FINANCE – GENERAL

5/8/81 — 27/12/81

Timber stake for Mondi

The Hunt Leuchars and Hepburn group has announced that the Mondi Paper Company will acquire a 10 percent interest in its timber division with effect from September 1 and will increase its interest by a further 30 percent over three years.

Mr C B Perry, deputy chairman and chief executive of the H L and H group, said the link with Mondi would mutually benefit both groups.

In order to facilitate the purchase of shares by Mondi, H L and H will restructure its timber division — which is expected to have a turnover of more than R100 million in the current financial year — through the formation of a new divisional holding company to be known as H L and H Timber Holdings in which Mondi will acquire its stake.

Management of the company will remain with H L and H. — Sapa.

Stanbic's pre-tax profit reduced

By Ann Crotty

As expected, Standard Bank Investment Corporation (Stanbic) has announced a slightly lower pre-tax profit figure for the six months to June.

Group profit before tax for the interim period was R44-million, a 1,5 percent drop on last year's interim figure of R44,7-million.

Because of dividend income and tax advantages on big leases, Stanbic's tax bill was sharply down on last year's, reducing the rate to 27,7 percent from 36,8 percent.

This had the effect of increasing the taxed attributable profit by 12,8 percent to R31,6-million from the previous interim figure of R28-million.

There was a slight increase in the number of weighted average shares in issue with the result that earnings a share were only 10,6 percent better at 52c (47c).

An interim dividend of 12c a share was declared. This is unchanged on last year's interim payment.

SWIFTLY

One reason for the slowdown in performance was that interest rates on deposits rose steeply and swiftly to record levels and caused the cost of resources of the group to rise rapidly.

The directors reported that growth in interest received lagged because of the material exposure to fixed-rate instalment credit and the restriction caused by the Bank Rate which, until recently, did not reflect market forces.

Stanbic's favourable bad-debt experience of 1980 continued into the current year and materially assisted the increase in the first half-year profit.

The directors' forecast for the rest of the year is, as expected, not too bright.

"Demand for consumer credit is expected to diminish whereas that for commercial bank lending is likely to increase for the time being. However, margins will continue to be under pressure despite the recent increase of the Bank Rate to 12,5 percent. Conditions in the banking sector will remain difficult, particularly in the instalment-credit field."

The directors believe that subject to no unforeseen adverse factors, net income during the second six months should approach that of the interim period.

Total dividends for the year are expected to remain unchanged at 40c a share, which implies a 28c a share final dividend.

Behind the Phibro-Salomon merger

Anglo in a great new trading house

11/8/81

By NEIL BEHRMANN

LONDON. — The merger between Phibro, the commodities trading company in the Anglo American Corporation group, and the giant US brokerage house of Salomon Brothers could form one of the most formidable trading houses in the world.

This is the view of several dealers in commodities in New York and London. The new concern will combine skills in virtually all commodities and a client list that includes governments and most of the biggest international companies.

Analysts reckon that the deal is worth $550-million.

The new giant will have assets of $1 650-million compared with the US brokerage house Merrill Lynch's assets of $1 100-million. The basis of the deal is that Phibro Corp, a New York listing formerly known as Philipp Brothers, will merge its business with Salomon Brothers.

Phibro technically buys Salomon Brothers through the issue of $250 million 9% convertible debentures. The capital account of Salomon Brothers will be distributed to the partners and the debentures will be convertible into Phibro common stock (ordinary shares) in 1991.

In terms of New York Stock Exchange regulations, Salomon will become an autonomous subsidiary of Phibro. Phibro's commodities trading unit, Philipp Brothers, and Salomon Brothers will be independent operating units.

Anglo American Corporation has a 43% stake in the international resources company Minorco, which in turn has a 27% holding in Phibro. Anglo's indirect stake in the commodities and financial services house will thus be 11,6%.

Philipp Brothers was founded in 1914. Its headquarters are in New York, and it has 60 offices in 45 countries in Europe, North America, South America, Asia and Australia. Phibro has 4 600 employees and markets 150 commodities, including ferrous and non ferrous metals, ferroalloys, steel, coal, crude oil, and oil products, fertilisers, petrochemicals, sugar, grain, cocoa and other raw materials. It also has investment and banking interests in Europe and Asia.

Last year Philipp Brothers turned over $24 000-million in commodities and earned $467-million. In the first half of 1981 Phibro had a turnover of $12 650 million and profits of $129-million. At June 30 this year, Phibro's share capital and reserves exceeded $1 350-million.

Under its old name Philipp Brothers, Phibro was the commodity marketing division of Engelhard Minerals. Earlier this year Engelhard's industrial and commodity divisions were split. Phibro and Engelhard Corp, the new industrial unit, are now separate quotations on the New York Stock Exchange.

Minorco has a 27% interest in Engelhard Corp.

Salomon Brothers was founded in 1910 and will begin its operations as Phibro's autonomous subsidiary with a net worth of more than $300 million. It will continue its traditional business of underwriting, issuing and trading securities, corporate finance, municipal financial services and the servicing of domestic and international clients.

For the first 10 months of its financial year to July, Salomon reported record operating profits. The firm was ranked second among US investment bankers for the first six months of the year with 86 issues totalling $9 700-million. Trading volume for the first nine months of the fiscal year was $870 000-million, or an average of $7 000-million a day.

Salomon Brothers employees 2 400 people. The firm has memberships on the New York Stock Exchange and most other US stock and commodity exchanges. Its headquarters are in New York. It has offices in London, Hong Kong and Tokyo.

Salomon Brothers business is almost exclusively institutional and unlike Merrill Lynch it does no business with the public.

It boasts one of the most outstanding credit analyst teams in the United States, headed by interest-rate guru Henry Kaufman.

Phibro's chairman and chief executive officer, Mr David Tendler, will be co-chairman and chief executive of the enlarged corporation. He says: "We will be the world's leading merchant banker."

Mr John Gutfreund, managing partner of Salomon Brothers, who will be the other chairman said: "We are on the threshold of major changes in Wall Street. This combination places us in the most prominent and competitive position for the changing world of the Eighties."

R60m lease

A LEASING contract of R60-million between Alusaf and the Standard Bank group was signed in Johannesburg yesterday.

This lease forms part of a R250 million expansion programme which is under way at Alusaf's Richards Bay plant.

The remaining R190 million is to be financed by shareholders, IDC loans, internal cash generation and increased use of banking facilities.

Foreign exchange earnings of R100 million a year and additional employment for 950 people will result from the project.

Sapa

Amgold's R138,2-m profit down 10% from year ago

By David Bamber

Reflecting the lower gold price, Anglo American Gold Investment Company's taxed profits for the six months ending August 31 are estimated at R138,2-million — 10,4 percent lower than that achieved in the same period a year ago.

The fall follows a decline in investment income from R156,5 million to R140,2 million.

A sharp rise in interest earned and other income from R1,5 million to R4,8 million led to income before expenses amounting to R145-million (R158-million).

REFLECTED

Expenses increased from R3,7-million to R5,9-million resulting in pretax profits being 9,9 percent lower at R139,1-million (R154,3 million).

Earnings a share in the six months totalled 623,8c (696,9c) and a dividend of 500c has been declared — 50c lower than that of the first half of last year.

Dividend cover has been marginally reduced from 1,27 to 1,25.

The weaker stock market is clearly reflected in the value of listed investments which has slipped from R3,1-million to R2,2-million despite an increase in book value from R207 157 to R252 283.

ERGO SHARES

The net asset value (cum dividend) amounted to 10 565c compared with 14 986c in August last year and 11 429c on February 28 this year.

Amgold has acquired 200 000 new East Rand Gold and Uranium (Ergo) shares in exchange for selling to Ergo its 20 percent participation in the rights to exploit the surface and underground resources on the Kimberley Reef at Simmer and Jack.

The net after tax cost of Ergo's project to exploit the Simmer resources is to be met by loans to Ergo from the former rights owners and Amgold will therefore provide 20 percent of the required finance.

Amgold also has a 9,5 percent equity interest in Eastern Gold Holdings, the company formed to finance the development of a new mine in the Erfdeel / Dankbaarheid area east of Welkom. Approval for the scheme was given by the Minister of Mineral and Energy Affairs on June 24.

Rennies turns on the heat with 78% advance

By DAVID CARTE

ALL divisions of Rennies reported sharply higher profits in the six months to June, but star of the hot-performing conglomerate was the trading division, which trebled its contribution.

Rennies reports pre-tax profit ahead by 76% at R17 074 000 and taxed attributable profit 78% better at R9 559 000.

Earnings a share rose [illegible] to 42,8c (24,1c) and the interim dividend has been given a 70% lift to [illegible].

The chairman, Mr Charles Fiddian-Green, says higher interest costs and slower economic growth in the second half will see to it that this kind of growth is not achieved by the year-end.

In spite of this he forecasts pre-tax profit of R33 million, earnings of R20 million or [illegible] a share, and a final dividend of "not less than" 27c, making [illegible] for the year.

This means earnings and dividend growth is expected to be at least 33%.

Mr Fiddian-Green told a news conference yesterday that all three main divisions had increased profits handsomely, but thanks partly to new acquisition, Keen Electrical, the trading division had done outstandingly.

He said the shipping and other services division contributed 41% of operating profit compared to 46% last year. Holiday Inns brought in 31% (39%) and trading 28% (15%).

This means shipping profits before interest and tax rose 50% to R8 million, Holiday Inns 29% to R6 million and trading 203% to R5 469 000. Keens Electrical contributed 13% of operating profit or R2 539 000. This means that even without the acquisition the trading division lifted operating profit 63%.

Mr Fiddian-Green said Rennies had not yet felt any sign of a downturn in any of its areas of activity, but he expected a cooling in shipping in the second half.

Liquidity was satisfactory with interest and lease costs covered 7,0 times by operating profit.

If earnings of associates, such as Maritime Container Depot, the [illegible] and Holiday Inns and the stevedoring and [illegible] companies, were equity accounted, earnings would have been about [illegible] higher.

Rennies had "plenty of plans", but apart from already announced plans, had no big capital expenditure "commitments".

Sources close to the company say it will soon announce another large hotel and casino complex in [illegible] not far north of Pretoria.

Mr Fiddian-Green says the group has excellent relations with KwaZulu and if ever this homeland accepts independence, would like to build a complex there.

The R13 million Wild Coast Holiday Inn and casino is on schedule and opens in mid-December. It is fully booked for its early months and work on a further [illegible] of the project should start next year.

New Holiday Inns at Sandton and Welkom and extensions to the Durban bulk terminal and the Maydon Wharf Warehouse are also on schedule.

Rennies recently acquired Superior Imports for R2 500 000. This has a wide range of liquor agencies and complements Rennies' other liquor interests.

COMMENT: If Rennies achieves only what the chairman forecasts, and this looks conservative, it offers a prospective yield of 10% and a P/E of 4,9.

The hotel and shipping divisions are cash cows. Bearing in mind that associate earnings are excluded, dividend cover is probably adequate for maintained dividends through a mild downturn.

But hotels and shipping have shown themselves to be cyclical in the past and a more severe downturn might threaten the dividend.

Star 14/8/81

Santam forecasts big rise in Exchequer deficit

By Ann Crotty

Because the economic growth is nearly predetermined for 1981, the main impact of the Budget will come to bear in the 1982 period of the fiscal year, says the Santambank Budget review.

In its econometric review of the Budget Santambank says that in order to sustain a real growth rate of 1,2 percent in 1982 the Exchequer deficit is likely to rise dramatically to R5 000-million in the 1982/83 fiscal year.

Santambank forecast for ecoomic growth is lower than the consensus forecast of 2-plus percent.

For the current year it forecasts a larger deficit than budgeted by the Minister of Finance. Its deficit figure of R3 147-million compares with the Minister's figure of R2 813-million.

The bank expects the Exchequer to use the capital market more extensively to balance the Budget rather than use the "printing press" or the foreign markets.

It estimates that the Budget will inject about R400-million of new money into the system which will ultimately add about R1 200-million to the stock of money and near money.

The review states that the local capital market will play an important part in balancing the Budget because of the borrowing requirement of the State over the next six months. This is estimated at R2 510-million to be rolled over and R204-million to be raised on the local capital market.

Because of the dependence on the capital market Santambank does not see any reduction in the prescribed asset requirements during the next two years.

It suggests that although the monetary authorities are striving towards freer markets, implying a reduction in prescribed investment requirements, the Treasury could not afford such steps.

If the deficit is as large as the review estimates then rates should peak in the second quarter of 1982 at more than 14 percent on long term RSAs and Escoms.

There has been a strong growth in the gilt and semi-gilt market since early 1979 and the review believes that if the marketable securities tax applicable to company debentures had been abolished the debenture market would also have grown strongly.

Referring to the building societies the bank states that the increase in rates offered on tax-free shares and the increase in the amount permitted to be invested in tax-free shares is a token gesture rather than a real attempt to relieve the troubles of the building societies and homeowner.

For this reason the bank forecasts a further increase in the bond rate (in fact the building societies did decide on the day after the budget to increase bond rates by one percent).

Because the building societies are forced to buy one to two-year deposits at high rates to attract good volumes of money, mortgage bond rates will be maintained at high levels for some time after money and capital market rates have eased.

The various Customs and Excise duties on imported goods, beverages and cigarettes will add 0,5 percent to next year's inflation rate but the Budget is expected to bring about a marginal decline in the inflation rate during 1982 to about 15,2 percent.

Santambank believes that the Reserve Bank will try to keep interest rates at market-related levels. "This implies that institutional investors may look forward to positive real rates of return in the near future or at least smaller negative real rates of return than experienced in the past."

New Fedvolks chairman

Rom

(58)

DR P E Rosseau, who is to retire as chairman of Federale Volksbeleggings, at the end of the year, will be succeeded by Dr C J F Human, vice-chairman and managing director. Dr Human will continue to be managing director until the end of 1982 when his successor will be announced.

14/8/81

the vote to the colo t within their borders.[102]

In 1909, a greater di the South African coloured
community. The draft contained many colour-
bar clauses, the most he prohibition on blacks
to occupy seats in th . Many petitions were
submitted by the A.P. organisations to the
National Convention, but to no avail. In
July, 1909, a deputat ership of W.P. Schreiner,
a former Cape Premier as a prominent member,
left South Africa for ade the British Govern-
ment to drop the colo the Union constitution.
This deputation achie eyond the assurance that
Britain would reserve g the Cape franchise.[108]
The South African Act ny attempt, like the
gallant one of Achmat seat in parliament,
was no longer possible f colour in this country.

However, Abdullah Abd is mark on South African
coloured politics. As the A.P.O., he became
its sole policy maker. educationally he stood
way above his peers. s policy statements,
in the form of preside normally unquestioned) at
the various conferenc irection to the A.P.O.
In his style and pres rences to history, to
show the injustice in munity, and his command
of the English langua radition in coloured
political oratory, co day.[104]

His priority concern ranchise which he
believed to be the key and cultural development
of his people. But ap ere was his concern with
labour; education; the coloured people in
the Transvaal and Ora is acid comments about
Afrikaners; and his de towards Afrikaans and
the Dutch Reformed Ch the issues which were
real to him and throu e indignities suffered
by his people.[105] He he Africans as part of
the oppressed races i ssibly because of his
limited contact with ve accepted franchise

Optimism on year ahead at W and A

Star 19/8/87

W and A Investment Corporation increased profit attributable to ordinary shareholders by 38 percent from R5,2-million to R7,3-million in the year to June and expects increased earnings and dividends this year.

A final dividend of 30c boosts total payout for the year by 25 percent from 40c to 50c.

Earnings a share rose from 115c to 152c. This exceeded the company's forecast of 145c a share.

Pre-tax profit was up from R10,8-million to R14,5-million and taxed profit amounted to R10-million (R7,5-million).

Outside shareholders took R2,2-million (R1,9-million)

The company says it is difficult to forecast earnings with any degree of accuracy in the present economic climate.

Prospects, however, look good as the introduction of a second TV channel should enable furniture subsidiaries, World and Bradlows, to maintain strong sales.

A negative factor could be rising interest rates as significant sales volumes in the furniture trade are on credit.

Waicor, which derives its income from investment in W and A, had a net income of 18c a share.

The directors say that in view of unprecedented high interest rates it is considered prudent to repay the interest-bearing loan of R500 000 over the next few years.

A portion of the dividend income accruing to the company is thus to be retained for this purpose and a final dividend of 9c has been declared, making a total of 16c for the year. — Mervyn Harris.

58

Trust Bank to enter SWA

WINDHOEK — A registered commercial bank, the Trust Bank is to begin operation in SWA/Namibia from the beginning of next month, the managing director of the Trust Bank of South Africa, Mr Donald Swanepoel, announced in Windhoek.

The bank would be a full affiliate of the Trust Bank of South Africa, Mr Swanepoel said — Sapa

Banks borrow up to R700m overseas

RDM 24/8/81 (58)

BOTH the capital and the money markets were brimful of interest last week — the capital market because there appeared to be a hardening of rates throughout, and the money market because rates are easing against monthend expectations.

HAROLD FRIDJHON — in the financial markets

At the end of last month when the money market was in a straitjacket, it was feared that the August monthend would impose a tremendous strain on the banking system and that rates would go through the ceiling. The reverse has happened.

Rates in the money market have eased and the predictions are that most banks will take next Monday's hurdle in their stride. This is discernible in the drop in the one-day call rate to 11% and demand call to 9%.

Perhaps the most telling rate of all, three-month banker's acceptances, came down twice last week, first from 15½% to 15¼% and on Friday to 14¾%. Academically, this is where the rate ought to be because it brings the real cost of a BA to about 15¼% — 75 points below the prime overdraft rate.

But rates are not adjusted to suit the niceties of academic theory; they move up and down according to the dictates of markets. The money market last week was signalling that it was comfortable and that the monthend held no fears for the banking system.

When three-month BAs, prime market paper, cost more than prime rate, there was a tendency for borrowers to use overdrafts instead of acceptance credits. This resulted in a shortasge of paper. With easier conditions there was a scramble for BAs — hence the drop in rates.

Before the weekend, free balances in the National Finance Corporation exceeded the R500-million, but in normal times this would signify nothing before a monthend when provisional tax has to be paid, as well as some mining tax. But this year it has considerable significance because the banks have not yet collected all their monthend cash.

They are not looking to domestic sources for funds — they are going abroad. They have made arrangements to raise funds overseas, with the help of the Reserve Bank, and not only to meet this month's deficiencies. They have been taking money 12-month money about 15¼% after the Reserve Bank's favourable forward discount.

Obviously there is method in the central bank's apparent madness — and madness it is in view of the authorities' determination to bring down the money supply. This importation of capital will ease the squeeze on the balance of payments. It suits the Réserve Bank to have the commercial banks do the borrowing. This keeps the central bank's powder dry.

Just how much has been raised abroad is anybody's guess. Market estimates range between R600-million and R1 000-million, with an average of about R700-million. This will help the balance of payments position, just as it will help the banks, not only for the August monthend but for several months to come.

The imminent inflow of money is the reason for the softness of money-market rates. The banks are no longer hungry borrowers; they can afford to be selective.

Three months CDs are down to 15,10% and October CDs have come down from 16,75% to 15% — perhaps this is clearest indication of the easing of rates.

Monthend rates, which had been hovering in the 16% range, are down to 14¾% and six-month CDs are between 15¼% and 15½%.

Another Reserve Bank move which indicates clear thought and policy is the handling by the authorities of the two Government stocks amounting to R285-million which mature on October 1. Instead of redeeming the loans and replacing them with a new five-issue which might have resulted in some holders taking the cash and running — thereby increasing M1 money supply — the Reserve Bank is offering a roll-over, tap issue of two-year loan stock at 12,45%.

This is an offer which the banks can't refuse because the stock ranks as a liquid asset and the rate is so attractive.

* * *

THE two-year rate which has been fixed for the roll-over of the maturing stock is really a smoothing out of the yield curve. While the capital market's major concern is the long-term rates of RSAs and Escoms, the intermediate rates are not entirely in pattern because of a reluctance of the market to deal

It suggests three-year at 12½%, five-year at 12,85% and an 11-year at 13¼%. One cannot but help looking at these rates in terms of what a hardening market with bear tendencies is prepared to pay.

Last week long-dated RSAs traded on the secondary market at 13,10% to 13,12% and Escoms were 13,20½% with dealers reporting that expectations were for rates to rise, depending on what the Governor of the Reserve Bank says in tomorrow's annual address.

The Land Bank is coming to the market early next month to handle R100-million in maturities and to seek R50-million in new cash. Market talk has it that the rate for the two-year or three-year stock — it has not yet been decided — will be about 12¾%, which is again in line with the latest Government offer, bearing in mind that this stock is also a liquid asset.

I believe that underwriting is going ahead for the South West Africa issue of R40-million which is being handled by UAL and Volkskas Merchant Bank. Rates have not yet been announced. But looking at the Escom rate, I would not be surprised if the rate was fixed in the 13,45%-R13,55% range, with my fancy at the lower end.

A rate at this level would be almost in pattern and its acceptance would signify the expectations of institutional investors.

of Johnnies in that company's profits has been included from [illegible] ... cent interest in subsidiaries to [illegible]

Pace may not be kept up

Amic strides out in first half

By DAVID CARTE

SOME steady running by its large and widespread subsidiaries and associates and a lower tax rate lifted Anglo American Industrial Corporation to a 29% earnings increase in the six months to June.

First half earnings of Anglo American's listed industrial [illegible] were [illegible] ([illegible]) and the interim dividend has been raised [illegible] to 50c (42,5c).

The chairman, Mr Gavin Relly, and a director, Mr W G Pomfret, expect Amic to do better in the second half, but warn that slower economic growth means earnings growth will slow in the second half.

Pre-tax profit of the subsidiaries was 23% better at R412 900 000. The tax rate fell from 37% to 29%, with the result that taxed profit of the subsidiaries was [illegible] better at R77 100 000. A 40% rise in the share of profits due to minorities [illegible] that subsidiary earnings were 21% better at R4[illegible].

Earnings of associates, such as Samancor, Haggie, Asea and Dorbyl [illegible] rose 23% to R17 [illegible] 000 so that taxed profit attributable to Amic shareholders was 29% better at R179 400 000.

Earnings excluding associates were 31% better at [illegible] ([illegible]). Associates contributed [illegible] (29,5 [illegible]) of total earnings.

An Amic spokesman told me all the subsidiaries apart from African [illegible] increased profits [illegible] between [illegible] and 29%.

Boart and Crew rode out a strong rand in the early months of the year to turn in a good performance. With the rand softer now they are confident of maintaining the pace until the year end.

Mondi turned in excellent profits and expected to do even better now that its No 5 paper making machine had been commissioned. With [illegible] million to be spent in this area, Amic clearly sees paper as its major growth area at the moment.

The directors say R[illegible] million of the [illegible] will be raised from [illegible] and the balance of [illegible] million from the shareholders. Amic will [illegible] need to go to its shareholders for the [illegible] million it is to contribute.

[illegible] believe, all the associates except Asea made substantial profit gains. Asea expects to do better in the second half when [illegible] transformer contracts come to account.

[illegible] like most motor manufacturers [illegible] highly profitable and still continuing, although some slowdown is seen, with interest rates threatening vehicle sales.

[illegible] Services is still doing well.

COMMENT: Amic has once again beaten the economy [illegible] down, and — keeping in mind its record — it is against the economy that it must be measured.

One would hope that Amic can beat last second half by [illegible] the inflation rate. If so, second half earnings would be [illegible] and the total for the year [illegible] a rise of [illegible] for the year. Assuming a [illegible] dividend cover, this suggests a total payout of [illegible], which gives a [illegible] prospective yield on the current price of [illegible].

Amgold's 500c above forecast

But final div outlook gloomy

7/8/81 RDM (58)

By ADAM PAYNE

ANGLO American Gold Investment Company has declared an interim dividend of 500c (550c), showing a smaller decline on last year's interim than many investors expected.

Attributable profits in the six months to August 31 were R136 900 000, or 623,8c a share, giving dividend cover of 1,25.

This attributable profit was 10,5% lower than the R153-million, or 697c a share, in the first six months of Amgold's previous financial year.

Investment income dipped 10,4% to R140 200 000 (R156 500 000) because of lower dividends from gold mines.

Interest earned and other income rose to R4 800 000 (R1 500 000) after the retention at the end of last year of a larger proportion — 20% — of earnings that in previous years.

Retained profit in the six months to August was R27 100 000, or 19,8% of earnings.

Group profit before tax was R139 100 000 (R154 300 000), which after tax of R900 000 (nil) left a taxed profit of R138 200 000 from which preference dividends of R1 300 000 were paid.

Tax was paid because the interest earned and other income, after the big retention last year, put Amgold into a tax bracket which did not apply in the previous year.

The market value of the group's listed investments was R2 200-million at August 4 this year compared with R3 100-million at the end of August 1980 and R2 300-million at the financial yearend on February 28 this year.

The net asset value a share declined from 14 986c last August 31 to 10 565c this August. It was 11 429c on February 28 this year

Amgold has acquired 200 000 new Ergo shares in exchange for selling to Ergo its 20% participation in the right to exploit the service and underground resources at Simmer & Jack mine.

The net after-tax cost of Ergo's project to exploit the Simmer resources is to be met by loans to Ergo from the former rights owners and Amgold will provide 20% of the needed finance.

Amgold also has a 9,5% equity interest in Eastern Gold Holdings, the company set up to finance the development of the Erfdeel/Dankbaarheid mine east of Welkom.

COMMENT: This pleasing payout by Amgold may give investors a false confidence in the gold market.

The 50c fall is not serious, but the outlook for maintaining the final at a similar close level to last year's 600c is far from bright.

The impact of the dollar gold-price fall has not yet been fully felt, having been cushioned by the fall in the rand, so that mine earnings and dividends have not been hit as hard as they might have been.

However, the rand is unlikely to fall much below its present level against the dollar and if the gold price continues about $400 an oz or falls, rand earnings by the mines will be considerably lower than they were in the June quarter.

The average gold price then was $485, after $530 in March and $614 for 1980.

The September dividends from the Evander mines will probably be disappointing and those from Anglo's Free State mines in October are likely to follow suit unless there is a substantial rise in the gold price soon.

The October quarterly reports are also expected to be depressing, not only because of lower earnings but because the full impact of black wage increases will be felt.

In these circumstances, Amgold is likely to face a severe fall in dividend income in the second half of its year to February.

The final dividend is unlikely to exceed 500c, if there is no big rise in the gold price, against 600c last year. A total of 1 000c would give a yield of 10% on yesterday's share price of 9 650c.

The company is liquid, having retained about R2,85 a share last year and R1,23 now, but it has commitments.

Among Amgold's longer-held gold-mining shares, in order of contribution to the group's investment income, are Driefontein Consolidated, Western Deep Levels, Western Holdings, Free State Geduld, President Brand, President Steyn, St Helena and Kloof.

Amgold participates in the exploration programmes undertaken by prospecting companies administered by the Anglo American group and continues to take part in gold mining in Brazil and in prospecting programmes in that country and in Chile, Argentina and Australia.

Costly money bites Barclays

Sum Wkly 1 12/8/81

Profits fall 5% at halfway

By HOWARD PREECE

BARCLAYS National Bank suffered a 5% fall in taxed profit from R34 800 000 to R33 100 000 in the six months to June 30. The interim dividend has been maintained at 26c.

Barclays is South Africa's biggest banking group. The dip in its profits is in line with the 1,5% drop reported earlier this month by Standard Bank Investment Corporation.

Together the results indicate the tough times that the banks have been facing.

The crucial problem for Barclays is that deposit rates, above all for big amounts of wholesale money, have been going up faster than have lending rates.

Round-tripping — borrowing at prime and lending back to banks at a higher rate — has taken its toll.

There has been a consequent squeeze on profit margins.

Mr J M Barry, the chairman, and Mr Bob Aldworth, the managing director, say: "Lending margins were squeezed during the period under review by factors beyond the bank's control when funding costs accelerated ahead of the bank's ability to adjust its prime lending rate."

The drop in gross operating profit was from R55 500 000 to R49 200 000, but this was cushioned by an easing in tax from R20 700 000 to R16 100 000.

Although profits have been under pressure Barclays has been booming as far as volume of business is concerned.

Total deposits increased from R5 912-million at the end of December 1980 to R6 793-million at the end of June.

Total assets were up from R8 695-million to R10 078-million and advances and other accounts jumped from R3 837-million to R4 779-million.

Mr Aldworth says that Wesbank, the merchant bank and the foreign exchange operations all performed satisfatorily.

Wesbank apparently held up well, and foreign exchange was better than expected.

The essential difficulty lay with the main commercial bank.

COMMENT. Customers who have to pay more for overdraft facilties may be surprised that Barclays is not making more profit.

The problem for the banks generally, however, is that the total price they have had to pay for deposits was going up at least as fast as lending rates for most of the first six months of this year.

Barclays does as large a percentage of its lending at prime rate, the lowest overdraft rate, as any bank and has felt the squeeze particularly.

Since net profit rose by 66% in the first half of 1980 this made it especially difficult for the comparative results in the first half of 1981.

Over 1980 as a whole profit was helped by a sharp reduction — R13 400 000 on an annualised basis — in new doubtful debt provisions.

Mr Aldworth tells me that there was no important change in the provisions during this interim period.

It is possible that these provisions might have to be accelerated again as the economy runs into choppier water.

In his annual statement Mr Barry said Barclays was aiming at boosting profit this year by at least as much as the rate of inflation.

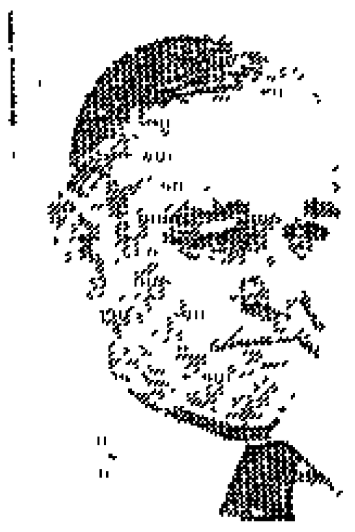
That will be difficult to achieve now.

However, the 2% rise in Bank Rate and the consequent jump in prime rate has given some help to profit margins.

If there is no further rise in deposit rates, or alternatively if prime rate is allowed by the Reserve Bank to rise equally, Barclays could yet finish the year with a token rise in profits and even a higher final dividend.

BOET VILJOEN (58) FM 21/8/81

Facing a new phenomenon



The *FM* speaks to Boet Viljoen, President of the SA Association of Building Societies, about the present predicament of building societies and the future of these institutions.

***FM*:How do you account for the funding squeeze now being experienced by the building societies?**

Viljoen: A building society must get money from the market like any other financial institution and it can only do so if rates are competitive In the past months a phenomenon has occurred in the SA economy that is quite unprecedented: the controlled interest rate system of the past has been replaced by a market related rate system. The authorities felt that the supply-demand system should have the run Because of this, building societies drifted into an area where rates sharply moved up. We used to say: "Look at America, with its 20% interest rate on money. Can you believe it?" But within six months we saw it here.

Last year banks weren't buying money, and money came our way in floods. People were offering us huge sums of money, notably the mining houses and other corporate investors. They were doing so for two reasons:

- Our rates were better than the rates offered by banks, and others.
- Investors such as pension funds used building societies temporarily while awaiting the long-term rate structure that emerged eventually.

That's the reason for having a lot of money *then*. But the situation has shifted away from building societies and "our shelves are empty "

Building societies have been accused of fuelling inflation by various practices, including buying money at high rates in the market and extending loans in non-housing areas. Are these valid criticisms?

No. Early last year the housing market was at a low pitch and, to March 1981, we lent out over R4 billion on housing units, of which R810m went into new housing units We were not simply pushing money into existing stock Building societies succeeded in stimulating the building trade and the housing market.

Regarding the criticism that housing prices were subsequently pushed up, I maintain that in granting loans for home extensions, improvements and so on, no more money was involved than would have been if new homes with the added facilities had been built. This is because building costs such as land, materials and labour increased, thus narrowing the gap between new homes and existing ones

Why has the net inflow of funds to the societies dried up so sharply? In June it was a negative R11m.

This figure was recorded in June because of the flow of money away from societies to higher rates in the market and because of the imbalance in rates. For example, in 1967-1968 growth funds came in and scooped the pool. People were taking their money away from building societies. People found a new thing. I can't remember if the net flow was minus at that time, but if it wasn't, it was close. In building societies, it's necessary to go through a laborious process of getting rates up whereas it is not so with banks, so they do have a headstart. So when people come with questions such as "Why can't you give us bonds?" we can explain the position: investors make bonds possible.

Given that the societies have been making borrowing/lending losses at the margins, why was the mortgage bond rate not raised earlier?

Building societies are expected to advise the Minister of their intention to increase the bond rate And he has to advise the Cabinet, in turn We advised them in April that we wanted to raise the bond rate 1,5% and the authorities tried to persuade us that 1% was high enough. The whole issue was blown up and a commission of enquiry was appointed to look into the question of adjustments insofar as societies are concerned. So, this is how the thing really works. If we jack up the investment rate by a percentage, and because of that, the bond rate, the whole procedure has to be finely orchestrated with government. And government has an obligation to the country concerning money supply.

How long do you think it will take building societies to build up a cash flow adequate to meet anticipated demands for loans in the near future?

The new set of rates should have a sobering effect and some money will come in. Also, increasing the amount of money in tax-free investment means money won't be withdrawn so easily. And we'll build up cash from capital receipts from bond repayments. But all of these factors must work together with bank credits because if people make less demands on bank credit the banks won't buy as much and the situation will roll around in our favour again.

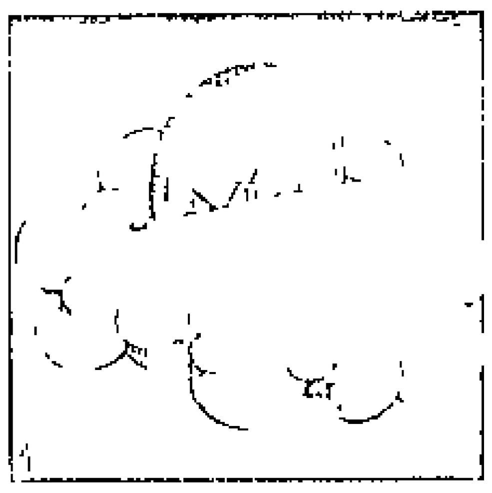
But I don't think 1981 will see a marked change in the availability of money to building societies. However, people must not react to this by saying that building societies are in such a squeeze they will not come out of it quickly. The present set of circumstances was largely caused by the fight to reduce our rate of inflation by reducing the availability of money. This was aggravated by the heavy drop in the gold price as well as other factors Our economy is basically strong and, as in the past, will come right again very quickly with great benefit to building societies.

BUILDING SOCIETIES

FM 21/8/81

In the melting pot

58



The building societies have for about half a century been the main source of housing finance in SA. As a result whites are adequately — if not lavishly — housed. The same is not true of the bulk of the blacks.

In Soweto alone it is going to take three years at best for sufficient homes to be provided, assuming relatively stable prices and private sector participation.

That suggests that this country's housing finance and the role of the building societies need to be reviewed in the light of equity and racial harmony.

Of course, the chronic shortage of black housing is not necessarily the fault of the building societies themselves. That has to be laid at the door of misguided government policy — blacks may not own land freehold, and their participation in the economy is officially circumscribed.

But because societies are victims of the inadequacies of the system, it does not mean that their function and activities should not come under scrutiny. For it is quite possible that in relation to the assets they command and the tax concessions their investors enjoy, the provision of white housing should not in future be their main endeavour.

But the inadequacy of black housing is not the only reason why the role of building societies needs to be spotlighted. There are a number of others. As officers of mutual societies without shareholders, top management has no profit motive and little, if any, accountability. This has led to a scramble for assets to manage that more than once has seduced the larger societies into questionable financing methods that have a profound influence on interest rates and thus on monetary policy.

Take the present situation. The societies have pushed up mortgage rate by 3,25% in three steps over six months. The reason they give is that the sharp rise in short-term interest rates is forcing them to pay higher interest on their "traditional" sources of finance which are flowing to banks.

Yet normally it is not necessary for a long-term rate, such as the home mortgage rate, to rise in accordance with fluctuations in short-term interest rates provided mortgages are funded appropriately.

In support of their argument that the banks are muscling in on their "traditional" deposits and forcing them to pay higher rates, the societies quote Reserve Bank figures. These show that commercial banks' share of savings deposits rose from 39% of the total in 1971 to 51% in 1978. Building societies' share declined over the period from 57% to 45%.

However savings deposits are not the only pertinent ones. Proportionately more of the societies' liabilities are in fixed deposits, a proportion that has increased from 23% in 1974 to 37% this March. Between 1976 and 1979 the fixed deposits of the banks grew by only 14% while those of the societies shot up 66%.

