year to February by 9,7 percent to R282 million (R257 million.)

But earnings growth was hit by two extraordinary write-offs. One was a R17 million provision to cover retrenchment costs, which are expected to absorb R43 million this year. The programme should save R45 million a year in wages.

The second was a R37 million stock write-down stemming from the drop in world oil prices.

But since year-end, the rise in oil prices and the drop in the rand/dollar exchange rate has lifted the value of Engen's oil stocks by roughly the same amount.

However, the rising oil price and the lower rand mean that the petrol price will have to rise

It seems as though the first duty of the new government will be to announce higher prices

The write-downs, together with a R17 million interest payment (R13 million credit last year) reduced pre-tax income by 25,4 percent to R211 million (R283 million)

(~~183~~) (244)

Taxed earnings were down 22,4 percent to R177 million (R228 million), equal to 113c (147c) a share An unchanged dividend of 55c is being paid.

Angel welcomed the recommendations of the Competition Board on the rationalisation plan

But he was convinced that tampering with only some parts of the current regulatory framework would not be sufficient and that total dismantling was needed.

He said there were too many inefficient, low-volume filling stations. By allowing self-service, by phasing in free-market prices and allowing new market entries, he believed the cost of petrol could be cut by 3c to 5c a litre.

Adjusting the Durban/Reef pipeline tariff to a competitive level could reduce the price by a further 3c to 5c

And an end to the synfuel levy could result in an additional saving of 9c to 15c a litre

Although Engen's turnover rose 13,1 percent to R4 billion, much of the increase reflected higher government levies Petrol sales rose 2,9 percent and total inland sales 3,4 percent

With little chance of a rise in margins, Engen's policy has been to improve its operations with "self-help" by introducing cost reduction/rationalisation programmes such as retrenchment, reducing working capital and sweating assets.

Engen expects some improvement in its SA earnings this year and real growth from 1995 onwards.

Overseas gas and oil interests have started production, but are not expected to make an immediate contribution to earnings.

Engen is looking for foreign capital and has been weighing up a London listing when conditions are more propitious

In the meantime, it is arranging for its shares to become available in the US through the use of American depository receipts

Inflation shows disturbing uptrend

Digging deeper into your pocket

Star 26/4/94

BY DEREK TOMMEY

Price inflation is starting to pick up again, the latest Central Statistical Service (CSS) figures show.

Although the year-on-year increase in prices declined from 9,9 percent in February to 9 percent in March, the month-on-month figures show a different story

Between January and February, prices rose by 0,3 percent — equal to an annual rate of 3,9 percent.

But between February and March, they increased by 0,7 percent — more than double the February rate and equal to an annual rate of 9,4 percent.

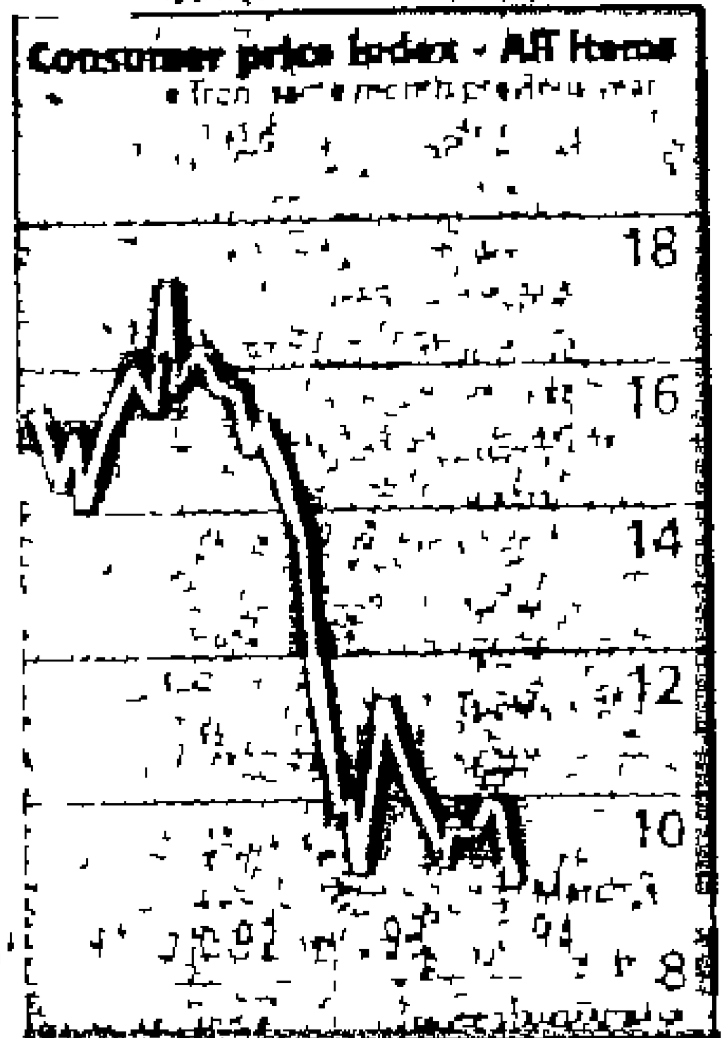
It would be pleasant to believe that the March spurt in prices was an anomaly and that price increases in coming months will revert to their February level.

But there are danger signals.

Shoppers are becoming aware that as the economy starts to pick up, most manufacturers and retailers are raising prices to restore profit margins to their pre-recessionary levels.

Furthermore, the move to higher prices is likely to be stimlated by a substantial increase in the petrol price just after the election, leading to price rises across the board.

The higher petrol will be the result of the almost 10 percent decline in the exchange rate



of the rand against the dollar, and recent increases in crude prices.

The devaluation of the rand will lead to increases in the price of other imported goods.

Nonetheless, economists are predicting that on a year-on-year basis the April consumer price index will show a further decline — possibly even to 7 percent, the lowest figure for many years.

But this is purely a statistical development caused by the steep increases in prices last April no longer inflating the index.

It will be remembered that last April Vat was raised by 40 percent from 10 percent to 14 percent, the petrol price was raised by 16c a litre and several excise duties were also increased.

The CSS reports that the main factor in the 0,7 percent rise in the consumer price index in March was the higher cost of education

Dearer food, housing and reading matter were other contributors

Food prices rose 0,4 percent last month to show a year-on-year increase of 7 percent

Meat showed the biggest increase, followed by coffee, tea and cocoa, sugar, grain products, milk, cheese and eggs

Other items showing significant price increases were acoholic beverages, housing, household operations, and personal care. (244)

On an individual basis, the items showing the biggest year-on-year increases were communications (25,4 percent), domestic workers (21,1 percent), "other" household services (20,6 percent), vehicles (16,1 percent), reading matter (15,8 percent) and medical care and health expenses (14,2 percent).

Possibly because the better-off use the telephone more and employ domestic servants, the year-on-yer increase in the consumer price index for the middle- and upper-income groups was 9,2 percent. It was 8,4 percent for the lower-income group.

Pensioners continue to be hard hit by inflation. Their inflation rate in the year to March was 9,7 percent

Fuel prices 'should be cut 15 percent'

BRUCE CAMERON (244)
Business Editor (183)

ARG 14/4/94

PETROL prices should be slashed by up to 15 percent by cutting subsidies to the synthetic fuel industry and reducing guaranteed mark-ups to the petrol companies and the service station retailers, a fuel chief said today

The chief executive of locally-owned Engen, Rob Angel, issued a strongly-worded statement that drew a battle line between his company and foreign competitors

Mr Angel said Engen was prepared to compete in a deregulated industry and would be happy to take on Sasol, which would also like to see some deregulation, and Pick 'n Pay, which has been at the forefront of the campaign to deregulate the industry

Mr Angel's statement clashed with claims from foreign-owned petrol companies that deregulation had resulted in price increases in other countries and would also do so in South Africa

The Engen chief said deregulation could cut the petrol price by between 15 and 25 cents a litre

This would pump between R2,5 billion to R4 billion into the economy every year

He said that at least 87,1 cents of the Johannesburg pump price of R1,75 a litre was made up of state duties, levies and taxes

Of the 87,1 cents, 13 cents went to the Equalisation Fund to pay for the synthetic fuels levy, a subsidy for Sasol and Mossgas that currently amounted to R1,6 billion a year

"We think that at least 6c-10c a litre could be taken out of the petrol price if the subsidy to the synthetic fuels industry were simply reduced"

Apart from the subsidy, another three to five cents could be knocked off the petrol price by cutting down on the 14,1 cents a litre marketing margin that the oil companies were granted and another three to five cents off the 15,6 cents a litre margin dealers received

Another three to five cents a litre could be saved by reducing the 10,9 cents a litre theoretically paid to transport fuel from the coast through the under-utilised Durban/Reef oil pipeline

February breaks pattern of PPI rise

Star 15/4/94

■ BY CLAIRE GEBHARDT

The annual rate of increase in South Africa's production price index (PPI) fell marginally to 6,5 percent in February from 6,7 percent in January

However, figures released yesterday by the Central Statistical Service show a continuing upward trend in the PPI since August 1993

February's 6,5 percent increase is well up on the 5,4 percent low recorded in October 1993

But economists said yesterday there was little danger of increased inflationary pressure at this stage

The PPI for locally produced commodities for domestic consumption showed an annual rate of increase of 7,2 percent for February, compared with 7,3 percent in January

On a monthly basis, the index increased by 1,1 percent (seasonally adjusted 1,3 prcent) in the wake of relatively large increases in the price indices for alcoholic and non-alcoholic beverages (6 percent), non-metallic mineral products (2,6 percent), metal products (3 percent), "other" manufacturers (7,6 percent), electricity (3 percent) and transport equipment (2,1 percent), mainly due to a 2,2 percent increase in the index for motor vehicles

Imported inflation remained surprisingly subdued, with the annual rate of increase falling 0,6 percentage points to 3,1 percent, despite the continuing decline of the rand against other foreign currencies

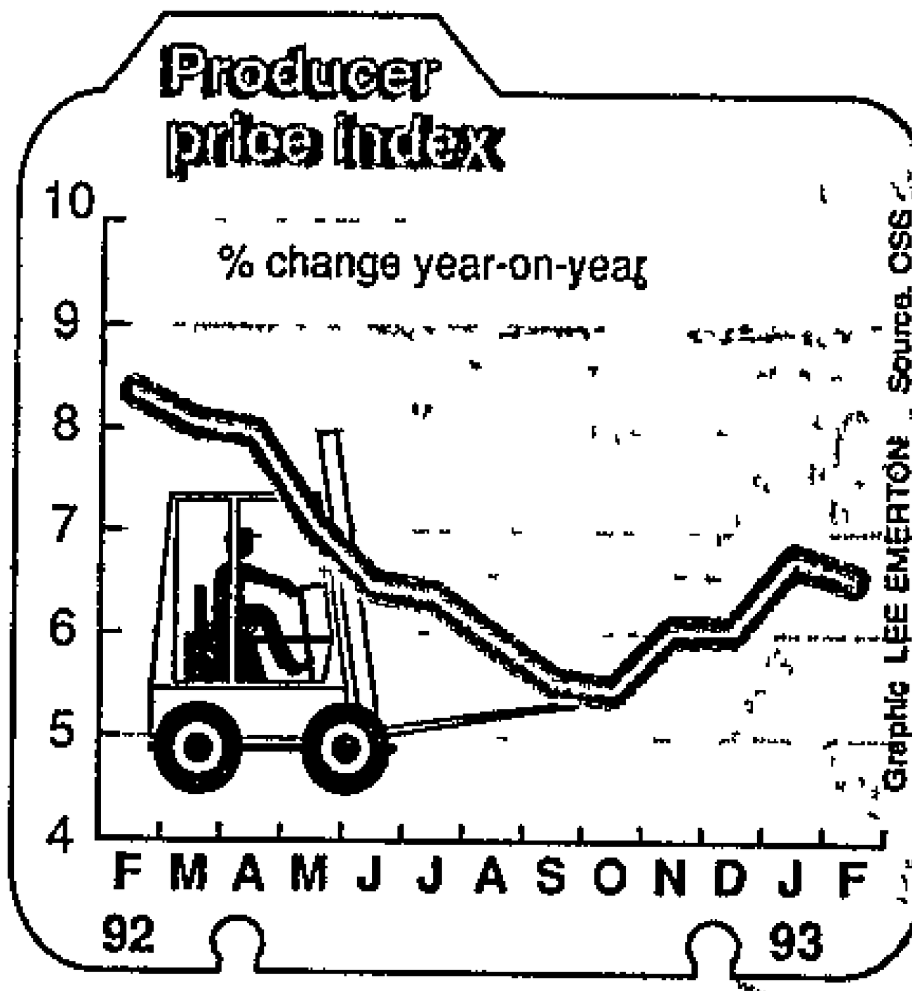
(244)

This figure is well down on the 4,4 percent annual rate of increase in November 1993

The monthly increase in the index was 0,7 percentage points (seasonally adjusted 0,9 percentage points)

Producer inflation down marginally

BDay 15/4/94



SAMANTHA SHARPE

THE upward trend in producer inflation was interrupted in February with a marginal decline to 6,5% from January's 6,7%, according to Central Statistical Service figures released yesterday. 1583

Low imported inflation continued to put a brake on the annual change in the producer price index. The imported component of PPI rose at an annual rate of 3,1% 0,6 percentage points lower than January's 3,7%, with lower oil prices continuing to restrain price increases. 244

However, economists warned the weak rand could start affecting the PPI in the next few months. Producer inflation had

To Page 2

Inflation

BDay 15/4/94

From Page 1

started an upward trend, having bottomed at 5,4% in October 1583 244

The prices of locally produced commodities rose at a faster rate than imported prices. The component showed an annual rate of increase of 7,2% for February, down on the previous month's 7,3%.

Economists were surprised at the large increase in producer prices between January and February (1,1%), saying it signalled inflationary pressures were building up It was the second consecutive monthly increase that worried economists, who described the pattern as "not nice". The future effects of the weaker rand would add to the pressures

Barnardt said it was possible that year-on-year producer inflation would decline in the short term on technical factors, but warned that the latest figure and recent rand weakness boded ill for reduced inflation in the second half of the year.

"We could well experience a situation later in the year when both the domestic and imported components of the PPI reach the 8% level," said Ed Hern Rudolph economist Nick Barnardt.

A large monthly increase in the transport equipment index, led by higher car prices, and in the "other manufactures" index helped push the month-on-month increase higher, the CSS said.

The increase in transport prices was a spillover form the annual vehicle price increases in January, Econometrix economist Tony Twine said. Truck prices had been raised after car and LDV prices were lifted in January.

Fuel levy mooted to aid transport

Municipal Reporter (244)

APLT 19/4/94

A REGIONAL fuel levy should be used to subsidise public transport, says the Cape Town Chamber of Commerce

The Chamber rejected surcharges on vehicle licence fees and levies on central business district parking as sources of subsidies.

"It seems strange to charge the providers of public transport in order to raise revenue that will be channelled back to them"

A levy on CBD parking fees would discourage people from shopping there, the Chamber said

A regional fuel levy would be the most equitable source of funding

Star 12/8/94

Rate of PPI increase slows

The annual rate of increase in producer prices continued to slow in March, according to producer price index (PPI) figures released yesterday by the Central Statistical Service

The PPI in March dropped 0,2 percentage points to 6,3 percent, compared with February, as the local and imported PPI indices both declined.

The PPI for domestically produced commodities eased 0,3 percentage points to 6,0 percent as decreases occurred mainly in the price indices for agricultural products, chemical products, electricity, gas and water.

R445

The PPI for imported commodities eased again to 2,7 per cent in March from 3,1 per cent in the previous month, the CSS said. — Sapa.

Producer price increases stall

(244)

CT 12/5/94

By **ARI JACOBSON**

THE Producer Price Index (PPI) showed an unexpected decline in March, notching a 6,3% increase against February's 6,5% rise

But economists warned yesterday that higher levels of inflation are on the way and that means less chance of an interest rate cut in the short term.

Month-on-month, the PPI fell 0,1% in March from a gain of 1.1% in February.

The "pleasant" PPI figure was brought on by an economy still sluggishly fighting its way out of the post-recession phase and a depreciating local currency that had not yet filtered into the imported inflation equation

Sanlam's economics unit is forecasting a further decline in the PPI to a 5,5% increase in May but from [illegible] it's up all the way to a high [illegible] about an 8,5% rise for the year to December.

Old Mutual also see the PPI tending upwards and forecast a 7% average for the PPI for 1994 — up from the 6,7% reported last year.

The end result is that as producer and consumer prices begin to rise the likelihood of an interest rate cut will slip away.

Southern Life economist Sandra Gordon agrees that the combination of weak foreign exchange reserves and the rise in the inflation cycle means that the possibility of an interest rate cut is "dwindling very rapidly".

On the lower-than-anticipated PPI figure, Old Mutual economist Johann Els mentions that the weakening exchange rate and higher oil prices will only lift this index over the next few months

Gordon adds that "oil prices were low in March and only turned around in April"

She also mentions that a 0,6% rise in the month-on-month imported manufacturing index shows that the weakening exchange rate is starting to seep into the PPI

Sanlam's [illegible] Louw points out that the PPI figure for March is "very [illegible]" considering "the low base in March 1993.

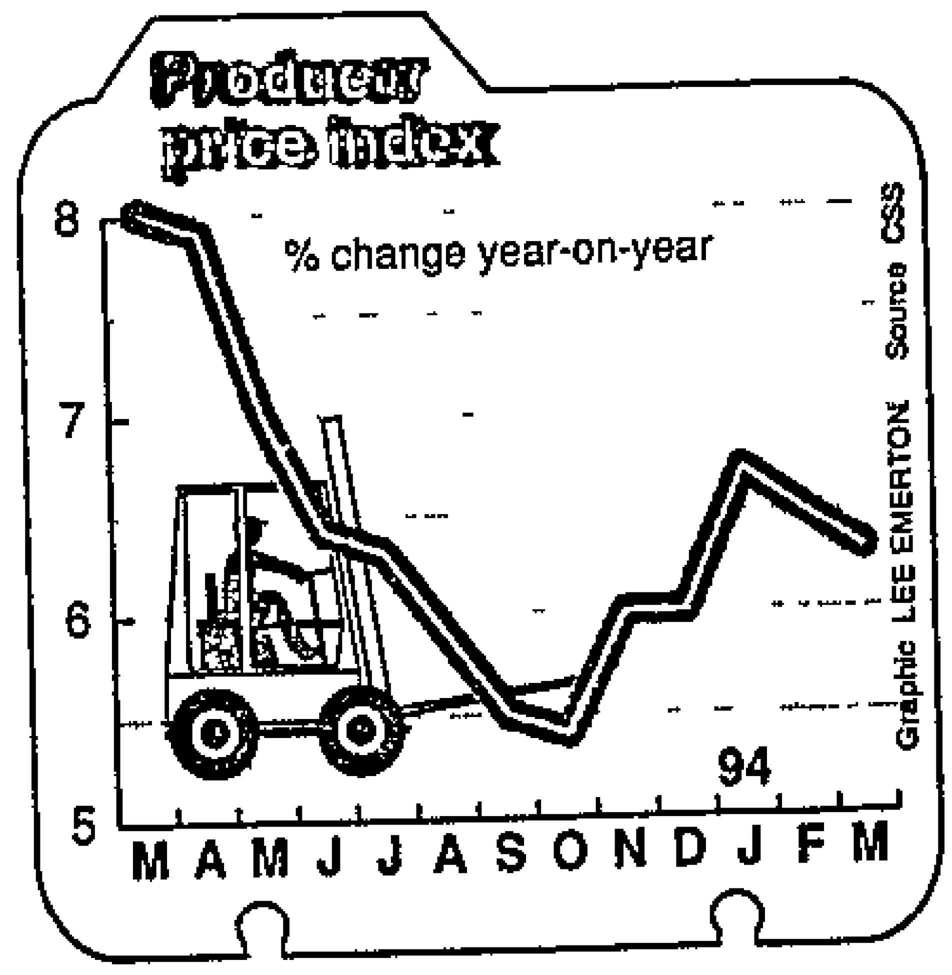
He adds that the local inflation component has fallen from a yearly increase of 7,2% in February to a 6,9% rise in March.

And the imported component which stood at a 5,6% increase in March 1993 had fallen to a 2,7% rise by March 1994.

However Louw warns that the inflation cycle has "neared the bottom" and will start to "accelerate" in the near future

"As the economy picks up so will producer inflation and by 1996 the country could be back in double digits"

● World oil prices rose slightly yesterday but some traders expected increasing supplies of gasoline in Europe and the US to undermine a recent rally, Reuter reports. Benchmark Brent crude rose seven cents to $16,09 a barrel.



PPI continues its downward trend

B/Day 13/5/94

PAUL RICHARDSON

INFLATION at the producer level fell for the second consecutive month in March, to 6,3% from February's 6,5%, latest Central Statistical Service (CSS) figures show

Economists were pleased, saying the apparent upward trend in the producer price index's rate of change had been decisively interrupted They said the index's fall between February and March was especially encouraging (244)

According to latest CSS figures, the PPI fell 0,1% on a month-on-month basis compared with a 1,1% increase in February.

Rand Merchant Bank economist Rudolf Gouws said the figure was "very good news in the sense that markets were concerned that a turning point in inflation had been reached"

He expected measurably lower inflation in the coming months

Ed Hern Rudolph strategic economist Nick Barnardt said the latest figure did not contradict the view that the downward trend in inflation had been reversed. He said March tended to be "a low PPI increase month" On a seasonally adjusted basis, the March rise was 0,7%.

Barnardt said the low annual increase in imported inflation was surprising in view of the rand's continuing depreciation

CSS said the imported component of the PPI had risen 2,7% on a year-on-year basis — 0,4 percentage points less than February's 3,1% increase However, Barnardt said the low increase could not be sustained. The rand's continued weakness and

☐ To Page 2

PPI

B/Day 13/5/94

☐ From Page 1

higher oil prices would probably start to affect the figure

Local commodities prices rose at an annual rate of 6,9% and fell 0,1% month-on-month, while domestic manufacturing prices rose a year-on-year 8,2% The month-on-month rise in domestic manufacturing prices was 0,1% (244)

The low increase in domestic manufacturing prices was pleasing, Barnardt said, particularly after the sharp increases in the first two months of the year Nevertheless, the underlying price trend in the first quarter was about 11% for the domestic component and the overall PPI

The rate of change in the PPI reached a low of 5,4% in October and rose to 6,7% in January, causing economists to say inflation at the producer level had entered a new upward trend

Fuel task force to debate petrol hike

PRETORIA — A possible increase in the petrol price is to be on the agenda of the National Energy Forum's liquid fuels industry task force meeting next week

2-44

The Mineral and Energy Affairs' Theunis Burger confirmed the price situation would be tabled

Mr Burger said the government was investigating deregulation of the oil industry Organised business and labour were also part of the task force

He said the Department of Mineral and Energy Affairs would not unilaterally decide on a petrol-price increase.

In March the forum's announced that agreement had been reached that the price of controlled liquid fuels — petrol, diesel and illuminating paraffin — would remain unchanged until the forum's liquid fuels industry task force had tabled its recommendations on a fundamental investigation and review of the regulatory framework for the industry

Mr Burger said the department would abide by this agreement if and until the forum decided otherwise

But Ben van Rensburg, Chamber of Business director of economic policy and the representative of organised business in the task force, indicated that a recommendation on the petrol price would be processed by the meeting and passed on to the forum

However, he stressed that it was the government's prerogative to decide whether to increase the petrol price and it would also be up to the forum to decide whether to pass on to the government whatever recommendation the task force made

ARG 14/5/94

The latest forum statement about the petrol price revealed that due to the weakness of the South African rand against the US dollar and increasing crude oil prices and resultant increase in the in-bond landed cost (IBLC) for all three grades of petrol, diesel and illuminating paraffin, prices had come under severe pressure.

An under-recovery of 2,9c a litre on petrol in March increased to 6,2c a litre in April and motorists were now paying 8,7c a litre too little for 93 octane petrol

Mr Van Rensburg said the rand continued to depreciate against the US dollar and the oil price continued to rise

Mr Van Rensburg said organised business believed the oil industry should be deregulated in a phased manner so announcements about petrol price increases were de-politicised and the price was market-driven

New bid to cut fuel price

S Times (Buss)

A PACKAGE of petrol-price cuts is expected to be discussed tomorrow at a National Economic Forum meeting at Sasol headquarters in Johannesburg

The package envisages a 8c/l to 9c/l cut in some components of the price, meaning the industry's annual revenue could drop by up to R1,35-billion.

The plan calls for Sasol to surrender 6c/l to 7c/l of its protection payments. This would cut the synfuel floor price from $21,84 to between $15 and $18 a barrel

Sasol is likely to object because only last year it lowered its price from $23

Also on the table is cutting the in-bond landed cost (IBLC), SA's base fuel price, by 3c/l to 4c/l by changing the basket of refined prices used to compute it

By KEVIN DAVIE

Data supplied by Sasol to Paul Theron of the ANC-aligned Minerals and Energy Policy Centre show it is possible to save up to 8c/l by switching from Singapore to Mediterranean spot pricing 15/5/94

Mr Theron says Sasol's protection payments would increase if the IBLC were lowered because they are linked to the IBLC

Transnet will be asked to lower its fuel-related tariffs But it is expected to resist the proposal because it needs huge sums to fund its pension-fund deficit

Mr Theron says present under-recoveries at the pump mean that the motorist will still be asked in the next few weeks to pay 3c/l to 4c/l more

The package envisages retail and wholesale margin increases of 1c/l each

Tomorrow's meeting of the NEF liquid fuels task group will be followed by an NEF meeting on Wednesday where it is hoped that consensus will be reached about the fuel industry

Engen goes nationwide again this weekend with advertisements replying to organised labour suggestions that deregulation would mean 65 000 job losses

Engen estimates potential job losses at 7 000 through the introduction of self-service over 15 years.

It supports President Mandela's call for an economy based on market principles and better management of SA's resources

Engen "invites all South Africans to join hands in building a great nation with opportunities for all"

Organised labour and the Motor Industries Federation (MIF), which represents service stations, contest Engen's deregulation claims (244)(85)

The MIF's Vic Fourie says deregulation will not help motorists Analysis in other countries shows that after deregulation, pump prices moved up and down in the short term, but rose in the long term

"Some 'specials' might be offered in some areas at some times, but the oil companies still recover the full price from motorists," says Mr Fourie

The MIF encourages free trade, but deregulation should be carefully controlled

Petrol price rise meeting

C.I. 16/5/94

(244)

JOHANNESBURG — The National Economic Forum's Liquid Fuel Task Group is to meet at Sasol headquarters here this week to discuss changes to the fuel price

Matters to be discussed include proposals that protection to Sasol should only be granted once the fuel price drops below $18 (about R63) a barrel, instead of the present $21,84 (about R76)

A further proposal that other oil companies should have the spot price of crude oil calculated on the Mediterranean price rather than the basket of Middle Eastern prices will also be discussed

If the proposals are accepted it would mean a reduction in the in-bond landed cost of fuel

Earlier it was reported that the cost of petrol would have to be increased

If the proposals are accepted, however, it could mean a smaller increase for consumers — Sapa

Higher petrol price imminent

Star 17/5/94

BY NORMAN CHANDLER

PRETORIA BUREAU

The Government may have to agree in the next few days to a petrol price increase of about 3c/litre

Diesel and paraffin could also be affected.

This is the word in Pretoria as the National Economic Forum's (NEF) liquid fuel task group meets in Johannesburg to discuss changes it wants to recommend in the structure of the fuel price

Prices in the oil industry are set by the Department of Mineral and Energy Affairs

It is understood that the decline of the rand against the US dollar and rising world oil prices are the main reasons for the imminent price hike.

An under-recovery of 2,9c/l on petrol in March increased to 6,2c/l in April and motorists are now paying 8,7c/l too little for 93 octane petrol. The Equalisation Fund — utilised by the Government to top up fifunds available for petrol purchases — is under strain

The agenda for the NEF meeting also includes proposals to alter tariff protection for Sasol, in that protection should only be granted if the oil price drops below $18 a barrel compared to the present $21,84

A further change is that oil companies are to be urged to negotiate for crude oil at the Mediterranean spot price rather than the traditional Singapore/Bahrain term pricing basis

(244)(153)

Mineral and Energy Affairs spokesman Theunis Burger said the Government was investigating the deregulation of the R23 billion oil industry — recommended in March by the Competition Board — and that the department would therefore not "unilaterally decide on a petrol price increase"

(183) (244)

Petrol price set to go up by 4c a litre

ARG 18/5/94

The Argus Correspondent

PRETORIA — The liquid fuels task force of the National Economic Forum (NEC) meets today to consider a cut in protective payments to Sasol and a petrol price increase of up to 4c a litre

Reports today speculated about a possible 14c a litre petrol price rise But among the recommendations on the table at today's meeting is a cut of up to 7c a litre in protective payments to Sasol.

According to reports this would bring down the synfuel floor price by more than R9 a barrel — which could limit the petrol price increase to as little as 1c a litre With the protective payments in place, current under-recovery at the pumps would necessitate an increase of about 4c a litre

The task group, consisting of representatives of the Department of Mineral and Energy Affairs, organised business and labour, was established last year to investigate the deregulation of the fuel industry

Department of Mineral and Energy Affairs spokesman Theunis Burger confirmed that the department would abide by this agreement

PPI FM 20/5/94 (244) (FM)

Which way?

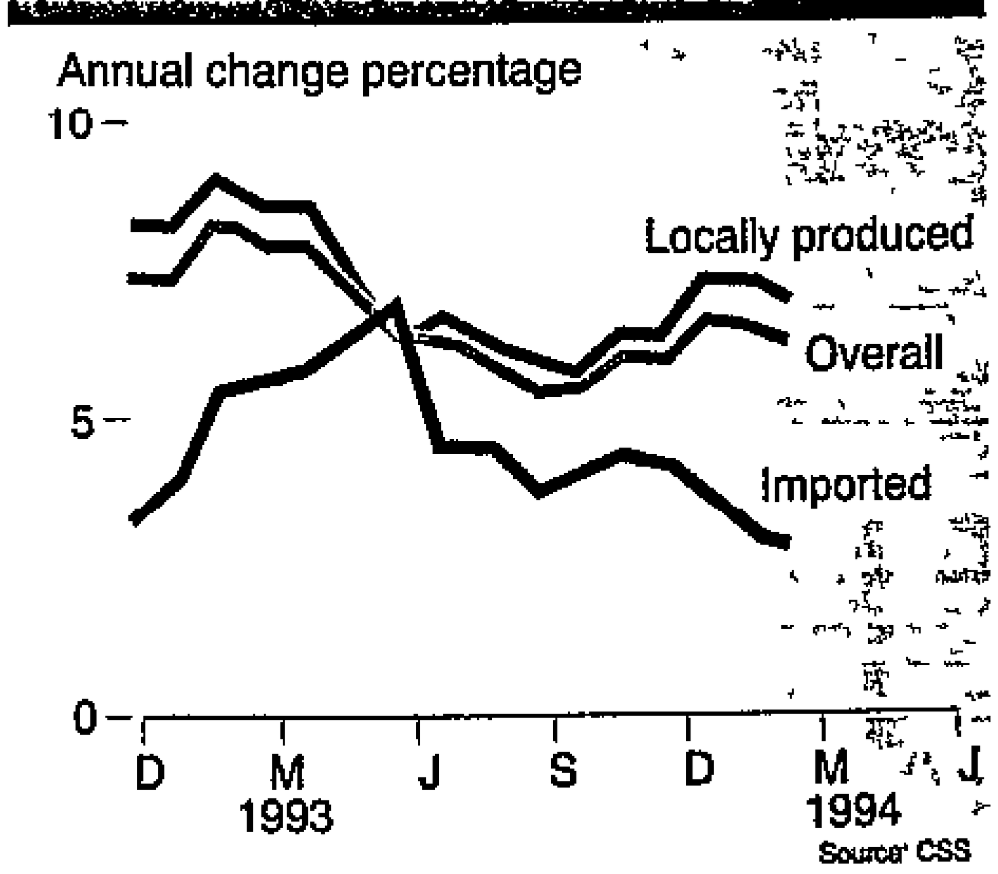
March's annual increase of 6,3% in the producer price index, down from February's 6,5%, continued a trend that started when producer price inflation peaked at 15% towards the end of 1989 before falling to present levels

Now producer inflation is probably close to its bottom.

March's month-on-month decline in the overall imported index of -0,1% (as well as the modest 2,7% year-on-year increase) can be attributed to declines in oil prices in the previous months Oil is one of SA's leading imports and makes up about a third of the PPI mining & quarrying index The price of North Sea Brent Crude hit a low of US$13 a barrel in February and climbed thereafter to $16,85 at the start of this month, where it has hovered since This move will soon be reflected in a rising PPI import index

Rand depreciation in the first quarter has influenced the imported component of manufacturing, which rose 0,6% in the month of March against a 0,1% rise in its locally produced equivalent.

PPI: imports keep it down



The other major component that will have an impact on producer prices will be agricultural products, which make up 9,5% of the overall index. After a year-on-year low of -0,3% in September, inflation in this item had risen to 8,2% in March.

Economists say this rise has been mainly because of meat prices Says Absa agricultural economist André Louw "We are now into the upward phase of the five-to-seven-year cycle of meat prices. Farmers are restocking herds after the drought of 1992" The meat index, in spite of a 0,8% decline in the month, rose 20,1% year-on-year

But, says Louw, the move is still being neutralised by falling prices of other agricultural products Grains, for instance, are declining in price after a good summer rainfall This item fell 0,1% in the month or 6,2% year-on-year.

He warns: "It's difficult to predict movements. Certain agricultural prices, such as those for vegetables, tend to be volatile" ■

Pik appeals for patience on fuel pricing

ARG 27/5/94

THE liquid fuel task force of the National Economic Forum should be given enough time to address the serious question of a petrol price increase, Minister of Mineral and Energy Affairs Mr Pik Botha said today

Speaking in debate on the President's address, he appealed for patience (183)

He said the petrol price was dollar-driven, and if members could assist him in improving the exchange rate, it would be easier to retain the current price and reduce the price of diesel. — Sapa (244)

Meat price shock

City butchers paying 'ridiculous' figures, up 40% in eight weeks: Dramatic increases on way

MEAT (244) ARG 2/6/94

JOHN VILJOEN
Staff Reporter

CAPE Town consumers face "dramatic increases" in the price of meat for the rest of the year, according to meat industry sources.

Meat imports are likely to be stepped up to overcome a major livestock shortage caused by two years of widespread drought.

Wholesale meat prices had risen by 40 percent in the last eight weeks, a butcher said today.

Cape Town butcher Harry Sacks said the increase in meat prices was "unbelievable" and said they were "ridiculously high".

"We haven't increased our prices yet — we are absorbing the increase — but I don't know how much longer we will be able to do that. Consumers will definitely have to pay more."

In December, when meat prices were usually at their highest, Cape Town butchers paid about R6 a kilo for A Grade beef carcasses and more than R10 a kilo for best quality lamb.

Those prices would now be "bargains", Mr Sacks said.

In Cape Town today best quality lamb carcasses cost R13,40 a kilo and beef between R7,60 and R7,80.

He hoped the government would declare meat VAT-free. This would provide "minor relief" for consumers, Mr Sacks said.

The rest of the year would see "dramatic" increases in the price of meat said Wholesale and Retail Butchers Association chairman James Milne. "It's just got to come."

The high price was due to a major shortage of livestock in the Western Cape. The late rains meant that animals were "not market ready". Farmers were holding livestock back to prepare them for slaughter, Mr Milne said.

A possible solution for the shortage was to increase meat imports.

Apart from regular sources of meat such as Botswana and Namibia, lamb and mutton was being imported from Australia and other options were being explored.

The Red Meat Producers' Organisation would soon hold talks with the government for permission to increase imports, he said.

"We are not sitting around doing nothing."

He blamed fees for slaughtering at the Cape Town abattoir, which were higher than other centres, for the increased prices and the shortage.

Regional meat board manager Bertie Ackhurst agreed abattoir fees were higher than elsewhere but said this was not a factor in the price hike

ANC to set up forum on drug pricing

B/Day

BEATRIX PAYNE

THE ANC plans to change the pricing system for medicines supplied to the private sector and is to establish a negotiating forum to enable government and the pharmaceutical industry to discuss the issue.

An ANC drug policy commission spokesman said yesterday the party was considering introducing "non-discriminatory pricing" to ensure that wholesalers, doctors and retailers received the same price from the manufacturer.

The ANC was also planning a more transparent system of "add-on" pricing which would involve the wholesaler and retailer, adding professional fees to the published price at which a medicine left the factory, rather than "discounting down" from prices set in the Blue Book.

The ANC intended to determine specifics through a negotiating forum, he said. No date had been set for the convening of a forum.

The spokesman said the organisation would consider implementing "something along the lines of single exit pricing" but had not fully investigated the issue 3/6/94

It would be necessary to consider all members of the supply chain to see where costs could be contained The manner in which manufacturers set prices was often "not transparent at all" (2.4.4)

Pharmaceutical Society of SA (PSSA) president Cecil Abramson welcomed the move but said some areas of the ANC's health policy needed clarity

He supported "add-on" pricing and said Blue Book medicine prices were often "fictitious"

Abramson said the forum would provide a means to find a solution to single-exit pricing, which the PSSA supported

Representative Association of Medical Schemes executive director Reg Magennis said fundamental reform was required for the pricing system for private sector medicines

Private hospital group President Medical Investment/joint MD Rob Speedie said it was imperative that private hospitals be represented on the forum

He was concerned that a reduction of the base price of medicine would have unfair consequences for private hospitals if the lower professional fee paid to pharmacists working in private hospitals was not addressed

Drug manufacturer Lennon Generics' CE, Dave Stubbins, said the industry should try to move away from the "discounting and bonus mania" by which retailers and wholesalers set prices

He warned against price control mechanisms as most raw materials were imported and were subject to currency fluctuations

Car prices jump by 75%

CT 11/6/94 (442) (244)

By PETER DENNEHY

NEW car prices have rocketed over the past three years by an average of 75% — and buyers are having to downgrade their choices to more affordable models.

A Cape Times survey of a dozen new vehicle prices now and three years ago indicated the 75% price rise on average.

Manufacturers said this figure was too high, but explained the shocking increases by saying the value of the rand had slid against that of the Japanese yen and the German mark.

Mr Nico Vermeulen, director of the National Association of Automobile Manufacturers of SA, said that in 1991, the average increase was 29%, including the change-over to tax-inclusive prices The following year, the average increase had been 11%, and last year it had been 15%

Meanwhile, VAT had risen from 10% to 14% So if one added the 29%, 11%, 15% and 4%, one was already at 59% without taking into account the effects of compounding the increases

12% hike expected this year

This year, it seemed that new car prices would increase about 12%, Mr Vermeulen said.

Mr Ray Nethercott, chairman of the National Automobile Dealers' Association, confirmed that some models of cars had undergone price increases of over 70% in three years He blamed the slide in the value of the rand against other currencies The rand had depreciated 60% against the Japanese yen in the past three years, for example.

Even the cheapest cars have risen sharply in price since 1991 The Uno 1100 Fire rose over three years from R20 755 to R33 336 — a 61% hike

The situation is similar higher up in the market. Cape Times files show that bottom-of-the-range new BMW and Mercedes Benz cars cost R44 660 and R99 965 three years ago, compared with R89 700 and R162 563 respectively now — 101% and 62% up respectively

Growth

Mr Nethercott said that the escalation in prices had forced a buy-down — "those who used to buy more expensive cars now go for something cheaper"

Apart from the buy-down, the price rises had caused the total market to shrink. However, there would be year-on-year growth in new vehicle sales even by the end of this year, because the economy was expected to grow, he said

ANC tackles rows

CT 13/6/94

243

Own Correspondent

DURBAN. — The ANC national executive committee meets tomorrow to resolve two public rows over MPs' salaries and Defence Minister Mr Joe Modise's attempt to gag the press.

ANC sources said it would be the first test for the government of its commitments to grassroots sentiment which is swinging against gravy-train politics and "NP-style gagging".

Members of the ANC's alliance, the SA Communist Party and the SA Congress of Trade Unions have already come out publicly against increases in MPs' salaries from the existing figures

MPs earn R160 000 a year excluding perks, while ministers take home a whopping R470 000 a year.

And a storm of protest within the new government has broken out after it became known that Mr Modise prevented the ANC-leaning Weekly Mail from publishing reports on the disbanded Directorate of Covert Collection.

An urgent interdict was put on hold by his department, but the Mail was served with papers.

The DCC is believed to be behind sinister "third force" activities to undermine the ANC and the SA Communist Pary. The Weekly Mail reports that two "agents" had linked MK cadres, now set for high office in the SANDF, to the former nerve centre of military intelligence

Mr Modise, in a statement, said he did not wish to read in newspapers about matters pertaining to his department "about which I had not been briefed"

The two agents, Mr Gerhard Jansen van Rensburg and Mr Clive Brink, were among 62 DCC staff members suspended by former president Mr F W de Klerk after a Goldstone Commission swoop on its headquarters in 1992

The Democratic Party has urged a review of the Defence Act and Protection of Information Act following Mr Modise's action

Motorists face 8c petrol rise

Political Correspondent ARG 14/6/94 (244)

THE price of petrol is set to rise by about 8c/ℓ this week if a recommendation by the liquid fuel task group is approved by the cabinet.

The task group, which includes representatives of the government, the taxi industry, oil refineries, organised commerce and the Motor Industries Federation, has been debating an increase and its recommendation will be discussed tomorrow at a meeting of cabinet committees.

It has been calculated that an increase in the oil price and a deterioration in the rand-dollar exchange rate mean motorists are paying 14c/ℓ too little for petrol.

The task group is said to be determined to keep the price increase as low as possible to minimise economic damage.

Mineral and Energy Minister Pik Botha refused to comment today on rumours of an imminent rise in fuel prices.

Any decision "must be taken by the cabinet", he added.

"It would be improper for me to make any comment at this stage," Botha added.

Producer prices creeping up

Star

BY DEREK TOMMEY

Producer prices are starting to creep up again.

The producer price index (PPI) for all commodities rose 1,1 percent in April after actually declining in March and rising 1,1 percent in February

15/6/94

The prices of locally produced commodities rose 1,2 percent in April, while the prices of imported commodities increased by 0,8 percent

The year-on-year increase in the price of all goods was 6,2 percent, against 6,3 percent for the 12 months to March.

The annual increase to April in the price of imported goods was 3,1 percent, up from 2,7 percent in the 12 months to February

(244)

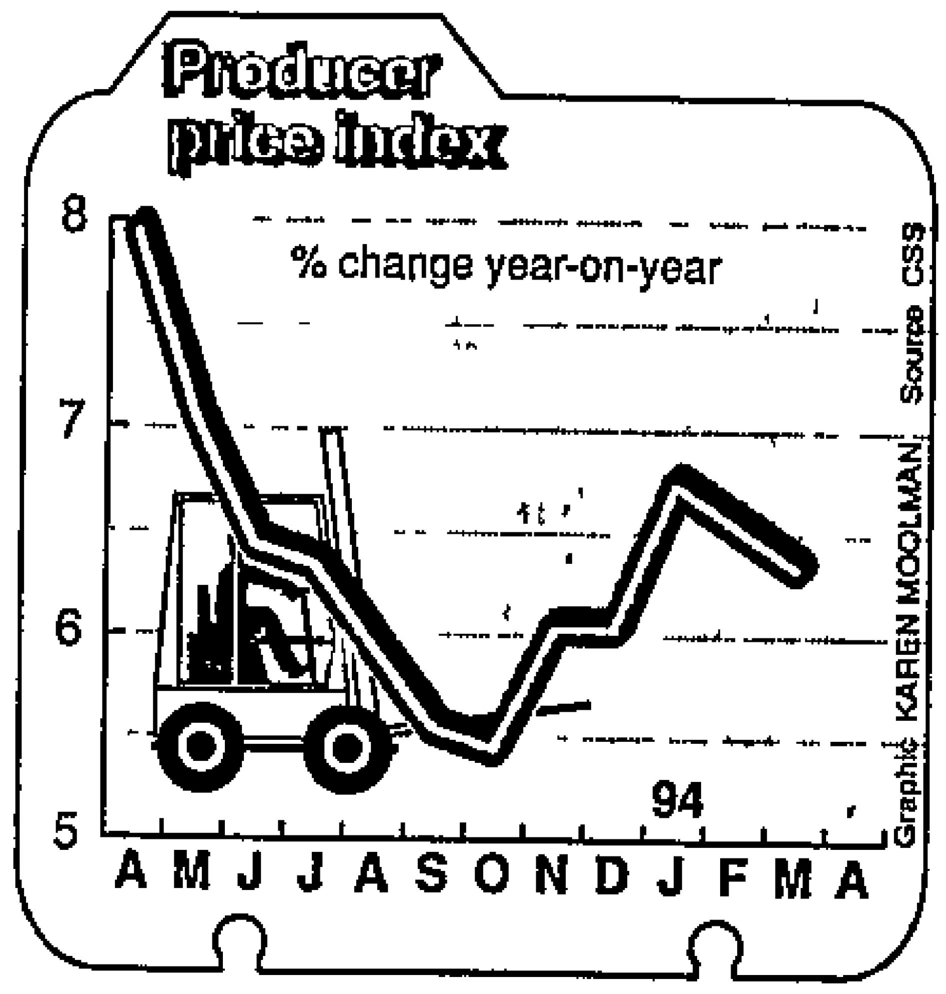
This possibly reflects the recent large devaluation of the rand.

The Central Statistical Service says there were several relatively large price increases in March

Agricultural product prices rose 2,4 percent, while forestry prices rose 4,8 percent

Mining and quarrying products rose 2,3 percent, while the price of food products at manufacturing level rose 2,1 percent.

Alcoholic and non-alcoholic beverage prices rose 1,2 percent, leather and leather product prices 3,4 percent, and footwear prices 2 percent.



Producer inflation continues to slide

SAMANTHA SHARPE

PRODUCER inflation continued its downward trend in April, with a marginal fall to 6,2% from 6,3% in March, latest Central Statistical Service (CSS) figures show

But economists were disappointed as they had hoped for a figure below 6% because the rate was calculated off a high base Producer inflation last April rose an unusually high 1,2% month-on-month

Imported inflation, which has kept a brake on the rate of increase in the index for the past few months, rose at an annual rate of 3,1% — 0,4 percentage points higher than March's 2,7%. Rising international oil prices had started to creep into the index, pushing the prices of imported goods higher, economists said The effect of the rand's depreciation would eventually work itself into the imported component of the index.

A slowdown in the rate of increase in locally produced commodities helped offset higher imported inflation. The price level of the local component rose 6,8% compared with 6,9% in May. (244)

The CSS said overall producer inflation was up 1,1% month-on-month compared with March's decline of 0,1%. It attributed the rise to relatively large price increases for agricultural, mining and quarrying and food products at the manufacturing level.

Oil and coal price increases were behind the higher mining and quarrying index.

☐ To Page 2

Inflation

B/Day 15/6/94

☐ From Page 1

Southern Life economist Sandra Gordon said the large increase in food prices was led by higher meat prices, a result of farmers holding back stock after the drought to replenish their herds. She said the effect of the higher-than-expected annual rate of inflation could push average producer inflation for the year to 7,5%. (244)

Econometrix economist Tony Twine warned that while the annual rate of increase in producer prices was "reasonable", the month-on-month performance of the index was disturbing.

The month-on-month rise for local commodities translated into an annualised inflation rate of 15%, while imported inflation would come in at about 10%.

Old Mutual economist David Mohr said producer inflation would probably start climbing in the second half, reaching about 8% by the year-end.

PPI edges up

244

Business Staff

PRODUCER prices are starting to creep up again

The producer price index (PPI) for all commodities rose 1,1 percent in April after actually declining in March and rising 1,1 percent in February.

The prices of locally produced commodities rose 1,2 percent in April, while the prices of imported commodities increased by 0,8 percent

AZb 15/6/94

The year-on-year increase in the price of all goods was 6,2 percent, against 6,3 percent for the 12 months to March

The annual increase to April in the price of imported goods was 3,1 percent, up from 2,7 percent in the 12 months to February

MANAGEMENT

BDay 16/6/94

Productivity 'can save firms'

(247)

MICK COLLINS

STUDIES by the National Productivity Institute (NPI) have shown that the majority of local businesses fail because of basic shortcomings and elementary mistakes by management Last year more than 21 500 businesses went under

This was said by NPI executive director Jan Visser at a business seminar at the Mintek Auditorium in Randburg on Tuesday

The first aim of any business was to make a profit, because without it the enterprise would disappear Looking at the number of company and close corporation liquidations, "it is almost tragic to see that they increased from 2 400 in 1992 to 2 730 last year".

"If we add to this the fact that in 1993 a total of 464 companies and 14 200 close corporations deregistered, it is clear that something is seriously amiss Why would so many businesses cease to exist — businesses which at some stage have shown promise? In 1993, the total was more than 21 500."

Visser said one of the most serious shortcomings was that symptoms rather than causes were addressed when problems surfaced

Wrong principles were often followed — for example, that if one wanted to grow, one should become bigger rather than more productive Many firms went under because of a lack of accurate costing, with resultant unimaginative pricing policies. NPI analyses showed that 80% of failing firms could be turned around in three months by concentrating on their constraints

Most small or medium-sized businesses made the mistake of relying too much on bookkeeping and bookkeeping systems. They measured the wrong things and in any case too late for effective decision-making

What was more necessary was management information which gave the correct signals speedily Most managers could, with the assistance and advice of the right consultant, develop a management information system in a short time It only needed a change of mind-set from the traditional

"I am always astounded to find how many business people who are prepared to take great risks almost do not have the courage to experiment with management information. Leadership qualities, business skills, streamlined organisational structures and adaptability should of course be in place, but they will be to no avail if the right information is not available to allow the correct decisions to be made"

Simple information, for example that needed to calculate a break-even point, cash flow and so on, was most important But especially important was the fact that productivity must be measured and controlled

Entrepreneurs must realise that it was impossible to promote profits and profitability over the long term by looking only at the price component of the profit formula The productivity component was much more important

Visser said that productivity should be improved continuously if the living standards of all South Africans were to be improved. The whole aim of government's reconstruction and development programme was to increase consumption per person.

"Unfortunately, consumption per person, or the standard of living, is irrevocably coupled to production per person, or productivity Each organisation, in private and public sectors, will serve its own cause and that of the country if it functions more productively Productivity is not an end in itself, it is a means to an end. Those who do not utilise this means are doomed to fail, and will take the country with them in the downward spiral.

"If, on the other hand, we all do the right thing right the first time, and if total customer satisfaction is our purpose, we can go from strength to strength," Visser said

More fuel price rises in pipeline

(244) ARG 16/6/94

□ Motorists will be hit hard

Staff Reporters

MOTORISTS will be hard-hit by the 9c/ℓ petrol price rise at the coast — and more fuel price rises could be in the offing.

Tomorrow's rise, which will be pegged at 8c/ℓ inland, has reopened the debate over whether the cost of petrol can be kept down by deregulation in the industry.

A row blew up again today, with trade unionists accusing petrol companies of profiteering while the pro-deregulation lobby pointed a finger at Cosatu for blocking deregulation in its attempt to prevent the loss of 70 000 petrol station jobs.

Deregulation champion Pick 'n Pay has claimed that it could knock between four and seven cents a litre off the retail price. This would mean a significant saving to the economy.

Soaring demand from the United States pushed oil prices to 12-month highs of $19,90 a barrel after being below the $13 mark earlier this year.

At the same time the value of the rand has been dropping, portending yet another increase in the fuel price.

The overall effect on the economy of the additional eight cents should not be as painful as previously because it did not include diesel and paraffin, said Boland Bank economist Francois Jansen.

Normally an increase of this size would have added one percent to the inflation rate.

Tomorrow midnight's increase will have an almost immediate 0,2 percentage point effect on the inflation rate while another 0,2-points would work its way in from the indirect effects of higher transport costs, said Old Mutual economist Johan Els.

The Southern African Black Taxi Association said it had urged Mineral and Energy Affairs Minister Pik Botha not to increase the price of petrol without consulting the taxi industry.

"In the interests of peace and stability Sabta urges you most strongly not to unilaterally announce price increases without adequate consultation," the association said in a letter to Mr Botha.

The Automobile Association said the debate about rationalisation of the fuel industry should be finalised without delay.

"A market-driven, deregulated fuel industry, devoid of inefficiencies in the pricing mechanism, will substantially reduce the pressure to increase fuel prices as a result of higher crude oil prices," it said.

The AA predicted that the fuel price would increase by up to 13 percent in total this year because of fiscal pressure on the government.

Petrol price jumps

CT 16/6/94

(240)

By ANTHONY JOHNSON

THE government announcement of an 8c/ℓ petrol hike from midnight tomorrow immediately sparked fears that hard-pressed motorists could be hit with further taxes on fuel on Budget day.

Experts said the increase — from R1,64/ℓ of 93 octane to R1,72/ℓ and from R1,68 of 97 octane to R1,76 — would curtail living standards, increase inflation and dampen business confidence. This led to renewed calls for the urgent deregulation of the fuel industry and a transparent pricing system.

Cosatu announced last night that it was convening a special meeting next week with the Minister of Transport and the taxi industry to ensure that the effect of the increase on the public was minimised

The business community and motor industry generally accepted that the increase — approved by the cabinet yesterday after a recommendation by the liquid fuel task group — had been unavoidable.

Minister of Mineral and Energy Affairs Mr Pik Botha blamed the increase on a higher crude oil price and a worsening rand-dollar exchange rate

According to an Automobile Association spokesman, who used as an example the Ford Telstar 2ℓ-engine sedan which gets 9,6km to each litre of petrol, it would take 146ℓ of petrol to cover the 1 400km between Cape Town and Johannesburg At current 93 octane prices this would cost R239,44, and at the increased rate R251,12 For 97 octane, the new cost would be R256,96

Mr Botha said the price of diesel fuel and paraffin would remain unchanged because many consumers depended on these to meet their basic needs, particularly in winter

OIL PRICES AT 12-MONTH HIGH

— Page 10

He said the government had made strenuous efforts to avoid the price rise. However, the price paid for petrol at the pumps had been subsidised by up to R4 million a day "for some time now"

He said the increase should have been 14c/ℓ but the way in which the crude oil cost was calculated had been adjusted and tariff protection for Sasol and Petronet had been lowered to give a saving of six cents a litre

"When the petrol price was last adjusted on February 28 the landed cost (of crude oil) was 45,444c/ℓ The exchange rate then was $1 R3,45 The landed cost is now 57,542c/ℓ and the exchange rate is $1 R3,65 That, in a nutshell, explains the situation," Mr Botha said

The increase had been proposed earlier this week by a task group comprising representatives from the government, oil refineries, organised commerce, the Motor Industries Federation and the taxi industry

Reacting to the hike, the AA said fiscal pressure on the government might result in a national budget that increased direct and indirect taxes on fuel, and it was likely the total 1994 petrol price rise would be 12-15c/ℓ

Cosatu said it regretted that the government has been forced to increase the petrol price, blaming the decision both on external factors and "the massive wastage entailed in Mossgas, subsidisation of Sasol, and profiteering by the oil companies"

The Afrikaanse Handelsinstituut (AHI) said every effort had to be made toward a new transparent petrol pricing system that limited state intervention.

The Motor Industries' Federation said the hike was "a great pity" but unavoidable.

Shell South Africa said the price rise was part of "the package of restructuring the pricing mechanism in the oil industry", adding that the company supported the gradual deregulation of the industry in National Economic Forum discussions

9c petrol rise on coast

Business Staff (244) ARG 16/6/94

CAPETONIANS are in for a double petrol price shock — not only is it going up but the increase will be bigger than that inland.

Oil industry sources confirmed today that the price of petrol in coastal areas is to go up by 9c a litre and not 8c as announced yesterday by Mineral and Energy Affairs Minister Pik Botha.

Cape Town retailers have been told to up their prices by 9c from midnight tomorrow.

Oil industry sources attributed the extra cent to adjustments in Transnet's PetroNet operation.

No confirmation could be obtained from the department of Mineral and Energy Affairs, whose switchboard operator said today: "There is no-one available until later this afternoon."

● See page 7.

NEWS

Depreciation of the rand blamed

Petrol hike shock for SA motorists

Star 4/6/94

BY KAIZER NYATSUMBA
POLITICAL CORRESPONDENT

The rise in the price of 93-octane petrol — which goes up by 8c a litre from midnight tomorrow — is a result of the continued weakening of the rand against the US dollar, Mineral and Energy Affairs Minister Pik Botha said yesterday.

The announcement, potentially the first unpopular decision taken by the ANC-led multiparty Government of National Unity, was greeted with mixed emotions by the Automobile Association and the South African Chamber of Business (Sacob), with the business body warning that the price increase "will have an inevitable negative impact on the cost structure of the economy".

In a statement yesterday, Botha said the Cabinet had accepted a National Economic Forum (NEF) recommendation that the price of petrol be increased by 8c a litre from midnight tomorrow

This will raise the price of petrol from the present R1,75 to R1,83 a litre.

However, the price of diesel and paraffin will remain the same because of many consumers' dependence on these commodities, "particularly during the winter season"

Botha said although the Government remained concerned at the prospect of a fuel price rise — especially since such increases directly affected the taxi industry and its clients as well as the cost of transportation — the increase had become unavoidable.

WHY PETROL IS GOING UP

Price of crude oil

FEB 94	TODAY
45,4c	57,5c

Exchange rate

FEB 94	TODAY
$1/R3,45	$1/R3,65

PWV price of 93 octane

FEB 94	SATURDAY
R1,75 A LITRE	R1,83 A LITRE

[illegible] of paraffin [illegible] fuel remains unchanged at present

This was because of the continued weakening of the rand against the dollar and the hike in international crude oil prices.

He said that when the petrol price was last adjusted on February 28, the fuel landed cost was 45,4c a litre and the rand-dollar exchange rate stood at R3,45 to a dollar. The landed cost was now 57,5c a litre and the dollar equalled R3,65.

This, he said, had resulted in the Government subsidising the petrol pump price by up to R4 million a day "for some time now".

In its reaction, the AA said it was "absolutely essential that the current debate around the rationalisation of the fuel industry be finalised without further delay". (244)

The association called for deregulation in the industry, and said it now remained to be seen what view the Government will take in next week's Budget on increasing the direct and indirect taxes on fuel as a result of fiscal pressure.

Sacob, which is a participant in the NEF liquid fuel task force, said business reluctantly accepted that the increase in crude prices and the deterioration of the external value of the rand had made the latest petrol price rise unavoidable.

However, the chamber said it had grave concerns about the possible continuation of interventionist policies by the Government.

The Motor Industries Federation said it was "a great pity" that it had been necessary to increase the petrol price, and the Afrikaanse Handelsinstituut said every effort had to be made to create a new, transparent petrol-pricing system which would limit State intervention.

The Southern African Black Taxi Association said it had urged Botha not to increase the petrol price without consulting the taxi industry.