Fixed deposits do not really represent personal savings any longer, especially not since 1974. Between then and 1980 deposits from companies, pension funds, public corporations and local authorities have doubled. A characteristic of these deposits is that they are sensitive to interest rate movements. The societies are unable to hold them on maturity unless they pay as much or more than the banks, which if done for any length of time, requires a rise in mortgage rates.

An example of the volatility of these funds was provided by the societies last week. From a net inflow of R185 495 on fixed deposit in April, the societies swung to a R13 975 outflow in June.

This is not the first time in recent years that the societies allowed their funding to become badly balanced while preoccupied with the chase for assets at almost any cost. After Sharpeville in the early Sixties, they suffered a similar outflow of corporate funds and had to appeal for last resort assistance from the Reserve Bank.

At the time it was not necessary for the societies to draw this assistance, for the balance of payments moved unexpectedly into surplus. This time more than one society did buy-back deals with the central bank to ease their liquidity squeezes. The Perm's accounts reflect a R56m buy-back under contingent liabilities.

Another reason why the societies' role needs to be periodically examined is that when deposits are in surplus they no longer confine themselves to mortgage lending. Because of this, their loans last year were one of the reasons why aggregate demand in the economy exceeded supply.

Even more disturbing is that the societies should have had such a huge surplus of loanable funds at all in the late Seventies. Their total mortgages as a percentage of total assets increased from 12,5% in 1977 to 37,5% in 1979. In the process of pushing out their embarrassment of riches, the societies helped finance what some consider to be the worst home price inflation in any year since the war. Some house prices were up 300%.

If society managers had needed to maximise profits, it is doubtful whether they could have afforded to accept deposits which for some time they could not lend. They would have had to cut the mortgage rate to stimulate mortgage demand, thus placing a natural break on the acceptance of undue deposits.

With corporate fixed deposits easy choose, the societies saw no need to secure their funding base by marketing savings accounts and tax privileged shares. Instead their innovative energies were centred on using advanced computer technology to muscle in to fringe banking.

Their growing involvement in the daily payments mechanism, and the fact that they allow depositors to borrow against their deposits, has worried the monetary authorities for some time. The effect is to increase the velocity of circulation of money and the total supply without the societies being subject to monetary controls.

Finally, most of the larger societies have formed close links with banks and insurance groups. The potential for tied business, with a consequent loss of competition, may not be healthy, especially as societies command in SA an unduly large proportion of the assets of financial institutions.

Of course, the societies have had to face monetary conditions that were at best confusing. The refusal of the Reserve Bank last year to relax exchange controls and release a large trade surplus, resulted in inappropriately low domestic interest rates. So in the late Seventies the societies' mortgage rate was above market clearing level yet below the inflation rate.

Nevertheless they did not, even in these circumstances, apply financial principles that would normally accompany a profit motive. The result is no small manner contributed to general price instability.

Building societies, or their equivalents, have come under close scrutiny in other countries, too, notably Britain, Australia and the US, where they are facing increased competition from banks and difficulties because of higher interest rates. But their funding remains more solidly in personal savings than our societies, nor do they have the same links with banks and insurance companies.

In Britain, the societies are as much in competition for personal savings with the Treasury as with the banks. Controversy there hinges on tax concessions which allow societies to hold the mortgage rate at below market clearing level. Inevitably this has led to a queue for bonds, which the banks are exploiting by offering mortgages at market clearing rates.

In Australia, as in Britain, societies have made inroads into the banks' share of deposits. The controversy there is over

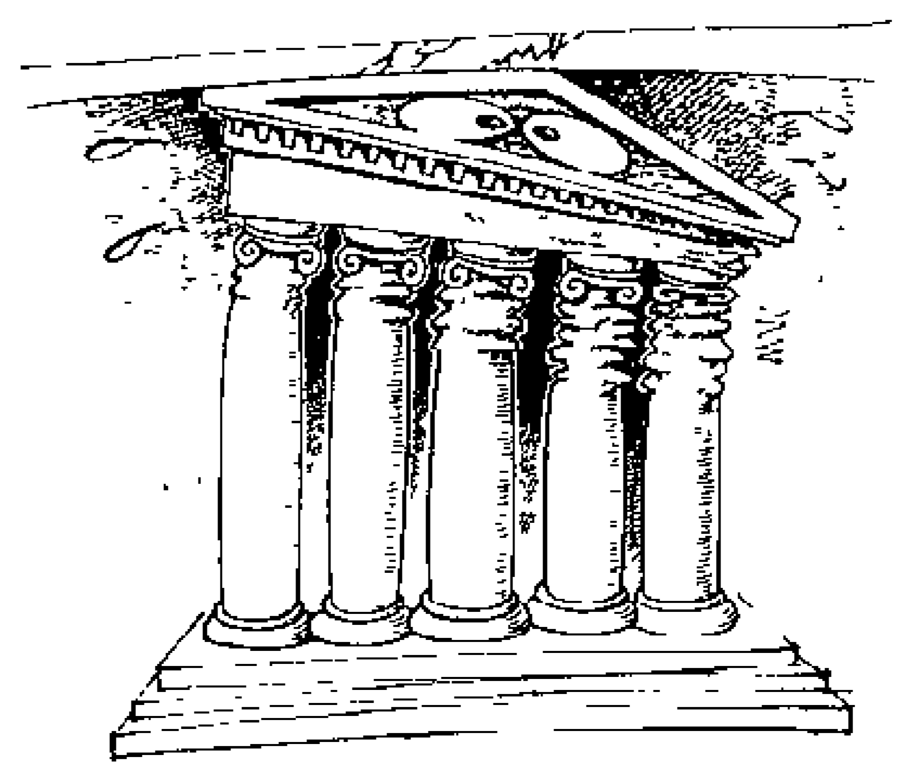
USURY LIMITS FM 21/8/81 (58)

Caught in a time-warp

Why is Naas van Staden, the Registrar of Financial Institutions, dragging his feet over raising to market related levels the maximum lending rates stipulated in terms of the Limitation and Disclosure of Finance Charges Act?

Amended in March this year after a stormy series of proposals and consultations, Ladofca is the latest version of usury legislation that has been around in some form or other since 1926. The socialist Twenties was an appropriate decade for a solemn governmental pledge to protect the unwary and unworldly from the machinations of unscrupulous moneylenders. Although a modern and well-regulated banking system now puts an archaic light on these philanthropic ideals, the pledge has been honoured ever since.

The current legislation provides for the setting by ministerial decree of maximum rates on credit transactions. Shortly after its enactment Finance Minister Owen Horwood made upward adjustments to the existing maxima. He also introduced a two-tier structure with trigger points based on the monetary size of transactions. On the money lending side, relevant mainly to commercial bank lending, advances of up to R500 attract a ceiling of 24%, from R500 to R1 000 a ceiling of 21%, and R1 000 and over a maximum of 18%. Most bank business falls into the last category.



On the instalment credit side (hire purchase and leasing), loans of up to R5 000 meet a ceiling of 24%, and above that, 21%. This affects primarily the general banks, the bulk of whose contracts are over R5 000.

Since March, the cost of money has soared. Several rises in Bank rate have enabled the commercial banks to raise their prime overdraft rates to 16%. But, considering that wholesale funds are now costing them a similar rate, their lending at the margin is yielding no return at all. As a banker comments: "The more we lend now, the more it costs us." And with effective lending ceilings fixed at 18%, it also means that within a margin of 2%, few meaningful distinctions can be made between prime borrowers and less credit-worthy clients. The preferred and traditional gap is 5%.

The general banks, especially the few unprotected by membership of large banking groups which can spread their funding costs over a broad spectrum of sources, are in a more parlous condition. The competition for available funds has driven up the cost of their main funding sources, like fixed deposits and NCDs. And comparatively recently, as lending rates have moved upwards to the maximum levels, even the margins earned by HP retailers have been squeezed out.

Bankers have made representations to Van Staden, without whose recommendations the Minister is unlikely to act. They have not yet asked for the usury limits to be raised (although they will soon have to), but have suggested that the two-tier structure be amended or scrapped. As general bankers are quick to point out, a great proportion of their business is in car sales, and very few new cars are available for under R5 000.

The Budget, it was fondly hoped, would provide the opportunity for changes to be made, and there is disappointment that this turned out not to be so. The exchequer deficit financing requirement now suggests that fierce competition for funds could last longer than anticipated, and the prospect of riding out the profit squeeze will thus be more protracted.

Several factors may underline the Registrar's procrastination. Recently appointed, his directive to the building societies last month to control the rates they paid on certain wholesale deposits was widely viewed as an attempt to make a debut impact. His revealing comment at the time — "I am not afraid of the building societies." In the event, his directive was all but totally withdrawn. His intransigence over the Ladofca rates may be another means of showing financial institutions that he means business. With the discretionary powers at his disposal, the *FM* doubts that is the case. But his motive is certainly obscure.

He has, in the past, mounted a passionate defence of the present rate structure, evoking the bitter image of a majority of hard-pressed instalment creditors having to pay in finance charges as much as a quarter of the price of the goods they are purchasing. So there is no secret about the direction in which his sympathies fall.

But his brief, surely, is a more objective one. He is dealing with a banking system whose profit margins are shrinking. And he must keep in mind monetary authorities who are grappling with a run-away money supply which is fuelling an overheated economy.

If sound financial principles are to be applied effectively to the SA economy, then a Registrar with his head in the Twenties is going to frustrate them. Van Staden is certainly making his mark, but in the same way as the former intransigent Governor of the Reserve Bank did. Horwood must not tolerate misguided obstructionism to a rise in the interest rate structure as he did towards exchange control relaxation

De Beers could do without diamonds

(58) RDM 27/8/81

(216)

By JOHN MULCAHY

DE BEERS share price has shown remarkable resilience in the face of a 40% drop in Central Selling Organisation figures and the shock announcement of a 55% fall in diamond account income.

It is believed that a large part of the profit fall was already reflected in the share price, but that there is still some downside potential in the actual figures.

There is a significant cushion in De Beers non-diamond interests in that the pre-tax earnings from investment and interest will probably cover the dividend of 75c this year. Net asset value of De Beers without diamonds covers the share price.

One analyst estimates that net asset value is 900c — excluding all diamond interests and assuming that R200-million was used to support the diamond market in the first half of this year.

In effect, at a price of 900c De Beers diamond assets are free to the investor, an attractive proposition to institutions looking for assets.

It seems that this downside was offset by improved stockmarket sentiment, but the market could be holding De Beers up artificially, and institutions are not convinced that the bottom has arrived.

There has been constant selling of De Beers from New York and London, but the stock has been well taken up in SA, although without aggressive buying.

Down to a low of 845c before the CSO sales figures in July, the share price promptly moved up to 900c in front of the profit announcement, and the additional bad news in the diamond account figure took the price down to 890c.

The weakness in the gold market has knocked stock-market sentiment, and with it De Beers, which has fallen to 880c. But it is still well above the level many observers believe is the bottom.

With the gold and industrial markets advancing strongly, De Beers traded in a narrow range, with no desperate attempts to sell or buy. But brokers say that in a strong market De Beers was at best dull, and was certainly not sought after.

The fear (hope in some quarters) is that if the steam runs out of the rest of the market there may be a big sell-out of De Beers, possibly to below 800c.

Indications are that institutions are waiting in the wings for a shake-out before buying for growth next year and in 1983.

There is little logic in buying De Beers now for short-term returns or growth as there are yields far better than 8% available on the JSD, and no expectations of a turnaround in the diamond market before the end of the year.

An improvement is expected next year, but any fireworks will not come before 1983, and the trend in the share price is likely to remain dull until there is positive news on the diamond market.

There seems little likelihood of any significant improvement in the US economy in the current and fourth quarters of this year, and the US gemstone market being the most important individual contributor to De Beers diamond account profits, there will probably be no major recovery in diamond demand until late 1982.

There is, however, enough optimism at the retail end of the diamond market to indicate that CSO sales could be maintained at the first-half level in dollar terms, and the devalued rand could lead to improved diamond account profits for the second six months.

Assuming interest and investment income again reaches R138-million, earnings from this source alone (before tax and expenses) at R276-million will account for the annual 75c dividend, which will cost R269-million.

One analyst said the trick would be in reading the turnaround in the market, which would come well before the turnaround in De Beers fortunes as it was difficult to reading the market's expectations.

"It is just about impossible to estimate accurately how far ahead the market is reading De Beers," said a broker.

BRISTOL INDUSTRIAL

Strained liquidity

(58) FM 28/8/81

Activities: *Property investment and trading company in the Sher family-controlled Textile & General group.*
Chairman: *J Sher, managing director. A I Sher.*
Capital structure: *10,3m ordinaries of 12,5c. Market capitalisation: R3,8m.*
Financial: *Year to February 28 1981. Borrowings: long- and medium-term, R1,3m. Net cash: R207 000. Debt: equity ratio: 28,7%. Current ratio: 1,2. Net cash flow: R47 000.*
Share market: *Price: 37c (1980-81: high, 65c; low, 32c, trading volume last quarter, 301 000 shares). Yields: 8,1% on earnings; 7,6% on dividend. Cover: 1,1. PE ratio: 12,2.*

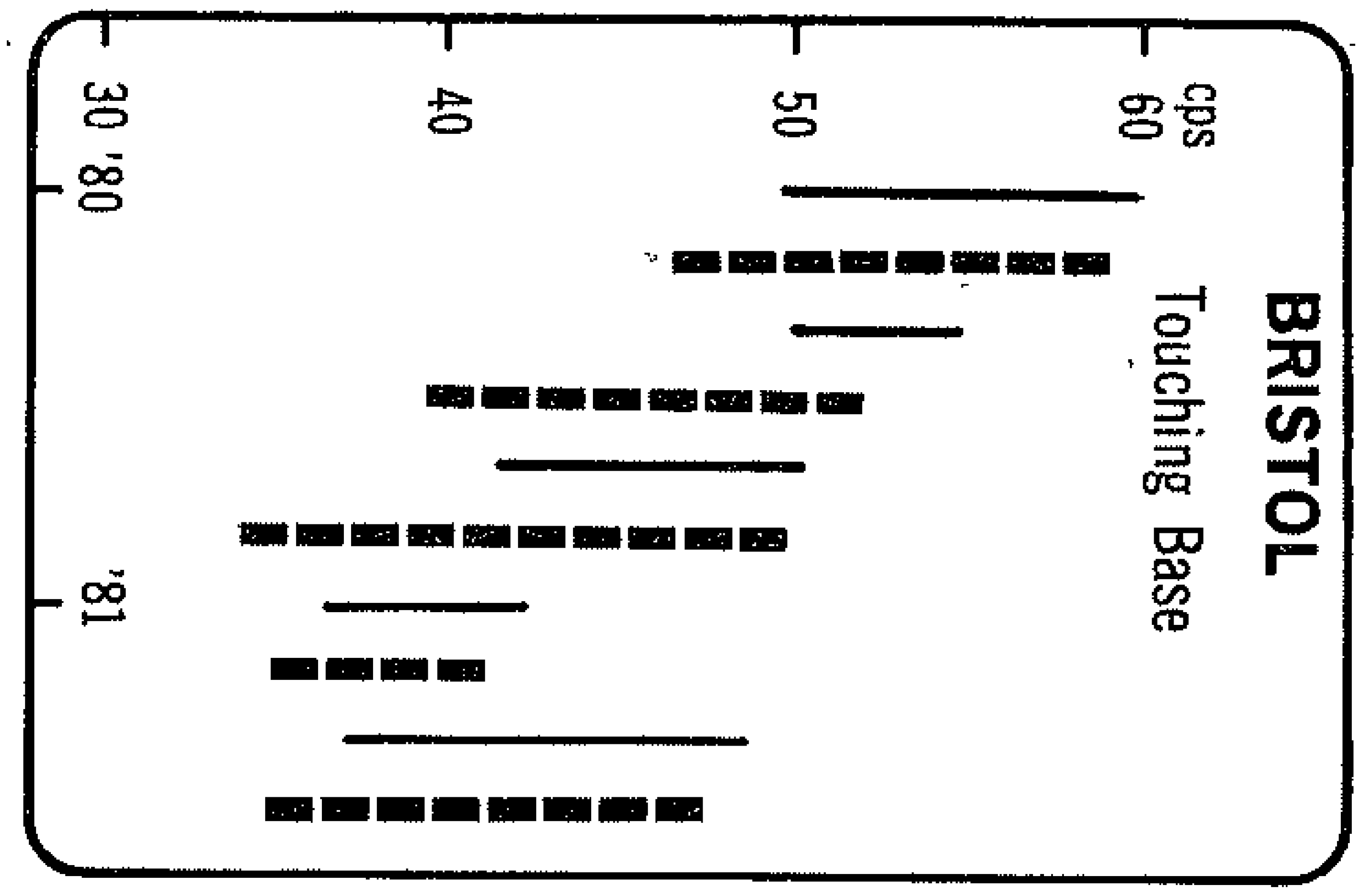
	'78	'79	'80	'81
Return on cap (%)	7,4	7,3	9,6	8,4
Turnover (R'000)	502	507	390	440
Pre-tax profit (Rm)	234	228	495	382
Earnings (c)	1,8	1,7	4,3	3,0
Dividends (c)	1,5	2,8	2,8	2,8
Net asset value (c)	43	43	53	50

Bristol Industrial's earnings history has been erratic for some years, but the company's disappointing performance in financial 1981 may well serve to caution speculators who have shown some interest in the share in the past.

Pre-tax profit slumped 22,8% from R495 000 in 1980 to R382 000 in the year to end-February. Analysis of the results shows, however, that "normal" gross profit — before tax and interest payments — increased to R558 000 from R484 000 the previous year. This is due to the fact that gross profit in 1980 was inflated by R203 000, earned as a premium on the early redemption of preference shares in an unlisted investment.

Included in last year's gross profit is a surplus of R302 000 resulting from the sale of a 25% interest in Netherlands Properties, and a R94 000 profit on the sale of wholly-owned subsidiary Corso Properties Both deals can be considered part of the company's normal business.

A portion of the surplus funds were used to reduce borrowings from R1,8m to R1,5m which brought down the interest charge from R192 000 to R176 000. One effect of the reduction in interest-bearing debt was a slight decrease in the debt: equity ratio from 32,7% to 28,7%.



Nevertheless, there is still negative profit gearing as the average cost of borrowings of 11,9% exceeds the gross return on capital employed which declined to 8,4% from 9,6% the previous year.

Despite this, the company has entered into a capital commitment of R2,4m for the erection of an apartment block to be sold on a sectional title scheme The directors say the project will be financed from internal group resources and from mortgage finance. Since the company has traditionally distributed virtually all of its earnings — in some years the dividend payment has been uncovered — internal resources cannot provide more than a fraction of the finance required for the project.

How much will have to be raised cannot be accurately determined because many of the company's properties have purchase options granted to the tenants.

Minority shareholders may well question the wisdom of the company's continued existence. At 37c, 5c off its low, the share has very little going for it.
for it.

Chris Wilson

DATES TO REMEMBER

Last day to register for dividends:
Friday September 4: Abercom 17c; Anglo-Alpha 16c; B & S 6c; DRG 18c; E Haddon 27c; FR Alex 8c; French Bank 5c; GF Props 14c; GFSA 320c; Kohler 45c; Morlite 9c; New Wits 28c; Prosure 3,5c; Sel Min 28c, Vogels 5c; Yorkcor 15c.
Meetings:
Monday August 31: Barbican; Bristol; Metro (S); Safnit (S); Salect.
Wednesday September 2: Svenmill (Cape Town).
Thursday September 3: Russell; South Rood (Randburg).
All meetings are in Johannesburg unless otherwise stated.
S = Special meetings.

58

157% jump in Rembrandt's non-liquor income to R85m

Mail Correspondent

THE Rembrandt group was moving vigorously from its tobacco and liquor interests into mining, raw materials and energy, Remgro's chairman, Dr Anton Rupert, told the annual meeting at Stellenbosch yesterday.

The group's income from sources outside tobacco and liquor increased from R33 200 000 to R85 500 000 in the past year, Dr Rupert said.

The increase — a 157,5% leap — reflected the accelerating rate of the group's interests outside its traditional areas.

Income from liquor and tobacco interests fell by R1 200 000 from R85 400 000 to R84 200 000 because of the results of some overseas associated companies, as well as the restructuring of the South African liquor interests.

Total assets of the group and its associated companies amounted to R3 700-million, and turnover increased to more than R6 600-million. These figures excluded the investments in the mining sector, banking, insurance, engineering and petrochemical industries. Total consolidated assets amounted to R1 164-million.

The sale of 50% of Remgro's interest in Rothman's International — along with the group's trade marks in the Americas — to Philip Morris for $350-million had resulted in a surplus of $160-million which was being transferred to reserves.

The group had also sold some overseas portfolio investments which had yielded a surplus of R19 300 000.

As a result, the group had substantial liquid funds and investment opportunities were continually being reviewed.

With effect from October 1980 the group had acquired a 54,1% in the diamond exploration and mining group Trans Hex at a cost of R8 900 000.

In March 1981, the group bought an additional 5% interest in Federal Mining for R37-million.

Through its investments since 1976, Remgro now had interests in Federale Mynbou (30%), Volkskas (20%), W & A Gilbey (49%), Legal & General Volkskas Insurance (20%), Cape Wine & Distillers (30%), Trans Hex Group (54%), Metkor Investments (20%) and 10% in Stewarts & Lloyds of SA.

Referring to the sale of its I L Back interests, Dr Rupert commented: "A successful long-term investment in the clothing industry calls for either a substantial investment in chain stores or retail-tied financing in order to secure turnover".

The group's belief was that industrial groups should not be in competition with their retail clients, and for the same reason Remgro had urged that liquor-store licences should not be in the possession of groups.

Dr Rupert said: "With the establishment of Cape Wine & Distillers we understood that, over a period of 10 years, the possession of liquor licences would be reduced to five per person or corporate body, which is in harmony with the philosophy of small business development.

"Any deviation from this principle would, according to us, be detrimental to the further development of a healthy structure for the wine industry in our country."

Bankovs merger reasons obvious

Financial Reporter

PROFESSOR H J Samuels, chairman of Bankovs, says the reasons for its merger with Volkskas are obvious because of the trend to consolidation among banks and tighter economic conditions in the banking sector.

Professor Samuels urged Bankovs shareholders at the bank's annual meeting in Bloemfontein yesterday to accept the "extremely fair" Volkskas offer of one ordinary share in Volkskas for every eight Bankovs shares.

"Group forming" in the banking sector was increasing abroad and was already occurring in South Africa, Professor Samuels said.

Bankovs would make a substantial contribution to Volkskas's profits.

The large shareholders in Bankovs, with 41% of the ordinary shares, as well as all the directors, have indicated that they will accept the offer. Offer documents will be posted on September 7.

Professor W Mouton, a director of Volkskas Group, said his group did not have a general bank, and incorporation of Bankovs would enable it to offer the whole spectrum of specialised bank services through subsidiaries.

"For Volkskas Group the intended incorporation of Bankovs holds the benefit of obtaining an established general bank with competent management and a personnel corps of high quality," he said.

"It is in the interest of Volkskas to maintain and expand the strong ties that Bankovs has with the Free State."

BANKING

Leadership by proxy?

(58) FM 28/8/81

The fact that the Standard group has inched R259m past Barclays in terms of total assets on balance sheet is the most immediately noticeable feature of the latest crop of bank quarterlies, and one guaranteed to create both chagrin and elation in a banking community acutely conscious of market-share and asset size.

Barclays maintains that one reason is that it responded with greater alacrity to requests from Pretoria to curtail lending growth rates. And Stanbic generously allows that total assets, a bottom-line calculation, is a less important indicator than the return on those assets. As Stanbic senior GM Henry Liebenberg comments, "we are not particularly excited by our asset growth, and not particularly unhappy with our yields."

However off-balance sheet assets, a matter of accounting definition, tell another story The "Total Assets and Contingent Liabilities" table gives a picture of assets both on and off the balance sheet. Barclays switched a substantial portion of overdrafts (on balance sheet) into promissory notes (off balance sheet) either as a means of generating cash, or as a means of disguising its true rate of growth. If this is included, its total assets are R268m larger than Standard's.

It has also subsequently amended its entry under the item "loans granted but not yet drawn," which can vary on interpretation, to R849m from R110m, the result of an accounting gremlin. With this included, its total assets on and off the balance sheet amount to almost R11 billion, comfortably ahead of its main competitor.

The quarterlies, the banks' balance sheets, reveal the broad structure of the banking system at the end of June. All percentage growth figures in the accompanying tables are calculated over 12 months.

CAPITAL CUSHION

Group	Capital surplus June 1981 %	Capital surplus June 1980 %	Annual growth in liabilities %
Volkskas ..	2.15	2	34
Barclays	1.83	2	28
Nedbank .	1.9	1.5	24
Others	1.9	2	32
Standard .	1.72	2	42
Bankorp	1 7	1.7	39

In contrast to Barclays, the banking system as a whole appear to have reversed its rates of bill rediscounting over the last year. This is not only because this form of "grey market" financing has been made less attractive by interest rate movements and lower levels of liquidity in general. It is also because legislative changes mean that this business will soon have to be bought back statutorily onto the balance sheet, and the process has no doubt already begun.

The "Advances" table shows that the banks have continued their rapid servicing of credit demand Nedbank in particular appears to have aimed aggressively at market share in the last year, possibly aided by differing levels of response among the banks to official exhortations to curtail their rates of credit extension This is particularly noticeable in HP and overdraft lending, and of course a growth in Nedbank's total advances of no less than 98%. And the Volkskas group, largely through the efforts of its general banking arm Volkskas Industrial, has made substantial market-share inroads in the instalment credit sector.

But the 60% growth rate in total OD lending for the banking system as a whole is largely a reflection of how movements in interest rates have turned in favour of this kind of facility. And the 58% rise in total advances shows that overall demand for credit, though said to be diminishing now, continued to be strong for the year as a whole.

The most noticeable feature on the "Deposits" side is the extent to which all the banks have been funding their business on call money. Although the average percentage share of these deposits in the total is only 14%, it nonetheless represents a substantial marginal expense, and one that will be reflected in bank profit margins to the extent that call rates remain at high levels. With short-term deposits attracting a 58% liquid asset requirement, the banks do not actively promote them — this phenomenon clearly reflects the liquidity preference of investors, the desire to stay as short as possible during a liquidity squeeze and a rise in interest rates.

Largest rise

The largest rise in total deposits, the main component of money supply, was shown by Bankorp This is ironic given that the solvency of this group's major institution, the Trust Bank, is still being underpinned by the Reserve Bank, whose special responsibility it is to curtail the growth rate of money supply.

The "Capital Surplus" table shows that all the banks except Volkskas have shrink-

BLACK AND GREY
TOTAL ASSETS AND CONTINGENT LIABILITIES

	STANDARD Amount Rm	STANDARD Annual growth %	BARCLAYS Amount Rm	BARCLAYS Annual growth %	VOLKSKAS Amount Rm	VOLKSKAS Annual growth %	NEDBANK Amount Rm	NEDBANK Annual growth %	BANKORP Amount Rm	BANKORP Annual growth %	OTHERS Amount Rm	OTHERS Annual growth %	TOTAL Amount Rm	TOTAL Annual growth %
Total on balance sheet ...	8 200	42	7 941	28	4 290	34	4 239	27	4 284	38	2 250	34	31 204	34
Bills rediscounted	—	—	327	62	13	−87	548	−9	279	−20	48	−80	1 213	−18
Sub-Total ...	8 200	42	8 268	29	4 302	10	4 787	21	4 563	32	2 298	20	32 417	31
Guarantees	1 537	18	1 866	11	934	105	221	60	289	−1	295	36	5 142	23
Sub-Total	9 737	38	10 134	26	5 236	40	5 007	23	4 852	30	2 593	16	37 559	30
Loans granted but undrawn	649	392	110	8	28	1 300	67	415	126	448	47	−10	1 030	219
Total	10 386	44	10 244	25	5 264	40	5 074	24	4 978	32	2 640	16	38 589	32

• All figures rounded and as at 30 June 1981 — all on group basis

Bills discounted, guarantees and undrawn loans granted are defined as contingent liabilities in terms of the Banks Act

Consure to be rebuilt

RDM 28/8/81

56

By DAVID CARTE

AS a first step in the restructuring of its insurance interests, Kirsh Industries is to create a new listed holding company for Constantia Insurance.

The new holding company, to be called Constantia Insurance Holdings Ltd, will hold 100% of Constantia Insurance.

The restructuring means that Consure holders will participate in the Kirsh Group's other insurance activities.

"Constantia Insurance Holdings is set to become the ultimate holding company of all our insurance business," says the chairman, Mr Natie Kirsh.

The top company will eventually acquire stakes, presumably for the issue of shares, in AA Mutual's short-term and life arms as well as in New Zealand Life and Provincial Insurance.

The new structure gives the Kirsh group flexibility in putting together its new group.

Consure holders will not initially be affected and their holdings in the top company will, until it acquires other assets, be the same as their holdings in Consure today.

To speed up the restructuring and to meet legal requirements without a scheme of arrangement, Consure's 4 175 000 existing ordinary shares will be converted into 4 175 000 redeemable pref shares by special resolution.

The prefs will be redeemed in exchange for 4 175 000 shares in the new holding company.

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BUSINESS

R3 700-m under control of Rembrandt

Star 28/8/87

Own Correspondent
CAPE TOWN — The Rembrandt group and its associated companies controlled assets worth R3 700-million and had an annual turnover of more than R6 600-million. Dr Anton Rupert, chairman and founder of the company, said in Stellenbosch yesterday.

In addition the group had substantial investments in mining, banking, insurance, engineering and petro-chemicals, he told the annual meeting.

The sale during the year of half of the group's interest in Rothmans International for 350-million dollars and other disposals had given the group substantial liquid funds.

Suitable investment opportunities were being continually reviewed and Dr Rupert said that in the past five years the group had greatly diversified its interest in South Africa.

As a result it now owned 30 percent of Federale Mynbou, 20 percent of Volkskas, 49 percent of W and A Gilbey, 20 percent of Legal and General Volkskas Insurance, 50 percent of Henkel SA, 20 percent of Total South Africa, 54 percent of Trans Hex, 20 percent of Metkor, 10 percent of Stewart and Lloyds South Africa and 30 percent of Cape Wine and Distillers.

All these companies had shown sustained growth in the past year.

The sale of H. Back would have no significant influence on Rembrandt's financial results. Dr Rupert said that a successful longterm investment in the clothing industry called for a substantial investment in chain stores or retail-tied financing in order to secure turnovers

If a mistake is made while entering a line (before <CR> is pressed) the line may be edited in one or two ways before it is operated on by the computer. If the line is to be deleted the line deletion key must be pressed (normally <CONTROL X >). This action is achieved by holding the <CONTROL> key down then typing 'X'. If characters are to be deleted the character deletion key: <DEL> (on STN type terminals), <BACKSPACE>, or <CONTROL> and 'H', or <CONTROL> and 'Z' must be pressed once for each previous character to be erased. Examples of terminal runs using line editing are shown in chapter 6.

3.3.2. U100 Terminals

The method of correcting lines is different in that any string between the <SOE> character and the cursor can be sent to the computer. To do this there are four keys with arrows on them, indicating the direction in which they move the cursor, enabling the cursor to be positioned anywhere on the screen. Any character in a line can be changed by superimposing the cursor on the character to be changed and then typing in the correct character. The line can then be transmitted by moving the cursor to the end and pressing the transmit key. Additional characters and redundant characters in a string may be inserted or deleted before transmission by means of the <INSERT> and <DELETE> keys. If the <INSERT> button is pressed once, the right-hand part of the string starting at and including the character position where the cursor is situated will be shifted to the right by one space, thus making space for one additional character. If the <DELETE> key is pressed the character over which the cursor is situated will disappear and the right-hand side of the line will move one space to the left to close the gap.

please forward to [illegible] thanks [illegible]

Why big business wants big rent hikes in Soweto

2/12/81

The Johannesburg and Sakekamer Chambers of Commerce and [illegible] of Pretoria have jointly submitted a memorandum to the Minister of Finance, Mr Owen Horwood, and the Minister of Co-operation and Development, Dr Piet Koornhof. Staggered [illegible] site rentals and service charges in Greater Soweto [illegible] three years have caused major protests. EUGENE HUGO reports on an explosive issue which could bring simmering tensions to the surface once again.

It is understandable that black community councillors say that it would be political suicide for them to vote increases of the magnitude required at this stage. — joint memorandum by Johannesburg Chambers of Commerce and Industries and Sakekamer.

There are few issues more volatile in metropolitan Johannesburg's dormitory townships of Soweto than the prospect of rent increases for a black population so often desperate to make ends meet.

Staggered increases over the last three years led to mass protest meetings, strong resistance from black leaders, public demonstrations against Dr Piet Koornhof and even a Committee of Ten court action in an attempt to halt the process.

As the general secretary of the South African Council of Churches, Bishop Desmond Tutu, put it: "Basically it is a protest against having to bear the cost of apartheid."

But the authorities face a situation in which there is a critical shortage of housing and the revenues of the community councils and the West Rand Administration Board are insufficient to cover even the provision of basic services — let alone maintenance improvements.

In an effort to overcome the stalemate — government determination to make the townships pay their way versus the will of the black communities to resist increases — the Chambers of Commerce and Industries and the Sakekamer have offered a solution almost certain to be highly controversial.

A joint memorandum to the Minister of Finance, Mr Owen Horwood, and the Minister of Co-operation and Development, Dr Piet Koornhof, sharply focuses on the shortcomings of the system, warns against conflict potential and recommends that:

- It is desirable and necessary that fully economic site rentals and service charges be payable by Sowetan householders as soon as possible to take the totally controlled township economy into a free market system.

The chambers feel that "artificially low" service charges in the past — virtually a form of rent control implemented by the Government through Wrab — have led directly to the extreme financial problems now being experienced in the western townships.

And they are prepared through their membership to create a climate in which blacks receive higher wages to pay for their own local authorities.

- Rent increases amounting to R20 (74%) — including amounts required to meet further service cost escalations in future — should be phased in over a reasonable period with the Government meeting decreasing deficits from general revenue account.
- The factual situation and the planned phasing in should be explained to householders by the Government, the community councils and Wrab with the assistance of the three chambers and their members.
- Loans totalling R44-million, incurred through operating deficits and a R14-million sum that WRAB was forced to take from its housing maintenance reserve to finance services and ongoing operations, should be regarded as irrecoverable and that the Government should replenish the reserve.

The memorandum points out that all local authorities are experiencing financial "stringency" but the situation of black councils in Soweto is much worse.

"They have no income from rates on property. Their revenue is derived primarily from site rents and service charges which were for so many years held below cost so that there are chronic deficits.

"The so-called 'rents' were prices administered by Wrab on directives from the Government, which was, and is effectively in the same position as a sole landlord in a situation of rent control: any adjustment became a highly politicised issue.

The chambers state that the actual rent is minimal, being typically about R5 to R6 a month. In addition, site rental and service charges are payable to cover such items as maintenance of houses, roads, sewer and water reticulation, insurance and administration, provision of unmetered water supply, refuse removal, sewerage charges and an electrification levy.

These totalled approximately R13,50 a month in 1979 and have effectively been doubled since to R27 a month in Soweto.

The memorandum says it is extremely unfortunate that service charges levied by the Government in previous years were kept artificially low so that the Wrab area is today in a far worse situation — average householders are paying relatively less than for example the Vaal Triangle area where the community council budgets do balance.

"We gather that even with the most stringent budgeting the shortfall for the current financial year, April 1981/March 1982, in Greater Soweto is of the order of R24-million — that is roughly R20 a month for each of the 100 000 houses."

The chambers say that it is unfortunate that at present increases in service costs cannot be passed on automatically but require community council resolution and Ministerial approval. "We hope that this will be rectified by legislation during the coming parliamentary session but the distortion exists and cannot easily be eliminated in the short term."

And they warn that, while in absolute terms an increase of R20 a month per household does not sound serious, it represents an increase of 74% on a base amount which was increased by 100% the previous year.

"If imposed now, it would come at a time when the consumer price index for food is escalating at an annual rate of about 30% and the consumer price index generally for lower income groups at about 20%."

The memorandum points out that white voters are reacting with alarm to escalating rents, bond interest rates and rapid inflation.

But black householders, faced with the increases envisaged, would have even more reason to feel aggrieved — and they did not have the same formal political channels of protest open to them.

"It is understandable that black community councillors say that it would be political suicide for them to vote increases of the magnitude required at this stage.

The chambers say that although a large proportion of black householders are willing and able to pay increased rents there are many interrelated factors which could create a potentially explosive situation.

"We believe that it would be impractical [illegible] to impose the entire increase at once or over a short period of time."

The Chambers examine these alternatives:

- The community councils could vote the increases.

But even if a substantial minority of householders create disturbances this could seriously affect the credibility of the councils and if the disturbances are serious the damage not only to Soweto but to the economy could be enormous. "The physical damage done inside Soweto in 1976 was only a small fraction of the economic, social and political damage done to the country as a whole."

- The community councils refuse to vote the increases.

The Government also refuses to provide the funds. The consequences would be total breakdown of services — no water, no electricity, no sewage, no social services for control. "Clearly that is unthinkable and cannot be allowed to happen."

- The Minister uses his powers to impose rent increases.

Thereby the credibility of the community council system is destroyed and the issue becomes even more politicised than before with strong political contention probable and escalation of conflicts likely — the Government probably having to provide funds not only to keep services going but also to maintain order in a state of emergency.

And they come to this conclusion: Increases could be phased in with far less likelyhood of conflict.

Finally the chambers state: "Our Chambers and our members are committed to do everything possible to increase the skills and productivity of their black employees so that their wages can be increased to enable them to bear the costs of financing their own local authorities.

"However, householders will require some assistance in making the transition from a totally controlled township economy to a free market system."

THE BIG QUESTION ABOUT THE NEW BANK CHARGES:

59 Pom 31/8/81

Are the banks laughing all the way to the bank?

Banks recently revised the way they charge current account customers, in the process raising howls of protest at the "exhorbitant" new rates. What should you do with your money? Place it in a current account? Use a credit card? Open a transmission or savings account at a building society? Or stash it under the mattress? PAT SIDLEY reports.

Consumer Mail sent out a comprehensive questionnaire to the major banks and building societies to determine your best bet in banking.

It also hoped to be able to answer the question: who is making money out of the new system? Many of our questions, however, remain unanswered.

One of the more obvious conclusions is that if you want the convenience of a cheque account, you will have to pay for it. But if you modify your habits — or change them entirely — it could cost you less, or near to nothing.

The chief reason for this, from the banks' point of view, is that paper work costs money and the banks are trying to cut down on this by, in effect, penalising you for causing "unnecessary" paper work — like writing out cheques for small amounts.

There is very little in it from bank to bank. They all charge similar amounts and offer similar services. They compete for your business, but agree, in the form of a cartel, on how they will service you once you are drawn in.

All the major banks use the same guidelines for charges, and all of them are slightly flexible in their application. This means you have to ask your bank manger exactly why you are charged, the way you are charged and what guidelines he has used.

Unless you are a "top client" you will be charged more than the minimum. And, paradoxically, it is the rich who have the clout to demand lower charges.

Present charges are all worked off a similar and agreed base. They can be varied by about 30% and some, like Standard Bank, will offer a small rebate on charges.

The cheque you write will cost a minimum of 15c, increasing by 3c per R20 up to about R3 a cheque. An average standard charge would be about 15c per R100 up to R400. A cash deposit charge of at least 1% is levied on amounts over R200.

Under the old system you were charged ledger fees at R6 a page; remittance commission; transfer commission; 1c a form for cheques; levies on deposits and postal orders paid in.

A building society will offer you free services with which you can quite adequately cope, but without the 24-hour, year-round convenience of a current account. They do not, they say, want to be a banking service.

But building societies' expenses have risen — due to the change in bank charges.

The building societies surveyed agree that the cost of issuing cheques has risen immensly. So this could mean that in future the free services offered by building societies will not last for long.

One of the simplest ways to cut charges is to use a transmission account service — a fixed small number of free cheques and about 2% interest paid on the balance in the account — in some form of combination with a credit card and/or savings account.

However, if the banks believe their credit card operations are becoming less profitable because small transactions are generating paper work, they will probably end up charging for service.

And this seems to be on the way already.

None of the banks would answer questions on how much money they make out of charges — they said it would reveal their market share. That means it is almost impossible to gauge if they are making more out of charges now, than they did in the past.

It is virtually impossible to test the banks' claim that individuals will benefit from the new system because they refuse to give the information from which one could calculate this.

The banks would also not reveal the percentage of their profits contributed by charges. They would also not state what portion of their income derived from current account deposits.

What they did indicate is that if you write many cheques for small amounts, you will pay dearly for it.

Some banks said they believed they would earn less from the new charges — but the building societies sceptically point out that it's hardly likely the new system would be introduced if it reduced profitability.

But what can be ascertained is:

- About 40% of the total deposits in the banks in South Africa are in current accounts. The public has deposited R14 095-million, of which R6 159-million is in current accounts.

This gives an idea of the size of cheque operations — and the revenue generated by your (minimum) 15c a cheque.

- Volkskas said 91% of the cheques cleared are under R1 000 — 59% of those are under R100. About 7% are between R1 000 and R10 000; 2% are above R10 000; 15% between R100 and R200. The bulk are in fact less than R50.
- There are many more individual account holders than company account holders, (about seven to one) but companies issue many more cheques than individuals.
- About one million cheques are issued country-wide each day.
- Nedbank estimates it costs about 50c to clear a cheque. It would therefore cost R500 000 every day to clear cheques by the banks. And it is this you are paying for.

Since banks do not merely wish to cover costs, but to make a profit, they will be earning a good deal more than R500 000 a day on your cheques.

On the basis of the fact that small amounts will cost more — it seems difficult to believe individuals will gain from the new system.

All the banks were given the example of a single woman earning R800 a month with certain regular payments, like rent, telephone, electricity, supermarkets. She asked for advice on whether she should operate a current account, both from her point of view and the bank's.

These are some of the responses from the banks.

TRUST BANK: While encouraging the use of current accounts, it was the only bank which did not encourage the woman to open a current account, which would have cost her money. Instead it suggested she hold a Trust Credit Card, with "Trustline", the bank's free 24-hour dial-a-payment service and their transmission account which also provides 3% interest on the balance — more than at other institutions. Their credit card operates through Barclaycard and charges for cash withdrawals only.

BARCLAYS BANK: recommended a combination of Barclaycard and current account, urging the woman to keep her cheque-writing down to a minimum. It claimed individuals would probably pay less under the new system. They provided a breakdown of how the old charges worked including the charges for cheque forms, deposits and so on. Barclays closed its transmission account facility at Wesbank — it cost too much. Barclaycard is free if the balance is paid by due date. Cash withdrawals are charged for and stop orders cost more again. They do not offer a cash card.

VOLKSKAS: believed it was suitable for a woman earning R800 to have a current account to pay her bills and said a credit card would extend the value of this account. It said a transmission account was too limiting. Volkskas described in more detail than the other banks how they based the discretionary variations on their charges. It operates both a credit card and cash card which are free at the moment. Volkskas believe they will come out square with the new system of charges. Stop orders are charged for on the same basis as cheques with an additional 30c handling fee.

NEDBANK: recommended that the woman should open a current account, hold its credit card and issue no more than 10 cheques a month (her charges would then be less than R2 monthly). They would be concerned if she used the card for too many "trivial" amounts. Nedbank said individuals and clients issuing fewer cheques would benefit from the system. A transmission account facility is offered. Stop orders are charged for — twice. The bank issues credit cards, debit cards and cash cards. Only the credit card service is free if the account is settled by due date.

STANDARD BANK recommended that the woman open a current account and carry its credit card. A transmission account was not flexible enough. Standard's credit card charges for cash withdrawals. If the balance is paid in full by due date there is no other charge. Stop orders are charged for. Standard believe the individual will benefit from the new charges. They offer a transmission account which is used by "a minute percentage" of their customers.

If you want to avoid current account charges at a bank — go to a building society. For the man in the street, they offer many attractions. They do NOT offer the convenience of having a cheque book. Transmission accounts, dial payment methods, etc are all limiting one way or another. You will never, for instance be able to pay your water and light account on Christmas Day, if that's when you remember to do it.

Once again, interest rates paid on savings accounts are fairly uniform — so it would be the interest plus the convenience factor to look to.

A note of warning about transmission accounts. Although it means you can use a cheque to pay an account, the cheque has to be drawn from the bank or building society and is in their name not yours. There is also seldom a chance of using more than 5 or 6 a month.

Building societies are basically cash operations — not cheque operations.

The societies were asked if they had picked up much custom since the bank charges changed. Despite the banks' denials of losing business, or claims that they could not yet tell, most of the societies seem to believe they have gained business since the end of May.

An ordinary savings account pays an interest rate of 4%. Special savings is about 8,3%, depending on the amount in the account. It varies to about 9,4% if you deposit more than R15 000. Transmission accounts pay 2% interest on the balance — while the service lasts. Saambou, at least, acknowledge that free cheque systems are under review.

There are marginal differences in the services — like when and how the interest is calculated, and this could result in differences of less than 1%. Depending on the amount involved, you should inquire first.

This is what some building societies offer — all of them free of charge — for the time being:

UNITED (UBS) offers two free cheque facilities — transmission account (paying 2% on the balance) and a further limited service on the savings account — plus a bill-payments service using their computer facilities. The payment system will pay accounts to public corporations, like municipalities, the Post Office, etc — anywhere that a regular payment has to be made where a reciprocal computer is used. The transmission account is limited but not fixed to, say, five each month. It offers a free stop order facility to pay regular payments like insurance premiums. United would be "loathe" to start charging for any of their services but may be forced to become stricter. In addition it offers the Help-U, cash card, which is free.

SAAMBOU offers five free cheques on transmission accounts but no longer offer free cheques on savings accounts. A free, "as yet" unlimited, stop-order facility operates.

STANDARD (part of the banking group) offers free cheques on savings accounts and five on transmission accounts. They do not offer a stop order facility except on internal transfers like subscription shares or bond repayments.

NATAL (NBS) offers two free cheques on its special accounts, one on its savings accounts and five stop orders on its transmission accounts. They offer a cash card service too, which is free.

The PERM will offer a savings depositor a cheque in his favour if he needs it and will allow an unspecified "reasonable" amount of free cheques to be drawn on a transmission account. They offer a stop order facility but "prefer this to be handled through the building societies' data bureau magnetic tape service".

countries. — Sapa-Re

Pension Bill a step forward

RDM 1/7/81

OLD MUTUAL welcomed the Preservation of Pension Interests Bill as a big step in the development of adequate pension provision for everyone in South Africa, Mr Marius van den Heever, general manager of Old Mutual, said in Cape Town yesterday.

"The pending legislation presents a major opportunity for the establishment of a sound social security structure. It is now necessary for the fundamental principles to be treated very positively while at the same time sorting out some difficulties that remain.

"Judging by the Bill and certain statements by Government spokesmen it has become abundantly clear that the Government is determined to go ahead on the preservation of pension rights through the private-enterprise system as opposed to a national pension plan run by the Government.

"A big step forward is the plan not to freeze the withdrawal of pension rights accumulated before the effective date of the legislation. This coupled with the significant changes regarding the degree of preservation on withdrawal from a fund in the early years of membership, has removed major stumbling blocks.

"The industry has now been presented with something concrete to work on and one can confidently expect legislation early in 1982. However, there are still some controversial points to be ironed out. These are matters of detail, but they could create several problems if some compromise cannot be worked out.

"We look forward to a meaningful exchange of views with the department concerned so that the good that can flow from the legislation will not be clouded by controversey on technical points," said Mr Van der Heever.

Lucorp bid for Audiodek

2/9/81

S.F.

Agreement has been reached between Lucor Corporation and the shareholders of Audiodek Holdings whereby Lucorp will acquire with effect from April 1, 1981, 75 percent of the shares and loan accounts in Audiodek, Standard Merchant Bank announced yesterday.

The purchase consideration will be satisfied by the issue of 3 million Lucorp shares. The shareholders in Audiodek are messrs Monty Tolkin and Harvey Flowers, who actively manage the business, and Messrs Erica and St[illegible]

Messrs Tolkin and Flowers will continue to manage the busines, and Mr Tolkin will be invited to join the Lucorp board. Messrs David Larie and Gerald Rubinstein will join the board of Audiodek.

The effect on the attributable earnings or net asset value of Lucorp in the coming year is expected to be significant.

The transactions is subject to approval of shareholders and to the granting by the JSE of a listing of the shares to be issued. — Sapa.

Old Mutual boosts new premium income by 59%

Star (58) 2.4.9?

Old Mutual has increased its total new business by way of premiums on individual policies by 59,0 percent in the year, ending June 30.

This was announced by Mr Mike van Greunen, general manager, in a statement released in Cape Town today.

Total premiums on new individual policies issued in its past financial year amounted to R165,7-million of which the South African currency area accounted for R145,2-million or 88 percent.

Although the economy grew at a real rate of more than eight percent in 1980, consumers' savings fell from R2 815-million in the 1979 calendar year to R2 221-million last year, a drop of 21 percent, the statement said.

In spite of this, the life assurance industry, and Old Mutual in particular, had a strong demand for its long-term savings and life-cover plans, making the savings of the man in the street available for largescale capital investment in the economy, Mr van Greunen said.

New recurring premiums on individual policies issued amounted to R110,6-million in the past year, while Old Mutual succeeded in drawing R55,1-million in single premium individual policies.

This growth in sales had been achieved by the increasing efforts of its field staff and continuing support from insurance brokers, backed by top-rate administrative support at Old Mutual's offices throughout the country, he said.

Mr Van Greunen emphasised the success of Old Mutual in obtaining a larger share of the individual business broker market in recent years.

Brokers at present write about one-third of all new individual business for the industry and it is expected that this trend will at least be maintained.

The growth in Old Mutual's business through brokers over the past five years amounted to about 500 percent, giving an annual compound increase of nearly 43 percent, Mr Van Greunen said.

This compared with an average growth rate of about 33 percent in the industry as a whole over the same period.

Pension bill a big step forward

CT 2/9/81 58 204

— Old Mutual

OLD MUTUAL welcomed the publication of the Preservation of Pension Interests Bill as a big step forward in the development of adequate pension provision for everyone in South Africa, Mr Marius van den Heever, general manager of Old Mutual, said.

"The pending legislation presents a major opportunity for the establishment of a sound social security structure. It is now necessary for the fundamental principles to be treated very positively while at the same time sorting out some difficulties that remain.

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"The industry has now been presented with something concrete to work on and one can confidently expect legislation early in 1982. However, there are still some controversial points to be ironed out. These are matters of details, but they could create several problems if some compromise cannot be worked out.

"We look forward to a meaningful exchange of views with the department concerned so that the good that can flow from the legislation will not be clouded by controversy on technical points," said Mr Van Den Heever. — Sapa

● The draft bill was welcomed by the life assurance industry, represented by the Life Offices Association, and could be made even more effective through further discussion, said Mr R C Lloyd, chairman of the LOA in Cape Town yesterday. The LIOA regarded publication of the draft bill as a most important step in the right direction, he added. — Sapa

Investment income saver for M&F

RDM 3/9/81

57

By HAROLD FRIDJHON

A BIG jump in investment income — from ~~R6 500 000~~ to R10 300 000 — offset Mutual & Federal's underwriting deficit for the year to June 1981 and enabled the company to show a taxed profit, before an extraordinary item, of R8 108 000 compared with the previous year's R5 893 000.

Earnings a share, excluding non-recurring dividends and extraordinary item, were 140,2c (126,7c in 1980). The final dividend was lifted 7c a share to 36c, with the interim of 19c, this makes 62c for the year against 52c the previous year.

Gross premium income went up from R102 084 000 to R120 600 000 and net premium income was 27% higher at R81 900 000.

The underwriting deficit rose to R1 409 000 compared with the previous year's surplus of R715 000. Investment income included R1 600 000 of non-recurring dividends. The extraordinary item of R280 000 arose on the disposal of the group's inspection services division.

The market value of assets increased to R146 600 000. The solvency margin — which is the excess of the market value of assets over liabilities in relation to net premiums — was 84%.

Net asset value was 1 469c a share at the yearend.

The managing director, Mr Mike Levett, said the underwriting deficit had been caused by a combination of adverse factors. These included:

- The flood disasters at Laingsburg and Port Elizabeth.
- A significant number of major fire losses.
- An increase in the number of claims and a rise in the cost of claims, particularly motor claims.
- The uneconomic level of rates for many classes of business because of intense competition.

Mr Levett stressed that a return to proper and adequate premium levels in a stable market was essential for the long-term benefits of clients and brokers and the economic wellbeing of the whole community.

COMMENT: At the current rate of dividends on yesterday's closing price of 680c, Mutual & Federal is on a 9,1% yield. This would be an attractive return if the short-term insurance industry were more soundly based.

Most of the companies we have seen in the past year have been reporting underwriting losses which are eating into investment gains. If this process continues, investment profits will be increasingly eroded.

While the short-term industry is in its present state of disarray, investment prospects are gloomy. On the other hand, if the industry cannot put its house in order, as undesirable as it might be, official intervention must be expected.

This could lead to a return to underwriting profits. In other words, there is a chance to be taken and I think that M&F could be a worthwhile gamble.

London-based group to boost foreign investment in SA

CT 4/9/81

By PAUL DOLD
Financial Editor

LAWFIN, the independent Cape Town-based finance house which has for some years been active in raising capital in the Euromarkets, UCT tax expert, Professor John Morris, and a British finance group are forming the Investment Corporation of Southern Africa to attract foreign investment to the region.

The British shareholder in Investcor is London's Stenham Ltd, a traditional shipping and confirming house The chairman of Stenhams, Mr Edwin Wulfsohn, is to head the London office of Investcor.

Zimbabwe-born Wulfsohn was educated at UCT and Columbia University and later worked for Chase Manhattan. Wulfsohn is thus well qualified to advise on investment in Southern African countries.

Lawfin's chairman, Mr Lawrence Miller, a Cape Town lawyer, says the group will be operating in concert with overseas associates with the major purpose of encouraging and facilitating the inflow of foreign investment both from an equity and loan point of view.

The group which is to be registered in South Africa and Britain will be seeking to find import replacement situations and to encourage foreign business men either on their own, or in concert with South Africans, to invest in the republic

The corporation was launched in London last month at a series of meetings with leading British bankers, stockbrokers and business men

Investcor will particularly stress to foreign financiers the advantages offered by the financial rand

Wth the current account likely to swing firmly into deficit this year the formation of the new group is well-timed Although the financial rand incentives have led to close to R1 000m being invested in South Africa this has been over a four-year period and the response has been fairly slow.

As part of its operations, Investcor though its London, United States, Far East and European associates, intends actively marketing the attractions of the financial rand and other state investment concessions.

Investcor will also represent South African businesses abroad on their foreign ventures and is to assist local coampanies who have permission to invest overseas.

Investcor will be based in the heart of the City of London in the Stenham building, providing a permanent presence.

The group is to host a top-level seminar on foreign capital markets in Johannesburg on September 23 Speakers include Dr Simon Brand, economic adviser to the Prime minister, Mr Wulfsohn of Stenhams, Professor Morris, Mr Francois Botha, deputy financial manager of Escom, Mr Arnold Peacey, director (international capital markets) of the Department of Finance, and Mr Miller.

Mr Miller says the seminar will highlight the alternative sources of funds for South African business, covering the short, medium and long-term project finance sectors of the Euromarkets

Expert views will be given on the state's attitude to foreign borrowing and investment from abroad as well as the tax, legal and accounting implications of foreign borrowing and investment in South Africa.

Similar seminars are likely to be held in Cape Town and Durban.

Both Mr Miller and Mr Morris are to take part in a financial seminar in November in London where they will be giving a workshop on investment in South Africa.

Investcor will work closely with Lawfin, and Stenham's export credit and trade finance know-how will be used Investcor will consider taking a principal's role in new ventures in South Africa, if and when additional capital is necessary but Mr Miller emphasizes that the group will not be competing with local commercial banks.

The company will play an intermediary role in a similar way to Lawfin with close co-operation with the banking sector.

Several approaches have already ben received through London, largely in engineering, high technology, textile and mining and some interest is being shown in the export of South African building and mining expertise.

In spite of Lawfin not being attached to any of the major banks, the group has been surprisingly active in Euromarkets and has raised several publicized and unpublicized loans for public corporations at keen rates.

Mr Miller says Lawfin has raised two major loans for semi-state corporations this year in spite of the lack of borrowing abroad by public corporations due to the liquidity build-up.

He believes however that corporations will soon be encouraged to tap overseas markets for their short medium and long-term funding to keep pressure off the local capital market.

The formation of the new investment corporation follows extensive planning and negotiations The idea was first mooted 18 months ago

Funds courted abroad

Financial Reporter

LAWFIN, the independent Cape Town finance house which has for some years been active in raising capital in Euromarkets, University of Cape Town tax expert Professor John Morris and a British finance group are forming the Investment Corporation of Southern Africa to attract foreign investment.

The British shareholder in Investcor is London's Stenham Limited, a shipping and confirming house. The chairman of Stenhams, Mr [illegible], will head the London office of Investcor.

Lawfin's chairman, Mr Lawrence Miller, a Cape Town lawyer, says the group will [illegible] with overseas associates to encourage the inflow of foreign capital and loan investment.

The group will be registered in South Africa and Britain. The corporation was launched in London last month after meetings with British bankers, stockbrokers and businessmen.

Investcor will stress to foreign financiers the advantages offered by the financial rand.

The group is to host a seminar in Johannesburg on September 23 on foreign capital markets. Speakers will include Dr Simon Brand, economic adviser to the Prime Minister; Mr [illegible], Professor Morris, Mr Francois Botha, deputy financial manager of Escom; Mr Arnold Deacey, director (international capital markets) of the Department of Finance; and Mr Miller.

Both Miller and Morris are to take part in a financial seminar in November in London where they will be giving a workshop on investment in South Africa.

Mr Miller says Lawfin has raised two major loans for semi-State corporations this year.

Num 2

Pilgrim ?

Rules:

(1) An intrinsic function is referer … rithmetic or relational expression, by name and list of actual argu … ents must agree in type, number, and order with the specificatio … be any expression of the specified type. Note, however, that t … or the MAX and MIN intrinsic functions is variable.

(2) The intrinsic functions AMOD, … SIGN are not defined when the value of the second argument is …

(3) It is not necessary to declare th … tion in the program unit that contains a reference to an intrins … is already known to the processor.

(4) For a valid intrinsic function refe … he symbolic name:

(a) must appear as specified in T … list of actual arguments, in parentheses, also specifie…

(b) must not appear in an EXTER … as a variable or array name in a program unit where …

(c) must not appear in any type de … implied type declaration of Table 8–2.

(5) If a particular intrinsic function is … n unit, its symbolic name may be used for any valid pu…

Examples:

(1) This series of statements reads in t … nts of array VCTR, then prints the conjugate of each ar … c functions CMPLX, REAL, and AIMAG.

```
      COMPLEX VCTR(6)
      READ(1,10) VCTR
10    FORMAT (....)
      DO 20 K=1,6
20    VCTR(K)=CMPLX(REA … AG(VCTR(K)))
      WRITE(3,30) VCTR
30    FORMAT (....)
```

Perkins drives in top gear

7/9/81

By Mervyn Harris

Dan Perkins Holdings has topped the profit forecast made in the prospectus by 63 percent to record income attributable to ordinary shareholders of R1,4-million in the year to June.

The group, which acquired the Dan Perkins group of companies from July 1980, was listed on the stock exchange on December 3 last year.

The profit forecast in the prospectus was R865 000 after tax and preference dividends, based on a turnover of R43,7-million, giving earnings a share of 16,6c.

Turnover reached R57,6-million in the period under review and income before taxation totalled R2,4-million.

Earnings a share were 27,2c.

A final dividend of 6c brings the total payout for the year to 10c.

The good results reflect the buoyant conditions in the motor industry and were expected by the market as the shares moved up 8c to 90c last week ahead of the results.

This puts the dividend yield at 11 percent against the average 9,5 percent for the motor sector. — Mervyn Harris.

STAATSKOERANT

VAN DIE REPUBLIEK VAN SUID-AFRIKA

REPUBLIC OF SOUTH AFRICA

GOVERNMENT GAZETTE

As 'n Nuusblad by die Poskantoor Geregistreer *Registered at the Post Office as a Newspaper*

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VOL. 195] KAAPSTAD, 9 SEPTEMBER 1981 / CAPE TOWN, 9 SEPTEMBER 1981 [No. 7760

KANTOOR VAN DIE EERSTE MINISTER

No. 1819. 9 September 1981.

Hierby word bekend gemaak dat die Staatspresident sy goedkeuring geheg het aan die onderstaande Wet wat hierby ter algemene inligting gepubliseer word:

No. 54 van 1981: Wet op Beheer van Effektetrustskemas, 1981.

OFFICE OF THE PRIME MINISTER

No. 1819. 9 September 1981.

It is hereby notified that the State President has assented to the following Act which is hereby published for general information:—

No. 54 of 1981: Unit Trusts Control Act, 1981.

STAATSKOERANT

VAN DIE REPUBLIEK VAN SUID-AFRIKA

REPUBLIC OF SOUTH AFRICA

GOVERNMENT GAZETTE

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VOL. 195] KAAPSTAD, 9 SEPTEMBER 1981
CAPE TOWN, 9 SEPTEMBER 1981 [No. 7761

KANTOOR VAN DIE EERSTE MINISTER

No. 1820. 9 September 1981.

Hierby word bekend gemaak dat die Staatspresident sy goedkeuring geheg het aan die onderstaande Wet wat hierby ter algemene inligting gepubliseer word:—

No. 55 van 1981: Wet op Deelnemingsverbande, 1981.

OFFICE OF THE PRIME MINISTER

No. 1820. 9 September 1981.

It is hereby notified that the State President has assented to the following Act which is hereby published for general information:—

No. 55 of 1981: Participation Bonds Act, 1981.

deal.

a fixed price contract

Insurance merger

By Patrick McLoughlin

The merger of major insurance brokers and consulting firms J H Minet and Company (South Africa) and Nedsual Insurance Brokers is all set to go ahead in early September.

The merger will become official next month after receiving the approval of the South African and United Kingdom authorities and confirmation by respective shareholders.

The two firms reached agreement in principal to merge their respective national interests under the name of Minet SA Insurance Holdings (Minsa) in early March this year.

The announcement was made by Finansbank and Union Acceptances, joint merchant banks to the merger.

A top source at Nedsual said the operation would now be complete. "Everything is now in order except for some practicalities such as the constitution of boards," he said.

The planned shareholding in Minet Holdings UK, a company listed on the London Stock Exchange, 50 percent, Nedbank Group 40 percent and local executive management 10 percent.

STAATSKOERANT
VAN DIE REPUBLIEK VAN SUID-AFRIKA

REPUBLIC OF SOUTH AFRICA
GOVERNMENT GAZETTE

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VOL. 195] PRETORIA, 11 SEPTEMBER 1981 [No. 7799

58

GOEWERMENTSKENNISGEWING

DEPARTEMENT VAN FINANSIES

No. R. 1968 — 11 September 1981

WET OP BEPERKING EN BEKENDMAKING VAN FINANSIERINGSKOSTE, 1968 (WET 73 VAN 1968)

Die Minister van Finansies het kragtens artikel 16 van die Wet op Beperking en Bekendmaking van Finansieringskoste, 1968 (Wet 73 van 1968), die regulasies in die Bylae uitgevaardig.

BYLAE

1. Vir doeleindes van artikel 2 (1) (a) van die Wet op Beperking en Bekendmaking van Finansieringskoste, 1968 (Wet 73 van 1968) (in hierdie Regulasies "die Wet" genoem), is die ander persentasie en die ander geldsom bedoel in daardie artikel, 24% ten opsigte van geldleningstransaksies wat nie R2 000 oorskry nie.

2. Vir doeleindes van artikel 2 (1) (b) van die Wet is die ander persentasie en die ander geldsom bedoel in daardie artikel, 21% ten opsigte van geldleningstransaksies wat R2 000 oorskry maar wat nie R5 000 oorskry nie.

3. Vir doeleindes van artikel 2 (1) (c) van die Wet is die ander persentasie en die ander geldsom bedoel in daardie artikel, 18% ten opsigte van geldleningstransaksies wat R5 000 oorskry.

4. Vir doeleindes van artikel 2 (2) van die Wet is die verskillende persentasies bedoel in daardie artikel, 24% ten opsigte van kredriettransaksies van geldwaardes wat nie R10 000 oorskry nie, en 21% ten opsigte van kredriettransaksies van geldwaardes wat R10 000 oorskry.

5. Vir doeleindes van artikel 2 (3) van die Wet is die verskillende persentasies bedoel in daardie artikel, 24% ten opsigte van huurtransaksies van geldwaardes wat nie R10 000 oorskry nie, en 21% ten opsigte van huurtransaksies van geldwaardes wat R10 000 oorskry.

6. Hierdie regulasies tree in werking op 11 September 1981.

7. Regulasies 1, 2, 3, 4 en 5 van die Regulasies wat by Goewermentskennisgewing R. 329 van 20 Februarie 1981 gepubliseer is, word hierby met ingang van 11 September 1981 herroep.

GOVERNMENT NOTICE

DEPARTMENT OF FINANCE

No. R. 1968 — 11 September 1981

LIMITATION AND DISCLOSURE OF FINANCE CHARGES ACT, 1968 (ACT 73 OF 1968)

The Minister of Finance has, in terms of section 16 of the Limitation and Disclosure of Finance Charges Act, 1968 (Act 73 of 1968), made the regulations set out in the Schedule.

SCHEDULE

1. For the purposes of section 2 (1) (a) of the Limitation and Disclosure of Finance Charges Act, 1968 (Act 73 of 1968) (referred to in these Regulations as "the Act"), the other percentage and the other sum of money referred to in that section shall be 24% in respect of money lending transactions not exceeding R2 000.

2. For the purposes of section 2 (1) (b) of the Act, the other percentage and the other sum of money referred to in that section shall be 21% in respect of money lending transactions exceeding R2 000 but not exceeding R5 000.

3. For the purposes of section 2 (1) (c) of the Act, the other percentage and the other sum of money referred to in that section shall be 18% in respect of money lending transactions exceeding R5 000.

4. For the purposes of section 2 (2) of the Act, the different percentages referred to in that section shall be 24% in respect of credit transactions of money values not exceeding R10 000 and 21% in respect of credit transactions of money values exceeding R10 000.

5. For the purposes of section 2 (3) of the Act, the different percentages referred to in that section shall be 24% in respect of leasing transactions of money values not exceeding R10 000 and 21% in respect of leasing transactions of money values exceeding R10 000.

6. These regulations shall come into operation on 11 September 1981.

7. Regulations 1, 2, 3, 4 and 5 of the Regulations published under Government Notice R. 329, dated 20 February 1981, are hereby repealed with effect from 11 September 1981.

INTEREST RATES

FM 11/9/81

Sunny side up

(58)

The market outlook for long-term interest rates over the 18-months to the end of the 1982/83 fiscal year suggests that a material downturn is unlikely and that, in fact, they may firm slightly

Some institutional investors believe that the rate on the two government stock issues still to come this fiscal year could go as high as 13.25%. But they "wouldn't be surprised" if the rate remained at the same level as the last issue, which was 13.06%.

A shortfall of revenue against expenditure ranging between R120m and R500 is estimated for this fiscal year and R500m for the 1982/83 fiscal year

As a result, there is a strong lobby that believes Pretoria will commence next year's funding by borrowing as much as possible through the October and December issues.

But, as the redemption commitment for the 1982/83 fiscal year is particularly light, it is also possible that Pretoria will seek to limit its own long-term borrowings at relatively high rates.

Judging by the current state of institutional liquidity, there is little doubt about the market's ability to accommodate the borrowing needs of the state. This would hold even if the rate on the October issue is not as high as the institutions expect

There are those who believe that if the Reserve Bank is funding for this fiscal year only, it need not come to the market with a new public issue at all. What it hasn't borrowed already would be gathered by offering tap stocks.

In these circumstances Pretoria need not be an aggressive borrower and this will tend to cause rates to drift. They are unlikely to decline in view of the 15.5 inflation rate

Liquid institutions

Nevertheless, the chances are that Pretoria will want to take in new money. The deficit before borrowing will be much larger in the 1982/83 fiscal year and the money supply is still not securely under control. But once again, such is the current level of institutional liquidity that the Bank could expect, at the right rate, to attract an estimated figure in excess of R1 billion from them

Those who argue that the rate on the October issue will not be raised much propound the theory that the forward dollar discounts can be easily manipulated to control domestic liquidity. So there is no need for the Treasury to pitch up its domestic long term borrowing rate

The problem with the forward mechanism is that it takes some time for the full effect of the change to be felt. This is because discount adjustments cannot affect current trade finance deals until maturity. It is also a [illegible] that monetary device that is not a real substitute for long term non-inflation [illegible]

If the money supply objective is predominant in Pretoria's thinking, a long term loan is the best way to get money out of the system and contract the availability of credit. But because of inflation the rate will have to be meaningful to move a substantial amount of funds from the private to the public sector

But whatever the rate, the fact remains that there is a shortage of stock. Institutions need to keep topping up their prescribed investment portfolios [illegible] their equity portfolios have continued to appreciate. So they are [illegible] of a limited issue in October

In [illegible] of the [illegible] of recent years, Pretoria [illegible] could ask for [illegible] R300m at 13.1[illegible] a good rate. But the limited supply of stock would be a [illegible] blow to institutional portfolio managers. One even [illegible] that they would rather have [illegible] at a [illegible] rate just so long as the [illegible] [illegible] the securities [illegible] needed

Of course, interest rate expectations could be radically altered by a [illegible] movement [illegible] in the price of gold which in turn would influence the balance of payments and the money supply. But, assuming no change, other market factors appear to indicate that at current rates supply and demand for gilt-edged securities are in basic equilibrium. And they will remain so until the inflation rate or the gold price points to a new trend

US AMBASSADOR

Diplomatic sources in Washington have pointed out that there [illegible] no policy implications [illegible] the fact that a successor to former US Ambassador to Pretoria Bill Edmondson has not yet been appointed. The delay, they say, is an administrative one

The FM's information from Washington last week was that the US [illegible] not appointing a successor was attempting to indicate disapproval of the lack of progress towards reform in SA. The FM accepts that the delay in announcing the appointment has no bearing on US attitudes to SA

BUILDING SOCIETIES

Gulping cold air

(58) FM 11/9/81

Building societies decided last week to scrap their market agreement on all interest rates except those determined in consultation with Pretoria, which are mortgage rates and tax-free share rates Previously they were bound to give 10 days notice of any change they proposed making in deposit rates. In practice, this made competition on rates virtually impossible, although recently it is an agreement honoured more often in the breach.

This means that competition will hot up between the societies for savings deposits, with a margin likely to appear between those offered by the larger and smaller societies.

The larger societies, we guess, will respond first and raise their deposit rates for secure retail savings. This is because they enjoy considerable investment income from their reserves They are thus less reliant than the smaller ones on a margin between their deposit rates and income from mortgages.

But the important point is that societies have agreed to break ranks and subject themselves to the cold winds of direct competition among themselves.

Inevitably, given the wide disparities in size and efficiencies among them, this will lead to further amalgamations. Over the past 10 years the number of societies has already shrunk, through mergers, from 18 to 11. We could end up now with less than 10.

The outcome should be a movement that is not only more efficient, but progressively less subsidised by the taxpayer. The cost of white housing will become more market related and there will then be less likelihood of broad monetary policy being distorted because of fears of a mortgage rate rise.

The burning question is, of course, why the mortgage rate could not also be released from the societies' cartel. In theory, it should be of less concern to the authorities than the interest rates on tax free shares.

Politically sensitive

The truth of the matter, however, is that for all the support for free financial markets that has been coming from the Treasury, the Union Buildings still exercises considerable moral suasion over this politically sensitive rate.

Any society that should step out of line and increases the mortgage rate now, is without doubt going to face the wrath of Finance Minister Owen Horwood.

There is another reason, of course. It is that societies are wary of implementing radical reforms that might undermine the confidence of investors.

For this reason, Piet Badenhorst, a joint MD of the giant United, who would like to see the societies completely free to compete on all rates, proposes a two-tier system of mortgage rates, with the larger societies charging less than the smaller ones.

He gives two reasons. One is (as mentioned earlier) the larger societies have the advantage of substantial earnings from accumulated reserves. This gives them a considerable advantage as the existing margin between mortgage earnings and deposit costs merely covers the operating expenditure of societies.

Another reason is that some societies have a more advantageous liabilities (or deposit) mix, giving them a greater degree of stability and a lower average cost Badenhorst quotes his own United, which has about a third of its assets in savings accounts.

United's Badenhorst . . . calling for more competition

Smaller societies, without their advantages, should enjoy wider margins between their lending and borrowing rates, as do smaller banks, he believes.

Not only would wider margins inject an additional element of competition into the market, but would bolster the financial position of smaller societies.

Badenhorst doesn't anticipate more than a two-tier mortgage rate structure For while there are 11 societies, 70% of their total assets are controlled by the Big Three. So he foresees no room for a multi-tiered structure.