Threat of more taxi blockades

Petrol price to increase by 8c tomorrow

BIDay 16/6/94

(183) (244)

MICK COLLINS

THE price of petrol would increase by 8c/l at midnight tomorrow, Mineral and Energy Affairs Minister Pik Botha announced yesterday

He said the rise was unavoidable because of a higher crude oil price and a worsening rand-dollar exchange rate The price of 93 octane petrol in the PWV region would go up to R1,83/l, but the price of diesel and paraffin would be unchanged

Economists said the measure would have an inflationary effect which would hinder the 3% growth rate targeted by government

Botha said the increase should have been 14c/l, but it had been possible to reduce the effect by adjusting the calculation of crude oil costs and lowering tariff protection for Sasol and Petronet's pipeline

He said the National Economic Forum's liquid fuels task force's report had been seriously considered, as the increase would affect the taxi industry as well as the cost of transporting goods

When the petrol price was last adjusted on February 28 the landed cost of crude was 45,444c/l. The exchange rate then was R3,45 to the dollar The landed cost was now 57,542c/l and the exchange rate had shifted to R3,65 As a result the pump price had been subsidised "for some time" by up to R4m a day "It is impossible for this state of affairs to continue without disrupting supplies to the consumer"

While government was concerned about the economic effects of the price rise, it had been unavoidable

Ed Hern, Rudolph strategic economist Nick Barnardt said petrol made up about 5% of the consumer price index

"Within six to 12 months the direct and indirect effects will make a difference of about 0,5% to the CPI"

The risk of any further sharp increases had been obviated largely by the recent stabilisation of the rand/dollar exchange rates and international oil prices

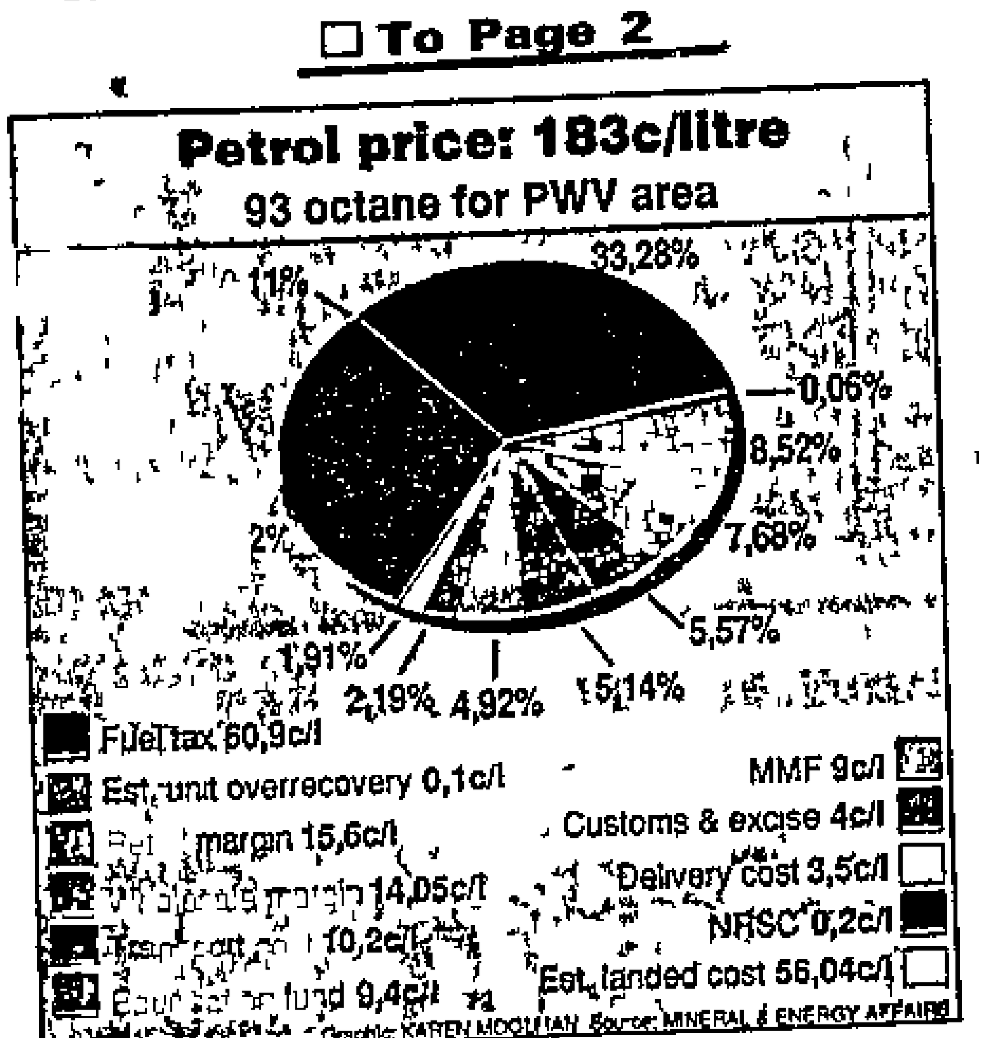
Another economist predicted the increase would lift the inflation rate 0,2% directly and a further 0,2% indirectly over the next three months

This inflationary effect meant that interest rates would not come down and "the economy won't grow as quickly as Finance Minister Derek Keys hoped it would"

An analyst said the short-term effect of the increase would not last long "It should not be badly received by the public, especially as the balance of the underrecovery is being absorbed by the industry"

The SA Black Taxi Association said it

☐ To Page 2



BIDay 16/6/94

☐ From Page 1

Petrol

had warned Botha not to unilaterally announce a price increase "in the interests of peace and stability" (183) (244)

A spokesman said nothing had changed since the taxi blockades that greeted the last petrol price increase If the price was increased without special assistance to the taxi operator "we cannot rule out the possibility of further blockades".

Cosatu said it was extremely concerned. "Government and business need to take steps to alleviate the effect of the increase in relation to the taxi industry, and to prevent exploitation of consumers."

It was convening a meeting next week with the Transport Minister and the taxi industry to ensure that the effect of the increase on the public was minimised.

The Automobile Association stressed that it was essential that the current debate around the rationalisation of the fuel industry be finalised without further delay

Sacob said the increase would have an inevitable negative effect on the economy's cost structure. But business reluctantly accepted that it was unavoidable.

resses a rally in Orlando, Soweto, yesterday to mark the 18th anniversary of the June 16

Picture GARTH LUMLEY

Deregulation demands follow petrol price rise

BDay 17/6/94

MICK COLLINS

THE latest hike in the petrol price has widened and intensified calls for the fuel industry's deregulation.

Commerce and industry yesterday expressed grave concern at government's continued interventionist policies, saying this would take its toll on investor confidence and adversely influence the exchange rate

Sacob said the present need for a fuel price rise was an example of the negative effect of such policies

Business reluctantly accepted that an increase in crude prices and a deterioration of the external value of the rand made the price rise unavoidable

The Automobile Association said it was "absolutely essential" that the current debate around the rationalisation of the fuel industry be finalised without further delay

A market-driven, deregulated fuel industry, devoid of the current inefficiencies contained in the in-bond landed cost (IBLC) pricing mechanism, would substantially reduce the pressure to increase fuel prices as a result of higher crude oil prices.

It warned that fuel prices could increase in total by between 12c/l and 15c/l this year.

Transnet economist Mike Schussler said the basic SA fuel price was $0,085 (30,5 SA cents) more expensive than the average European price on the current formula.

"We use Singapore postings in setting prices where the Europeans use Rotterdam and Mediterranean prices."

Singapore refineries had one of the highest profit margins because of a virtual monopoly in the region

The equalisation fund, which provided tariff protection to Sasol and Mossgas, also made fuel expensive

"This has got to be phased out over time" (244)

There were a lot of vested interests in the local oil industry whereas in Europe many of the fuel markets were already deregulated

Sapa reports the decision to increase the petrol price was condemned by the SA Black Taxi Association.

"We cannot accept that decisions of this magnitude can be made without proper consultation and examination of the alternatives," Sabta said.

One alternative, said Sabta spokesman Jacob Ledwaba, was for taxi associations to form co-operatives to own "consumer pumps".

Fuel hike a warning against govt intervention

CT 17/6/94 244

JOHANNESBURG — The SA Chamber of Business expressed "grave concerns" over the possible continuation of interventionist policies by government, its effect on investor confidence and the exchange rate.

"The present need for a fuel price rise is an example of the negative effect of such policies," it said, commenting on the petrol price rise of eight cents a litre announced on Wednesday.

In terms of the price proposals accepted by government the oil industry, oil-from-coal and chemical producer Sasol and the state fuel pipeline operator Petronet would be making considerable sacrifices, it said in a statement

"Further tampering with elements of the price build-up in the existing system of regulation will harm the industry and its investment prospects," it said.

This particular method of dealing with short-term price pressures on fuel could only be accepted on condition the oil industry was restructured to allow competition to restore efficiency in the delivery mechanism and to broaden the scope of consumer choice, it said.

Mineral and Energy Affairs Minister Pik Botha, announcing the petrol price rise, effective June 18, said recent levels of crude prices and the rand warranted an increase in the petrol price of at least 14c a litre.

"However, it has been possible to reduce the impact by negotiating an adjustment of the cost related to crude oil and lowering both the tariff protection to Sasol and Petronet's pipeline tariffs," he said

The chamber is the country's biggest employer organisation, representing some 40 000 commercial and industrial enterprises.

It said business reluctantly accepted that an increase in crude prices and a deterioration of the external value of the rand made the price rise, which would affect cost structures in the economy, unavoidable.

"For as long as fuel is subject to regulation and to retail price maintenance government will have to announce fuel price adjustments," it said

As a participant in the liquid fuel task force of the National Economic Forum — a mechanism for consultation between the state, business and labour — the chamber was involved in formulating the price recommendations to the government.

It added, however "Throughout the discussions (the chamber) was mindful of the severe negative impact the fuel price increase would have, particularly on small business, and was instrumental in getting it structured in such a way as to minimise that impact." — Reuter

Petrol price hike higher along coast

CT 17/6/94 (244) (188)

By ANTHONY JOHNSON
Political Correspondent

MOTORISTS living close to the coast face a 9c/litre hike in the price of petrol from midnight tonight — and not 8c/litre as announced earlier.

Coastal motorists still pay less than motorists inland who have to contribute towards the cost of piping petrol from the coast, where it is landed, to the interior

A Department of Mineral and Energy Affairs spokesman said yesterday it had been possible to restrict the increase to 8c/litre only "in a few inland zones, including the PWV"

The lower increase for these areas was possible because Petronet had agreed to reduce its pipeline tariffs by nine percent, resulting in an additional 1c/litre reduction in the PWV area.

Questioned about whether much of the petrol inland did not come from Sasol anyway, the official said although this was the case it was not possible to have a two-tier pricing system in a particular region.

Minister of Mineral and Energy Affairs Mr Pik Botha said "the government remains concerned at the prospect of a fuel price increase especially as any increase directly affects the taxi industry and its clients as well as the cost of transport of persons and goods"

Eunice Rider reports that taxi industry representatives said the petrol price hike had been sprung on them without warning and left too little time to inform commuters of fee increases. They appealed last night to the government for subsidisation.

National president of the Federated National Transport Organisation Mr Lennox Magwaza said at least a month was needed to inform the millions of people who used minibus taxis and were hardpressed, that it was necessary to increase fares

It would be the first fare increase in three years, he said.

He also appealed to the Department of Transport to speed up the process of subsidising the "suffering" black taxi industry so the benefit could be passed on to commuters

● **Fuel hike a warning against govt intervention — Page 15**

Taximen angry over fuel hike

Sowetan 17/6/94

BLACK taxi associations have asked for an urgent meeting with Mineral and Energy Affairs Minister Pik Botha to discuss the 8c/l increase in the price of petrol from midnight today.

The SA Black Taxi Association and the National African Federated Transport Organisation have expressed shock at the hike and have vowed to protest against the decision.

They demand, among other things, that the black taxi industry be subsidised.

In announcing the increase, Botha said the rise was unavoidable because of a higher crude oil price and the worsening rand-dollar exchange rate. He said the Cabinet had accepted a recommendation by the National Economic Forum that the price of petrol be increased by 8c from midnight today ([redacted]) ([redacted] 2144)

This will raise the price of petrol from the present R1,75 to R1,83 a litre. However, the price of diesel and paraffin will remain the same.

The associations said the announcement was probably the first unpopular decision taken by the African National Congress-led Government.

They said the move would force consumers to dig deeper into their pockets.

Sabta's national treasurer, Mr Joe Mabaso, said taxi owners were angry because they were not consulted when the Minister increased the petrol price. He said the taxi industry would hold protest actions outside Government buildings if their demands were not met.

Nafto president Mr Peter Rabali said Botha should give "special concessions" to the taxi industry.

The Motor Industries Federation said it was "a great pity" that it had been necessary to increase the petrol price.

The Afrikaanse Handelsinstituut said every effort should be made to create a new petrol-pricing system which would limit Government intervention.

Petrol price hike rebellion

ARG 18/6/94

■ The price of petrol went up at midnight — but, the increase heralds a renewed attack on South Africa's fuel regulations which, if successful, could save motorists 21c a litre.

BRUCE CAMERON
Business Editor

OIL company Engen has joined forces with Pick 'n Pay in a renewed attempt to break the bastions of fuel regulation — a move which could save motorists 21c a litre on petrol.

Pick 'n Pay has ignored the midnight 9c a litre price hike announced by Mineral and Energy Affairs Minister Pik Botha and will sell existing stocks at its outlets at the old price "until the tanks run dry".

Engen, the only locally-owned petrol producer and retailer, has appealed to its outlets to do the same.

Stocks could last for up to four days

And, the South African Black Taxi Association (Sabta) has warned that the fuel price rise may lead to protest action by taxi operators.

In a toughly-worded statement, Engen chief executive Rob Angel warned that continued regulation was jeopardising economic recovery and discouraging foreign investor confidence. This, in turn, would limit the success of the Reconstruction and Development Programme.

Pick 'n Pay joint managing director Gareth Ackerman said he would not be challenging the government, but his company would reconsider its options if a change of heart did not come soon.

In the meantime, he would refuse to put up the price on existing stocks because "we don't believe we should be forced to make a profit from consumers"

In the last row over deregulation, the former government took action to close down Pick 'n Pay petrol stations for discounting petrol

Mr Angel said. "Consumers are still subsidising the synfuels industry at unacceptably high levels of 9c a litre At least 6c a litre could be saved if the synfuel industry operated on a cash break-even basis."

A further 15c a litre could be saved by scrapping other regulatory mechanisms

"The industry is being called upon to make continual sacrifices in terms of its already modest margins, while state-owned enterprises and a highly profitable company like Sasol continue to reap the benefits of unacceptably high subsidies"

Mr Angel said oil companies had retrenched staff and undertaken site closures as a result.

"We cannot be expected to continue to participate in a process of forced self-sacrifice to the detriment of shareholders, employees and the industry as a whole"

Sabta, in a letter to Mr Botha, reiterated its concern that the taxi industry had not been consulted about the price rise.

Sabta said Mr Botha had to meet the industry urgently to discuss ways of alleviating the price-rise burden

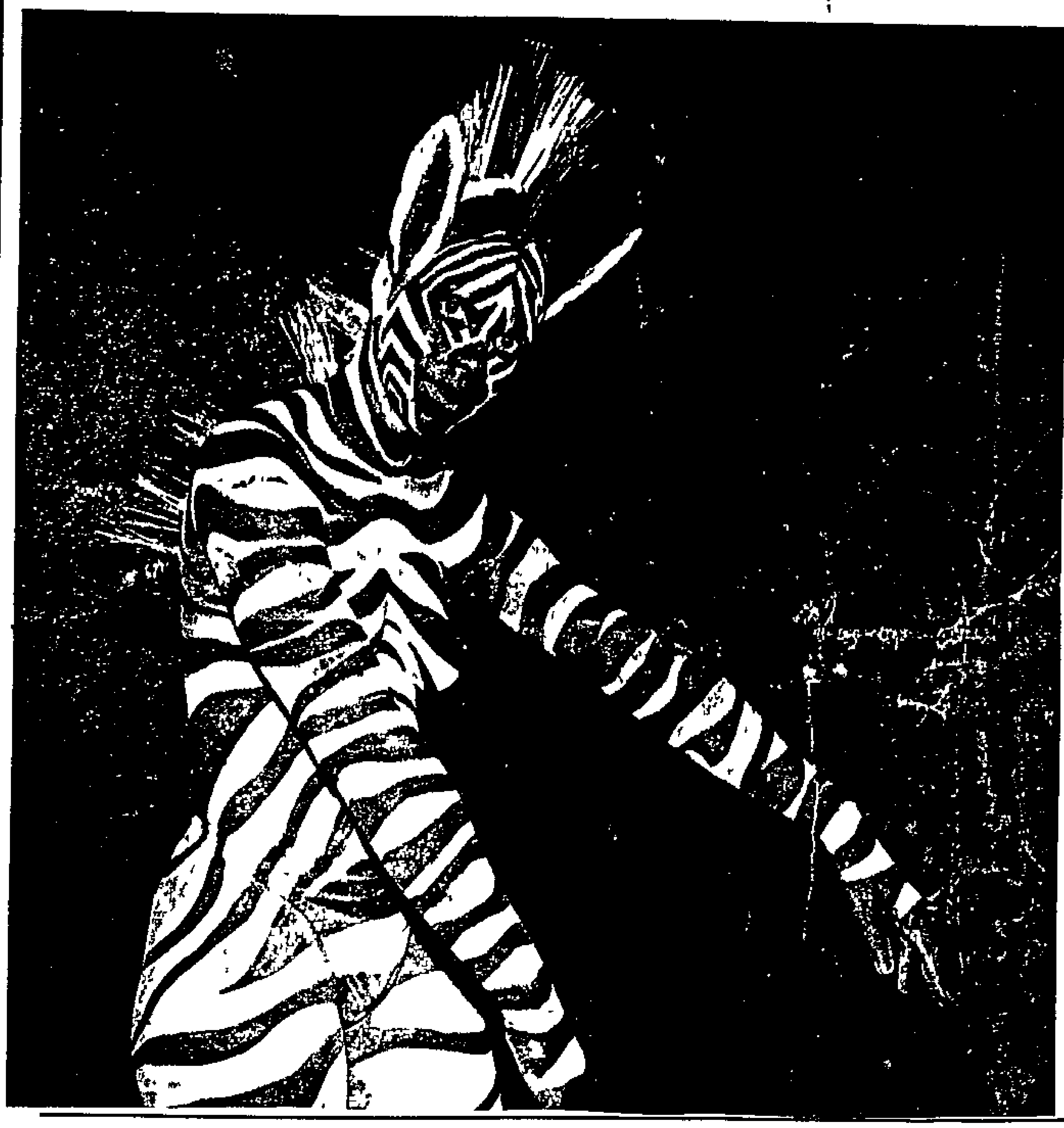
244

Pick 'n Pay, Engen move to cushion motorists

Fuel price: big firms hit back

Star : 18/6/94

THE price of petrol went up at midnight — but the increase has prompted a renewed assault on fuel regulation which could mean savings of 21c a litre for motorists. BRUCE CAMERON reports.



PICK 'n Pay and Engen have combined forces in a renewed attempt to storm the bastions of fuel regulation — a move which could save South African motorists 21c a litre on petrol.

Pick 'n Pay has ignored the midnight 8c price increase and will sell existing stocks at its outlets at the old price "until the tanks run dry" Engen, the only locally owned petrol producer and retailer, has appealed to its outlets to do the same (~~[illegible]~~) (244)

Stocks could last for up to four days

In a toughly worded statement, the chief executive of Engen, Rob Angel, warned that continued regulation was jeopardising economic recovery and discouraging foreign investor confidence This in turn would limit the success of the Reconstruction and Development Programme

Pick n Pay joint managing director Gareth Ackerman said he would not be challenging the Government this time but would reconsider his options if a change of heart did not come soon.

However, he would refuse to put up the price on existing stocks because "we don t believe we should be forced to make a profit from consumers"

Stations closed

In the previous dispute over deregulation, the former government took action to close down Pick 'n Pay petrol stations for discounting petrol.

Angel said. "Consumers are still subsidising the synfuel industry at unacceptably high levels of 9c a litre for petrol.

"At least 6c a litre could be saved if the synfuel industry operated on a cash break-even basis "

A further 15c a litre could be saved by scrapping other regulatory mechanisms

"The industry is being called upon to make continual sacrifices in terms of its already modest margins, while State-owned enterprises and a highly profitable company like Sasol continue to reap the benefits of unacceptably high subsidies "

Angel said oil companies had retrenched staff and undertaken site closures as a result

"We cannot be expected to continue to participate in a process of forced self-sacrifice to the detriment of shareholders, employees and the industry as a whole "

Ackerman and Angel said deregulation would assist the Government, as it would no longer be faced with making highly charged political decisions "They could just take the tax."

Ackerman also announced that his company was contemplating going into the fuel industry, marketing petrol under its own name brand. But he said it was being stymied by the regulation of

TO PAGE 2

Star 18/6/94

◆ Fuel price

the industry

This included the regulations under which petrol stations were rationalised (the "rat" plan) This meant petrol companies could refuse to renew licences to operate on land owned and controlled by Pick 'n Pay The latter could also be barred from opening new petrol stations (~~[illegible]~~) (244)

Ackerman revealed that "promising noises" had come out of discussions he was having with the Government and other interested parties

Angel said the dismantling of the regulations was in the interest of consumers, the economy and the country

"Foreign investors will stay away until the Government's actions, not words, demonstrate a real commitment to the market system "

The Southern African Black Taxi Association has told Minister of Mineral and Energy Affairs Pik Botha it is gravely concerned about the petrol price increase and the lack of consultation before it was announced.

SABTA said in a statement it would do all it could to contain unhappiness, but that the frustration of taxi operators might manifest itself in protest action.

It was imperative that the Minister met the taxi industry to discuss ways of easing the burden of regular price increases

SABTA will meet Botha on June 27

"We cannot again tolerate a situation like that following the last increase," the statement said "The industry was then bought off with promises of investigations which, in a display of cynicism remarkable even for the Nationalist government, never took place. This time there must be action "

Fuel industry prepares to fight the rules

S/Times (Buss)

By KEVIN DAVIE

THE implosion of the regulated fuel industry is imminent, say industry leaders

Key members of the National Economic Forum (NEF) say Pick 'n Pay will soon offer discount fuel and Engen will follow

All companies are said to have contingency plans for a price war. 19/6/94

One source says Pick 'n Pay's legal advice is that fuel regulation can be challenged on constitutional grounds. (183) (244)

Sabta's Jacob Ledwaba says minibus taxi operators are angry about the 8c/l fuel-price increase

Sabta will try "to contain the situation", but the frustrations of individual taxi operators may be shown in protest action

Sabta wants to operate its own fuel depots on the lines of its competitor, Putco

Engen's Rob Angel says fuel users are subsidising Sasol at unacceptably high levels — 9c/l

"At least 6c/l could be saved if the synfuels industry operated on a cash break-even basis."

Mr Angel says scrapping other regulations could save users at least a further 15c/l

Paul Theron, of the ANC-aligned Minerals and Energy Policy Centre, says Sasol's "tariff protection subsidies are too high".

"Every cent of subsidy reduced is an extra cent in the pocket of the consumer."

Sasol says a price war is unlikely because fuel discounting is illegal.

"Should one of the players hold the opinion that the current laws conflict with the new constitution, this would have to be placed before the Constitutional Court, which could be a lengthy process.

"We assume current laws will be enforced."

Sasol says it does not receive subsidies

"Tariff protection allows synfuels a moderate return on assets (9,6% after tax for the six months to December).

"As an active member of the NEF team Sasol made a contribution to cushion the effect of the 14c/l increase which would have been necessary as a result of rising crude prices."

Pick 'n Pay's Gareth Ackerman says fuel regulation is a "political albatross" around the government's neck.

More petrol shocks around the corner

BDay 20/6/94

MICK COLLINS

HIGHER crude oil prices and a weak rand were likely to lead to more petrol shocks for SA motorists, economists warned at the weekend (183) (244)

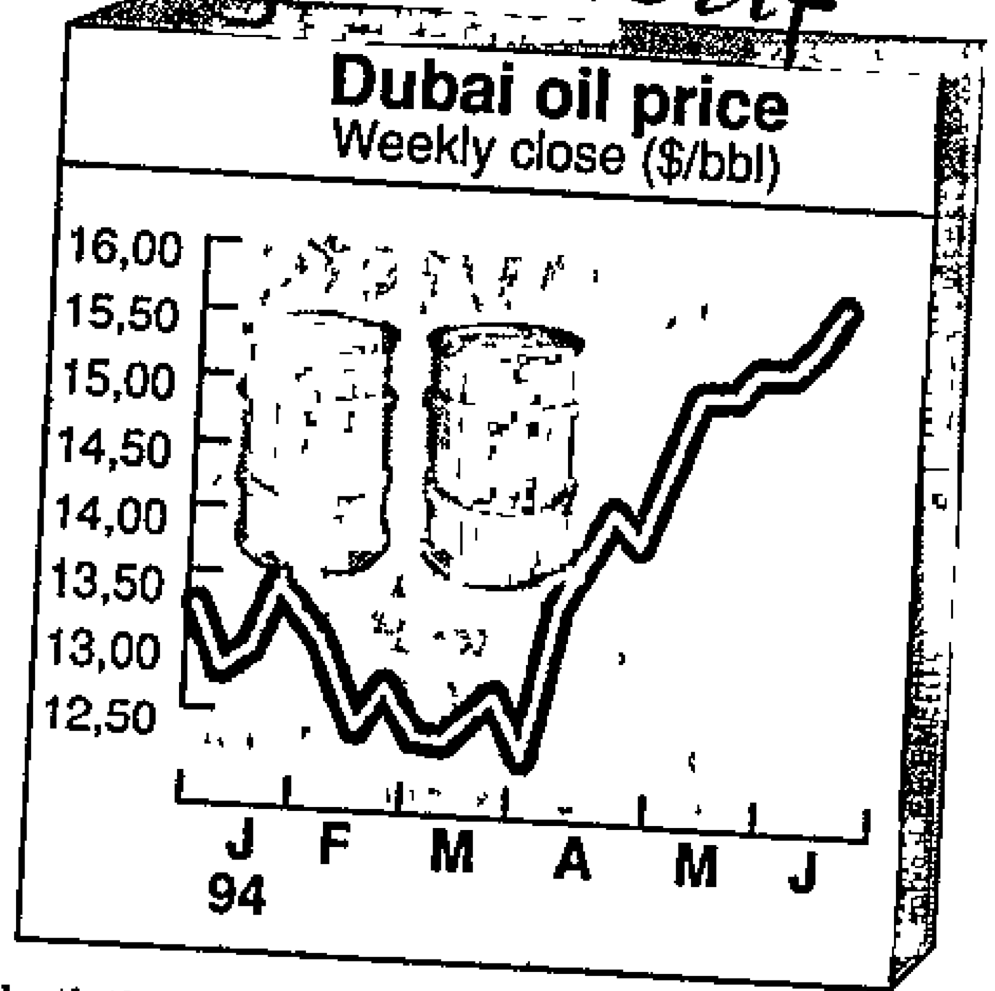
They said firmer crude oil markets and the poor performance of the local currency would lead to another price increase

The position was being exacerbated by government's reconstruction and development programme which would place more pressure on the fiscus

With only 7% of total government revenue coming from fuel as against 8% to 9% in some other countries, government would start looking at the fuel price for more cash, an industry source said The current fuel tax was 60,9c/l

One analyst said any further increase would be held in the 2c/l to 5c/l range With summer in the US and Europe, he saw oil stabilising at $17 a barrel The rand was expected to peak out at about R3,70 to the dollar It closed at R3,6503 on Friday

But on wholesale and retail margins for the industry, he said the last increase for both these elements was in October 1993, so there could be further pressure from the oil companies An adjustment to the in-bond landed cost and the capping of the equalisation fund at 7c/l should hold overall increases at the 5c/l level



KATHRYN STRACHAN reports that in

To Page 2

Petrol

BDay 20/6/94

From Page 1

apparent defiance of Mineral and Energy Affairs Minister Pik Botha's threat to take legal steps against stations selling petrol at old prices, Pick 'n Pay yesterday vowed to continue to sell at the old price until its tanks ran dry. However, stocks are expected to be depleted today (183) (244)

Pick 'n Pay joint MD Gareth Ackerman challenged government to immediately deregulate the retail price of petrol and enable the market to set its own price.

Botha said that if deregulation was the answer, it had to be introduced in a structured way The interests of all parties had to be taken into account, in particular those of smaller operations, which could not endure price reductions without being forced out of business

All these matters had to be canvassed within the National Economic Forum, he said, but in the meantime order had to be maintained in the industry

Motor Industries Federation executive director Vic Fourie warned that if Pick 'n Pay and Engen sold petrol at the old price they would be breaking the law, and it was the seller who would become liable for prosecution, not Engen.

Fourie was "surprised" at Engen going against a decision it had supported only days earlier Engen had played a direct role in putting together the structure of the new price right up until the announcement of the increase last Wednesday

Fuel price increase puts spotlight on industry

Pressure mounts for deregulation

Star 20/6/94

BY JOHN SODERLUND

Although a showdown between the Ministry of Mineral and Energy Affairs and fuel retailers Pick 'n Pay and Engen has been narrowly averted, pressure is mounting for the deregulation of the fuel industry from both Government and industry quarters

Pick 'n Pay and Engen last week undertook to sell petrol at the old price until their tanks run dry — probably today, Pick 'n Pay joint MD Gareth Ackerman told Mineral and Energy Affairs minister Pik Botha late last week amid threats of government action against delinquent fuel retailers.

But pressure has been mounting for the deregulation of the industry from all quarters, a move which Ackerman has repeatedly claimed would enable retailers to lower the price

MINISTER asks for substantiation of figures in the NEF's recommendation that the fuel price be increased (282)

(183)

At stake are the jobs of pump attendants and the financial buoyancy of synthetic fuel producers Sasol and Mossgas, which are effectively propped up by government subsidies derived from centralised fixing of the pump price (244)

Sources in the ministry say Botha is a bigger supporter of deregulation than his predecessor, George Bartlett, who ran a gauntlet of criticism following his handling of last year's fuel price increase The Cabinet last week charged the National Economic Forum's liquid fuels task force to make submissions on a number of issues relating to the regulation of the industry and, in a statement this weekend, Botha asked for substantiation of certain figures in the NEF's latest recommendation that the fuel price be increased by 8c a litre

There is reportedly increasing pressure from Government sources to hear proposals for a restructuring of the industry

Weekend newspaper reports suggested aspects of the regulation of the fuel industry could be challenged in a constitutional court, but this would be a very drawn-out process given that the constitutional court itself is unlikely to be established before the end of the year

The upward trend of oil prices and a weakening rand is likely to lead to further fuel price rises before deregulation begins

More petrol rises forecast

244

CT 20/6/94

Own Correspondent

JOHANNESBURG. — Higher crude oil prices and a weak rand were likely to lead to more petrol shocks for SA motorists, economists warned at the weekend

They said firmer crude oil markets and the poor performance by the local currency would lead to another price increase

The position was being exacerbated by the government's Reconstruction and Development Programme which would place more pressure on the fiscus

With only 7% of total government revenue coming from fuel as against 8% to 9% in some other countries, the government would start looking at the fuel price for more cash, an industry source said The current fuel tax was 60,9c/ℓ

One analyst said any further in-

Pricier oil, weak rand blamed

crease would be held in the 2c/ℓ to 5c/ℓ range. With summer in the US and Europe, he saw oil stabilising at $17 (R61,2) a barrel The rand was expected to peak out at about R3,70 to the dollar

But on wholesale and retail margins for the industry, he said the last increase for both these elements was in October 1993, so there could be further pressure from the oil companies

And in apparent defiance of Mineral and Energy Affairs Minister Mr Pik Botha's threat to take legal steps against stations selling petrol at old prices, Pick 'n Pay yesterday vowed to continue to sell at the old price until its tanks ran dry However, stocks are expected to be depleted today.

Pick 'n Pay joint managing director Gareth Ackerman challenged the government to immediately deregulate the retail price of petrol and enable the market to set its own price

Mr Botha said that if deregulation was the answer, it had to be introduced in a structured way The interests of all parties had to be taken into account, in particular those of smaller operations, which could not endure price reductions without being forced out of business

All these matters had to be canvassed within the National Economic Forum, he said, but in the meantime order had to be maintained in the industry

Taxi owner Mr Dan Mawasha lies dead next to his car after he was gunned down by four attackers.
PIC: JONAS MANKEA

Fuel hike protests possible — Sabta

Sowetan 20/6/94

■ BOUGHT OFF Taxi industry should have been consulted:

By Sharon Chetty

A N URGENT meeting between the South African Black Taxi Association and Mineral and Energy Affairs Minister Mr Pik Botha will be held next Monday to address taxi drivers' opposition to this weekend's fuel price increase

Sabta has warned of protests if the meeting fails to arrive at an "action plan of relief" for the industry

Sabta's main complaint is that the industry was not consulted when the minister decided on the eight-cents-a-litre hike

244

Situation is volatile

"The situation is volatile," Sabta told Botha in a letter this weekend

"Sabta will do all it can to contain the situation but it must be anticipated that the frustrations of individual taxi operators may again manifest in protest action," it added

The association says that it is "imperative" for Botha to discuss with the industry ways in which the burden of regular petrol price increases can be eased

Sabta added that at the time of the last increase, the industry was "bought off" with promises of investigations which never took place

Meanwhile, retail giant Pick 'n Pay and local fuel supplier Engen have been warned by Botha that their refusal to comply with the price hike may result in court action

Old prices

Pick 'n Pay has said that it will continue selling fuel at the old price until stocks at its 14 outlets run out.

Engen has vowed to do the same

Pick 'n Pay expects to start selling new stock by June 30, for which they will charge the new price.

The supermarket chain says it will continue its 20-year fight for the deregulation of the industry

PETROL PRICE

Fm 24/6/94

Controls start to crumble

244

The petrol price would have increased by more than the 8c/*l* announced this week if not for concessions made by important players The oil companies, Sasol and Mossgas and pipeline company Petronet agreed to accept smaller margins which saved a further 6c/*l* price rise

This shows flexibility in what has been a tightly regulated system for setting the price

Confirmation of a new approach to the pricing system came in Monday's statement by Minister of Mineral & Energy Affairs Pik Botha He proposed petrol price administration be delegated to a future national petroleum authority representing all stakeholders This would depoliticise the issue

And government has directed the liquid fuels task force of the National Economic Forum to prepare a report on possible deregulation by August 30 Related investigations should be complete by end-November

An increase in the petrol price — now 183c/l for 93-octane in the PWV zone — came after a rise in dollar oil prices (see *International markets*) and a fall in the dollar-rand rate. Since the previous price decrease on February 28, the exchange rate has dropped from R3,45 to R3,65 a dollar, while the key price of Brent crude has risen from US$14,3 per barrel to over $17 The combined effect was that the Slate (running account kept by the oil companies) was subsidising consumers by R4m a day — a clearly unsustainable situation

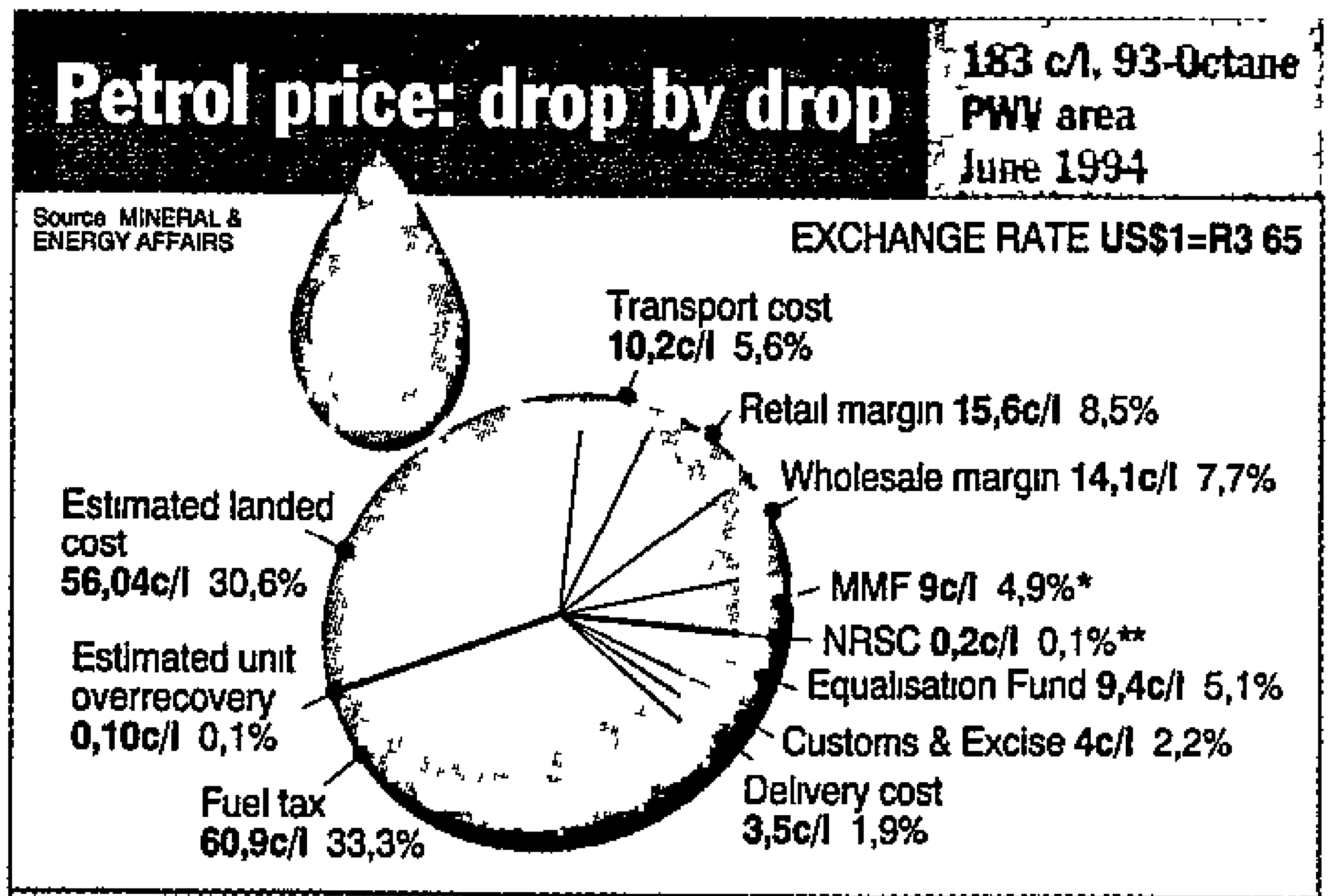
The important concessions affecting the petrol price are.

☐ A revision in the calculation of the in-bond landed cost formula This is used to establish a notional price for imported petrol Notably, the freight tariffs used have been switched from the general purpose freight rate to a medium range tanker freight rate, which saved 1,5c/*l* The cost will be borne by the liquid fuels industry,

☐ A 9% reduction in Petronet's pipeline tariff will save 1c/l in the PWV and smaller savings in places closer to the coast along the pipeline route to Durban, and

☐ Sasol and Mossgas have agreed to 0,5c/l reduction in their tariff protection (The rise in the oil price has significantly reduced their total level of protection which now amounts to 7c/*l*)

Critics of deregulation (a policy long and vigorously expounded by the *FM*) fear that many relatively small petrol stations, especially in the rural areas, and the 40 000 pump attendants employed by them, might be at risk in the event of retail deregulation But Sacob economist Ben van Rensburg argues the high capital cost of automating petrol pumps will afford some protection to pump attendants, especially at smaller petrol stations



*The Multilateral Motor Vehicle Accident Fund (for financing compulsory third party insurance)

**Also known as the Road Safety Fund

A breakdown of the price after the latest adjustment (see graph) shows the biggest single component is fuel tax at around 33% Two percent goes to Customs & Excise Landed cost makes up just over 30% These elements combined comprise two-thirds of the current price

The tax take of around one-third is not excessive by European standards

Despite pressure from the taxi industry, government is likely to retain the tax, which is cheap to collect and impossible to evade As an indirect tax, it helps to maintain a sound balance between total indirect taxes and taxes on income.

If SA wants to minimise petrol price shocks in future, it should ensure sufficient economic discipline, especially in wage demands, to reduce the inflation rate to that of its main trading partners Then the only real external influence will be the oil price ■

INTERNATIONAL MARKETS

Ghosties and ghoulies

Haunted by fears of inflation as commodity prices reached record highs, international investors pulled out of bond and equity markets at the start of the week

Dresdner banker Juergen Sarrazin forecast a shortlived slump and blamed the market jitters on "huge speculation " But investors were unconvinced and largely remained out of these markets, despite an encouraging fall in the rate at which German money supply is growing — to 13,7% in May from 15,4% in April

As sentiment on one stock exchange fed into another, pessimism spiralled round the globe

☐ In New York on Monday, the Dow Jones industrial index fell 34,88 points to close at 3741,9,

☐ In London, the FTSE index of 100 leading British shares fell through the key 3 000 level

☐ The Frankfurt bourse crashed through 2 000 points on the Dax index for the first time since last October,

☐ The Paris bourse fell through the 1 900 level on the CAC 40 index of shares, and

☐ In Tokyo on Tuesday, the 224 issue Nikkei stock average fell 242 points to 20 909,98 in the first 30 minutes of trading

Investors took the dimmest view of the US market, where interest rates could easily rise further, and fled, taking the dollar below DM1,600 at its Monday close and to Y101,9 on its Tuesday close in Tokyo

The gold price, which had already been boosted by the threatening sounds coming out of North Korea, was a beneficiary and, on Monday morning, the price was fixed in London at US$391/oz, its highest level in three months

The build-up to this week's events started a year ago when commodity prices began rising *The Economist*'s all items commodity dollar index shows a 26,7% rise in the 12 months to June The Reuter commodity index shows a 21% rise And the Goldman Sachs Commodity Index, half of it weighted in energy, has risen by nearly 12,9% so far this year

By last week, industrial metals were at recent record highs On Friday, aluminium, at $1 4585/ton, was at its highest in three years while copper, at $2 475, was close to two-year highs Lead rose to a 20-month high of about $568

By late last year, the impact of rising commodity prices was seen in financial markets — the US 30-year Treasury bond started falling, and this month was down 18% on its October value as people became reluctant to lend for long

And, last Friday, US Treasury bonds fell a full point, pushing yields on long-dated bonds to 7,45%

Are financial markets being stampeded into irrational behaviour as Sarrazin suggests? Not necessarily The oil price, which

Cigarette price rise leads to retail row

AMANDA VERMEULEN

A FEUD has erupted between cigarette manufacturers and retailers after last week's cigarette price rises over and above the excise hike announced in the Budget.

Pick 'n Pay and Shoprite/Checkers accused Rembrandt and United Tobacco Company (Utico) of "increasing the price of cigarettes by between 5% and 10%".

Pick 'n Pay joint MD Gareth Ackerman called for an investigation of strong evidence that a cartel was operating "monopolistic price-fixing". B/Day

"The cigarette manufacturers must be called upon to justify these increases."

Shoprite/Checkers said consumers might be misled into believing that the retailers were responsible for the increases.

Rembrandt SA MD Daan Prins said the price had increased by only 3,9%, well below inflation estimates and just over half of last year's 7% increase. 27/6/94

Prins said that a cigarette price increase had been due as the company had not raised the price since July last year.

He said a multiplier effect on the 3,9% increase had resulted in higher excise, VAT and margins to the wholesaler and retailer, ultimately raising the price paid by the consumer. (244)

The price increase could threaten volumes, putting earnings under pressure. "We take the view that although the short-term effect could be negative, our efforts to grow the market by keeping our increase down will pay off in the long term."

Utico spokesman Hilary Thompson said the retailers' claims were spurious, adding that the manufacturer's price to the retailer, through the wholesale network, was determined by market forces.

Allegations that the cigarette manufacturers had colluded to fix prices were "simply not true", she said.

Inflation at 7,2%, but food prices jump

By AUDREY D'ANGELO
Business Editor

INFLATION as measured by the consumer price index (CPI) edged up to 7,2% year on year in May compared with 7,1% in April and 10,6% in May last year. The month on month rise was 0,6% compared with 0,7% in April.

But food price inflation rose sharply by 10,3% year on year and 1,5% month on month, due mainly to higher meat prices as farmers hold back stock to rebuild herds reduced during the drought.

Food prices at chain stores rose by an average 10,4% year on year. Food prices at other stores rose by an average 9,8% year on year.

Economists forecast that the CPI will continue to rise but will remain below 10% this year. They point out that the Budget was not inflationary, since VAT was not increased and the 5% levy on upper income earners may dampen consumer spending.

Pensioners were the hardest hit by inflation in May. Their index was 8% year on year.

The CPI for the middle income group was 7,6% year on year compared with 7,3% in April. The CPI for the higher income group was 7,3% year on year compared with 7,1% in April. The CPI for the lower income group was 7% year on year compared with 6,5% in April.

CT 30/6/94

The monthly rise in the CPI was made up of food (0,3%), housing (0,1%), transport (0,1%) and other items (0,1%).

The rise in the food index was made up of meat (0,3%), grain products (0,5%), fats and oils (1,5%), vegetables (2,8%) and sugar (3,3%).

(244)

The price indices for fruit and nuts dropped by (-4,8%) and fish and other seafood by (-0,6%).

The month on month increase for all items excluding food was 0,4%. This was made up of clothing and footwear (0,2%), housing (0,5%), household operations (1,1%) and transport (0,5%).

Old Mutual economist Johan Els said he believed inflation had bottomed out.

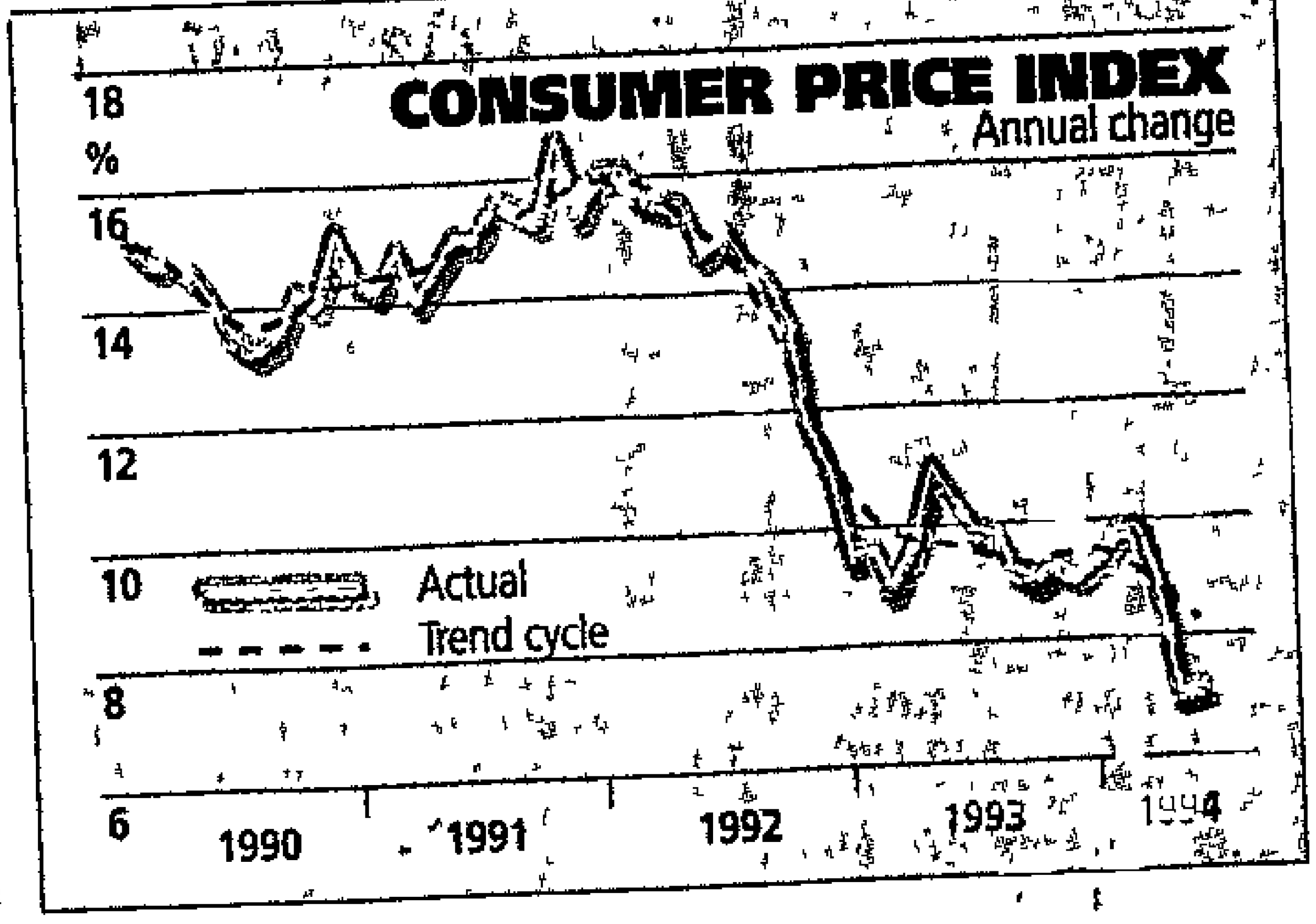
He forecast the CPI would reach 8,5% year on year by December. However, the new government appeared to be sensitive to the effects of inflation. The new Budget had "a very positive effect on inflation."

Southern Life economist Sandra Gordon said she expected a

Food inflation climbs to 10,3%

Star 30/6/94

BY CLAIRE GEBHARDT



Food inflation is now the biggest culprit behind the rising consumer price index (CPI)

Central Statistical Service figures, released yesterday, show the annual increase in the CPI for May was 7,2 percent (April 7,1 percent).

Although economists welcomed the better-than-expected figure, they were concerned about food inflation, which soared to 10,3 percent

Meat

The big rise in food prices was attributed to a a hefty rise in the price of meat, which now costs 16,3 percent more than a year ago.

Meat showed the biggest increase of all food categories, on both a monthly and an annual basis

The food inflation rate for May was 1,5 percentage points higher than the corresponding rate for April of 8,8 percent.

Excluding food, the rate of inflation was 6,5 percent.

Food prices at chain stores showed an annual increase of 10,4 percent — above the food inflation rate and above the food price inflation at other retailers of 9,8 percent

Figures show that, on an annual basis, the chainstores had a higher increase for tinned food, cheese, oils, and fats of 8,3 percent (7,4 percent for other retailers).

Ed Hern Rudolph economist Nick Barnardt said higher meat prices could be attributed to farmers rebuilding their herds decimated by drought

Barnard said meat inflation could rise to about 20 percent by year-end, which should pull food inflation up towards 12 percent

However, along with other economists, he is forecasting an average inflation rate of around 8 percent for the year as a whole.

On a monthly basis, the CPI increase of 0,6 percent is attributed to increases in the price of food (0,3 per cent), housing (0,1 per cent), transport (0,1 per cent) and all other items (0,1 per cent).

Retail trade figures released yesterday show that the total value of sales for March amounted to R8,2 billion — 5,5 percent higher than the expected R7,8 billion forecast by major retailers.

(244)

Period

Retail trade sales in the first three months of the year were 1,7 percent higher at R15,233 billion, against R14,971 billion (at constant 1990 prices) in the same period a year earlier

However, in comparison with the previous three months, seasonally adjusted retail trade sales of R16,51 billion in the March 1994 quarter were 1,6 percent lower than the December 1993 quarter's R16,772 billion (at constant 1990 prices).

Bid to control housing prices

(244) ARG 2/7/94

JOHANNESBURG — A voluntary compact to control housing prices in South Africa has been proposed by the government

Housing Minister Joe Slovo's special adviser Billy Cobbett told a conference in Midrand this would be especially necessary in periods of increased activity in the housing industry

"The government has a political responsibility In the absence of voluntary co-operation we will have to examine other alternatives."

The conference, organised by the National Housing Forum, responded positively to Mr Cobbett's proposal

Mr Cobbett was the keynote speaker, replacing Mr Slovo, who could not attend He said the compact should involve mainly the construction and supply sectors of the housing industry Its aim should be to control and manage prices

"If the state's support is required for such a compact, the state's support will be there"

The compact should be inclusive, involving all other sectors affecting prices.

Mr Cobbett said the inflation of prices was a "real danger" in any effort to address housing backlogs — Sapa

NEWS

Shopkeepers charge more

Smokers huff and puff over increases

Star 5/7/94

■ BY ZINGISA MKHUMA
CONSUMER REPORTER

Angry smokers have complained about being made to pay twice as much "sin tax" by greedy retailers who are charging them more than the recommended retail price for cigarettes.

The tobacco industry was slapped with a 25 percent increase on June 22 by Minister of Finance Derek Keys. As a result, the price of a pack of 20 cigarettes went up by 14c while a pack of 30 increased by 30c

However, some retailers, especially cafe owners, were charging customers as much as R1 more for a pack of 20 cigarettes and R1,15 for a pack of 30

A Star staffer refused to pay R5,45 for a 30s packet of Chesterfield at a Dunkeld West shopping centre cafe this week. The recommended selling price for this brand is R4,30

The Consumer Council has received many similar complaints from consumers, and warned people to take note of the recommended retail prices which were advertised by manufacturers in newspapers on June 24

The council emphasised that it did not encourage smoking but pointed out that although the recommended prices were not compulsory, consumers could save by not paying extravagant prices for cigarettes.

According to the council the 30c increase in the price of cigarettes already included an additional 6,5c profit for wholesalers and retailers. (244)

Intercontinental Tobacco Company manager Ernst Sigger confirmed that the new prices had an 11 percent profit margin built into them, but if retailers wanted to make more profit they could do so

"We placed an advertisement in the paper for the simple reason that not every brand went up with the same percentage But we can't enforce those recommendated prices because we do not have standard pricing laws," he said.

since 1990 the teachers in-

Producer prices rise sharply

244

CT 14/7/94

By AUDREY D ANGELO
Business Editor

THE producer price index (PPI) rose sharply to 7,5% year on year in May from 6,2% in April, due mainly to the weaker rand and higher world oil prices. They helped push the imported component up by 1,7% month on month to 4,7% year on year.

But higher prices for meat and vegetables helped push up the local component by 8,1% year on year and 1,2% month on month.

The rise in the PPI was bigger than economists expected and some predict that it will reach 10% by year end.

Pointing out that meat prices are now 40% higher than at this time last year, Old Mutual economist Johan Els said: "We were expecting prices to rise as farmers built up their herds again after the drought, but this is more than we expected. It should taper off a bit soon.

"Overall, the PPI is heading for an average of between 7,5% to 8% for the year, which is not too bad.

"It implies upward pressure in the Consumer Price Index, which we expect to bottom out this month or next."

Sanlam chief economist Johan Louw said the PPI was at its highest level since April last year and he expected it to reach 9% by year end. "Everything is pointing to it being in double figures again next year."

The main reason for the steep rise was the higher imported component, due to the weaker rand and higher oil prices. Fortunately, inflation overseas was still subdued.

"Even in the US inflation won't go above 3,5% or 4% from the present 3%. I think people in the US are over-concerned about inflation. Wage and salary rises there are still very subdued.

"Japan has virtually no inflation, it is very low in France and the UK and Germany is starting to win the fight.

"So we shall not be importing inflation except through the weakening rand."

The movements of the rand over the next 12 months would depend on what was happening to the capital account of the balance of payments and to the dollar.

The rand could stabilise if the capital account improved. "If we abolish the financial rand it will put downward pressure on the commercial rand but I don't think that will happen before the middle of next year. By that time we should have narrowed the gap between the commercial and fin-rand."

Southern Life economist Sandra Gordon said underlying inflationary pressures seemed to be picking up a bit. She expected the PPI to be 9% by year end and to average 7% for the year.

She expected the rise in fresh meat prices to slow in about two months. The 8,4% month on month rise in vegetable prices was seasonal.

Nick Barnardt, economist with stockbrokers Ed Hern, Rudolph, said he expected the PPI to be close to 10% by year end, and the CPI to be 8,5%.

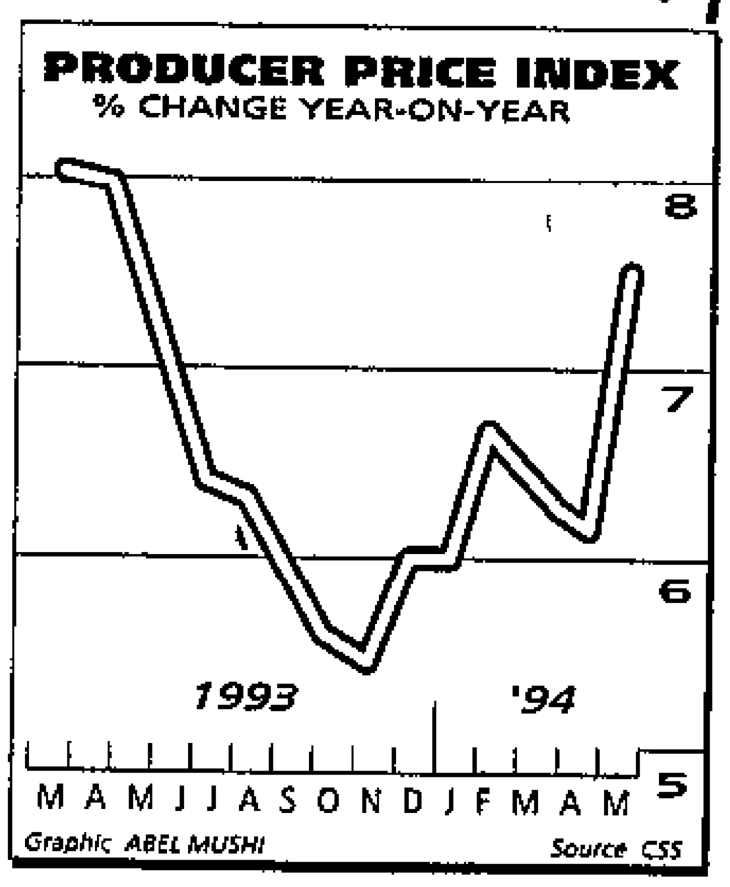
Discussing the local component of the PPI, Barnardt said meat prices had risen "massively" by 10% month on month. "Fresh meat is given a weighting of 3% on the index and has contributed about 0,3% or 0,4% to the monthly rise."

Double-digit inflation feared next year

Producer prices sharply higher

Star 14/7/94

THE impact of rocketing food prices — meat is up 40 percent on last year — is expected to feed through into the consumer price index (CPI) almost immediately.



■ BY CLAIRE GEBHARDT

Producer inflation jumped sharply to 7,5 percent in May — its highest level in eleven years — according to the Central Statistical Service (CSS)

In April 1983, the production price index (PPI) was 7,9 percent.

Economists yesterday said the big increase was disconcerting and raised the spectre of double-digit inflation next year. (244)

However, the impact of rocketing food prices — meat is up 40 percent on last year — should feed through into the consumer price index (CPI) almost immediately.

Historically, the PPI has been on an uptrend since October last year when it bottomed at 5,4 percent

Figures released by the CSS yesterday show that the prices of locally produced commodities had an annual rate of increase of 8,1 percent for May

This is 1,3 percentage points higher than April's 6,8 percent On a monthly basis, the increase is 1,2 percent

The imported component of the PPI rose at an annual rate of 4,7 percent in May, compared with 3,1 percent in April.

On a month-on-month basis, the increase was 1,7 percent.

Economists said the rise in the imported component was underpinned by a big drop in the value of the rand and a steady rise in the dollar price of oil.

Frankel Pollak Vinderine economist Mike Brown said the rise in the imported component indicated that South Africa was in the early stages of an upswing in imported inflation, which needed to be watched very carefully.

He said the sharp rise in the PPI over the first 5 months of the year would translate into double-digit inflation six months down the road.

"We were expecting the CPI to be about 11 percent by the end of 1995 and there is nothing in the current trends to make us change our minds," he said

Sanlam economist Johann Louw said the big increase in the local component was the result of sharply higher prices for agricultural products, particularly meat, but that vegetables and dried beans were also up by 42 percent on figures for May 1993

"It is clear that we have passed the lowest point in the inflation cycle and everything points to double-digit inflation next year."

Louw said meat prices were unlikely to drop in coming months, indicating that the PPI for the rest of the year would probably remain at its higher level.

"Although imported inflation has increased more sharply than local inflation, it has a weighting of only about 40 percent in the index."

Louw said that although there was normally a six-month lag before the PPI numbers fed through into the CPI, food price increases would work through much sooner and would be reflected in next month's consumer inflation figures.