Despite a smaller margin, the United, he says, will still be very competitive in the deposit rates it would offer to get the deposit mix it judged desirable. "We will still compete with the smaller societies," he says.

He sees two potent factors in future marketing trends Competition on rates and the provision of services through technical and other innovations. Of course, the United is well endowed in both fields.

It is important to remember that Badenhorst sees his two-tier proposals as a interim measure. Ultimately, he believes that each society should set its own mortgage rate.

Along with greater competition, he supports the phasing out of subsidies (that is, through tax-free shares) so that the cost of housing becomes progressively more market related.

The smaller societies are understandably less sanguine about his ideas Some will undoubtedly have difficulty reconciling wider margins and market share. But for the astute, opportunities will expand, commensurate, of course, with risk and innovation.

INSURANCE GROUPS POUR MILLIONS INTO PROPERTY MARKET

Argus 12/9/81 By Vincent Leroux (58)

THIS year has seen a massive investment in property by the country's big insurance groups. Just three of them, Old Mutual, Sanlam and Southern Life, have invested a total of R446-million, raising their total property investment to around R1,3-billion.

The amount invested by these companies in the Western Cape now stands at R263-million.

Much of the spate of recent investment by the insurance companies has been in new commercial and industrial projects. Investment in new commercial construction projects is now expected to slow down considerably. but the industrial property sector still has much to offer.

RELUCTANCE

Mr Etienne le Roux, assistant general manager at Sanlam, says that new, income-yielding property investments are now very hard to come by in the current highly competitive market.

'Although office accommodation is becoming scarcer by the day, and rentals will keep on rising in the foreseeable future, developers are still reluctant to embark on large developments unless they are substantially prelet on a basis where increases in running costs are passed on to tenants.'

According to Mr Johnny Johnson, property investment manager at Southern Life, new construction projects are likely to slow down considerably, 'the reason being that high rentals have already, or are about to reach a plateau, while building costs are continuing to rise.'

He said the industrial market was still gaining in strength, particularly on the Witwatersrand where new developments were still being planned.

Old Mutual is also very much involved in the industrial property market, and on the local front, have had a great deal of success with their Maitland Industrial Park development in Voortrekker Road.

Their biggest current development is the Marine office block in Durban, to cost around R27-million.

A characteristic of all the insurance companies investment programmes is that virtually nothing is being committed to residential property development — which does not augur well for the future given the growing housing shortage.

According to Mr Etienne le Roux of Sanlam 'while there is the slightest possibility of the imposition of rent control, no flats for renting will be developed.'

Math Ash[illegible] up 38%

MOVING the [illegible] factory and [illegible] in other factories [illegible] profits at Mathieson and Ashley, an [illegible] holding company, Investors Club, but could not prevent [illegible].

Math[illegible] and Ashley lifted [illegible] to [illegible] pre-tax profit [illegible] and attributable profit 50% to [illegible].

Earnings a share rose in line to [illegible] (33.1c). The company stepped up dividend [illegible], declaring a final of 12%, making 20% for the year, a 33% increase on the 15% paid last year.

Not included in Investors Club's figures is an extraordinary profit of [illegible] on the sale of Mathieson and Ashley shares.

Santambank profit up 25%

Financial Reporter

SANTAMBANK has increased its profits by 25,6% from R8 150 000 to R10 229 000 for the year to June 1981.

Total assets have grown by 32% and now amount to R1 214 million. In three years, profits and assets have both been doubled.

Profits of the Mondorp group are not included in these figures. Mondorp has declared a profit of R2 million and now appears well on the way to recovery without further assistance from Santambank.

In spite of its excellent results, Santambank will not declare a dividend, the published profit will be transferred to reserves to strengthen its capital resources.

If the Holding Company ... use of its superior borrowing powers to obt... hen merely acting as a conduit pipe in trans... to the subsidiary company, at 10%, the pr... ist. It is submitted that the FASB tre... le, and practical.

In the separately issued ... nt of the subsidiary companies, the amoun... erest than can be capitalised is limited only to the interest actually incurred by the particular entity.

Sanland change

RD? 18/7/87 58

CENTRAl Merchant Bank says negotiations have reached an advanced stage for the acquisition by Bankorp from Sanlam of all the issued shares in SPTM, the management company of Sanland.

This possible change of ownership is subject to approval by the Registrar of Unit Trust Companies.

Subject to the negotiations being concluced and the necessary approvals obtained, the name of SPTM will be changed to Sanland Property Trust Managers.

Should Bankorp acquire all the shares in SPTM, a rights issue of units in Sanland is envisaged to acquire from associated companies of Bankorp certain properties to strengthen Sanland's property portfolio.

Controversy may reign where, for instance, because of its superior standing, the holding company may be able to borrow at say 8%, whereas the subsidiary company could only obtain the same finance at 10%, and the H Co borrows at 8% and lends to the S Co at 10%. The argument for capitalising interest in the group accounts at 10% may be strong, but I feel the cost to the group is only 8%, and the group's position is being shown in the consolidated AFS. So the application of FASB 34 would be justifiably consistent.

Further problems arise in accounting for less than 100% owned subsidiary companies, unconsolidated subsidiaries, and associated companies.

4.8.2 Minority Interests

The problem of how to deal with minority interests in the

SENTRUST (58)

Switching strategy

FM 18/9/81

Activities: *Investment company in which Gencor has a 31% interest Has mineral rights in the OFS and Transvaal*
Chairman: *H A Smith.*
Capital structure: *18m ordinaries of 10c; 7,5m red cum prefs of R1. Market capitalisation. R177m.*
Financial: *Year to June 30 1981. Net cash: R3,7m. Current ratio: 2.3.*
Share market: *Price 1 015c. (1980-81 high, 1 090c, low, 640; trading volume last quarter, 177 000 shares). Yields [illegible] on earnings, [illegible] on dividend. Cover [illegible] PE ratio [illegible]*

PORTFOLIO ANALYSIS

%	Market value 1980	Market value 1981	Income 1980	Income 1981
Gold [illegible]	[illegible]	47.[illegible]	[illegible]	68
Mining finance	[illegible]	[illegible]	[illegible]	6
Other mining	[illegible]	11.[illegible]	[illegible]	12
Industrial	[illegible]	4	[illegible]	12
Net other income			[illegible]	2

	'78	'79	'80	'81
Investments:				
Book value (Rm)	45.[illegible]	[illegible]	[illegible]	[illegible]
Market value (Rm)	75.4	105.1	[illegible]	199.[illegible]
Investment income* (Rm)	[illegible]	[illegible]	[illegible]	[illegible]
Earnings* (c)	[illegible]	41[illegible]	[illegible]	[illegible]
Dividends (c)	[illegible]	38	[illegible]	94
Net asset value (c)	42[illegible]	[illegible]	[illegible]	[illegible]

* Includes share dealing profits

Sentrust has maintained its reputation for having the most actively managed — or at least traded — portfolio in the mining financial sector. Proceeds from the sale of listed investments were R54.3m (R14m). However, for the second year, there was no quantum addition to the portfolio. Share purchases cost R55m (R38,3m), and the major application of funds adding to the company's worth was the R15 8m (R5,9m) increase in net working capital

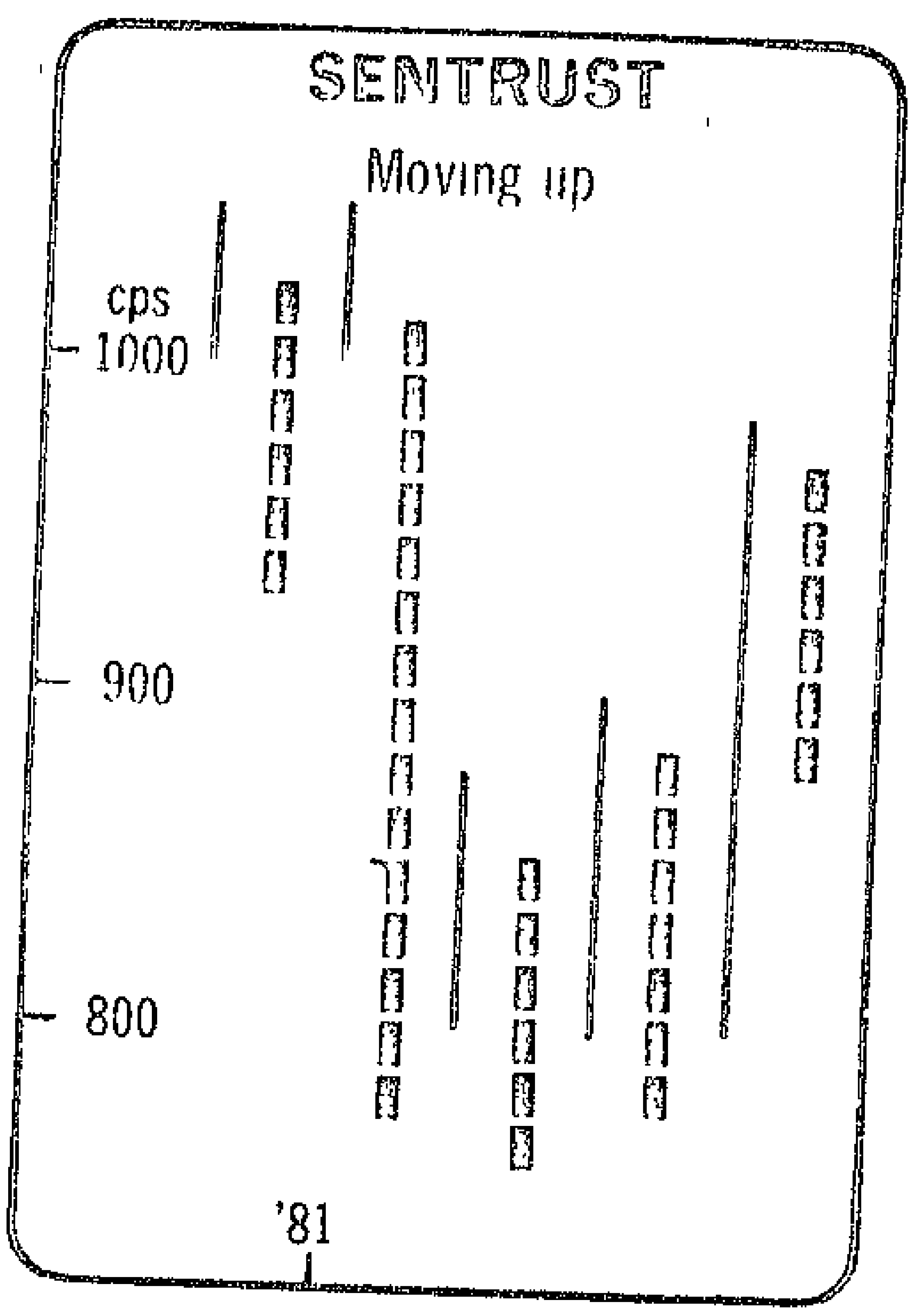
How that was used, though, is another matter. The sum ties in neatly with the R15,5m increase in debtors to R23.4m But the notes to the accounts give no indication of who the debtors are, terms of repayment or the reason for the increase Presumably the increase in debtors' balances is short-term as effectively half of the amount was provided by a R7.5m pref issue ostensibly made to provide funds for new investments

Following this line of reasoning it seems a fair assumption that the current year will see some major additions to the investment portfolio Last year the major additions were 1 17m Sasol and 207 000 De Beers. On the whole however, portfolio changes seemed to favour neither speculative nor solid investments which could have provided an insight into management's thinking on likely market trends, particularly for gold mines.

In coals, though, a more speculative flavour appears to have been added to the portfolio The holding of Trans Natal ords was cut to 631 000 from 945 600, while the number of Rand London part prefs rose to 1 47m from 597 400. On fundamentals that may be difficult to justify unless the move into Rand London is part of group policy to establish a strategic stake in the junior mining company After all, Trans Natal is one of the soundest coal investments available and Rand London's latest results (*FM* September 11) were terrible.

This year, it may be difficult to match last year's record investment income Gold-sourced dividends will almost certainly be a lot lower, probably outweighing advances elsewhere. Even so, it should not be difficult to maintain the total dividend in the region of last year's 94c — there is scope for a lower cover if necessary

Tim Jones



THE TOP TEN

Market value on June 30

	1980	1981
	Rm	
Southvaal	20.7	19.2
Sasol	11.0	13.7
Buffels	13.8	10.1
Fed Myn 9% prefs	9.5	9.2
Vaal Reefs	11.1	9.2
Pres Steyn	12.8	8.7
AT Cole	5.4	7.9
Fed Mynbou ords	6.0	7.5
Trans Natal	7.8	6.5
Pres Brand	6.1	5.9

GF PROPS (58)

Downturn coming

FM 18/9/81

Activities: *Property and investment company owned 43,7% by GFSA. Is entitled to 25% of residual profits from mining at Luipaardsvlei*

Chairman: *A J Weideman*

Capital structure: *10,2m ordinaries of 2,5c. Market capitalisation, R18,4m*

Financial: *Year to June 30 1981 Borrowings: long- and medium-term, R743 000 Net cash: R4,0m Current ratio 2,1 Net cash flow, R1,6m Capital commitments: R75 000*

Share market: *Price: 180c (1980-81: high, 345c; low, 165c, trading volume last quarter, 188 000 shares). Yields: 15,9% on earnings, 7,8% on dividend. Cover, 2,0 PE ratio: 6,3*

	'78	'79	'80	'81
Turnover (Rm)	4,9	5,0	6,1	11,7
Pre-tax profit (Rm)	1,2	1,5	2,6	4,5
Earnings (c)	6,9	10,0	19,2	28,6
Dividends (c)	5	6	10	14
Net asset value (c)	132	188	252	241

Subsequent events must have left management thanking its lucky stars that mining title to Luipaardsvlei was transferred to West Rand Cons in financial 1980 for R3m cash and a 25% share in residual profits from the mine. The uranium market's collapse and WR Cons' recent decision to pull out of uranium mining would have made it a less willing suitor for Luipaardsvlei now.

Not, of course, that earnings prospects from Luipaardsvlei are particularly bright. The capital cost of re-establishing mining operations has to be covered before GF Props participates in profits, and management confesses that it does not know when that is likely. Fortunately, however, there is the compensation of dividend income from the investments bought with WR Cons cash even though that is expected to be lower this year than the R1,1m of the year just ended.

The company is protected to some extent from the developing problems of the property market. In the Carletonville area, where mining developments have helped sustain demand for residential properties, the development of new extensions to existing townships is under way. Even so, management forecasts a downturn in profits from property sales this year compared with last year's R1,1m. There could be some steam left in rental income growth possibilities. Last year, the decline to R1,91m (R1,96m) was due simply to the sale of a subsidiary which owned the Johannesburger hotel.

The chairman points out that the company's principal business is the development of commercial and residential properties. He says share investments are primarily aimed at providing an inflation hedge or a shelter against cyclical property downturns. Even so, there is a modestly active portfolio management programme. Last year, the entire 30 000 shareholding in Rooiberg was sold, the 160 000 shareholding in Elandsrand was virtually eliminated, the Sasol holding was doubled to 500 000 shares and stakes in Harmony and Altech were added to the portfolio.

Management appears to have no qualms about adjusting dividend cover to suit changing circumstances. Despite forecast reductions in investment income and property sales profits, the dividend is expected to be maintained at last year's 14c. At 180c the share thus yields a prospective 7,8% which is hardly anything to get excited about.

Jim Jones

UNIVERSITY OF CAPE TOWN

DEPARTMENT OF ACCOUNTING

TAXATION AND ESTATE DUTY II - 1981

COURSE OUTLINE/READING LIST - 3rd & 4th QUARTER

LECTURE DATE	LECTURE NO.	TOPIC	THE INCOME TAX ACT	MEYEROWITZ	ILLUSTRATIVE EXAMPLES
31 August	20	Tax Planning for Asset Acquisitions	ss.1 'gross income' definition paras.(g),(h); 11(f),11(g),11(h),12,13,	513 - 524, 765 - 786, 534 - 537,	-
14 Septemb		- ... acquisition			
21 September		REVISION		.125 .32 5	
		EXAMINATION - OCTOBER 1981			

N.B. THE TUTORIALS REFER TO 'QUESTIONS ON S.A. INCOME TAX 1980' AND THE SOLUTIONS ARE PREPARED ON THE BASIS THAT THEY ARE UPDATED BY ONE YEAR.

SAVINGS RATES (58)

Whom to subsidise

FM 18|9|81

The cat and mouse game being played by the Post Office and the building society movement for the public's savings has taken another turn. Now it's stalemate.

A new series of tax-free three-year national savings certificates that will come on sale on October 1 has been announced by Posts and Telegraphs Minister Hennie Smit.

These Series Nine certificates offer 9% tax-free over the three years compared to 9,1% for the five-year previous issue. The certificates offer 8.75% for the first year, 9% for the second and 9.25% in the final year.

This matches the building society movement's one-year 8,75% tax-free shares which Finance Minister Owen Horwood allowed them in the August Budget after earlier protests when the PO got the 9.1% tax-free series.

This series may be redeemed after 18 months which, according to a PO spokesman, means a rate of about 8,90%. Calculating the effective rate over 18 months has its problems, but with an income of R12 000 a year for a single person it is approximately 10,75% and 11% for a married person.

The Budget also raised the limit per taxpayer on these building society accounts from R10 000 to R20 000. But, at this level, the national savings certificates still have a major advantage because their limit is R15 000 per person. This means that a married couple (which is a single taxpaying unit) can in fact hold R30 000 in the form of certificates.

But as a spokesman from the PO points out, the societies have three other types of tax-free deposit accounts to offer their savers.

This series may be redeemed after 18 months, compared to the minimum investment period of two years in the previous series.

The PO spokesman said the reason this series of certificates was shorter than previous issues was that since September 1980 the indefinite period PO savings accounts had been severely drained. He was not prepared to be precise on just how much money had flowed out, but said: "From a net monthly increase of millions of rands, it turned to a net monthly decrease of millions of rands." Interest is paid twice a year in arrears.

But, even if advantages are similar, the potential saver does have a choice: either he can save with the societies and help subsidise housing, or with the PO and help subsidise telephones.

'Grey area' property 'depressed'

(58)
CT 17/7/81
(GA)

Staff Reporter

PROPERTY prices in Cape Town are being artificially devalued because of the Group Areas Act and the freezing of land for coloured residential development, according to estate agents

An estate agent operating in Rondebosch East, which was proclaimed a white group area in 1969, said the property market was generally "depressed" in what he described as a "grey area"

A number of coloured families, who bought land and built homes in the area long before the proclamation of the Group Areas Act, still live in Rondebosch East. They are all forced to move out to coloured areas

The estate agent, who asked not to be named, said land prices in Crawford "just over the railway line" were high, with plots fetching between R11 000 and R15 000 on the property market

Recently, a coloured family rejected an offer of R13 000 from the Department of Community Development for their home and large plot in Rondebosch East and sold the property to a private buyer, Mr S F Bradfield of Southfield, for R17 800. The department's Group Areas Board, which has first option on the sale of property in "affected areas", are presently considering the sale.

'Unfair'

"The coloured people still living here compare the prices at which they sell their properties with the price of land in coloured areas. Prices are very high in coloured areas and they cannot manage with the low prices which they get for their plots here, " the estate agent said He described the Department of Community Development's offer of R13 000 as "unfair"

The Meyer family's plot, which stretches from Heatherly Road to Lockerby Road, is 640 square metres. The site has a municipal valuation of R2 440 and the buildings are valued at R5 370.

The sale of the property marks the end of more than 50 years of occupation by the Meyers. The land was bought in the 1930s by Mr Jacobus Meyer, who built his own home on the site. Five of his 11 children were born in the Heatherley Street house

The once predominantly coloured area, which the Meyers still know as Lansdowne, was proclaimed a white group area in 1969 The children were forced to sell the property after the death of their father in May this year. Their mother, Mrs Susan Meyer, died in March 1977

"My father bought this land and built this house with his own two hands, yet not one of the brothers can buy it My father used to say 'Why don't they give houses to the people living in the bushes instead of moving me out of my own house'," Mr Glen Meyer said yesterday.

His sister, who lives in the house with her husband and three children, have been given three months' notice by the new owner The Department of Community Development offered them a rented house in Lentegeur, but the family are pinning their hopes on an partly-completed house in Pinati Estate, which is being sold for R24 000

Offer rejected

A spokesman for the attorneys handling the estate of Mr Meyer Snr said the property was "in an affected area and subject to pre-emptive rights by the Department of Community Development".

She said a valuator had valued the property at about R21 000, but the Department of Community Development offered the family only about R13 000 This was rejected by the executor of the estate.

The spokesman said the deparment then offered R17 000, but this was also not accepted. The executor, Mr Sammy Meyer, said however he was not aware of the department's second offer.

The family later engaged an estate agent, who put the property up for cash sale. It was sold to Mr Bradfield for R17 800 before the Group Areas Board had relinquished its option Transfer will be given to the new owner once the department has approved the sale

Kruger Park probe

Argus 22/9/87 (56)

Parliamentary Staff

FURTHER investigations into coal mining in the Kruger National Park were to be undertaken, the Minister of Water Affairs, Forestry and Environmental Conservation, Dr Nak van der Merwe, told the Assembly yesterday.

Dr van der Merwe was responding to a plea from Mr Brian Goodall (PFP Edenvale) for an assurance that the park would not be 'interfered' with until all possible alternatives had been investigated.

In the debate on the Minister's vote Mr Goodall said the proposed site for coal mining in the park's northern region was 'perhaps the most exciting area of the park.'

It was the meeting point of 23 biogeographic centres, making it unique not only in South Africa, but probably in the world.

It was an area of spectacular scenery, where unique plant communities and a variety of animal species were found. The area was also rich in archaeological interest.

'But there is a more vital requirement, namely the maintenance of the total ecological system in the region. Too often we find that man has interfered with nature and upset a very delicate ecological balance,' said Mr Goodall.

According to experts a mine in the area could destroy not only the ecological balance in the region, but could also affect other areas of the park. Mining would require a new infrastructure, bringing railways lines, water pipes, power lines and roads into the area.

Mr Goodall said he did not deny that the interests of Iscor, which required the coal for steel production, were important.

'However, I feel that before we interfere with the northern area of the park we should ask whether all the possibilities for solving Iscor's dilemma have been explored,' he said.

In reply Dr van der Merwe said he had received a report which indicated many unanswered questions. The Government had therefore ordered further investigations.

Botrest loses R30-m in first half

Eom 25/9/81

(58)

ANGLO American's beleaguered R300-million copper and nickel producer Botswana RST (Botrest) has extended its accumulated deficit by producing a loss of P30 852 000 in the six months to June compared with P7 842 000 in the same period last year (one pula is about R1,07).

By JOHN MULCAHY

Botrest's accumulated deficit at June 30 was P112 099 000, up from P81 247 000 at December 31 and P76 232 000 on June 30 last year, and debt-servicing requirements remain the major burden.

The directors say the impact of lower nickel prices on cash flow is serious and there is no evidence that conditions will improve until well into next year.

The positive news is that plant availability and operations at Phikwe and Selebi was satisfactory, with targets of a 55% increase in concentrate smelted and an 18% increase in matte production being exceeded.

Mine costs were also well controlled and below the level of the first half of last year.

However, to add to Botrest's problems, Amax has asked subsidiary Bamangwato Concessions (BCL) to "agree urgently" to a reduction of about 25% in matte sales to Amax to an annual level of 30 000 tons of matte for the next 27 months, "to mitigate the costs to Amax of maintaining large inventories of nickel at present high interest rates".

Amax has also asked for a revised nickel pricing formula, based on its realised price rather than on the present contract terms, under which prices are determined by reference to prices received in West Germany by major nickel producers.

The directors say the reduction in matte sales, if agreed, would have a material adverse effect on Botrest unless the reduction in sales is replaced by sales to others on similar terms.

They add that if the revised pricing formula, which would be effective over the life of the Amax contract, is found to be substantially different to the existing price mechanism, it would also have a material adverse effect.

"In conjunction with the Government of the Republic of Botswana and Anglo American Corporation of South Africa, the company (Botrest) is examining the consequences of the changes proposed and possible alternative course of action."

Interest and other charges for borrowed money rose to P31 746 000 from P24 726 000, and the loss on currency exchange fluctuations (because of the strengthening US dollar) of P8 241 000 (P1 951 000) almost negated the operating profit of P9 135 000, which was down from P18 194 000 in the first half of last year.

Last year's result was abnormally inflated by the clearance of the matte stockpile built up during the refinery strike in late 1979, but the lower profit also reflects lower metal prices realised during the first half of this year and increased refining costs.

The average nickel price on which Botrest subsidiary Bamangwato Concessions, BCL's revenue is based fell to $3,17 a pound for the six months, compared with $3,36 for the first half of 1980 and $3,37 a lb for the whole of last year.

The nickel price has fallen further since the end of June in line with the general softening in the market, say the directors, while the copper price, which started the year at $0,85 a lb remained depressed and decreased to $0,77 a lb on June 30.

These copper prices compare with $1,18 a lb at the beginning of last year and $0,91 a lb on June 30, 1980.

The published cobalt price decreased in March this year to $20 a lb from $25, and has since fallen further, to $13 a lb.

Production of copper/nickel matte was well up on last year, at 23 867 tons compared with 13 627 tons, reflecting the benefits of the expansion programme completed last year and the reduced production in the first half of 1980 due to the smelter overhaul.

The reclamation and treatment of high grade concentrates stockpiled during the smelter overhaul continued into this year with the last of the concentrates returned to process in March.

On exploration, the directors say work within the Phikwe, Selebi and Selebi North mining areas continues to be "most encouraging" with 80% of the holes drilled intersecting ore grade mineralisation.

Some surface drilling is now directed at providing additional ore reserves by the end of the year, and at Selebi North the emphasis has been turned towards underground exploration "to provide more complex knowledge of this complex structure and also to obtain a bulk ore sample for metallurgical analysis".

Equipping of the shaft at the Phikwe 3 project is complete work is continuing on the installation of the 850 metre level pump station, while development on the various station levels "is in hand to permit raise boring" of the shaft ore and waste pass system.

The major shareholders — Anglo, De Beers and Amax — increased their loans to Botrest by P1 300 000 during the first half to finance loan interest and expenses payable by Botrest and BCL's capital expenditure on pollution abatement.

BCL's remaining capital expenditure has been financed from operations.

INDCOM/I & I

Tightly held (58)

INDCOM FM

Activities: *Investment company with interests in motor trading, property, hydraulics, mineral exploration and share investments. Issues & Investments holds 82,3% of equity. Directors of I & I hold 74% of I & I's equity.*

Chairman: *H E van Santen.*

Capital structure: *1,4m ordinaries of R1,50; 75 000 7% cum prefs of R2. Market capitalisation: R25,8m.*

Financial: *Year to June 30 1981. Borrowings: long- and medium-term, R1,2m; net short-term, R4,1m. Debt: equity ratio: 24,7%. Current ratio: 1,7. Group cash flow: R3,5m. Capital commitments: R1,8m.*

Share market: *Price: 1 841c (1980-81: high, 2 100c; low, 840c; trading volume last quarter, 5 600 shares). Yields: 12,4% on earnings; 4,1% on dividend. Cover: 3. PE ratio: 8,1.*

	'78	'79	'80	'81
Return on cap (%)	15,8	15,3	13,9	20,0
Turnover (Rm)	29,1	38,2	50,7	65,2
Pre-tax profit (Rm)	2,3	2,5	3,0	5,0
Gross margin (%)	9,2	8,3	7,0	8,6
Earnings (c)	110	120	137	228
Dividends (c)	33	40	50	75
Net asset value (c)	876	1 026	1 414	1 587

I & I

Share market: *Price: 6 250c (1980-81: high, 6 250c; low, 1 800c; trading volume last quarter, 628 shares). Yields: 15,0% on earnings; 3,7% on dvidend. Cover: 4,1. PE ratio: 6,7.*

	'78	'79	'80	'81
Return on cap (%)	15,7	15,2	14,0	19,9
Turnover (Rm)	29,1	38,2	50,7	65,2
Pre-tax profit (Rm)	2,3	2,5	3,0	5,0
Gross margin (%)	9,2	8,3	7,0	10,1
Earnings (c)	420	490	562	939
Dividends (c)	100	125	160	230
Net asset value (c)	3 730	4 394	6 095	6 980

It's a pity that Industrial & Commercial's equity is so tightly held in so few hands, for the company has an excellent record and the share would be a welcome addition to most portfolios.

Over the past seven years the company has turned in annual compound growth rates of 32% in turnover, 24% in pre-tax profit, almost 30% in earnings a share and over 28% in dividends. The past year was considerably better than this and the current year should see at least a continuation of the long-term trend.

Not surprisingly, in a year when national car sales were accelerating, the company's motor trading division performed strongly. It chipped in 43% of taxed attributable profit compared with 28,5% the previous year, increasing its earnings by 152% from R542 000 to R1,4m.

Since the year-end, the company has expanded further with the acquisition of East Rand Datsun and another Datsun dealership in the south of Johannesburg is opening this month.

Chairman Harold van Santen says car sales will recede somewhat from their record levels this year, with tractor and truck sales particularly affected by the Atlantis engine project. But he expects a revival in the market in 1982 and is budgeting for an increased contribution from the enlarged motor division.

The group appears to be well placed in the property market, following that division's 33% profit advance in 1981. Since the year-end, a number of units in Benoni have been sold and two townhouse sites have been bought in the new Bruma township near Johannesburg.

New building projects worth R4m are under consideration this year, Van Santen says. A sectionalisation in Florida East, which was delayed last year, should provide net revenue of R450 000 this year, he adds.

The third largest contributor to earnings is share investment, which had a reasonable year last year. The division increased earnings by 14% but its contribution to taxed earnings slipped from 32% to 22%. Van Santen says the industrial share market is soundly-based, but areas of vulnerability may appear if the economy slows substantially in 1982.

However, Van Santen adds that the gold price is expected to improve this year to a level which will renew the strength of the economy, so the medium-term view remains attractive.

The hydraulics division has recovered well from 1980, increasing earnings by 70% and its contribution from 15,1% to 15,4% of taxed profit. There should be further improvements in both market share and profit this year, Van Santen says.

The group has started the year with a higher level of sales. The balance sheet is strong, with gearing low and the current ratio fairly high. Cover has returned to management's 3 times target, which is hardly stingy, while capital commitments are comfortably covered by the high cash flow.

A moderate growth rate this year would allow a dividend of at least 9[illegible]c giving a prospective yield of 5,2%. That's slim, but if the shares come to hand they are worth buying. Van Santen forecasts a 200c dividend from I & I this year. This is based on last year's Indcom dividend. That puts I & I on an even more slim 4,6% prospective yield.

Rentmeester 43% down

RDM 1/10/81

58

Deputy Financial Editor

RENTMEESTER Beleggings, the amorphous Pretoria conglomerate, increased total assets 62% last year but this did not prevent a 43,5% plung in earnings.

The annual report shows total assets up to R18 734 000 (R11 592 000) and earnings down to R789 000 (R1 397 000). Return on capital plunged from 17,6% to 8,7%.

Main reason for the drop in profits, say the directors, was non-payment of dividends by the short term insurance companies.

In a confusing annual report, the directors say cash flow of the company improved during the year, when net cash flow (earnings plus depreciation less dividends) flow actually declined to R593 000 (R785 000).

They say liquidity of subsidiary companies improved and that substantial short term deposits with Rentmeester are reflected as short term debt, although these have been held for some years.

Overdraft facilities, they add, are also shown as short term debt, when they are "in fact of a long term nature."

Rentmeester's main interests at the year end were 97% of President Insurance, 22% of Bankovs, 11% of Metkor, 10% of UCDD, Mercedes Benz makers, who are about to start making Honda cars, 39% of Trek Airways and 40% of Heyns Films.

It also has interests in bricks, property, motors, heavy engineering and all of Apeldoorn Lighthouse Net and Twine, which makes shade cloth.

The directors give no view of prospects.

Curfin's net goes up 38%

Star 1/10/81 (3??) 58

In producing a pre-tax profit of just on R20-million, up 40 percent, the performance of the Currie Finance Corporation (Curfin) group in 1981 has exceeded all expectations and fully justified the optimism expressed in his annual statement for 1980, says chairman Mr Abe Jaffe in his latest review of the company's affairs.

Net after-tax income, after deducting outside shareholders' interest, amounted to R7 880 000 or an increase of 38 percent over that of 1980.

Two increased dividends were paid during the year — one of 9c a share in August, 1980 (5,75 c) and one of 11c in February, 1981 (6c).

Earnings have increased by more than 760 percent during the past decade — a compounded growth of 24 percent a year.

The pre tax profit was R19 724 000 on a turnover of R140 000 000.

In reviewing the major group divisions, Mr Jaffe made the following observations.

- Currie Motors performed admirably, increasing earnings by 61 percent (34 percent) to 182c (113c).
- Safcor, the group's freight and allied activities division, again performed well and the directors expect substantial earnings' growth in the current year.
- Rex Evans, which handles the Datsun and BMW franchises, has surged ahead in profitability, and further growth has been budgeted for the current financial year.

510 1/10/81 (2644) (58)

McCarthy warns of slowdown

By Patrick McLoughlin

The McCarthy Group — the holding company with interests in the motor distributing trade, leasing and property — is budgeting for reduced profits, despite record earnings in the year to June.

The extent of the fall in profits would depend on the size of the market and the ability of the group to maintain current gross profit margins, the chairman, Mr Brian McCarthy, said in his annual review.

The warnings follow the recently released profit results in which the group boosted by good trading conditions in the motor vehicle and motorcycle market, posted a 130 percent increase in earnings a share, from 32,2c to a record 120c.

In the review, Mr McCarthy said earning objectives were four percent a year in real terms.

The chairman said the expected dip in profits would come about because of a "sustained softening" in demand this year.

ROBOT BANKING (58) ([illegible])

Green light on [illegible]

The days of many small bank and building society branches are numbered. Many are expected to be replaced by machines — automatic tellers — within the next two years.

"For the price of two tellers' salaries (R12 000/year), an automatic teller could be paid for in four years," says UBS general manager Mike de Blanche.

He believes that the cost of automatic tellers will decrease while tellers' salaries will inevitably rise with inflation.

High CBD rentals, building costs and ongoing expansion all support the concept of automated mini branches. And De Blanche estimates that the [illegible] could be achieved in only two years."

He points out that an automatic teller does the work of two humans and does not take holidays, require additional staff, overtime pay or salary increases.

[illegible] of the machine [illegible] years and [illegible] De Blanche.

[illegible] would [illegible] cent [illegible] the [illegible] automatics.

[illegible] plans to have 150 operating early next year. "As far as I'm concerned it can only [illegible]," says De Blanche.

Although automatic teller [illegible] [illegible] [illegible] with [illegible].

A disadvantage of the system is possible mechanical breakdowns, but UBS has ironed out most of its teething problems.

NBS cash card division manager, Brian Ness-Harvey, concurs with the UBS view that traditional small branches are likely to be replaced by machines within two years.

But existing staff need have no fears. "We certainly don't want to replace people with machines," he reassures. We stand to gain better utilisation from the current workforce by introducing more machines."

Ness-Harvey sees the overall concept of the electronic funds transfer system (EFTS) growing very fast. NBS now has two machines and plans to have 30-40 in the next 12-18 months.

But Standard Banks' general manager of corporate systems Bill Jones says mini bank branches without staff is a pipedream.

Jones says there will always be a need for a personalised banking service. "Banking is after all people."

However he adds: "We can't go on with spiralling staff costs. We will have to keep our heads above water by using as much automation as we can."

Standard plans to have 200 automatic tellers by the end of 1982 to cater for expansion.

Further, he believes automation will provide a better service and remove the time constraints of normal banking. Others are also getting into the act. For example, SA Perm is experimenting and will join the automation club "soon."

Business Mercury

21/10/81

58

Peak year for Old Mutual

Mercury Correspondent

Johannesburg—The Old Mutual investment income soared a phenomenal 36 percent in the past year as highly selective buying of equities and the economic boom pushed receipts to R405,3m and the market value of shares rose to over the R2 000 million mark for the first time.

Reporting a record year, with net assets of nearly R4 300 million (3 500 million) and becoming the first local life office to breach the R4 000 million level Mutual managing director Mr Frans Davin said total premium income was 30,9 percent up at R820m from last year's R626m.

Single premium individual business rose from R30m to R55m while recurring rose from R297,7m to R382,8m.

Group business (single) rose from R46,2m to R55,8m while recurring business was up at R325,9m from R252m.

Shares

Investment income rose by R108m — a record — and was generated mainly through the stake in shares which for balance sheet purposes has a book value of R1,16-billion.

The book value last year was R971,2m, placing the net book value rise during the year at just under R200m. The Mutual had some R4m to invest every work day of the year.