Southern Life's Sandra Gordon said the PPI figure far exceeded the 6,8 percent forecast by most economists.

She said most of the imported inflation could be found at the commodity level rather than at the manufacturing level.

"So we can expect a fair amount of the impact of the weak rand on the manufacturing level in coming months."

Gordon said she was expecting the PPI to be over 9 percent by year-end.

"The Reserve Bank's latest Quarterly Bulletin attributes a large chunk of the PPI to private-sector wage increases and these have obviously picked up quite a lot since the election."

UAL economist Dennis Dykes said if rocketing meat prices were to be attributed to farmers re-stocking their herds, it was taking a fair amount of time, given that meat prices had been steadily rising since June last year.

"On a year-on-year basis, meat prices were 8,5 percent up in November last year, whereas in the May CPI the figure was 16,3 percent," he said.

Producer inflation surges to year high

B/Day 14/7/94

SAMANTHA SHARPE

MAY's producer inflation surged to the highest level in a year, reaching 7,5% from April's 6,2%, Central Statistical Service (CSS) figures showed yesterday

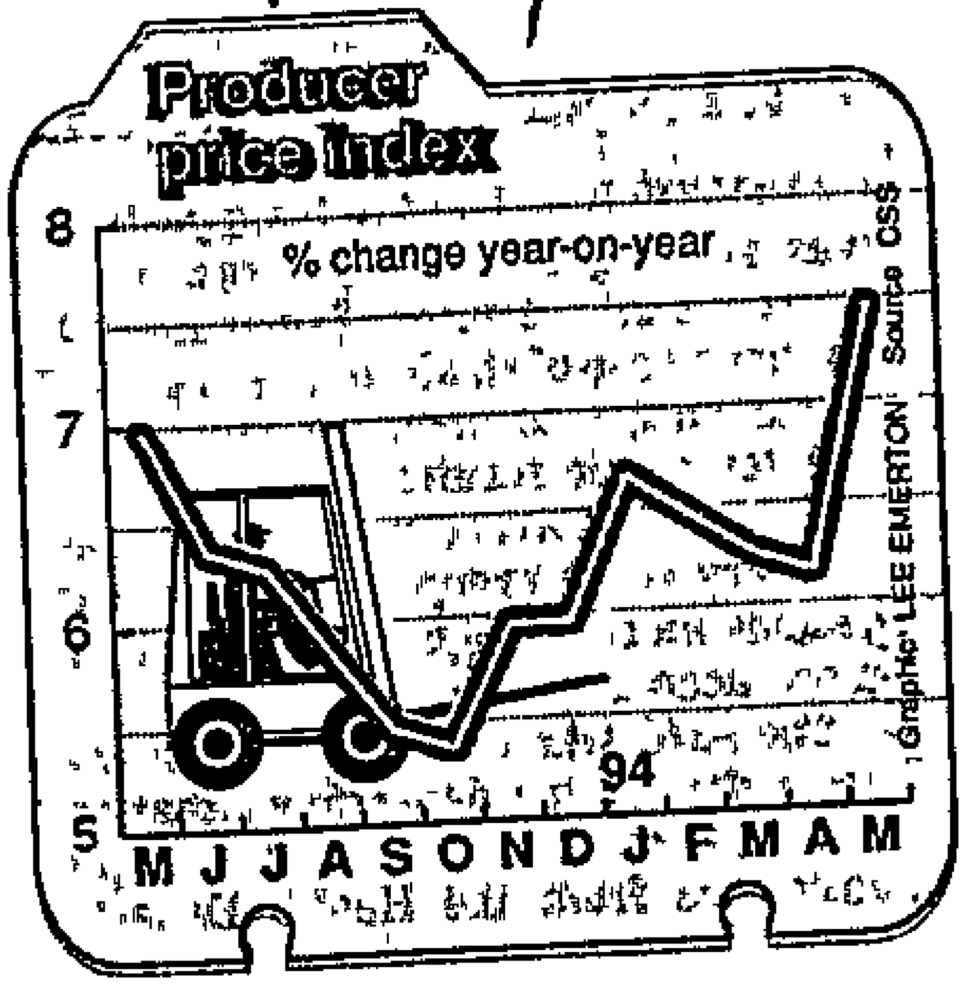
Economists had expected the sharp rise as the rand's depreciation and higher oil prices had started fuelling the imported component of the producer price index (PPI) Imported inflation showed an annual rate of 4,7% (3,1%) (244)

This was exacerbated by accelerating inflation of locally produced commodities, which rose to 8,1% (6,8%) Locally produced commodities enjoyed an 80% weighting in the index.

The CSS said the overall producer inflation rate was up 1,3% month on month. The culprits were relatively large increases in the case of agricultural, mining and quarrying products, food products and manufacturing and transport equipment.

But a monthly decrease in the price index for electricity had helped counterbalance these, it said.

Afrikaanse Handelsinstituut economist Johan Rossouw said the May figure was not totally unexpected, but the relatively sharp 8,1% rise in the price level of locally produced commodities was worrying If the rise was because of insufficient production capacity then SA was set for accelerating inflation, with pressure from a burgeoning economy's production demands.



Rand Merchant Bank economist Rudolf Gouws said that in the light of faster wage and salary increases, stronger demand driven by increased economic activity and evidence of wider profit margins, it was inevitable that producer inflation would start to move upward. He forecast a rate of about 8,5% or 9% by December.

"But we are not at a point where inflation is running away from us."

Old Mutual economist Dave Mohr said the time had arrived when one could expect some rebound in inflation, but he predicted an average rate of between 8% and 9% for the year.

Building material prices may rise

BDay

ROBYN CHALMERS and
SELLO MOTLHABAKWE

THERE are signs that smaller manufacturers of building materials are preparing to introduce price increases which could seriously damage government's low-cost housing initiatives. 18/7/94

Contractors were told recently of a proposed 50% increase in the price of certain types of bricks over the next five months, but major manufacturers Corobrik and Cullinan promised restraint. (244)

Building Industries Federation of SA executive director Ian Robinson said news of proposed price hikes was staggering.

"Major construction industry players met last week to discuss government's call to clamp down on price hikes in building materials. It was agreed that they would be kept to acceptable levels," he said

The trend towards significantly higher prices was evident in figures released at the weekend by Stellenbosch University's Bureau for Economic Reasearch (BER) They showed that building costs rose 12% in the second quarter compared with the same quarter last year

BER economist Nils de Jager warned

□ To Page 2

Building

BDay 18/7/94 □ From Page 1

that building costs could soar 18% next year and more than 20% in 1996

Claybrick Association executive director Nic Louw said brick price increases were inevitable in view of tough trading conditions in the past four to five years Manufacturers had been operating at 65% capacity and much business was lost to lower priced products "Most operations during that period were supported by government tenders for schools and clinics, as few houses were built in the past year"

Prices had been kept low and the current increases should be seen against a background of overall increases in product pricing The latest increase was a result of producers providing for expansion, which meant a larger labour force and new machinery and peripherals (244)

Bravo Bricks MD Jacques Van Graan said higher consumer demand had led to a price increase.

Corobrik MD Errol Rutherford said the organisation had increased prices between 5% and 8% in April, and while there was always the temptation to put up prices further, the industry had to be responsible

Cullinan Bricks spokesman Michael Berg said his company would not increase its prices It was likely to have a board review in October but this would not automatically lead to a price increase

Concrete Masonry Association spokesman Patrick Kelley said a co-ordinated price increase in the concrete brick and block manufacturing industry was unlikely as all operators were independent.

Prices for stock bricks were unrealistically low and could improve with better economic conditions

COST OF LIVING

Trolley for trolley

244

ARG 22/7/94

Argus checklist shows food prices have soared

LIBBY PEACOCK
Staff Reporter

THE total price of a trolleyload of food and other essentials at a city supermarket increased by almost four percent in less than a month, an informal Argus survey has found

Three Argus price checks over a period of 25 days showed that out of a trolley with 55 items, the prices of 24 items stayed the same, 19 went up and 12 went down

The first price check was on June 17, two days before the petrol price hike of 8c/ℓ, the second on June 21, a day before the Budget, and the third was on July 12

In total the average price of the specific trolley increased by 3,6 percent from the time of the first survey until the third — from R318,20 to R330,75

Should this trend continue, it would represent a massive increase over a year

The items in the trolley included dairy products, meat, fish, tinned food, vegetables, fruit, tea, coffee, salt, sugar, toiletries, two bottles of wine and a carton of cigarettes

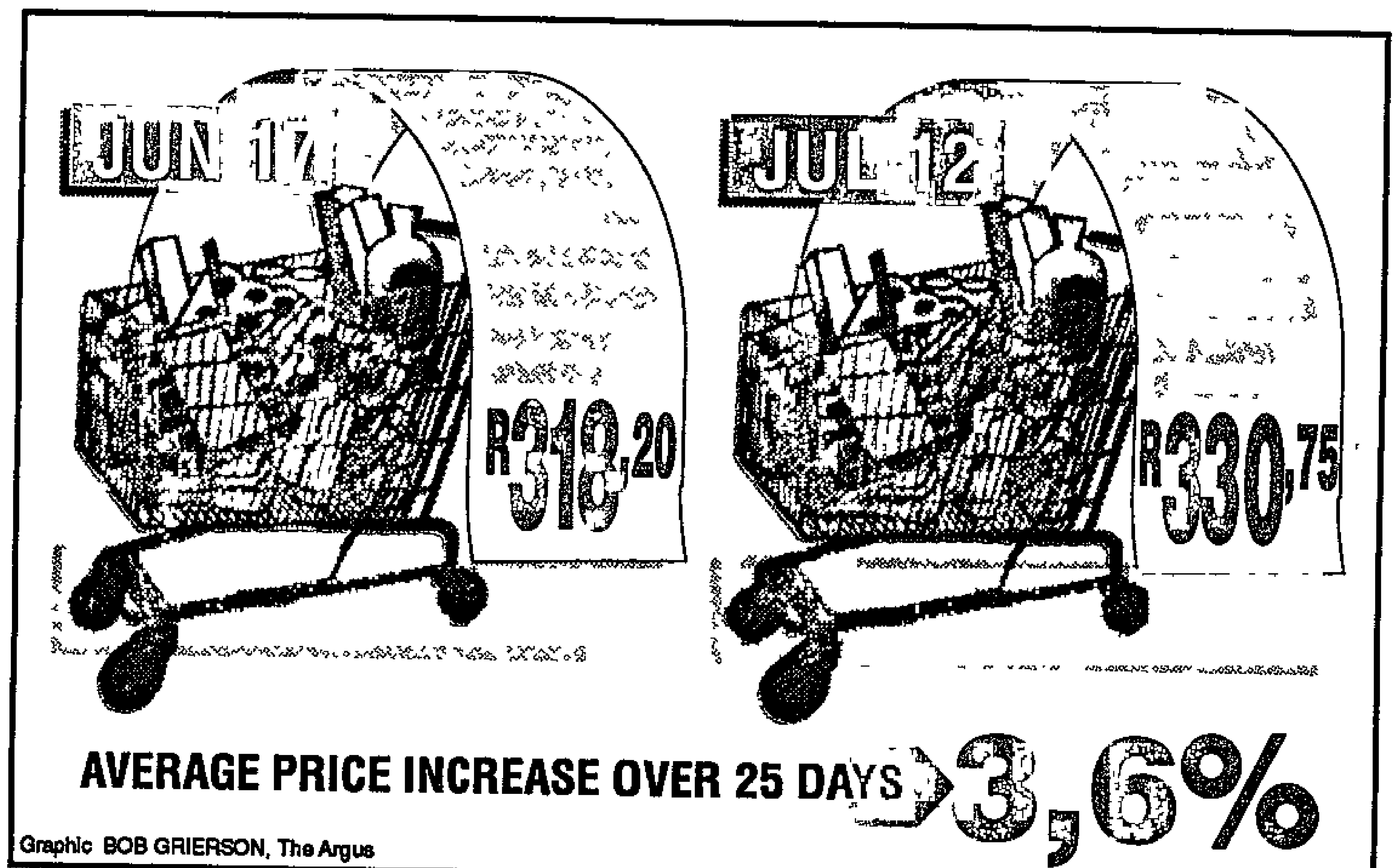
Some of the items, including cake flour and sunflower oil, already showed a price rise by the time of the second survey

Overall, white bread, sunflower oil, cake flour and meat showed drastic increases

The price of sliced white bread escalated from R1,79 to R2,45, that of sunflower oil went up from R2,99 to R3,25 and that of cake flour from R5,49 to R6,69

Tinned pilchards in tomato sauce went up from R2,45 to R2 79, while extra lean beef mince increased from R16,89/kg to R17,89/kg and beef burgers from R2,99 to R3,69

First grade cheddar also showed a huge increase from R14,99 a kg to R19,99



Graphic BOB GRIERSON, The Argus

A 250g packet of fresh button mushrooms went up from R3,59 to R4,29

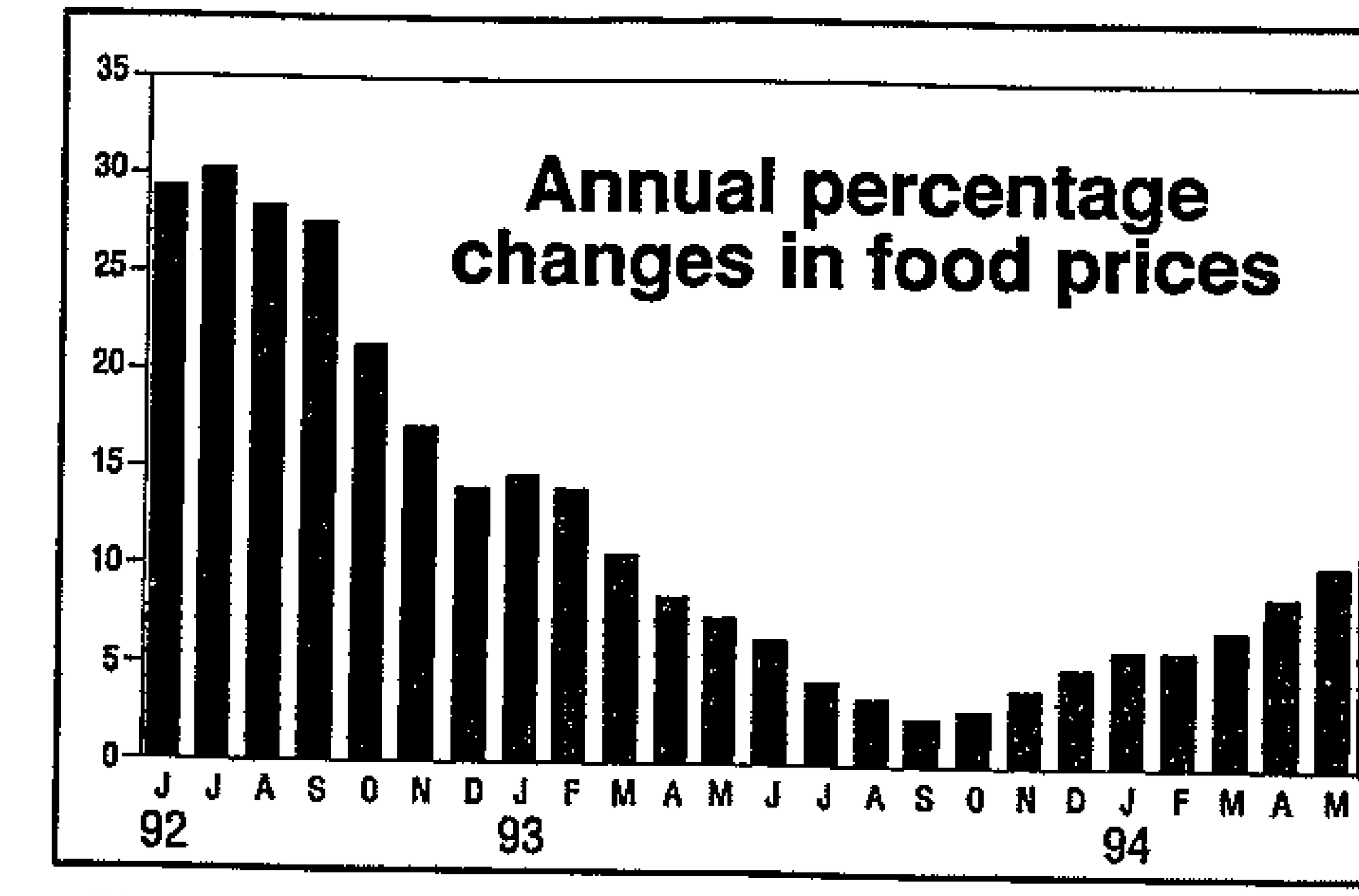
Reflecting the increase in tax on tobacco products, the price of a carton of cigarettes increased from R37,99 to R42,99

Items which decreased in price included frozen peas from R9,29/kg to R8,49/kg, sliced back bacon from R6,85 to R5,99, a tin of dog food from R3,59 to R3,19, and 2ℓ of full cream milk from R4,79 to R4,45

The prices of jam, coffee, sugar, salt, potatoes, onions, oranges and apples were among those which remained unchanged

A city economist said at the time of the third survey the prices should have already incorporated an adjustment as a result of the petrol hike

He said some of the noted price increases might not really have been hikes, as items were sometimes on special offer, but not indicated as such, and when the stock ran out, the prices went back to "normal", and seemed to reflect a price hike



ON THE WAY UP AGAIN: Statistics published by the Central Statistical Services show that food price inflation, after hitting a low of 2,4 percent in September last year, has been rising steadily since

Figures can be 'misleading'

BRUCE CAMERON
Business Editor

FOOD prices are on the way up but the acceleration reflected by prices on supermarket shelves could be misleading

Old Mutual economist Johan Els said indications for the rest of the year were an upward trend in food prices

But he warned comparisons done by buying the same basket of goods at different times of the month were "dangerous"

Rising food prices were being led by meat, which was a direct result of the recent ravaging drought

During the drought years farmers reduced their herds to a minimum, creating excess supply. Now they were building up herds, creating a shortage

Year-on-year meat inflation was now at 16,3 percent against 3,2 percent in January last year Total food prices had gone from a low of 2,4 percent in September 1993 to 9,3 percent in May this year

Mr Els said said comparisons such as the one undertaken by The Argus had failings as they did not take account of a number of factors

"Within a month there are a lot of seasonal factors including specials"

He said there could not be comparison with the inflation because it was based on figures collected in the first seven days of the month which were compared to the previous month

The Central Statistical Service inflation basket, which was a collection of a number of averages, was also very different from the food trolley chosen by The Argus

Local meat to cost more

Municipal Reporter 3 MEAT

CONSUMERS are likely to have to pay about 7c a kilogram more for red meat slaughtered at the Maitland abattoir — ironically as a result of a plan to slash slaughter tariffs ~~there by~~ about 31%

244

Abattoir director ~~Dr~~ Walter van Heerden yesterday explained the two different types of fees that the abattoir charges

A drop in the slaughter fee paid by farmers meant that the trade tariff paid by the meat wholesaler and eventually passed on to the consumer, would intitially have to be increased to make up the shortfall, he said

In effect, a small portion of costs were being taken off farmers and passed on to consumers

Yet if the plan worked, the lower slaughter fees should attract a lot more business Then "we will look at reducing the trade tariff", he said

Dr Van Heerden said the plan to lower slaughter tariffs had originated from the management of the abattoir, "in my office", and the unions had taken up the plan and presented it to the council

Producers hit back at Manuel

Star 26/7/94

BY CLAIRE GEBHARDT

Ex-factory cement price increases have been below the consumer price index (CPI) for eight years and are expected to remain so in 1994, says the Cement Producers Association.

In swift reaction to comments by Trade & Industry Minister Trevor Manuel that the cement cartel could soon come under review, the association's executive director, Graham Mitchell, says producers are determined to keep prices affordable. (244)

"Each year since 1986 we have been able to hold price increases below the level of the CPI and don't foresee 1994 being an exception."

Mitchell says although cement only makes up 5 percent to 8 percent of the building costs of a home, the association is committed to working together with the Government and other stakeholders to ensure the success of the RDP, not only in the immediate term, but well into the future.

"One of the major benefits of the co-operative arrangements of cement producers is that we can ensure uninterrupted supplies of affordable cement on a national basis in the short-to-medium term without any major new investment."

FOOD PRICES FM 29/7/94

How high will they go?

The unpredictable climate — from drought to frost — has set off a steep spiral in the food inflation rate Throw in a rodent plague and heavy rains in some areas and watch as red meat and fresh produce prices soar Food comprises almost 19% of the consumer price inflation rate and, with some wholesale prices starting to hit record levels, the inflation rate should soon show the effects of the surge.

Red meat prices are rising (beef is up 20% in the past year, compared with overall inflation of just more than 7%) as farmers hold back stock for fattening and breeding after last summer's excellent rains. In the case of fresh produce (mainly winter vegetables grown in the Lowveld and northern Transvaal), the combination of a severe, ongoing drought and the heaviest frost in three decades has virtually wiped out some crops and caused some prices to quadruple.

"There is an absolutely critical shortage of virtually all types of green vegetables, with potatoes, beetroot and carrots soon to follow suit," says Vito Rugani, chairman of the SA Agricultural Union's vegetable committee "Apart from the severe frost damage, the southern Lowveld — the Transvaal's winter pantry — is bone dry. The Crocodile and Komati rivers have almost stopped flowing and I doubt whether the area is producing at 20% of normal levels June's freezing weather hit right up to the Limpopo River, while subtropical Komatipoort had a few nights of subzero temperature, killing off banana trees." (244)

With the Lowveld hard hit by drought, northern Transvaal vegetable farmers took up the slack Their efforts, however, have been destroyed by a combination of black frost and a rodent plague. Says Rugani "With below-ground temperatures subnormal, crop cycles for tuberous plants like potatoes, beetroot and carrots have also been set back I do not expect a recovery before November"

Over the past three months market prices for some vegetable crops have shot through

FM 29/7/94

the roof A few examples cucumber up by 400%, gem squash 328%, spinach 275%, green beans 250%, butternuts 220%, baby marrows 212%, lettuce 175%, cauliflower 106% and potatoes 100% Rugani says potato prices should soon go higher as the effects of the cold that retarded growth hit the markets He adds that some products might soon be unobtainable

Shoprite/Checkers' Adele Gouws says consumers are already buying canned and frozen vegetables because some fresh products are too dear "Produce imports are not practical — apart from the low rand and transport logistics — because these products do not travel well"

Johan van Deventer, GM of Freshmark, a countrywide fresh produce wholesaler, says the banana and guava crops in the Lowveld have also been hit hard by drought and frost Supplies are dwindling and the quality is poor, while shortages now exist in about 10 types of green vegetables "Even if summer brings good rains in the Lowveld, it could take months for some crops to recover Added to these woes, northern Transvaal tomato and paprika farmers are struggling with a mouse plague and the rodents are destroying crops"

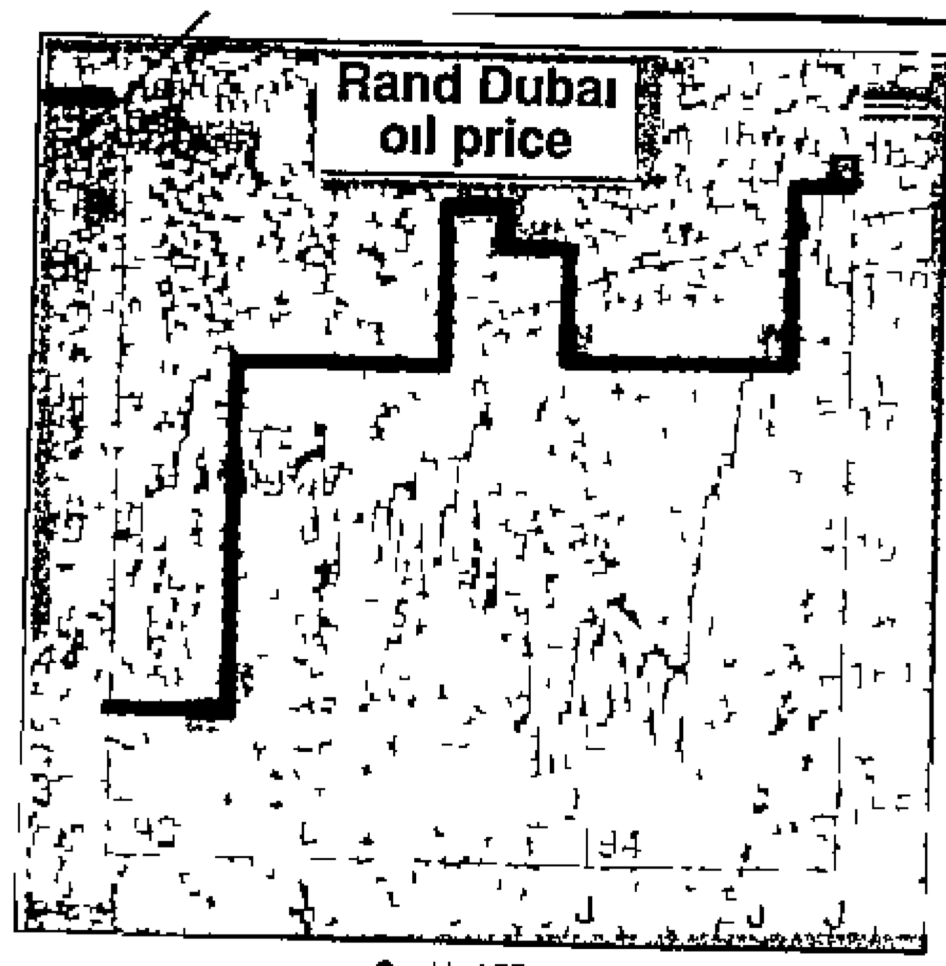
Conversely, in the case of red meat (mainly beef, lamb and mutton), it is the past season's good rains that have contributed to rising prices Excellent grazing and a bumper maize crop have induced farmers to hold back drought-depleted stock for both fattening and breeding

According to the Meat Board, national cattle, sheep and pig slaughter during the first four months of the year dropped by 17,9%, 28,7% and 15,7% respectively The results have been predictable in the year to June, average producer prices for the three species of livestock increased by 49%, 61% and 33% respectively Surprisingly, some retail prices did not rise as steeply, with averages of 19,9% for beef, 61% for mutton and 14,8% for pork.

"But, for once, nobody can blame the Meat Board for the price increases," says Vleissentraal group CE Jan Lombard "This is purely a case of the market exercising its unfettered supply-demand function without any direct board interference Supplies are down and demand is slowly increasing This is the first beef price increase in real terms since 1988 While the average July mutton producer price of R12,48/kg means an increase in real terms for the year, beef at about R7,72 still has a while to go before it reaches an R8,60 average for 1994 to achieve a longer-term real increase"

Lombard adds that processors are upset because a proposed tariff rebate scheme on imported factory meat was not included in government's revised tariff proposals for red meat imports, which were gazetted last week While cheaper factory meat remains in short supply locally, SA's Customs Union partners Botswana and Namibia apparently opposed the rebate proposals Customs Union countries do not pay tariffs on exports (244) to SA, so the tariff rebates for meat imports from other countries would make these countries competitive with Botswanan and Namibian exports

Arnold van Huyssteen



Graphic LEE EMERTON Source TRANSNET

Warning of petrol price jump to R2/l

BDay

MICK COLLINS 1/8/94

PETROL prices are expected to hit R2/l by the year end on the back of an ailing rand and stronger crude oil prices, analysts have warned

The situation was being "seriously exacerbated" by the weak rand which breached the R3,7000 resistance level on Friday before easing back to close at R3,6733 after Reserve Bank intervention, they said

Transnet economist Mike Schussler said labour problems continued to knock the local currency, and he expected the rand to go to R3,80 against the dollar over the next few months while by year-end it would reach R3,85 (2444)

The increase in petrol prices in the

☐ To Page 2

Petrol

BDay 1/8/94

☐ From Page 1

medium term would add about 0,4% to inflation while the effect over a year would be 1% "Our current price of R1,83c/l for 93 octane on the Reef will soon be a thing of the past," he said

The Dubai benchmark, from which SA takes its lead, was being quoted at $16,80 on Friday, against last month's $15,70 "In rand terms this means the oil price has increased by 8% in a month"

It is understood that the National Economic Forum will discuss the issue when it meets next week (2444)

"At the moment there is still a 2c/l over-recovery on the slate but we expect the weakening rand will quickly put paid to that," Schussler said

Oil market analysts said crude oil and petroleum-product prices continued to rise on fears that world output would fail to keep pace with booming demand These were being compounded by a 10% slump in North Sea oil production due to maintenance being carried out on the oil platforms

Other factors threatening available supplies included a strike by Nigerian oil workers and a bottleneck in US pipelines that pump oil through to the Midwest

Supply factors had also been compounded by the increase in demand worldwide "In the Far East and particularly in the US, where the economy is coming into a mature phase of recovery, there is strong demand We are also seeing strong demand in Europe and Japan," one analyst said

The potential for political trouble in Saudi Arabia and Kuwait was also keeping prices up

Analysts said the primary factor behind oil's rally was the worldwide surge in demand, which made the market jumpy about possible glitches in supply At a time when Opec has frozen production, the Paris-based International Energy Agency last week raised its forecast for fourth-quarter world daily oil demand by 300 000 barrels, to 69,6-million barrels a day

Petrol 'R2/ℓ by year end'

CT 1/8/94 (244)

Own Correspondent

JOHANNESBURG. — Petrol prices are expected to hit R2/ℓ by the end of the year on the back of an ailing rand and stronger crude oil prices, analysts warn.

The situation was being "seriously exacerbated" by the weak rand, which breached the R3,7/dollar resistance level on Friday before easing back to close at R3,6733 after Reserve Bank intervention, they said.

Transnet economist Mr Mike Schussler said labour problems continued to knock the local currency and he expected the rand to go to R3,80 against the dollar over the next few months and reach R3,85 by the end of the year.

The increase in petrol prices in the medium term would add

Rise may add 1% to inflation

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There was also the potential for political trouble in Saudi Arabia and Kuwait, which was helping keep prices up.

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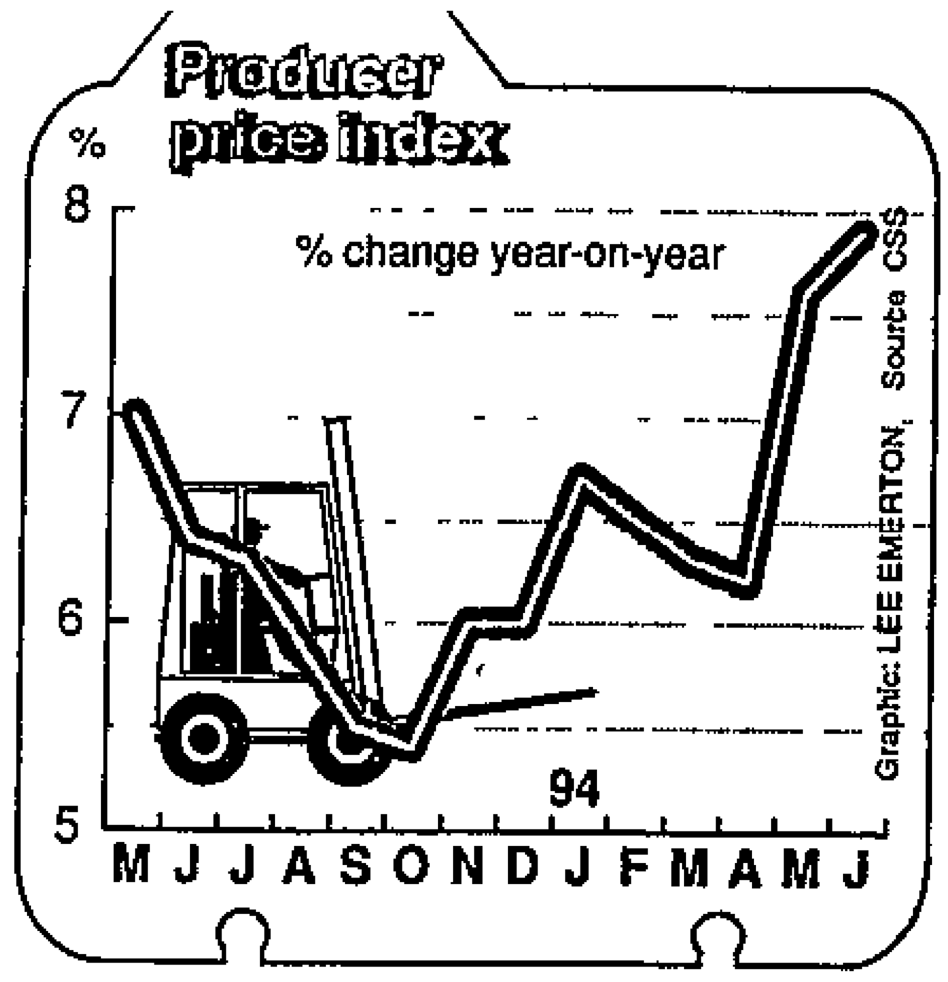


Producer inflation continues to rise

SAMANTHA SHARPE BDay

PRODUCER inflation in June continued its climb, rising to 7,9% from 7,5% in May, Central Statistical Service (CSS) figures released yesterday showed. 16/8/94

The June rise was in line with economists' expectations for producer inflation of about 8% But they were surprised that the increase in the imported component of the producer price index (PPI) fell to 4,4% in June from May's 4,7% (244)

They said producer inflation had been fuelled by the local component of the index, which showed a rate of increase of 8,7% compared with 8,1% the previous month. Locally produced commodities enjoyed an 81% weighting in the index

The CSS said overall producer inflation was 0,7% month-on-month, which compared favourably with 1,3% in May

Large monthly increases were evident in the price indices for agricultural, mining and quarrying and manufactured food products and clothing, the CSS said.

But these were offset by significant decreases in the price indices for fishing products and electricity, it added.

Rand Merchant Bank economist Rudolf Gouws said a significant part of the accelerating producer inflation was "food-driven" and the figures went against evidence of a stronger [illegible] in producer prices generally If food was taken out of the PPI, the year-on-year rate for local inflation would still go up, but the month-on-month rate would stand at 0,3% for the second month running.

Old Mutual economist Johan Els said the

☐ To Page 2

Inflation

BDay 16/8/94

☐ From Page 1

June increase was a symptom of the pick-up in economic activity Old Mutual expected producer inflation of about 10% by December, which would translate into a figure of 8% for the year. (244)

He said the annual rate of increase of manufactured food was "alarming", but not unexpected Food inflation at the agricultural level was led by rapid increases in meat prices

Econometrix economist Tony Twine said he was surprised that imported inflation was as low on a year-on-year basis, "given the fact that it was around June that the rand bottomed out and dollar denominated oil prices started to climb"

Southern Life economist Sandra Gordon said producer inflation probably would reach 9,5% by the end of the year

PPI Fm 19/8/94

Upward pressure

(244)

The gap which once separated inflation at the consumer and producer levels, has narrowed. And, at 7,9% (a month-on-month

Fm 19/8/94

increase of 0,7%) for June, the annual increase in the producer price index is now higher than its consumer counterpart, at 7,5%. This reverses the trend in place for several years. (244)

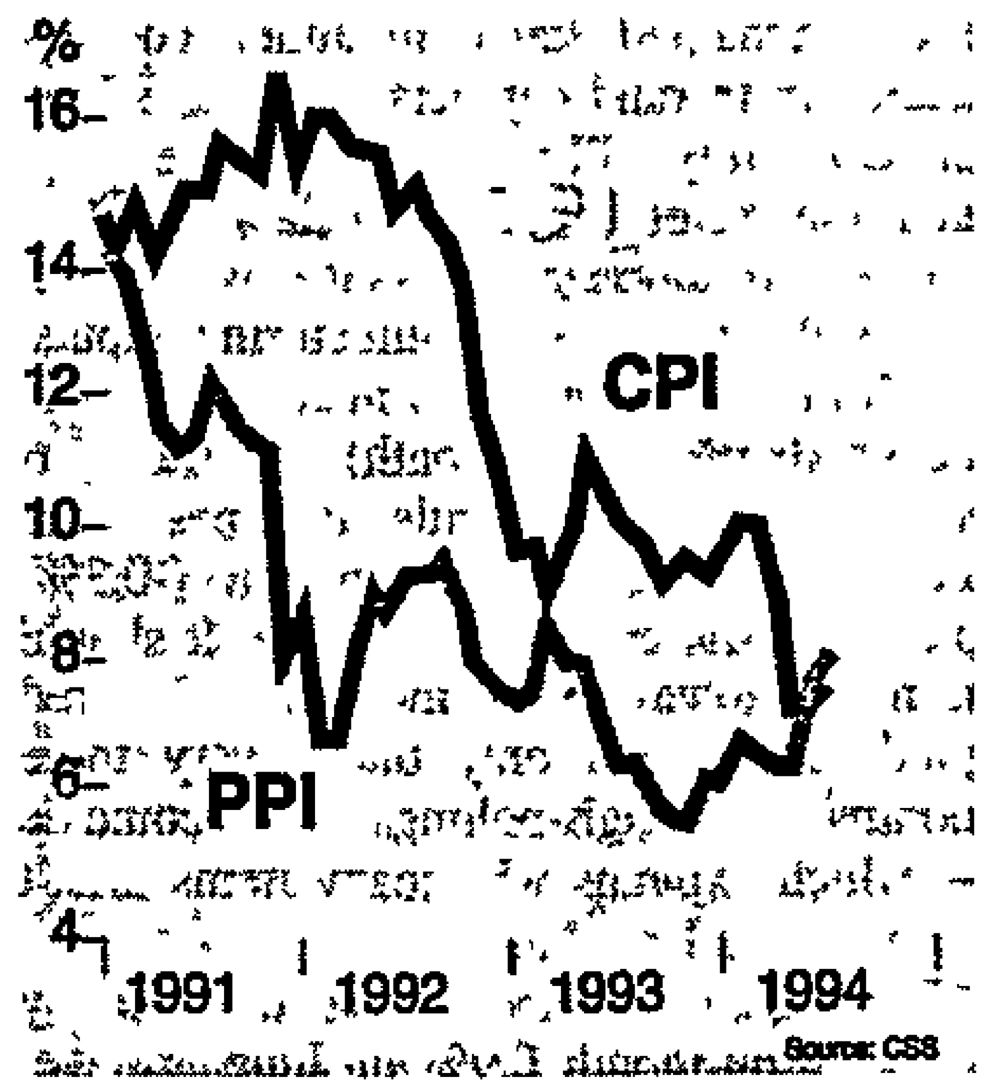
Theoretically, it means consumer inflation is headed higher — though the correlation is not absolute and, at the start of the Nineties, consumer price inflation took two years to follow producer price inflation down.

Indications are that producer inflation will accelerate over the rest of the year, and continue to exceed consumer inflation. This is partly because of the small rates of monthly increases seen in the index over the middle and the second half of last year — the 12-month rates for the rest of this year will be measured off low bases.

But there are other reasons why the index can be expected to accelerate:

- Commodities linked to agriculture should continue to become more expensive, principally because the meat price cycle is still in its upward leg and because of the dry conditions in some of the vegetable growing areas. In June, the agricultural index rose 3% in the month, with food rising 2%. Rises in the indices for meat (5,3%) and vegetables & dried beans (4,3%), offset declines in the indices for fruit (-6,6%) and sugar cane (-1,2%). And, on the manufacturing side, food prices rose 1,9% in the month to June, with fresh meat up 4,9%;
- The impact of higher oil prices on the import bill is not expected to subside. This is shown in the index for "other" mining and quarrying, of which about 50% is made up of crude oil imports This item rose 4,5% for June; and
- The effect of recent rand depreciation has not yet been reflected in the figures.

PPI PUSHES UP



Fm 19/8/94

The imported component of PPI rose only 0,6% in June (4,4% year-on-year), but this was chiefly the result of the high price of oil. On the manufacturing side, imported prices remained stable in June. The acceleration in rand depreciation in late June and early July will be seen in data released later this year. (244)

Little inflationary pressure is present across the range of manufacturing inputs. Small increases were seen in June for basic metals (0,3% in the month) and transport equipment (0,1%), while declines were seen in nonelectrical equipment (-0,3%) and industrial chemicals (-0,1%) It should be noted however, that most manufactured goods are polled only once every three months — though pollings don't coincide — which explains why many items didn't change at all in June.

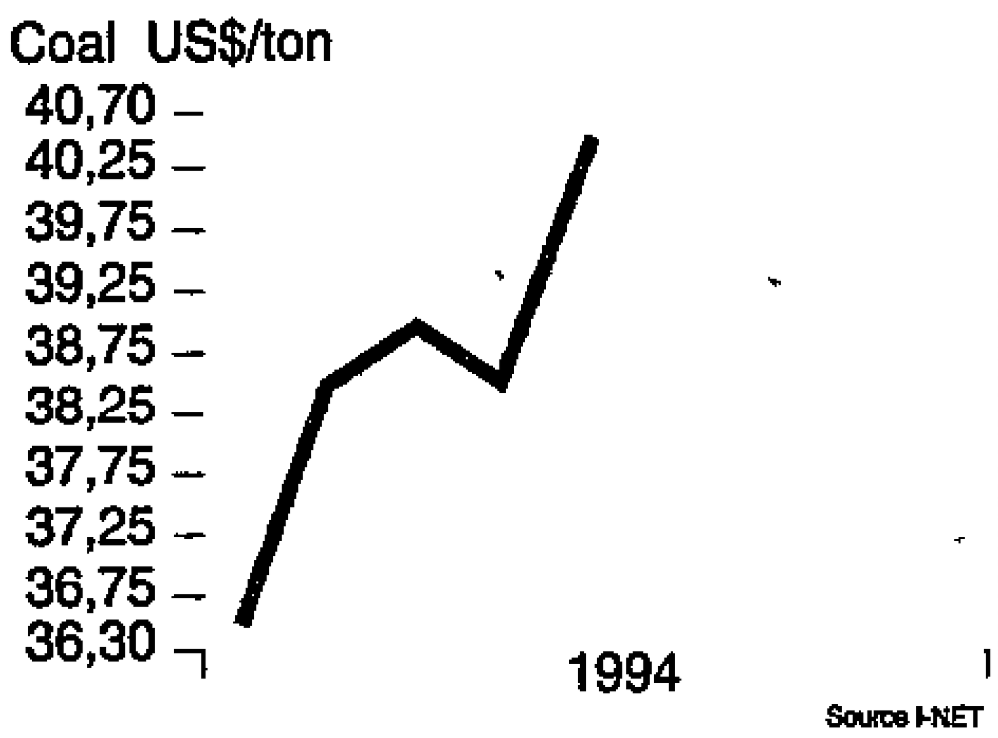
The cost of electricity also declined by a month-on-month 0,9% in June

And weak GDP growth (see below) may put a damper on further price increases in domestic commodities ■

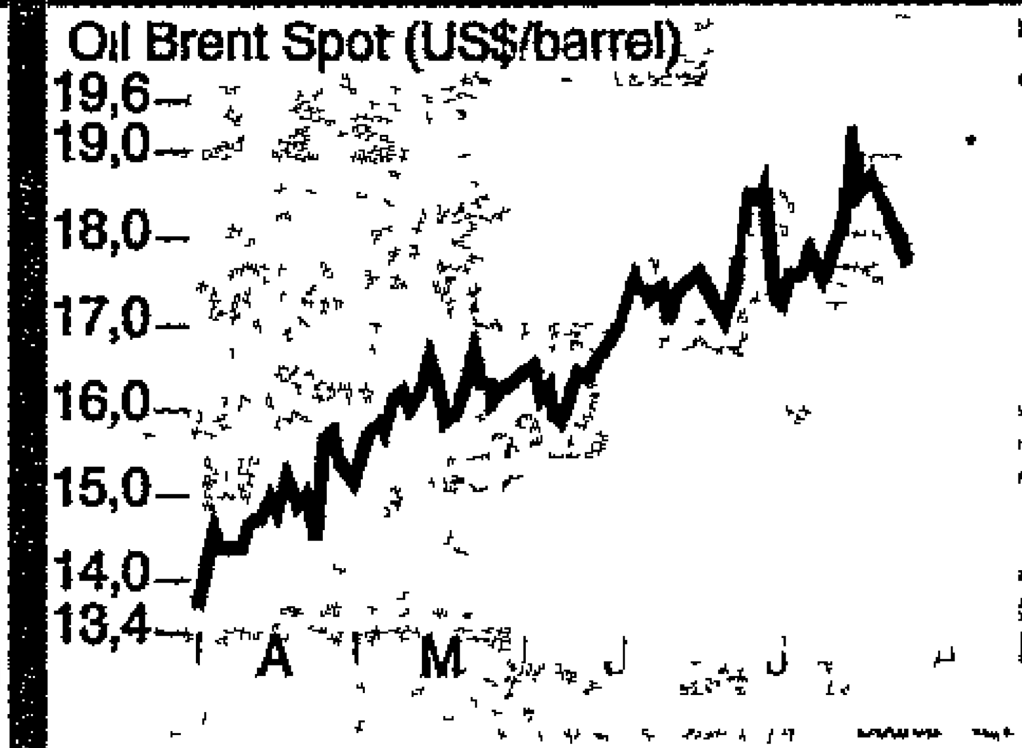
Commodities: swings and roundabouts

FM 26/8/94

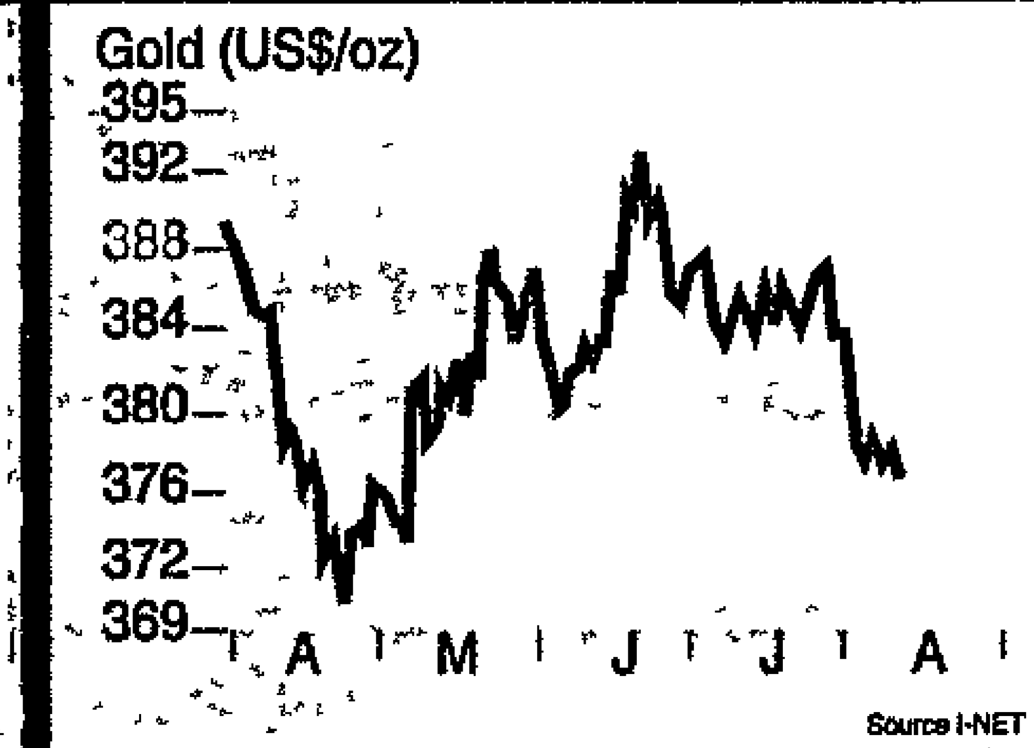
COAL PRICES ON THE RISE



BUT OIL PRICES ALSO UP



GOLD...POISED?



When commodity prices rise, SA gains on a range of exports but loses on a rising oil import bill However the outlook for the next few years is favourable overall.

According to a table prepared by Nedcor economist Magan Mistry, improved prices and increased output should push up earnings from the principal commodity exports from 1993's R39,4bn (US$12,1bn at the projected exchange rate) to R61,2bn ($14,3bn) by 1996.

Precious metals, which make up the bulk of SA's export earnings — R28,5bn — will probably lead the way. Gold sales are expected to rise from R23,2bn ($7,1bn) to R35,8bn ($8,4bn).

The platinum group metals are not expected to do as well. Mistry expects revenue to grow to R6,7bn ($1,6bn) from R5,2bn ($1,6bn) in 1993. So what benefits there are will come in rand terms and not in forex earnings

However Chamber of Mines economist William Houtman believes this estimate is perhaps too conservative: "The premium between platinum and gold has been increasing of late, which indicates increasing industrial demand

"This is backed up by improvements in European car sales in the last year and tighter legislation which should boost demand for platinum in autocatalytic convertors Jewellery demand in the Far East looks reasonable too

"Though production increased by about 20% last year, I think surpluses will quickly be used up"

Roger Baxter, also a Chamber of Mines economist, says the improvements in the economies of the major industrialised countries are expected to increase SA's exports of coal, especially steam coal (SA is the second largest exporter of steam coal after Australia), as these countries use more coal for electricity consumption Particularly high growth is expected from Japan and Europe, which is SA's largest steam coal market (244)

Mistry puts coal exports at 56m t by 1996, from R52m t last year. Baxter points out that the Richards Bay Coal Terminal, which has a coal capacity of 54,5m t per annum, could be upgraded to 60m t at a minimal capital cost.

"Exports through the terminal in the first quarter of this year totalled 14,3m t, which gives an annual rate of R57,2m t This compares with 11m t in the first quarter of last year"

The outlook for the ferrous metals group is mixed

Says a spokesman for the Minerals Bureau "The growth in demand for steel in the developed economies is not large But there is demand for stainless steel, from the transport and building and construction industries.

"This is good news for the likes of Columbus Steel"

Other ferrous exports could benefit from growth in the emerging Pacific Rim economies, he says "These countries consume a lot of iron ore (a record 19m t was exported last year) and ferromanganese, as they build up infrastructures"

Much of the demand has been from China "but purchases are likely to be erratic," says Mistry He forecasts iron ore earnings to rise from R956m ($293m) in 1993 to R1,5bn ($360m) in 1996 and ferromanganese from R1,1bn ($321m) to R1,7bn ($407m)

SA's ferrochrome industry is still reeling from a 25% drop in demand over the last two years "because of dumping by China and the CIS states, notably Russia and Kazakhstan, as well as the substitution of stainless scrap for ferrochrome," says the bureau spokesman

"But, as the world economy gains momentum, users should switch to the better quality ferrochrome which SA produces. The flood of scrap should also start abating soon"

So ferrochrome exports should rise from R792m ($242m) in 1993 to R1,9bn ($438m) in 1996.

Other base metals such as aluminium, copper, zinc and lead should benefit from reduced stockpiles at the London Metals Exchange.

This is starting to influence prices, says Baxter Copper, which was languishing around $1 600/t in November last year, has done well since April and is currently around $2 400/t Over the same period, aluminium has risen from about $1 050/t to $1 500/t.

But a number of factors come into play Jud Roderick, head of commodities at First Derivatives, says the strong showing in prices in the last few months is partly due to activities of the large US investment funds.

"Trading on technical signals, they often move in or out in a big way without seemingly looking at the fundamentals at all.

"And, because they do a lot of their trade on the relatively illiquid Comex market, they can cause large price fluctuations" Export gains will be offset by the rising price of oil exports — SA's major imported commodity.

Unlike exported commodities, which gain in rand terms when dollar prices rise and the rand depreciates, imports are adversely affected by a falling rand

And, while the turmoil in Nigeria seems to have abated — the price of North Sea Brent Crude has retreated to about $17 a barrel this week from the levels above R19 a barrel three weeks ago — the trend since February's lows is clearly upward (see graph)

Soaring food prices spark inflation hike

CT 31/8/94 (244) (453)

By MAGGIE ROWLEY
Deputy Business Editor

THE unexpectedly sharp rise in the consumer price index (CPI) to 8,2% in July, fuelled chiefly by food price increases, pointed to an interest rate hike within the next few months, economists warned last night.

The July inflation rate was 0,7% higher than the 7,5% recorded in June and shows a monthly increase of 1,5%.

While food was the main contributor, particularly vegetables and meat, what was particularly worrying were the big increases across the board which indicated that underlying inflationary pressures were beginning to build, said Old Mutual economist Rian le Roux.

Excluding food, the year on year inflation rate was running at 6,5% with a month on month increase of 1,1% which was caused in the main by a 6,4% in cigarettes, cigars and tobacco, a 1,5% increase in housing due mostly to annual rates and taxes increases, a 2,2% increase in fuel and power, 1,5% in transport and 1,5% in household operations.

"Inflationary trends, coupled with the balance of payments and foreign exchange position as well as the latest money supply figures, the pressure on the Reserve Bank to increase interest rates is mounting. A rise is already being discounted by the capital markets.

Boland Bank economist François Janzen believes the Reserve Bank could move as early as within a month or two.

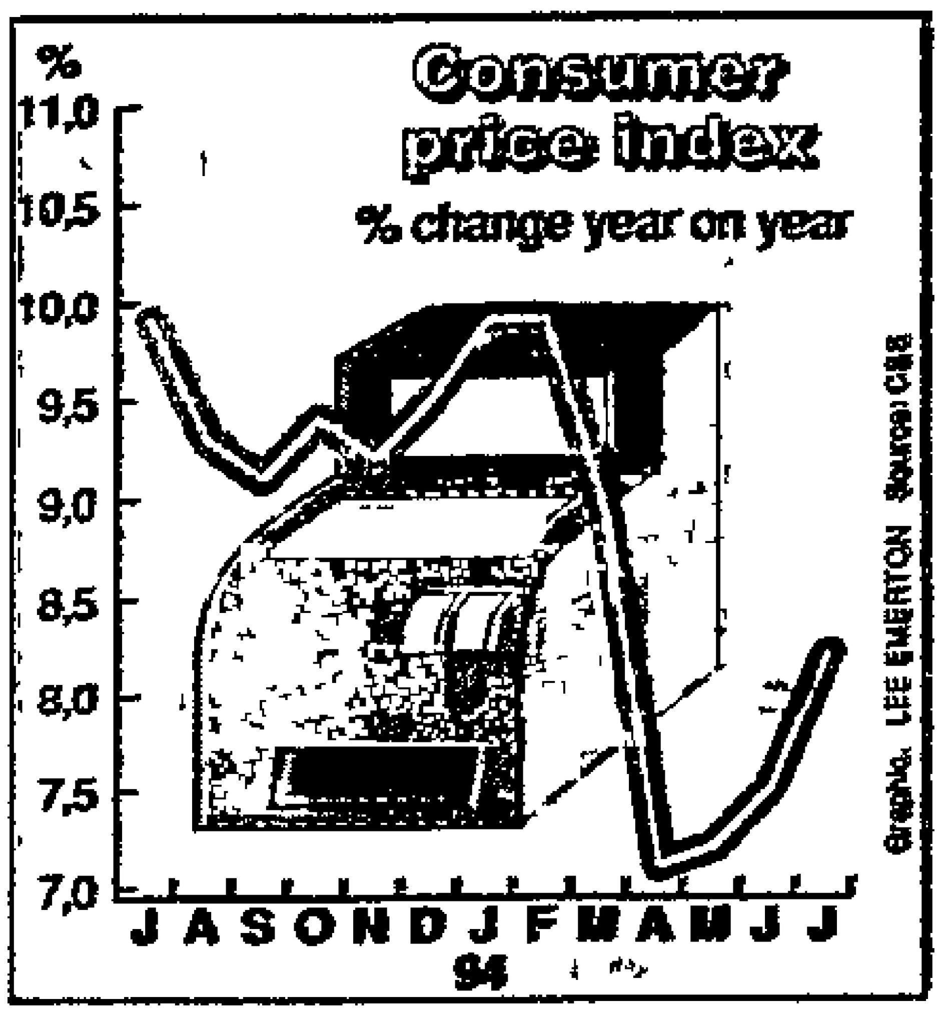
"However, Chris Stals is faced with a major dilemma as we are at the beginning of an economic recovery. An interest rate increase now could badly dent the upswing.

"He is likely to at least wait for the next PPI figures and gold and forex figures before moving."

Food inflation, which contributed 0,7% to the month on month increase, is running at 14,9% year on year — 3,1% higher than the corresponding rate for June and up dramatically since December [illegible].

The main two reasons for this, said the economists, were the restocking of herd levels by farmers and the bad weather which had hit the vegetable crops in the past month.

Vegetable prices, which rose 9,7% from June, are running at more than 20% ahead of last year while meat prices, which showed a month on month increase of 5,2%, are a hefty 25,7% higher than July last year.



Food prices push inflation to 8,2%

BDay 3/8/94

MUNGO SOGGOT

SOARING food prices kicked inflation in July to 8,2% from 7,5% in June, well above market expectations. 244 (155)

Economists said that excluding food inflation, consumer inflation had remained at 6,5% for the past four months.

But the figure — which was likely to stay above 8% for the rest of the year — would add to upward pressure on interest rates.

The Central Statistical Service said food inflation was 14,9%, from 11,8% in June.

Ed Hern Rudolph economist Nick Barnardt said high food prices would hit consumer inflation for a few months.

Econometrix economist Tony Twine said meat prices had been driven up while farmers restocked their herds. Vegetable inflation was high as it was being calculated off a very low base from 1993 when prices had dropped after good rains.

Twine said monthly inflation for the rest of the year would be calculated off a low base from last year. Sanlam chief economist Johan Louw said inflation would probably edge up to about 9,2% by December and enter double figures in late 1995

One economist said the Bank rate would probably rise before the end of the year "The market should watch to see if the Reserve Bank starts fiddling around with the money market shortage as a way of leading up short-term rates."

'No petrol rise to bail out fund'

Star 1/9/94

Cape Town — The Government would not increase the price of petrol to bail out the Motor Vehicle Accidents Fund, Mineral and Energy Affairs Minister Pik Botha said yesterday

The fund needed R3 billion to get on a sound footing but he was not prepared to put up the price, Botha said.

The oil companies wanted to deregulate the fuel price, saying it would lead to cheaper petrol, but it would also mean difficulty for many small concerns.

"What happens to the jobs of 30 000 petrol pump attendants?"

His ministry would not cut the subsidy and the 9,4 c/litre Equalisation Fund levy on petrol which allowed Sasol and Mossgas to operate.

188 244

Sasol sold fuel worth some R4,5 billion a year and importing that amount would seriously damage foreign exchange reserves. Sasol and Mossgas gave direct or indirect employment to 160 000 South Africans. — Sapa.

Petrol price not going up to save MVA

(244)

VUYO BAVUMA
Political Staff

THE petrol price will not be put up to save the ailing Motor Vehicle Accident fund which needs R3 billion to be put on to an sound footing, says Mineral and Energy Affairs Minister Pik Botha. ARG 1/9/94

During debate on his budget vote in the senate yesterday, he said his ministry would not lower the 9,4c a litre equalisation fund levy on petrol which funded Sasol and Mossgas.

Sasol sold R4,5 billion worth of fuel annually and the import cost could seriously damage the country's foreign exchange reserves.

Sasol and Mossgas employed about 160 000 people and comprised 35 percent of the country's total fuel sales.

This meant Sasol contributed R8,5 billion.

Mineral and mineral-based exports made up almost two thirds of South Africa's foreign exchange income and the purchase of oil was one of its biggest expenses.

South Africa had to find a realistic way of getting oil at the cheapest possible price and the highest price for its minerals.

Mr Botha said he was against deregulation because it would affect small businesses adversely.

Oil companies wanted to deregulate the fuel price because this would mean cheaper petrol, but "what would happen to the jobs of 30 000 petrol pump attendants?"

Replying to a question, Mr Botha said an additional R2,5 million would be allocated to Reconstruction and Development Programme.

Food prices soar

244

CT 8/9/94

HERO TEENS NAB THIEF

Clothes crook collared by boys

By LYNETTE JOHNS

A TABLE VIEW boy who dreams of being a policeman fearlessly chased and helped to arrest a man who stole clothes from his mother's washing line.

Carel van Niekerk, 12, and his two brothers, one sister and their cousin were playing cricket outside their home on Saturday when one of the boys saw a man breaking the lock to their gate

"My cousin Tinus and my brother Johan (both nine) went to the yard to see what the man was doing. When they saw him taking the clothes from the line they called my mother, and the man ran away," Carel said

Danger

"I ran after the man, and the rest of them (his

By MAGGIE ROWLEY and WILLEM STEENKAMP

FOOD prices have rocketed again — with vegetables doubling in price and meat up nearly 40% — threatening to push inflation up further.

Increased food prices were the main factor behind the Consumer Price Index rising to 8,2% in July from 7,5% in June.

Factors forcing up the prices were the sub-zero temperatures which affected Transvaal vegetable crops and shortages caused by farmers restocking herds after the drought.

Mr Les Williams, regional manager of fresh produce for Pick 'n Pay, said in recent weeks vegetables from Northern Transvaal had doubled in price.

Crop wiped out

"We are seeing prices we have never seen before and this will go on until the end of October when locally grown crops start coming through."

Potatoes, he said, were selling for around R22 a pocket, double that of a month ago.

Tomatoes had also more than doubled to the current R5 or R5,50 a kilogram while green peppers had shot up three-fold to R14 a kilogram.

Mr Williams said the Transvaal potato crop had been wiped out and the West Coast crop, which Cape Town usually received at this time of year, had been sent to the northern markets.

A city Kwikspar manager said meat and vegetable prices had increased dramatically — the price of gem squash had rocketed from R1,79 to R7,59/kg

Customers' first reaction to the price increases was that they were "outrageous", but they then found it was a general trend and were forced to buy essential items at the higher prices

Mr Ari Efstathiou, co-owner of the master franchise rights for Steers Fast Foods (Western Cape) said the soaring price of meat and vegetables, particularly potatoes, would force restaurants to increase prices to consumers.

"We are having difficulty in getting meat and if this continues we will have to consider importing meat directly Unless something drastic happens we might have to discontinue certain menu items, such as fillet which now costs around R44/kg."

Southern Life economist Ms Sandra Gordon said while rising food prices would no doubt have an effect on food prices, this would hopefully be temporary as the restocking process normalised and other factors came into play

Pick 'n Pay joint managing director Mr Gareth Ackerman said they were continuing to lobby the government to reduce import tariffs on meat but were still awaiting a response from Trade and Industry Minister Mr Trevor Manuel.

"In recent weeks the government has reduced some tariffs on frozen mutton and forequarter meat carcasses This meat is being imported from Australia, which does not have a subsidised market, and is landed at almost half the current prices"

Accusing farmers of taking too much profit, he said local prices had risen to almost the same price as imported meat which included high tariffs

"We are lobbying the government to have these tariffs reduced to bring the cost of landed meat to around R8,50 from the current R12,50 which in turn will bring down the cost of local meat significantly"

Buying patterns

In a survey of shoppers last night, all said they had noticed the price of vegetables had rocketed.

"It's affected my buying patterns drastically," said Mr Justin McComb, of Gardens.

Mr Derek Glasgow, of Oranjezicht, said South Africans were "passive consumers" and tended to accept price hikes too easily

Visitors Mrs Alida Reyneke, of Klerksdorp, and her daughter, Mrs Alida Jacobsz, of King William's Town, attributed the increases to natural calamities

Urban electricity

CT 9/9/94

Meat prices: Row escalates

(244)

By MAGGIE ROWLEY

IN the growing wrangle over rocketing meat prices, a Stanford livestock farmer and agricultural economist yesterday accused wholesalers and retailers of "also pushing up their price margins"

Mr John Nel was hitting back at Pick 'n Pay joint managing director Mr Gareth Ackerman's charge earlier this week that the 40% increase in meat prices in recent months was due to farmers "taking too much profit"

He challenged Mr Ackerman to a public debate on the issue

Mr Nel said that while farmers were getting good prices at the moment, they were still only getting 40c in the consumer's rand

"This means that middlemen — wholesalers and retailers — have also pushed up their margins "

Farmers, he said, were currently getting around R11,30/kg for sheep carcasses at the municipal abattoir — nearly 40% higher than the average R8,30 paid in March

"However, from this about 14% is deducted in fees and levies by the abattoir, which leaves the farmer roughly R9,70 in his pocket before he then has to cover his own overheads

"What I want to know is why, if wholesalers and retailers are buying meat at around R11,30 at auction, the price has gone up so much to the consumer who is now paying anything up to R30/kg for prime cuts "

Mr Ackerman denied retailers were pushing up profit margins

"Prices have risen because all input costs, and that includes the price of meat paid to the farmer, have risen," he said

● Agricultural experts warned yesterday that consumers could expect vegetable prices to remain at present high levels for at least another two months, reports WILLEM STEENKAMP.

They and consumer bodies said vegetable prices were seasonal and usually rose at this time of year, but this year's prices had been influenced strongly by crop failures in the Transvaal

● Restaurants are absorbing losses due to the increases and are hoping prices drop again so they don't have to raise menu prices, Restaurant Guild spokesman Mr Aldo Girolo said yesterday

New fuel price plan not mine, says Pik

PRETORIA. — The Minister of Mineral and Energy Affairs, Mr Pik Botha, yesterday denied that a proposed interim external price-mechanism for fuel was his plan. (244)

Responding to a Business Times article, Mr Botha said the price mechanism plan was a recommendation by the Liquid Fuels Industry Task Force of the National Economic Forum. The plan had involved all major stakeholders in the fuel industry, including consumers.

The cabinet had not even considered the plan yet, Mr Botha said. CT 12/9/94

He said he would have thought the plan would be welcomed, rather than be regarded as "Cuba-economics" — Sapa

Soaring food prices ups PPI to 2-year high

(244)

CT 14/9/94

SOARING food price inflation and the weakening rand combined to push the producer price index (PPI) up 9% year-on-year in July, compared with 7,9% in June — the highest level for two years

The month-on-month rise was 6,3% compared with 1,7% in June

Economists, surprised by the size of the increase, forecast that the PPI would reach 11% by December And the bond market reacted early to fears of higher inflation, with bond yields rising above 17% when the figures were first released

● Producer price inflation surges — Page 8

PPI jumps to 9% in wake of weak rand

BDay 14/9/94

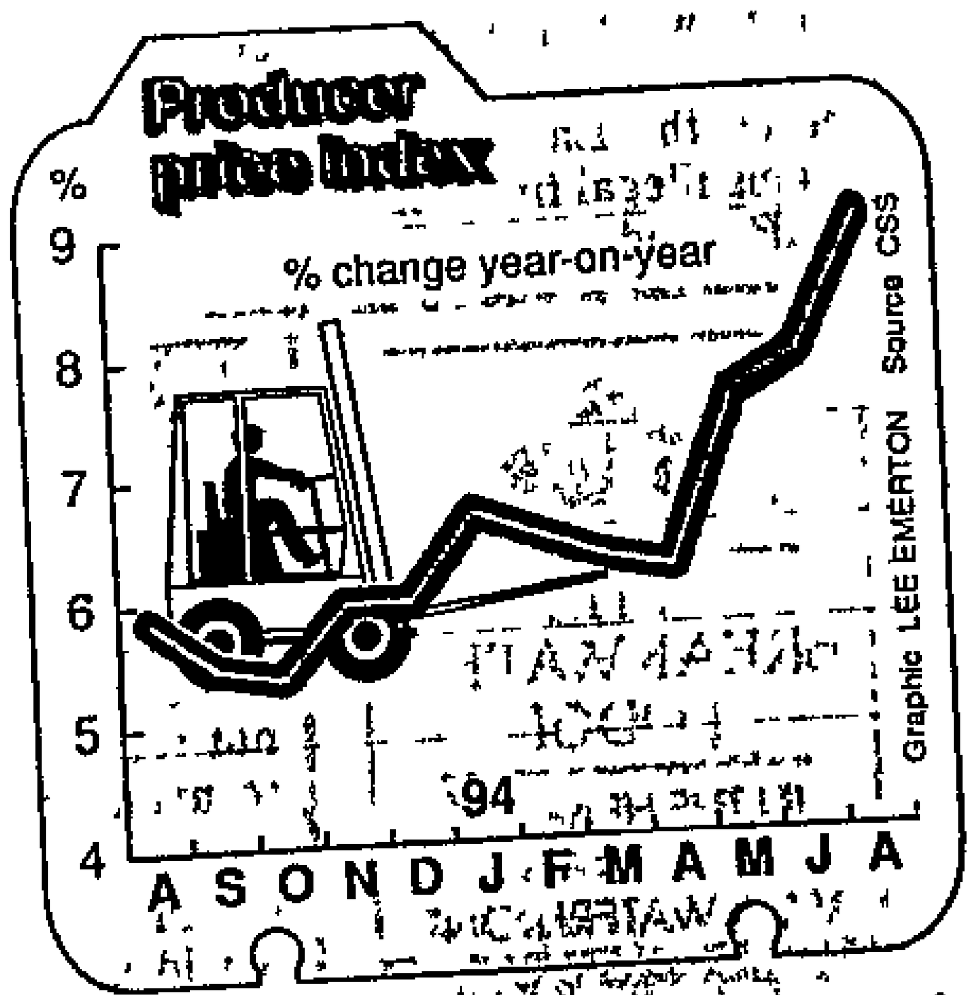
GRETA STEYN

THE weak rand finally made its presence felt in SA's inflation statistics, helping push producer inflation to its highest rate in nearly two years in July with an unexpectedly large jump to 9% from 7,9% in June.

The oil price rise earlier this year, high food prices and the increase in excise duties in the Budget also took their toll.

The imported component of the producer price index (PPI) rose 6,9% in the year to July — the highest level since September 1992 and substantially higher than the 4,4% recorded in June. Economists said the rise came off a low base and was the result of rand weakness and the rise in oil prices earlier this year. (244)

Rand Merchant Bank economist Rudolf Gouws said it was about time that the rand's weakness filtered through to producer inflation. But July's figures were an upward spike that were unlikely to become a trend.



"The rand has already improved substantially and oil prices have softened. The outlook is not as gloomy as these figures might suggest." He expected the producer inflation

☐ To Page 2

PPI

BDay 14/9/94

☐ From Page 1

rate to average about 10% next year.

Southern Life economist Sandra Gordon said the positive effect of the recent changes in the rand and the oil price would filter through to the PPI in September at the earliest. (244)

The PPI's domestic component rose 9,4% in the year to July compared with an increase of 8,7% in June. Food continues to be a major factor, with fresh meat prices surging almost 47% over the year to July.

The month-on-month rise in the PPI of 1,7% was unusually large after an average of less than 1% for the year to June. An economist said if the new average of about 1% a month continued for the rest of the year, producer inflation would be about 12% by December. The average for the year would be about 8,7%.

The imported component of manufacturing prices rose 0,8% month-on-month after recording no increase in June. The "other mining and quarrying" component — mainly the oil price — rose a hefty 5,9% between June and July this year.

● Comment: Page 14

Food and petrol prices the main culprits

Producer inflation rises to 9 percent

Star 14/9/94

244 ~~158~~

BY CHARLOTTE MATHEWS

The producer price index (PPI) inflation rate shot up to 9 percent in July — its highest rate since August 1992, after sharp increases in the prices of meat and vegetables and petrol-related items

Economists said yesterday there was no reason to assume the upward trend would continue at its present rate because it reflected unusual climactic conditions, and some one-off increases prompted, for example, by higher excise duties.

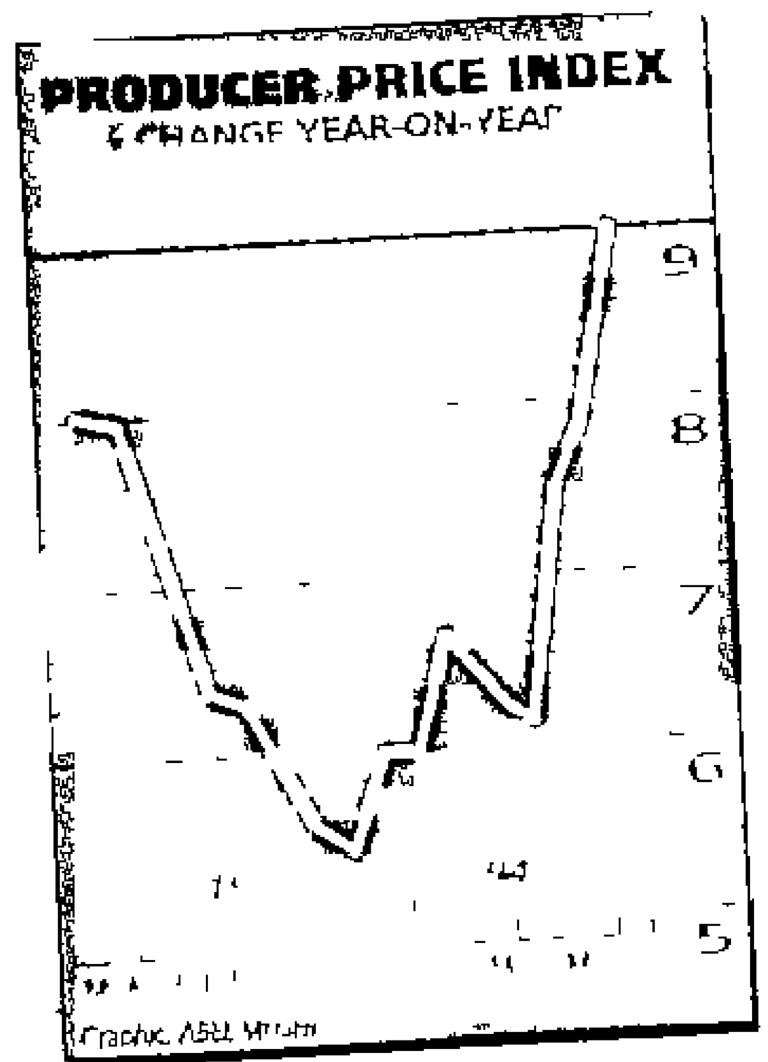
Moreover, the prices of many items in the index were rising at a rate well below 9 percent.

However, several economists agreed the increase, coupled with the rise in the July consumer price index (CPI), was putting pressure on Reserve Bank Governor Chris Stals to raise interest rates. Stals had been adamant in his annual address that he would act pre-emptively on inflation.

According to figures released by the Central Statistical Service (CSS) yesterday, the July PPI figure was 1,7 percent above June in real terms and 1,5 percent higher on a seasonally adjusted basis

The main increase was in locally produced commodities, which were 9,4 percent dearer than in July 1993

The price of imported commodities in July 1994 was a lesser 6,9 percent above July 1993 but still showed its highest rate of increase since September 1992, the CSS said.



Southern Life economist Sandra Gordon said the relatively moderate lift in the prices of imported items suggested the weaker rand had not yet had much of an impact

It could be that the lower inflation rate of major trading partners had played a part in restraining these increases. But the weakness of the rand could put more pressure on the PPI in coming months.

The greatest monthly price hikes were in agricultural products, up 2,9 percent mainly because of a 3,3 percent lift in food prices, and, reflecting heavier excise duty, a 1,4 percent increase in alcoholic and non-alcoholic beverage prices and a 10,1 percent climb in tobacco product prices

Petroleum- and coal-based products were 3,2 percent dearer ~~thanks~~ to ~~an~~ international petrol price uptick earlier in the year.

Nedcor chief economist Dennis Dykes said market expectations had been of a 8,2 percent PPI figure in July but conceded it generally tended to be more erratic than the CPI.

Dykes said the main reason for the rise was food prices, mainly meat and vegetables Meat prices were now 47,1 percent above their July 1993 level while vegetable prices were 59,5 percent higher than they were a year ago.

Meat, however, had a heavier weighting in the index.

These price increases would not continue indefinitely, Dykes said.

The re-stocking cycle, which had started some months ago, was likely to persist until early 1995 and should then taper off

Old Mutual chief economist David Mohr said the PPI had also been affected by the fact that a large proportion of the index was measured in July

Not all items making up the index are measured every month — some are only re-assessed on an annual basis.

Overall, the PPI figures did not suggest a disaster was looming for inflation, Mohr said, although initially it looked like a big increase.

A number of items in the index had risen by small percentages year on year, indicating that inflation was not broadly 9 percent everywhere.

Producer price inflation surges

(244) CT 14/9/94

By AUDREY D'ANGELO
Business Editor

SOARING food price inflation and the weakening rand combined to push the producer price index (PPI) up 9% year on year in July compared with 7,9% in June — the highest level for two years.

The month on month rise was 6,3% compared with 1,7% in June

Economists, surprised by the size of the increase, forecast that the PPI would reach 11% by December. And the bond market reacted early to fears of higher inflation with bond yields rising above 17% when the figures were first released.

Most economists thought the high PPI made a rise in interest rates likely before year end, to keep inflation down, in spite of the dampening effect it would have on the economic upturn

But Nedcor chief economist Dennis Dykes pointed out that — since the rise in local inflation was due to rising food prices caused by climatic conditions rather than burgeoning consumer demand — Reserve Bank Governor Chris Stals might not consider it necessary to dampen spending through higher interest rates at this point.

The index for locally produced goods rose 9,4% year on year compared with 8,7% in June and 6,7% in July last year. The month on month rise was 1,6% compared with 0,9% in June

The index for imported goods rose by 6,9% year on year compared with 4,4% in June and 2,3% month on month compared with 0,6% in June

The index for locally produced goods was pushed up by a 3,3% rise in agricultural food products with a 6,1% rise for meat, a 5,2% rise in forestry products and a 1,7% rise in fishing products.

Excise duties

Higher excise duties were part of the reason for a 1,5% rise in alcoholic and non-alcoholic beverages and a 10% rise in tobacco products.

Old Mutual economist Johan Els and Sanlam chief economist Johan Louw said they had expected a rise in the PPI — but only to about [illegible] year on year

Els said that higher oil prices in the first half of the year and the higher petrol price in June had fed through to the imported content of the PPI. He thought the PPI and the consumer price index (CPI) would both rise from now on.

Louw said he expected the rise to filter through to the CPI early in 1995. The high PPI figure would influence Stals in deciding whether to raise interest rates.

"But I still hope it will not be necessary to increase prime rate before the end of the year, especially if reserves improve."

Southern Life economist Sandra Gordon said the rise in the PPI was still at the primary level, not in manufactured products."

Dykes said it was "frightening" that meat prices had risen by 47% year on year and vegetable prices by 60%. But this was from a moderately low base a year ago and although the restocking of herds, which kept meat prices high, would continue until next year vegetable prices would fall within a few months.

COST OF LIVING

The runaway trolley

Vegetables lead the charge as food prices leap 13 percent in three months

ARG 16/9/94

Staff Reporter

THE total price of a trolley of food and other essentials at a city supermarket has rocketed by more than 13 percent in three months, an informal Argus survey has found.

The soaring inflation is due largely to big hikes in vegetable and meat prices

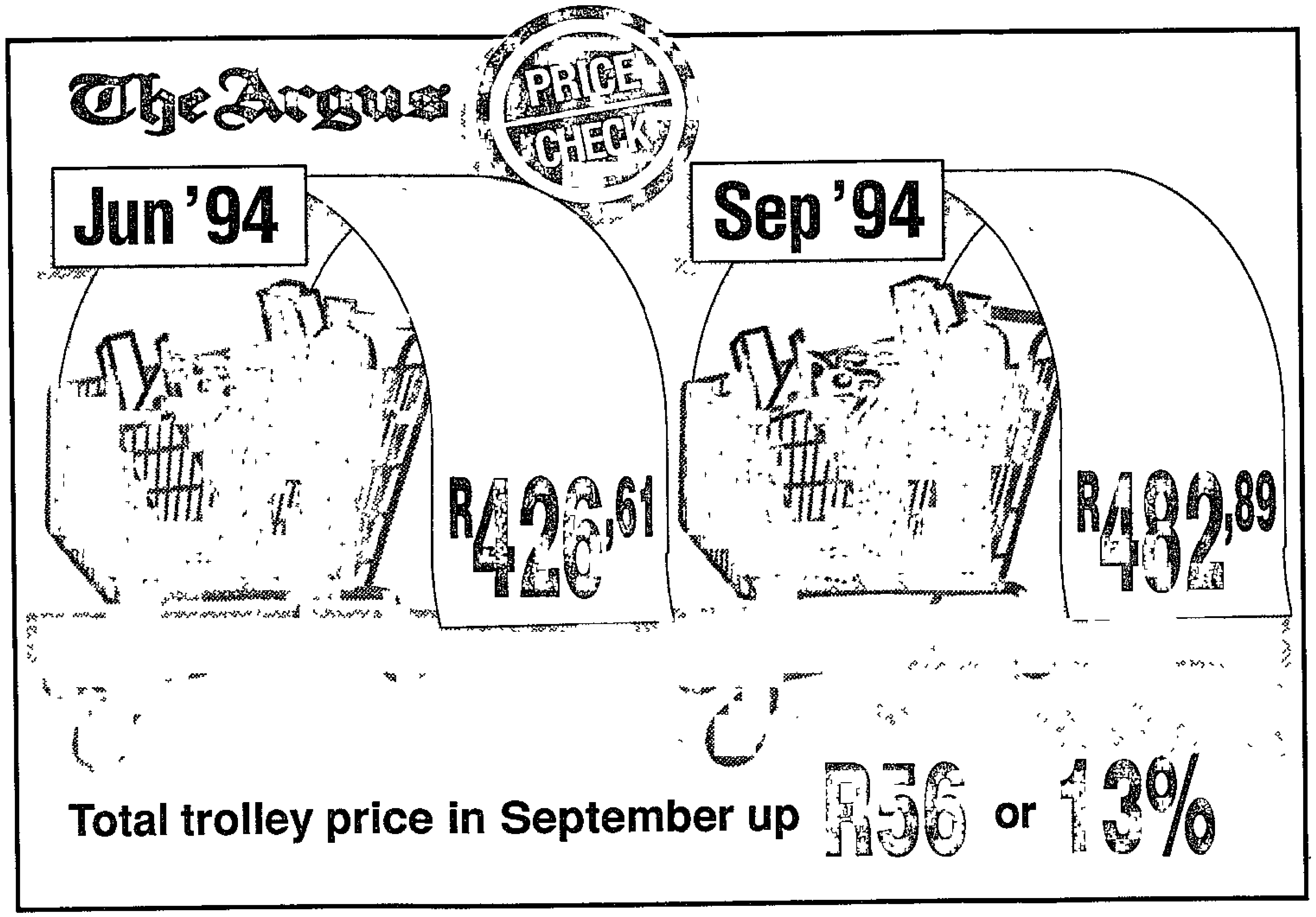
The Argus price check, on September 12, showed the prices of 44 items in a trolley of 64 had risen since June 17

The total trolley price in September was R482,89, up R56 from June's R426,61

The steepest price hikes were for fresh vegetables, beef, cheese, coffee and cigarettes

Industry sources cited natural disasters as the cause of the vegetable price rise and blamed the beef price squarely on heavy import duties, while the inflation also reflected the June petrol price increase

The Northern Transvaal drought, the worst frosts in decades and unusually heavy summer rains in the Free State, have all pushed fresh produce prices up



Vegetable prices are not expected to normalise for months, according to a senior industry source

In The Argus survey potatoes jumped from R1,59/kg to R2,79, butternut leapt from 99/kg to R1,99, and green peppers went from R6,99 to R16,99/kg

While some fruit prices remained unchanged, bananas rose from R1,59 to R2,39/kg

Extra lean beef mince increased 12 percent from R16,89 to R18,98/kg — beef has now gone up more than 40 percent in a year

The price of Cheddar cheese rose from R14,99 to R19,99/kg.

Cigarettes, hit hard by the "sin tax" imposed in the new government's first budget, increased from R37,99 for a carton of 30s to R49,99.

The health conscious now have an extra incentive to switch from coffee to caffeine-free rooibos tea coffee prices shot up 30 percent while rooibos remained unchanged.

People hoping to cut their food bills are faced with a slim choice only cabbage, tuna, marmite and marie biscuits fell in price

The keen-to-be-clean brigade can, however, take comfort· toothpaste costs remain unchanged and washing powder dropped all of 26c a kg

(244)

A beef about tariffs

Staff Reporter

A LEADING supermarket chain has called for a drastic reduction in import duties to counter spiralling South African food prices

An Argus price check in a city supermarket found that beef prices had leapt 12 percent in three months, bringing meat inflation to more than 40 percent in a year

Pick 'n Pay joint MD Gareth Ackerman said the high import tariff on beef was pricing cheap foreign meat out of the market and allowing local producers to make "superprofits"

The tariff on imported meat runs as high as R5/kg for beef and R4/kg for mutton

"The tariff structure is totally wrong — import duties have to be simplified and reduced," Mr Ackerman said

"Tariff reduction would bring the beef price down by 20 percent

"Because of the drought there is a shortage of beef, so farmers have been able to push their carcass price up from R7,50/kg at the beginning of the year to R12/kg now

"Beef producers are making a short-term bonanza, but in the long term consumers could be driven out of the market"

Mr Ackerman said his company had made representations to Trade and Industry Minister Trevor Manuel to reduce the tariff on beef but had been told to first meet the Agriculture Ministry.

However, Agriculture Minister Kraai van Niekerk this week flatly rejected the argument for major tariff reduction

He said in parliament that "the entry of highly subsidised imports without reasonable import tariffs" would have "disastrous effects"

Spelling out his department's policy of "protection of domestic agriculture", Dr van Niekerk said cheap food imports would result in

- job creation abroad and not in South Africa,
- "the effective ruling out of the chances of the RDP in agriculture to succeed, with devastating results for rural development and upliftment",
- a balance of payments crisis

"We can ask whether the perceived advantage of cheaper imports will benefit the consumer in the long run — in my opinion the answer is a definite 'no'," he said

University of Cape Town economics professor Brian Kantor endorsed the call for lower tariffs

"Tariffs are simply a transfer of wealth from consumers to producers," he said

"If the government is concerned about consumers it will reduce tariffs — I would expect that consumers now carry more weight than they did in the past"

Professor Kantor rejected the argument that tariff cuts would damage the South African economy

"If South Africa wants to become competitive in world markets we need a lower food price to bring down labour costs — this would benefit every producer"

Easy living in Johannesburg

Star 19/9/94

BY DEREK TOMMEY

Living costs in Johannesburg are among the lowest in the world, according to a survey of prices in 53 major cities conducted by Union Bank of Switzerland.

The survey, which measures the cost of a basket of goods in various cities, found only six with lower living costs: Manila, Budapest, Caracas, Prague, Nairobi and Bombay

In contrast, it cost at least 60 percent more to live in Frankfurt, Vienna, Buenos Aires, Helsinki, Seoul, New York, Paris and Stockholm, and 100 percent more to live in Copenhagen, Geneva, Zurich, Oslo, Lagos and Tokyo

Johannesburg is also one of the cheapest cities in in which to buy food (244)

The food basket cost $217 in Johannesburg. It cost $262 in Sydney, $291 in London, $300 in Montreal, $324 in Amsterdam and Brussels, $367 in Los Angeles, $402 in Vienna, $517 in Oslo and $938 in Tokyo

However, Johannesburg does not do so well in wages Based on the average earnings of 12 occupations, they are only a quarter of those in Zurich and Geneva, and a third of those in New York, Chicago, Dusseldorf, Frankfurt and Tokyo

On the tax front, Johannesburgers fare even worse

Taxed wages are only a fifth of those of Zurich and less than half of those of Taipei, Madrid, Sydney and London

But Johannesburg's low living costs help offset low wages The domestic buying power of an average Johannesburger is just below 50 on a scale based on Zurich at 100

The survey measured the working time needed to buy a hamburger in various cities — in Johannesburg it took 45 minutes.

In Zurich it took 21 minutes, 20 in Toronto, 23 in New York, 17 in Houston and 14 in Chicago.

Govt may assist new newspapers

CT 20/9/94 (243)

By BARRY STREEK

THE government would consider stimulating the growth of new newspapers, possibly with subsidies, to strengthen the democratic system, Deputy President Thabo Mbeki said yesterday

The privately owned media should also consider what contribution they could make to a human rights culture

Mr Mbeki was participating in a Cape Town Press Club forum of journalists and politicians to discuss the role of the media in the light of comments he made at a Press Club lunch last month

Financial Mail editor Mr Nigel Bruce said free access to information was essential to the functioning of a market democracy

He said communication between the press and government was the worst it had been in 30 years

Mr Mbeki said the government was working on improving the level of communication No one in the ANC had sought to vilify the press

However, it was important for the media to consider how they should relate to the changed situation

They could not proceed as if nothing had changed

"We believe that building, strengthening and entrenching a democratic system is something all South African individuals and institutions ought to be involved in," Mr Mbeki said

"It is quite wrong to say we are trying to ascribe a role to the press that the press can't play"

It was for the press to make people sensitive to human rights issues

"As South Africans we should try together to build a human rights culture," he said

"We must also look at what the government can do to expand the number of newspapers available in the country It might very well mean subsidies

"It would be good if the press asked itself what it could contribute — without pressure from the government"

Fuel cost plan 'could cut prices'

BIDay 20/9/99

MICK COLLINS

PETROL prices could drop 9c/l immediately if Cabinet approved the new in-bond landed cost (IBLC) structure for the fuel industry, oil sources said at the weekend.

They said the move would save motorists R1,35bn a year and give a much needed boost to the SA economy. Government sources confirmed that there "could be a drop in petrol prices at this stage

"Bearing in mind that it will be an average of a month's fluctuations and based on present figures, there could be a reduction of about 4c/l. But we must assume that nothing drastic happens in international oil markets," they said.

The new IBLC structure — proposed by the National Economic Forum's liquid fuels industry task force — calls for local petrol prices to be fixed on the first Wednesday of every month against a basket of different international prices.

Transnet economist Mike Schussler said falling oil prices and the application of the IBLC formula showed an over-recovery of 8,57c/l on the pump price of 183c.

Renewed pressure on oil prices had seen prices nearing 21-week lows as oil product stocks rose in the US and higher North Sea and Opec crude oil supplies kicked in.

Schussler said the application of the new pricing points of Caltex Bahrain, Esso, Mobil, the Singapore Petrol Company and the 20% spot price in Singapore had seen prices come down 2c/l last month.

If pump prices were lowered the SA economy would feel the effect of a half a percentage point decrease in the CPI, half of which would be immediate and the rest fed through over the following three months," he said.

The long-term oil price had declined and the only upward pressure that could possibly come would be that Iraqi supplies were allowed back on world markets. But, he said, this was highly unlikely.

With US refineries running at nearly full capacity, traders expected even higher stockpiles of heating oil.

Oil prices were nearly $4 below 17-month peaks seen in early August, but still about $2,70 above five-year lows reached in late February.

Also lending downward pressure was news that North Sea supplies would be higher next month as most of the scheduled maintenance work had been completed.

Prices had hit a four-month low of $15,60 on August 22 in expectation of the end of a Nigerian oil workers strike, and had moved in a $1 a barrel range above that level since, another analyst said.

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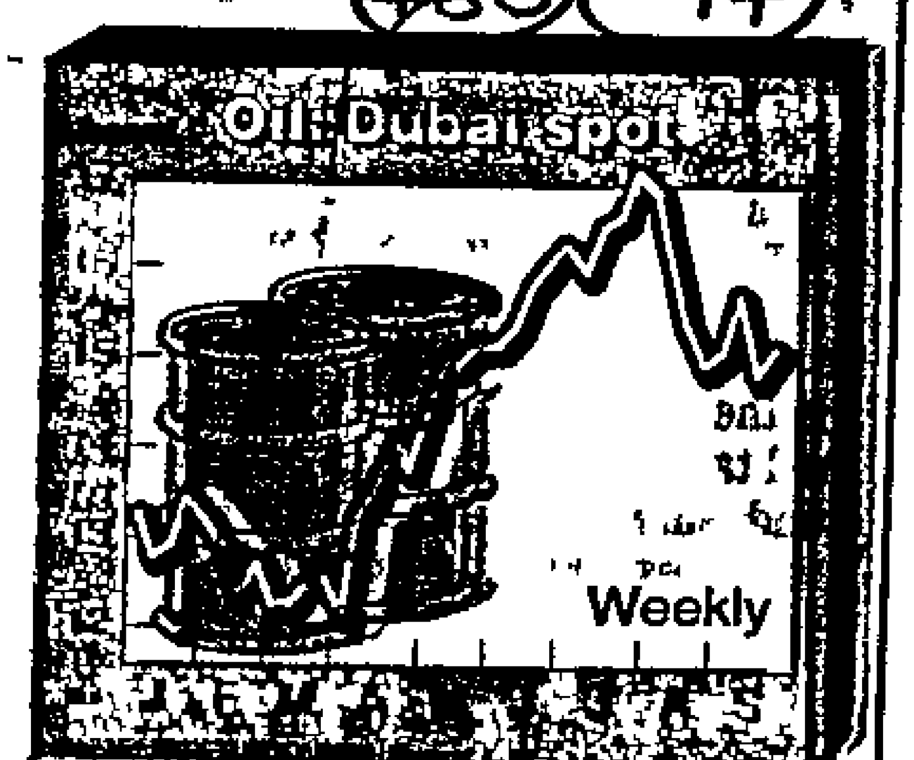


Petrol jobs 'key factor in reform'

PRETORIA — Any restructuring of the petrol price system would take account of possible job losses and try to minimise "traumatic disruptions" in the lives of about 60 000 people employed in the retail fuel sector, said mineral and energy affairs minister Pik Botha.

Mr Botha, reacting yesterday to an article in a financial newspaper, said in a statement that the petrol price system was not being handled according to "Pik Botha policy" but according to cabinet policy.

The system had achieved "one of the lowest petrol prices in the world", he said.

He was no defender of resale price maintenance and fully supported the aims of the Competition Board But if eliminating retail price maintenance from the petrol price structure threatened 60 000 jobs and many of the 4 000 petrol retailers, Mr Botha said he and the cabinet would scrutinise such "elimination" carefully before proceeding.

"Others apparently have no such scruples," the minister said, in reference to the newspaper.

Any restructuring would have to be "people-centred — designed as far as possible to minimise traumatic disruptions in the economic lives of more than 60 000 of our citizens, most of them from the more modest levels of society." — Sapa.

ARG 26/9/94

September 26 1994

Runaway food prices send inflation soaring

(244)

AUG 26 1994

□ Higher mortgage rates may be next blow

ALIDE DASNOIS
Business Staff

RUNAWAY food prices sent the inflation rate soaring to 9,4 percent in August.

Central Statistical Services figures released today show that food prices rose 4,7 percent during the month, with meat prices up nearly 7 percent, vegetable prices up nearly 14 percent and fruit prices up 6 percent.

Food price inflation is now running at 19,7 percent in annual terms.

Hard-pressed consumers will soon be further squeezed by higher mortgage bond repayments.

Mortgage bond rates are likely to rise after the Reserve Bank's decision to raise the key bank rate one percent from today, pushing up housing costs, which make up more than one-fifth of average household spending.

But most economists agreed that Reserve Bank governor Chris Stals — who probably anticipated today's figures — had been forced to raise interest rates to dampen inflation.

Boland Bank economist Francois Jansen said a combination of accelerating inflation and a worsening trade balance with the rest of the world had left Dr Stals no options.

"Although we are only at the beginning of the upswing, the economy is registering inflation rates and trade figures we should only be seeing at the end of the upswing," he said.

South Africa's monthly trade surplus plummeted in August from R1,65 billion to R288 million as imports soared.

Imports — mostly of machinery — have risen R10 billion to R48 billion in the year ended August, as businesses revamp production to cope with a recovery in the economy.

The rise in the bank rate — the rate at which the Reserve Bank lends to the commercial banking system — is likely to be followed by higher overdraft rates, forcing businesses and consumers to cut down on spending.

But Mr Jansen said this would not happen immediately.

Boland Bank, which had been predicting an average inflation rate of 8,5 percent for the year, would revise its forecasts upwards after August's shock price rises, he said.

Petrol pricing: Jobs considered

CT 26/1/94

PRETORIA — Any restructuring of the petrol price system would take into account possible job losses, Mineral and Energy Affairs Minister Mr Pik Botha said yesterday.

Every effort would be made to minimise "traumatic disruptions" in the lives of some 60 000 people employed in the retail fuel sector, he said in reaction to press reports

The present petrol price system was not being handled according to "Pik Botha policy", he said in a statement, but according to cabinet policy. This price system had achieved "one of the lowest petrol prices in the world"

He was no defender of price maintenance and fully supported the aims of the Competition Board. But if eliminating retail price maintenance from the petrol price structure threatened so many jobs and the closure of many of 4 000 petrol retailers, he and the cabinet would scrutinise such "elimination" carefully before proceeding.

Any restructuring would have to be "people-centred — designed as far as possible to minimise traumatic disruptions in the economic lives of over 60 000 of our citizens, most of them from the more modest levels of society". — Sapa

Inflation shock: Food prices blamed

CT 27/9/94

By AUDREY D'ANGELO
Business Editor

SOARING food prices pushed inflation up to 9,4% in the 12-month period to August, compared with an annualised 8,2% in July, representing an increase for the month of 1,5%

With the 1% rise in the bank rate and higher home loan mortgage rates, economists expect the country to be gripped by double-figure inflation by the end of the year

The consumer price index (CPI) for food alone has risen 19,7% in the same 12 months, with a 4,7% increase between July and August

Figures released by the Central Statistics Service yesterday show that the steep rise in the CPI for August was due mainly to food prices, which shot up by 19,7% year on year compared with 14,9% in July and 3,4% in August last year

The food index rose by 4,7% between July and August, with vegetables up by 13,8%, meat by 6,7% and fruit and nuts by 6%

The CPI for all items excluding food went up by only 0,6% month on month

Describing this as "mild", Sanlam chief economist Mr Johan Louw said it showed that the underlying inflation rate was not worrying

"But food prices have run mad. We are definitely in for double-digit inflation

"The CPI could be as high as 12% by December and average 9,3% by the end of the year"

Mr Louw said rising inflation, combined with higher taxation and the transition levy, would dampen consumer spending and some retail companies would be in for a rough time

But he and other economists said that, although the rise in inflation was not due to increased demand, Reserve Bank governor Dr Chris Stals was right in raising the bank rate at this point in order to keep inflationary expectations down

Boland Bank economist Mr Francois Jansen, describing the rise in inflation as "shocking", said: "This is much worse than we expected

"We thought the inflation figure for August would be about 8,6% year on year

"It is obvious that food price inflation is the culprit and I am perplexed that it has gone up by such a substantial margin year on year

"We expected meat prices to remain high, with farmers rebuilding their herds after the drought, but with better weather conditions we would not have expected vegetable prices to go on rising

"The Reserve Bank governor made the correct decision in raising the bank rate"

Nedcor chief economist Mr Dennis Dykes said he expected the CPI to be above 10% by November and to reach 11% or 11,5% by year end.

"Next year is going to start off quite badly with inflation rising to 12%, but it will be coming off a high base so we shall find it moderating"

Mr Dykes said that although raising the bank rate would push inflation up in the short-term, "it will have a positive effect in the longer term".

2144

Cabinet to discuss petrol price plan

BDay 28/9/1997

PETROL prices would have dropped 4c/l this month if the new interim pricing formula had been in place, an oil industry source said yesterday.

The new in-bond landed cost (IBLC) structure, proposed by the National Economic Forum, will be discussed by the Cabinet tomorrow

The scheme was totally transparent, the source said. "There are no funnies in this system."

Calculation of the price would be from a mixture of finished and crude prices from a basket of daily benchmark prices at the Esso refinery in Singapore, Mobil (Singapore), Singapore Refinery Company and Caltex (Bahrain).

The daily price is calculated by taking 80% of the daily posted product prices and 20% of the published spot prices for crude oil. By adding freight, insurance and landing cost, a figure in US dollars a litre is arrived at which is converted at the ruling rand/dollar exchange rate for that day (~~183~~) (214P)

To that is added the wholesale price, delivery, service costs and government levies. — Sapa.

Petrol shake-up lops 4c off price

ARG 28/9/94

244

BRUCE CAMERON
Business Editor

THE petrol price is set to drop almost immediately by at least 4c/ℓ and a cabinet decision on a new pricing system is expected today.

Under the new system, the petrol price will be adjusted monthly according to a publicly disclosed formula.

After being stalled for months because of differences between lobby groups, a proposal of an interim pricing system has been put to the cabinet after agreement among members of the Liquid Fuels Task Force of the National Economic Forum.

The government hopes the new system will remove political sensitivity from the pricing mechanism.

As a result of the present price of crude and the dollar/rand exchange rate, the price can be expected to fall almost immediately by 4c/ℓ.

Any decision on the sensitive deregulation issue — on the production as well as the retail side — has been postponed.

The controversy over deregulation, which some proponents claims could reduce prices substantially, is between organised labour and fuel retailers, as well as between producers. The position is further complicated by subsidies paid to Sasol and Mossgas.

The new system will be based on the spot prices and the posted product prices for longer-term contracts of refined fuel from the Esso and Mobil refineries in Singapore, and the Caltex refinery at Bahrain. Eighty percent of the basic price will come from the longer-term contract prices and 20 percent from the spot price.

To this will be added freight, insurance and landing costs to give a dollar price. This will be converted to rands daily according to the ruling exchange rate to provide a rand wholesale price, which will include a margin for producers.

Delivery charges, taxes and levies, and a fixed profit for retailers will be added.

Petrol price bonus

ARG 29/9/94 (244)

□ Minister announces 6c-a-litre cut

CLIVE SAWYER
Political Correspondent

THE petrol price will drop by 6c a litre next Wednesday, mineral and energy affairs minister Pik Botha announced today.

And South Africa is to sell about half of its strategic crude oil stock, expected to fetch about R1,5 billion, with proceeds likely to go to the reconstruction and development programme.

In other announcements today, Mr Botha said South Africa was to build a new uranium enrichment plant.

The price of 97-octane petrol in the Western Cape will be R1,71.

The diesel price will be lowered by 2c a litre at the same time, just after midnight on October 5

The price of paraffin will not change.

The petrol price adjustment signals the start of a new "yo-yo" arrangement of petrol price changes on the first Wednesday of every month

Mr Botha said the new interim pricing mechanism would allow for "regular and automatic adjustment of prices".

The move is part of restructuring of petrol price calculations and a further deregulation of the fuel industry.

The monthly review of the price would mean consumers would be exposed to international oil price fluctuations

Announcing the sale of the crude oil stock, the government was investigating whether to improve and lease its modern crude oil storage facilities at Saldanha to international clients.

If successful, the arrangement could allow the government to further reduce the supply of crude oil kept in reserve from four months to about two months, Mr Botha said.

Funds generated by the sale of the strategic supplies would be made available to the department of finance. It would be free to allocate them to the government's reconstruction and development programme

"The sales will be carried out in close consultation with the department of finance and in a way which will not force the strategic fuel fund association to sell under pressure at reduced prices

"Consideration will also be taken of crude oil prices and the cash requirements of government," Mr Botha said

Reuters reports that the Atomic Energy Corporation (AEC) is to close its uranium enrichment plant and build a new plant

The present plant was "energy-intensive" and a new process had to be developed to produce enriched uranium more competitively

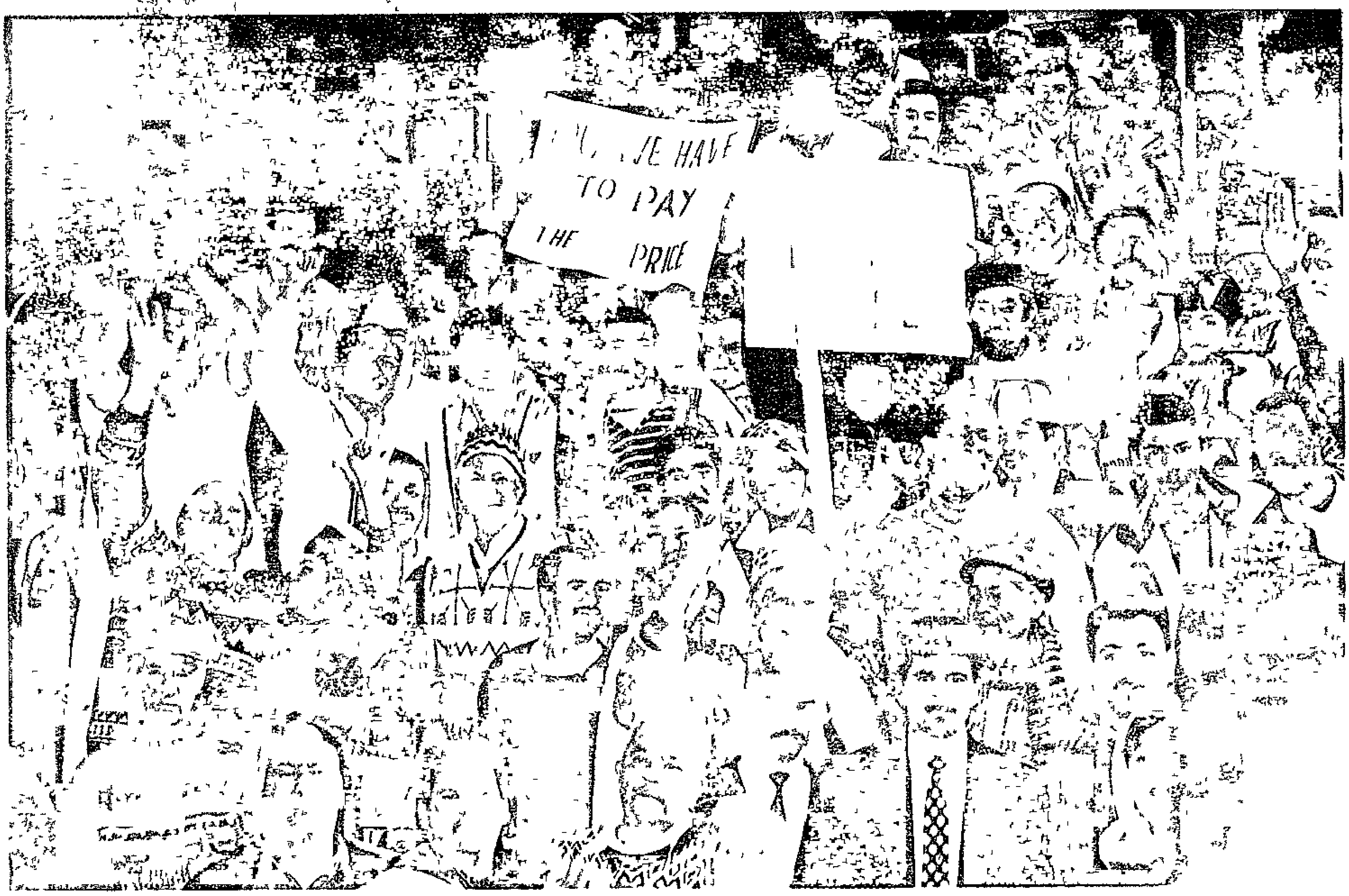
The cabinet has decided that all purchases of enriched nuclear materials should be routed through a government department which would act as the government's agent

"The only condition is that the best commercial alternative must be sought, with and for the end-user"

Because shipping companies demanded an indemnity against third-party liability when transporting enriched uranium products, urgent steps would have to be taken to accede to the relevant international convention which restricts a state's liability to R1 billion

Because South Africa was not a signatory to these conventions, operators would not be protected by the conventions, and needed to be provided with 100 percent indemnity by the state

A laser-based uranium enrichment process is being tested and was expected to be incorporated in the new plant.



PAYING THE PRICE: Buyers at the Epping Food market today blamed the high fruit and vegetable prices on "corrupt" market agents. Picture LEON MULLER, The Argus

High fruit, veg prices blamed on 'white control'

(244)

ARG 29/9/94

Staff Reporter

THE current astronomical prices of fruit and vegetables are due to white monopolistic control of the Epping food market — and not the weather — a meeting of buyers claimed today.

At least 300 buyers gathered at the market's auction hall to air grievances about 10 "exploitative" market agents who "fixed prices, connived and thrived by manipulating the market".

And African National Congress leader of the Western Cape Chris Nissen vowed to throw government's full support behind the buyers and demanded the agents open their books.

Mr Nissen said that when a meeting was held with the city council, agents and buyers, the government would make sure buyers came out victorious.

Buyers' Association chairman Saliem Moosa said "The gravy train at the market has to stop and the racism which has not allowed for black agents has to be addressed

"We buyers are at the mercy of these agents, who are profiteering from what is supposed to be a free market system — one of supply and demand."

Agents were no longer operating individually but banded together and were working from the same computer, which was illegal.

The credit bureau set up by the agents was slammed for charging exorbitant interest rates and unfair penalties

The meeting resolved not to resort to mass action until the government was asked to look into the market system and see what could be done to address grievances

An agent Mr Herman Bonthuys denied that agents exploited buyers but agreed there needed to be black agents.

"We have to cover the cost of the produce and transport."

Petrol move hailed

Sowetan 30/9/94

By Josias Charle and Joe Mdhlela

BUSINESS, TRADE UNIONS and economists welcomed yesterday's Government decision to reduce the petrol price by 6c a litre.

The price cut will come into effect next Wednesday. The announcement was made by the Minister of Mineral and Energy Affairs, Mr Pik Botha. (2441)

Petrol will be reduced by 6c a litre while diesel will go down by 2c. This means that premium will now cost R1,77 a litre and regular R1,75. Diesel will come down to R1,61.

However, the price of paraffin will not be affected as it was being subsidised by the Government, Botha said.

The price cut resulted from falling international crude oil prices and the strengthening of the rand/dollar exchange rate, Botha said.

He also said the price adjustment would herald the implementation of a new approach to fuel price adjustments — prices would be adjusted on the first Wednesday of every month.

The Central Energy Fund will calculate the basic fuel price through an agreed formula. The data will then be passed to independent auditors who will set the price.

The South African Chamber of Business said the reduction of petrol and diesel would be welcomed by the business community.

National Council of Trade Unions general secretary Mr Cunningham Ngcukana said the federation welcomed the move if the new system did not mean loss of jobs "for our people."

Cosatu's Mr Neil Coleman said the federation would go along with the system provided it did not tamper with jobs. "Cosatu is opposed to anything that will mean loss of jobs," he said.

Market price row looming

CT 30/9/94

(244)

Staff Reporters

A ROW has developed between buyers and agents at the Epping Market with agents dismissing as "utter nonsense" buyers' accusations that they are fixing prices

As prices of fresh fruit and vegetables rocket, the Epping buyers called a mass meeting, where they voted to call on the government to investigate the running of the market

Chairman of the Buyers' Association Mr Saliem Moosa said at the meeting "The government must investigate the manner in which the market is being run before we embark on mass action"

Mr Ludwig van Deventer, chairman of the Cape Town Market Agents' Association, said yesterday "All the agents' salesmen operate on commission and the different agents are all out there competing and fighting against each other"

Call for probe into food costs

He said the present high prices were the result of black frost and rodent plague in the vegetable-producing area of the Transvaal

The Consumer Council has called on the government to establish an urgent investigation into rocketing food prices

Mr Paul Roos, spokesman for the Consumer Council, said yesterday ways should be investigated to reduce food prices

Mrs Ina Wilken, senior project manager for the Consumer Council, said the council was seeking funding from the government to conduct food surveys to compare food prices

Pick 'n Pay chairman Mr Raymond Ackerman, said yesterday he was as perturbed as anyone about food prices

In Pretoria yesterday Dr Treurnicht du Toit of the Central Statistical Service said meat had increased by 32,8% since August last year and by 50,1% since June 1992

Vegetables had gone up by 39,7% since August last year, grain by 8,3%, milk, cheese and eggs by 7,1% and fruit by 9,1%

● Vegetable prices sky-rocketed at the Port Elizabeth fresh produce market yesterday, up 75% on average, compared with the same time last year

Consumers had to fork out up to R36 for a pocket of washed potatoes and up to R11,29/kg for tomatoes

PRICE PROTEST A buyer at Epping market speaks out against rocketing vegetable prices at a mass meeting called by the Buyers' Association yesterday Picture EDINY GOO[illegible]

Monthly revision of prices

PRETORIA. — The government announced yesterday it had ceded control of the fuel price to the Central Energy Fund which would adjust prices on the first Wednesday of each month.

Mineral and Energy Affairs Minister Mr Pik Botha said the first adjustment, on October 5, would cut the petrol price by six cents a litre and the diesel price by two cents. The price of paraffin would remain unchanged.

Mr Botha told a press conference the new system would depoliticise fuel price adjustments and link them more directly to market forces.

He said international crude oil prices had fallen and the rand had strengthened against the dollar since the last adjustment, an increase, on June 18.

The in-bond-landed cost had therefore fallen, resulting in an over-recovery from the motorist.

However, Pick 'n Pay managing director Mr Gareth Ackerman said yesterday that although he welcomed and was encouraged by the decrease, con-

URANIUM PLANT TO CLOSE DOWN

See PAGE 2

sumers were disturbed that recent decisions on the oil and energy industry amounted to re-regulation by another name. (244)

He said consumers should not be fooled that a simple decrease in the petrol price meant deregulation.

"The petrol price is still government-driven; retailers do not have the discretion to discount according to the price they pay for fuel."

The South African Petroleum Industry Association (Sapia) welcomed the new pricing system and the cut in the petrol price.

Sapia, which represents the six crude oil refining and marketing companies, said it applauded the new transparent system of fuel pricing recommended by the Liquid Fuels Task Force of the National Economic Forum.

The Automobile Association said the price drop would bring "some measure of relief to the hard-pressed motorist".

The Consumer Council welcomed the new pricing system, adding "the more accurate system's gradual increases and decreases will enable consumers to budget more effectively for fuel".

South African Chamber of Commerce economist Dr Ben van Rensburg said the new pricing system was more market-related and would help reduce inflation.

The Afrikaanse Handelsinstituut said the interim pricing system was more transparent and acceptable to the business sector than the previous one because it largely excluded political intervention in determining the fuel price.

CT 30/9/94

BATTLE OF THE PUMPS

All fired up over fuel price

244

ARG 30/9/94

New system reopens war of words on free competition

BRUCE CAMERON
Business Editor

THE petrol deregulation lobby, claiming major potential savings for motorists, has reopened battle following the introduction of the new petrol pricing system

The new system has been introduced as an interim measure while the war of words continues around how petrol should be finally priced and how the whole industry should be structured

The debate is taking place at a number of levels and with groups representing petrol companies, petrol retailers, supermarkets and organised labour, it is generating almost as much heat as the conflagration on Kuwait's oil fields after its short-lived invasion by Iraq

The new system of pricing, which effectively allows the government to escape from political pressure every time the petrol price is changed, was delayed because of the larger debate

The new system however is not very different from the old which was introduced when South Africa was reeling under international sanctions and an oil embargo

The main difference is there is less secrecy and the price adjustments will be made every month.

The price is still based not on real costs, but on a make-believe system of competition with refineries in Singapore and Dubai It is not based on the cost of landed crude or on free competition at producer level or at retail level

The whole pricing system is further bedevilled by the payment of subsidies to synthetic fuel-producer Sasol, which even has the oil companies breathing fire.

The pricing of petrol still falls in the category of a government administered price no matter how the government attempts to escape responsibility Either by luck or good planning the first price adjustment is down by a solid six cents a litre, which will please everyone

Whether the minibus taxis will block the streets of the cities, and who they will blame, when the price goes up again — as it surely will — remains to be seen

The fuel companies are still not able to compete against each other on the issue of price and neither are the retailers

It did not take long for the pro-deregulation lobby to rekindle the public debate

Pick 'n Pay, which has been fighting for deregulation for years, often resorting to outright defiance, has immediately asked for changes to the interim system to allow it to edge closer to a deregulated market

The chain is quite happy to start price cutting even without deregulation at the level of the refineries

The joint managing director of the chainstore, Gareth Ackerman, said that it was attempting to meet Mineral and Energy Affairs Minister Pik Botha to persuade him to allow retailers to adjust prices when they wanted

"We would like the flexibility of allowing our tanks to run dry and sell fuel at the lower rate, when the price of petrol goes up again

"We feel the new system, which allows for an adjustment on a monthly basis, should be seen as a way of familiarising consumers, dealers and other parties with the process of adjusting price according to the wholesale, is a good sign"

But "this is not by any means an ideal situation"

Mr Ackerman says this time Pick 'n Pay will not challenge the government but he warned that it would not hesitate to discount petrol in the future "should more positive steps not be made to deregulate the industry properly and according to the free market principles of supply and demand"

The main opposition to Pick 'n Pay comes from the smaller retailers who fear losing market share Their main argument, with the backing of the unions, is that Pick 'n Pay will switch to self-service, with the loss of thousands of jobs for forecourt assistants

Mr Ackerman's response is that self-service will be phased in and the savings generated for the motorists will see extra spending in other areas, creating new jobs

The basic philosophy has been backed loudly in recent months by Engen, which claims savings of 21c a litre could be made for the motorist by deregulation and by chopping the Sasol subsidy Much of the ire of Engen chief Ron Angel was directed at the foreign-owned petrol companies

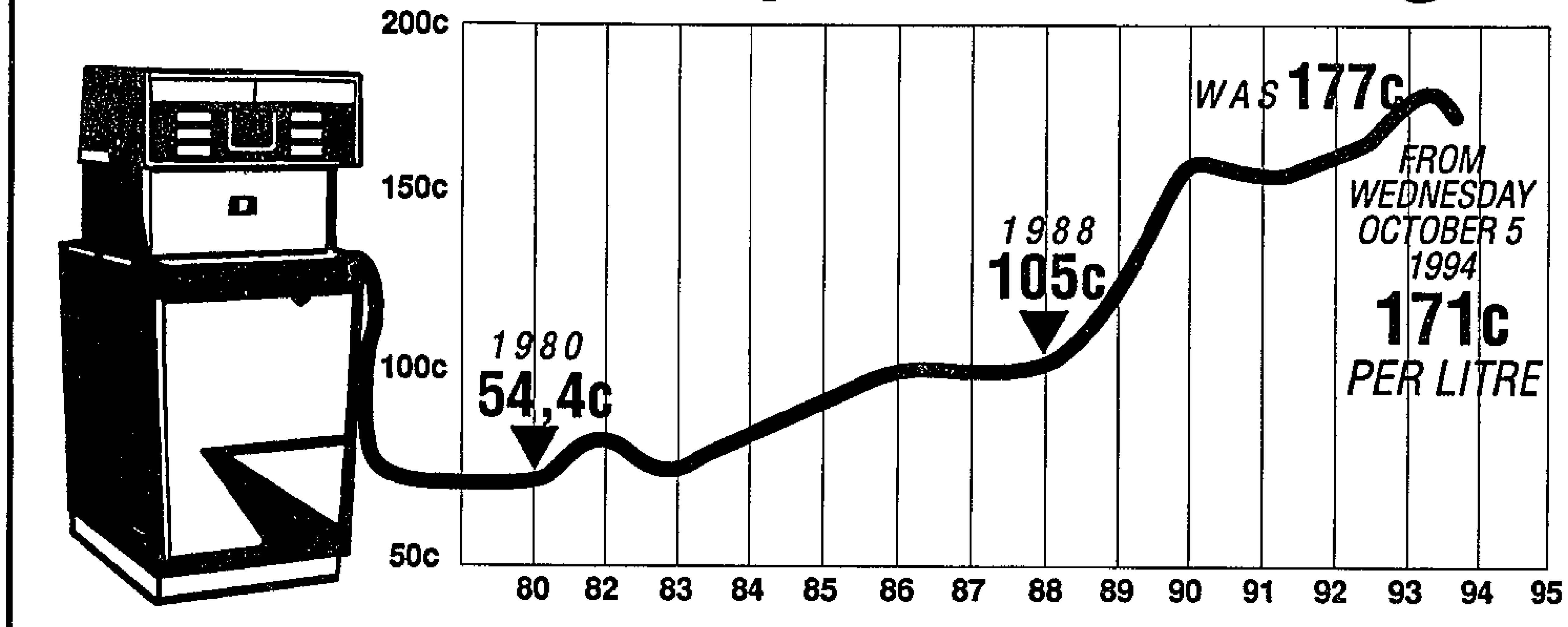
His critics in the industry accused him of attempting to use the issue as a marketing device

However Engen has joined the recently formed South African Petrol Industry Association (Sapia) and its comments today were less fiery, with chief operating officer Errol Martin saying the new system was a "necessary step towards realising the goal of minimum government intervention in the oil industry"

Sapia, which represents six producers with Sasol being the odd-one out, issued a statement welcoming the introduction of the new system, believing it "will stabilise the industry while it restructures in the next two years"

The question however is whether two years will be enough for the warring members of the Liquid Fuels Task Force of the National Economic Forum

Petrol: How the price has changed



Another inflation shock

ALIDE DASNOIS (1) (244) ( )
Business Staff
CTRG 12/10/94

PRODUCER price inflation jumped in August to its highest level in nearly three years, suggesting that more price shocks are on the way for hard-pressed consumers.