General manager investments Mr Peter Bieber said on Wednesday night that the market value of the shares held had risen strongly and was now more than R2 000 million. The rise in dividends from the equity holding must have been running some 40 percent over last year.

Total Mutual income rose by R300m to R1 226m. Cash on call and on deposit has rocketed too from R93,6m last year to R157,4m. This was equivalent to nearly 3,6 percent of total assets.

I gather that this represents the build up of funds in Southern Africa generally and not only the republic. It is probable that a fair porportion of the local cash was held back at the year-end to participate in the Armscor and Ukor issues.

The property investment rose from R360,4m to R413,3m with the percentage of the assets slightly down at 9,38 as against last year's 10 percent.

Operating expenses rose sharply from R102,5m to R132,7m but this was due to the increase in commissions paid in line with the higher level of business.

Mr Davin said the total number of new policies issued during the year exceeded 190 000.

Fortyfive percent of these policies were repeat purchases by existing policyholders. Old Mutual's total number of policies in force now approached 1,5 million.

Over the past five calendar years the society had achieved an overall premium growth rate of 25,9 percent per annum compound in South Africa against the rest of the industry, whose overall growth had been 19,8 percent.

The total number of new policies issued during the year exceeded 190 000. Forty-five percent of these policies were repeat purchases by existing policyholders.

Half-year dividend of 12,81c a unit

CAPE TOWN—Old Mutual Unit Trust yesterday announced a dividend of 12,81 cents per unit for the half-year ended on Wednesday, representing an increase of 42 percent over the September 1980 dividend.

In a press release on the quarter ended September 30, 1981, the company said its portfolio value stood at R169 146 767 on that date (R149 000 087 on June 30, 1981)

The fund held liquid assets valued at R28 894 402, which was more than R20-million in excess of the statutory requirements.

Funds available for investment were R20 360 465, being 12,04 percent of the value of the portfolio.

The re-purchase price of units rose from 347,51 cents each on 1 July,1981 to 394,76 cents on 30 Septem,ber, 1981, equivalent to an appreciation of 13,60 percent. — (Sapa)

Inflation, South Africa's 'most serious problem'

Financial Editor

SOUTH AFRICA'S most serious problem is not political, but economic in the shape of crippling inflation — or the debasement of money.

This is the view of controversial businessman, Mr Fred Beard, who spoke yesterday to the Rotary Club of North Durban on why the world must return to the gold standard.

Mr Beard warned that in the peculiar circumstances of South Africa — 'with the vast majority of our population belonging to the lowest income group — debasement of our money affects them very badly indeed and any further increase in the rate of inflation sould cause serious unrest, leading perhaps to bloody riots.

'This is a risk which the Government has no right to inflict on us because they wish to retain the right to print as much money as they like without the brake which would be imposed by the gold standard'

Money

Mr Beard said that notwithstanding what the financial branch of the Government might claim, inflation could never be eliminated under the present monetary system, which allowed the Government to print 'more money at will, and I firmly believe that we cannot halt the steady increase, never mind reduce it.'

He was firmly convinced that the only solution to S A's monetary problems 'is a return to the gold standard.'

South Africa produces three-quarters of the world's gold and should have been the first to back the rand with gold when it was realised, 'or should have realised that we could not eliminate, or even contain inflation, under our existing monetary system.

Stability

'In South Africa we have forgotten what long-term price stability means, and if the United States were to consider full convertibility of the dollar into gold it would be very good news for South Africa as a gold producer.'

America's liabilities matched against its gold holdings would produce a gold price of $617 an ounce.

South Africa holds 12,28m ounces of gold — about half annual production — and reserves are valued at about R5 000m to R6 000m at today's price and would cover the liabilities.

'There would be no difficulty in making our gold standard fully convertible without any restrictions.'

Mr Beard said the a gold backed rand should not affect exports of gold, minerals, diamonds.

Mr Beard said he refused to believe that the Minister of Finance, Mr Owen Horwood, did not understand the operation of a gold standard and 'can only conclude that he is equivocating because he knows full well that the Government does not want to relinquish the right to print as much money as it likes'

Old Mutual's income soars to dizzy heights

RDM 2/10/81

By PAUL DOLD 58

OLD Mutual's investment income soared a staggering ~~36% in the past~~ year as selective buying of equities and the economic boom pushed receipts to R405 300 000 and the market value of shares rose to more than R2 000-million for the first time.

Reporting a record year with total assets of nearly R4 300-million (R3 500-million) and becoming the first local life office to breach asets of R4 billion, Mutual managing director Mr Frans Davin said total premium income was 30,9% up at R820-million from last year's R626-million.

Single premium individual business rose to R55-million from R30-million while recurring business rose to R382 800 000 from R297 700 000.

Group business (single) rose from R46 200 000 to R55 800 000 while recurring business was up at R325 900 000 from R252-million.

Investment income rose by R108m — a record — and was generated mainly through the stake in shares which for balance sheet purposes has a book value of R1,16-billion. The book value last year was R971,2m placing the net book value rise during the year at just under R200m. The Mutual had some R4m to invest every work day of the year.

General manager investments Mr Peter Bieber said last night that the market value of the shares held had risen strongly and was now more than R2-billion. The rise in dividends from the equity holding must have been running some 40% over last year.

Total Mutual income rose by R300m to R1 226m. Cash on call and on deposit has rocketed too from R93 600 000 last year to R157 400 000. This was equivalent to nearly 3,6% of total assets.

"I gather that this represents the build up of funds in Southern Africa generally and not only the Republic. It is probable that a fair porportion of the local cash was held back at the year end to participate in the Armscor and Ukor issues.

The percentage of assets in RSA stock during the year rose from 13,4% to 16% percent. In cash terms the rise was from R482-million to R707-million. This suggests the Mutual subscribed heavily for the May RSA issue. The bulk of this was to satisfy prescribed investment requirements in line with the leap in business.

In contrast, the stake in municipal stock fell from 15,33% to 13,93% of assets. There was a relatively small rise in cash terms from R551-million to R614-million. The figures reflect a switch into cash as well as fewer municipal issues.

Property investment rose from R360 400 000 to R413 300 000 with the percentage of the assets slightly down at 9,38% against last year's 10%.

Operating expenses rose sharply from R102,5-million to R132,7-million but this was due to the increase in commissions paid in line with the higher level of business.

Mr Davin said the total number of new policies issued during the year exceeded 190 000. Forty-five per cent of these policies were repeat purchases by existing policy-holders. Old Mutual's total number of policies in force now approached 1,5 million.

During the past five calendar years the society had achieved an overall premium growth rate of 25,9% per annum compound in South Africa against the rest of the industry's 19,8%.

The total number of new policies issued during the year exceeded 190 000. Forty-five per cent of these policies were repeat purchases by existing policyholders.

A special final bonus has been declared on qualifying South African currency policies that become claims during 1981. This special final bonus has improved payout values by almost 20 per cent in certain instances.

Benefits paid to policyholders and their dependents increased by R51-million to a record of R267-million. Sixty-three per cent of these payments were made to policyholders, the balance of almost a R100-million was made to dependents of deceased policyholders.

Old Mutual's 22,6% jump to record assets of R4 408-m

Star 2/10/81

(58)

By Patrick McLoughlin

Old Mutual has become the first national life office to have assets of more than R4 000-million and in the year to June its premium income soared 30,9 percent, reports the managing director, Mr Frans Davin.

Assets rose 22,6 percent to R4 408-million and premium income jumped from R626-million to R820-million. Mr Davin attributed this premium rise to "outstanding support from all population groups."

Single premium individual business climbed from R30-million to R55-million with recurring business up from R298-million to R382-million.

Group business (single) went from R46,2-million to R55,7-million and recurring group business was up R73,9-million to R325,9-million.

Over the past five years Old Mutual had an overall premium growth rate of 25,9 percent a year compound against the rest of the industry, whose overall growth had been 19,8 percent.

Old Mutual's investment income reached R405-million, up a record 36,2 percent and income was R1 226,6-million — more than R300-million up on the previous R925-million.

Rentbel profits drop 38 percent

STAR 2/10/81

Following a year in which group profits dropped by 38 percent, Rentbel forecasts that for the 1982 financial year the cash flow, liquidity and credit facilities of the group will be satisfactory.

Rentbel has an extensive range of interests, including a 22 percent stake in Bankovs, 97 percent in President Insurance, 50 per cent in Senator and 100 percent of Luxavia.

In their annual review, the directors said that mainly because no dividends were paid by the short-term insurance companies in which the company has holdings, group profit fell to R811 207 from R1,3-million.

Return on capital dropped to 8,7 percent from 17,6 percent.

The directors reported that the cash flow of the company improved during the past year mainly as a result of an overall improvement in the liquid position of subsidiaries and associated companies.

Substantial deposits with the company are shown in the financial statements as short-term debts but were in fact made several years ago.

Overdraft facilities are also treated as short-term liabilities but again are of a long-term nature.

The directors decided to cut the rate of last year's dividend because of current economic conditions.

RDM 3/10/81 (58)

'R8-bn spent on maintenance'

Financial Reporter

SOUTH Africa's private sector is having to spend more on maintaining completed capital projects than it is spending on new investments, says Mr John Furze, Southern Cross Steel's capital projects consultant.

Mr Furze told delegates at the recent Manufacturing Efficiency and Plant Maintenance exhibition in Johannesburg that the private sector was spending about R8 000-million a year to keep existing investments in working order, while new investment by this sector only amounted to R7 900-million last year.

Since 1946, when SA started establishing a secondary industrial sector, between 15% and 30% of the country's gross domestic product had been allocated to public and private sector investments, said Mr Furze.

During 1980 around 24% of gross domestic product (GDP), or R15 000-million, was spent on capital projects, split almost equally between the public and private sectors.

While spending appeared to be in balance last year, said Mr Furze, private sector capital spending was increasing in real terms, while public sector investment reflected little or no real growth.

This was attributed to the fact that the private sector was spending increasing sums on maintenance programmes.

SA industry should not only look at the initial capital cost of a new project, said Mr Furze, but should also take cognisance of the cost of maintaining the project during its working life.

By adopting this route building techniques and metarials were more likely to be adopted, resulting in a reduction of maintenance costs and unscheduled downtime.

SA could no longer afford some of the wasteful procedures adopted in the past, and more attention should be given to using corrosion and maintenance free materials such as stainless steel.

It had been estimated that the cost of corrosion to SA amounted to about R1 150-million a year, or 2,5% of GDP.

The use of corrosion resistant materials would result in an increase in the initial capital cost of a project, said Mr Furze, but the subsequent benefits derived from lower maintenance requirements far outweighed this factor.

Higher rates forecast with policy easing

RDM 5/10/81 (58)

By JOHN MULCAHY

THE De Kock Commission investigating the monetary system and monetary policy is likely to recommend a liberalisation of interest rates, and it is likely they will shift to higher levels as they were administered at relatively low levels over a long period.

Senbank's chief economist, Mr Louis Geldenhuys, says in the bank's latest "Economic Opinion" the shift to higher rates will have a dominant effect on particular financial institutions, such as building societies.

If SA decides to adopt a particular blend of monetarism it follows that domestic short-term interest rates will follow a more volatile pattern than in the past.

"The US experience confirms the efficiency of monetary control via bank reserves, and South Africa should take cognisance of this", says Mr Geldenhuys.

Mr Geldenhuys's study, entitled "Reaganomics and South Africa" concludes that the US economy is gradually moving into an expansionary phase, but the economic recovery has not gained much momentum.

Economic progress will slowly gain momentum in 1982, says Mr Geldenhuys, and the US economy is expected to grow by about 2,5% in real terms, compared with an expected year-on-year growth of 1,5% this year.

The economies of SA's European trading partners will lag on the US, and are not expected to show any sustained recovery before mid-1982.

"International trade will therefore remain weak for some time to come and the demand in international commodity markets, including gold, will not establish a sustained recovery before the middle of 1982."

Mr Geldenhuys believes SA's export performance is not expected to recover before that stage, "which means that, given the persistently strong demand for imports, our balance of payments on current account is likely to show a deficit in 1982 that could easily exceed that of 1981".

US short-term interest rates are expected to follow a downward pattern in the coming months, portraying a gradually declining pattern which will be interrupted by short periods during which the rates will decline sharply as distortions drop out of the system.

In spite of recent declines, says Mr Geldenhuys, SA short-term interest rates are expected to remain high until the first quarter of next year. "The outcome of our exposition is therefore that South African short-term interest rates are likely to exceed US short-term interest rates in the foreseeable future."

The weaker tendency in the dollar exchange rate implies that the rand will depreciate less markedly against the dollar during the second half of this year compared with the first half of the year and for short periods the rand may even appreciate against the dollar, says Mr Geldenhuys.

"The extent of possible appreciations of the rand against the US dollar is nevertheless considered to be limited and temporary over the coming months as the rand is expected to remain relatively weak against the major currencies."

However, as the rate of deterioration in the current account is expected to ease in the next few months, the depreciation of the rand exchange rate is also expected to ease.

While the weaker rand will contribute towards some relief of the balance of payments pressures the current account deficits will show large inflows of foreign capital, says Mr Geldenhuys.

BUSINESS

Giant insurance groups planning R400-m projects

Star 6/10/81 (58)

By Frank Jeans

Insurance giants Sanlam and Old Mutual are poised for a huge R400-million surge in new countrywide property development which within the next few years will boost their total national property stake to about R1 500-million.

Both groups, which have found the existing property investment market exhausted, have earmarked R200-million each in new construction projects in all major centres.

It is a neck-and-neck race in the premier property stakes, with Sanlam and Mutual each having a current portfolio valued in the R500-million region.

Mutual has the edge with a direct holding in property of R413-million, rising to R550-million through an indirect stake in property trusts and mortgage bonds.

Mutual's R200-million programme is over the next three years while Sanlam's new investments budget of a similar amount is for the year ending September 1982.

By then, the two leading landlords could have between them a total property portfolio of close on R1 500-million.

What is significant about Mutual's plans is that it is directing its thrust at new development and is switching from its strategy of investment in prime existing commercial buildings.

Announcing the programme, Old Mutual's property manager, Mr Martin Buss, said the group was moving in strongly to the industrial market, having anticipated the current shortage in premises because of expansion phase, and had bought prime land for industrial development in Johannesburg, Pretoria and Durban.

Apart from forthcoming projects throughout the country. Old Mutual has six major office developments, under way, the largest of which is a block on the old Marine Hotel site in Durban at a cost of R27-million.

There is also a 22-storey block going up in the centre of Pretoria with a capital outlay of R15-million.

Announcing Sanlam's projections, Mr Dolf Muller, Transvaal property manager, said: "Most of the new property investment budget for the year October 1 to September 30 1982 will be for new developments."

Metkor improves by 40%

ST 6/10/81

Metkor Investments, an engineering and allied industries investment and finance company, recorded provisional, unaudited net income of R8 418 000 for the 12 months to September 30, an improvement of 40.3 percent over the annualised 1980 figure.

After deducting preference dividends and transfer to dividend reserve account, income attributable to ordinary shareholders amounted to R5 843 000, a 63.2 percent improvement.

A final dividend of 6.25c a share was declared, compared with 6,6c for the 15 months ended September 30 last year, equal to 5,28c on an annualised basis. This is an 18.4 percent improvement. — Sapa.

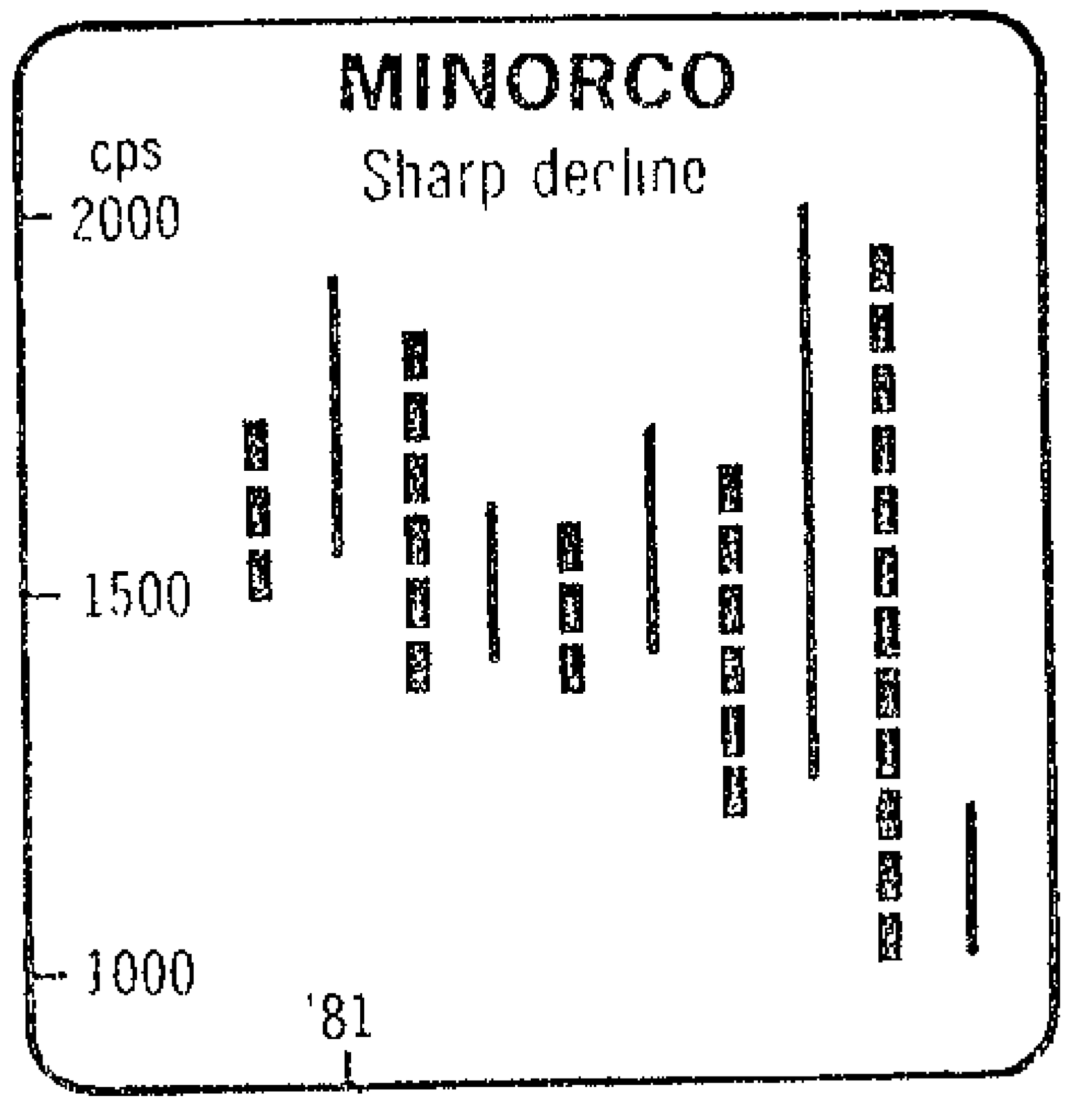
MINORCO (58)

Ready to go

FM 6/11/81

Activities: *Bermuda-registered company which is the Anglo group's main overseas arm. Main interests are 27% stakes in Engelhard and Philbro, 29% of Cons Gold, 36% of Charter Cons, 10% of Apamint and 54% of Hudson Bay Mining & Smelting. Anglo has 42,8% of the equity, De Beers 23,4% and Charter 10%.*
Chairman: *H F Oppenheimer*
Capital structure: *159,1m ordinaries of BD$1,40.*
Financial: *Year to June 30 1981. Borrowings, long- and medium-term, US$50m, net short-term, $45,2m. Current ratio 0,16.*
Share market: *Price: 1 035c (1980-81: high, 1950c; low, 575c; trading volume last quarter, 43 000* shares). Yields: 13,4% on earnings; 2,1% on dividend. Cover: 6,5. PE ratio, 7,5.*
* JSE only

	'78	'79	'80	'81
Investment income (US$m)	15,1	18,4	32,3	41,5
Taxed profit (US$m)	15,1	15,1	24,7	28,2
Earnings (USc)	18,6	20,4	123,0	143,0
Dividends (USc)	12	12	20	22
Net asset value (USc)	452	656	918	953



The past year has seen Minorco structured so that it can be effectively the main vehicle for the Anglo group's foreign ambitions. And though there might still be one or two cosmetic changes before the revamped company finally beds down, the essential framework is there.

Initial cosmetic touches are needed on the short-term side of the balance sheet. The nature of the group's operations means the end-June working capital deficiency of $77,5m needs replacing by longer-term financing. That, according to chairman Harry Oppenheimer, is in hand.

The balance sheet can certainly tolerate a lot more long-term debt without being strained. Total debt (long and short-term) at end-June was $104,7m — less than 7% of shareholders' funds of $1 516m. As a whole the group can probably safely add at least $200m debt to its capital structure, though management will no doubt be cautious until north American interest rates start declining and recessionary conditions, which are affecting several group interests, start abating.

Minorco has been busy with acquisitions outside the Anglo orbit by buying into coal companies in the eastern US. But a problem could be that though high interest rates are adversely affecting US common stocks, natural resource company prices still reflect acquisition premiums. What this could mean for Minorco would be a reverse yield between the cost of acquisition funds and yields available on suitable investment acquisitions.

There is an obvious way around that which could mesh well with parent Anglo's plans for Minorco. If acquisitions are funded with convertible prefs earnings a share need not be unduly affected in the near-term while, eventually, the SA link will be reduced as conversion into ordinary shares takes place. That, of course, is a hypothetical situation, but an investment in Minorco should be judged in terms of what is wanted by parent Anglo and its controlling shareholders.

It still has to be proven that 44 Main Street has given its Bermuda-based offshoot a sufficiently loose rein. More to the point is whether Minorco is more attractive than local mining groups to local investors.

On near-term considerations the answer is a pretty definite no. Despite the restructuring of the past year, earnings in the current period are unlikely to be much better than $2 a share. Nor is the dividend likely to be much more than US30c which puts the share on a ridiculously low 2,8% prospective yield for an SA investor.

Minorco has growth potential, but not necessarily any better than that of local mining houses which at least offer something better by way of a near-term yield. There is little point in buying the share at current prices.

Jim Jones

ATI/SOUTH ATLANTIC

Continued growth

ATI 58 FM 6/11/81

Activities: *Holding company for the Anglovaal group's industrial interests. Anglovaal holds 64% of ATI which, in turn, owns 75% of South Atlantic*

Chairman: *B E Hersov*

Capital structure: *13,9m ordinaries of 50c; 1m 5,5% prefs of R2; 1,4m 8% red prefs of R1; and 30m variable rate red prefs of R1. Market capitalisation: R136m.*

Financial: *Year to June 30 1981. Borrowings: long- and medium-term, R35,0m, net short-term, R39,4m Debt: equity ratio: 34,5%. Current ratio: 1,5. Group cash flow: R84,5m Capital commitments: R76,4m.*

Share market: *Price: 980c (1980-81: high, 1 000c; low, 420c; trading volume last quarter, 77 500 shares) Yields: 23,3% on earnings; 4,5% on dividend Cover 5,2 PE ratio 4,3*

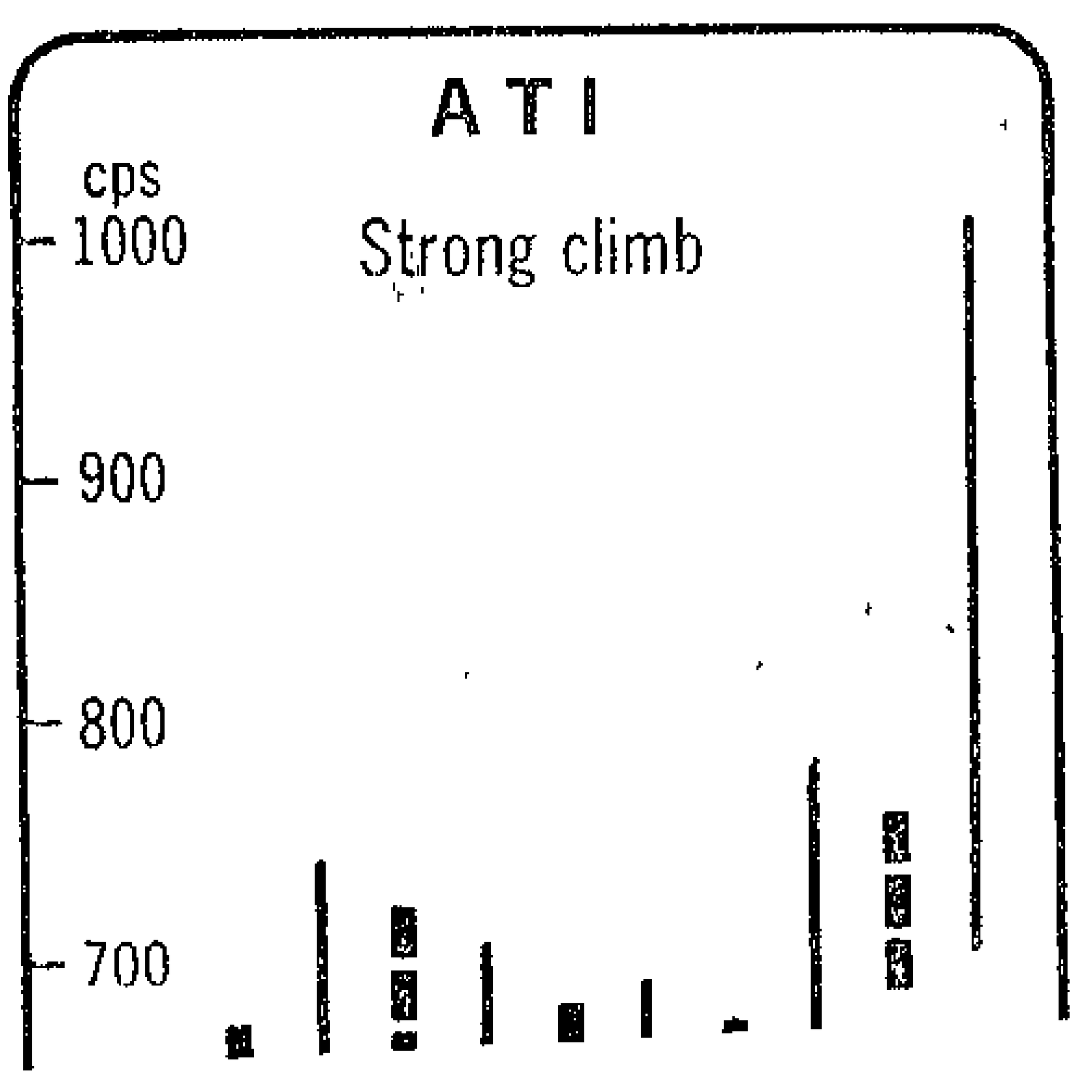
	'78	'79	'80	'81
Return on cap (%)	18,6	22,3	25,7	23,6
Turnover (Rm)	432	495	654	1 029
Pre-tax profit (Rm)	33,6	47 3	68 1	98,4
Gross margin (%)	9,1	10 4	11,2	10,4
Earnings (group) (c)	86	120	181	228
Earnings (company) (c)	30	32	53	64
Dividends (c)	20	24	34	44
Net asset value (c)	576	697	824	828

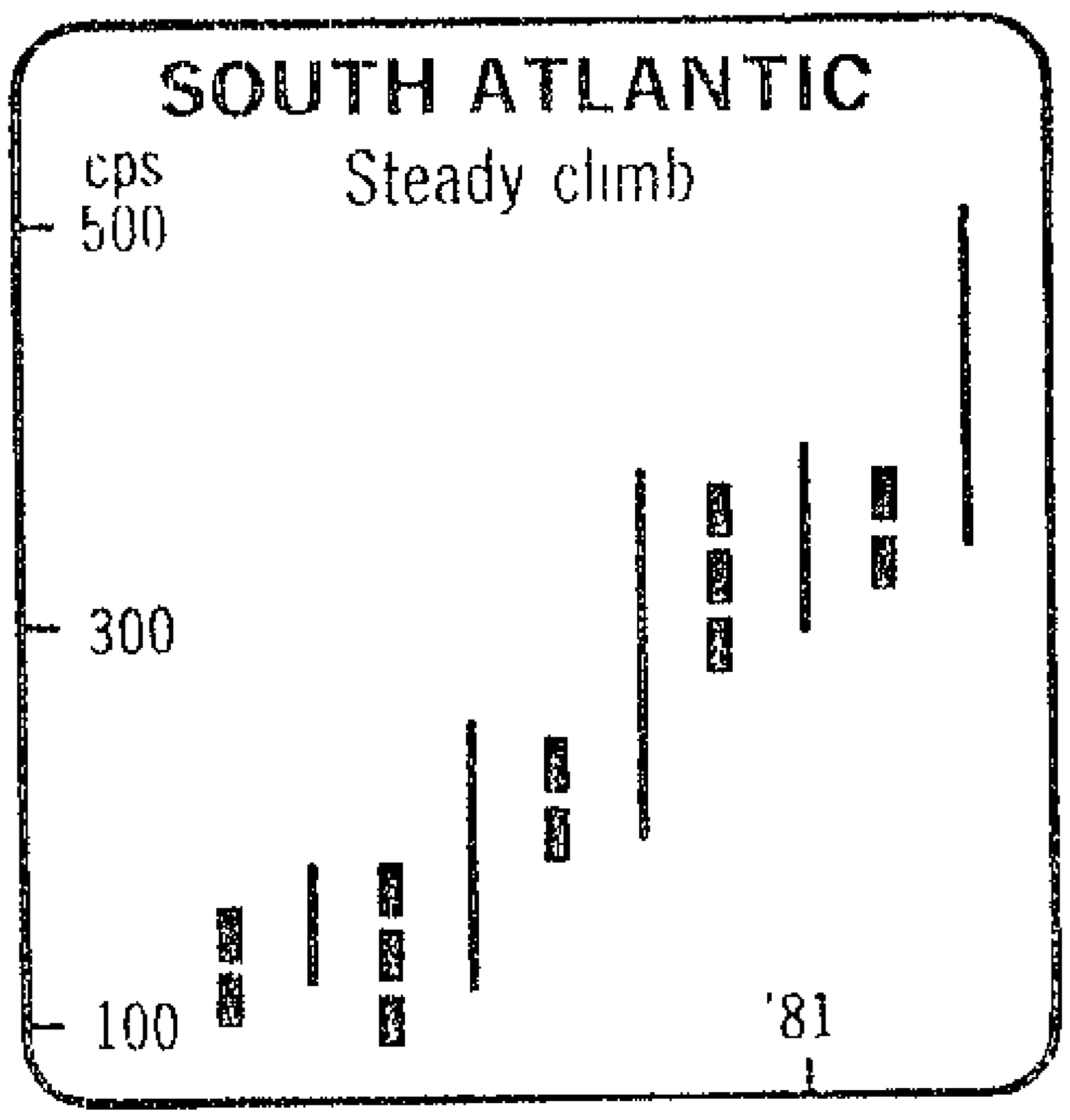
South Atlantic

Share market: *Price: 440c (1980-81: high, 480c; low, 280c; trading volume last quarter, 13 000 shares). Yields: 19,9% on earnings; 7,7% on dividend Cover: 2,8 PE ratio: 4,6.*

	'78	'79	'80	'81
Earnings (group) (c)	43,7	56 8	68 6	95 5
Earnings (company) (c)	17,5	23,7	28,3	37,0
Dividends (c)	16	19	25	34
Net asset value (c)	384	453	508	590

Although chairman Basil Hersov warns of a probable earnings growth slowdown for both ATI and South Atlantic, this is unlikely to impact significantly on dividends in the current year. Both companies are essentially dividend funnels between the operating subsidiaries in the industrial sector and Anglovaal itself and, as such, their own payouts are based on dividends received from their subsidiaries





year represented income earned at the operating level in 1980 And in the case of ATI, which draws about one-quarter of its distributable income from South Atlantic, the funnel is even longer with part of its payment coming out of profit earned two years before

At the tail-end of a boom this has the advantage of prolonging strong dividend growth but, conversely, the opposite happens when economic conditions start to pick up It also means that future dividends are fairly easy to estimate, especially for South Atlantic where some 75% of distributable income is derived from listed subsidiaries whose 1981 payouts will dictate the 1982 dividend

South Atlantic's main sources of income are, in order of importance, I & J, TW Beckett and Globe Engineering Based on the 1981 dividends from these companies, and taking into accounts the increased holding in I & J, aggregate income from the three should be up 34% this year

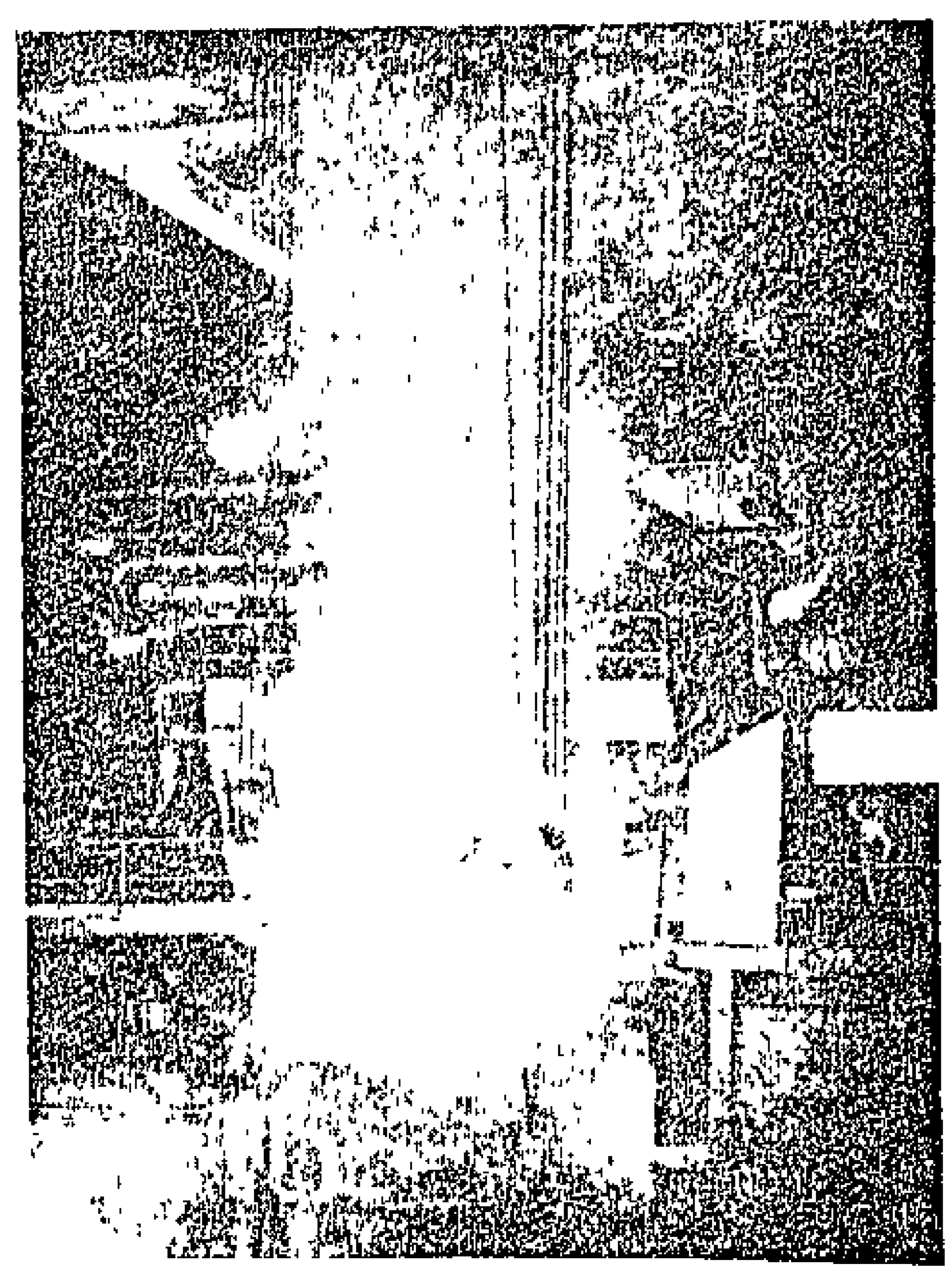
Among the unlisteds, the most important is Kergeulen, an investment company with interests in Beckett, South Atlantic itself, Consol, Globe, I & J, and Rainbow Chicken. Here again, an income increase of around 30% looks likely.

The biggest unknown is how Cerebos will perform after the acquisition, since the financial year-end, of General Foods. However, even if dividends are unchanged on the increased capital, and there is a similarly unchanged payment from white fishmeal producer Concentra, total dividend income to South Atlantic should be up 30%. Its own just over 32%.)