Figures released today by the Central Statistical Service show that producer price inflation rose in August for the fourth month in a row, with prices now running 9,9 percent above August 1993 levels.

This is the highest rate of producer price inflation since October 1991.

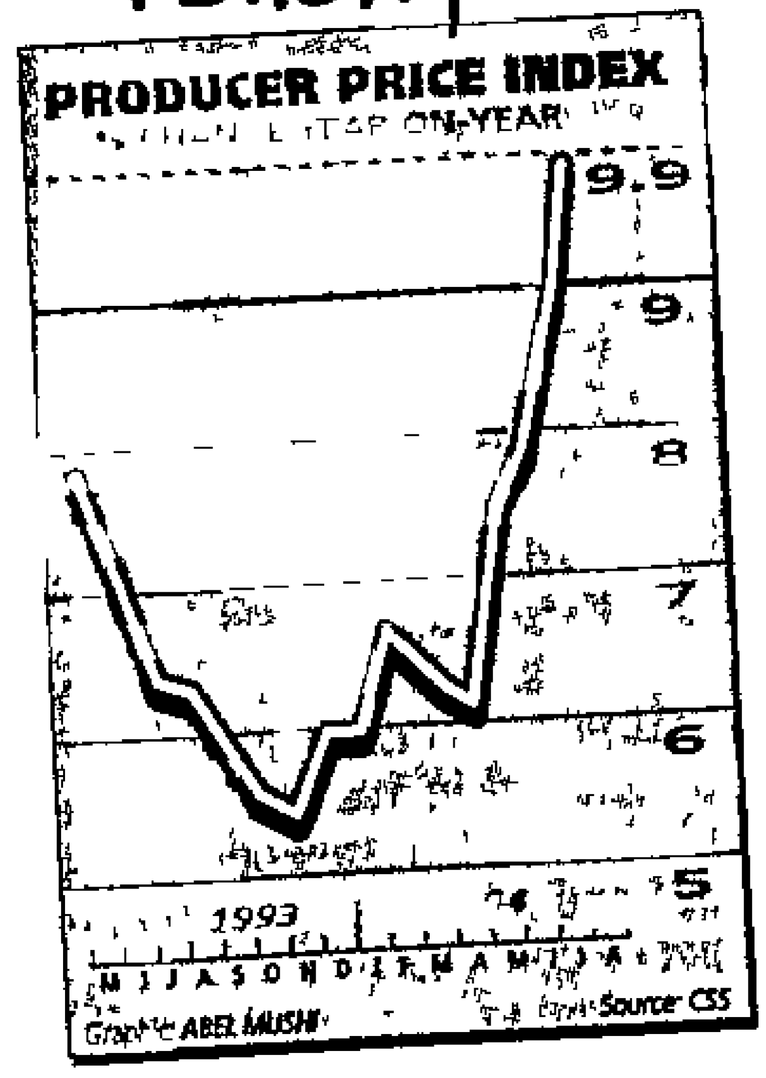
The producer price index (PPI) measures changes in prices paid to producers of both local and foreign goods Higher producer prices usually result in higher prices for consumers, though the time lag may vary

The figures show producer prices of agricultural food products rose 4,4 percent in a single month.

Another setback in inflation fight

Star 13/10/94

BY CLAIRE GEBHARDT



South Africa's production price index (PPI) soared to within a whisker of double-digit territory in August

Shock figures from Central Statistical Services (CSS) put the PPI at 9,9 percent in August — its highest level in three years and its fourth consecutive monthly increase.

Economists said the "bad news" figure would boost inflationary expectations and could push the consumer price index (CPI) to 11,5 percent by year end. (244)

About half of the monthly increase is attributable to fresh food price hikes.

Meat prices have rocketed over the past few months as farmers held back stock to replenish herds severely depleted by the drought

Fruit and vegetable crops have been decimated by frost.

The production price index for locally produced commodities for South African consumption showed an annual rate of increase of 10,4 per cent for August — one percent up on July.

Relatively large increases were recorded for agricultural products (4,2 percent mainly due to a 4,4 percent increase in the price of agricultural food products), mining and quarrying and basic metals were up 1,5 percent and electrical machinery 2,4 prcent.

The annual rate of increase for imported commodities was 7,5 percent — 0,6 percent higher than in July.

Despite a weaker rand, imported inflationary pressures, which included lower international oil prices, have tended to keep the overall PPI down.

The PPI bottomed at 5,4 percent during the fourth quarter of 1993.

Mathison & Hollidge economist, Tracey Ledger, says the imported number reflects the fact that inflation has bottomed in major trading partners.

But she forecasts that as the domestic economic recovery continues, so too will the upward pressure on prices.

"The PPI could reach 11 percent by December."

Ed Hern Rudolph economist Nick Barnardt is opting for 12 percent.

"But much depends on government's import policies and whether it will allow cheaper imports of red meat.

"Rainfall is also a factor."

Barnardt says figures will come off a very low base in the next three months given that there were very small increases in prices in September, October and November last year

Barnardt says the CPI must move higher as fresh food price hikes impact on processed food prices

Producer prices surge on high food costs, lower rand

By AUDREY D'ANGELO
Business Editor

A CONTINUED rise in food prices, and the depreciating rand, helped push the producer price index (PPI) for August to 9,9% year on year — the highest level since October 1991 It was 9% year on year in August

The rise between July and August was 1,4% This was the fourth consecutive month in which the PPI had risen

Economists said they had revised their forecasts for the year upwards. Sandra Gordon of Southern Life and Johan Els of the Old Mutual now expect the PPI to be 12% by year end Sanlam chief economist Johan Louw said it would be in double digits

The PPI for locally produced goods was 10,4% year on year The rise between July and August was 1,5%

The PPI for imported goods was 7,4% year on year — 0,6% above the July figure. The rise between July and August was 1%

The Central Statistical Services report that local agricultural food products rose by 4,4%, mining and quarrying products by 1,5%, base metals by 1,5% and electrical machinery by 2,4% CT 13/10/94

Sandra Gordon pointed out that the rise in food prices in August was more widespread than in previous months, when it was confined mainly to meat, fruit and vegetables.

In August coffee, tea, cocoa and sugar prices had also risen

The higher prices for mining and quarrying products included coal and oil (244)

Johan Els said the PPI had been driven higher mostly by food prices

The rise in the index for imported goods showed the impact of the weakening rand But it had risen less than that of domestic-goods because SA's main trading partners had lower inflation than here

Pointing out that domestic manufacturing inflation was 9,7% compared with imported manufacturing inflation of 6,8%, he said one reason could be that imports were being sourced as cheaply as possible

Johan Louw said that, if food were excluded, the PPI would have risen by 7,9% year on year "By year end it will definitely be double figures

"The imported component is rising in line with the weaker rand and higher oil prices"

BDay 13/10/94

PPI

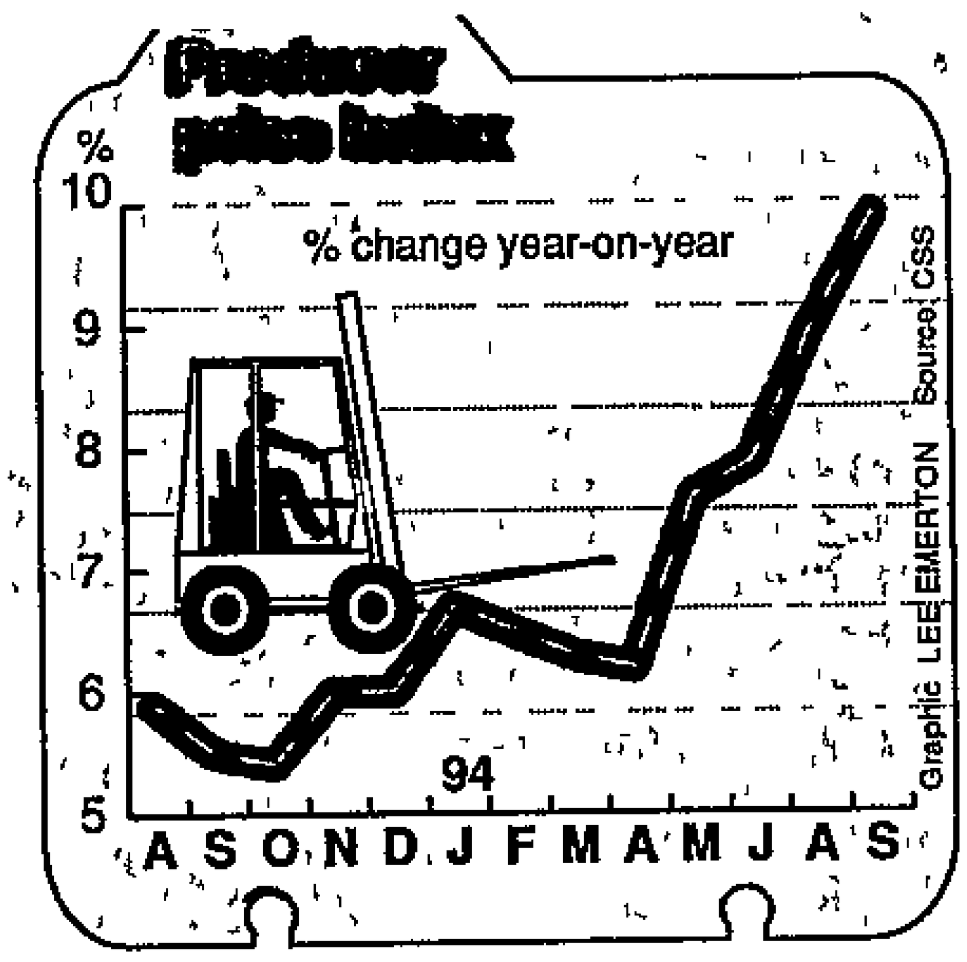
From Page 1

year to August up at 10,4% from 9,4% in July, while the imported component rose to 7,6%, from 6,0% for the year to July

One economist said the recent strengthening in the rand had not yet been reflected in the imported component of the PPI and would probably take effect in two months.

Sanlam senior economist Pieter Calitz said producer inflation was even more likely to top 10% in September, because the figure would be taken off a low base from September 1993 Once it did so it was unlikely to slip back to single digits for the next three years (21-14)

Nedcor chief economist Dennis Dykes said it was not impossible that September's figure could be as high as 11%, while another economist estimated producer inflation would be 12% by year end



Producer inflation at three-year high

MUNGO SOGGOT

SOARING food prices pushed producer inflation to 9,9% in August — its highest level in nearly three years — from 9% in July, according to figures released yesterday by the Central Statistical Service (CSS)

Economists said the figures matched expectations and warned that September producer inflation would almost certainly enter double digits. B/Day

They said fresh produce price increases, triggered by northern frost and Cape floods, would hit consumer and producer inflation for two or three more months.

The alarming food price increases were distorting consumer and producer inflation Few of the product categories showed a significant monthly rise But a weak rand had fuelled inflation in some categories in the manufacturing sector 13/10/94

The CSS said the month-on-month rise in the PPI was 1,4% Vegetable and dried bean prices were up 77,4% from August 1993 and 16,5% from July 1994, while fruit prices had risen 61% year-on-year and had registered a monthly increase of 27,1% Meat prices registered a monthly increase of 8,1% and were up 54,8% from August 1993 The agricultural food products component of the producer price index (PPI) rose 4,4% from July (244)

The figures showed the rate of increase in the local component of the PPI for the

To Page 2

PPI

B/Day 13/10/94 From Page 1

year to August up at 10,4% from 9,4% in July, while the imported component rose to 7,6%, from 6,9% for the year to July

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Economists warn PPI heading for 11,5%

(244) ARGUS 13/10/94

Business Staff

PRODUCER price inflation is heading for an annual rate of 11,5 percent by the year end, economists say.

Central Statistical Services figures released yesterday showed the producer price index (PPI) in August up 9,9 percent from August, 1993.

This is the highest rate in three years.

About half of the monthly increase is attributable to fresh food price hikes.

Meat prices have rocketed over the past few months as farmers held back stock to replenish herds severely depleted by the drought.

Fruit and vegetable crops have been hit by frost

The figures show prices of agricultural products rose 4,2 percent over the month, mining and quarrying and basic metals were up 1,5 percent and electrical machinery 2,4 percent.

The index for locally produced commodities for South African consumption showed an annual rate of increase of 10,4 percent for August — one percent up on July.

In spite of the weaker rand, prices of imported commodities rose slower at 7,5 percent for the year.

Lower international oil prices helped to keep imported inflation down

The PPI bottomed at 5,4 percent during the fourth quarter of 1993.

Mathison & Hollidge economist, Tracey Ledger, said the figures for imported commodities showed inflation had bottomed among our major trading partners.

But she forecast that as the domestic economic recovery continued, there would be further upward pressure on prices.

"The PPI could reach 11 percent by December"

Ed Hern Rudolph economist Nick Barnardt predicted 12 percent.

"But much depends on government's import policies and whether it will allow cheaper imports of red meat

"Rainfall is also a factor."

Mr Barnardt said figures would come off a very low base in the next three months given that there were very small increases in prices in September, October and November last year

Falling food prices ease inflation fears

Star 14/10/94

■ BY DEREK TOMMEY

The sharp rise in food prices in recent months has led to fears that South Africa is about to enter a new major inflationary spiral

But a survey of food producers and retailers shows that some food prices are falling and that others are expected to decline significantly in the next few months — which should curb inflation

The recent sharp increase in food prices was not exceptional given the circumstances, say analysts

The first half of the year was an extremely difficult one for the country's food producers Drought in the Transvaal and Northern Cape stunted cattle and sheep herds, hard frosts wiped out much of the potato and tomato crops, Newcastle disease wreaked havoc with chicken production, and plagues of mice hit vegetable production in the Northern Transvaal

According to figures produced by Central Statistical Services the overall result was a 10 percent drop in food production between the end of December and June this year

This low level of production saw vegetable prices rise 16,5 percent in August to show a rise of 77,4 percent on the year, while meat prices rose 8,1 percent in August making 54,8 percent for the year

However, the factors responsible for the sharp rise in food prices were temporary and as the weather improves, supplies should increase, and prices turn lower

This is now happening Vegetable prices have fallen sharply at the City Deep market in the past few days Conditions there are rapidly returning to normal, says Chandu Govind of King Fresh Wholesalers

Tomatoes, which were selling at around R30 a box last week, were down to R10 a box yesterday Potatoes, R30 a pocket last week, are now below R10

Green beans and green peppers have had an even bigger fall From R40 a pocket a week ago they are now R10

Housewives' spending has also been hit by increases in chicken prices following the shortage of supplies But Robbie Williams, executive chairman of CG Smith, which has extensive broiler chicken operations, says the worst is over

Production is building up again and the shortage should ease However, Alan Baxter, Pick 'n Pay's general manager foods says the position might not be back to normal until the New Year with the result that turkey this Christmas could be cheaper than chicken

The sharp rises in red meat prices has caused considerable hardship Unfortunately, it will some time before the situation returns to mormal, says Danie Van Schalkwyk, general manager northern agencies of Vleissentraal

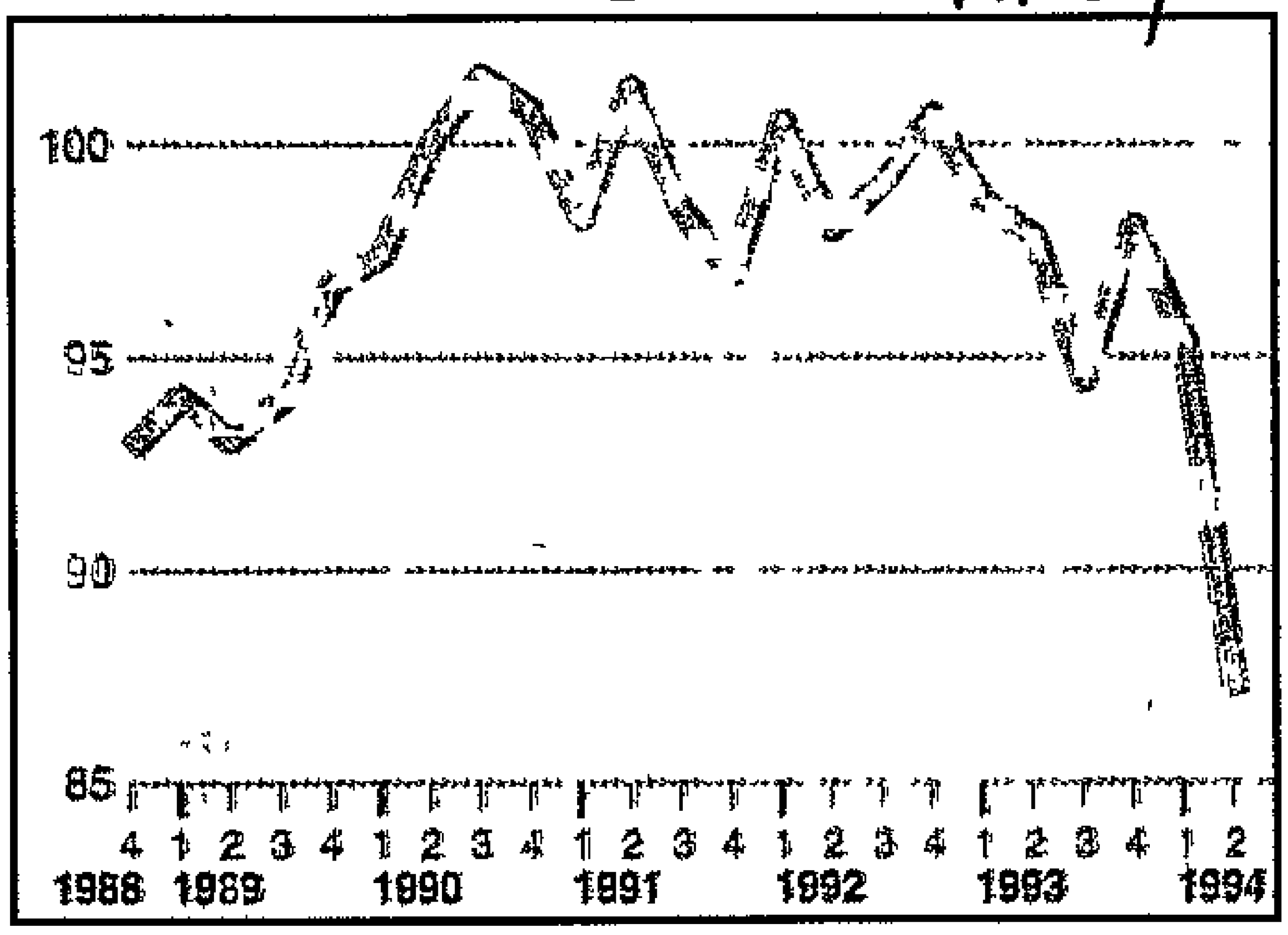
Nonetheless, last week's abnormal 30 percent drop in beef supplies from the previous week should be reversed this week

He said that lamb should become more plentiful in about two months' time while sheep supplies should be back to mormal by March, next year

But it will probably not be until October, next year that beef will be plentiful again

As food prices increases continue easing it will have a major impact on the month-on-month increase in the inflation rate

It is even possible that the rate of increase in consumer inflation could fall back from its present 9,9 percent a year to its basic non-food level of around 6 percent, say some economists



Food production fell 10 percent in the first half of this year

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Falling food prices ease inflation fears

244

ARG 19/10/94

DEREK TOMMEY

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continued from page 1

Food price shock

Southeaster (Supp. to South)

cash is making consumers change their eating habits.

Spokesperson for Epping Market, Mr Jacques le Roux, blamed farmers for sky-high vegetable prices. 21/10 – 25/10/94

"The farmers control the prices They can afford to ask a lot for their produce because there is a shortage of vegetables in certain drought-stricken areas," Mr Le Roux said.

He said farmers preferred to sell their produce to large retail outlets rather than the government-owned markets where they have to pay a levy of between five and seven percent.

Provincial Minister of Agricultural Development, Mr Lampie Fick, said there was nothing the government could do to control food prices.

"Soaring food prices are the result of the free market," Mr Fick said.

The drought experienced in the country two years ago, the worst of the century, drastically depleted the livestock

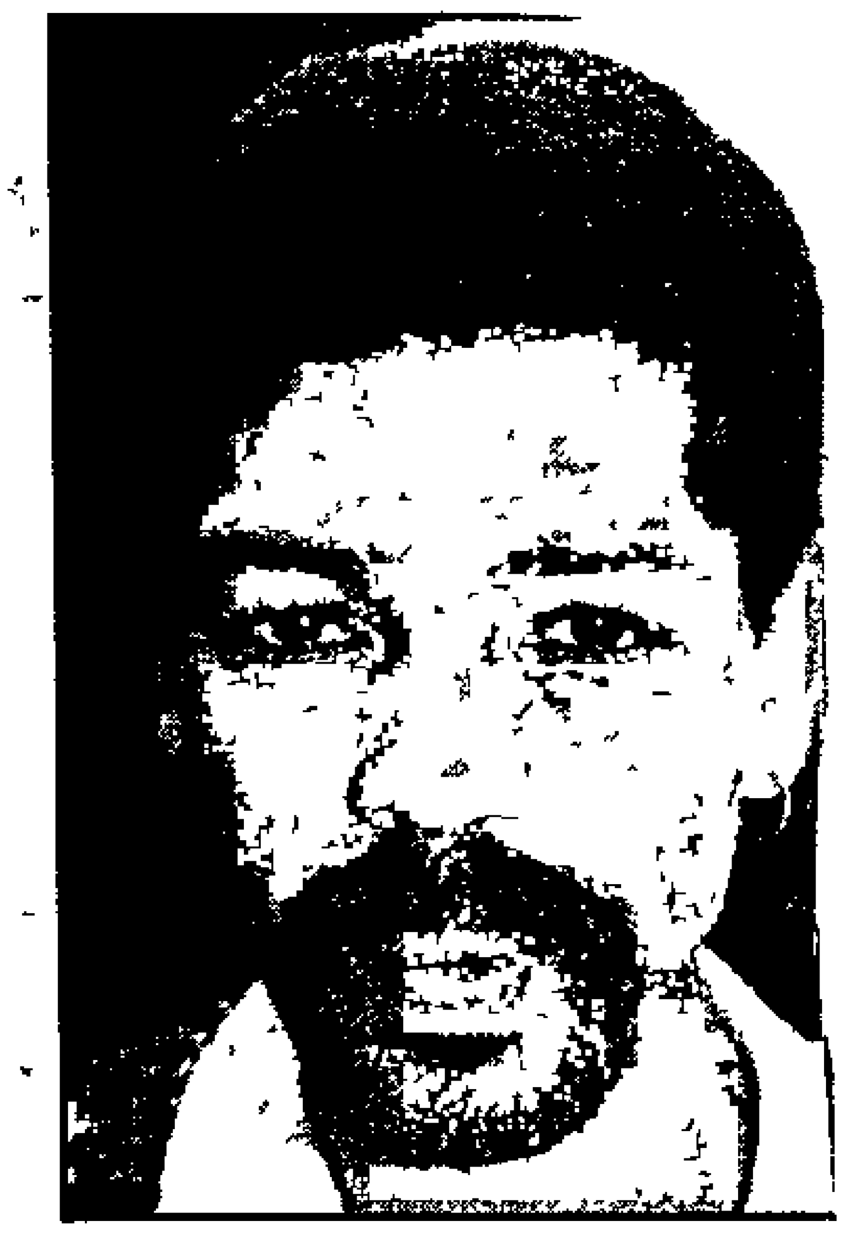
"Apart from praying for rain, there is nothing the government can do about the price of red meat and vegetables," he said.

Dr Azeem Walele of Tygerberg Hospital said the lack of protein in a child's diet could lead to malnutrition and kwashiorkor.

"The lack of vegetables, especially green leafy ones, can stunt a child's growth and increase its susceptibility to disease," Dr Walele said.

Children and adults who have unbalanced diets have low concentration levels and are unable to retain information effectively.

"At Tygerberg Hospital we see a lot of gastro-enteritis and pneumonia patients whose conditions are worsened by bad nutrition," Dr Walele said. (244)



ALISTER ANDREWS

BY VICKY STARK

SHOCKING increases in the price of food have hit cash-strapped Western Cape families hard, with some foodstuffs increasing by over 200 percent in the past year, an investigation by SOUTHEASTER has found.

The prices of vegetables and meat have increased the most, the survey discovered.

For example, the price of a bag of gem squash has increased by 253,8 percent, potatoes by 62 percent, onions by 81 percent, a leg of lamb by 42 percent and mutton by 43,1 percent

"With people eating less meat and vegetables there is the danger that children will be exposed to malnutrition and other diseases

Ms Debra Petersen of Atlantis said she hadn't eaten a good pot of cabbage bredie in months "And steak, well, that's a luxury," said the city nurse

21/10 - 25/10/94

"These days I just dish more rice to make up for the lack of potatoes I can't afford to pay R25 for a pocket of potatoes

"It wouldn't be so bad if our wages had also increased But our income stays the same while everything else goes up," she said

A mother of four, Mrs Mareldia Arnold of Woodstock, said she has to buy more fish and chicken because red meat is too expensive.

"The price of meat is really ridiculous. We can't afford to eat the way we used to," Mrs Arnold said.

A teacher from Khayelitsha, Ms Adelaide Majivolo said she uses more soya mince and less real meat

"We also buy a lot of tinned food to make up for fresh vegetables," she said

Mr Gavin Klassen of Kuils River, an engineering technician, said he goes to the supermarket with the same amount of money every month but comes back with less food

Shocking statistics on vegetable and red meat prices were gathered by the Department of Central Statistics from retail outlets throughout the country. This survey was conducted from August '93 to August '94. All prices include Vat.

ITEM	Aug 93	Aug 94	Increase
tomatoes (per kg)	R2,85	R3 95	38,6%
potatoes 10kg	R7,81	R12 65	62
onions (per kg)	R1,77	R3,22	81,9%
lettuce (per kg)	R1,48	R3 25	119,6
gem squash (bag)	R5,37	R19 00	253,8
beetroot (bunch)	R1,36	R1 98	45,6
carrots (bunch)	R1,25	R1 98	58,4
chicken (per kg)	R8,03	R9,52	17,1
leg of lamb (per kg)	R15,87	R22,54	42
mutton (per kg)	R13,03	R18 64	43,1%

Latifa Stellenboom

"I like meat but have had to change my habits to suit the economic situation. Now I eat more fish and chicken, but even chicken is becoming too expensive," Mr Klassen said

Miss Latifa Stellenboom of Sherwood Park cooks for a family of ten. "During the week I cook without potatoes, but over weekends I spoil my family But I buy just enough meat for the month," Miss Stellenboom said.

(244)

Musician Mr Alister Andrews of Welcome Estate said he wasn't really a meat man but that veggies were definitely overpriced.

"The government should really try to control food prices," he said

With housewives confessing to using more rice and less potatoes and meat-loving men adjusting to snoek and chicken, it appears that the shortage of

continued on page 2

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"I can't afford to pay R25 for a pocket of potatoes ... And steak, well, that's a luxury" — Ms Debra Petersen from Atlantis

"The price of meat is really ridiculous. We can't afford to eat the way we used to" — Mrs Mareldia Arnold of Woodstock

"We also buy a lot of tinned food to make up for fresh vegetables" — Ms Adelaide Majivolo of Khayelitsha

FOOD PRICE SHOCK

BY VICKY STARK

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21/10 – 25/10/94

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Southeaster (suppl. to Sowetan)

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"We also buy a lot of tinned food to make up for fresh vegetables" — Ms Adelaide Majivolo of Khayelitsha

Monthly petrol price adjustment accepted

CT 25/10/94 (244) (483)

JOHANNESBURG. — The cabinet has formally accepted a recommendation from the National Economic Forum's liquid fuels task force that the petrol price be adjusted monthly

The Central Energy Fund said yesterday only external factors such as international product prices and the rand/dollar exchange rate would be taken into consideration when determining price adjustments

The system was used on a trial basis earlier this month and pushed petrol prices down 6c/ℓ and diesel 2c/ℓ

The fund said from October 5-21 the average unit over-recovery for petrol had been 1,711c/ℓ and for diesel 0,132c/ℓ. But oil industry analysts said the present petrol price was 4,6c/ℓ overvalued. Taken over the month the current over-recovery was more in the region of 3c/ℓ to 4c/ℓ

Transnet economist Mr Mike Schussler said that for October the average price would be about 3c/ℓ lower than the current pump price "One could expect that the November price could drop 3c/ℓ to 4c/ℓ"

The fund said the next period to be assessed would be from October 5-25 and an adjustment would be made on November 2

The change would be made on the first Wednesday of every month but would be announced the previous Friday

crack of dawn

W Cape abandoned as NP congress venue

Cabinet okays plan to adjust petrol price

BiDay 25/10/94

MICK COLLINS

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Transnet economist Mike Schussler said for October the average price would be about 3c/*l* lower than the current pump price. "One could expect that the November price could drop 3c/*l* to 4c/*l*."

The fund said the next period to be assessed would be from October 5-25 and an adjustment would be made on November 2.

SA's new import parity pricing system would work out the in-bond landed cost structure calculated on a basket of daily international benchmark prices.

The fund said it would be responsible for the calculation of the basic fuel price and its calculations would be verified by independent auditors. Prices would be adjusted to correct the overrecovery or underrecovery of the previous month.

The minimum adjustment would be 1c and always to the nearest cent. The cumulative slate balance would determine whether the unit overrecovery or underrecovery would be rounded up or down.

The change would be made monthly at one minute past midnight on the first Wednesday of every month but would be announced the previous Friday.

Veg prices down but will consumers score?

☐ Drought, black frost caused 'worst season'

(244) Queer Argr 26/10/94

JENNY VIALL
Staff Reporter

THE cost of vegetables is dramatically down at Epping market — but concern has been expressed that the lower prices will not filter through to consumers.

Tomatoes, which cost consumers more than R1 each a few weeks ago, have come down at the market from R35 for a 5kg box to between R6 and R8 a box

Potatoes are available from R8 to R16 a pocket for top quality — down from R30 a pocket Onions, R30 a pocket a few weeks ago, are down to R10 a pocket

Potatoes, tomatoes and onions were regarded as basics by consumers, said Deon de Goede, deputy director of markets at Epping

"I'm just concerned the lower prices won't get through to the consumer," he said

Prices for many vegetables soared last month when Transvaal crops were hit by drought and black frost

"It's the worst season I can remember," said Mr De Goede

Crops grown locally are now coming onto the market.

"Our information is that the supply of potatoes will increase as we're only at the beginning of the season and the price will come down further," said Mr De Goede

"Prices of potatoes decide the mood of the market, and the market is now bouyant.

"Consumers have had a shock. But salads can again be the order of the day"

Cucumbers, which were costing consumers more than R4 each in the shops a few weeks ago, are plentiful at R10 a box (about R1 a cucumber) Peppers at R20 a box are again affordable, down from R60 to R70 a box

Vegetables under-supplied at the market are pumpkins and sweet potatoes, as it's a little early in the season for them.

While most vegetables are plentiful and cheap, it is an awkward time for fruit at the market.

"We're at the end of winter and the start of summer," said Mr De Goede.

Apples, pears, avocado pears, paw-paws and bananas were coming out of cold storage, while it was too early for other fruit.

Peaches were starting to make their appearance at R6 to R8 a tray Strawberries were cheap at R1,50 a 200g punnet

Watermelons should start appearing at the end of November.

Are prices likely to soar again next winter?

"From June to August we're dependant on the Transvaal," said Mr De Goede

"Mother Nature will decide"

Double digit inflation as food prices soar

CT 28/10/94 (244)

By MAGGIE ROWLEY
Deputy Business Editor

RUNAWAY food prices pushed inflation as measured by the Consumer Price Index into double digits in September for the first time in 15 months.

While not totally unexpected by economists and the financial markets, the increase which follows August's 9,4% inflation rate could put yet more pressure on the Reserve Bank to raise interest rates sooner than expected.

Food prices soared 21,8% year on year in September against 14,7% in August, month with the main culprits being vegetables, which soared 51,5% and meat 34,7% year on year. The month on month increase in food inflation was 2,7% due in the main to vegetables rising 11,7% in September from August, meat 1,6%, fruit and nuts 5,2% and coffee, tea and cocoa 4%.

Inflation for all items excluding food is however running at only 7% which indicates that underlying inflation is in a much healthier position.

Year on year inflation in the Western Cape is running at 11,9% — the third highest in the country after Port Elizabeth (13,2%) and Bloemfontein (12,3%).

The seasonally adjusted monthly increase in CPI is 1,2% with food prices accounting for 0,6% of this, housing 0,1%, recreation and entertainment 0,1% and all other items 0,4%.

Boland Bank economist Francois Jansen said if the month on month 0,6% rise in food prices was taken out, this would have contained September CPI to 9,7%.

"While food has a fairly heavy weighting in the basket of goods measured it only accounts for 18,64%. Inflation for the other 80% is only running at 7%.

"But food prices are what the man in the street understands as inflation and as such these continuing high prices will fuel inflationary expectations."

Old Mutual economist Johan Els said what was heartening was that underlying inflation was well below double digits.

He said they were forecasting inflation at 10,5% for October rising to 12% by year end which will bring the average for the year to 9%.

Double digit inflation however he said was here to stay in the medium term and was only expected to fall back into single digits in 1996.

"Once the food cycle turns we should see some improvement. But this could be a gradual process."

Els said the new vegetable crops were starting to come to the market and this should see lower vegetables prices filtering through CPI figures from November.

He pointed out that while meat prices were running 34,7% ahead of September 1993, the month on month increase was the lowest in seven months.

"While this is too soon to indicate a trend we will be keeping an eye on this."

Lower petrol prices should also have a small impact in the October November inflation figures but the effect on the CPI of latest increase in interest rates would more than wipe out this benefit. The 1% increase in the bond rate effective as of next month would have a 0,5% to 0,6% direct impact on the CPI he said.

The latest inflation figures follow hard on the heels of this week's trade figures which showed the trade surplus had shrunk significantly for the second consecutive month which could see the Reserve Bank being forced to move on interest rates to dampen growing demand for imports.

Els pointed out that double digit inflation would put further upward pressure on interest rates.

"Rising inflation is definitely fuelling inflationary expectations which will feed into end of year wage negotiations so we might well see the Reserve Bank moving before the end of the year."

Jansen does not agree, saying he thinks Stals will sit tight for the next couple of months and wait for later figures which show the impact of the latest interest rate hike.

"We are not expecting a further increase before April."

Nomura to launch 'Chinese walls' mooted for

Food prices fuelling double-digit inflation

CT 28/10/94 (244)

RUNAWAY food prices pushed inflation, as measured by the Consumer Price Index, into double digits in September for the first time in 15 months

The main culprits in the 21,9% surge in food prices were vegetables, up year-on-year by 51,5%, and meat, up 34,7%. However, inflation for all items except food is only seven percent.

Food inflation accounted for half of the 1,2% month-on-month increase.

● **Double digit inflation as food prices soar — Page 11**

Star 29/10/90

Petrol to drop by 1c

THE price of all grades of petrol and diesel fuel will fall by a 1c/litre at 1 am on Wednesday, but the price of liquid paraffin will rise by 4c/litre, the Central Energy Fund said in a statement yesterday

Fuel prices are adjusted on the first Wednesday of the month in terms of a new system approved by the Cabinet early this month The cumulative slate for the three products for October 5 to 25 was used as the basis for the adjustments, the CEF said. In future, the period from the 26th of the month to the 25th of the following month would be used as the basis

The last adjustment was on October 5, when the price of petrol fell by 6c/litre and of diesel fuel by 2c. The paraffin price remained the same — Sapa. 1995 2144

Petrol price dip 'could stem CPI'

CT 31/10/94 (244)

JOHANNESBURG. — The latest drop of 1c/ℓ in the petrol price, to come into effect on Wednesday, could help negate the effect of creeping inflation, which was expected to hit 11% in November, economists said at the weekend.

Ed Hern, Rudolph strategic economist Nick Barnardt said combined with this month's 6c/ℓ drop, the latest decrease would have a 0,2% direct effect and an indirect effect of 0,4% on the consumer price index (CPI).

"This could help keep the CPI around 11%, rather than the higher level that it is due to rise to during the next few months."

The decrease could also help offset the effect of the increase in bond rates, which would hit the CPI next month.

Referring to the producer price index (PPI), Barnardt said as fuel "on the margin" made up a larger share of the PPI, it could help prevent the PPI from rising to more than 12%. "But a lot will depend on fuel price decreases in the next few months."

In line with its revised mechanism in the setting of fuel prices, government announced on Friday that the prices of diesel and petrol (all grades) would drop 1c/ℓ, while the price of paraffin would rise 4c/ℓ.

The Central Energy Fund said the Mineral and Energy Affairs Department had appointed Kessel Feinstein to audit the monthly price adjustment.

Barnardt said with the rand firming and international oil prices dropping, a further drop of 4c/ℓ to 5c/ℓ in petrol prices was likely in December.

However, if the rand adjusted 10% on the abolition of the finrand early next year, it would imply an adjustment of 3% to 4% in fuel prices, which would translate into an increase of about 6c/ℓ.

Vegetable prices down

(244) VEG

Municipal Reporter

VEGETABLE prices are coming down fast.

This is the official word from the city council's fresh produce market at Epping.

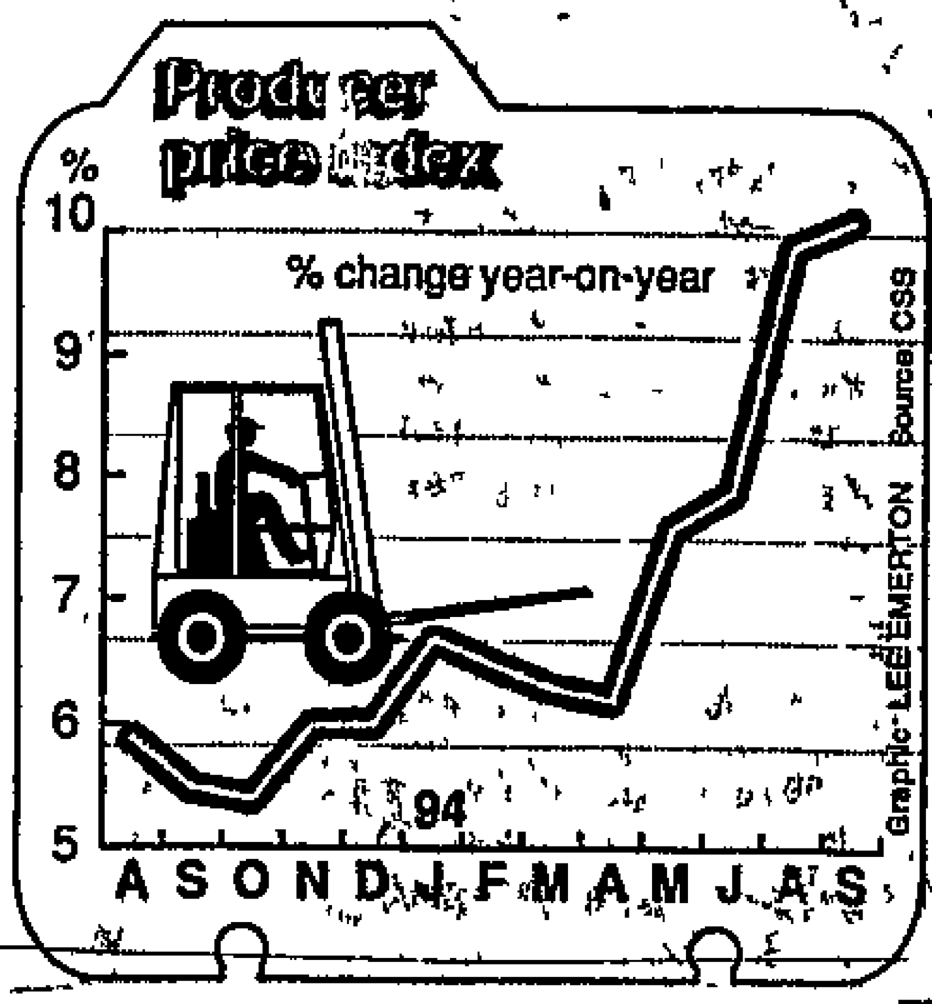
The utilities and works committee was told yesterday tomatoes had dropped from R30 to R8 a box and the price of potatoes was also coming down. ARG 8/11/94

The turnover at the market increased by about R10 000 in September representing a 45 percent increase over the same month last year.

Producer inflation into double digits

BDay 10/11/94

MUNGO SOGGOT



PRODUCER inflation edged into double digits in September for the first time in almost three years, rising to 10,1% from 9,9% in August, Central Statistical Service (CSS) figures released yesterday showed.

The effect of the weak rand was an important factor behind the rise. Economists said the figure was lower than expected, mainly because some food price increases in September had been less dramatic than in the past couple of months. It was likely that the rate of increase in food prices would continue dropping, which would help restrain consumer inflation.

The figures showed that, while meat in-

(2440)

To Page 2

Inflation

BDay 10/11/94

From Page 1

flation had fallen, vegetable inflation was still soaring. The CSS said vegetable prices were up 18,4% month-on-month, while meat prices were down 1,7%. Year-on-year vegetable inflation was 101,5%.

A 0,8% hike in the imported component of the producer price index (PPI) outstripped the overall 0,3% monthly rise. Economists said it would take a couple more months for the stronger rand to push down the imported component, which rose 8,7% for the year to September, compared with 7,6% for the year to August.

Economists said producer inflation was likely to pick up significantly in October before slipping back into single digits next year. Sanlam senior economist Pieter Calitz said September was a month in which few items were surveyed, which could explain why there had been few non-food price increases. He predicted that producer inflation next year would probably hover below 10%, while consumer inflation was likely to remain in double digits.

(2440)

Old Mutual economist Johann Els said producer inflation in October would probably be firmly up on September's, considering that the average monthly increase in the PPI for the eight months to August was 1%, compared with 0,3% in September.

The CSS said the price index for manufactured food goods was down 0,7% month-on-month, mainly because of a 3,1% decrease in the price of fresh meat.

The agricultural product price index was up 1,1% month-on-month, mainly because of a 1,2% increase in agricultural food prices. The mining and quarrying price index was up 0,9% month-on-month, textiles and made-up goods rose 1,7%, and clothing was up 2,3%.

Producer inflation edges up to 10,1 percent

Dreaded double digits come back

Star 10/11/94

■ BY CLAIRE GEBHARDT

The production price index (PPI) moved into double-digit numbers in September for the first time in almost 3 years

Central Statistical Service (CSS) figures put the rate of increase at 10,1 percent — 0,2 percentage points higher than August's 9,9 percent and the fifth consecutive monthly increase.

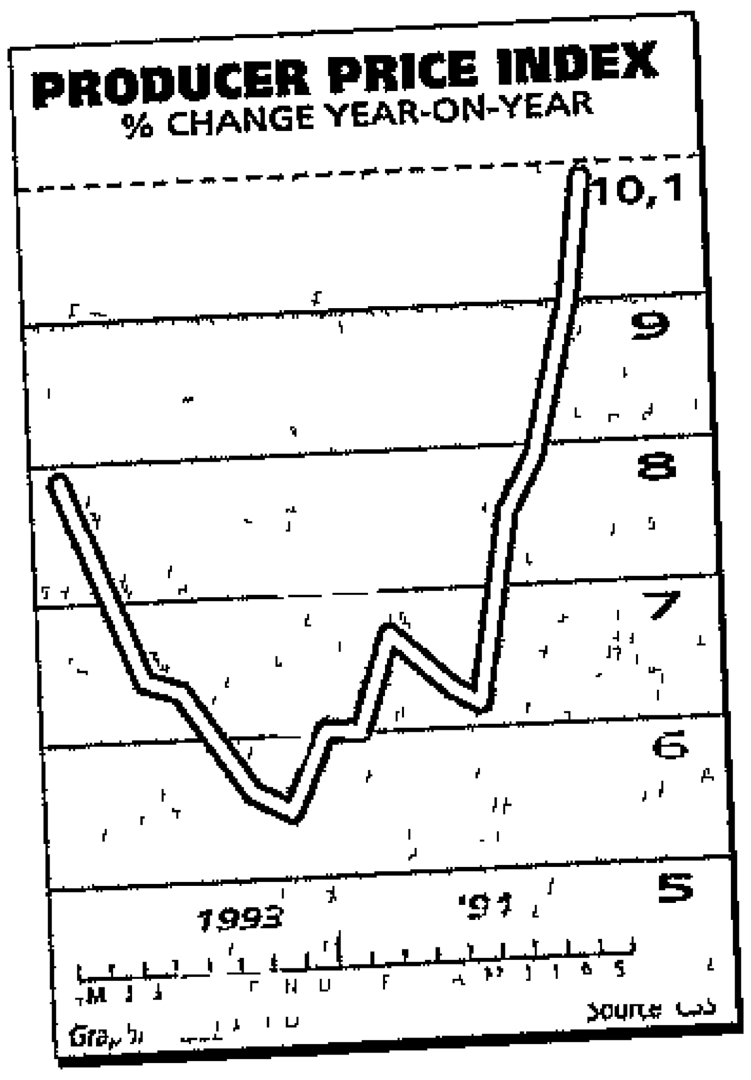
The good news is that although food price hikes remain the biggest culprit behind the rising PPI, fresh meat prices decreased by 3,1 percent in September.

The bad news is that the better-than-expected figures could prove to be temporary, given forecast shortages of red and white meat over the Christmas period

Economists said yesterday the figure had come in much lower than the expected 10,9 percent and could indicate that the rate of increase in the PPI was slowing down

September's month-on-month increase was 0,3 percent, compared wit August's 1,3 percent

The rebound in the PPI since last year has been largely the result of rocketing food prices, which have increased from 3,4 percent a year ago to almost 20 percent today



The figures show relatively large monthly increases in the price indices for agricultural products (1,1 percent — largely due to a 1,2 percent increase in the price of such products), mining and quarrying (0,9 percent), textiles and made-up goods (1,7 percent) and clothing (2,3 percent)

The price index for manufactured food products fell by 0,7 percent, mainly due to a 3,1 percent decrease in the price of fresh meat

Sanlam economist Johann Louw said the decline in fresh meat prices could indicate consumer resistance to high prices or an increase in supply

"If shortages develop over Christmas, as expected, we could be looking at a temporary slow-down only"

Louw said the fact that the annual increase in the PPI for local production had slowed to 10,3 percent in September, against 10,4 percent in August, was very encouraging

"The underlying rate of inflation appears to be stabilising"

Imported inflation had moved in line with expectations because of a weaker rand earlier in the year and higher oil prices internatioanlly"

(244)

The annual rate of increase in the PPI for imported commodities was 8,7 percent in Septebmer, compared with 7,6 percent in August.

Ed Hern Rudolph economist Nick Barnardt said there were signs that the food price cycle was beginning to slow

"This increases the hope that the upward inflation cycle, which started a few months ago, will peak below 12 percent early next year"

Barnardt said he had revised his inflation forecast for 1995 downwards from over 12 percent to 11,5 percent on the basis of the latest figures

PPI tempered by slower food inflation

(244)
CT 10/11/94

By AUDREY D'ANGELO
Business Editor

Drop in September month on month rise

JOHANNESBURG. — Food price inflation — the main factor that has been pushing up the producer price index (PPI) since May — has started to slow

Figures released by the Central Statistical Service (CSS) yesterday show that although the PPI reached double digits again in September, with a year on year figure of 10,1% compared with 9,9% in August, the month on month rise was only 0,3%. This compares with a month on month rise of 1,4% between July and August

Imports

The year on year rise for locally produced goods was 10,3% compared with 10,4% in August But the month on month rise was only 0,1% compared with 0,5% in August.

The year on year rise for imported goods was 8,7% compared with 7,6% in August But the month on month rise slowed to 0,8% compared with 1,5% in August.

Detailed figures released by the CSS show that meat prices, one of the main culprits in pushing up the PPI in recent months, are coming down. The price of meat as an agricultural product dropped by 1,7% and fresh meat used in manufacturing dropped by 3,1%.

One of the steepest rises was in coffee, tea and cocoa, which rose by 10,1% Clothing rose by 2,3% and textiles by 1,7%.

Economists said they were pleasantly surprised that the PPI was not higher. But Sanlam chief economist Johan Louw, who said that seasonal factors had not been expected to bring food prices down so early in the summer, pointed out that they were likely to follow the customary trend of rising again just before Christmas

Louw said the PPI was better than he had expected "From personal observation I have noticed a decline in prices of fruit and vegetables, although the September PPI figures showed they were still rising then

"This may be due to the improved weather conditions, or consumer resistance may have been developing.

"These lower food prices will take the pressure off the PPI, at least for a month or two."

Louw said the weakening in the rand earlier this year, and an increase in oil prices, would account for the steeper year on year rise in the imported component.

Southern Life economist Sandra Gordon said imported inflationary pressures were evident both at primary level "oil prices in the 'other mining and quarrying' category were up by 1,8% month on month and at manufacturing level, up 0,2% month on month. Local manufacturing prices showed no monthly increase.

The extent of imported pressures should, however, be limited by the recent stability in the rand and low international inflation.

Gordon forecasts that the PPI will average slightly less than 9% for the year "We anticipate that the rising trend will remain intact and the PPI will continue to rise into 1995

"However, as food prices begin to normalise the overall PPI is expected to stabilise, ending the year below 11%"

Meat prices

Old Mutual economist Johan Els said "The lower meat prices have contributed a lot to the slowing down of the PPI It is too early to say if this is the start of a declining trend, but it should help to keep inflationary expectations down"

However, Els said he still expected the PPI to reach 11% by year end and to average 9% for 1994

Nick Barnardt, economist with stockbrokers Ed Hern, Rudolph, said the small rise in the month on month figure was encouraging "especially when you look at the composition of the 0,3% rise Only 0,1% was due to food prices, 0,1% for imported oil and 0,1% covers everything else.

"It is especially comforting that food prices seem to have stabilised."

Food price rise starts to slow

FOOD price inflation — the main factor that has been pushing up the producer price index (PPI) since May — has started to slow CT 10/11/94

Figures released by the Central Statistical Service yesterday show that although the PPI reached double digits again in September, with a year on year figure of 10,1% compared with 9,9% in August, the month on month rise was only 0,3% (244)

● PPI tempered by slower food inflation — Page 10

Higher cost of crude oil affects SA

Petrol price likely to rise by 2c

BRUCE CAMERON, Business Editor

THE petrol price is likely to rise by around 2c a litre on Wednesday next week, and is is likely to go higher in the months ahead.

Crude oil prices are around $17 a barrel compared with $13 earlier this year.

Although the price for the world benchmark North Sea Brent Blend was down today at $16,89 a barrel, agreement by the Organisation of Petrol Exporting Countries (Opec) on freezing production levels and the onset of the northern hemisphere winter are likely to drive crude prices up.

The pricing of petrol in South Africa was "depoliticised" two months ago with price adjustments being made on the first Wednesday of each month.

In October the price dropped by 6c a litre and by 1c this month.

Meanwhile the managing director of Atlantis Diesel Engines (ADE), Fritz Körte, has confirmed that his company is negotiating with the government and the minibus taxi industry to start a programme to convert the engines of the more than 100 000 taxis to diesel.

The petrol price is expected to be increased by 2c next week to cover a shortfall incurred in October.

The under-recovery, funded by the equalisation fund — to which motorists contribute at a rate of 9c a litre — averaged 1,26c a litre between October 26 and last Friday. The figure declined over the past week from 1,42c last Monday.

Cape Times
Homefinder and Funfinder Inside
FOUNDED 1876 ★ ☎ 488 4911 FRIDAY, NOVEMBER 11 1994 R1,20 (Country R1,30) Prices include VAT

Fight bread price hikes — minister

CT 11/11/94 (244)

By MELANIE GOSLING

THE Competition Board has launched an investigation into possible collusion and price-fixing in the bread industry following recent price hikes

And Agriculture Minister Mr Kraai van Niekerk has urged shoppers to fight the increases

The price shot up on November 1 by 10c for brown and 11c for white bread

Competition Board chairman Dr Pierre Brooks said yesterday "It is illegal for people to collude on prices and conditions of supply

"We are investigating the industry to see if there is any logical explanation for the extent and timing of the price increase of bread"

He said had the industry simply passed on the percentage increase of the price of wheat, the bread price increases would have been acceptable

Mr Van Niekerk urged consumers to use their buying power in a discerning manner to fight the price increases

He said the increased wheat price should result in an increase of only four cents a loaf

"Only 30% of the price of a loaf can be attributed to the price of the wheat in it"

Consumer Foundation chairman Mr Johann Verheem said consumers noted with great appreciation that Mr Van Niekerk had stood up for consumers and acknowledged their worth by urging them to action

Mr Verheem said it was ironic that the government was encouraging consumer action to solve problems in the present system

Consumers were unable to act in the market effectively precisely because the government was lax in encouraging organised consumer action

He said consumers were being "thrown to the wolves" by moves which were supposed to have been made in their favour, such as deregulation, privatisation, and the scrapping of controls

Mr Hamish McBain, executive director of Tiger Oats, which owns Albany Bakeries, said Mr Van Niekerk's statement seemed "somewhat irresponsible"

Mr McBain said that, in addition to wheat price hikes, escalating costs of distribution and increased labour costs had contributed to the increase in the bread price

"Local millers are obliged to buy wheat from the Wheat Board at inflated prices If they had been permitted to import wheat duty-free, a decrease in the bread price would have been possible

"Manufacturers cannot be held responsible for any excessive mark-up in the bread price at retail level," Mr McBain said

In the interests of an orderly transition to a freer market, the milling industry had agreed with the Wheat Board that the local crop would be bought on the understanding that the profits made on the importation of wheat would be passed on to the industry to help contain price increases

"We therefore regard the minister's reported statement to be badly timed and likely to have unfortunate consequences," Mr McBain said

Referring to possible collusion in the industry, Mr McBain said the simultaneous increase in the bread price across the industry was "inevitable" because of the increase in the price of flour

ARG. 12/13/11/94

244

Price respite on cards for consumers

ALIDE DASNOIS
Weekend Argus Business Staff

RELIEF may be on the way for consumers fed-up with rocketing meat and vegetable prices.

Producer price statistics released this week by the Central Statistical Service (CSS) show that, after rising 4,8 percent in August, fresh meat prices fell 3,1 percent in September.

Bureau for Economic Research economist George Kershoff said the sharp rise in the meat price in August was due to short supplies because farmers restocked their herds after the drought and demand had increased

A shortage of chicken had forced consumers to buy red meat as a substitute.

He said the Meat Board expected the price of beef to drop from a peak of R9 kg in August to R8,50 kg in December

Vegetable price inflation also slowed in October when the rate of supply picked up after a severe winter frost and rat plague in the Northern Transvaal.

Vegetable and dried bean prices were up nearly 19 percent on a year ago

Coffee prices still were rising fast — up more than 10 percent — after a world shortage.

In Johannesburg, Ed Hern Rudolph economist Nick Barnardt said there were signs the food price cycle was beginning to slow

He said he had revised his inflation forecast for 1995 downwards from more than 12 percent to 11,5 percent

The CSS figures show that producer price inflation moved up from 9,9 percent a year in August to 10,1 percent in September.

But, the month-on-month price increase in September was 0,3 percent, compared with August's 1,3 percent

Public 'must query price hikes'

CONSUMERS had a duty to question inappropriate food price increases and had to apply their buying power discerningly, Agriculture Minister Dr Kraai van Niekerk said yesterday (244)

Speaking at a city press conference, he said both producers and consumers had a role to play in guarding against food price hikes CT 16/11/94

"The consumer in a deregulated market can and should play an important role by shopping around to find cheaper prices"

Dr Van Niekerk said he found it difficult to understand the "outcry" from the milling and baking industry after his recent call for consumers to question the latest bread price increase

"My concern is with food prices generally If prices go too high, it will also have an adverse effect on agriculture

"The market will grow smaller and fewer farmers will be able to produce for that market," he said

The Competition Board was investigating the recent six percent increase to millers, which had resulted in bread price hikes of about 11 cents a loaf from November 1

"I do not think the increase to the industry was excessive, but somehow the increase to consumers is way out of line Somewhere, someone is adding on something"

Dr Van Niekerk said a new Marketing Act had been drafted to regulate agricultural marketing practices — Sapa

(244)

Exorbitant coffee prices to continue

Staff Reporter

THE current exorbitant coffee prices, which have soared by up to 80% in the past three months, are set to persist for another year

This is the view of Nestle corporate affairs manager Mr David Upshon, who said severe frosts had decimated the Brazilian coffee crop, causing serious shortages worldwide This had pushed coffee prices up to an eight-year high

Frost damage is expected to wipe out half Brazil's 1995-1996 coffee crop and the international price of coffee would probably continue to fluctuate between \$3 500 and \$4 000 a ton (about R12 250 and R14 000) in the coming year, he said

A spokesman for Shoprite Checkers said a 250g jar of Nescafé Classic which retailed at R14,74 in January now sold for R28,98 The same product sells for R29,49 at Spar supermarkets

A 750g tin of Ricoffy, which sold for R11,55 at Shoprite Checkers in January, now costs R19,95 At Spar it costs R29,95

Spar spokesman Mr Colin Patterson said their prices reflected the "full brunt" of the increases, while it was possible other stores were still working through old stock.

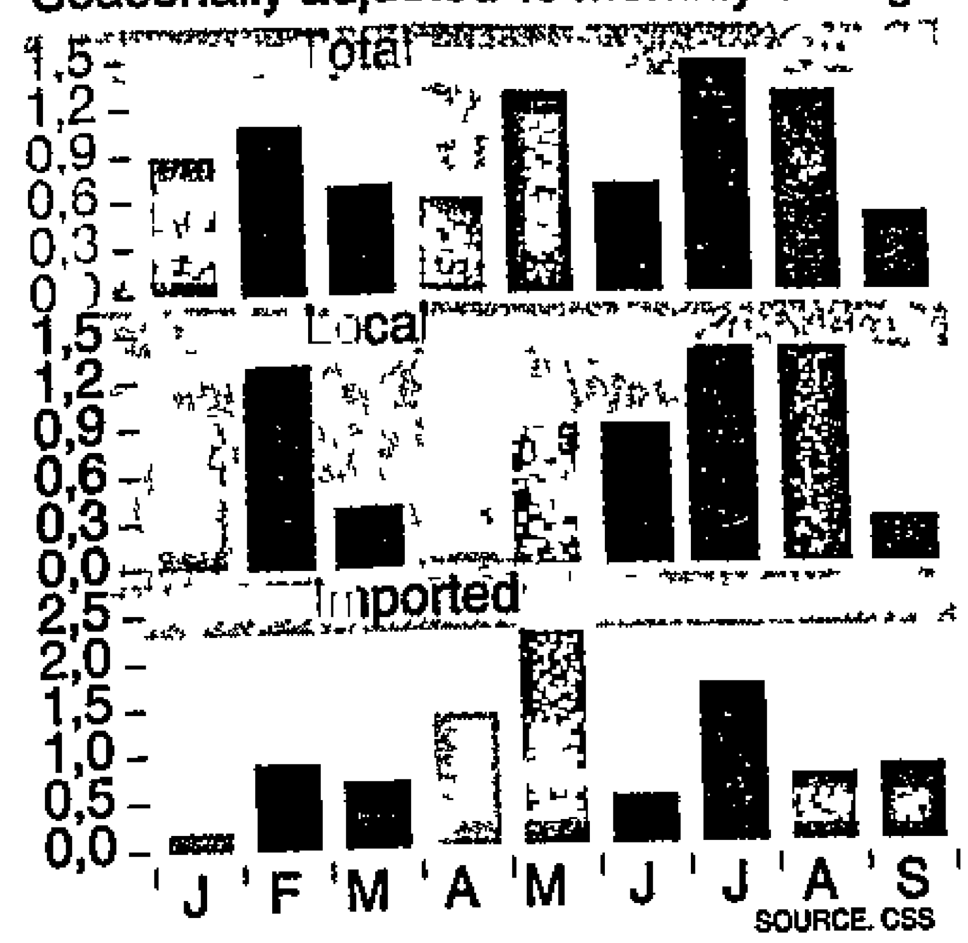
Mr Upshon said although the price of Nescafé coffee had increased by 80% since August, he did not fear that coffee would become a luxury good priced beyond the reach of the average consumer

But there had been a slight decrease in sales in recent months and it was possible that some consumers would switch to other beverages like tea or to cheaper blended coffees, he said

FM 18/11/94

PPI: MONTH-ON-MONTH SLIDE

Seasonally adjusted % monthly change



PPI FM 18/11/94

Only a spike

The year-on-year rise in the production price index was 10,1% in September — 0,2 percentage points higher than in August It put producer inflation into the dreaded double digit range again, for the first time in almost three years, says Central Statistical Service

But the month-on-month rise was the lowest since March, when the index fell 0,1% It was 0,3% or a seasonally adjusted 0,5% (see graph) (153) (244)

Monthly variations are not significant when inflation is driven by structural forces But they can be when producer prices have been boosted by commodities with volatile prices or subject to fluctuations in the rand.

In this case.

- Rising food prices, following damage to crops by drought and black frost, and
- Rising imported prices due to the steep fall in the rand until net inflows of foreign exchange stabilised the currency

These are pressures that could recede if events that caused them are not repeated in the 12 months ahead

Prices of agricultural products, made up mainly of food, rose only 1,1% in September, down from 4,2% in August It was the lowest monthly increase since March — thereafter this component began to figure in the list of trouble spots published each month by Central Stats

One of the most seriously affected items was vegetables, which rose a monthly 18,7% in September But vegetable prices declined in October, says Central Stats chief, Treurnicht du Toit, "according to prices at fresh produce markets." And the price index for meat has already shown a monthly decrease of 1,7%.

Prices of manufactured food reversed direction, falling by 0,7% in September. This component became an important contributor to inflation in May, when it notched up a 3,4% monthly rise (153) (244)

Agriculture is 9,47% of the total index while food (manufactured) is 12,91%

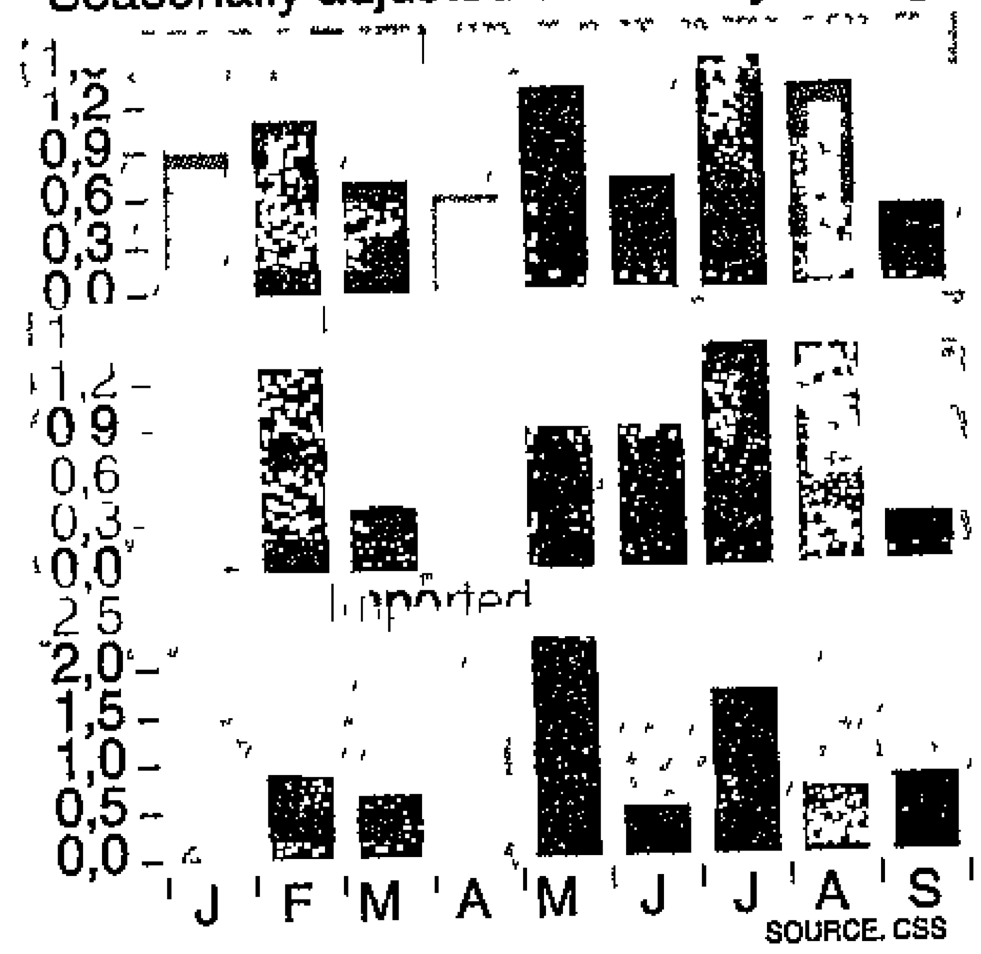
Oil is still putting pressure on prices It is included in the component mining & quarrying, other, weighted at 7,5% in the index September saw a 1,8% monthly rise in the component, from 1,4% in August But these rises were modest, compared to those in the preceding three months — 5,9%, 4,5% and 4,3%.

The deceleration is due to the relative stability of the rand At the same time, the dollar price of oil which rose sharply in the early months of the year, has levelled out at around US$17 a barrel ■

FM 18/11/94

PPI: MONTH-ON-MONTH SLIDE

Seasonally adjusted % monthly change



PPI FM 18/11/94

Only a spike

The year-on-year rise in the production price index was 10,1% in September — 0,2 percentage points higher than in August It put producer inflation into the dreaded double digit range again, for the first time in almost three years, says Central Statistical Service

But the month-on-month rise was the lowest since March, when the index fell 0,1% It was 0,3% or a seasonally adjusted 0,5% (see graph)

Monthly variations are not significant when inflation is driven by structural forces. But they can be when producer prices have been boosted by commodities with volatile prices or subject to fluctuations in the rand

In this case:

❑ Rising food prices, following damage to crops by drought and black frost, and

❑ Rising imported prices due to the steep fall in the rand until net inflows of foreign exchange stabilised the currency

These are pressures that could recede if events that caused them are not repeated in the 12 months ahead

Prices of agricultural products, made up mainly of food, rose only 1,1% in September, down from 4,2% in August It was the lowest monthly increase since March — thereafter this component began to figure in the list of trouble spots published each month by Central Stats

One of the most seriously affected items was vegetables, which rose a monthly 18,7% in September But vegetable prices declined in October, says Central Stats chief, Treurnicht du Toit, "according to prices at fresh produce markets" And the price index for meat has already shown a monthly decrease of 1,7%

Prices of manufactured food reversed direction, falling by 0,7% in September This component became an important contributor to inflation in May, when it notched up a 3,4% monthly rise (244)

Agriculture is 9,47% of the total index while food (manufactured) is 12,91%

Oil is still putting pressure on prices It is included in the component mining & quarrying, other, weighted at 7,5% in the index September saw a 1,8% monthly rise in the component, from 1,4% in August But these rises were modest, compared to those in the preceding three months — 5,9%, 4,5% and 4,3%.

The deceleration is due to the relative stability of the rand At the same time, the dollar price of oil which rose sharply in the early months of the year, has levelled out at around US$17 a barrel ■

CPI in single digits as food price hikes slow

(244)

CT 29/11/94

By AUDREY D'ANGELO
Business Editor

INFLATION, as measured by the consumer price index (CPI), slowed in October to 9,8% after rising to 10,1% in September. But economists forecast that it will return to double figures in November when the 1% rise in mortgage bond rates will be included in the calculations

A slowing down in the rate of food price inflation — the main factor pushing it up in recent months — kept the rise in the CPI between September and October down to 0,4% compared with a hefty 1,2% between August and September

Food price inflation is still running at a high rate of 21,8% year on year, only slightly below 21,9% in September. But it slowed to 0,7% between September and October, with meat prices actually falling by an average of 0,2%.

This is the lowest monthly figure for food price inflation since May. Between August and September it rose by 2,7%.

Rise in October money supply

PRETORIA — South Africa's money supply, as measured by the M3, increased an annualised 14,67% in October against 14,32% in September, figures released by the Reserve Bank yesterday showed.

The RB's guideline growth is between 6 and 9%

M3 seasonally adjusted was 14,34% in October (Sept 13,79%)

Total M3 totalled R234 741bn from R232 137bn in the previous month

Seasonally adjusted it amounted to R235 912bn (R232 313bn) — Sapa

Because food accounts for a higher proportion of their incomes, the lower income group were the hardest hit by inflation in October. Their inflation rate was 10,6% year on year compared with 10,7% in September and 7,6% in October last year Their monthly inflation rate was 0,6% compared with 1,3% in September

Year on year inflation for the middle income group was 10,4% compared with 10,6% in September and 9,1% in October last year. Their month on month rise was 0,5% compared with 1,2% in September.

Year on year inflation for the higher income group was 9,5% compared with 9,7% in September and 10,3% in October last year. Their monthly rise was 0,4% compared with 1,1% in September

Economists said the inflation rate had come as a pleasant surprise Most had expected it to be in double figures.

Boland Bank economist Francois Jansen and Sanlam chief economist Johan Louw pointed out that, excluding food, the CPI in October was down to 6,7% year on year from 7% in September, showing that the underlying inflationary trend was still downward

Jansen said he expected inflation to be back in single figures by the third quarter of next year He forecast that it would average 9,3% for 1994 and 10,5% for next year.

Old Mutual economist Johan Els said it was too soon to say whether food price inflation would continue to decline He expected inflation to stay above 10% for the next 12 months "But it could be back in single digits by 1996"

Southern Life economist Sandra Gordon said it was encouraging that non-food inflation was continuing to fall because "the food price spiral is regarded as a temporary phenomenon which may now be in the process of beginning to unwind"

She pointed out that food price inflation in October had been "a mixed bag with another sharp rise in fruit juice prices — up by 7,9% month on month while vegetable prices have begun to stabilise, falling by 0,5% month on month"

She forecasts an inflation rate of 10,7% by year-end, and an average of 9,1% for the year.

"If food prices continue to stabilise during the remaining months of 1994 the anticipated rise in the inflation rate during the first half of 1995 could well be more subdued than initially anticipated

Telephone rates rise 10%

BDay 30/11/94

SELLO MOTLHABAKWE

TELKOM has announced an average increase in telephone rates of about 10% from January but it also cut prices on local calls kept under three minutes

Monthly rentals of residential telephone lines would be increased 9,7% to R37,30, and business rentals would rise from R34 to R38,80 Monthly rentals to pensioners would increase about 5%, while installation charges would increase to R233 from R212 The figures exclude VAT

Some calls become more expensive and others cheaper. Call charges are reduced from 20,4c to 19,2c a unit excluding VAT The time per unit for calls within a 50km radius will be cut from 300 seconds to 180 seconds. Public calls, telegram, telex and teletex services, and extensions in line rentals, remain unchanged.

Calls from fixed wire to cellular phones will cost 7,7% less

Telkom MD Danie du Toit said tariffs for long distance calls would be lower and customers stood to benefit if they kept calls under three minutes

Telkom's efforts to support the reconstruction and development programme, particularly by providing telecommunication services to peri-urban and rural areas, would be undermined if its income from the corporate sector was hampered by uncontrolled competition. (2144)

MELANIE SERGEANT reports that the new tariffs are in line with Telkom's bid to make it less attractive for competitors to enter the market and offer attractive deals to corporations which subsidise the low end of the market.

Telkom is faced with growing international competition and moves by its most important clients to bypass its network through private voice and other networks It is estimated that there are more than 300 private voice networks in SA which bypass Telkom's network

Telkom's focus is on national phone calls which are subsidised by long distance and international calls, which in turn are under pressure from international competitors

Centre for the Development of Information and Telecommunications Policy co-

☐ To Page 2

Telkom

BDay 30/11/94

☐ From Page 1

ordinator Andile Ngcaba said there were distortions in current tariffs, and Telkom generated 80% of its revenue from 3% of its customers "The over-dependence on corporate customers highlights Telkom's vulnerability to competition"

At previous tariff rates, long distance calls yielded 38 times more revenue a minute than a local call at peak tariffs

He said previous tariff increases had been across the board and had not embraced any significant rebalancing This increased the attractions of bypassing Telkom's network (2144)

For corporations, installation charges for leased lines (like Diginet) increase by an average 10% Monthly rentals for services such as Megalines, Diginet and Diginet-Plus are up about 14%, and charges for main links between exchanges will rise an average 20%.

Industry sources do not rule out further increases next year

Postmaster-general Ters Oosthuizen said Telkom was hamstrung by having its tariffs stipulated by government "As a commercial company with directors responsible for its wellbeing, it could be beneficial for Telkom, in the long run, to be able to plan its own destiny" Privatisation had to be discussed with government, with policies clearly spelt out.

"Once this has taken place, there will be a framework within which the industry can operate, and we could all benefit by having competition in the various sectors"

Meat producer prices fall . . .

No cut for consumers

CT 30/11/94 (244)

MAGGIE ROWLEY
Deputy Business Editor

ALTHOUGH the price paid to farmers for mutton in Cape Town plunged 19,4% from July to October following cheaper imports, consumers were paying only 1,2% less at the till, said Stanford farmer and agricultural economist Mr John Nel.

Mr Nel said RSA Lifestock and Meat statistics also showed that while the producer price of mutton had risen by 9,7% between January and October this year, the retail price to consumers was up by a hefty 20,5%.

Hitting back at retailers — in particular Pick 'n Pay joint managing director Mr Gareth Ackerman — who have partly blamed farmers for the large hikes in meat prices this year, Mr Nel said Cape supermarkets had failed to pass on reductions in producer prices

Owing to the import of cheaper Australian and New Zealand meat, the producer price of mutton fell from R13,38 a kg to R11,70 in recent months

"However, the supermarkets who raised their voices about how the farmers were giving the consumer a raw deal by 'holding back their animals and enjoying import tariff protection' only lowered their retail price from R24,85 to R24,33"

He said the producer price of beef in the Cape Town area also fell from R10 78 in August to 9,82% in October 1994, but over the same period the retail price at supermarkets increased from R19,15 to R20,27

Mr Nel said that in an RSA Livestock and Meat statistics price survey of meat prices in Cape Town, the consumer was paying 28% more for beef in October than in January this year

The supermarkets, he said, had held retail prices down as the producer price they had paid during this period had increased by 30,3% However, since July the producer price had increased by only 3,3% while the retail price at supermarkets was up 12,93%

Mr Nel said that on average between 1990 and 1993 the price the farmer received for beef increased by 112% while the retail price rose by 138%

Similarly the price of mutton rose by 134% in favour of the farmer but the consumer paid 140% more over the same period

Different

"The farmer in no way benefited from the extra increase that retailers passed on to the consumers but the retailers failed to inform the consumers just who was really responsible for their plight"

In response, Mr Ackerman said that while the prices quoted by Mr Nel did not appear far out of line "one must realise that different surveys produce marginally different results"

"We use the Meat Board Information Booklet, which sets out its information differently"

According to these statistics, he said, the beef producer price rose 35% for all grades between January and September this year while the beef consumer price rose by an average of 29% at all outlets

For the three-month period between July and September, the beef producer price for all grades rose 9% while the consumer price at all outlets rose by an average of 11%

Mutton producer prices for all grades rose by 10% between January and September this year while the consumer price for mutton at all outlets rose by an average of 22%.

In the three months from July to September the producer price for mutton dropped 16% while the price paid by the consumer declined by an average of 0,2% at all outlets

Mr Ackerman said that in the first half of the year they had had to absorb much of the producer price increases and the meat division had been running at a loss

"In recent months we have increased our margins slightly but once costs, shrinkage and so forth are accounted for, we are looking at no more than a 1% net profit. It must be remembered that up to 20% of a carcass is lost in fat and bone," he said.

Mr Ackerman said that according to an independent pricing survey which they receive, Pick 'n Pay supermarket price inflation in Cape Town on a selected basket of beef, lamb and pork cuts was running at 21,72% between January and October but dipped to 13,59% between July and October Since August, he said, their meat prices had fallen by an average of 15%

TELKOM

Striking out

FM 2/12/94

It was a predictable response. In an attempt to stave off increasing competition in the corporate and long-distance call business, Telkom has announced a rebalancing of its tariffs (see *Infotech*)

On January 2, its tariffs will increase by an average of 10% — just below the forecast inflation rate of around 12% for next year. Local calls of over three minutes in duration will go up in price, while long-distance calls are to be reduced Monthly rentals and installation charges will also increase (2/44)

Telkom MD Danie du Toit says the utility inherited an uncompetitive tariff structure (high long-distance national and international rates subsidise cheap local calls), but it cannot afford to implement "cost-related tariffs in one fell swoop" as this will lead to a dramatic increase in residential rentals and local call charges.

As a first step, Telkom has shortened the call duration of a local call (within a 50 km radius of the telephone) from five to three minutes; reduced the unit rate from 23,3c to 21,9c (20,4c to 19,2c excluding Vat), and halved the distance for the highest rate interval from 800 km to 400 km

This means that during peak hours, a call between Cape Town and Johannesburg will become 11,6c/minute cheaper. Short local calls and faxes will be cheap but if you enjoy chatting for hours with a neighbour, be prepared to pay more Telkom will also reduce its call charges to a cellular phone by 7,7% and cut international tariffs to most countries outside Africa

BUSINESS

Telkom's change in rate structure now aligns well with the long-distance tariff packages offered by the cellular phone companies FM 2/12/94

On Tuesday — the same day it announced its new tariff structure — Telkom agreed to abandon the court application for interim and urgent relief from undercutting by cellular operator MTN It is proceeding on a non-urgent basis with its application for an interdict against Postmaster-General Ters Oosthuizen, the cellular phone operators and Minister in charge Pallo Jordan The hearing is postponed to February 15 next year. (2/44) ■

NEF's petrol pricing system 'fair'

JOHANNESBURG. — The interim pricing system for petrol, introduced at the recommendation of the National Economic Forum (NEF) is delivering reasonable prices attuned to the international market, according to chairman of the SA Petroleum Industry Association (Sapia) John Drake.

However, the continuing synfuel subsidies granted to petrochemical giant Sasol were inflating prices by an average of 9c per litre.

In a statement yesterday, accompanying the monthly price adjustment (1c a litre for December), Drake said the interim pricing system succeeded in reflecting fair market prices

CT 8/12/94

His comments followed recent criticism of the interim system by chairman of the Central Energy Fund Roy Pithey.

(244)

Pithey claimed the interim system artificially inflated prices — a claim vehemently denied by Drake.

"The system, based on a formula, was recommended by the NEF as its choice of alternative interim systems It will obtain while restructuring discussions proceed," Drake said

"Among those who agreed was Roy Pithey," he added.

He said Sapia believed the government should embark on a gradual process of policy reform to ensure minimum government intervention in the petroleum market.

Good and bad news for meat, vegetable consumers

(244) ARG 9/12/94

The Argus Correspondent

JOHANNESBURG — The drought, coupled with the heatwave, will bring both good and bad news for consumers with meat prices expected briefly to drop, but with shortages of vegetables and fruit later in the year.

Transvaal Agricultural Union president Dries Bruwer said that while the drought in many parts of the country had been the major factor affecting farmers, the heatwave was also taking its toll

He said more than 500 000 citrus trees in the Lowveld had died — nearly 40 percent of citrus production

Vegetable production had also been hampered

Mr Bruwer said tomatoes would be the first vegetable to be hit by the hot weather with other shortages and price rises to follow during winter

Many farmers in western Gauteng had been unable to plant crops as the drought tightened its stranglehold

Mr Bruwer said cattle farmers would soon have to sell their livestock before they died from lack of food and water

"When these farmers start dumping their cattle in order to make a few rands consumers will find prices drop for a while but this will only be for a short time," Mr Bruwer said

Free State Agricultural Union president Piet Gouws said three-quarters of the land remained unplantable — in the past year only 10 mm of rain had fallen in the south, west and central OFS

Producer price rises slow on firmer rand

CT 14/12/94 (244)

By MAGGIE ROWLEY
Deputy Business Editor

A STRONGER rand and slowing food prices saw the Producer Price Index slip back into single digits in October, taking the markets and economists by surprise.

The year on year increase in the PPI was 9,7% against September's 10,1% and an expected 10,5% with the month on month increase declining from 0,3% in September to 0,1% in October

A major contributor to the lower than expected PPI figures, which are expected to impact positively on consumer price data due out later this month, was the decline in the imported component to 6,8% year on year against 8,7% in September The month on month figures showed a decline of 1,5%.

This in turn was due in the main to the stronger rand/dollar exchange rate in recent months and lower oil prices although the imported manufacturing index was also down at a year on year increase of 5,6%, which economists pointed out was more in line with inflation rates reported by SA's major trading partners

Locally produced commodities increased by 10,4% year on year, slightly ahead of September's 10,3% increase The month on month increase was 0,4%, against September's 0,1% month on month increase

Increases in food prices, while still well ahead of a year ago, slowed somewhat in October with agricultural foodstuffs up 19,2% year on year and manufactured food 17,6% The month on month increases were 0,4% for agricultural foods and 0,6% for manufactured foods

The highest increases were for fruit, which was up 80,2% year on year but lower than the 101% increase recorded in September The month on month increase was 24,2%

Agricultural meat prices, which have exerted upward pressure on inflation in recent months, dropped 20,8% month on month

Increases were also seen in coffee, tea and cocoa which rose 38,1% year on year

Economists, Johan Louw of Sanlam, Johan Els of Old Mutual and Karen Schoeman of Southern Life said the 9,7% year on year increase in the PPI for all commodities was surprising lower than an anticipated 10,3% to 10,5%

Louw said that excluding food, the PPI was running at 7,3% year on year and it now looked likely that PPI would stay within single digits for the rest of 1994, giving an average of 8,5% for the year against 6,6% last year and an expected 9% for 1995

He said while factors impacted on the Consumer Price Index (CPI), particularly services, the lower than expected PPI figures should have a positive impact on CPI

Els said following the surprise October PPI figure he now expected PPI to be running at round 10,5% by the end of the year against a previously anticipated 11,5%

The production price index for commodities for SA consumption showed relatively large month increases for forestry products (3%), fishing products (3,5%), leather and leather products (5,2%), wood products (2,3%), furniture (4%), paper, paper products and printing (2,7%), chemicals and chemical products (1,4%), rubber and plastic products (3,7%) and scientific, optical and related equipment (2%)

However relatively large decreases occurred in the price indices for mining and quarrying products which were down 2,7%, non-electrical machinery, down 1% and electricity, gas and water, down 2,5%

Petrol price to fall by 2c

Sowetan 30/12/94

THE petrol price will drop 2c a litre from Wednesday, according to the latest price adjustment from the Central Energy Fund.

In a statement yesterday, the CEF said lower international petrol prices had more than offset the effect of a weakening rand against the US dollar, resulting in the decision to lower the domestic price for all grades of petrol. 188 244

Diesel would rise 2c a litre. The price of illuminating paraffin would remain unchanged. The Automobile Association said the new price could have a hidden cost attached to it in the form of increased taxation of leaded fuel users.

PRICES – GENERAL

1995

Rising commodity prices forecast to buoy economy

244

STAR 4/1/95

■ BY AUDREY D'ANGELO

Rising commodity prices will buoy the economy — and the JSE — this year and for years to come, regardless of higher world interest rates, forecasts Peter Bartholomew, a director at the Cape Town office of stockbrokers Mathison & Hollidge.

He expects the boom days of the 1970s, when SA did well thanks to demand for gold and other metals, to return

But Chris Boyes of Davis, Borkum, Hare is more cautious

He warns that Wall Street may crack as US interest rates rise, dragging the JSE down with other world markets

Boyes says that although the US Federal Reserve Board had not raised interest rates again before the new year, it was certain to do so this year in an attempt to curb inflation

"I think talk of emerging markets is overdone Wall Street worries me If it cracks, talk of emerging markets will not matter Our market will go down as well."

Bartholomew, agreeing that the Fed sees inflation as the greatest enemy because it threatens the value of the dollar, says politicians are nevertheless likely to opt for some inflation rather than risk aborting the world economic recovery through hasty and severe interest rate hikes

The threat of renewed inflation is real as the world enters a new phase of growth US capacity utilisation is already at its highest since 1989 and the unemployment rate close to the level economists consider to be the floor, above which inflation rises continuously

"Some economists estimate that US inflation will reach 5 percent by the end of 1995 and 7 percent in 1996."

But the benefit of the US-led recovery is really only beginning to filter through to Europe and other developed nations now

Any further increase in US interest rates, which could cause the US economy to falter, would bring criticism from European and Asian politicians

Demand for finished goods is growing and will continue to do so as standards of living rise in developing countries

Over two-thirds of world trade is currently between countries with less than 20 percent of the world's population.

Mckinsey & Co forecasts that the number of consumers buying packaged goods in China alone should exceed the population of the US by the year 2 000

"If China's growth continues at 8 percent per annum (a conservative estimate, given last year's growth rate of 13,4 percent), this number will reach 270 million by the turn of the century and 570 million by the year 2005. This will put enormous pressure on raw materials "

In this situation, says Bartholomew "Producers of raw materials will benefit substantially over the rest of this decade, as global consumption of manfactured goods outstrips the supply of materials "

Price of vegetables, fruit to rise

Thundershowers fail to break drought

244

■ BY SHIRLEY WOODGATE

Good rains in the Northern and Eastern Transvaal over the past few days have failed to boost hopes for an end to the devastating drought in these areas

Despite widespread thundershowers, the drought persists and streams have dried up

Many rivers across the country are almost empty and water levels in many dams are dropping daily

Peter Comrie, who co-ordinates relief efforts by the Department of Water Affairs' crisis committee to bring at least 15 litres of water daily to thousands of rural inhabitants, said 400 boreholes had been drilled in the Northern Transvaal since July

Meeting

He said his committee would soon start digging more boreholes in KwaZulu/Natal.

The drought in the Northern Transvaal was entering its 16th year Comrie said only floods or storms would fill rivers and dams such as the Tzaneen Dam, which is completely empty

But even boreholes are not the final solution, according to Transvaal Agricultural Union president Dries Bruwer

He said he had requested an urgent meeting with Minister of Water Affairs Kader Asmal to discuss an overall strategy for borehole control as this source of water would soon start drying up in the former homelands.

"The pumping of underground water should be considered only as a last resort or as a stand-by for drinking water

"People must realise that water supplies in these areas are not limitless," Bruwer said.

He urged drip irrigation instead of overhead watering and the damming of smaller streams to prevent the loss of water after it has rained.

Bruwer said that dams could be built by local labour and thus help ease unemployment brought on by drought.

'We desperately need sustained, heavy rain to have enough water for the dams and improve water levels which have dropped considerably"

Bruwer said about 500 000 citrus trees had been lost in the Letaba area and many thousands more were at risk.

"My own farm near Tzaneen got the first rain of the season last night, but the 32 mm downpour is a drop in the ocean."

Short-term crops in the Northern Transvaal were facing total failure and the price of vegetables would inevitably soar in winter unless there was early relief to the drought in the Limpopo valley, he added.

Dr Simon Mason, deputy director of the Witwatersrand University's Climatology Research Group, said almost the entire country, with the exception of parts of the KwaZulu/Natal south and north coast, was experiencing a dry year

Emphasising that South Africa was an arid region where regular drought was part of the climate, Mason also dispelled the myth that the region was becoming warmer, except in some urban centres.

The only part of the country which had become dryer over the past 20 years was the Eastern Transvaal, he said.

Mason said regions which experienced about 2 000 mm of rain annually were generally located near the equator and included Indonesia, Zaire and the Amazon basin.

Hot air rising on land and sea in the tropics near the equator triggered higher rainfall.

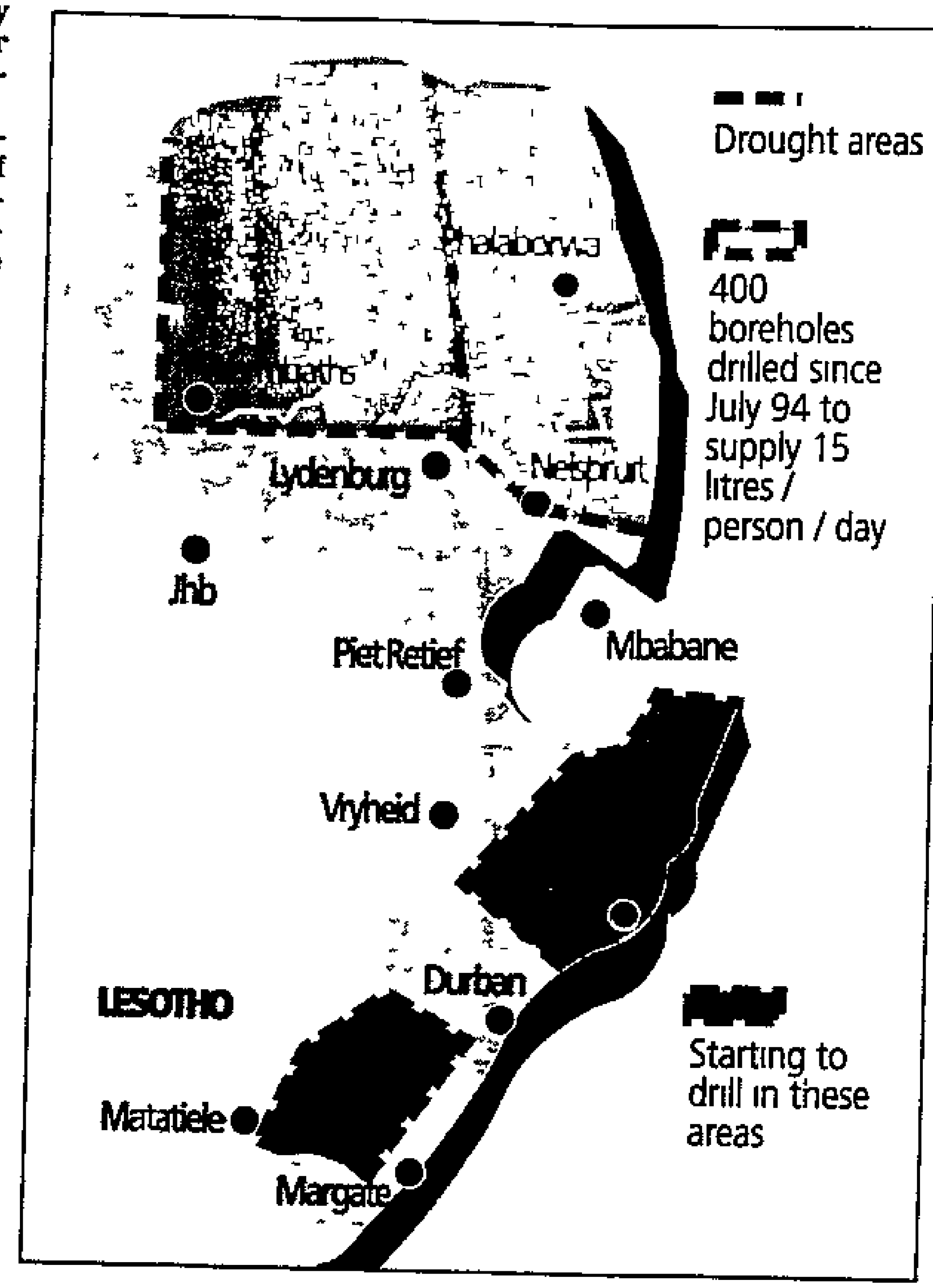
Evaporation

"South Africa, which lies about 26 degrees south of the equator, enjoys about the same amount of rain (about 750 mm) as the UK, located some 50 degrees north of the equator, but the difference is that rainfall is all year round in Britain and seasonal in South Africa, where the heat leads to greater evaporation," he said.

Asked to explain why one region in the country was wet while an adjoining area was drought stricken, Mason said strong, rapidly rising hot air over certain parts of the land in the late afternoon set off convective storms that were affected by the topography which directed the route of the storm.

Cloud-seeding to produce rain during convective storms had been tried in the Nelspruit and Bethlehem regions, he added.

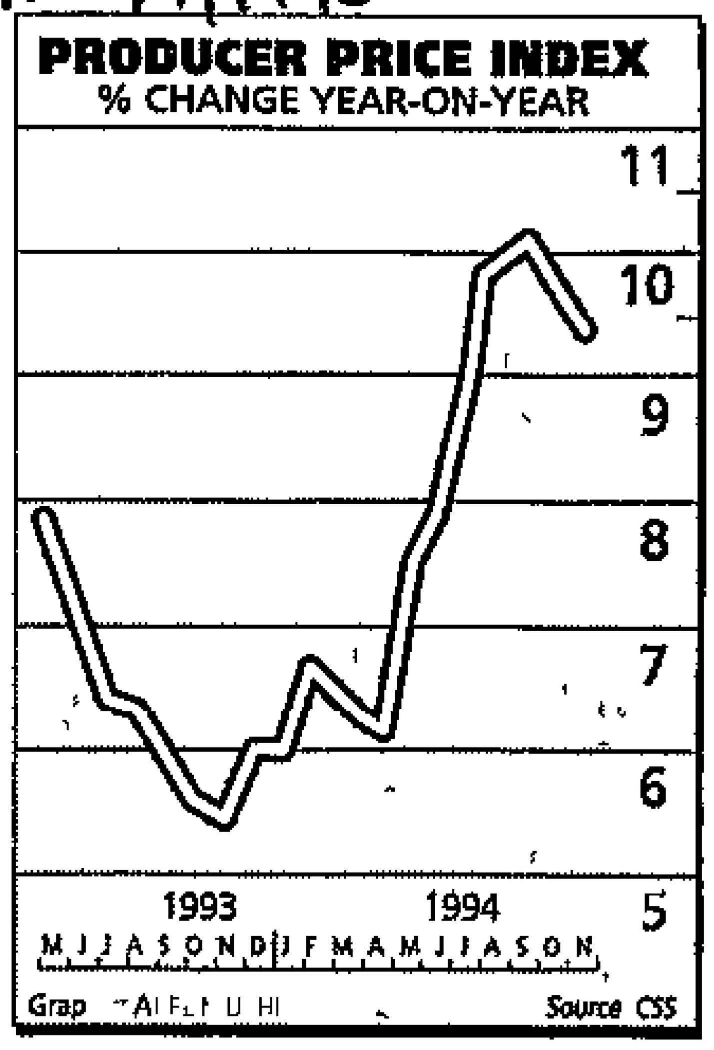
Kader Asmal urgent meeting sought to discuss crisis



Increase in PPI unexpectedly mild

(244) Star 17/1/95

■ BY CHARLOTTE MATHEWS



The producer price index (PPI) rose by an unexpectedly mild annualised 9,4 percent, compared with October's 9,7 percent, holding out prospects of lower inflation in the near future.

However, economists warned that other factors such as strong demand for bank credit, the balance of payments position and international trends made an interest rate hike almost inevitable in the near future.

According to figures released by the Central Statistical Service (CSS) yesterday, the monthly rate of increase in the PPI was only 0,3 percent.

The PPI for locally produced commodities rose by 9,9 percent in November, below October's 10,4 percent, while the PPI for imported commodities rose by 6,7 percent, compared with 6,8 percent in October.

The main contributor to the decline in the November PPI was a 3,7 percent drop in the price index for agricultural products, chiefly because the price of vegetables and dried beans dropped by 38,5 percent and the price of fruit fell 6,5 percent.

Absa economist Adam Jacobs said the fall in the vegetable price was off a high base and in coming months meat prices were also likely to drop temporarily. However, the effect of the drought could be higher vegetable prices next winter.

Economists agreed that inflation was likely to decline in the next few months, but said the consumer price index (CPI) was also influenced by retailer pricing and by the inclusion of other sectors, such as services, which are not included in the PPI.

Ed Hern, Rudolph strategic economist Nick Barnardt said the effect of lower food prices on the CPI was almost immediate and had already been seen in the recently released November CPI figure.

In the medium term it appeared that the risk of double-digit inflation was fading, Barnardt said, although if the finrand were abolished the exchange rate adjustment could put upward pressure on inflation.

Jacobs said the CPI was likely to fluctuate at 9 to 10 percent in the medium term, but that the underlying trend was upwards since demand for goods and services was rising.

Despite predictions of restrained inflation, Barnardt said a full percentage point hike in interest rates was likely within the next six weeks, while Jacobs said an increase was probable in the next quarter.

The factors pushing for higher rates included current strong demand for bank credit, pressure on the current account of the balance of payments, the drought, strains on foreign borrowing after the Mexican crisis and the international trend to higher interest rates, they said.

Economists welcome dip in PPI rate

CT 17/1/95 (244)

By AUDREY D'ANGELO
Business Editor

LOWER fruit and [illegible] prices [illegible] the producer price index (PPI) [illegible] dip to an annual [illegible] in November from [illegible] in October, figures released [illegible] the Central Statistical Service [illegible] show. The seasonally adjusted month-on-month [illegible]

The index for [illegible] commodities rose [illegible] compared [illegible] October. The month-on-month [illegible] seasonally adjusted [illegible]

The [illegible] commodities rose [illegible] compared with [illegible] October. The month-on-month rise was 1,1% but seasonally adjusted [illegible]

Welcoming the [illegible] economists said they [illegible] December PPI to be [illegible] the average for 1994 [illegible]

Drought

But they [illegible] the PPI could rise [illegible] prices going up [illegible] and with [illegible] drought [illegible]

The index for agricultural [illegible] came down by 3,7% [illegible] The drop was due [illegible] the price [illegible] beans and a [illegible] fruit.

The other [illegible] came [illegible] 1,7%.

Economists [illegible] for [illegible]

[illegible] Mutual economist [illegible] inflation [illegible]

[illegible] said 1994 [illegible] the third year [illegible] PPI [illegible] inflation [illegible] rand [illegible] the PPI [illegible] in 1995.

Southern [illegible] economist [illegible] said a Gordon [illegible] PPI inflation [illegible]

Upward pressure

[illegible] economist [illegible] Lom [illegible] said he expected PPI [illegible] between 10 and 11% [illegible] There will be upward [illegible] in the [illegible] probably [illegible] higher [illegible] drought.

[illegible] December [illegible]

[illegible] chief economist [illegible] Dennis Dykes [illegible] in September.

Food price falls trim inflation

ARG 27/1/95

Business Staff

NEW falls in food prices held the year-on-year inflation rate down to 9,9 percent in December — the same as November And the average inflation rate for the year, at 9 percent, is the lowest for 24 years

Central Statistical Services (CSS) figures show that food price inflation slowed further in December, as prices of vegetables fell 9 percent and of sugar 0,3 percent

This helped to offset higher prices for grain products (up 1 percent), meat (up 1,4 percent for meat), fish and other seafood (0,7 percent), milk (0,1 percent), fats and oils (3,2 percent) and coffee, tea and cocoa (3,4 percent)

But over the year to December, food prices are still up a whopping 17,6 percent and average food inflation for the year, at 13,8 percent, is well up on 1993's 6,8 percent

Boland Bank economist Francois Jansen said single-digit inflation for 1995 was unlikely

Interest rates were likely to be raised twice, higher demand for credit with the acceleration in economic activity; a weaker trade balance and a depreciating rand would all contribute to inflationary pressures.

He expected an average inflation rate of 10,5 percent for the year

Absa senior economist Adam Jacobs said although it was pleasing inflation had not risen to double digits in December, the fact that food prices had not dropped further was disappointing

The food price component of the inflation rate still remained very high, he said.

Mr Jacobs said the non-food component of the inflation rate was gradually moving upwards but inflation at this stage was not out of control

He said it was unlikely the better inflation figures would stave off an interest rate hike.

South Africa's financial authorities were more concerned about the state of the current account of the balance of payments, the Mexican peso crisis and the large increase in the money supply and bank credit to the public

The Mexican crisis had influenced emerging markets negatively and made the cost of credit more expensive

A higher interest rate was also therefore needed to attract foreign investors to South Africa, he said

Mr Jacobs said the government and other borrowers were also likely to be sensitive to the higher cost of foreign credit and attempt to raise money locally, which in itself would also put pressure on interest rates

Petrol cost down by 2c a litre

(244)

CT 2/2/95

Special Correspondent

PETROL came down 2c a litre yesterday, making it 10c a litre cheaper than in October, and the drop is helping to keep inflation to single figures.

Petrol has about a 3% weighting in the basket of consumer costs calculated in the consumer price index (CPI). That means, says Econometrix economist Mr Tony Twine, that the drop has knocked about 0,15% off the CPI — which was 9,9% last month.

Owing to a different refining process and demand worldwide, the diesel price — now down 1c to R1,66 a litre — is 2c above its October level.

While the CPI effect is negligible, diesel price changes are also not providing any impetus to producer costs. Fuel comprises only a small part of the distribution cost of most goods, probably not more than 1c out of 5c in a product with a R1 wholesale price, says Grocery Manufacturers' Association executive director Mr Jeremy Hele.

Beer price goes up 6,9%

Business Staff (244)(~~152~~) ARG 7/2/95

THE wholesale price of beer is up 6,9 percent on average from today, South African Breweries has announced.

Price increases for different brands vary slightly.

Increased retail prices have not yet been determined and beer prices in off-sales will remain unchanged today, a city bottle store manager said.

SAB beer division marketing director Barry Smith said they had been able to keep the increase below inflation because of productivity improvements and input cost containment.

Beer prices up by 6,9%

192
244
27/12/95

JOHANNESBURG. – South African Breweries' beer prices rise 6,9% today, its beer division said yesterday.

SAB said beer prices in bottle stores, taverns and bars were set by retailers and it was therefore not possible to say when, or by how much, retail prices would increase. – Sapa

Producer prices rise by 9,7%

(244)

CT 14/2/95

By AUDREY D'ANGELO
Business Editor

THE producer price index (PPI) rose by 0,6% between November and December — mainly due to higher domestic prices. The domestic component of the PPI rose by 0,7% during the month, while the imported component rose by only 0,1%, reflecting the stability of the rand and low inflation among SA's major trading partners.

The PPI for December showed a rise of 9,7% over the 12 months compared with 9,4% in November. The annual percentage rise for locally produced goods was 10,4% compared with 9,9% in November. The annual percentage rise for imported goods was 6,9% compared with 6,7% in November.

The biggest rise for domestic goods was in mining and quarrying products which rose by 2,1% during the month, due mainly to a rise of 4,8% in the price of coal. Agricultural products, manufactured food, textiles and made up goods rose by 1,1% during the month.

Two economists — Johan Els of Old Mutual and Nick Barnardt of stockbrokers Ed Hern, Rudolph — pointed out that the continuing trend for domestic prices to rise

Domestic prices 'too high'

at a faster rate than those of imported goods would encourage imports with undesirable consequences for the balance of payments (BoP).

Barnardt said the increasing gap between the price of imports and domestic goods was "worrying" and showed that "we cannot forever fight inflation by keeping the rand stable (against other currencies)".

He thought the solution was to abolish the finrand accepting a depreciation of about 12% in the rand while continuing to control inflation by tight monetary and fiscal policies. "We need an exchange rate depreciation to keep the BoP from getting out of hand."

But Sanlam chief economist Johan Louw said he did not think SA could abolish the financial rand at present "against the background of what has happened in Mexico".

Louw pointed out that present inflows were of short-term capital rather than long-term investment.

Discussing the PPI, Louw said he expected it to average 9% for the first quarter of this year because it was rising from a low base in the first quarter of 1993. "But it will decelerate later in the year, because it is rising from higher levels. I expect it to average 8,5% for 1995."

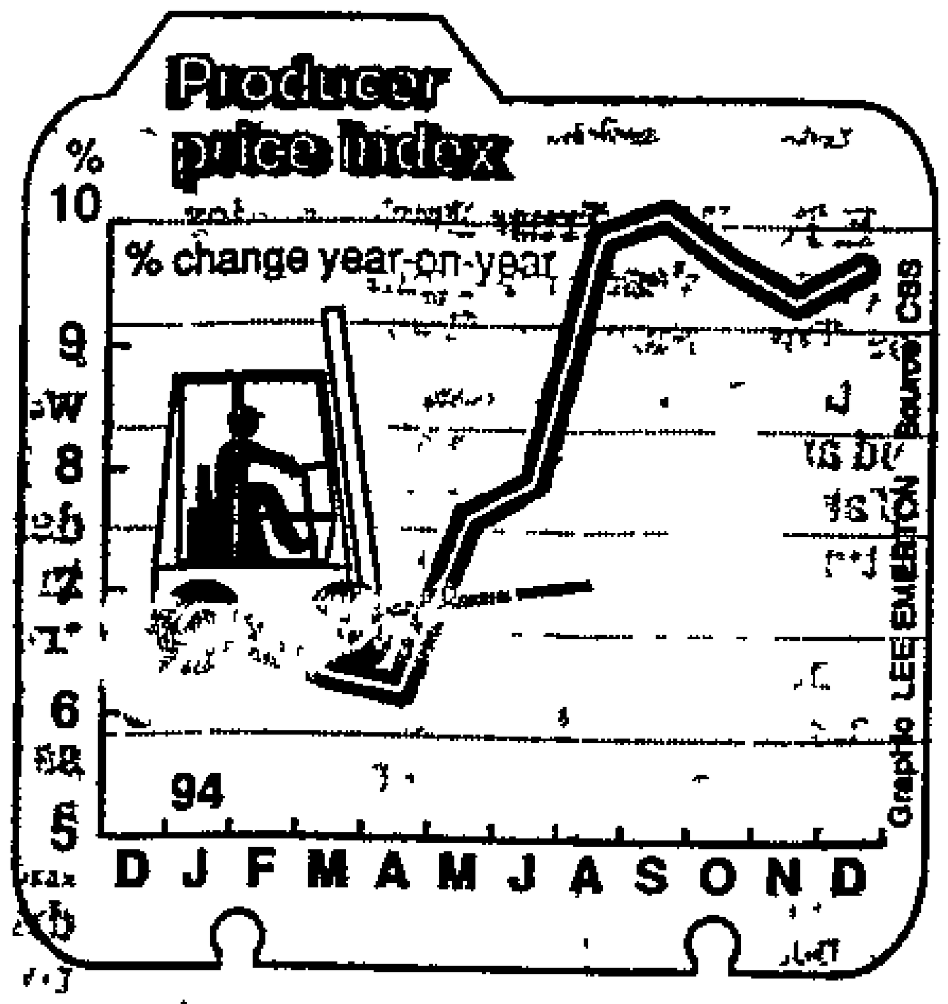
Boland Bank economist Francois Jansen said he thought it encouraging that the imported component of the PPI had remained low, in spite of the substantial depreciation of the rand against the dollar in the middle of last year, because it showed that fears of imported inflation had been exaggerated.

Southern Life economist Sandra Gordon said food prices had risen by a higher than expected 1,3% month on month. "This reflects higher meat prices (1,7% month on month), and surge in fruit prices, (18,7% month on month) which more than offset declines in grain (-0,1% month on month), milk and eggs (-0,4%) and vegetable prices (6,9%)."

She forecasts an average PPI of between 9% and 9,5% during 1995.

Johan Els said he did not think the higher meat and fruit prices were the start of a trend.

He expected the PPI to move up gradually during the year, to reach 12% in December, and to average 10,5% for the year.



Food prices push up producer inflation

244

MUNGO SOGGOT

PRODUCER inflation in December rose to 9,7% from 9,4% in November as food inflation staged a comeback, Central Statistical Service figures released yesterday showed.

Economists said the the figure brought 1994's average to 8,2%, up from 1993's 6,7%. Some were surprised by the renewed acceleration in food inflation as it had slowed for two consecutive months after hauling producer inflation into double digits in September.

BD 14/2/95

Food inflation had underpinned a 0,6% monthly rise in the producer price index (PPI). The rise stemmed mainly from local inflationary pressures as a stronger rand had again kept the imported component of the PPI in check, they said. The local component rose 0,7% and the imported component was up 0,1%.

Sanlam senior economist Pieter Calitz said improved rains meant overall food inflation was unlikely to get out of hand. Meat inflation was unlikely to grow too severely as stronger demand would be met with higher imports which cost up to 30% less. He predicted single-digit producer inflation until mid-1996.

There was a 1,1% monthly increase in food inflation. The meat price index rose

Inflation

BD 14/2/95

From Page 1

3,2% and the vegetable price index dropped 6,9%. Economists said seasonal factors could have triggered part of the rise in meat inflation.

Old Mutual economist Johan Els said the gap between local and imported manufacturing inflation was widening. The figures pegged local manufacturing inflation at 9,9% and imported at 5,6%.

Els said the domestic manufacturing sector had to become more competitive to cushion the blow to the balance of payments which would come from higher imports. He expected producer inflation to hover at 10% for the first half of this year and finish the year at about 12%.

Local manufacturing inflation rose 0,5% and imported manufacturing inflation 0,2%. "The traditional effects of an economic upswing seem to have filtered through to local manufacturing prices," said another economist.

She said the oil price index had risen 1,1%, reflecting higher oil prices from a few months back as oil prices had dropped in December. A 4,8% monthly increase in the coal price index probably stemmed from higher contract prices.

There was a monthly 1,1% increase in the textiles and made-up goods index, a 0,7% increase in the petroleum and coal products index and a 0,7% increase in the base metals index.

Heat hammers fruit, veg prices

Star 17/2/95

Fruit + Veg.

244

■ STAFF REPORTER

Peaches are the pick of the week with all other fruit and vegetables at the Johannesburg Fresh Produce Market increasing in price because of the drought and hot weather over most of the country

Market director Daan Spengler said almost all produce now had a much shorter shelf life because of the ongoing heat

He recommended that consumers buy their fresh produce twice a week instead of once a week.

Even though mangoes, litchis and avocados are in season, the drought, coupled with the heat wave, has taken its toll on production as well as price

Too little rain and too much heat has also led to the price of lettuce, broccoli, carrots, cabbage and beans going up as well as lower quantities being available

Liquor, tobacco price rise likely in new Budget

ALIDE DASNOIS 244
Deputy Business Editor

TOBACCO and liquor are likely to be more expensive after the March 15 Budget, says Sanlam chief economist Johan Louw. ARG 20/2/95

He says Minister of Finance, Chris Liebenberg, can be expected to raise excise duties on liquor and tobacco

A moderate increase in the VAT rate is also a possibility.

And more bad news for consumers could come from a hike in the fuel levy which will raise the cost of petrol.

But there's good news on the way too, says Mr Louw· people in lower and middle income groups can expect lower personal taxation from Mr Liebenberg's first Budget.

The government will probably not be able to implement the Katz Commission's recommendations in full, Mr Louw says, because this would cost about R3 billion in revenue. So only limited tax relief is expected.

The minister will probably be looking to people in higher income brackets to make up for any decreases in tax on the less wealthy.

Mr Louw expects the government deficit to total R27,5 billion, or 6,2 percent of Gross Domestic Product (GDP). This is less than the budgeted 6,6 percent.

Food price increases forecast

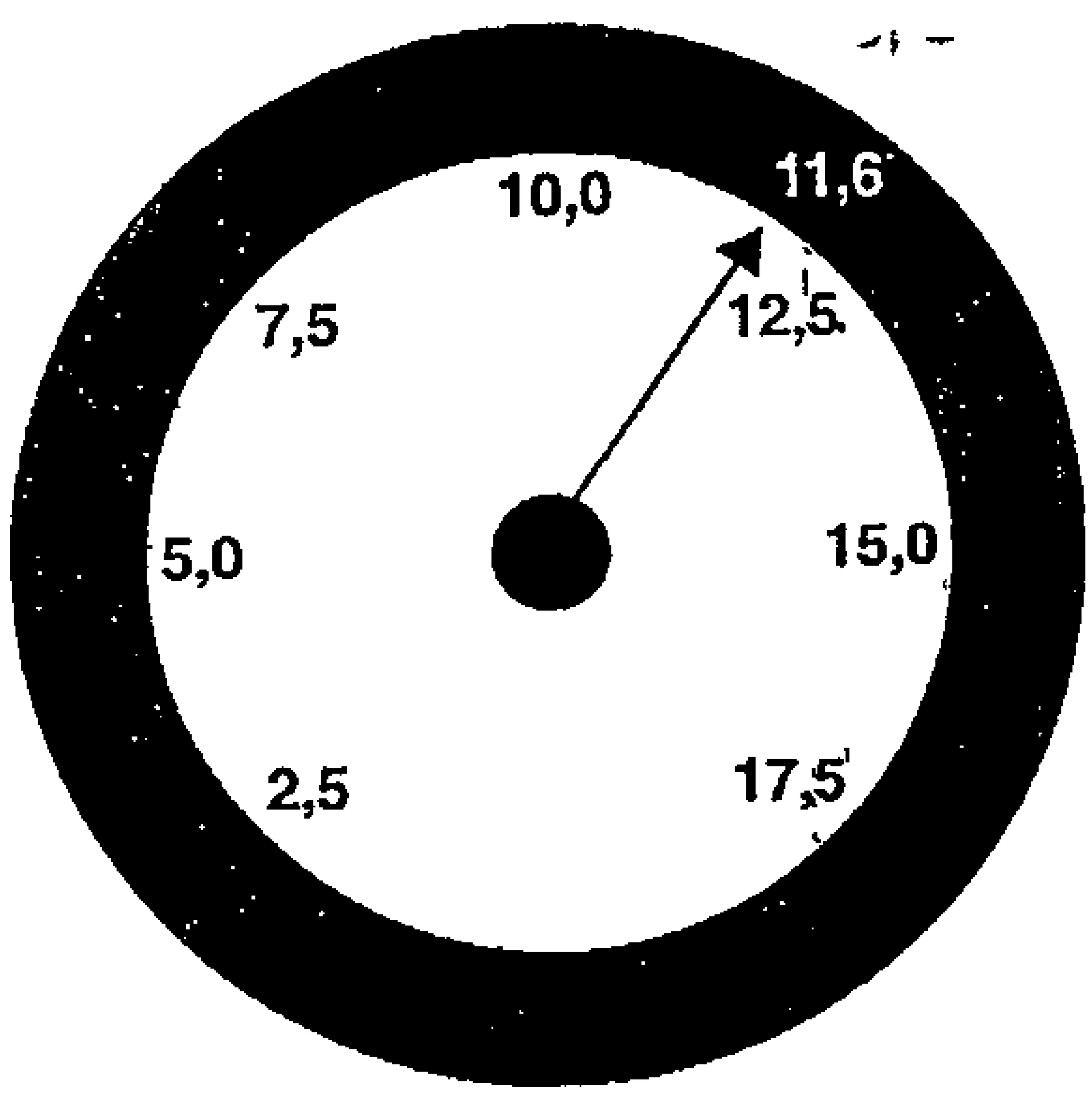
CT 23/2/95

244

From
CLAIRE GEBHARDT

Inflation barometer

Reading: 1st Quarter 1995



JOHANNESBURG. — Inflation could reach 11,6% year-on-year over the next six to 12 months, according to the latest Afrikaanse Handelsinstituut Inflation Barometer.

The AHI said the average year-on-year consumer price index (CPI) inflation rate had increased from a low point of an average 7,3% in the second quarter of 1994 to 9,9% in the fourth quarter in the wake of particularly sharp increases in food prices and non-food inflation

The Producer Price Index (PPI) inflation rate had also risen by an average year-on-year rate of 8,2% in comprison with 6,6% in 1993

"The braking effect of the imported component (average of 5,4% in 1994) could disappear after the abolition of the financial rand and subsequent rand depreciation"

Food inflation had exercised strong upwards pressure on inflation in 1994

The phased lowering of import tariffs in accordance with the GATT Marakkesh Agreement could make imported food and imports cheaper in general

On the other hand, the possible abolition of the financial rand could result in higher import prices

"Taking everything into consideration — specificially against the background of the drought and the relatively poor agricultural year in comparison with 1994, there could once again be food price increases of more than 10% in 1995"

The AHI said the most important factors currently exercising upwards pressure on the barometer, and therefore on the inflation rate, were growth in the broadly defined M3 money supply and the high level of inflationary expectations as reflected in the yield curve of long term interest rates and the BER's expectation index

This was probably linked to the anticipated abolition of the financial rand

"Consequently, the real inflation rate over the next six to 12 months could be lower than the levels anticipated by the Barometer if the financial rand is abolished within the next few months."

"During March fuel prices should be increased once again due to under-recoveries, while possible additional fuel levies with a view to establishing a road-building fund could push fuel prices upwards from April."

Wage demands could neutralise the possible contribution of further productivity increases to the lowering of unit costs

The improvement in the gold and foreign exchange reserves was disappointing in the last few months due to poor export performances

Net capital inflows were mainly short-term in nature. A strong show by the tourism industry due to the rugby world cup could however help to brace the current account

LATEST

244

Petrol price to rise by 5c/ℓ on March 1

JOHANNESBURG. — The price of petrol will increase by 5c/ℓ at the beginning of March, the Central Energy Fund said today.

It is the highest rise since February last year, when the price was pumped up by 9c/ℓ.

The increase follows a sharp rise in world fuel prices and international freight rates.

Although the diesel price would not increase, paraffin would cost 1c/ℓ more. — Sapa.

ARGT 27/2/95

Petrol price hike 'caused by external factors'

PRETORIA. — The petrol price rise of 5 cents a litre starting tomorrow is due to external factors such as the world price of crude oil and the rand/dollar exchange rate, the Motor Industries Federation said in a statement yesterday.

It said the rise was "a great pity" in view of the price-reducing effects of a new pricing system introduced in October last year

"This price mechanism is, however, still very appropriate, as it removes political influences from price determination and ensures that the matter is dealt with purely on economic factors."

The MIF pointed out the new petrol price, R1,78 a litre, would be below the price reigning when the new pricing system was introduced: R1,83 a litre. — Sapa

CT 28/2/95 (244)

DP lauds new price moves by chemists

244

BY BARRY STREEK
POLITICAL STAFF

CT 8/3/95

THE move by pharm[illegible]duce a new pricing system to cut the cost of medicine was to be welcomed, the Democratic Party said yesterday.

The announcement in this regard by the Pharmaceutical Society and similar initiatives by wholesalers were important steps, the DP said in a statement issued by its health spokesperson, Mr Mike Ellis

"Medicine costs have spiralled in recent years and the DP has always called for an investigation of the whole distribution chain of medicine from the manufacturer to the patient

"These announcements now indicate a pro-active role on the part of two important components of the distribution chain and is most encouraging," Mr Ellis said in the statement.