The most readily identifiable income sources in this instance are South Atlantic, Consol and Steelmetals, dividends from which in ATI's 1982 accounts will be up 41%. But it appears that overall income growth might be diluted by Grinaker In place of the Claude Neon and National Bolts dividends, and the initial receipt from the construction group (based on its 1981 financial year interim of 25c), ATI will this year be bringing to account only Grinaker's 55c final and its 1982 interim of, perhaps, 32.5c. On this basis ATI's receipts from this source would be just over R1,2m, down some 15% from the combined Claude Neon National Bolts/Grinaker payments last year

If this is the case, the 41% income growth would be diluted to around 30% Dividends from the newly-created and much-expanded textiles division (Avtex Holdings) Bakers (acquired with effect from January 1 1981) and steel merchant Tristel are unquantifiable, but it is reasonable to assume that they will not materially change the growth picture It therefore seems likely that ATI will be in a position to up its own dividend this year from 44c to 57c, even though consolidated earnings may grow at a slower pace

As to investment ratings, the market seems to have welcomed Anglovaal's more aggressive expansion policy and at its present level of 980c ATI is on a prospective



Unit trusts top R700m in value

But R100m knocked off mining holdings

RDM 7/10/8 By DAVID CARTE (58)

THE value of the gold and mining shares of South Africa's 12 unit trusts fell nearly R100-million in the year to September, but this did not prevent the funds from ending the September quarter near an all-time high.

Figures released by the Association of Unit Trusts yesterday show that lower gold and base metal prices, as well as substantial selling of mining-related shares by the trusts, reduced the total value of the funds' gold and mining shares to R195 300 000 from R291 600 000 a year before.

But thanks largely to a surging industrial market, particularly in the September quarter, the total value of the 12 trusts' portfolios moved up 11% in the third quarter to end it at R703 300 000 — only 4% off the all-time high of R732 900 000 established last September.

The unit trust price index came even closer to the record at the end of the September quarter, ending the period at 414,9 compared with the high of 416,8 last September.

The income index, which measures distributions, rose by 6,7% during the quarter to close on 672,4, its highest in the industry's 16-year history.

This reflects higher corporate profits and dividends as well as improved interest receipts on liquid funds.

The Association of Unit Trust's figures for the September quarter reveal a much changed joint portfolio on the year.

Mining-related shares at the end of September made up 27,8% of the joint portfolio against 39,8% a year before.

With the value of industrial shares up R3-million to R342 500 000 (R339 500 000) on the year, industrials made up 48,7% of the total portfolio against 46,3% a year before.

Liquid asset holdings soared by R64 300 000 to R143 100 000, making up 20,3% of the total portfolio against 10,8% a year previously.

This reflects greater caution by the funds towards the market in a time of rising interest rates and a relatively depressed gold price.

Liquid asset holdings rose by R3-million in the September quarter, but because of the rise in equity values their stake in the joint portfolio actually declined to 20,3% from 22,1% in the second quarter.

In the most recent quarter industry sales of units were R11 300 000 and repurchases R14-million, making the net outflow of funds R2 700 000.

This was a R300 000 deterioration on the previous quarter, but a big improvement on net repurchases of R16 800 000 in the December quarter and R8 200 000 in the March quarter.

The 11% or R68-million gain in value of the trusts made the R2 700 000 outflow pale into insignificance.

Old Mutual Trust lifts cash holding

RDM 7/10/81 (58)

By DAVID CARTE

OLD Mutual Unit Trust did some hectic share selling in the year to June to raise its cash holding to 12% from 3% a year before.

The unit trust's annual report shows these sales. 162 500 Trans-Natal, 7 000 Anamint, 30 000 De Beers, 5 500 Randfontein, 9 400 Vaal Reefs, 94 200 Gencor, 13 500 GFSA, 4 700 TC Land, 22 000 Barlows, 92 100 Gallo, 460 000 Russells, 55 000 Hiveld, 30 000 Carlcor, 10 000 Nampak and 52 000 Adcock

Old Mutual Unit Trust also sold Escom stock with a nominal value of R4 250 000 and municipal stock with a face value of nearly R2-million

Its only purchases were 12 500 Sasol, 12 500 Aberdare, 6 100 Altron, 1 800 Foshini, 32 000 Lefic and 74 000 Safmarine.

As a result of this substantial net selling, funds for investment rose to R17 758 000 from R4 438 000.

The market value of the fund rose to R149-million from R145 753 000 The unit selling price rose to a high of 421,7c, but declined with the market to 380,3c at the end of June This compares with the selling price of 355,9c a year before

Units to the value of R9 600 000 were sold and repurchases totalled R12 500 000, making net repurchases for the year R2 700 000

The distribution of 19c for the year was 44% higher than that of 1980 and compared with the 3,22c paid in the first year It represented an average annual compound growth rate of 15% since 1966 notwithstanding the great crash of 1969

The directors say R10 000 invested in October 1966 would have been worth R34 879 in June 1981, equivalent to growth of 8,9% a year. If dividends had been reinvested, the R10 000 investment would have been worth R68 385 and the return would have been 13,9% a year.

A unit holder who invested R100 a month from October 1966 would have accumulated R63 665 by June 1981 and achieved an average annual compound return of 15,9% through "rand cost averaging"

The unit trust highlights growth achieved by certain companies in its portfolio, pointing out that Barlows, for instance, has achieved 16,1% annual growth in dividends in the 15 years of the trust's existence and its share price has grown at 12% compound. SAB's dividends have grown at 15% a year compound and its share price at 12%.

The trustees say liquidity has been increased considerably and high rates of interest augmented income. The lesser exposure of the trust to the equity market meant it declined less than the share market in the pre-June 30 decline

The directors say high interest rates and the lower gold price suggest further "consolidation" of equity prices. But medium-term and long-term prospects remain good and forthcoming months might provide good opportunities for rand cost averaging

The management company's income fell by nearly a half to R630 270 (1980 R1 217 000) before tax, mainly because trading profits earned from buying and selling units to holders fell to R566 079 (R1 000 623) and because a loss of R3 204 000 was sustained on the sale of investments.

The "loss" on the sale of investments was largely technical, however, for the management company received dividends totalling R2 971 000 for redeeming these investments at below book value and paid no tax

In fact, it reported an estimated loss for tax of R2 430 000 available for set-off against future income.

The management company seems to have taken advantage of offers to shareholders incorporating a dividend payment, such as those made by Trans-Natal, Nat Ants and Tollgate, sustaining notional dealing "losses" in order to save tax but making up with dividend payments.

It is not possible to ascertain whether unit holders obtained the same benefit

Trust Bank out of property morass

RDM 8/10/81

(58)

By HAROLD FRIDJHON

TRUST Bank's net income base has been broadened to such an extent that there is no longer any question of potential crisis arising from the property portfolio, says Dr Fred du Plessis in his chairman's report for the year to June 1981.

The property portfolio has been the bank's main problem area and although the property market in 1980 relieved this problem to some extent, the properties have continued to have a negative impact on the bank's profitability. They will continue to act as a restaint for a few more years unless there is a new and unexpected strong revival in the property market.

Dr Du Plessis says that all available net income should continue to be appropriated to strengthening the bank's capital base and to bring contingency reserves to a level acceptable to Bancorp's and the board's norms. For this reason dividends will not be resumed before 1985.

In the year 39 furniture stores were sold at a loss to the World Furniture group because Trust Bank did not have the management expertise to run the businesses.

Discussing the cost of money, Dr Du Plessis says the bank's management foresaw the increase in costs and laid plans well in advance to safeguard margins as far as possible. Since 1979 long-term deposits for terms up to five years have been secured and the granting of long-term fixed interest loans has been avoided. All loan agreements have escalation clauses.

Plus factors for the banlk last year include:

- Growth in savings account balances is higher than the average for the banking sector.
- The 212-branch network is on-line computer linked and instructions for inter-account transfers are handled automatically and free of charges.
- Telephonic instructions for paying municipal and telephone accounts are available through Trustline.
- The reactor savings plan was the first savings plan to adjust interest rates automatically according to the balance in the account.
- Cheque acccount credit balances grew faster than the industry's average growth rate. Advances against cheque accounts increased threefold in the past three years, a growth in both the personal and corporate divisions.

Last year Trust Bank's profit increased from R8 407 000 to R21 051 000, of which R21-million was transferred to general reserve.

COMMENT: Trust Bank is having a long uphill struggle to get rid of the property albatross which in turn caused certain previos obligations to the Reserve Bank.

With this restraint in mind, Trust Bank is doing well and is increasing its market share. To finance this increase of business, the bank has made three issues of convertible preference shares, all of which mature at the end of 1984.

This indicates that the board has set its sights on paying dividends in the 1985 financial year and if the present rate of profit growth can be reasonably maintained — and if steps can be taken to disentangle the bank from the property burden which will undoubtedly be done through its ultimate parent, Sanlam — dividends at a reasonable level look certain by the target year.

For the long-nosed investor, the bank offers an investment potential in the ordinary shares if no immediate income is required, and in the prefs if one is looking for caretaker money.

Trencor to slow after peak year

RDM 8/10/81

2449

58

3344

By JOHN MULCAHY

TRANSPORT investment company Trencor, after a year of record earnings, will not achieve the same level of profits in the coming year, but is still expected to perform strongly, says the chairman, Mr Neil Jowell.

All divisions of Trencor performed well, says Mr Jowell, comfortably exceeding budgets, with engineering making the major contribution to the 159% increase in pre-tax profit

"Naturally we will not be able to repeat this exceptional result next year, but our business plans indicate that dividends will at least keep pace with inflation while remaining adequately covered."

In the year to June Trencor's turnover rose to R107 019 000 from R79 832 000 the previous year, and Mr Jowell says the group's financial position again strengthened during the year, with borrowings declining to 36% from 64% of equity.

Total liabilities to equity, after adjustment for the large cash balances on hand at the yearend, dropped to 115% from 130%

Mr Jowell says the project to make diesel engines at Atlantis (ADE) will have a significant and early impact on the cost of heavy trucks and of transport.

ADE may also cause an increase in operating costs because in the long term the industry will depend for technology and development on one overseas supplier — "a policy that is dangerous when we consider the efficiency of products from economies such as the US and Japan, which are highly competitive markets".

Mr Jowell makes a plea to the Government that protection measures should be implemented in such a way that the industry has reasonable access to other technologies and retains a basis of comparison with them.

A significantly lower contribution to profits is expected from the engineering division as the rate of growth in the economy slows.

For the year to June the engineering division accounted for 42,1% of Trencor's attributable income compared with 36,2% the previous year. The contribution from trading activities was steady at 28,9% against 28,7% in the 1980 year, and the air and road transport division's share of earnings fell to 29% from 35,1%.

The transport and tyre divisions are less sensitive than engineering to the trade cycle, says Mr Jowell, and the group is budgeting for a slightly reduced contribution from these sources.

The tyre division produced an excellent performance in the past year, with the new Free State branch overcoming a difficult start-up period, and its contribution meeting budgets. The other tyre branches substantially exceeded targets.

The transport division's results were also better than budgeted, although the improvement was more modest than that achieved by the engineering division, and was in proportion to increased turnover.

The engineering division's programme to rationalise manufacturing facilities to reduce the number of products and components was completed some time ago, says Mr Jowell, "putting us in an excellent position to reap the benefits of economies of scale at the current high levels of production".

A negative aspect of Trencor's activities was the container division, with demand weak. Production was maintained at half capacity to keep the plant operating and its manpower intact.

Special marketing arrangements were necessary to achieve this level, reducing profitability, but homeland incentives mitigated the effect on taxed returns, and helped keep the Kwazulu project viable, says Mr Jowell.

NEW CENTRAL WITS

Small change

(58) FM 9/10/81

Activities: ~~Investment~~ *Investment company whose function is to hold some of the Anglo group's strategic holdings. Anglo has 32,1% of the equity.*
Chairman: *M W King*
Capital structure: *1,77m ordinaries of 50c. Market capitalisation: R15,6m.*
Financial: *Year to August 31 1981. Current ratio: 1,0.*
Share market: *Price: 880c (1980-81: high, 1 225c; low, 575c; trading volume last quarter, 20 000 shares). Yields: 9,2% on earnings; 9,1% on dividend. Cover: 1,0. PE ratio: 10,9.*

	*'78	'79	'80	'81
Investments:				
Book value (Rm)	1,7	1,7	1,7	1,7
Market value (Rm) ...	7,1	10,1	20,9	18.8
Div income (R'000) ...	448	606	1 178	1 478
Earnings (c)	22,4	31,5	62,9	81,1
Dividends (c)	22	31	62	80
Net asset value (c)	399	572	1 186	1 069

* Fourteen months.

Financial 1981 was a red letter year for New Central Wits. The portfolio registered a change — the first since 1977. Shareholders should not, however, entertain hopes that this is a precursor of any positive managerial activity.

The change was merely the result of accepting Amcoal's bid for Natal Ants. Not that there should have been any doubt that New Central Wits' board would have rejected the deal. Come to think of it, the last portfolio change was when Union Plats and Waterval were merged into Rustenburg. So management's record of leaving well alone remains intact.

That inactivity can, of course, be justified as the portfolio is comprised mainly of blue chip shares and a clutch of good quality golds. Largely, though, it is a repository for some of parent Anglo's group cross holdings. As such, portfolio changes are unlikely in future. Nor is management likely to do anything to protect shareholders' funds from market downturns

Presumably, then, if there are no changes this year the administration fee will decline. Last year it rose to R46 000 from R38 000, probably reflecting the cost of work involved in swapping Nat Ants scrip for Amcoal. The only uncertainty surrounding the shares is the level of dividend receipts. On that basis they are suited to investors who want no surprises and are looking for a spread across the Anglo group. *Jim Jones*

Possible probe into investment fund collapse

Political Staff

HOUSE OF ASSEMBLY. — The Deputy Minister of Finance has held out the possibility of a judicial inquiry into the collapse of the National Fund Investments — alleged to be one of the biggest frauds ever in South Africa.

Mr George Bartlett, chief finance spokesman of the New Republic Party, told Parliament yesterday that when the company collapsed dramatically 10 years ago, about 200 000 people lost their investments which had amounted to about R20 million. Many of them were pensioners.

He called for a commission of inquiry into the matter and was backed by Mr Ken Andrew (PFP Gardens), who said he had the authority of the Leader of the Opposition, Dr Fredrik van Zyl Slabbert to support Mr Bartlett's call.

Earlier, Mr Bartlett had said that people had been "conned" into investing in worthless shares and since its collapse there had been "years of rumours, accusations, frustrations and suspicions".

"A judicial inquiry will satisfy the truth about this debacle," said Mr Bartlett.

He believed that there had been serious contraventions of various laws and asked if there had been a massive "cover up" on the issue because at one stage nine cabinet ministers had shares in the company. The only one still in the cabinet was Dr Piet Koornhof, Minister of Co-operation and Development, who said he would welcome an inquiry.

Mr Bartlett chronicled attempts by a Cape Town attorney, Mr Richard Benson, to recover some of the investors' money in a campaign which had cost him R100 000 personally.

The matter had been investigated by the police, but the Attorney-General had declined to prosecute.

Mr Bartlett read parts of a report on the NFI debacle which had been written by a former financial editor of the Natal Mercury, Mr Jack Keir, and said the newspaper came out of it very well.

Mr Benson had tried to expose the alleged fraud in the matter and the companies directors had threatened legal action against him and newspapers.

Mr Bartlet said that there appeared to have been a cover-up and that even some newspapers appeared to have shut up. Mr Keir had described the silence of newspapers on the issue as "thundering".

Mr Steyn said NFI had never been a registered financial institution but simply a company quoted on the Stock Exchange. He said there was a case to be made out for changing the procedures for acting against companies, and this was possibly something the Hoexter Commission could go into.

However, the ministers of Finance, Justice, Police and Industries would go into the NFI matter to see if there was scope for an investigation, "and this does not exclude the possibility of a judicial inquiry".

Tollgate, earnings down 27%, reconsidering future

CT 13/10/81 (38) (333) (249)

By DAVID CARTE

JOHANNESBURG. — Announcing a 27% earnings fall in the year to end June and gloomy prospects for the current year, Cape bus operator, Tollgate Holdings, is reconsidering planned investment of R17m in its bus operations

Tollgate, which owns City Tramways, the biggest bus operator in the Western Cape, says the Road Transportation Board has refused its application for a fare increase and warns "the results for the current year will consequently be adversely affected."

The directors say the implications of the decision are "very serious" and say the group's capital expenditure programme of R10m this year and R17m in the next three years "will have to be reviewed".

In particular, the group will reconsider a decision to build a large new bus depot near Cape Town airport

They say if the company is to be denied the opportunity to increase its revenue to counteract inevitably increased expenditure, then it would be far better if a greater proportion of the burden of providing the social service of essential urban road passenger transport were to be assumed by the authorities

Asked if this was a hint that Tollgate might like to sell its bus division to the government, a company spokesman said "no comment".

But observers of the company remember that before it sold its financial subsidiaries last year, Tollgate negotiated the sale of its buses to Murray and Roberts. Riots in the Western Cape and damage to Tollgate's buses put a sudden end to negotiations

Mainly as a result of the sale of Tollgate's financial subsidiaries, including Golden Arrow finance and Shield Insurance, operating profit before depreciation in the year just ended fell 24% to R17 392 000 (1980, R22 978 000) Depreciation of R2 572 000 made pre-tax profit R14 820 000

A 40% tax rate made taxed profit, before additional depreciation, R8 837 000 Additional depreciation on the revalued buses absorbed R4 524 000, leaving taxed attributable profit of R4 313 000

Extraordinary items arising from the sale of the financial subsidiaries came to R8 843 000

Earnings a share before additional depreciation were 49,7c, 27% lower than the 1980 figure, adjusted for comparability, of 68,2c. Earnings after additional depreciation were 24,2c.

The year's dividend comes to 20c compared to an adjusted 16,2c last year, an improvement of 23%.

At the time of the sale of the financial assets and the R48m capital repayment to shareholders, Tollgate said earnings would fall. It said 1980's earnings of 68c would have been reduced 23% to 52c before additional depreciation So the realized earnings fall at 27% was slightly greater than anticipated.

The directors' promise at the time that the dividend would be "at least maintained" has been met

New home loan ideas

MM 58 14/10/81

Societies to share in capital growth value?

Tax-deductible interest?

JOHANNESBURG — The building society industry in South Africa may have to introduce some innovations such as devising a system which gives the lender a share of the capital growth in the value of a house, Dr J G van der Horst, chairman of the Old Mutual, told the annual general meeting of the Association of Building Societies of South Africa in Johannesburg yesterday.

He said that another answer might lie in making bond interest payments tax-deductible on an equitable basis, and that a further possibility was to consider levying lower instalments in the earlier years and higher ones in the later years of a bond when the borrower could better afford them. On analysis, however, this later course did not seem to be viable.

Dr Van der Horst said that between 1971 and 1975 South African building societies had advanced R1 473 million towards the cost of 148 400 homes, and that between 1976 and 1980 the amount advanced for the same number of homes was R2 568 million — R1 000 million more.

Pushing up for salaries or an extension of the repayment periods of loans did not provide statisfactory non-inflationary solutions to help fund this higher cost of homes.

He said: 'The dream of home ownership could be brought nearer to realisation for more than 100 000 families in towns like Soweto if the rented homes there were to be sold at cost-related prices.

'We have a precedent for this in the U K where, by next year, some 140 000 so-called council houses will have been sold to their occupants at original cost.'

Dr Frans Cronje had, he said, raised this topic in public, but regrettably there had been no response, not even from the building society industry.

Dr Van der Horst said that the task of accommodating the urban black citizen was indeed a formidable one and held the greatest challenge yet faced by the building society movement. He said that contrary to previous beliefs that there would be an egress of black citizens from the cities and that it would not be necesssary to spend substantially on black housing, urbanisation, like elsewhere in the world, had increased in South Africa.

With the introduction of the 99-year leasehold system the prohibition on participation by private enterprise in the black housing process had in some measure been lifted but there were still many barriers to creating a real market in this area.

Dr Van der Horst said that several new problems had emerged for the building society industry in South Africa in the past year.

Firstly, as a result of high inflation, there was the negative real rate of return earned by building society depositors. Approximately 50 percent of the investments with the industry were in the category with tax concessions. Without this incentive the movement would have been smaller.

Alternatively, much higher rates would have to be paid in order to attract deposits and this would have made housing loans that much more expensive.

Then there was the heavy money withdrawal from the building societies. Given the commitments under loans that had been granted and the need to maintain a required equilibrium between funds and commitments, the movement had, for a while, to pay rates of up to 18 percent in order to buy extra funds on the open market

The third problem was the critical shortage of housing, especially among the urban blacks. Coupled with this was the high cost of accommodation. — (Sapa)

Whites can build homes and townships for blacks

58 ~~173~~ NM 14/10/81

Mercury Correspondent

JOHANNESBURG—White builders and property developers had been permitted to develop townships for blacks under the 99-year lease scheme, Mr Boet Viljoen, chairman of the Association of Building Societies, announced yesterday.

Speaking at the association's AGM in Johannesburg, Mr Viljoen said: 'This is an important breakthrough in speeding up the provision of housing in black townships'.

Progress to date, he said, had not been satisfactory.

Mr Viljoen said Dr Piet Koornhof, Minister of Co-operation and Development, had told him yesterday that a recommendation of the Viljoen Commission that white developers be permitted to provide housing for blacks under the 99-year lease scheme had been accepted.

Legislation permitting this, he said, had been enacted unnoticed by Parliament last week.

Mr Viljoen said the new rule allowed white developers and home builders to obtain title to land in black areas, develop it and sell it off at a profit, just as happens today in white areas.

Mr P J Badenhorst, managing director of the United Building Society, said the new rule was 'highly significant' and would speed up black township development.

He believed building societies would be keen to develop townships in black areas along the lines they were doing in white areas.

'But first we have to persuade blacks that home ownership is preferable to renting, although it is apparently more expensive,' he said.

Dr J G van der Horst, chairman of Old Mutual, told the meeting that 'the dream of home ownership could be brought nearer to realisation for more than 100 000 families in towns like Soweto if the rented homes there were to be sold at cost-related prices.

'We have a precedent in Britain where, by next year, some 140 000 so-called council houses will have been sold to their occupants at original cost.'

Dr van der Horst said 'accommodating the urban black citizen holds the greatest challenge yet faced by building societies'.

Our parliamentary correspondent reports that the Government intended to limit its contribution for urban black housing mainly to the provision of infrastructure, says Dr Piet Koornhof, Minister of Co-operation and Development.

The private sector and individuals would have to play a major role in erecting individual dwellings, he told yesterday's National Party Cape congress.

This represented a major shift in Government approach. Previously it had regarded housing as a vital part of influx control.

The acceptance of private sector involvement indicated greater acceptance of black urbanisation.

MUTUAL & FEDERAL

Difficult year

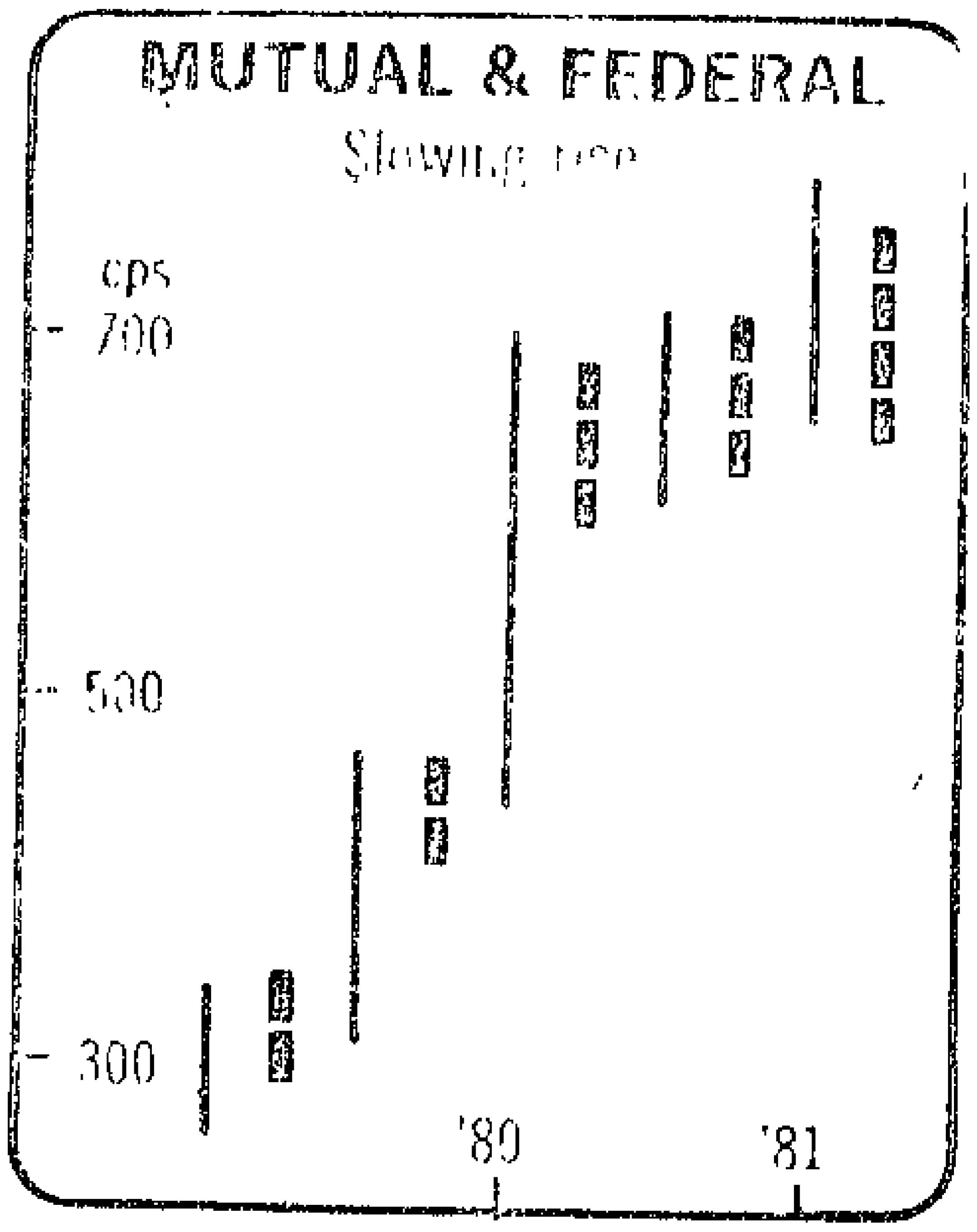
FM 16/10/81

Activities: *Short-term insurer Old Mutual controls 51% of Mutual & Federated Investments, the holding company, and Royal Insurance (UK) holds 40%.*
Chairman: *J G van der Horst; managing director M J Levett*
Capital structure: *4,6m ordinaries of 50c. Market capitalisation R [illegible]m*
Financial: *Year to June 30 1981*
Share market: *Price 700c (1980-81 high, 800c, low, 590c); trading volume last quarter, 13 500 shares. Yields 9,9% on earnings, 8,9% on dividend. Cover [illegible]. PE ratio, [illegible]*

	'78	'79	'80	'81
Net premium income (Rm)	48,[illegible]	[illegible]	[illegible]	[illegible]
Underwriting income (loss) (Rm)	2,0	1,[illegible]	[illegible]	[illegible]
Investment income (Rm)	3,6	[illegible]	[illegible]	[illegible]
Pre-tax profit (Rm)	5,1	[illegible]	[illegible]	[illegible]
Earnings (c)	90,1	119	[illegible]	[illegible]
Dividends (c)	38	44	[illegible]	[illegible]
Net asset value (c)	439	[illegible]	1 [illegible]	1 [illegible]

Even if a new agreement on insurance rates is soon reached between the short-term insurers (*FM* October 2), the performance of the companies in the sector is unlikely to be helped over the next year. However, high interest rates should allow continued dividend growth.

At the moment, any new market agreement seems still to be in the talking stage, but Mutual & Federal MD Mike Levett says



something positive will have to be done if there is to be a significant correction in rates.

Though there are some higher premiums being written in specific sectors of the market — including most personal lines and, to some extent, in commercial motor business — the overall market remains weak, Levett says, and the bottom of the cycle is yet to come.

Insurers had anticipated the worst of the market in 1980 and in 1981, but the harder interest rate pattern and the relatively light claims experienced in 1979 and 1980 have pushed out the bottom of the cycle probably to 1982.

So, even if some mechanism is introduced to bring about more realistic rates, M & F's insurance results are unlikely to improve this year and chairman Johan van der Horst says a return to underwriting surplus is not anticipated.

Levett points out that claims from Laingsburg and the Port Elizabeth floods last year were equal to virtually the entire R1,4m underwriting loss. These claims will also have a longer-term effect as M & F and the other companies involved compensate their reinsurers through higher rates. In fact, the poor condition of the local market could see greater payments to reinsurers generally, which will further constrain profitability.

Investment income remains the saving grace and last year's 35% hike to R8,7m — excluding R1,6m in non-recurring dividend income — gave the company considerable flexibility both in reserves and in distribution. In line with this, the company's solvency margin was 84% at year end, and has probably risen towards the 90% mark since then. The 19% dividend advance exceeded the 6-year compound annual rate.

Higher interest rates mean that investment income should be even better this year, so a further good dividend increase could be on the cards. M & F yields an historic 8,9% at 700c which makes it a good income stock and, if the payout rises to 73c, there is an attractive 10,4% prospective yield. Insurance shares should be seen as long-term investments, and the current yield indicates further capital growth.

Scott Hacker

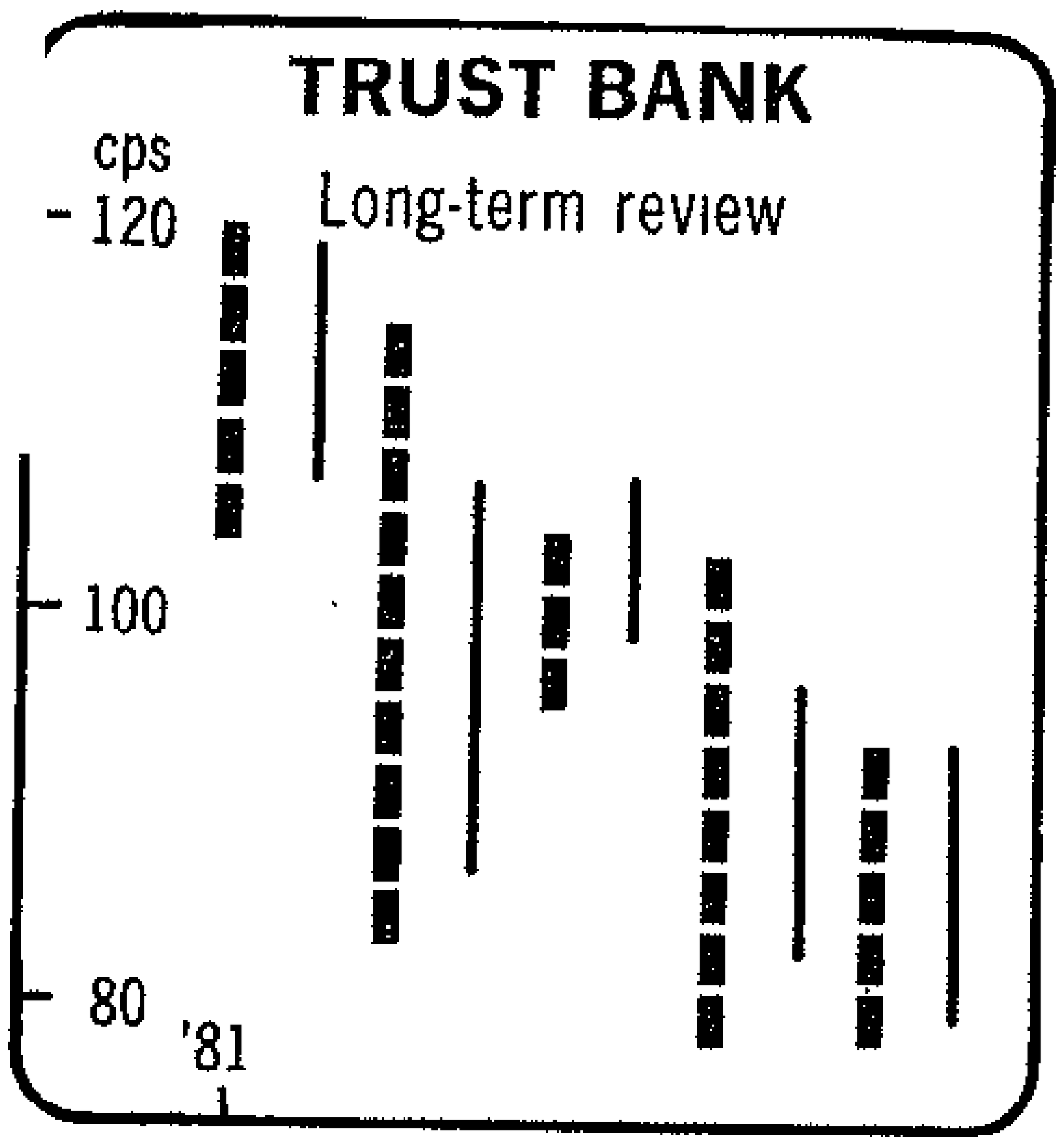
TRUST BANK (56)

Room to grow

FM 16|10|81

Activities: *Registered general bank with 262 branches nationwide. Bankorp has 60,6% of the equity.*
Chairman: *F J du Plessis; joint managing directors: D Swanepoel and C J van Wyk.*
Capital structure: *51,7m ordinaries of 50c; 25m 11,5% prefs of R1; 25,5m 10% prefs of 50c; *14,2m 9,9c dividend prefs of 90c. Market capitalisation: R123,8m.*
** Issued after financial year-end.*
Financial: *Year to June 30 1981.*
Share market: *Price: 90c (1980-81: high, 195c; low, 75c; trading volume last quarter, 1,4m shares). Yields: 45,3% on earnings. PE ratio: 2,2.*

Trust Bank is emerging from the woods into which it was led by previous management incompetence. But while it is still working its way through the undergrowth, management apparently has little time to tell shareholders where the bank is now heading.



	*'78	'79	'80	'81
Deposits (Rm)	1 120	1 125	1 297	2 087
Advances (Rm)	775	802	935	1 539
Taxed profit (Rm)	2,3	3,2	12 3	25 2
Earnings (c)	†3,4	†0,7	†16 6	†40 8
Dividends (c)	—	—	—	
Net asset value (c)	70	87	101	141

* 18 months to June 30 † After pref dividends

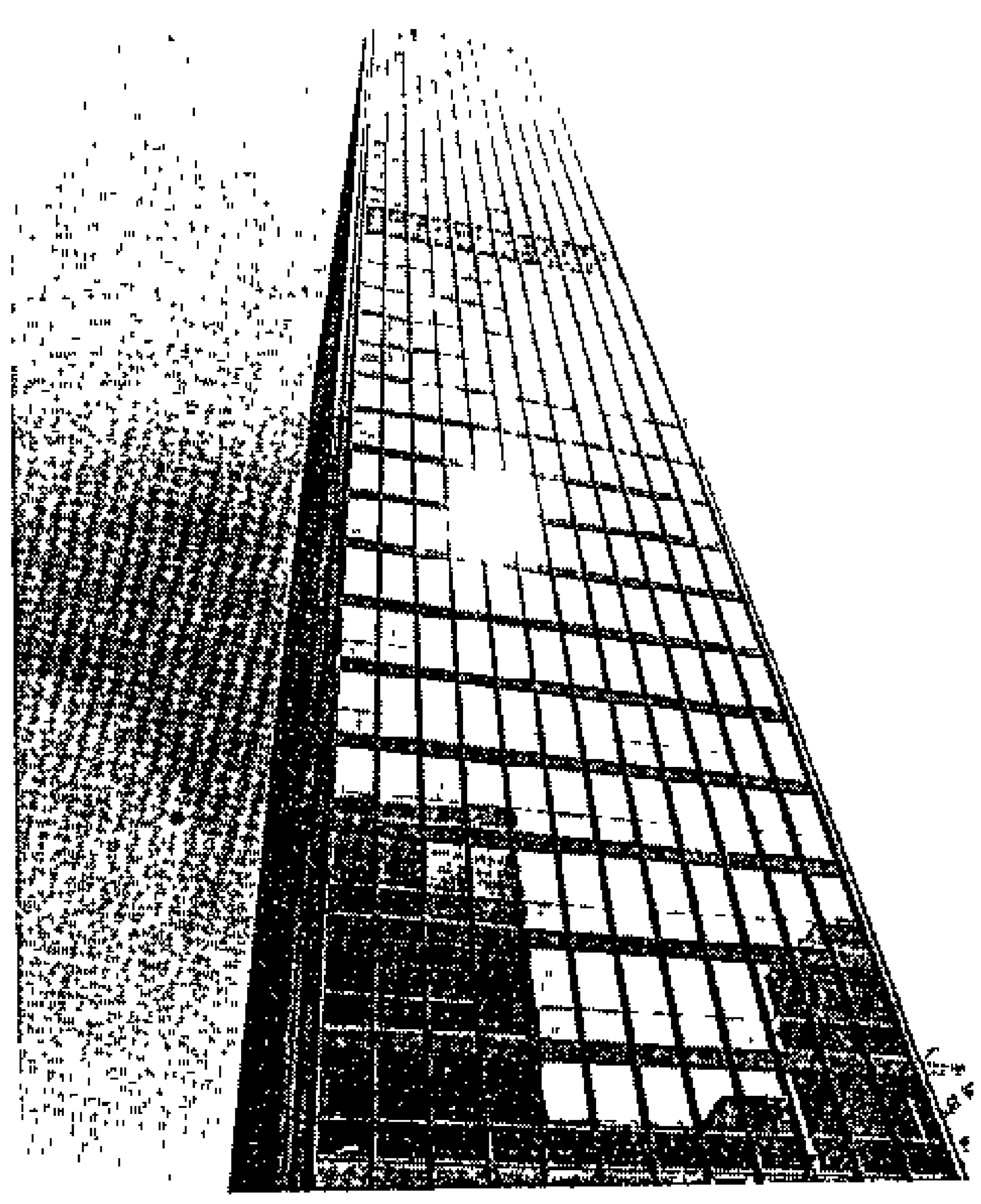
More than doubling taxed profit to R25,2m is commendable, especially as it was done on an increase in advances of just less than 65%. But what is not made clear is how much of the improvement was due to greater business volume, how much was attributable to a better bad debts experience and how much due to changes in the proportions of transfers to hidden and disclosed reserves. That may appear to be picking holes, but it is an important consideration in making projections for the current year when higher interest rates and tighter money could lead to an increasing number of debt defaults.