He said the role of dispensing doctors needed urgent attention

CT(BR) 15/3/95 (244)

PPI surges to a three-year high

Economists predict gloomy outlook for consumer prices as producer prices rise across the board

By Roy Cokayne
PRETORIA BUSINESS EDITOR

... inflation, a leading ... of the course of consumer prices, surged to its highest level in over three years in January

Economists said that the latest Production Price Index (PPI) figures were disappointing, and would have an impact on consumer prices in months to come

Figures released by Central Statistical Service (CSS) revealed the PPI rose 0,8 percent in January to 10,5 percent, from 9,7 percent in December last year.

CSS said January's PPI was the highest increase in the index since October 1991 when it was 11,1 percent. Between December last year and January this year, the PPI rose by 1,6 percent and by a seasonally adjusted 1,4 percent.

The annual rate of increase in the PPI for imported commodities in January was 9,3 percent — the highest rate of increase since September 1991 when the rate was 10,1 percent. In December last year this rate was 6,9 percent.

The PPI for several commodities for South African consumption showed relatively large increases.

Included among these were the price indices for tobacco products (up 12,7 percent), electricity (up 5,4 percent), footwear (up 4 percent) and some agricultural products such as grain (up 10,5 percent), vegetables and dried beans (up 3,7 percent)

By contrast, the price indices for fruit dropped by 28,4 percent and leather and leather pr... b... 1,3 percent.

Econometrix director and chief economist Azar Jammine said the general jump in prices was the sharpest in a long time.

Special reasons, such as price rises being pushed through on January 1, were the only possible explanation for the sharp increase in the PPI. However, he added that the seasonally adjusted rate had also risen.

What was really disturbing was that the PPI was a leading indicator of the course of consumer prices But even non-food prices had risen. "Every way you look at the PPI figures, they look bad", Jammine said

Standard Bank group economist Nico Czypionka said the latest PPI figures were certainly above the bank's expectations.

He said the month-by-month rate of increase of 1,6 percent translated into an annual PPI rate of 19 percent.

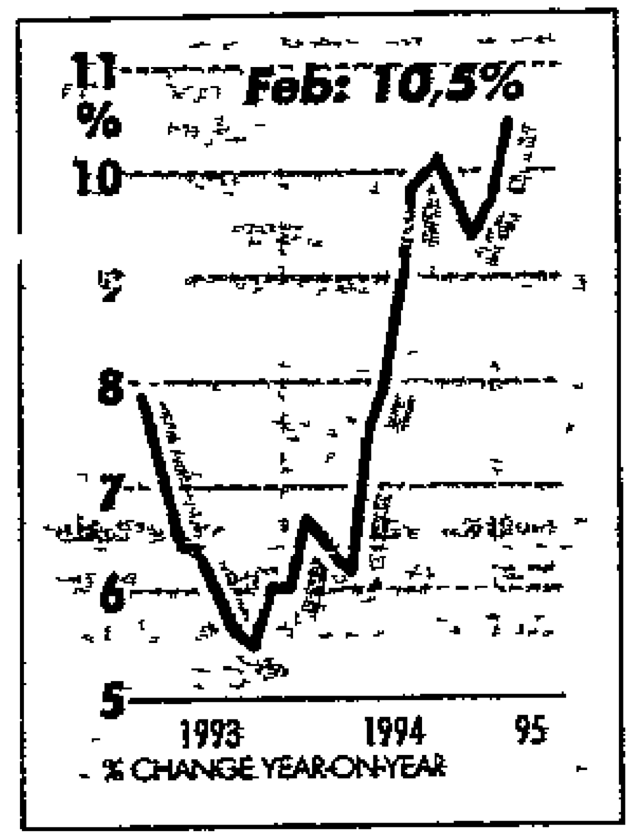
Czypionka said what was disturbing was that price increases had occurred across the board.

The picture was not particularly healthy The PPI fell below 6 percent in 1993 but had backed up to a level that was not really palatable.

Czypionka said the latest PPI figures would have an impact on inflation expectations and would not be well-received by the market.

He believed the CPI would hover around 10 percent this year.

Producer price index



Big day for futures

The largest futures close-out since the inception of Safex is expected tomorrow

Although near-dated gold contracts came under pressure, the all share and industrial contracts were buoyant, pro... the comment that South ... had achieved new status as a global player now that the financial rand had been scrapped.

The all share index closed at 5268, the all gold index at 1514 and the industrial index at 6632.

The March 1995 all share contract was bid at 5293 and offered at 5295

The near-dated gold contract was bid at 1510 and offered at 1515

And the near-dated industrial contract was bid at 6690 and offered at 6695. — Staff Writer

Inflation fears re-emerge as producer prices surge

(244)

Star 15/3/95

BY ROY COKAYNE

Producer price inflation, a leading indicator of the course of consumer prices, surged in January to its highest level in three years.

Economists described the latest Production Price Index (PPI) figures as disappointing, adding that it would have an impact on consumer prices in months to come.

Figures released by Central Statistical Service (CSS) revealed the PPI rose 0,8 of a percentage point in January to 10,5% from 9,7% in December last year.

CSS said January's PPI was the highest rate of increase in the index since October 1991 when it was 11,1%.

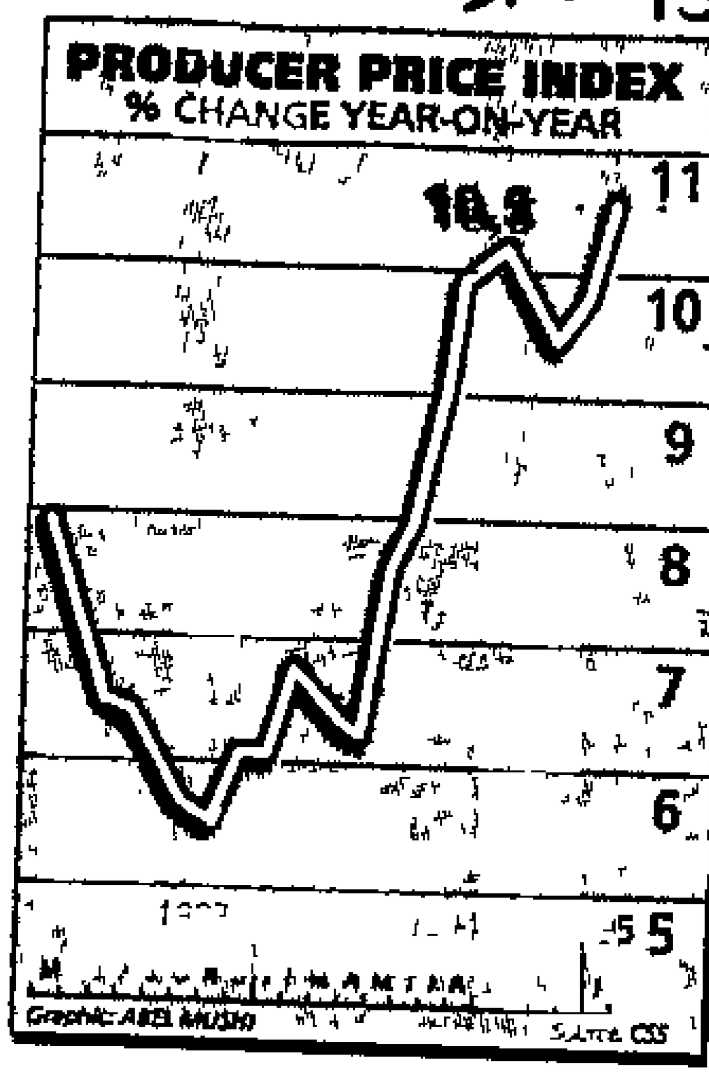
Between December last year and January this year, the PPI rose by 1,6% and by a seasonally adjusted 1,4%.

Imports

The annual rate of increase in the PPI for imported commodities in January was 9,3%, the highest rate of increase since September 1991 when the rate was 10,1%.In December last year this rate was 6,9%.

The PPI for several commodities for South African consumption showed relatively large increases.

Included among these were the price indices for tobacco products (12,7%), electricity (5,4%), footwear (4%) and some agricultural products such as grain (10,5%) and vegetables and dried beans (3,7%).



By contrast, the price indices for fruit dropped by 28,4% and leather and leather products 1,3%.

Standard Bank group economist Nico Czypionka said the latest PPI figures were certainly above expectations.

He said the annualised month by month rate of increase of 1,6% translated into an annual PPI rate of 19%.

Czypionka said what was disturbing was that prices increases occurred across the board.

It's not a particularly healthy picture The PPI was below 6% in 1993 but has now backed up to a level that is not really palatable, he said.

Czypionka said the latest figures would have an impact on inflation expectations and the markets won't like them either.

However, he believed the CPI would stay around or just below 10% this year

But he said the increase in oil prices, which could result in higher fuel prices, was worrying because this would have a fairly direct and immediate effect on the CPI.

Food prices had also not fallen off as much as anticipated, he said.

It's a signal that consumer inflation is not going to fall off even if the pace of the economy cools down a bit, he said.

Disappointing

Nedcor senior economist Magan Mistry described the figures as disappointing, adding that the market was expecting a rate of below 10%.

The market had anticipated price increases but the size and the number of items was a surprise, he said.

Mistry said the price increases were broadly based and would have some impact on the CPI in months to come.

Price increases in the PPI normally had an impact on the CPI with a lag of two to three months, he said.

He said it was difficult to estimate the extent of this impact on the CPI, but Nedcor foresees the CPI kicking up to double digits from April for two to three months and easing again towards the end of the year.

Petrol price shock in the offing

■ OWN CORRESPONDENT

Durban — Another 5c or 6c a litre on the price of petrol next month is no April fool joke — it's a certainty.

One cent of that will go into the Government's pocket as part of the first half of the phased-in 2c increase in the fuel levy announced in the Budget.

The remainder will go to recover the average daily shortfall of the pump price on the all-in delivery price as calculated using the formula agreed by all parties to the National Economic Forum liquid fuels task group

The "basket" of refined fuel prices used to calculate the landed cost has been rising since the beginning of the year

(244)

Another hike for new fuel?

(244) (153)

POLITICAL STAFF

THE 2-cents-a-litre hike in the fuel levy announced yesterday could be increased again later this year with the expected introduction of unleaded petrol CT 16/3/95

Finance Minister Mr Chris Liebenberg said no final decision had been made on how the fuel levy might be affected by the introduction of unleaded petrol, but "when we get to unleaded we will have to look at the whole issue afresh."

The 2c/litre increase should yield an additional income of about R300 million for a full year and R255m for the remainder of the 1995/96 financial year.

Petrol price to increase by six cents a litre

244

CT 29/3/95

JOHANNESBURG: The price of petrol will rise by six cents a litre on April 5, the Central Energy Fund said yesterday

The latest increase follows the five cents per litre increase announced in March, pushing the fuel price to its highest level since the introduction of the revised pricing mechanism in October

The fund said the new increase was necessary because of the continued rise in international petrol prices, the deterioration of the rand against the US dollar and a higher fuel tax.

The one cent per litre hike in the fuel tax, announced in the Budget, will result in diesel costing a cent more per litre.

Petrol at the coast will cost R1,74 per litre, up from R1,68, and diesel R1,57, up from R1,56 In Gauteng, petrol will cost R1,84 (R1,78) and diesel R1,67 (R1,66) —Sapa

Petrol price up six cents on April 5

(244)

JOHANNESBURG. — The price of petrol will rise by six cents a litre on April 5, says the Central Energy Fund

The latest increase follows the 5c rise this month, pushing the price to its highest level since the introduction of the revised pricing mechanism in October 1993

The CEF said the April increase was necessary because of the continued rising trend in international petrol prices ARG 29/3/95

The one cent increase in the fuel tax, announced in the Budget, results in a one cent increase in both petrol and diesel prices

At the coast, petrol will rise to 1,74 cents a litre from 1,68 cents and diesel to 1,57 cents from 1,56 cents. — Sapa

Veg prices boost PPI

Business Staff (244)

VEGETABLE prices were again the culprit in higher producer price inflation, February figures show. (3)

Producer price data issued yesterday by Central Statistical Services shows the price index for vegetables and dried beans shot up 20 percent in February, dragging prices of agricultural food products up 1,3 percent over the month in spite of a fall of three-percent in the price of other food products.

Year-on-year, the producer price index is up 10,6 percent — its highest rate since October 1991. ARG 12/4/95

Imported inflation dropped from 9.3 percent a year in January to 8,5 percent in February, reflecting a stronger rand. But prices of locally produced goods rose 11,1 percent over the year, compared to 10,7 percent in the year to January

Other contributors to February's disappointingly high figure were fishery products (up 2,1 percent over the month), rubber products (up five percent), non-ferrous metals (up six-percent) and machinery, with the price of motor vehicles, parts and accessories rising 2,5 percent over the month

SA-BORN SIR ALASTAIR MORTON FACES YET ANOTHER CRISIS

TARNISHED MEDIA TYCOON FACES UP TO THE 'CRAFTBUSTER'

HOW A SPARTAN DWELLING CAN BE TRANSFORMED

Alarm bells ring as producer price inflation rises again

CT(BR)12|4|95

244

By Claire Gebhardt

Economics Editor

South Africa's producer price inflation continued to climb in February to 10,6 percent — its highest rate since October 1991, according to the Central Statistical Service

This is the third consecutive monthly increase for the production price index (PPI) which stood at 10,5 percent in January

Economists said yesterday the figure was giving advance warning that inflationary pressures were igniting again. The PPI was forecast to move up to 11 percent over the next few months

Consumer price inflation, which narrowly retained its single-digit status at 9,9 percent in February, was likely to move up very rapidly into double-digit territory given the latest figures

The PPI rose 1,2 percent on a month-on-month basis Seasonally adjusted, the increase was at 1,1 percent.

Tracy Ledger, an economist at Mathison & Hollidge, said capacity constraints and higher food prices were driving producer inflation.

Johann Louw, the chief economist at Sanlam, said the "higher-than-expected" monthly number indicated that cost pressures were building up — particularly on the labour and capacity utilisation fronts

The annual rate of increase for locally produced commodities was 11,1 percent in February, compared to 10,75 percent in January

This index showed an increase of 1,4 percent from January 1995 to February 1995

The PPI for imported commodities showed an annual rate of increase of 8,5 percent for February — 0,9 percentage points lower than the corresponding rate of 9,3 percent for January

A monthly increase of 20 percent in the price index for vegetables and dried beans was mainly responsible for a 1,3 percent increase in the price index for agricultural food products The prices of "other agricultural" products decreased by 3 percent.

Louw said with pressure on both the producer and consumer fronts, the CPI was likely to peak at about 12,5 percent by the end of the year or early next year

Producer price index

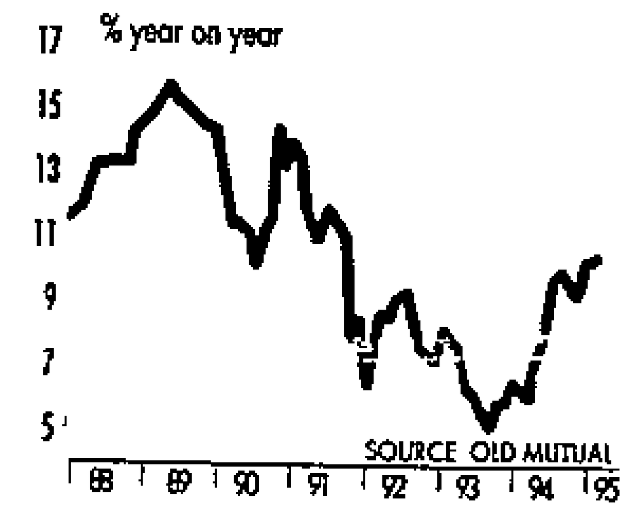


PHOTO AP

~~SHARE~~ (244)

Sugar to go up: The price of sugar is to increase by about 8,7 percent on May 1, leading to ripple increases in products such as soft drinks, canned fruit and confectionery, Pick 'n Pay Supermarkets spokesman Michael Lafferty said yesterday

CT(Be) 20/4/95

Sanlam: Food will fuel inflation

CT(BR) 24/4/95 (244)

By Claire Gebhardt
Economics Editor

Food price increases are likely to be the single most important contributor to rising inflation in 1995, says Sanlam's latest Economic Report.

Inflation is forecast to vary between 10 percent and 11 percent for most of 1995, as the effects of the recent drought filter through to consumers.

Other factors likely to stoke inflationary pressures include the higher indirect taxation announced in the Budget, successive fuel price hikes, and the increase in housing costs as a result of the upward adjustment of interest rates and higher service fees.

The food item with the fastest inflation growth is meat, with prices in the first two months of this year 29,1 percent higher than in the same period last year.

Coffee, tea and cocoa prices have also rocketed, with a 27,9 percent year-on-year increase, while fruit and nuts have increased 26 percent year-on-year.

Vegetables prices recorded a 14 percent annualised increase, in the wake of severe frosts experienced last year.

The good news is that price increases for milk, cheese, eggs, fish, sugar and cereals have remained below the year-on-year rise in the consumer price index for all items, which has been steady at just below 10 percent in recent months.

Only moderate increases in the prices of imported goods are expected in the next few months in the light of the relatively stable rand-dollar exchange rate.

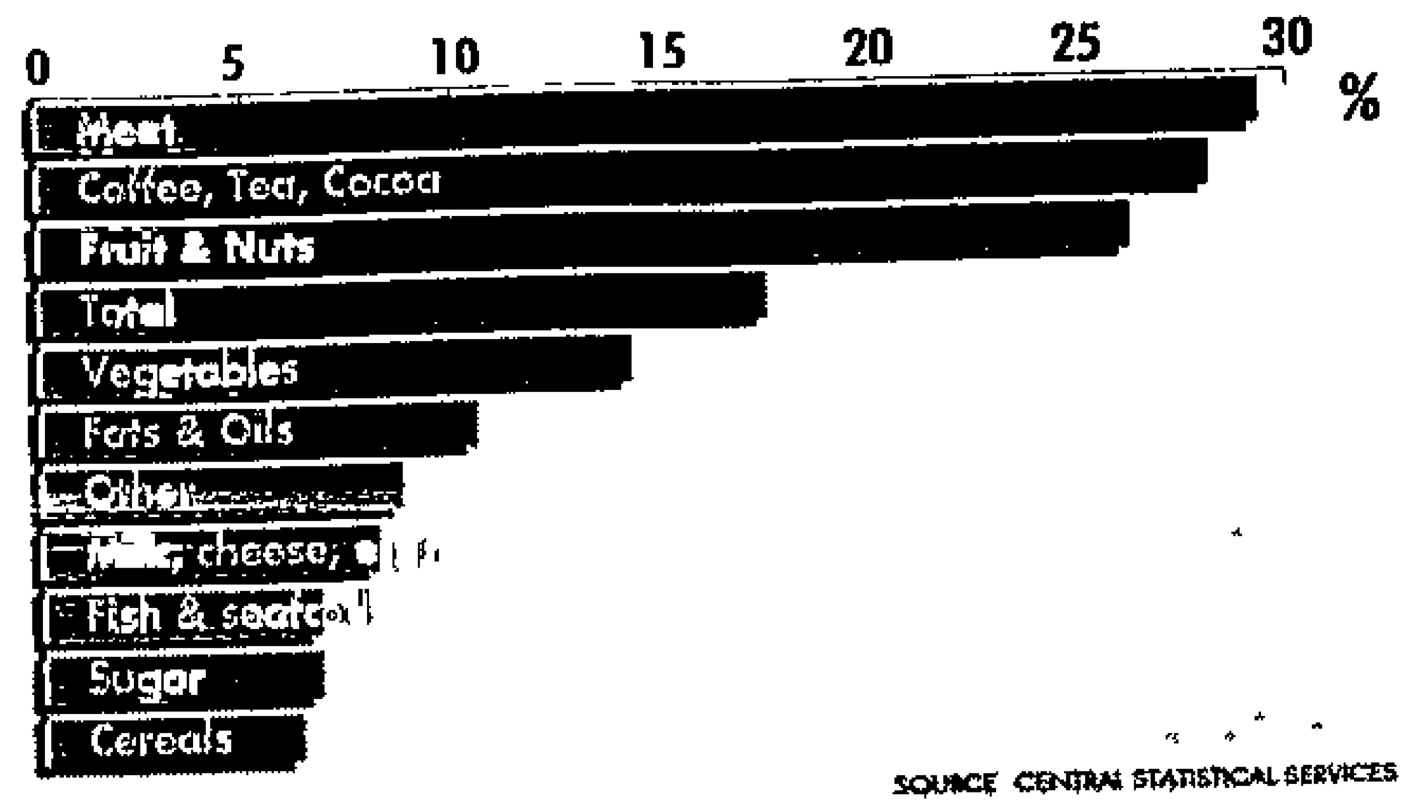
However, the expected recovery of the dollar and the resultant weaker rand could place upward pressure on them later this year.

Consumers are likely to be hit by another Bank rate increase, of at least one percent, this year as a result of an acceleration in the demand for credit and the expected growing deficit on the current account of the balance of payments.

"The prime overdraft rate of banks will be adjusted accordingly," the Economic Report says.

The fact that interest rates have not been immediately adjusted is attributed to the orderly manner in which the financial rand was abolished, it says.

Percentage change in the food price index
(first two months of 1995 compared with the same period in 1994)



SOURCE: CENTRAL STATISTICAL SERVICES

Sanlam says the Budget, as well as a number of other factors, could suppress the real economic growth rate this year.

These include:

- The drought,
- A further possible decrease in gold production as a result of labour problems, among others,
- Signs that exports may not perform as well as previously thought and,
- Indications that the flow of foreign capital into the country could be less than expected.

The balance of payments could therefore be a bigger problem than previously envisaged.

Growth in real GDP is forecast at about 3 percent this year with the current account of the balance of payments sliding into a deficit of approximately R7 billion or more this year, compared with R2,1 billion last year.

"On the other hand, the improvement in the capital account since the middle of 1994 is continuing, with an estimated net inflow of about R3,5 billion in the first two months of the year," the Sanlam report says.

Eskom comes clean on the environment

Star 28/4/95

BY ANITA ALLEN
SCIENCE WRITER

Eskom has chosen to celebrate the first anniversary of the new South Africa with the release of its first environmental report, and by so doing becomes the first large corporation in South Africa to go public on its environmental performance.

Underlining its commitment to the environment, Eskom now employs 50 full-time environmental specialists, while another 47 technically qualified employees deal with environmental issues as part of their duties.

Highlights of the 38-page report show:

- Eskom's power stations are emitting fewer gases that cause the greenhouse effect, and using less water per unit of electricity produced.
- Eskom believes improved air quality can best be achieved by applying limited capital resources to residential electrification, rather than installing improved pollution control equipment.
- For "a long time to come", Eskom will continue to rely on coal-based power stations for electricity generation.

Under environmental issues fundamental to marginalised communities, the report commits Eskom to:

- Reducing the real price of electricity by 15%, so as to become the world's lowest cost producer of electricity. At present it is the second lowest.
- Electrifying 300 000 homes a year to the end of the century.
- Spending R50-million a year to supply small electricity generating units to clinics and schools in rural areas.

In the process of burning 76,9-million tons of coal in 1994, Eskom's power stations have emitted 122 000 tons of particulates (fine ash and visible smoke), 143 000 000 tons of carbon dioxide, 1 167 000 tons of sulphur oxides and 961 000 tons of nitrogen oxides.

Of 22-million tons of ash waste produced during 1994, 800 000 tons (3%) was sold for making cement and bricks. Rehabilitation has been completed for 60% of the ash dump sites no longer in use. This involved shaping, covering with soil and planting with suitable vegetation.

Eskom now administers some 240 000 km of powerlines. Its policy is to route these lines with minimal impact on communities, agriculture and wildlife.

By reviewing its current environmental status in the open, Eskom has set up a standard against which future performance can be evaluated.

Paraffin prices to drop by 1c

The price of domestic paraffin will drop by 1c a litre from Wednesday, the Central Energy Fund has said. The downward adjustment of 1c is a result of economic factors.

The paraffin price has fallen by 4c since the start of the year, while petrol and diesel prices have risen by 12c and 1c a litre over the same period.

Petrol and diesel prices have moved up mainly because of the strengthening of prices on international markets.

The March Budget also announced a 2c-a-litre increase in fuel taxes. The next 1c adjustment due to higher tax comes into effect on Wednesday.

Paraffin will cost 90,43c a litre from that day on the coast and 101,43c in Gauteng, the fund said. — Sapa.

Star (244) 28/4/95

83-year-old nabs thief

Oslo (Norway) — As if being captured wasn't bad enough, an armed bank robber had to suffer the indignity of being nabbed by an angry octogenarian passer-by here this week. The 83-year-old hero suffered a broken nose, a black eye and a few cuts but still managed to hang on until others joined in. — Sapa-AP.

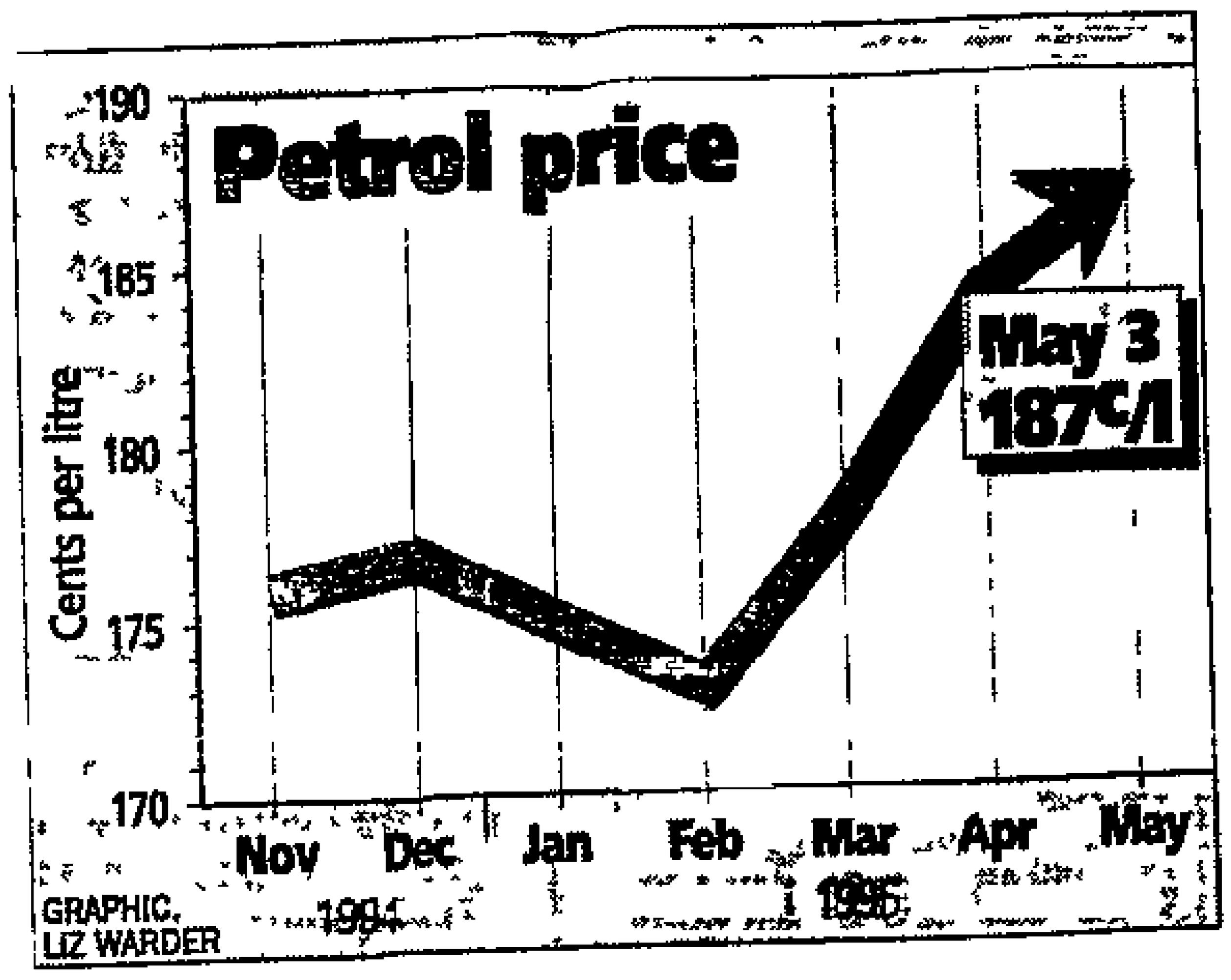
Price of petrol up 3c/l from today

244

BY NIKKI WHITFIELD
CONSUMER REPORTER

Filling up at a service station will be a painful experience for Gauteng motorists today when the price of fuel goes up by a further three cents a litre.

This is the third month in a row that the price has been increased, bringing the total increase since March to 14c/litre. Feeding 93-octane fuel into a car will now cost R1,87/litre — 10c more than coastal drivers are charged — putting petrol at its highest level since the introduction of the revised pricing mechanism in October 1993.



GRAPHIC: LIZ WARDER

The Central Energy Fund, which took over the responsibility of setting fuel prices from the Government, said the latest hike had been triggered by a 1c/litre rise in the fuel tax and a 2c/litre upward adjustment as a result of previous under-recovery of the cost of imported fuel.

The latest hike is unlikely to have more than a 0,8% influence on the inflation rate, according to Keith Lockwood of the South African Chamber of Business.

Lockwood said the new structure made petrol more sensitive to world markets. In the past, an increase in the petrol price saw many other products and services adjusting their costs.

He said that with the new structure, this no longer happened. Therefore, the increase was not expected to have a significant impact on the consumer price index.

Star 3/5/95

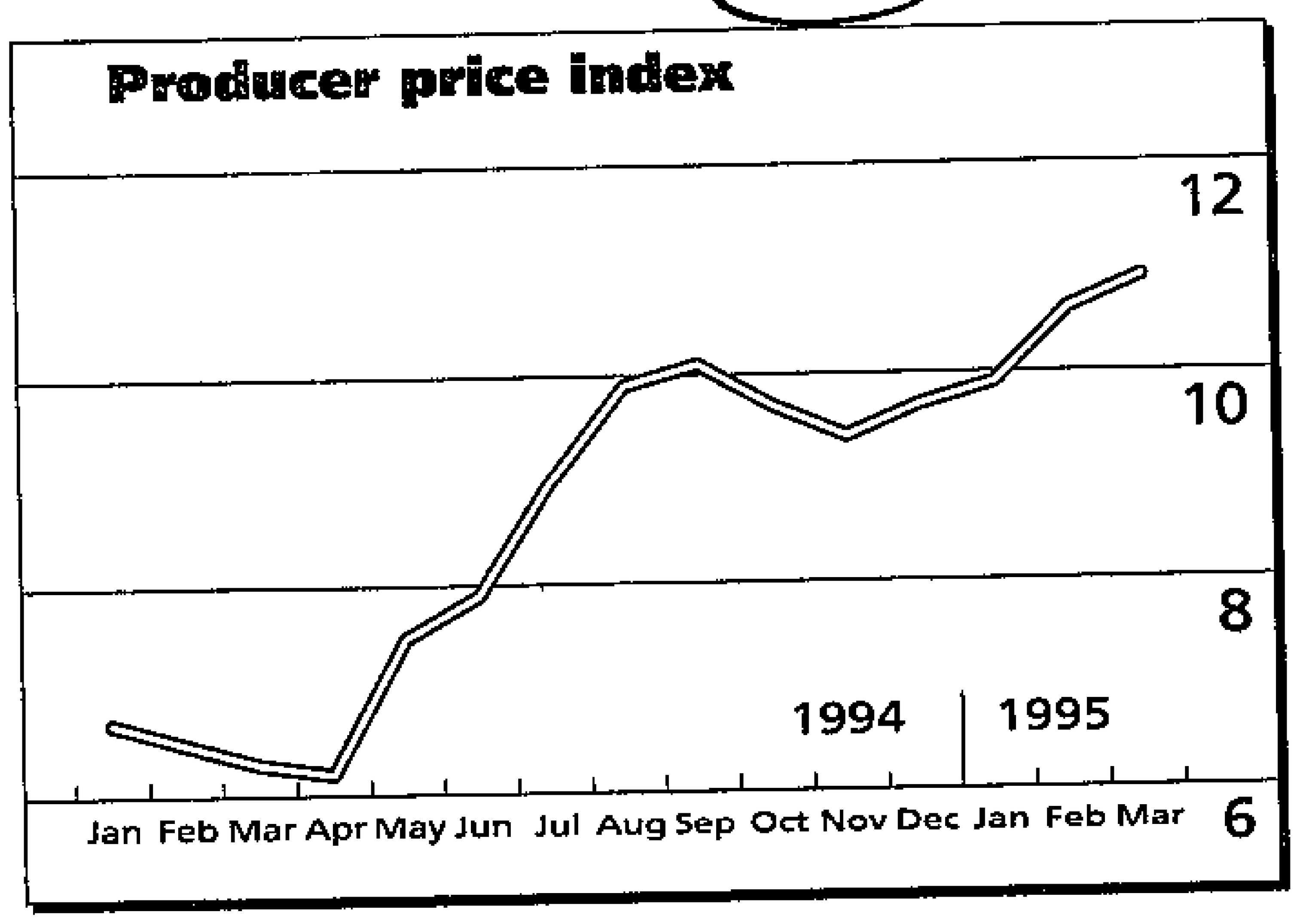
PPI at highest level in 41 months

Star 12/5/95 (244)

The annual rate of increase in the production price index reached its highest level in 41 months in March, Central Statistical Services said in Pretoria yesterday

The annual percentage change in the production price index for all commodities for South African consumption was 10,9% for March, the highest rate since October 1991

According to the CSS,the rate of increase in this index was 0,3 of a percentage point higher than the corresponding rate of 10,6% for February 1995.



Imports

From February 1995 to March 1995 this index increased by 0,2%, while the seasonally adjusted index increased by 0,8%.

The annual rate of increase for locally produced commodities was 11,1% for March, which was the same as February

From February to March the index remained unchanged, while the seasonably adjusted index showed a 0,7 increase

The rate of increase for imported commodities reached its highest point at 9,8% since September 1991, when it stood at 10,1%

The corresponding rate of increase for February 1995 was 8,5%

The index showed an increase of 1,1% from February to March 1995, while the seasonally adjusted index showed an increase of 1,5%

Indices

Commodities which showed large increases in price indices included, mining and quarrying products (2,6%), alcoholic and non-alcoholic beverages (2,8%), textile and make-up goods (4,8%), clothing (3,1%), products of petroleum and coal (1,1%) and transport equipment (1,3%) — Sapa.

PPI (244)
FM 19/5/95

Push versus pull

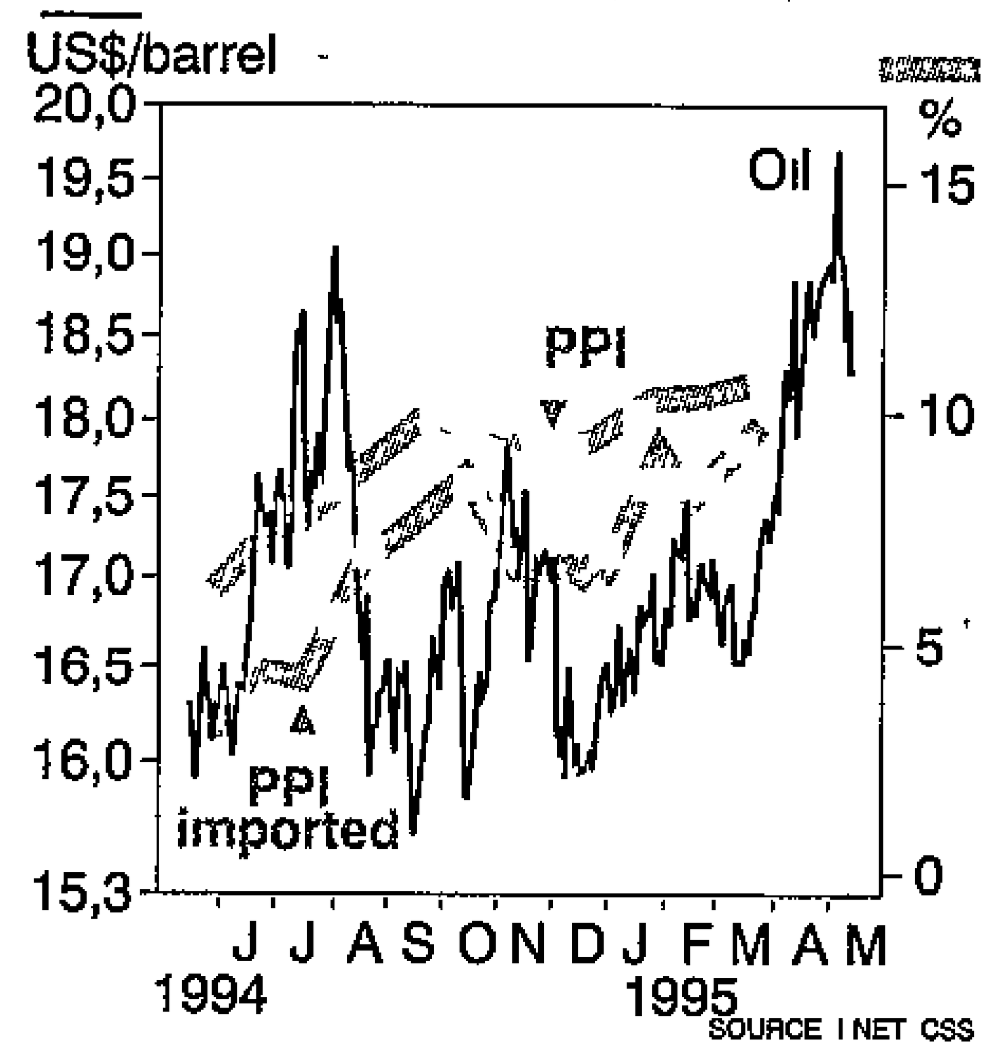
Two countervailing forces were at work in March — food prices, notably meat, and oil prices

Food prices, which are notoriously volatile, fell in the agricultural and manufacturing sectors The former, which accounts for almost 10% of the overall index, fell 1,7% in the month (while the 12-month increase was 13,1%) The index for food in the manufacturing sector, which accounts for 13% of the index, dropped 2,4% (+12,6%)

In both cases, this was the result of strong monthly declines in the meat indices, which more than compensated for increases in other food items.

As a result, the index for locally produced goods failed to rise on a monthly basis, despite a general increase in other areas However, the 12-month rise for locally produced goods remains high, at 11,1% Sanlam senior economist Pieter Calitz estimates that the total index, excluding food, rose 10,3% during the 12 months to March, from about 9,3% in February

But higher oil prices and, to a lesser extent, the strong yen, accounted for the large increase in imported commodities in the month of 1,1% (9,8% over 12 months). The item other mining and quarrying, of which about half is accounted for by oil imports (about 4% of the overall index),



soared 2,8% in the month (28,5% over a year) If trends since March are anything to go by — the spot price of North Sea Brent has increased from US$16,50/barrel in mid-March to around $18,50 recently — more increases in this item are in store

The stronger yen came through mainly in the item motor vehicles, parts & accessories, which rose 1,5% in the month (10%)

Month-on-month, the PPI rose 0,2%, to a year-on-year rate of 10,9%, up from 10,6% in February

Calitz points out that March is traditionally a month of small increases — the seasonally adjusted rate of increase is 0,8% — so it would be foolish to be over-optimistic about the relatively low rise ■

Diesel price to increase next week

BD 26/5/1995 (244)

Mungo Soggot

THE petrol price will not go up next Wednesday if international fuel and oil price trends continue, but diesel will go up 4c/l, according to the Central Energy Fund.

The petrol pump price, which since last September has changed automatically on the first Wednesday of every month instead of at government's whim, has increased for the past three months. In March the petrol price went up 5c/l, in April 6c/l and in May 3c/l.

One fuel industry analyst said it was surprising that the rand's decline during the month had not had a stronger effect.

SA's fuel price was based on international freight charges, international fuel price movements and changes in the rand-dollar exchange rate.

Brent crude was unlikely to rise above $21 a barrel over the next two years, so apart from the rand, the main effect on the pump price in SA would be fluctuations in international refined product prices.

Meanwhile, industry analysts expressed caution at Minerals and Energy Affairs Minister Pik Botha's announcement of an interdepartmental investigation into the pipeline which transports crude and fuel from the coast to Gauteng.

Botha said that whereas coastal crude refining companies had to use the pipeline at a cost of 10c/l, it cost only 3c/l to transport fuel. "What has happened to the 7c/l?" he asked the National Assembly's energy affairs committee. He also questioned the logic of synthetic fuel producer Sasol getting 10c/l on its fuel sales to cover the pipeline costs when it did not use the pipeline.

A Sasol spokesman, in a response, said Sasol's crude refining operation at Sasolburg incurred the full cost of transporting crude.

One analyst said the 10c/l price reflected what it would cost to transport fuel by road or rail. So it was all very well to cut the transport price to 3c/l while the pipeline was running under full capacity, but once fuel was actually transported by road or rail, fuel companies would have to pay the extra 7c/l.

Food, housing, transport push CPI to high 11%

(244) Star 30/5/95

BY CLAIRE GEBHARDT
ECONOMICS EDITOR

South Africa's consumer inflation soared to an annualised 11,0% in April from 10,2% in March, prompting economists to renew their warnings of an imminent bank rate hike which would trigger off a round of prime overdraft and mortgage bond increases.

Economists said yesterday that the CPI figure, combined with the latest money supply figures, indicated a hotting up of inflationary expectations

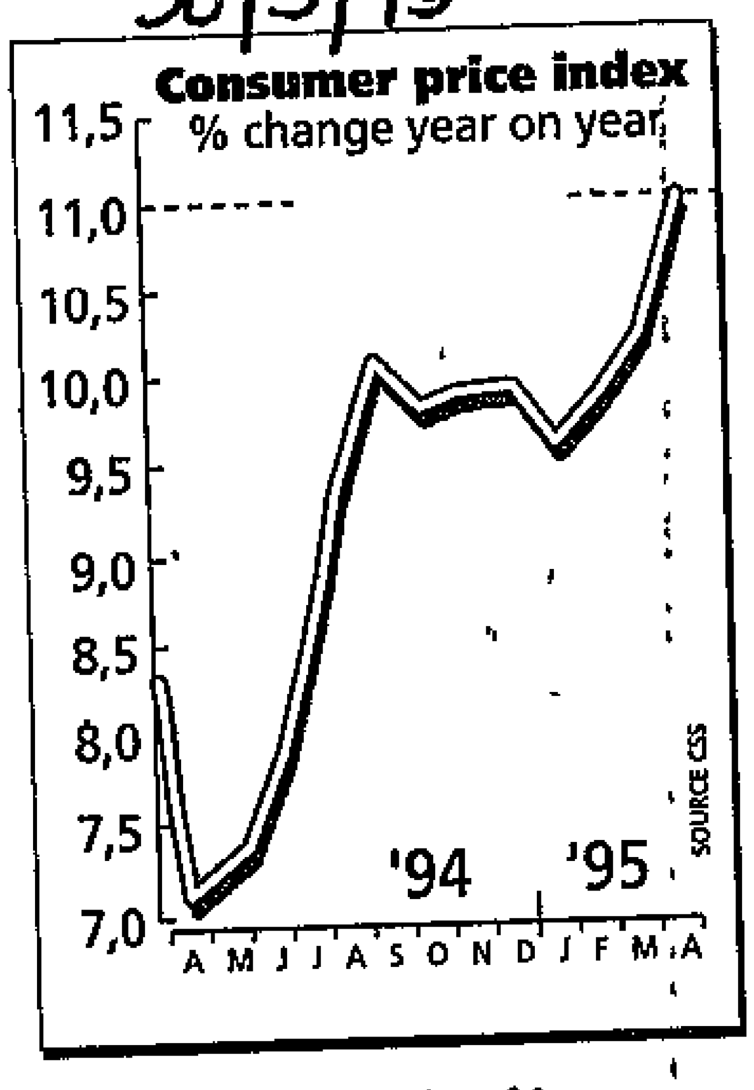
Trade figures due out today are also likely to increase pressure for a rate hike with a widening of the trade deficit

Central Statistical Service (CSS) figures released yesterday attribute the monthly increase in the consumer price index (CPI) of 1,4% from March to April to increases in the price indices for food, housing and transport

The April CPI included the recent mortgage bond increases, the higher excise duties announced in the Budget as well as the recent 6c/litre petrol price hike

Food price inflation showed an annual rate of increase of 17,5% — 0,1 percentage point down on March's 17,6%.

Food prices increased by an annualised 16,9% at chainstores and by 18,3% at other retailers



The monthly rate of increase of 1,2% in the food price index was mainly due to increases in the prices indices for vegetables (6,2%), meat (0,6%), fruit and nuts (1,6%) milk, cheese and eggs (0,9%).

Inflation, excluding food was 9,4% while excluding housing it was 10,7%

Standard Bank yesterday predicted that inflation would average around 10,5% this year from 9,0% in 1994

First National Bank group economist Dr Cees Bruggemans said the inflation numbers indicated the need for another interest rate hike and the market was anticipating one This would not dent the economic recovery At most it will mean a slowing down in spending growth, he said

Anger at World Cup tobacco ads

Kathryn Strachan

BD 11/6/95

WHILE SA yesterday came under the spotlight with President Nelson Mandela's acceptance of an international anti-smoking award, the country has angered health lobbyists in other countries for promoting tobacco at the Rugby World Cup.

Health organisations and anti-smoking groups in Australia, New Zealand, Canada and France — where tobacco sports sponsorship is banned — have contacted the SA Medical Research Council to express their outrage at Gauloise and Winfield promotions which appear in international coverage of the event.

The organisations said the World Cup should take into account the legislation in their countries, and not just the laws of the host country.

Meanwhile, Health Minister Nkosazana Zuma last night accepted the WHO medal on behalf of Mandela in Vancouver, Canada. Mandela is the only world leader to have spoken out strongly against tobacco

In his acceptance statement, Mandela said millions of children faced premature death from diseases caused by tobacco "This preventable tragedy must be averted," he said

Some sectors of society benefited from tobacco sales, but economic losses resulted from premature deaths of breadwinners, medical treatment and lost productivity caused by tobacco-related diseases.

The Medical Association of SA yesterday called for a dedicated health tax on tobacco products

Major says he lied about 'lost' cash

Deborah Fine

FORMER Vlakplaas C10 security police unit member Maj Chappies Klopper admitted in the Transvaal Supreme Court yesterday he had made a false statement to cover up for a narcotics bureau colleague who had "lost" R50 000 of State money.

Klopper is the key State witness in the trial of former Vlakplaas commander Eugene de Kock who has pleaded not guilty to a total of 121 charges including murder, fraud and the illegal possession of arms and ammunition

Attempting to refute Klopper's claim that he had committed no crimes after leaving C10 in October 1992 to join the John Vorster Square narcotics squad, defence counsel Flip Hattingh SC cross-examined Klopper on discrepancies between entries he had made in his diary about the infiltration of a Hillbrow drug syndicate in 1993 and a statement he made about the syndicate.

According to Klopper's diary, he had paid the syndicate about R33 000 in State funds in an attempt to trap the drug ring into selling police 10kg of cocaine.

The syndicate had never delivered the cocaine, but one of its members, a Chinese woman, had sold Kloppers 600g of heroin and 12 000 mandrax tablets He had later arrested her, but she had been released on bail and disappeared. As far as he knew, she had still not been prosecuted.

According to a statement made by Kloppers in September 1993, he had paid the syndicate about R95 000. In the statement he claimed to have given the syndicate an additional R50 000 to fly the cocaine from Hong Kong to Lusaka.

Asked to explain the discrepancy between the figures, Kloppers said he had given the syndicate about R10 000 more than he had recorded in his diary. He could not say why he had not recorded the amounts

He had also given more than R50 000 of the "show" drug money to a Narcotics Bureau colleague who had "lost" this amount when a suitcase containing money had "disappeared" from his office

He had then lied in his statement to cover up for the colleague

Kloppers denied a submission by Hattingh that perhaps De Kock had also signed various fraudulent statements and informer claims at Vlakplaas in the belief they were bona fide documents.

"No, at the farm (Vlakplaas) it was different. De Kock knew about everything," he said

The trial was postponed to tomorrow to allow the defence team time to research certain aspects of their cross-examination

Bread price rise feared

(244)

Louise Cook

BD 11/6/95

A 30% rise in sales of dry land wheat seed has sparked expectations of a bumper crop, but there are fears the bread price could still rise after November when the new wheat price takes effect.

A special Wheat Board fund, from profits on imports, is used to "subsidise" the bread price. But Wheat Board GM Louis van Staden said yesterday a good crop and lower imports could put pressure on the fund, leaving less money to prop up the bread price.

A rise in the international wheat price and changes to the exchange rate could also have an effect on the bread price, he said.

But National Chamber of Milling GM Jannie de Villiers said a good wheat crop could bring down the bread price

Chamber of Baking executive director Nic Alberts said wheat formed only 28% of the cost of bread, but a higher wheat price would affect the bread price if the cost of flour rose

He conceded fewer imports as a result of a good crop could push up the bread price.

NEWS

Inflation rise in food prices 17,5%

Star 1/6/95

(244)

■ BY NIKKI WHITFIELD
CONSUMER REPORTER

The Boks might be winning and the winter sun might be shining, but all is not well in the state of South Africa — especially not where food is concerned.

According to the latest Central Statistical Service figures, food price inflation has shown an annual increase of 17,5%, while consumer inflation rose to 11% in April.

Food prices at chainstores have shown an annual increase of 16,9% and 18,3% at other retailers.

A survey conducted by The Star yesterday has revealed that hard-pressed consumers will have to part with more than R130 for a basketful of basics. Stores picked for the survey were Checkers in Emmarentia, Pick 'n Pay in Victory Park and OK in Cresta (see graphic).

Checkers came up trumps once totals were tallied and OK scored above Pick 'n Pay because in many cases their no-name brand items were cheaper, although their other brands were often priced higher.

Some items were on "special", and where possible, identical items were compared.

SHOPPING BASKET WATCH

	Checkers	Pick n' Pay	OK
Full-cream milk, 2 litres	R3,98	R4,30	R4,22
Loaf standard brown bread	R1,64	R1,64	R1,66
One dozen eggs, extra-large	R4,38	R4,48	R4,56
Maize meal, 5kg paper pack	R8,15	R8,35	R7,64
White rice, 2kg parboiled no name	R4,49	R5,25	R3,85
Onions, 1kg	R1,99	R2,09	R1,99
Potatoes, 1kg	R2,78	R3,59	R2,69
Tomatoes, 1kg	R1,99	R3,29	R2,49
Cabbage, each	R1,79	99c	R1,29
Sugar, 2,5kg packet	R6,95	R6,95	R7,38
Five Roses, 100 tagless teabags	R7,98	R8,35	R9,97
Nescafe Classic 250g bottle	R28,49	R28,95	R29,99
Marg [illegible] brick	R6,59	R5,95	R6,87
Bonnita butter, 500g brick	R6,68	R7,79	R6,88
Koo [illegible]	R1,98	R2,25	R1,99
Black Cat peanut butter, 410g	R3,58	R3,85	R4,38
[illegible] 750ml bottle	R2,95	R3,19	R3,49
TOTAL — which also included a medium chicken, 1kg stewing beef, 0,250kg Cheddar cheese and a bag of apples	**R132,51**	**R141,86**	**R139,15**

■ The Consumer Council's executive director Jan Cronje this week warned consumers to curb unnecessary spending as the inflation rate continued to spiral.

His advice to the public was to stick to their budgets and to refrain from buying on credit.

"Increasing inflation means consumers' spending power will decrease and with another bank rate hike imminent, consumers could well find themselves in trouble," he said.

Petrol price may ease

CT(BE) 2/6/95 (244)

By Derek Tommey

A strong downward trend in the past few weeks in overseas oil prices suggests that a small reduction in the South African petrol price is possible at the end of the month

Since the end of April the price of oil in Dubai - which is a useful indicator to the landed cost of oil in South Africa - has dropped by more than $1 or 7 percent to $16,43 a barrel which is back to where it was in March.

At that time the price of 93 octane petrol in Gauteng was 178c a litre, which was some 9c a litre less than its present price and this suggests that if current oil price remains unchanged the CEF which manages the petrol price could find room for a modest cut.

The past few weeks has seen a levelling off - and even a slight decline- in commodity prices

Since the end of April, the price of lead has eased by about $12 to $601,50 a ton, and the price of zinc has eased from $1079 to $1020,50 a ton.

Some precious metal prices have also eased. The platinum price has dropped from around $440,50 a troy ounce to $431,50 an ounce Silver is now trading at about 330p an ounce against 345p an ounce at the end of April.

However, tin has firmed, rising by about 2 percent to $6055 a ton and nickel has risen 3,6 percent to $7515 a ton. But although copper has firmed marginally since the end of April, it is still well below its early April price

Analysts attribute the easier oil price to the slowdown in the United States economy.

Diesel going up but petrol price on hold for now

(244)

By NIKKI WHITFIELD

Star 3/6/95

Diesel is to cost 4c/litre more from Wednesday, forcing drivers of diesel-powered vehicles to pay R1,72/litre at filling stations

That's the bad news. The good news is that the price of petrol, which rocketed by an alarming 14c in three months, is to remain unchanged this month.

The cost of illuminating paraffin is also to rise, going up by 2c to R1,03 a litre on Wednesday.

The Central Energy Fund, which adjusts fuel prices each month, said the increase in the price of diesel was due to a sharp rise in the international price of the fuel.

Prices of petrol and illuminating paraffin did not increase in Singapore and Bahrain, which make up the basket of prices used in the calculation, to the same extent as that experienced in other world markets, the fund said.

Prices are adjusted in such a manner that the over- or under-recovery during the previous month is corrected in the following month. Both recoveries are rounded up or down to the nearest full cent The rise in the price of illuminating paraffin is due to the previous month's underrecovery

Economists shocked by PPI surge

(244) (~~180~~) Star 14/6/95

■ BY CLAIRE GEBHARDT
ECONOMICS EDITOR

South Africa's producer inflation surged in April to an annualised 11,5% percent — it's highest level in almost four years after climbing to 10,9% in March, Central Statistical Service (CSS) figures showed yesterday

The massive increase, which exceeded market expectations by a significant amount, was attributed to large increases in both the local and imported components of the production price index (PPI).

Economists said the PPI "shocker" boded ill for the containment of inflationary pressures and predicted that consumer inflation forecasts would be revised sharply upwards Market expectations had centred around a figure of about 11%

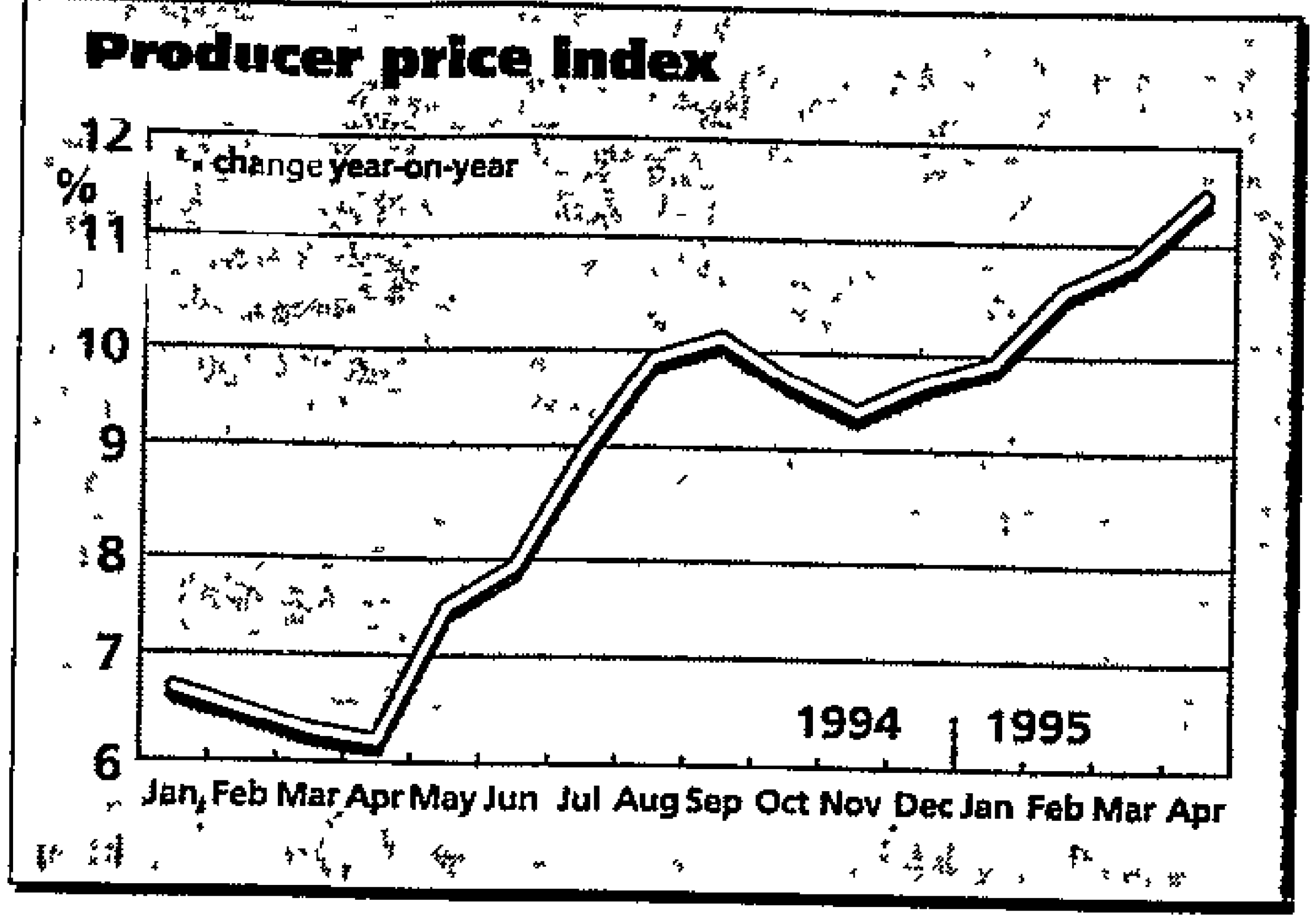
Old Mutual chief economist Dave Mohr said if the Reserve Bank was waiting for further evidence to push up interest rates, another piece of the jigsaw had fallen into place

CSS said the PPI for locally produced commodities increased by 11,7% year-on-year — 0,6 percentage points higher than the corresponding rate of 11,1% for March 1995 The monthly increase was 1,7% and 1,0% seasonally adjusted

Food inflation remained a culprit with price increases for vegetables soaring month-on-month by a massive 21,6% — grain was up 5,7%

The imported component of the PPI rose 1,4% month-on-month and 10,5% year-on-year — the highest rate of increase since August 1991.

The monthly rate of increase from March to April was 1,4% — a seasonally adjusted increase of 1,5%



Investec group economist Carole Mason said the PPI was well outside the range of most expectations and the increases in both the local and imported components were worrying

More price rises looming

Business Editor (244)

MORE price rises are looming for consumers, with producer price inflation sharply higher in April

Consumer prices usually track producer prices, though time-lags vary

The Central Statistical Service said producer prices rose 11,5 percent in the year to April compared to 10,9 percent in the year to March

Prices rose 1,7 percent in April alone ARG 14/6/95

Major culprits included food, especially grain, vegetables and dried beans, as well as milk products, plastics, paper and paper products and tobacco

Some prices did fall, though — the CSS said prices of meat, fruit and oil seeds dropped over the month.

Prices of goods produced in South Africa rose 11,7 percent while prices of imported goods rose 10,5 percent — the highest rate since April, 1991

PPI (180) (244) FM 23/6/95

Local is expensive

Most of April's jump in producer inflation — to 11,5% (year-on-year) from 10,9% in March — can be put down to volatile items such as food prices and prices of oil imports, which are outside the realm of monetary policy

Of more concern is the rate of increase in domestic manufacturing costs, which reflects the overall cost-push factors in the domestic economy

The domestic manufacturing component accounts for 58,3% of the total index. It rose 1,4% in the month, or 11,4% over 12 months That compares unfavourably with the 0,4% (5,6% over 12 months) of the imported component of manufacturing, which makes up 15,8% of the index.

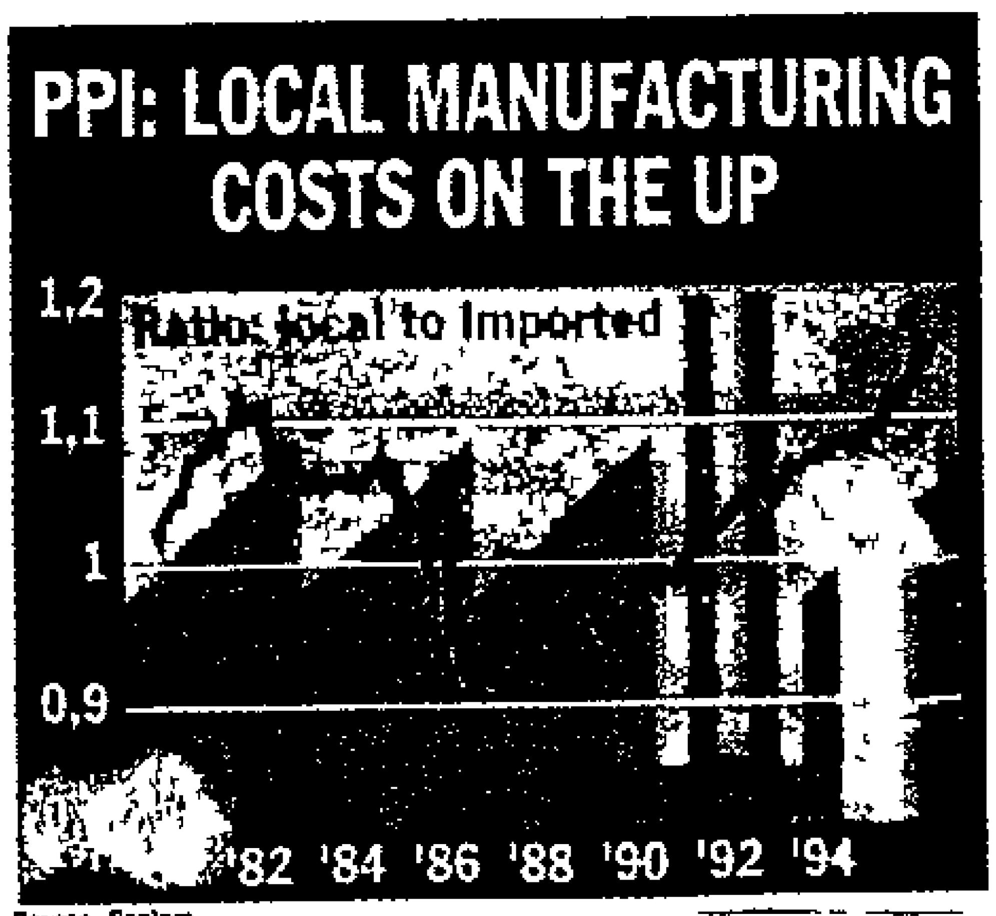
Sanlam senior economist Pieter Calitz points out local prices have been rising faster than imported prices since 1986 — when the last sharp depreciation of the commercial rand occurred — a trend which accelerated recently. The ratio of local to imported price rises is now the highest in 25 years (see graph).

What this means is that local productivity is sharply out of line with that of our trading partners. Until productivity improves, or until there is a major depreciation in the rand, local manufacturers will continue to get their inputs from foreign suppliers, increasing the strain on the balance of payments

The drought seems to account for the greater part of domestic food price increases.

Under agriculture, grain prices rose 5,7% (8,2% over 12 months) and vegetables & dried beans 21,6% (23,3%), while meat prices fell 1% (though still up 18,6% over 12 months) due to increased slaughtering as a result of the drought Good rain in the interior during April should mean a slowdown in the rate of increase in the May figure.

Higher crude oil prices again accounted for most of the increase in the imported component of the producer price index (up 1,4% in the month, 10,5% over 12 months).



Source: Sanlam

The item other mining & quarrying climbed 2,9% (30,2% year-on-year), in line with sharp increases in world oil prices North Sea Brent Crude went up from around US$16.50/barrel in mid-March to around $18/barrel by mid-April. ■

Petrol price to rise by cent a litre

(1833)
(244)
ARG 28/6/95

JOHANNESBURG. — South Africa's official Central Energy Fund (CEF) said the retail price of petrol would rise by one cent a litre on July 5 after remaining unchanged since May 3.

In a statement it said the price of 93 octane petrol in the inland Gauteng province would rise to 188 cents a litre from 187 cents The coastal price would rise to 178 cents a litre from 177 cents.

The fund said the international price of petrol, which is used to calculate the local price, increased marginally over the period May 26 to June 25.

Although the rand strengthened against the dollar towards the end of the period under review it was weaker on average during the period

The government last year instituted monthly adjustments to fuel prices

The price of diesel would rise three cents a litre to 175 cents inland and 165 cents on the coast.

The price of illuminating paraffin inland would remain unchanged at 103,43 cents a litre. — Reuter

Petrol goes up again next week

(244) (883)

BY MICHAEL SPARKS

Star 29/6/95

Motorists face another petrol price increase on Wednesday, when the retail price of petrol in Gauteng goes up by 1c a litre, the Central Energy Fund (CEF) announced yesterday.

This means that the petrol price will have increased by 15c a litre since the beginning of March, with a litre of 93 octane petrol increasing to R1,88 at the pumps in Gauteng. At the coast the increase is from R1,77 to R1,78 a litre.

The price of diesel is to rise 3c a litre to R1,75 inland and to R1,65 on the coast, illuminating paraffin will remain R1,04 a litre.

SA Chamber of Commerce economist Keith Lockwood was upbeat about the short term prospects for the economy in general and did not believe the increase would have a significant effect on inflation.

If there was no increase in the international petrol price, the performance of the rand against major currencies meant the petrol price could drop over the next few months, he said.

"Although fuel increases do push up inflation, there are other factors which are having a neutralising effect on inflationary pressures."

These included a slowing in the rate of increase in food costs, a rallying in the value of the rand against foreign currencies, and the imminent scrapping of import surcharges, he said.

Dr Ockie Stuart, director of the Bureau for Economic Research at Stellenbosch University, agreed, adding that inflation was likely to drop later in the year since food prices had stabilised.

Chainstore bread pledge

BY NIKKI WHITFIELD
CONSUMER REPORTER

Major supermarkets have pledged to keep the price of bread down, despite the announcement by bakeries that they are to up the bread price by 7c a loaf from today.

For the time being, supermarkets will carry the increase, giving consumers — reeling after a week of increases — a bit of relief. (244) (SOWETAN)

"Labour and packaging costs have gone up, but why do all bakeries have to increase their prices at the same time?," asked Ray Murray, Pick 'n Pay's general manager of perishables.

"Shoprite/Checkers will likewise carry the increase," said Adele Gouws, communications director.

Bakeries have listed wage increases of over 9% as the main reason for the hike. Sowetan 3/7/95

Micaela probe

TAMSEN DE BEER

Child Protection Unit detectives said they would continue investigations into the alleged involvement of a Johannesburg woman in the kidnapping of baby Micaela Hunter from the Marymount Nursing Home last year.

The case against the woman was provisionally withdrawn at the Johannesburg Magistrate's Court on Friday.

She was not named in court,

Works plan ready to go

BY JO-ANNE COLLINGE

The Gauteng community-based public works programme is poised to take off on its initial, modest budget allocation of R16-million. (175)

Its major goal will be to reduce unemployment by creating jobs in the construction industry through the repair and expansion of infrastructure and community facilities, says Steve Topham, technical manager for the programme.

At a recent media briefing, Topham stressed the detail of the programme would depend on the pattern of demand voiced by communities themselves

Generally, projects to "bring dilapidated infrastructure (and buildings) back into use" were regarded as top priority. This was because the returns on such use of funds were relatively quick. Sowetan 3/7/95

Training — ranging from basic bricklaying to business skills — was an important aspect of the programme.

New hand takes over Health Department helm

(835) Sowetan 3/7/95

MEDICAL CORRESPONDENT

Today is the first in office for the formidably qualified Dr Olive Shisana, the new Director-General of the Department of Health.

She takes over from Dr Coen Slabber, the former Dean of the University of the Free State's Faculty of Medicine, who retired as director-general on Friday after more than seven years in the position.

Shisana, until now special adviser to the Minister of Health, and with Dr Jonathan Broomberg architect of the proposed new national health insurance system, had been earmarked for the position for months.

Her appointment was rubber-stamped by Minister Dr Nkosazana Zulu on Friday, and she is now perfectly placed to spearhead the implementation of the new proposals.

Shisana has earned a reputation as being "hard-headed" and knowing what she wants, but department staff welcomed her appointment.

"We're very grateful," said one. "She's a lovely choice, the best for the position."

Shisana matriculated in 1970 from the Lemana High School in Louis Trichardt, and obtained her first degree, a BA in Psychology and Social Work, from the University of the North.

She later moved to the United States, where she completed two post-graduate degrees, and obtained a doctorate in science, specialising in social epidemiology, from the School of Hygiene and Public Health, Johns Hopkins University (USA).

She joined the Cape Town-based Medical Research Council as a specialist scientist in community health in July 1991, and was later seconded to develop the MRC's Western Cape School of Public Health — the first in South Africa.

She speaks six languages, has published or co-published more than 30 reports, and received several awards

PPI takes a welcome dip in May

(1233) (244) Star 14/7/95

■ BY CLAIRE GEBHARDT
ECONOMICS EDITOR

South Africa's production price index (PPI) took a welcome dip to an annual rate of 10,9% in May from 11,5% in April when it reached it's highest level in almost four years, Central Statistical Services figures showed yesterday.

The lower figure came in the wake of a sharp drop in food prices but was also attributed to purely statistical reason – this time last year food prices, particularly meat, surged because of the drought and disease was also rife in the poultry industry.

Economists said food price comparisons for the next few months would be made against a high base a year ago which would lead to a decline in the year-on-year food inflation rate – however, the inflation outlook was still cause for concern.

The average consumer price inflation for 1995 was forecast to be of the order of 10,5% while the PPI would be "a lot higher".

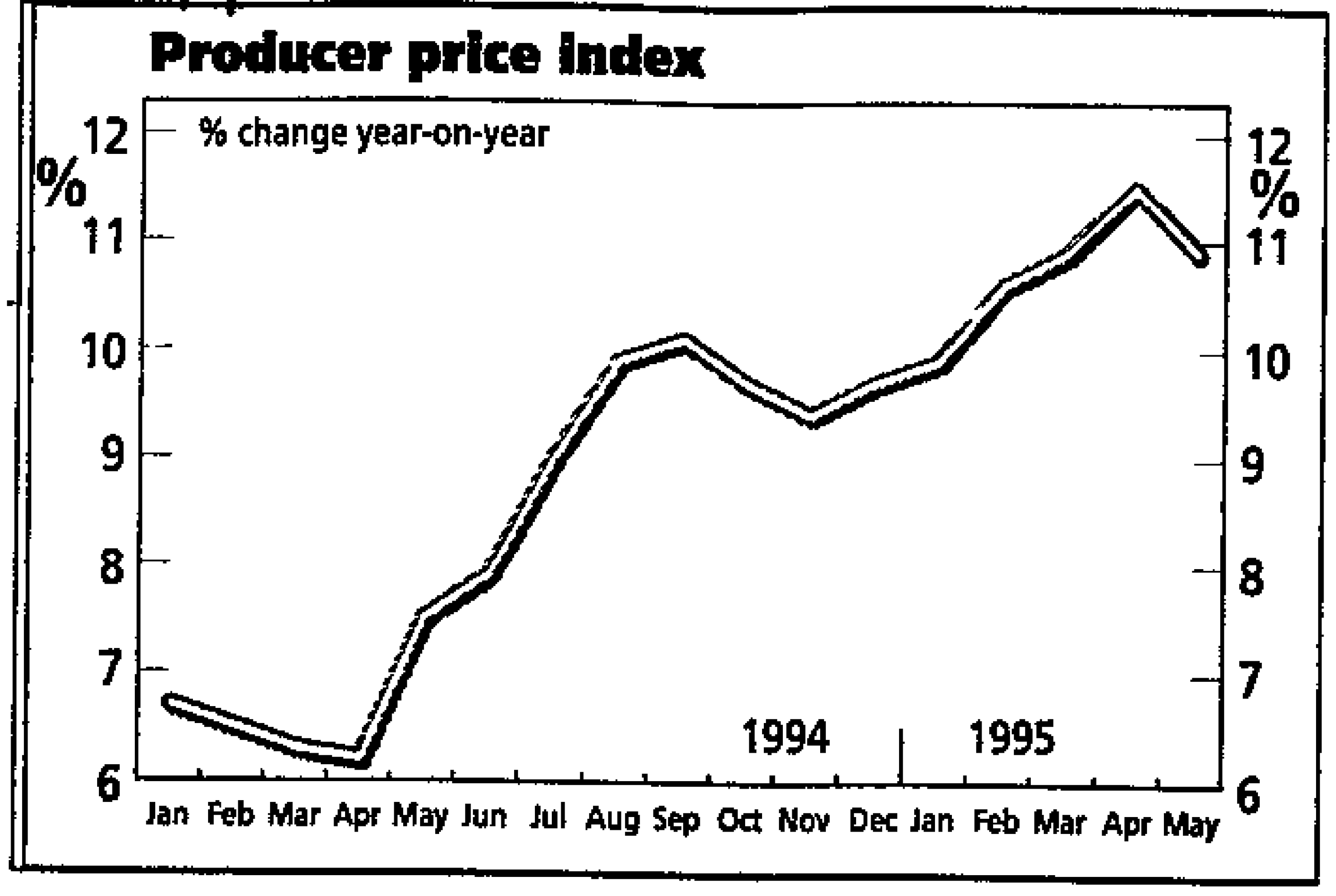
A much higher average of over 11% would show up in headline figures only in 1996.

Latest figures from CSS indicated that, on a monthly basis, the increase in the PPI was 0,7%. Year-on-year the index eased 0,6%. The local component of the PPI rose 0,8% month-on-month and 11,4% year-on year. The imported component rose 0,4% month-on-month to 9,1% year-on-year.

Standard Bank said food at the manufactured level fell largely as a result of monthly declines of 3% for fresh meat and 1,3% for meat products – these two categories made up over half of the manufactured food index and accounted for 7,2% of the PPI as a whole.

Economextrix said that the May PPI, excluding food at both manufacturing and agricultural levels, rose by a substantial 1,1% on a month-on-month basis, taking the non-food PPI inflation rate up to 11,7% from 11,5% in April. This was sharply and disturbingly up from 4,9% in April last year.

Also disturbing was that the prices of locally produced goods kept increasing faster than that of imported goods.



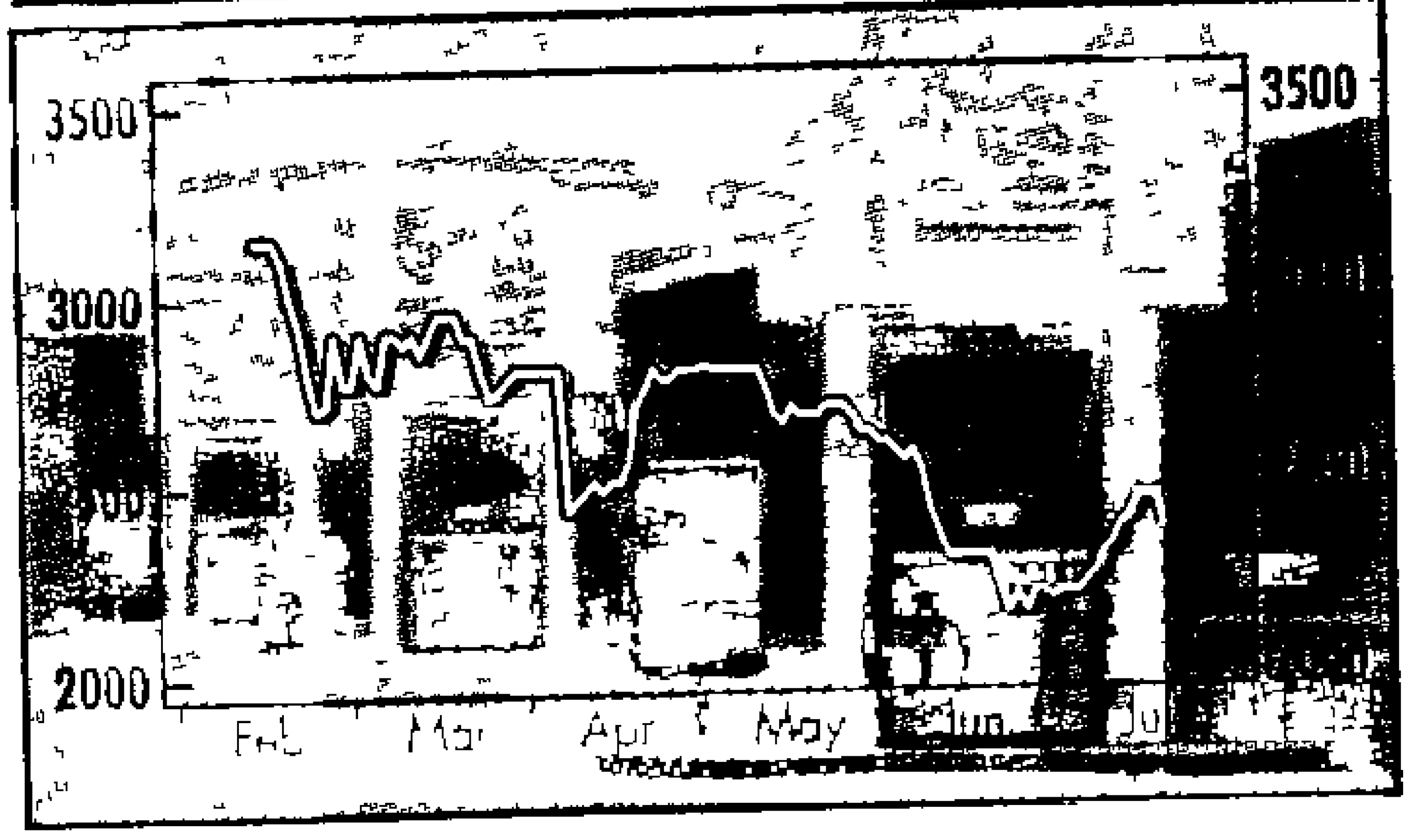
Engen warning leads to 100c share price fall

CT (PTR) ET 19/7/95 (244)

By Andy Duffy

Staff Writer

Engen share price 13 Feb 1995 - 18 Jul 1995



More than 4 percent was wiped from the value of Engen shares yesterday after the group's warning that refinery hitches and restructuring costs would hit its second-half earnings.

The share fell 100c to R23,50 — ending its steady upward trek since June — and analysts were split over whether the stock would weaken further.

Several brokers said the ruling price range suggested the profit warning may have surprised few investors.

But they said most shareholders were likely to wait until Engen officially tabled its full year earnings before any share rerating. Brokers have downgraded forecasts for Engen's earnings for the year to August, with estimates ranging from 105c to 115c a share, against 267c a share for financial 1994.

"We knew there were some difficulties," one analyst said, "but there are going to be a lot of disappointed people.

"It's clear they're not going to produce a decent set of results."

Engen said operational hitches, poor margins and heavy restructuring costs would leave second-half earnings lower than the R187 million recurring earnings posted for the six months to February. It had previously suggested second-half earnings would be higher.

Analysts said the extent of the restructuring — 15 percent of employees, costing more than R80 million — had come as little surprise.

If Engen was right that annual savings would be R55 million a year, then the one-off hit would be recovered in just 18 months.

But there were serious concerns about hitches in commissioning new refining plant. "This has just not been working up to speed," one broker said.

New refining plant was now producing 93 000 barrels a day, but average production over the second half was thought to be closer to 80 000 barrels, 17,5 percent below operational capacity.

Analysts said Engen would show a recovery in 1996, given the figures would be off a low base.

Some brokers said earnings should at least double next year, provided the operational problems were ironed out.

Inflation rate dips as food prices retreat

(244)

ARG 27/7/95

Business Editor

INFLATION is on the way down again

Vegetable, meat and seafood prices fell in June, bringing down the inflation rate for the year from 10,8 percent in May to 10 percent in June.

Central Statistical Services figures issued today show the consumer price index (CPI) dropped 0,1 percent between May and June, mainly because of a 1,2 percent fall in food prices.

Meat prices fell 0,8 percent; prices of fish and other seafood 1,1 percent; fruit and nuts 4,3 percent; and prices of vegetables a hefty 6,8 percent during the month.

On the increase, though, were prices of grain, milk, fats, sugar (up 2,6 percent over the month) and coffee, tea and cocoa

Food inflation over the year to June slowed to 12,5 percent from 15,6 percent in May

The monthly increase in the CPI for all items, excluding food, was 0,3 percent

Stellenbosch Bureau for Economic Research economist Nils de Jager said the figures were in line with expectations

The bureau expected the downward trend in the inflation rate to persist provided weather conditions were good for agriculture.

This should help Reserve Bank governor Chris Stals to postpone another rise in interest rates until next year.

This would also depend on other economic indicators such as balance of payments and money supply figures.

The highest inflation rate of 11,4 percent was recorded in the Port Elizabeth-Uitenhage area, while the lowest rate of 7,8 percent was recorded for the Nelspruit-Witbank area

CPI drops to 10% after food prices fall

(244)

CT 28/7/95

By Claire Gebhardt
Economics Editor

South Africa's consumer price index registered its first absolute month-on-month decline in at least 25 years last month, according to figures released by the Central Statistical Service yesterday.

In what economists described as a magic figure likely to boost growth, the index dropped to a better-than-expected annual rate of 10 percent from 10,8 percent in May in the wake of another sharp dip in food prices. Market forecasts had been for an index of at least 10,5 percent last month

In another healthy economic signal, manufacturing output rose sharply in May, up 19,6 percent over May last year, the CSS reported. (See next page)

Economists said the latest inflation figure implied that interest rates were less likely to be hiked again this year despite money supply figures, also released yesterday, which were disturbingly high.

The CSS figures showed that the index decreased by 0,1 percent last month In May the index increased 0,4 percent month-on-month, although the annual rate was on the decline. A monthly decrease of 1,2 percent in food prices, which contributed 0,3 percent, was the major contribution to the last month's lower index

Meat prices fell by 0,8 percent, vegetable prices by 6,8 percent, fish and seafood by 1,1 percent and fruit and nuts by 4,3 percent.

Pieter Calitz, a Sanlam economist, predicted that inflation would dip into single digit figures from next month and remain there for the rest of the year and possibly for the first quarter of next year

"July's figure could be about 9 percent, though we are still waiting for the bond increases in the wake of the recent Bank rate increase, to come through. This could add 0,5 percentage points to the August (index)," he said.

Azar Jammine, the director of Econometrix, attributed part of the decline in food inflation to statistical distortions of high food prices last year, but said the underlying rate was definitely coming down.

Excluding food, the index was 9,3 percent year-on-year compared to 9,5 percent in May

Standard Bank noted that the core inflation rate, excluding both housing and food, had increased by 0,2 percent on a monthly basis to an annual 8,5 percent compared to a figure of 8,8 percent in May. Inflation was likely to average at about 10 percent for the year with the possibility that even the annual average might fall to single digits once again.

However, South Africa's money supply, as measured by M3 growth, increased by an annualised 16,92 percent last month from 15,86 percent in May, Reserve Bank figures showed yesterday.

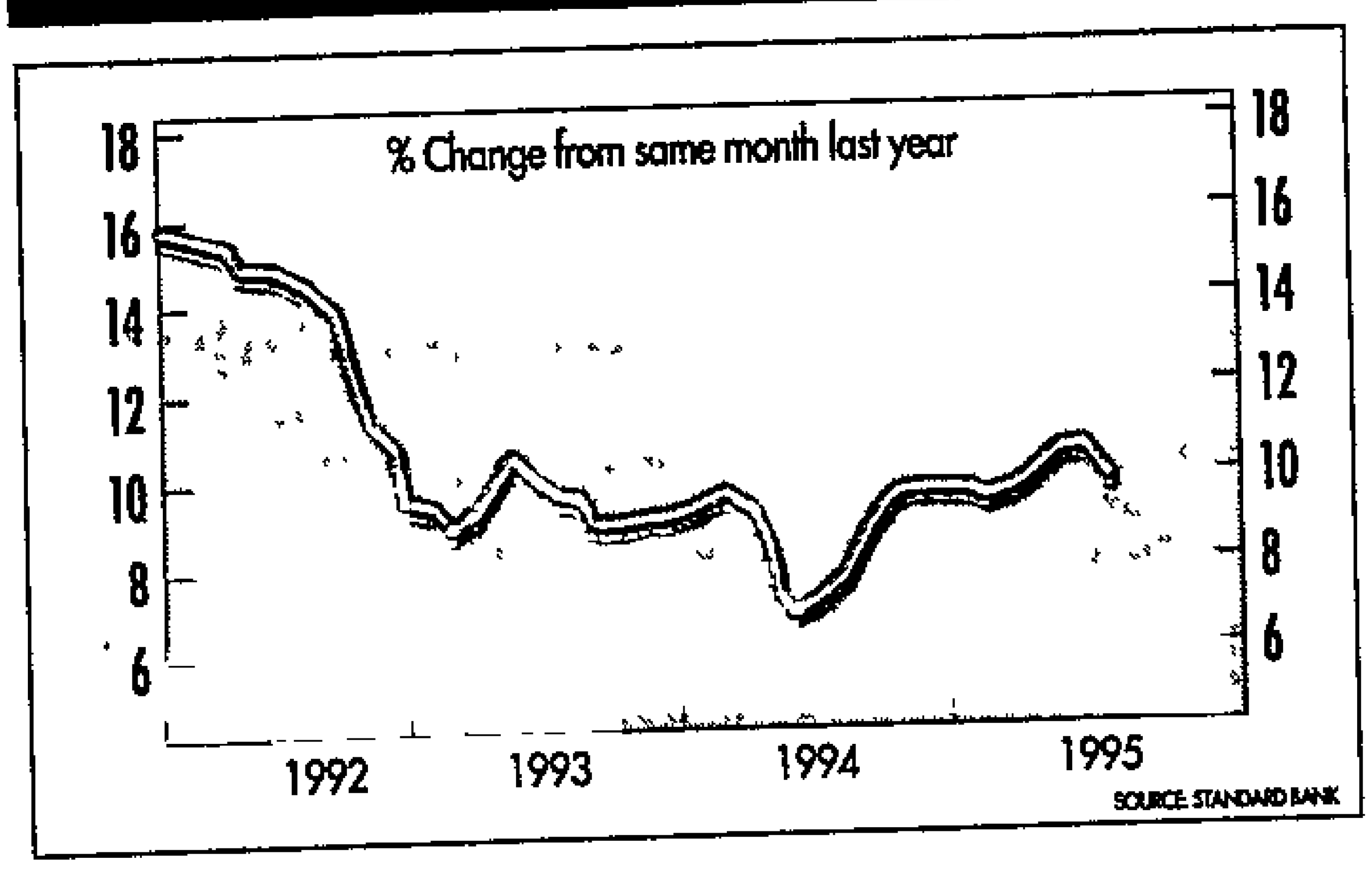
The annualised growth from the base of this year's guideline range of 19,27 percent far exceeded the Bank's guideline range of 6 percent to 10 percent. Total domestic credit extension was 14,99 percent in May from 15,04 percent in April

Edward Osborn, an Edey Rogers economic consultant, said the figure was still disturbingly high and would have been worse except for a build up of deposits in the Treasury's tax and loan accounts of R2,8 billion. This was reflected in an effective drain on the balance of payments of about R0,6 billion after taking into account the proceeds of the Samurai bond.

"It is an endorsement of the action taken to raise the Bank rate."

Given the fall in inflation, however, it was highly unlikely that the Reserve Bank would raise the Bank rate again at least over the next couple of months, he said.

Consumer price inflation



Peninsula food prices among 'fastest fallers' in the country

(244) ARG 29/7/95

Business Editor

FOOD prices in the Cape Peninsula fell 2,2 percent in June, faster than in any other major urban area except Port Elizabeth.

Central Statistical Services figures released this week show food prices fell 1,2 percent for the country as a whole.

In the Peninsula and in three other major centres — Port Elizabeth, Kimberley, Bloemfontein, Akasia and the Free State goldfields — prices fell even faster.

Since June 1994, food prices in the Peninsula are up 12,5 percent, which is the same as the national average for food inflation in all 12 urban areas.

In Bloemfontein, food inflation was a punishing 15,3 percent.

The general level of consumer prices fell 0,2 percent between May and June in the Peninsula, bringing the inflation rate for the year down to 10,4 percent compared to the national average of 10 percent.

The Peninsula's inflation rate is still higher than that of any other major urban area except Maritzburg.

On the Witwatersrand, prices rose only 9,7 percent.

Adjustment to fuel price put on hold for now

JOHANNESBURG. — The adjustments in the petrol and diesel prices for August have been delayed to coincide with a possible adjustment to the retail margin.

According the the Central Energy Fund today, an adjustment to the retail margin was currently being considered by cabinet

244 (183)

The statement said petrol over-recovered in the month to July 26 by 1,011 cents a litre, while diesel over-recovered by 3,678 cents a litre, indicating the possibility of a drop in the prices

However, the cabinet was said to be set to approve a 2,5c a litre increase in the price of petrol to improve retailers' margins.

ARG 31/7/95

The price adjustments would be delayed to cushion the blow to consumers from the higher retail margins

An over-recovery of 3,453 cents a litre for illuminating paraffin has allowed for a 3c a litre drop in the price of illuminating paraffin, with effect from Wednesday.

Basic fuel price set to rise 2,5c/l

Mungo Soggot (244)(183)

THE basic fuel price is set to rise 2,5c/l from Wednesday to beef up fuel retailers' margins BD 3/7/95

Industry sources said the Cabinet was expected to approve the increase in the basic fuel price this week

To cushion the blow to consumers, the permanent adjustment to the fuel price would be timed to coincide with an expected fall in the price of fuel in line with lower international oil prices

A minerals and energy affairs spokesman confirmed that the Cabinet could approve the move as the fuel retailer margin had not changed since 1993, when the retailers received only 0,5c/l despite asking for 2,4c/l.

When fuel retailers approached government last month for a 2,5c/l margin increase, they cited a 13% pay rise for forecourt operators as their motivation

Sources said although government had agreed that all changes to the basic fuel price should be sanctioned by the liquid fuels task force, the mineral and energy affairs department now wanted to make "short-term management" decisions and leave long-term strategy — such as possible deregulation of the industry — to the task force, which is now part of the National Economic, Development and Labour Council

The task force has been paralysed by a recent walkout by oil companies over a report on Sasol tariff protection

According to daily Central Energy Fund data, lower international oil prices and a stable rand would have led to a 2,6c drop in the petrol price and a 6c drop in the price of diesel when the fuel price is changed on Wednesday. Now the petrol price is likely to remain at the current level

Petrol price drop to benefit industry, not consumers

CT 1/8/95 (BR) (183) (244)

By Andy Duffy

Staff Writer

Petrol prices will stay at existing levels, despite falling international oil prices, following government plans to hand nearly R300 million a year to the fuel industry to cover its rising costs

Pik Botha, the minister of mineral and energy affairs, said yesterday he would urge Cabinet tomorrow to allow pump operators and petrol suppliers a greater slice of the pump price to cover their higher labour and delivery costs

The move means tomorrow's expected 1c a litre price cut is effectively cancelled, and price cuts in September could also be negated as the Central Energy Fund phases in the higher margins

Pump operators would gain an extra 2,5c a litre on top of the 15,6c a litre they already received

This would lift their annual revenues, according to the department's sales figures, to R1,74 billion from last year's R1,5 billion.

Oil companies would gain an extra 0,6c a litre delivery margin, against their existing 3,5c a litre, lifting their annual revenues on petrol deliveries by R57 million to R394 million.

Surplus supplies have sent international oil prices to 10-month lows, opening the door for the first pump price cut since February.

But Botha has faced heavy lobbying from retailers and the oil industry which is represented by the South African Petroleum Industry Association.

Its margins have not risen since 1993 while higher costs, particularly for labour, threatened to send many service stations to the wall, said Botha

"All cost items for service stations have increased dramatically with a consequent squeeze on profit margins in the sector," he said

"Higher fuel delivery costs are documented and verifiable. The oil companies have had to bear the increase."

Analysts said the increase in delivery margins was unlikely to have a major affect on the industry's earnings

The association said the gains would be minimal, given the companies' cost rises

But a department spokesman said there were no plans to lift the oil industry's wholesale margin, which stands at 14,5c a litre

The Central Energy Fund said diesel and paraffin prices would also not be affected, with both falling 3c a litre at tomorrow's scheduled meeting.

Botha said he would also recommend tax cuts on unleaded fuel to give it a 4c a litre price advantage, which he said could open 20 percent of the market to it

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Military doctors joining exodus to better-paid jobs

CT 1/8/95

OWN CORRESPONDENT

PRETORIA: Military hospitals, along with their state counterparts, are facing the growing threat of defections to greener pastures by promising young doctors.

Hopelessly inadequate salaries are believed to be at the root of more than 30 resignations from 1 Military Hospital in Voortrekkerhoogte since January this year and the trend, according to a senior hospital spokesman, is not likely to be overturned in the near future.

Officer commanding 1 Military Hospital Brigadier André Lotter said yesterday that without exception all the doctors who left the hospital either went into private practice or were lured overseas.

He said most if not all doctors who left the hospital fell into the same category — young qualified doctors who earned an average salary of R60 000 a year.

These doctors had huge study debts to pay, usually had a family to provide for and were often called away from the hospital on special duties at short notice, he said.

To alleviate the financial burden, doctors were allowed to practise at private institutions after hours to bolster their income, but they lost this form of income when they were called away on special duties.

Brig Lotter said none of the doctors left to join other state hospitals as they were usually offered salaries of up to 50% more in the private sector.

Petrol price may rise again

CT 1/8/95

JOHANNESBURG: Adjustments to petrol and diesel prices for August have been delayed to cushion the blow of a possible adjustment to the retail margin, being considered by the cabinet.

The Central Energy Fund said yesterday petrol over-recovered by 1 011c/l in the month to July 26 and diesel by 3 678c/l indicating the possibility of a price drop.

However, the cabinet may be about to approve a 2 5c/l increase in the price of petrol to improve retailers margins.

The price of illuminating paraffin will decrease by three cents a litre from Wednesday. — Sapa

● See Page 15

(244)

Lighting up in public will burn your pocket

DAN SIMON
STAFF REPORTER

THE Cape Town City Council has recommended a R50 fine for smokers lighting up in public places, but does not envisage using law enforcement officers to enforce the recently passed by-law banning smoking in public places.

Instead, it would prefer to educate smokers on the hazards of smoking and in the process teach them to respect the rights of non-smokers, city council spokesman Mr Ted Doman said yesterday.

The city council was granted the power — under the Tobacco Products Control Act — to make regulations to control smoking in all indoor public places. Restaurants will be expected to allocate 20% of floor space for smoking.

The act provides for a substantial fine and period of imprisonment but representations have been made to chief magistrates of various districts to impose relatively low admission of guilt fines for the initial period of the operation of the regulations. CT 1/8/95

The council also recommended a R100 fine for property owners or lessees who did not set aside adequate space for smokers and non-smokers. (181)

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Petrol price may rise again

CT 1/8/95

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The Central Energy Fund said yesterday petrol over-recovered by 1.011c/l in the month to July 26 and diesel by 3.678c/l, indicating the possibility of a price drop.

However, the cabinet may be about to approve a 2,5c/l increase in the price of petrol to improve retailers' margins.

The price of illuminating paraffin will decrease by three cents a litre from Wednesday. — Sapa

● See Page 15

(244)

483

Petrol price increase for industry's benefit

■ BY NIKKI WHITFIELD
CONSUMER REPORTER

The service station industry is set to be given a boost this week with the anticipated rise of 2,5c/l to increase the profit margins of petrol retailers.

The Cabinet is expected to approve the increase tomorrow in the first increase to retailers' profit margins since September 1993, Minister of Mineral and Energy Affairs Pik Botha announced yesterday

But consumers can breathe easy for the time being — if given the go-ahead the increase will be phased in gradually

The monthly price adjustment mechanism only takes account of external factors

Now, however, it is proposed that the petrol price be maintained at its present level and 1c/l be allocated to partly meet the 2,5c/l retail margin increase

"It is hoped that conditions prevailing at the beginning of September will be such that the remaining portion of the margin increase will be able to be similarly phased in at that time," Botha said

■ The Cabinet is also to consider increasing compensation by 0,6c/l for higher fuel delivery costs

Compensation for these costs had not been adjusted for two years, Botha said, and oil companies "had to bear the increase in the meantime with a negative effect on revenue"

Should external factors allow, the adjustment would also be introduced to minimise its impact on the petrol price

▶ **Unleaded petrol plan – Page 5**

(244) Star 1/8/95

Petrol prices to stay on hold

Star 1/8/95

(244)

■ BY ANDY DUFFY

Petrol prices will stay at current levels despite falling international oil prices, following Government plans to hand nearly R300-million to the fuel industry to cover its rising costs

Mineral and Energy Affairs Minister Pik Botha said yesterday he would urge the Cabinet on tomorrow to allow pump operators and petrol suppliers a greater slice of the pump price to cover their higher labour and delivery costs

The move means tomorrow's expected 1c/l price cut is effectively cancelled, and price cuts in September could also be negated as the Central Energy Fund phases in the higher margins

On last year's sales figures, pump operators would gain an extra 2,5c/l on top of the 15,6c/l they already receive lifting their annual revenues from R1,5-billion to R1,74-billion

Oil companies would gain an extra 0,6c/l delivery margin, against their current 3,5c/l, lifting their annual revenues on petrol deliveries by R57-million to R394-million

Surplus supplies have sent international oil prices to 10-month lows in recent weeks, opening the door for the first pump price cut since February

But Botha has faced heavy lobbying from retailers and the oil industry, represented by the SA Petroleum Industry Association (Sapia).

Their margins have not risen since 1993, Botha said, while higher costs, particularly for labour, threatened to send many service stations to the wall

"All cost items for service stations have increased dramatically with a consequent squeeze on profit margins in the sector," he said

"Higher (fuel delivery) costs are documented and verifiable, and the oil companies have had to bear the increase"

Analysts said the increase in delivery margins was unlikely to have a major affect on the industry's earnings Sapia said the gains would be minimal, given the companies' cost rises.

But a department spokesman said there were no plans to lift the oil industry's wholesale margin, which currently stands at 14,5c/l

The CEF said diesel and paraffin prices would also not be affected.

'Petrol price should benefit consumers'

(+83)(244) BD 2/8/95

PICK 'n Pay yesterday called on Mineral and Energy Affairs Minister Pik Botha to "stick to his guns" and set a minimum price for petrol that gave service station owners the option of cutting their margins to benefit consumers.

Gareth Ackerman, joint MD of the chain store group which operates a number of service stations, said his company would be prepared to reduce the price of petrol by the increase in the dealer margin of 2,5c, which Botha is to propose to the Cabinet today

"Pik Botha has gone on record recently as being prepared to set a minimum and maximum price for petrol Now is the time"

He said oil prices internationally were at a 10-month low and the rand had recently strengthened against the dollar

"We are able to operate our service stations at the current margin and therefore cannot understand why the Cabinet, which is starting to focus on eliminating unfair influences in the economy, should reward the regulated petrol industry with a 'bonsela' once again"

A newspaper had reported yesterday that 18,1c/l would now go to service station operators "That is more than R12 you are putting into the dealer's pocket each time you fill the average car and that's after you have paid more than R10 to cover the oil company's wholesale margin

"We still believe that the sooner SA deregulates its oil industry to let market forces come into play in the transportation and selling of petrol, the better it will be for the whole economy, instead of just a protected few," he said — Sapa.

AA concerned at proposed fuel increases

(244)

([illegible])

CT 4/8/95

JOHANNESBURG: The Automobile Association (AA) expressed concern yesterday that the proposed increases in the retail margin and delivery costs of fuel would precipitate increases in other components of the fuel price structure.

It said this would severely impact on the motoring costs of private motorists.

"It is unfortunate the increases are being entertained when the future of the liquid fuels industry has still not been resolved.

"It is appreciated that new wage deals have been concluded and this is the reason for the increase in the retail margin. It is therefore imperative that the deregulation debate be concluded soon."

On the price of unleaded fuel, the AA said it was encouraging that the reduced price would not be cross subsidised by the buyers of leaded petrol but by levying a lower tax on unleaded petrol. — Sapa

Food price inflation down

(244) Star 30/8/95

Good news for people trying to balance household budgets.

For the first time since March last year inflation in food prices was lower than the country's overall rate of inflation

The Central Statistical Service said the official figure for inflation was down a percentage point to 9% while food price increases were held down to 8,1% Food's lower inflation was mostly due to a drop in the price of meat, fruit and vegetables.

However, CSS pointed out that food prices at chain stores showed an annual rate of increase of 9% while it was only 6% at other retailers.

While the fiscus can be quite pleased with its fight on the inflation front, it's not so in Angola where inflation is running at 1 700% annually

Their month-on-month inflation rate is running at around 22% reflecting a recent 300% raise for public servants and the introduction of the readjusted kwanza. — Business Staff.

Consumers 'tired of rising food prices'

(244)(~~245~~) Star 1/9/95

■ CONSUMER REPORTER

There was no point in importing food to the detriment of local industry, and using valuable foreign exchange for this purpose, if consumers did not experience lower prices, the newly formed Committee of Consumer Organisations said this week.

The committee – which consists of the Housewives' League, the National Black Consumer Union, North West Consumer Council and the South African National Consumer Union – said that consumers were "sick and tired" of constantly having to pay higher prices, particularly for basic foodstuffs.

"The price peaks are quickly devolved upon our South African consumers, whereas we hear about price valleys but, we very rarely experience them," said Aletta Geldenhuys, chairman of the committee.

She called on Trade and Industry Minister Trevor Manuel to ascertain what prices were paid for imported food, and what consumers had to pay.

"The committee ... is not opposed to the importation of food, but would like to see lower prices reflected in the market place."

Worldwide shortage of white maize

Mealiemeal price rockets

(244) Star 21/9/95

BY NIKKI WHITFIELD
CONSUMER REPORTER

Mealiemeal prices are expected to rocket as the nationwide shortage of maize, brought about by the crippling drought, grips the land.

Consumers who rely on the foodstuff as their staple diet might have to switch to rice or potatoes, as there seems to be little hope of prices climbing down any rungs of the alarming price ladder before May next year.

Carry-over stocks from last year's bumper white maize harvest have been used up and importing the grain is not easy, as few countries produce white maize – the type preferred by consumers – in large quantities.

"It is very, very worrying," said Gordon Utian, chairman and chief executive officer of Premier Milling, South Africa's largest supplier of white maize. "There is just no maize – at the moment it's a hand-to-mouth situation."

Farmers, however, are smiling in this year of hardship. The price of white maize paid to farmers has soared by 65% to a high of R850/t on auctions.

Now, however, they face the danger of over-producing. Should it rain a lot during the coming season and farmers, anticipating another year of drought and poor yields, have planted too much maize, there will be a surplus of the crop.

However, this will be good news for shoppers as shelf prices will come down.

Dr Kit le Clus of the National Maize Producers Organisation said the ideal situation would be for farmers to plant 3-million hectares of maize, maintaining a balance between yellow and white maize.

He said farmers were also advised to diversify and plant other crops, such as sunflowers, to provide themselves with a safety net.

Utian said the price of mealiemeal had already climbed by 30% this season. "And the season is over now. There is no more maize. The next season only starts in May, and there's no telling what the price will be by then."

Utian said he blamed the Government to a large extent for the situation. Even though the market was deregulated in May this year, the Maize Board still wants to control the situation, he said.

"In the old days of control, we would have been told to mix white maize with yellow maize if there was a shortage of white maize. But it has been proved that consumers do not like yellow maize and are prepared to pay more for white maize, rather than have it mixed in (with yellow maize).

"But because there is a surplus of yellow maize at the moment, and a drastic shortage of white maize, they still want us to mix in."

He accused the Department of Agriculture of using, as an excuse for curbing imports, the spread of a bug called the *Erwinia stewartii* bacterial wilt.

He said suppliers were looking at bringing in maize from Kenya, which has something of a maize mountain, accumulated during two years of corrupt dealings, and from the United States.

"Basically, we are looking at bringing in any white maize we can find," said Utian.

The Department of Agriculture has pledged to meet with local and international technical experts next week to review policies on maize imports from the US.

Star 28/9/95

Fall in PPI points to big drop in consumer prices

(244)

■ BY STAFF WRITER

South Africa received good news on the inflation front yesterday

The 12-month rate of increase in the producer price index (PPI) fell sharply to 9,0% in July from 10,5% in June

This makes it even more likely that the more important consumer price index (CPI) will also show a steep decline when the August figures are released, probably today

In the year to July, the CPI showed a rise of 9,0%, precisely and unusually the same as the increase in the PPI over the same period

But consumer price index inflation is set to fall towards 8,0% for the 12 months to August It could well drop nearer to 7,5% for September.

Over the last quarter of this year, however, the CPI will once again be on an upward trend and the rate is expected to be about 9% or more by the end of December Even so, that would still mean this will be the fourth consecutive year in which inflation as measured by the CPI has been contained below 10%

All this adds great force to the view that Chris Stals, the governor of the Reserve Bank, will not make any further shift in interest rates – certainly not upwards – at least until early next year Indeed, if fiscal policy can be tightened up in the 1996/97 budget next March there must be real prospects of a fall in interest rates.

The major reason for the small rise in the PPI in July this year was that the 12-month rate of the increase in the imported goods component plunged from 9,1% to 6,4%

Petrol price rises 2c/ℓ on Wednesday

JOHANNESBURG. — The petrol price will rise two cents a litre on Wednesday, the Central Energy Fund said today.

The price of diesel would be reduced by one cent a litre

The adjustment would raise the price of petrol to R1,90 a litre in Gauteng and R1,80 a litre at the coast. The diesel price would fall to R1,67 a litre in Gauteng

The petrol price rise included a one cent a litre increase in the retail margin, completing the 2,5 cents rise in the margin approved by cabinet before the August price adjustment — Reuter.

(~~183~~) (244) ARG 29/9/95

Illegal charges to farmers force up food prices

ARG 30/9/95 (244)

JEAN LE MAY
Staff Reporter

■ Farmers are paying millions of rands a year in illegal interest charges, says Usury Act monitor Herman Le Roux of the Department of Trade and Industry.

THE price of food and other farming products is being driven up by millions of rands a year in illegal interest being charged by agricultural co-operatives.

"Many co-operatives are charging interest rates which are clearly in breach of the Usury Act," said Herman Le Roux, deputy director of the Department of Trade and Industry in charge of monitoring the Usury Act.

"It's costing farmers millions of rands a year," he said.

Banks have repaid many millions to clients following the disclosure of illegal interest rates.

A Saturday Argus investigation has uncovered a case in which Coenie Louw, a Malmesbury farmer who was sequestrated by the Westelike Provinsie Ko-Operatief (WPK), was overcharged by as much as R9,2 million, according to evidence in a court case from a chartered accountant.

Mr Louw's wife Marietjie, who was also sequestrated recently by the WPK because she had stood surety for her husband, told Saturday Argus that "co-ops have got farmers in a clove hitch".

"They know that we depend on them for finance to farm. But farmers are not accountants — they don't understand accounting practices and most of them don't realise they are paying interest on interest, which is illegal," she said.

"And co-ops think farmers don't have the guts to take them on if they are doing anything wrong. Well, I'm one farmer who's not afraid to blow the whistle on a co-op.

"My husband has lost his farm because of the co-op and I'm in danger of losing mine, although the curator is doing his best to keep it going."

She said most co-ops were run "by the same Broederbond financiers who run the banks and the financial institutions".

The DTI's Mr Le Roux disclosed recently in evidence to the Nel Commission (which is investigating interest rates in its inquiry into the affairs of Masterbond) that co-operatives were charging interest on interest, which is illegal.

He told the commission that he had been suspended by the Department of Finance in 1992 after he went public on bank overcharges.

A partner in a major accounting firm, Peter Strauss of Price Waterhouse in Paarl, said in an affidavit in Mr Louw's case that a R15 million debt to the WPK would have been reduced to R5,8 million if interest had not been capitalised monthly.

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Cigarette price rise (198) (244)

Staff Reporter

CIGARETTE prices have risen 20c for a pack of 20 and 30c for a pack of 30.

Dan da Silva, spokesman for a firm of tobacco wholesalers, said the company was told of the increases by tobacco companies on Wednesday. ARG 6/10/95

Falling PPI bodes well for economy

(244) Star 13/10/95

■ FROM SAPA

August's year-on-year rate of increase in the producer price index — it tumbled dramatically to 7,8 from July's 9,0 percent — offers yet another positive augury for the South African economy following the 22-year low in September's consumer price index

The Central Statistical Service reported that there was no month-on-month change in the producer price index when measured on a seasonally adjusted basis

The decline in August follows a sharp 1,5 percentage point reduction on the 10,5 percent rise recorded on an annualised basis in June and April's 11,5 percent increase.

The PPI increase for imported commodities for South African consumption declined further to 5,8 percent, annualised in August from 6,4 percent annualised in July, the CSS reported

A seasonally adjusted 0,1 percent increase was recorded between July and August in the import component

The PPI increase for locally produced commodities for local consumption also fell to 8,1 percent, annualised in August from 9,5 percent annualised in July

A seasonally adjusted fall of 0,1 percent was recorded between July and August

Lowest

August producer inflation is at its lowest since May last year

Last year, the overall PPI for South African consumption averaged 8,2 percent and in 1993, 6,6 percent

Standard Bank's Nico Czypionka comments "While food prices were a factor in keeping the rate of increase in producer inflation low, price pressures generally seem muted."

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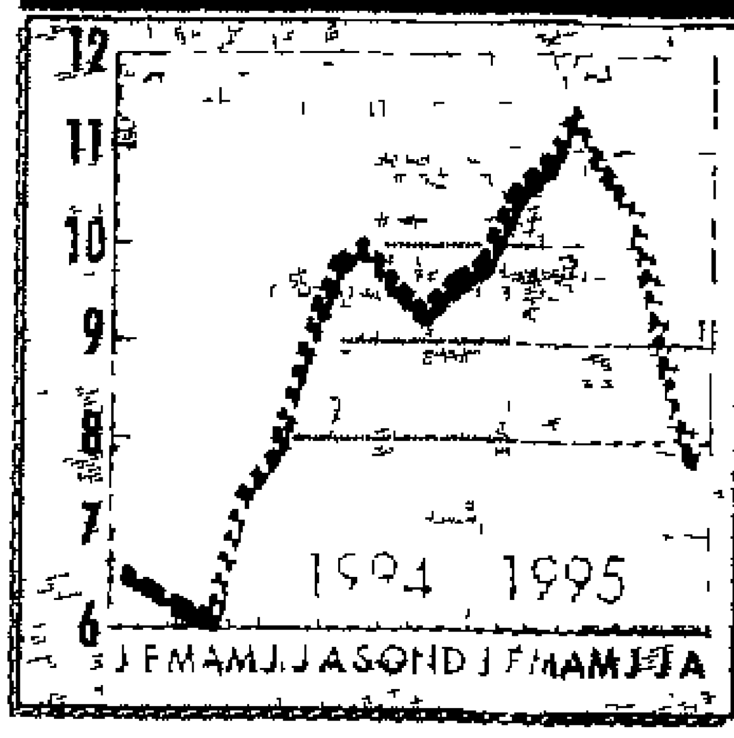
The PPI increase for locally produced commodities for local

Producer price index



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Standard Bank's Nico Czypionka comments: "While food prices were a factor in keeping the rate of increase in producer inflation low, price pressures generally seem muted"

Bread price rise announced

Staff Reporter (244) ARG 27/10/95

PREMIER Foods has announced a 17c increase in the price of bread from November, but it is not clear whether other bakeries will follow suit Duens Bakery spokesman Stoffel Brand said today the price of bread was "a private affair" and it was up to each individual producer to decide on an increase

Bread, meat prices rising

CT 3/11/95 (244)

SPECIAL CORRESPONDENT

JOHANNESBURG: Major supermarket chains have pledged to keep bread prices constant despite a climb by up to 24c a loaf brought about by rising flour prices.

Meat prices could also soon rise by about 12% because the recent good rains have given stock farmers the chance to build up their herds on good grazing instead of sending them to slaughter. This is likely to reduce supplies of slaughter stock and red meat.

All this has dampened last week's announcement that inflation had dropped to a 23-year low

Beef prices expected to rise

ARG 10/11/95 (~~2 MEAT~~ MEAT (244)

PRETORIA. — Beef prices are predicted to increase towards the end of the year, Meat Board agricultural economist Wilbie Venter said.

"The average producer price of beef should be around R7.25/kg at the end of the year," he said yesterday.

"For A2 and A3 grades this means average prices of R7.30/kg, which could rise to R7.70/kg by year's end."

Farmers were withholding slaughter stock, also leading to price increases.

Mr Venter said beef imports were not expected to increase over the festive season as they did last year, due to price uncertainty. Heavy imports last year pushed down prices.

New tariffs for poultry and red meat announced in August this year had led to a drop from 5 700 tons in July to 3 200 tons in September.

Mr Venter said the process of rebuilding cattle herds after the droughts of the early 1990s was not yet complete. — Sapa.

Survey reflects mixed views on cost of living

BD 19/12/95 (244)

Trevor Bisseker

MORE blacks than whites believe the cost of living is easing, according to a survey conducted for Business Day by Market Research Africa.

This could be the result of cheaper education and health services coming into effect for some groups since last year's general election.

The poll was conducted in October as part of MRA's regular Multibus Survey It dealt with perceptions of costs of eight categories of goods and services Respondents were asked to say whether or not they thought that the items were cheaper, the same price or more expensive than at the same time last year.

The categories were clothes, food, transport, education, health care, rent and housing, electricity and water

The survey used an area-stratified probability sample of 2 502 urban households, drawn from MRA's computerised dwelling unit database

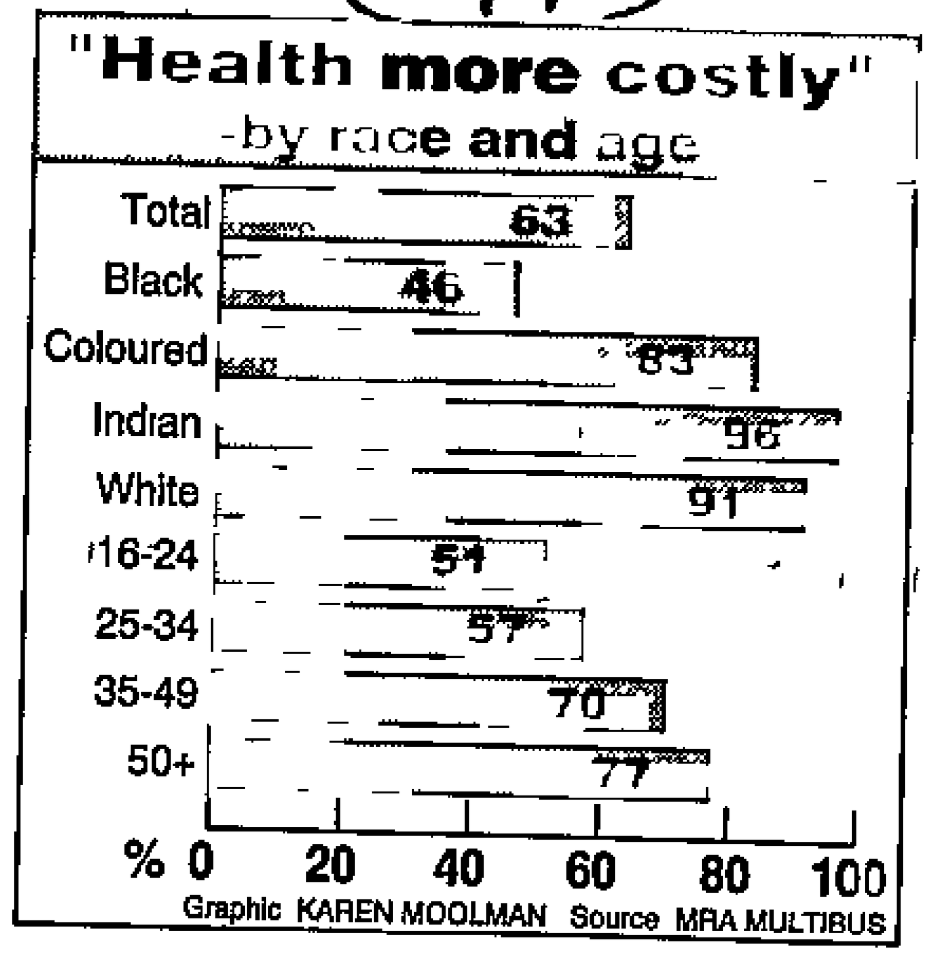
The procedure enables projections to be made onto the whole urban population Coverage represents about 92% of the urban adult population and about 53% of all SA adults

Although most people said prices had risen across the spectrum, the survey found that blacks were more likely than the other race groups to believe that prices were lower than a year ago This applied to all eight categories, but especially in the last five in the list, where only five or six black respondents out of 10 perceived prices to be higher, compared with eight or nine out of 10 from the other race groups.

The results could also reflect the steadily lower rate of price increases shown by the consumer price index in the past year

"It is particularly interesting that half or more of black respondents thought education and health care were cheaper than a year ago," said MRA MD Hanna Fourie. "This is possibly reflecting the changes such as free health care in certain circumstances since the 1994 elections

"Differences between the races are substantial. Of black respondents, 46% feel health care is more expensive, as compared with an overwhelming 96% for Indians "



In the categories of rent, electricity and water, the relatively low figures for black respondents who felt costs had increased could partially reflect a prevailing culture of non-payment.

In clothing, food and transport, there was no significant differences of opinion between the various income groups, but when it came to the five service sector items, the number of respondents who felt that costs had increased was significantly greater among the higher income groups.

Older respondents were invariably more likely than the younger sector to perceive that prices were higher, and heavy TV exposure was similarly correlated to the "high price" outlook

There was little difference of opinion between the sexes.

Regionally, the largest difference in perceptions was between the Western Cape and Free State, with respondents in the former far less optimistic than the Free Staters

The survey did not investigate why there should be differences between the perceptions of the race groups.

"While there is likely to be an element of improved living standards among blacks, or more awareness of economic trends among groups with greater exposure to the media, the most likely explanation is simply that there is a general perception among black South Africans of a brighter future," said Fourie

Petrol price cut by one cent a litre

ARG 30/12/95 (244)

THE price of all grades of petrol will fall by a cent a litre from this Wednesday, the Central Energy Fund said yesterday

The price of diesel fuel will rise by five cents a litre and illuminating paraffin by nine cents

The fund said in a statement the international prices of diesel and paraffin had been significantly higher during December Also, the rand had fallen against the dollar.

"In the case of petrol, the full effect of the over-recovery that existed in the previous period was not passed through due to rounding.

"This neutralised the effect of higher international product prices and the deterioration of the rand, resulting in an average over-recovery for the period under review — November 26 to December 26" — Sapa