To an extent, the bank's disclosed earnings are irrelevant until 1985 when the entire pref share capital must be converted to ordinary. It is probably safe to assume that transfers to disclosed reserves will be pitched at a level sufficient for the capital base to grow in line with the advance in banking business.

Though details have never been disclosed, it appears that the bank was saved some years ago by a low-interest loan from the Reserve Bank to fund the over-extended property portfolio. And it is probably safe to assume that the account has to be closed by the end of 1984 when the prefs convert to ords.

If that is the case, forward planning should incorporate the assumption that sufficient can be transferred to hidden reserves to repay the Reserve Bank on schedule while disclosed earnings growth will be sufficient to generate adequate capital. At the same time, growth must be such that the pref holders suffer no income drop when conversion takes place.

This implies that a dividend of 10c a share could be the target for the year to end-June 1985, which would absorb R13,3m. It is, of course, easy to play with figures. But assuming that by 1985 disclosed retentions need to be 50% greater than at present, disclosed profits will need to advance at a compound 12% for the postulated dividend and retention targets to be met.



Trust Bank . . . still a long wait for dividends

For the current year this growth target permits some deterioration in margins Additional equity capital of R12,8m has been raised since the financial year-end. Even assuming disclosed retentions identical to last year's R21m, that implies an increase of more than 30% in the capital base and thus the same increase in possible liabilities to the public and also in business volume. In other words, Trust Bank has room to grow sufficiently quickly even if, as seems likely, banking margins are pared this year. Whether that makes the ordinary shares any better than those of other banks is another matter.

If a 10c dividend is paid in 1985, the share currently discounts a yield of 11,1% four years down the line. That is nothing to get excited about when considered against historic yields of about 6,5% on the shares of Nedbank, Barclays and Standard, particularly if, in the longer run, bank earnings tend to grow at much the same averge rates.

Tim Jones

Underfunding danger in SA industry

RDM 19/10/87

(58)

By DAVID CARTE

MOST of South Africa's top companies are assessing new investment projects in ways that lead to underinvestment in inflationary times.

This is the conclusion of a senior lecturer in accountancy at the University of Natal after a survey of 50 of the top 100 industrial companies on their methods of appraising new investment projects.

Writing in the Investment Analysts' Journal, Mr Robert Reeve says he found that the most popular method of deciding whether to go ahead with investment projects was the internal rate of return, or discounted cash flow yield method.

Second most popular method of deciding whether to go ahead with investment projects was what Mr Reeve terms "qualitative judgment" in which non-numerical considerations were taken into account.

Mr Reeve based his survey on an almost identical one undertaken by Bryan Carsberg and Tony Hope, two UK accountants, among British firms. His findings are similar.

Exactly half of the Top 100 industrial companies in SA completed his questionnaire on how they went about investment decisions.

In the UK survey, qualitative judgment was most popular and DCF yield second most popular.

Mr Reeve says: "Despite the high ranking given to qualitative judgment, it is clear that numerical calculations are still of fundamental importance in the investment decision — 72% of SA managers and 75% of those of the UK responded this way."

The UK researchers said the discounted cash flow yield or internal rate of return method, so popular in both countries, was "likely to lead to under investment".

Third most popular method in both countries was what Mr Reeve calls "the payback period without discounting". This method involves simply dividing the capital cost of a project by annual expected profit, giving the number of years to recover the initial outlay.

The same method, but applying a discount factor, came joint fourth in popularity among the helmsmen of SA industry.

The payback method, according to Mr Reeve, "tends to reflect an unduly cautious approach to investment decisions".

Also joint fourth were the average rate of return, in which the first year's profit is simply related to the size of the investment, or the average profit over the period of the investment is related to the average investment.

Net terminal value, the method which best allows for inflation, is the least popular method in both the UK and SA.

REPUBLIC OF SOUTH AFRICA

GOVERNMENT GAZETTE

STAATSKOERANT

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OFFICE OF THE PRIME MINISTER

No. 2192. 21 October 1981.

It is hereby notified that the State President has assented to the following Act which is hereby published for general information:—

No. 83 of 1981: Companies Amendment Act, 1981.

KANTOOR VAN DIE EERSTE MINISTER

No. 2192. 21 Oktober 1981.

Hierby word bekend gemaak dat die Staatspresident sy goedkeuring geheg het aan die onderstaande Wet wat hierby ter algemene inligting gepubliseer word:—

No. 83 van 1981: Maatskappywysigingswet, 1981.

Old Mutual apologises over remarks

Argus 22/10/81

~~54~~

58

THE chairman of the Old Mutual, Dr J G van der Horst, said in a statement today that remarks reported to have been made by a senior company executive at a meeting in Graaff-Reinet were "entirely without the knowledge of any of his superiors," and he apologised for them.

Dr van der Horst was commenting on remarks reported to have been made by the company's field services manager Mr S F "Mossie" Mostert, at the Eastern Cape and Karoo conference of the Afrikaanse Handelsinstituut.

Mr Mostert, in a reply from the floor after delivering a speech, was reported to have made a number of remarks derogatory of the coloured people.

The remarks were published in two Cape morning newspapers today and the switchboard of the Old Mutual head office in Pinelands has been jammed with calls from angry coloured people threatening to withdraw policies.

The switchboard of the weekly Cape Herald was also jammed today with calls from people trying to find out if the statements had been reported accurately.

Mr Mostert, who is today due to meet senior executives of the Port Elizabeth newspaper from where the report emanated, has claimed that his remarks were taken out of context and that the report

(Continued on Page 3, col 1)

(Continued from Page 1)

was a complete distortion of what he had actually said.

In a short Press release today, Dr van der Horst said "The remarks Mr S F Mostert is reported to have made at the AHI conference in Graaff-Reinet were entirely without the knowledge of any of his superiors.

"They are totally rejected and repudiated by Old Mutual and in sofar as they have given offence to anyone concerned Old Mutual offers its sincere apologies."

Commenting on the report Mr Franklin Sonn, of the Cape Teachers' Professional Association, said "Although we realise that racism is the basic curse of our society and that it is often covered with a thin veneer, we still feel deeply offended when it is expressed in such clear terms for all to see and hear.

"People like Mr Mostert must surely realise that this kind of statement is

Mutual

Argus 22/10/81

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the stuff which fans the flames of racial tension and violence.

"We have a long association with the Old Mutual and certainly never gained the impression that Mr Mostert's sentiments reflect official Mutual policy.

"We should like to see that appropriate action will be taken against Mr Mostert without delay."

Later today an Old Mutual spokesman said Mr Mostert's meeting with the newspaper which published the original report had been cancelled and Mr Mostert would not speak to any journalist until he had been able to discuss the matter with the Old Mutual board.

A full statement would then be issued.

A spokesman for the Eastern Province Herald said today the newspaper stood by its report of Mr Mostert's remarks.

Pension, insurance millions urged for housing

2.2/10/81

HOWARD PREECE at the FCI in East London

PENSION funds and insurance companies are bound to play a growing role in providing new houses, according to Dr Joop de Loor, Director-General of Finance.

He was speaking yesterday at the regional economic development conference of the Federated Chamber of Industries.

Dr De Loor said an average real economic growth rate of 4,5% a year was possible for the 1980s and 1990s "provided we allow revolutionary advances in the opportunities and capabilities of our non white peoples to take place".

Dr De Loor said the annual cash flow of pension funds and insurances would be at least R10 000-million by 1985 and R20 000-million by 1989-90.

"It must be quite evident that the traditional investment opportunities open to insurers and pension funds will become relatively scarce and that in addition to providing substantial funding for public-sector fixed investments, they are bound to play a far greater role in the provision of new housing.

"Such involvement could be effected, for example, either by enticing available investment funds via the building society movement into the housing field or via a special public body offering long-term investment opportunities at market-related rates.

Attractive

"In the former case a mechanism will have to be worked out to allow the institutions and funds to earn such rates on their investments and, in return, the institutions would have to commit more long-term funds for this purpose

"But here I must be very specific The more attractive these new investment instruments are made, the more funds will be channelled into housing and the less will be available for other investments — that is, public-sector infrastructure as well as private-sector investments. What we need to do here obviously, is to strike a fine balance, to do the one thing and not to neglect the other.

"If it is to be a Government-controlled financial instrument the chances are perhaps better for the rate of inflow of funds to be rationed according to the needs of the housing market compared with other opportunity cost investments.

"The United States has a very complicated public-sector mechanism to provide the necessary housing finance. It may be worth our while to take a closer look at the American Federal Home Loan Mortgage Corporation, a Government corporation which offers a controlled and guaranteed investment medium for long-term funds directed towards the housing market

"The guaranteed mortgage certificate issued by this corporation has a final gratuity date 30 years after issue, but is structured to provide not only for regular interest payments but for minimum specified annual principal redemptions which makes it, of course, attractive to large investors.

"It also allows the investor the option of reselling his certificate to the Mortgage Corporation, or to deal with it at any time in the secondary market prior to final redemption

Basis for Southern African bank

1387 2/10/81

THE AGREED basis for negotiations for the establishment of the Southern African Development Bank was that it should be an institution independent of any particular government's administration.

This was disclosed yesterday by Professor J A Lombard special adviser to the Reserve Bank, at an Federated Chamber of Industries symposium in East London on regional co-operation and industrial development

Investments by the bank "would necessarily have to be made in very close liaison not only with South Africa but also the other governments in Southern Africa who have autonomous responsibilities for the development of their areas", he said

This implied "a broader strategy of economy co-operation among governments in the region".

He likened the proposed bank to the European Investment Bank operating in the European Economic Community to prevent economic activity from being overconcentrated on one or two metropolitan centres.

The bank's integrity would depend on how it was controlled It could not be seen to be an extension of any particular government in the region. It should stand for the principle of economic co-operation

The overwhelming importance of South Africa in the region, however, meant that it had "a very important responsibility to seek ways and means to allow co-members of the development strategy to take a meaningful part in the constitution of the bank"

All states in the region could co-operate in the development strategy without having any further political involvement, such as recognition of constitutional sovereignty or similar issues which rose far above the simpler issues

JCI (58) FM 23/10/81

Corpulent dividends

Activities: *Mining finance house with major investments in and control of Randfontein (24%), Elsburg (25,4%), Rustenburg (32,9%), Tavistock (100%), Cons Murch (25%) and FS Devels (49,3%). Also controls Consolidated Metallurgical Industries. Portfolio investments include SA Breweries, Argus and Palabora. Anglo and De Beers together own 50% of JCI.*
Chairman: *G H Waddell.*
Capital structure: *7,15m ordinaries of R2; 34,5m fixed rate cum red prefs of 10c; 5,5m variable rate red cum prefs of 10c; 40m "A" variable rate red cum prefs of 10c. Market capitalisation: R658m.*
Financial: *Year to June 30 1981. Borrowings: long- and medium-term, R33,9m. Net cash: R102,4m. Current ratio: 1,1. Capital commitments: R9,6m.*
Share market: *Price: 9 200c (1980-81: high, 9 800c; low, 5 800c; trading volume last quarter, 4 800 shares). Yields: 14,6% on earnings; 6,5% on dividend. Cover: 2,2. PE ratio: 6,8.*

	'78	'79	'80	'81
Investments.				
Book value (Rm)	169	208	175	179
Market value (Rm)	344	475	756	646
Investment income (Rm)	26,5	38,1	56,4	72,2
Trading profit (Rm) ...	30,2	31,8	42,9	56,6
Earnings (c)	591*	716	1 010	1 347
Dividends (c)	170	255	475	600
Net asset value (R)	48,0	66,0	115,8	121,6

* Before R44,4m write off (625c a share)

Analysing JCI's results has taken on some of the aspects of *deja vu* over the past few years. The group has steadily fattened the corporate treasury.

Whether this all presages a burst of innovative activity remains to be seen. But no major ventures seem to be on the immediate horizon.

To all intents and purposes the venture into base metals which gave the share speculative appeal in the early Seventies has come full circle. SWA/Namibian copper mine Otjihase has been re-opened, but it is 70%-owned and managed by Tsumeb. And within the next few months the last direct links will be broken with nickel producer Shangani in Zimbabwe. The operation, which has in any case been under Anglo's management for some years, is to become wholly-owned by Bindura in which JCI will have an 8,7% stake. Both ventures have been fully written off in the group's accounts.

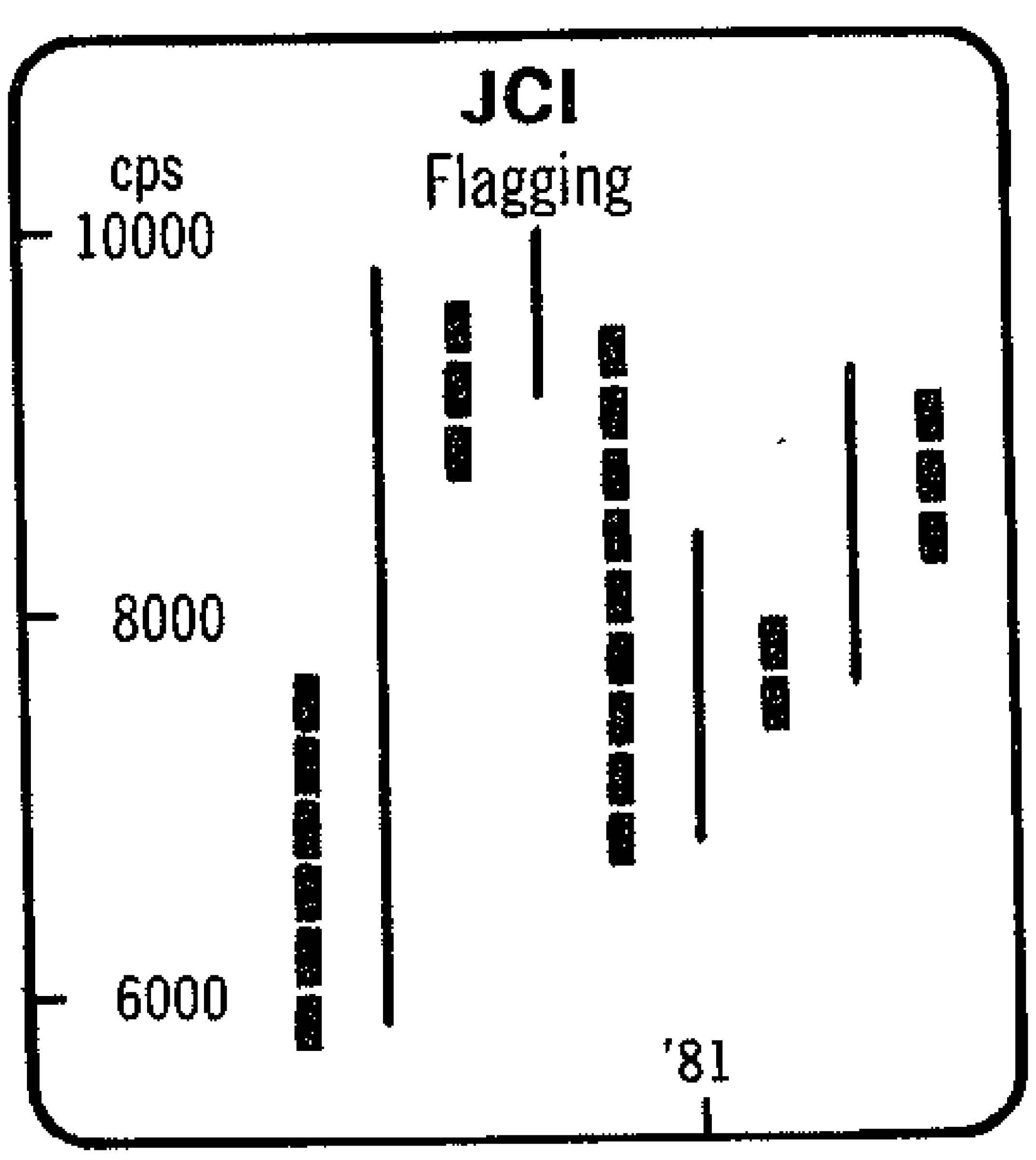
So what is likely to come next? There is probably no point in thinking of anything to do with uranium. Apart from lack of success in discovering a single economically attractive orebody, the slump in the uranium market seems to have prompted management to curtail the Karoo exploration project.

At this stage of the minerals cycle, gold and coal seem to be the most likely contenders for new mining developments. They appear to have been absorbing the largest slices of the exploration budget. The joint drilling programme with Randfontein for gold to the north of Cooke section is almost complete, though the group has not yet released any results to shareholders. Unofficially, however, management seems to feel that though the results are interesting, they are not overwhelmingly exciting. In other words, the house appears to be looking at Kimberley reef ore with grades similar to those at Randfontein.

Nothing specific has been disclosed as far as coal is concerned even though, with all of Tavistock under the corporate belt, a greater percentage of earnings will be derived from this source. Combination of the reserves of JCI and Tavistock puts the group in a stronger position for gaining an export quota. And that need not necessarily be the end of the group's coal ambitions. Reserves at and around Tavistock are almost certainly large enough to feed a power station if necessary.

There are unlikely to be any quantum enlargements in the contributions from gold and coal operations. That excludes, of course any benefits from higher prices and larger percentage interests Nor, until the world's economy and its steel industries get back into gear, is anything great to be expected from ferro-chrome producer CMI. The facility which appears to be just about breaking even at present is not consolidated in JCI's accounts. Nor is it likely to be if that means disclosing a poorer return on assets.

Finally, on the topic of projects where nothing appears likely to happen soon, there is property. The group has assembled a downtown Johannesburg site for a new head office, but apparently has no plans for its early development. That is even though tenants are leaving as their leases expire.



For the rest there is scope for further growth because of expanded interests. The SA Breweries stake has been increased to just over 20%, while additions have been made to the Toyota holding. On the other hand, little time appears to have been wasted in getting rid of Tomkor once it had obtained a JSE listing. And other non-strategic investments such as Calan and Haggie have been completely eliminated from the investment portfolio.

Again what we have is a group with a sound cash flow and strong balance sheet which seems undecided about what to do next.

As this seems to have been the case for some years, it is difficult not to draw comparisons with other holding companies in the Anglo group. The group has fallen into a rather corpulent middle age with dividends to match. That makes the shares attractive to investors who want as little disturbance as possible in the troublesome Eighties.

Jim Jones

MICOR (58) FM 23|10|81

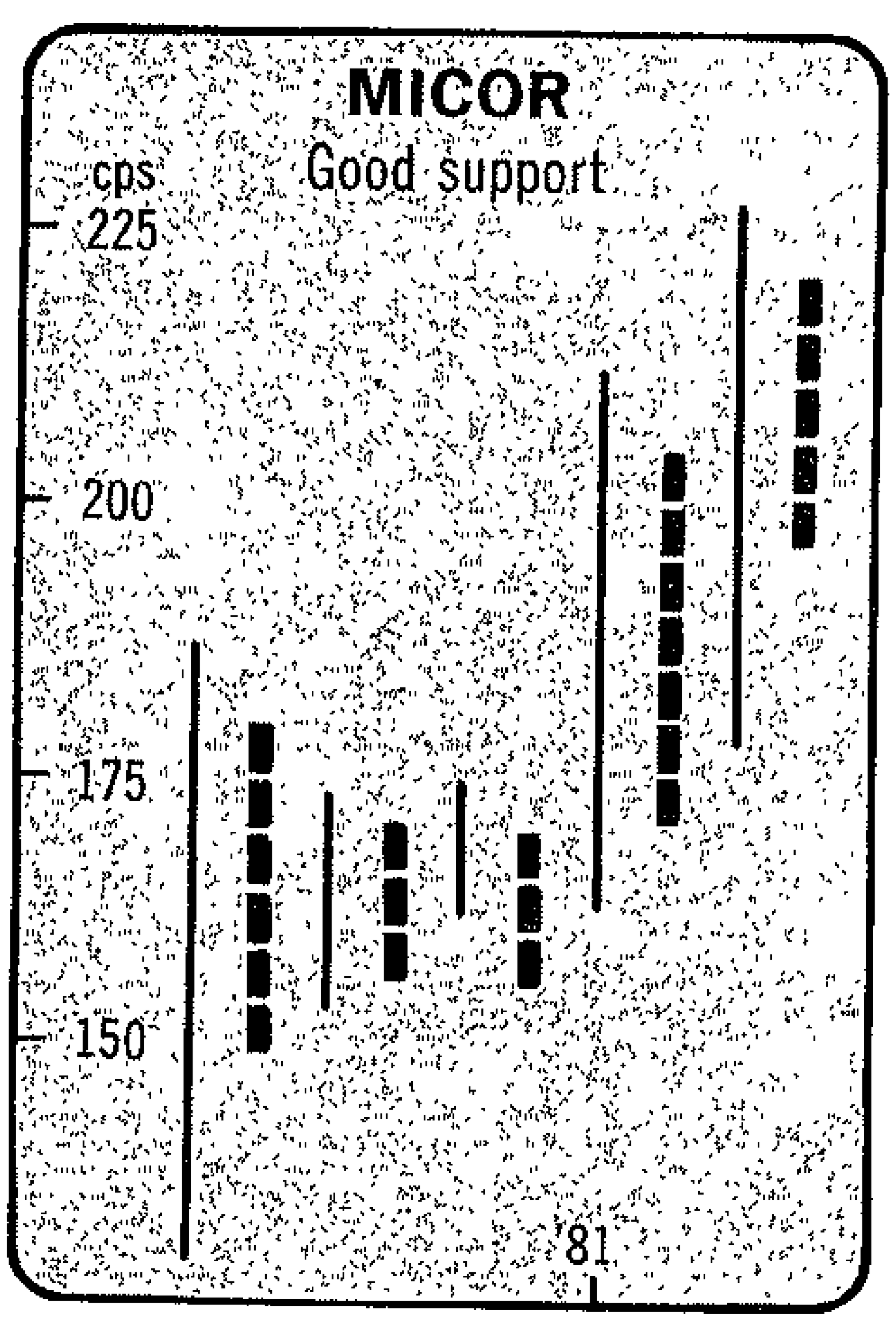
Slowing down

Activities: *Freight, finance, insurance and travel services to commerce and industry. Directors hold 60% of the equity.*
Chairman: *C B Kaplan.*
Capital structure: *2,7m ordinaries of 50c. Market capitalisation: R5,3m*
Financial: *Year to June 30 1981. Borrowings: long- and medium-term, R2,1m, net short-term, R6,3m. Debt:equity ratio. 93%. Current ratio: 1,4. Net cash flow: R1,4m.*
Share market: *Price: 195c (1980-81: high, 225c; low, 125c; trading volume last quarter, 22 000 shares). Yields: 34,2% on earnings; 10,8% on dividend. Cover: 3,2. PE ratio: 2,9.*

	'78	'79	'80	'81
Return on cap (%) ..	25,7	25,5	28,0	39,6
Turnover (Rm)*	—	-	90 1	126,7
Pre-tax profit (Rm)	1,0	1,3	1,9	3 5
Gross margin (%) ..	--	—	2 6	3 4
Earnings (c)	23,6	30,9	40,8	66,6
Dividends (c)	9	10	13	21
Net asset value (c)	92	113	138	176

* Definition changed to include gross billings and commissions in all areas

The projected slow-down in Micor's major trading areas and the company's poor marketability are the factors behind the current high yield. Last year was an exceptionally good one for the group, especially in the transport and tourism division which con-



Micor's Kaplan ... strong contribution from Cohen

tributed 71% to group pre-tax profit.

This division virtually doubled pre-tax profit to R2,5m thanks largely to the high import volumes experienced early in the year But the overall increase in profit was achieved within the balance sheet structure and return on capital showed an impressive increase to nearly 40%

Funding this higher rate of sales volume was done mostly through generated working capital and the borrowing structure was shifted into a more healthy long-term weighting. Long-term debt increased from R200 000 to R2,1m.

Cash flow and earnings were further boosted by the acquisition for almost R500 000 of Cohen & Sons. This company specialises in corrosion control and bandsawing services. The new company performed above expectation and contributed 7,9c to attributable earnings per Micor share, compared with an anticipated 4,4c a share.

Micor chairman Cecil Kaplan says the acquisition has allowed Micor to strengthen Cohen's capital structure and additional investment in plant and equipment "will enable it to realise its considerable potential."

The new division contributed 12% to pre-tax profit but that proportion, judging by the projections for the transport and finance divisions, could increase this year.

Kaplan expects surface freight traffic volumes to slow down and it is unlikely that the recent weakening of the rand will result in much of a recovery for the travel industry given the trend in consumer spending

In finance and insurance the emphasis has swung from leasing and hire purchase to factoring and confirming and margins are likely to be squeezed in both these areas

Kaplan anticipates a deviation from the "rapid growth experienced in recent years" due largely to government's economic policies. This will impact directly on the finance business through the high costs of money and indirectly, though speedily, on transport and tourism

For that reason, says Kaplan, the three times dividend cover policy will be maintained. But earnings growth, given the high reliance on transport and tourism, is unlikely to exceed 25% this year giving a projected distribution of 27c a share.

The current price of 195c thus yields a prospective 13,9%, which seems fair value on industry prospects and marketability considerations.

Jan Hall

Nedbank lifts profits in a 'tough year' for sector

Star 23/10/81 (58)

By Ann Crotty

Nedbank has been steadily increasing market share over the past four years and has reported a 13 percent increase in taxed attributable profit for the year ended September 1981.

This year's figure of R76,4-million compares with September 1980's figure of R67,3-million. Earnings a share were up 13 percent to 86,4c and a final dividend of 30,5c has been declared making the total dividend payment for the year 43c a share, which is two times covered.

The directors reported that competition among banks remained intense during the review period and with periodic scarcity of liquidity in the market, interest margins were further eroded.

They attributed the group's increased earnings to its diversity which enabled it to move with market trends and a totally different strategy.

In an unusual move Nedbank has transferred R25-million of the group's hidden reserves to its capital base. This, plus retained income of R38,4-million and the surplus on the disposal of long-term investments of R21.9-million, gives the group a capital surplus of R130-million at the year end.

If Nedbank does have any acquisition plans on the cards, managing director Mr Rob Abrahamse is not going to reveal them. His reasons for the large capital base is that it is "comfortable" to have and ensures that the bank's activities are not hindered through capital constraints.

Although the 13 percent improvement does not compare well with an inflation rate of 16 percent Mr Abrahamse says that it is far more relevant to compare Nedbank's results with other banking results which show that the sector has been going through a "tough time."

He is optimistic about next year's results saying that the group is now at a 'take-off stage.".

Nedbank beats the field with 13% earnings lift

RDM 23/10/81 (58)

NEDBANK shrugged aside poor banking conditions in the year to September to upstage its bigger rivals with a 13% earnings increase.

By DAVID CARTE

In spite of a continuing squeeze on interest-rate margins, the largest SA-controlled bank lifted taxed atributable profit to R76 384 000 (1980: R67 355 000).

Earnings a share were 86,4c (76,4c). A final dividend of 30,5c has been declared, making a twice-covered 43c (38c) for the year.

The result compares with the 5% earnings decline recorded by UK-controlled Barclays in its interim report last month and UK-controlled Stanbic's 11% rise in the six months to June.

Stated profit excludes large undisclosed transfers to hidden reserves as well as a capital profit of R22-million. This was made on the sale of Rhobank and UAL's half share of Eastgate.

Pre-tax profit was R110 593 000 and the tax rate was virtually unchanged at 30,4% (30,9%).

Nedbank has taken the unprecedented step of transferring R25-million out of hidden reserves to its capital base.

This, plus the R22-million capital profit and R38 300 000 of retained profit, made its capital surplus R130-million at the yearend.

This contrasts with capital shortages in most other banks, some of which, such as Trust, Standard and French Bank, are having, or have just had, rights issues.

The managing director, Mr Rob Abrahamse, says the capital surplus gives Nedbank a decided competitive edge over banks with capital shortages.

"It means we can increase our business dramatically and the others can't."

This is a major reason he is "very confident" for the current year in spite of looming economic slowdown.

But another top banker disagreed that a capital surplus would give Nedbank a competitive advantage, saying banks could have rights issues in the event of capital shortages.

Banking observers were puzzled by Nedbank's transfer out of hidden reserves, speculating that it had something big on the cards in the way of an acquisition or a huge project-finance deal. They said it was doubtful that Nedbank would otherwise need such huge business-writing capacity in a cooler economy.

Mr Abrahamse reports that interest-rate margins have improved, but are still on the thin side.

"We pay 11% on call money and can charge 16% on overdrafts. That is still not a profit, taking into account liquid asset requirements."

He does not expect a significant improvement in margins for some time.

He said the profit improvement was broadly based, coming from all divisions. The commercial bank did well in a difficult year. Merchant bank UAL had a "reasonable" year, and Nefic did better than expected.

Although Nedbank regularly enjoys upstaging its rivals, earnings trends are not truly comparable as the banks report for different periods and Barclays and Stanbic are on full disclosure. Nedbank makes transfers to hidden reserves, which enable it to smooth the earnings curve.

But Mr Abrahamse pooh-poohs such assertions, saying: "Let's face it, we're performing best."

Barclays managing director, Mr Bob Aldworth, will be pleased that Nedbank this year has not beaten Barclays' pre-tax profit of R118-million in the year to December 1980.

A year ago Nedbank pipped Barclays to being the first SA bank to report pre-tax profit of more than R100-million.

COMMENT: With inflation running at about 16%, earnings growth of 13% is nothing to write home about — especially considering the leeway Nedbank enjoys in the declaration of profits. So times must have been tough for a group that normally leaves inflation standing.

At 625c, Nedbank is on a PE of 7,2 and yields 6,9%, compared with Barclays' PE of 6,6 and yield of 6,3% and Stanbic's PE of 5 and yield of 6,8%.

On the one hand Nedbank has smaller "free" deposits in the form of current accounts and this makes it relatively vulnerable in an era of high interest rates.

On the other, it has a better recent track record. Its easier capital situation means no earnings dilution by a rights issue and presumably better dividend prospects.

On balance, I would expect its rating to improve slightly relative to the others.

CU expands its property portfolio with leasebacks

EXPRESS 25.10.81 (58)

Property Reporter

COMMERCIAL UNION has expanded its property portfolio with a total investment of R10,8-million in new prime leaseback agreements on the Reef.

The company also plans to put a further R50-million into property in the next three years.

Its latest investments include the financing of a major Rebel bottlestore and office complex in Sandton; a warehouse/factory complex for specialised steel suppliers Clyde Gillespie, in Wadeville; offices for the electrical division of the Cullinan group at Olifantsfontein and a factory for particle board manufacturers Interboard SA.

Mike Wimbury, Commercial Union's investment manager, believes that these four leaseback agreements underline the company's commitment to property investment and development.

"We are steadily diversifying to attain a broad spectrum from CBD office blocks to industrial properties," he says.

"Our aim is to secure a long-term property return of up to 18% a year and to pay bonuses to policy holders and our pension clients."

Nitor Construction has already started work on the R3,5-million Rebel Transvaal headquarters in Rivonia Road for Gilbey's Retail Holdings.

The store will open on December 1.

Winbury says the overall return for CU is satisfactory.

"The leaseback period is 15 years with rent reviews every five years and two renewal option periods of five years each at the end of the lease," he says.

These same leaseback terms apply to the second recent CU investment — a R4-million complex for Clyde Gillespie in Davidson Road, Wadeville.

A subsidiary of Lonrho, Clyde Gillespie are merchants in bulk and specialised steels.

A further R1-million has been invested on the financing of a new office building for the electrical division of the Cullinan group.

This is an extension to the existing leaseback arrangement which was initiated with the construction of Cullinan's head office on the same site in 1978.

Wimbury says the new low-rise building is already occupied, but will only be officially opened at the end of November.

The fourth agreement involves a R2,3-million factory/warehouse complex in Wadeville for Interboards SA — marufactureres of particle board as used in the building and furniture industries.

These new investments will bring the book value of CU's overall property interests to nearly R30-million.

This constitutes 23 properties of varying values and functions, including four CBD office blocks, wholesale stores such as Makro and Metro Cash and Carry and a string of industrial warehouses and factories.

Boland Bank's half-year profit up 13,5 pc

ARGUS 27.10.81 (158)

THOUGH banking profits have been under heavy pressure from higher interest rates recently, the Paarl-based Boland Bank was able to increase its profits by 13,5 percent in the six months to September, an interim report shows.

The interim dividend has been increased by 20 percent from 10c to 12c, though this was done partly to equalise dividend payments, says the bank's managing director, Mr Gert Liebenberg.

After transfers to reserves the bank had an unaudited consolidated profit for the six months of R2 338 000, which compares with R2 060 000 for the same period last year.

Mr Liebenberg warns, however, that shareholders should not have unrealistic expectations about the group's performance.

The bank is experiencing a period of change in the monetary situation and the still-increasing trend of interest rates could continue to affect profits.

But it should at least be able to maintain the profit levels of last year, he says.

Derek Tommey

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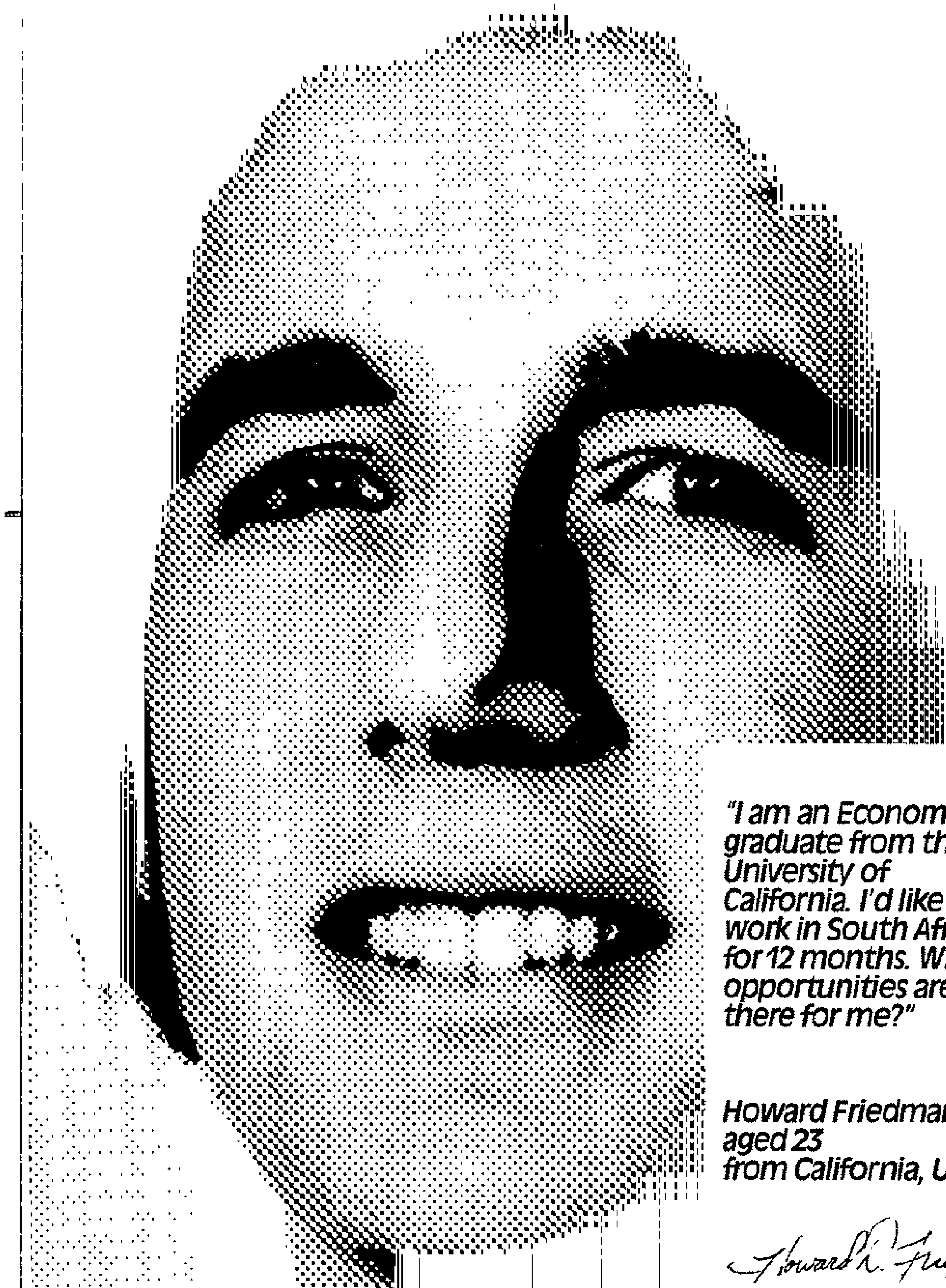

"I am an Economics graduate from the University of California. I'd like to work in South Africa for 12 months. What opportunities are there for me?"

Howard Friedman aged 23 from California, USA.

Howard R. Friedman

[illegible] is just one of a number of carefully selected and highly qualified young people from overseas, with talent to offer South Africa. They are all part of an International Exchange Programme organized by AIESEC. And their academic training covers such areas as

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- The International Association of Commerce and Economics Students
- Non-profit, non-political and student-run
- Established in 1948, AIESEC comprises 58 member countries covering the entire western industrialised world
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- The aim of AIESEC is to develop internationally educated management

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— Dr FJC Cronje, Chairman, Nedbank.

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— ADP Bellamy, Managing Director, Edgars.

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— RD Ackerman, Chairman, Pick 'n Pay

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Govt climb-down on pensions freeze

(58) N MERCURY 7/11/81

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Mercury Correspondent

JOHANNESBURG—The Government has dropped its controversial Bill to 'freeze' employees' pension contributions until retirement, after nationwide labour unrest and heavy pressure from employers and unions to scrap it.

According to business lobby groups, strikes triggered by the Bill have caused the loss of thousands of man-days.

Demands by black workers for pension contribution refunds have forced pension funds to pay out 'millions'.

A brief joint statement by the Registrar of Financial Institutions and the Director-General of Manpower yesterday announced the Government would not go ahead with the Bill.

Negotiation

It hinted that legislation on this issue could be introduced in the future, but said this would not be done without consultation with all involved.

The statement came only a day after the Federated Chamber of Industries issued a call for the scrapping of the Bill. It argued that pension reform could be brought about by negotiation between employers and employees rather than by legislation.

At the beginning of this week, the Federation of South African Trade Unions (Fosatu) also called for its withdrawal.

The Bill's withdrawal came amid continued pension unrest, particularly in Natal.

The statement announcing the decision not to go ahead with the Bill was released yesterday by the Registrar of Financial Institutions, Mr Naas van Staden, and the Director-General of Manpower, Mr Jaap Cilliers.

They said: 'In order to dispel any doubts regarding the preservation of pension interests, the Preservation of Pension Interests Bill is

Welcomed

'Before the introduction of legislation in this regard will be considered further, in-depth consultation will take place with the leaders of the parties concerned.'

A spokesman for Fosatu yesterday welcomed the Government's decision, saying: 'We trust that, if the Government plans to introduce any similar measures in the future, it will recognise consultation must include the leaders of black workers, who are the group most directly affected.'

Since the beginning of the year, black worker strikes over the pension Bill have plagued industry — particularly in the Eastern Cape and in Natal where the sugar industry has been badly affected.

Black workers demanded the refund of their pension contributions to escape the effects of the proposed Bill. It is understood that business leaders, who foresaw a decision to withdraw the Bill, do not expect this decision to end unrest immediately. They expect that some time will be needed 'before things cool off'.

IN the teargas . . . a policeman and his dog keep an eye on the workers.

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Amic to be No 1 after Debincor link

RDM 10/11/81 (58)

Barlows drops a rung in ladder

ANGLO American Industrial Corporation is to virtually double in value to become SA's biggest industrial group after the merger announced yesterday between itself and De Beers Industrial Corporation.

Amic is to become the holder of all of Anglo's major SA industrial interests and, in the process, its market capitalisation is expected to increase from R890-million to R1 500 or possibly R1 600-million.

By DAVID CARTE

Barlows, previously No 1 with a market capitalisation of R1 330 million, has been displaced at the top of the SA industrial tree

The enlarged Amic will have a net asset value of R1 900-million and earnings of more than R230 million

In terms of the reconstruction, Amic is to take over Debincor and other Anglo and De Beers industrial interests

After the deal, it will have 40% of AECI as well as control of Highveld Steel and Natal Tanning Extract, 42% of Huletts, 23% of McCarthy Group and 31% of Ipsa, controller of Stewarts & Lloyds and Dorbyl

Amic's chairman, Mr Gavin Relly, told a Press conference yesterday that Anglo foresaw an "industrial takeoff" in SA during the next decade and Amic needed to be structured in the best possible way to take advantage of the many opportunities that were bound to arise

He said the deal tidied up Anglo's industrial interests, gave Amic an entry to the chemical sector, control of Highveld and NTE and made associates of Huletts and McCarthy.

The reconstruction gave Amic considerable extra strength and scope for greenfields projects, organic growth and growth by acquisition

The enlarged company would be able to raise finance more easily in foreign capital markets if and when the need arose

In terms of the proposals, Amic will acquire all Debincor through the issue of 100 new shares for 100 Debincor. In addition, Debincor holders are being offered 25 options per 100 Debincor to buy Amic at R35 in 1982, increasing by R2,50 to R45 in 1986 and 1987.

Amic and Debincor are expected to pay final dividends of 115c and 110c respectively for the year to December. Debincor also proposes to pay a 70c special dividend to its present holders funded out of the AECI dividend. These dividends are not included in the reconstruction considerations.

For the shares in Highveld, NTE, Huletts, McCarthy and Ipsa which Amic is to acquire from AAC and De Beers, it will issue 8 531 000 new shares.

After the deal AAC will have 46% of the 45 6770 000 Amic shares in issue and De Beers 25%

Had the enlarged Amic been constituted last year, earnings would have been 517c a share compared with Amic's 602c and Debincor's 372c.

The merger announcement contains a table showing that based on 1980's earnings, the enlarged Amic would have a PE of 8 compared with today's Amic's PE of 7,2 and Debincor's 13. Based on 1981's earnings the bigger Amic has a PE of 6,7 against Debincor's 11 and Amic's current 6,4

Net asset value at last balance sheet would have been 4 130c compared with Amic's 4 023c and Debincor's 4 835c

Anglo's chairman, Mr Harry Oppenheimer, stressed that the reconstruction was not being done for any specific plan that Anglo had in mind today. It was purely to facilitate growth in the future

He said the control situation of AECI was not changed by the reconstruction and it had nothing to do with the proposed joint venture in methanol between AECI, AAC and Shell

Mr Relly said the relative valuation was "not easy", but the deal was attractive to all parties The options were "very valuable" Amic and Debincor's auditors had certified the terms "fair and reasonable"

After the proposals are implemented, the enlarged Amic will have, in iron steel and engineering 50% of Highveld, 100% of Scaw, 31% of Ipsa, 36% of Haggie, and 100% of Boart, and in chemicals, 40% of AECI.

In forestry, paper and allied it will have 63% of Mondi, 100% of Bruynzeel Plywoods and 63% of NTE, and in food and sugar, 43% of Huletts and 100% of African Products. Its major motor interests will be 38% of Sigma and 23% of McCarthy. Other important interests are 40% of Freight Services, 36% of LTA, 47% of Asea and 80% of Control Logic.

Anglo says the enlarged group will be in a position to pay out a larger portion of borrowings.

The main benefits for Debincor shareholders, Anglo says, are participation in the larger entity with its greater financial strength and more diverse portfolio.

Based on 1980 figures, Anglo says, the equity accounted earnings a Debincor shareholder will increase by 39%. In addition Debincor holders will receive valuable rights to subscribe for further shares in the enlarged Amic over six years.

Finally, the enlarged Amic is expected to enjoy an improved market rating and share price.

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Amic giant has assets of R1 900-m

STAR 10/11/81

By David Bamber

The chairman of Anglo-American Corporation, Mr Harry Oppenheimer, last night announced the marriage between two giant industrial corporations which together have total net assets of nearly [illegible] [illegible]lion

The super company, which will be formed as a result of a merger between Anglo American Industrial Corporation and De Beers Industrial Corporation, will oust Barlows as the country's biggest industrial group

When the shares of the two companies were relisted on the stock exchange today, Amic moved up R2 to R35 but later fell back to R34.

There was no sale in Debincor shares

Mr Oppenheimer said the enlarged Amic was an "exceptionally well-balanced company" which has great potential for getting new business.

The stronger balance sheet of the combined companies would strengthen the ability of the group to raise funds on the overseas market, placing the company in a sound position to expand and make new acquisitions.

While the company did not have any acquisitions in mind, Mr Oppenheimer said "I think we will find something."

Consolidating the important industrial interests of Anglo American Corporation and the De Beers group, Amic will have wide-ranging investments in selected major sectors of industry

Among the big names in which the super group will have a stake are Highveld Steel, [illegible], mining supply [illegible] Boart, Mondi P[illegible]r, [illegible] Motor Corporation and the building and construction giant, LTA.

The total profit of all of the companies in the group will exceed R2[illegible]0-million during the current financial year.

OPTION

In the mechanics of the deal, Amic will acquire Debincor on the basis of 100 Amic ordinary shares for every 100 Debincor, with Debincor shareholders having the option to acquire a further 25 shares for every 100 Debincor shares held.

Mr Gavin Relly, chairman of Amic, said it was not easy to work out the valuation of the shares of the two companies for the purpose of the deal but added that shareholders of both companies would find "they are in a better position."

Anglo said that Amic and Debincor shareholders should receive final dividends of 115c a share and 140c a share respectively for the 1981 financial year and, on completion of the merger proposals, Debincor also proposes to pay a special dividend of 70c a share to its existing shareholders early next year.

Cash-rich Nedbank looks for 20% lift

RDM 12/11/81 58

WITH R130-million of surplus capital its trump card for the next year or two, Nedbank is confident of achieving earnings growth of about 20% in the current year.

This emerged at a Johannesburg press conference held by the directors of SA's third biggest banking group on the release of the annual report yesterday.

By DAVID CARTE

Although the report makes no specific forecast, Mr Rob Abrahamsen, chief executive of the commercial banking arm, said he would be disappointed at earnings growth of less than 20% in Nedbank itself.

Mr Gerry Muller, chief executive of the group, said some other divisions would probably do even better than this.

Nedbank achieved its uniquely favourable capital position among SA banking groups by means of a profit retention of R29-million, capital profits on investments sold of R22-million and a transfer from hidden reserves of R25-million.

Mr Abrahamsen said "capital is the name of the game in banking". The capital surplus had not been built up with any specific project in mind and could be used over two or more years.

Nedbank could write a greater volume of business than any of its rivals without going to the market for expensive new capital.

Mr Abrahamsen ascribed Nedbank's high return on assets relative to those of its rivals to "an acute consciousness of margins between borrowing and lending rates, avoidance of fixed-rate lending and astute management of both sides of the balance sheet".

He said conventional wisdom was the Nedbank was at a disadvantage relative to its rivals as interest rates rose because it had a smaller portion of "free" current account deposits But Nedbank had done better than its rivals in spite of rising rates because it had less fixed-interest lending.

Nedbank directors say they do not expect another boom in banking profits until after 1983, or "when interest rates bottom again". They do not foresee another surge in liquidity in the event of a gold price rise as next time not all gold receipts will be repatriated.

The annual report shows Nedfin Bank to have been the star performer of the group with a 62% profit rise to R8 509 000.

This is in sharp contrast to other general banks which have been hurt by fixed interest rates on HP contracts as the cost of funds has soared.

Nedfin's managing director, Mr Ron Rundle, said Nedfin had deliberately avoided chasing HP business at cheap rates several months ago, even though this meant losing a lot of business. It had also avoided doing kickback deals with motor dealers at paper-thin margins and had concentrated on the corporate rather than the private market. Its tactics were now being justified.

Nedfin, says the annual report, also did well in attracting retail deposits and in project finance lending. The Nedkredit HP card was a huge success.

The commercial bank, which weighed in with R51 468 000 of taxed profit, or 67% of the total, achieved a 17% earnings increase in spite of a big squeeze on margins for six months of its financial year. Raising of Bank Rate in August improved the position, but margins "are still nothing to write home about", said Mr Abrahamsen.

Union Acceptances rode out depressed demand for acceptance facilities to raise taxed profit 21,5% to R7 204 000, or 9,4% of the total. This and narrowed lending margins "had a material impact on the net income of the domestic banking division".

But the international banking and corporate finance divisions performed well. UAL raised R480-million for the public sector through loan issues. After making capital profits of R9 276 000 mainly on the sale of its half share in Eastgate, UAL "possesses the necessary capital and management resources to increase its lending significantly and to maintain its major share of all other areas of merchant banking business".

Nefic, the medium-term bank, suffered an 11% profit reverse to R4 244 000, or 5,5% of the group total, as a result of fierce competition and tightly squeezed margins. It expects an improvement this year.

Following a surge in demand for mortgage finance and its portfolio management services, Syfrets contributed R5-million, or 6% of the group total — a 24% incr

A much-changed group balance sheet shows capital and reserves up 22% to RE340-million, total assets up 19% to R5 495-million, total deposits 24,4% better at R4 031-million and advances up 52% to R2 514-million.

Cash holdings rose 19% to R949-million, and gilt and semi-gilt holdings declined 44% to R354-million. Liabilities under acceptances tumbled 23% to R455-million, and liabilities under guarantees rose 36% to R642-million.

Investments soared 52%, or R150-million, to R436-million, largely because of increased preference share business.

Amic: You ain't seen nothing yet

Sun. Times (B.T.) 15/11/81

By Andrew McNulty

58 ~~780~~ ~~232~~

CAPITAL spending programmes already in hand for companies in the enlarged Amic (Anglo American Industrial Corporation) total more than R1 025-million, it was revealed to Business Times this week.

This excludes spending by the capital-intensive chemical giant, AECI, now to be held 40% by Amic.

These vast capital requirements are seen as a major reason for the announcement that De Beers Industrial Corporation (Debincor) is to be merged with Amic — creating an industrial juggernaut with assets of nearly R1 900-million — and combined earnings of more than R230-million.

With a market capitalisation of R1 500-million to R1 600-million, Amic will outrank Barlows, whose market capitalisation is R1 330-million.

The merger greatly strengthens Amic's borrowing capacity and cash resources to meet these commitments.

More important, however, are likely future expansions, acquisitions and new grassroots projects — which Amic is likely to venture into at a cost of billions of rands during the decade.

It is almost certain to foreshadow huge new chemical projects.

The merger underlines several facts:

- Amic, started by Anglo American Corp in 1963 and the subject of much criticism in the 1960s and early 1970s as it struggled to find its feet, has woken like a slumbering giant.

Anglo has shown that it has come of age in the industrial sector.

- The staggering spread of Anglo American's tentacles across the South African economy is shown dramatically by Amic's new portfolio.

- The new Amic is the culmination — or more probably only a pause — in a spate of major developments for the group.

These have included acquisitions such as the 36.2% interest by Scaw Metals in Haggie at a cost of R53-million last year, the expansion into electrical engineering and electronics by the purchase of 46.3% of Asea Electric SA for R27-million, the acquisition for R6.7-million of an 80% interest in Control Logic, a manufacturer of electronic control systems and equipment.

This month Mondi (the 62.7%-held pulp and paper operation) announced that it is to buy Usutu Pulp Company of Swaziland for R110 million and step up Usutu's production to 200 000 tons a year, the deal brings Mondi's plantation holdings to 310 000ha.

Expansion programmes launched recently include plans by Sigma Motor Corp to spend R320-million in capital in the next five years, Mondi is establishing a giant new wood, pulp and paper products complex at Richards Bay at a cost of R520-million, Highveld Steel is spending more than R110-million, Boart — the international mining equipment and drilling company — is to spend R31 million and Bruynzeel will spend R17.5-million on modernising and increasing capacity.

Along with the burgeoning Sigma (held 38%), McCarthy (held 23%) has emerged into a leading motor-distribution operation.

Among food interests African Products (100% held) last year acquired new interests, increased its sales volumes and ranges, and is increasing manufacturing capacities.

An offensive into the sugar industry during the past two years has given Amic, which has a 43% interest in Huletts, a formidable stake in the Natal sugar industry. The involvement in sugar is still in the process of consolidation and will be shown to be considerably stronger than generally realised.

Looking to the future, it can be expected that the intention will be to build on the apparent keynotes of the portfolio so far: stability, balance and growth.

Obvious areas for a stronger presence are chemicals, food, electronics and computers.

The effect of extending Amic's stake in the important chemical sector — the eventual Amic stake in AECI being 40% — was given as one of the benefits of the merger.

AECI is already expecting to spend about R100-million a year through the 1980s excluding the planned methanol plant, which would cost hundreds of millions of rands. Announcements of huge new chemical projects are on the cards.

The group's interests in electronics and computers are so far no more than tentative. It would be surprising if they are not increased substantially before long.

What is clear is that notice has been given that Anglo American's total onslaught into the industrial sector is under way in earnest.

Big losses in short-term insurance industry

18/11/81

EVENING POST

58

JOHANNESBURG — The position of South Africa's short-term insurance industry has deteriorated dramatically over the past year, swinging from a gross underwriting profit to heavy losses, according to figures compiled by a number of leading insurers.

"Figures I have seen suggest that in the nine months to September, gross underwriting losses of the leading companies in the South African market totalled more than R60 million," Mr Peter Dugdale, managing director of Guardian Royal Exchange Insurance of London, said during a visit to executives of Guardian National Insurance, the local member of the worldwide group.

"This compares with a gross underwriting profit in the first nine months of 1980," Mr Dugdale said.

"South Africa is far from being alone in showing underwriting losses, and much of the money will be recovered through international re-insurance agreements. But unless the local industry revises its rating structures, it faces disaster.

"The basic problem behind the appalling downturn is not a catastrophe like the Laingsburg and Port Elizabeth floods, but the disease of excessively low premium rates has spread through the short-term insurance industry almost worldwide."

Mr Dugdale placed the onus for corrective measures on the insurance companies themselves.

"I do not believe in cartels or in tariff agreements in the long term," he said. "They restrict business practice and blunt the competitive edge that every industry needs.

"Insurance companies must grasp the nettle and start to revise rating structures."

He cited motor insurance as a prime example.

"Last year one in six South African motorists made a claim. Today, it's running at the rate of one in four. In addition, the size of the average claim has jumped from around R600 last year to around R1 000 today.

"This is only one area where urgent and drastic rate increases are needed to get insurance back on the road to stability."

"By doing this, individual companies may temporarily lose market share, but insurers must face this possibility if they want their companies to survive in the long term."

Mr Dugdale, chairman of the British Insurance Association, believes such associations can help to steer local industries towards recovery. — Sapa

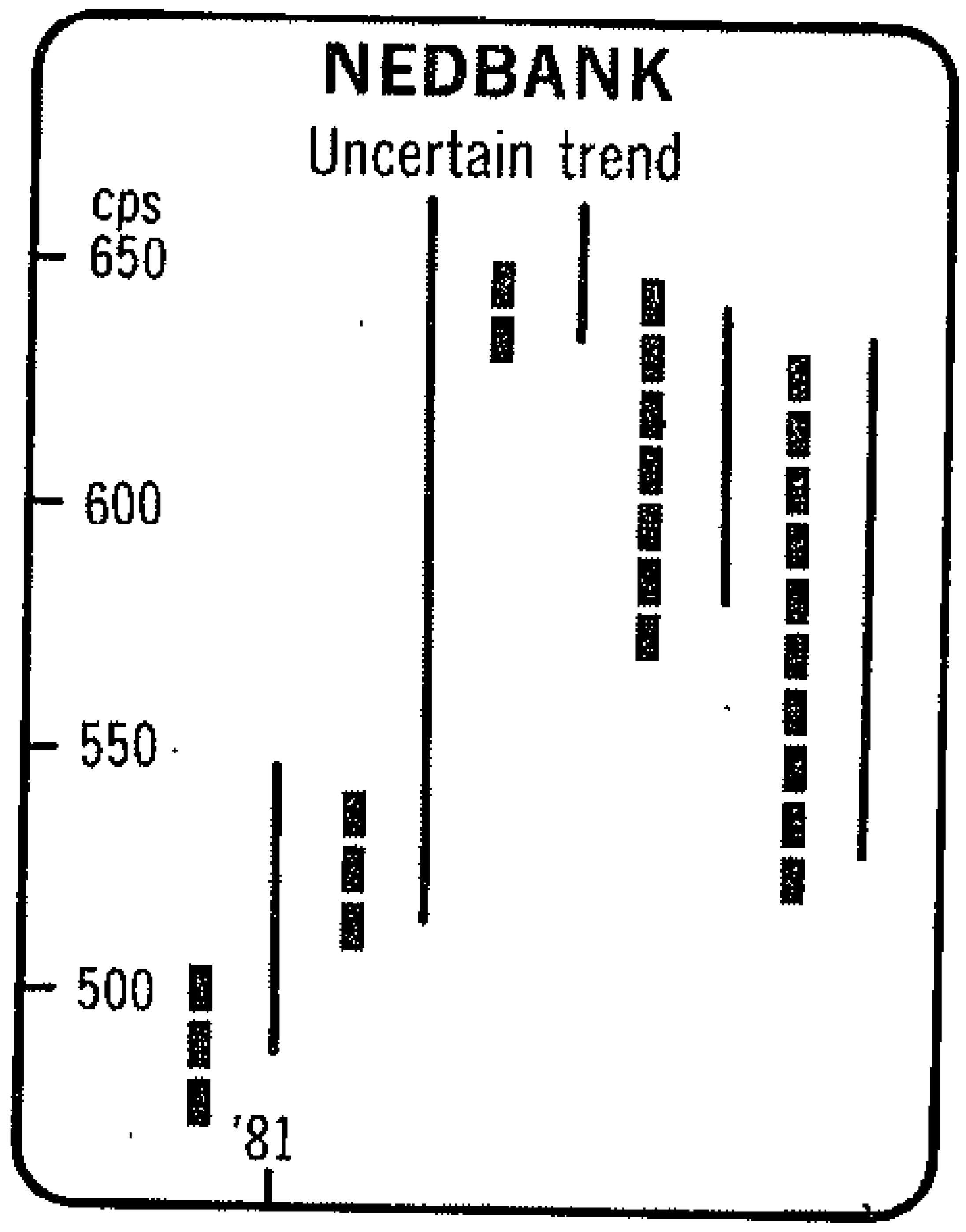
NEDBANK (58) FM 20|11|81

Feeling the squeeze

Activities: *Banking and financial services holding company Principal subsidiaries are Nedbank, UAL, Nedfin, Nefic, Syfrets Trust, Syfrets Bank Associate companies include Sage, FPS, Minet, Anglo-African Shipping, Operates American Express in SA*
Chairman: *F J C Cronje; chief executive and deputy chairman: G S Muller*
Capital structure: *88,4m ordinaries of R1 Market capitalisation: R548m*
Financial: *Year to September 30 1981 Total assets: R5 5 billion; Ratio of deposits to total shareholders' funds: 11,8:1, advances and bills discounted as percentage of deposits: 62,4% Capital commitments: R14,3m.*
Share market: *Price 620c (1980-81 high, 700c; low, 495c; trading volume last quarter, 927 000 shares) Yields: 13,9% on earnings; 6,9% on dividend Cover 2 PE ratio: 7,2.*

	'78	'79	'80	'81
Deposits (R billion)	2 3	2 6	3 2	4 0
Advances (R billion)	1,3	1,4	1,6	2 5
Pre-tax profit (Rm)	59 9	73,7	100 2	110 6
Pre-tax return* (%) ..	29,0	31 6	36 2	32 5
Earnings (c) ..	42,6	54,2	76,4	86,4
Dividends (c) ..	21	27	38	43
Net asset value (c)	230	256	302	384

* On group shareholders' funds



Nedbank's accounts clearly reflect the pressure placed on the banking sector by rocketing interest rates over the past year.

Group profitability ratios generally are down, even taking into account the large transfers to published reserves which followed on the sale of long-term investments. These transfers, amounting to around R22m, helped increase shareholders' funds by 23% from R276,6m to R340,2m.

Pre-tax profit return on this larger figure was 32,5% compared with 36,2% in financial 1980, but even stripping the transfer out of the capital base, pre-tax return was 34,75%, showing the effect of slimmer margins. On a taxed basis, the return on shareholders' funds with the transfer stripped out was 24,2% against 25% the previous year.

In comparison, Barclays' pre-tax return on shareholders' funds in 1980 was 34,2%, just about on a par with Nedbank, while that of Standard was lower at 29,3% last year.

So Nedbank's level of profitability is still respectable, and was attained on sharply higher advances of R2,5 billion (R1,6 billion). The increased lending figure hiked the ratio of advances to deposits from 50,9% to 62,4% as deposits climbed from R3,2 billion to R4,0 billion — a slower rate of climb than on the lending side.

What is more, Nedbank remains comfortably within its lending ceilings, having barely increased the ratio of deposits to shareholders' funds from 11,7:1 to 11,8:1. The maximum is 16,7:1, so the banking group has considerable scope for expanding its deposit base and, therefore, advances should demand arise.

That, however, should be seen in context. Nedbank's deposits:capital ratio has been well below the statutory limit for as many years as anyone cares to remember, and it is unlikely that it will change substantially now. So obtaining a larger share of the overall lending market need not necessarily fall into the bank's lap.

BANKING SUBSIDIARIES COMPARED

	Total equity	Pre-tax profit	Return %
	1981 (1980) Rm		
Nedbank	226,6 (149,1)	69,8 (58,9)	30,8 (39 5)
UAL ..	36,6 (31,4)	10 4 (9 5)	28,4 (30 3)
Nefic	19,6 (18,3)	4,8 (6 7)	24,5 (36,6)
Nedfin	36,8 (27,4)	14,5 (8,6)	39,4 (31 4)
	319,6 (226,2)	99,5 (83,7)	31,1 (37 0)

Among the group's operating subsidiaries, there was only small change in the proportionate contribution to taxed profit, with Nedbank itself chipping in 72% of earnings compared with 73,5% the previous year. General bank Nedfin increased its share from 8,7% to 11,9%, while the corporate finance arm Nefic dropped its contribution from 7,9% to 5,9%.

Profitability of the various divisions, however, changed fairly markedly (see table), with Nedbank's pre-tax return dropping from 39,5% to 30,8% -- admittedly on a capital base enlarged by a transfer of R25m from internal reserves to published reserves.

The directors believe that the severe competition which characterised the deposit and lending markets last year will continue into 1982. This doesn't look good for rates and margins this year, but Nedbank apparently does have the ability to gain market share at the expense of its competitors and, of course, it has that extra lending capacity should it be needed.

UAL also had a difficult year because of the soaring cost of money and demand for acceptance facilities was at a low level. Although profit was up, profitability was down, though this was distorted by a R5m transfer to general reserves after the sale of a half stake in the Eastgate shopping complex. UAL's finance division had a good year, however, taking part in an increased number of acquisitions and mergers.

Funds raised for the private sector showed a marked decline, however, because of the punitive cost of debenture and loan finance. Again, a projection of continued high interest rates makes things look a little difficult for UAL this year. And the directors say that more favourable interest rate margins are unlikely to prevail for some time.

Nedfin was best placed to take advantage of the economic conditions, and credit granted to corporate and individual borrowers was sharply higher. The industrial sector was a particularly important user of funds, though good profits enabled many companies to finance purchases internally or by use of suspensive sales rather than by using the bank's facilities.

Even at this high level of business, however, margins remained tight, and this is expected to continue this year. Along with this pressure, there could also be a slackening in demand for leasing and instalment finance, which could put further pressure on performance.

The same goes for Nefic, though higher profits are expected as signed-up facilities are utilised and margins ease to some extent.

Overall then, according to Nedbank chief executive Rob Abrahamsen, the group is looking at earnings growth of around 20% this year, compared with last year's bottom-line advance of just over 13%.

Certainly, the banking group has the financial clout to achieve such a rate, especially with the important capital transfers last year which have given it a revived operating base. However, a decline in the rate of economic growth this year, along with continued tightness in money supply

Please turn over

BANKING (58)

Govt says 'no'

FM 27/11/81

The Department of Finance has thumbed down plans for an SA Islamic Bank.

A group of Muslim businessmen and leaders of religious organisations applied to Finance Minister Owen Horwood for permission to establish the bank, whose activities would have been conducted on Islamic principles.

In terms of Islamic law, it is not permissible to earn interest on money. Shareholders and depositors would therefore participate in the investment profits produced by the proposed bank instead of earning interest on loans. Similar banks operate in Saudi Arabia, Kuwait and most Middle East countries.

The bank would derive its income from direct holdings in property and equity participation in both quoted and unquoted companies. Membership would have been open to anyone.

The proposed issued share capital was to have been R2m and Barclays Bank was prepared to provide technical back-up and support.

Ebrahim Kharsany, MD of the Corporate Group which, with its subsidiaries, was behind the application, explains the principle: "When Islamic religion was founded the taking of interest (Ribaa) was prohibited. Investors would therefore become active partners in the venture and not moneylenders.

"Investing money includes a risk which means profit sharing (dividends) and capital gains profit are acceptable."

The proposed bank, Kharsany adds, would have acted as an important vehicle for mobilising funds from Muslim business and religious sectors.

Says Kharsany: "Muslim businessmen and numerous Mosque organisations have sizeable investments deposited in current accounts at various banks, but no returns are yielded because of their beliefs."

Kharsany says the bank would also have assisted black, coloured and Indian businessmen, especially small businesses which presently lack capital.

Deputy Minister of Finance Danie Steyn says that in terms of the Banks Act of 1965, permission to establish a banking institution in SA may be granted only in the public interest.

Says Steyn: "The registration of a new bank in SA would not be in the public interest because of the large number of banks already in existence.

"Sectional banks (banks with a primary objective to serve specific communities or industries) are not considered to be in the interest of the public as a whole.

"If permission was given for a bank to serve the Islamic community, similar concessions would have to be made to other religious groups. This would be undesirable."

Steyn points out that applications have been refused for a municipal bank, a farmers co-operative bank, a bank for black workers of a mine labour organisation a[nd] other specific-interest commercial and i[n]dustrial banks.

He adds that registration applications f[or] non-sectional banks, which have been r[e]fused over the years will be reconsidered [in] the future if their existence becom[es] desirable.

Kharsany disagrees that the bank wo[uld] serve only the Muslim community: "Wh[ile] it's true that most of the 350 000-strong M[us]lim community would be attracted, [we] would have welcomed non-Islamic parti[ci]pants as well."

RETAIL RATES

The accompanying table shows interest rates payable on retail deposits as at the 18th of November, 1981. Small differences exist in rates quoted by various banks and building societies In the main these are due to administrative variations, such as whether interest is payable per month on a daily minimum balance or average balance, or per month, or after six months. All the deposit rates shown are below the current rate of inflation.

However the needs of the potential investor vary from person to person — depending on factors like age, position in life and tax situation — and it is impossible to determine *a priori* the "best deal"

If trends in savings are indicative of the best investment areas, the 28% increase in funds by the Post Office for the year ending March 1981 point to the increasing attraction of Post Office rates. The Post Office controlled R1,9 billion of savings at the end of March against the building societies' R2,7 billion and the banks' R4,4m billion.

58

FM 27/11/81

BUILDING SOCIETIES

Investment	UBS	SA Perm	Allied	NBS	S. Trident	Standard	Saambou
SPECIAL SAVINGS							
R200-R15 000	8,25	8,25	8,57	8 60	8,00	8,30	8,30
R15 000-R25 000	9 25	9,25	9,50	9,65	9,00	9,40	9,40
Capitalised	month	month	month	annually	month	annually	annually
FIXED DEPOSIT							
12-17 mths	10,50	10,50	10,50	11,50	10,75	11,50	11 50
18-23 mths	10,75	10,75	12,50	12,50	10,75	12,50	12,50
24-35 mths	13,00	13,00	13,00	13,00	13,50	13 00	13 00
36-47 mths	13,25	13,25	13,25	—	13,50	—	14,00
48-59 mths	13,50	13,50	13,50	—	13,50	—	14,00
60 mths	14,00	14,00	14,00	—	14,00	—	14,00

BANKS

Investment	Barclays	Nedbank	Standard	Trust	Volkskas
SAVINGS RATES Up to 12 mths on amounts R1-R25 000 Capitalised	1% to 9,25% annually	2% to 9% daily bal	2,5% to 9,25% annually	3 5% to 9,25% annually	3,5% to 9,25% half-year
FIXED DEPOSIT				over R20 000	
12-17 mths	10,50	10,50	10,50	13,50	10,50
18-23 mths	10,75	10,75	10,75	13,00	10,75
24-35 mths	13,00	13,00	13,00	13,00	13,00
36 47 mths	13.00	—	—	—	—
48-59 mths	on application	—	—	—	—
60 mths	on application	–	—	—	—

POST OFFICE

	National savings certificates	Savings bank certificates	Treasury bonds	Savings bank accounts
RATE	1 year, 8,75% 2 year 9,00% 3 year 9,25%	3 75%	8,75%	5,5%
Min Investment Max Investment	R50 R15 000	R100 R20 000	R60 000	R10 000
Tax concession	Fully tax free	Tax free to R10 000 per person	R60 000 per tax payer	Tax free to R3 636 per person
Period	(above)	indefinite	indefinite	indefinite
Withdrawals	after 18 mths	after 6 mths	after 12 mths	immediate (R200 every 4 clear days)

Shock increases in premiums for cars and homes

ARGUS 1/12/81 (58)

HEAVY increases in short-term insurance premiums will hit drivers and householders next year.

Increases of more than 100 percent on some householders' insurance premiums, and further increases of up to 50 percent on motor insurance have angered most policy-holders.

Pensioners will be most affected by the latest increases and insurance companies seem unlikely to make any particular concessions to them.

WIDOW'S PLIGHT

An insurance broker in Cape Town, Mr Dave Mantell, told The Argus that he knew of an 80-year-old widow who had been paying R20 a year on a householders' policy for 30 years. Her premium had just been increased to R50.50.

'When I heard of the old woman's plight, I phoned up the insurance company and asked if they wouldn't consider giving old people and pensioners some concession. The manager said he could not bend the rules, and pensioners would have to pay the same as everyone else.'

Mr Mantell said the big companies should be sympathetic to old people because of their limited income.

HEAVY LOSSES

Increases in motor insurance announced recently to try to offset heavy losses being suffered by the insurers, have been implemented in some cases and are being met with resistance by a disconcerted public.

A Plumstead motorist, whose annual comprehensive motor insurance has recently been increased from R122 to R176, told The Argus that he had not had a claim for 28 years.

'I have a maximum no-claim bonus — yet the insurance company treats me the same way as they treat the guy that has two or three accidents a year. This is what's unfair about the system.

'It would be more equitable if the person who had driven for long periods without an accident, paid a smaller premium than the motorist who had an accident.'

HAULAGE

A Sea Point businessman, whose premium on his car has just been increased from R170 to R240 said:

'I object most strongly to this increase. The increases have come about because of the high accident rate in South Africa, which is costing the insurance companies a fortune.

'The answer is not to penalise the policy holder by increasing his premium. The answer is to cut down the accident rate, by toughening up on legislation affecting licensing and driving, drinking and driving, and the roadworthiness of all vehicles, particularly the large haulage vehicles that are so expensive to repair.'

Other motorists approached by The Argus suggested they were considering stopping their insurance altogether.

A Constantia housewife, whose premium has just been increased to R360 a year, from R300 said: 'Three years of not paying this premium would buy me a nice little second-hand car!'

ADVERTISEMENT

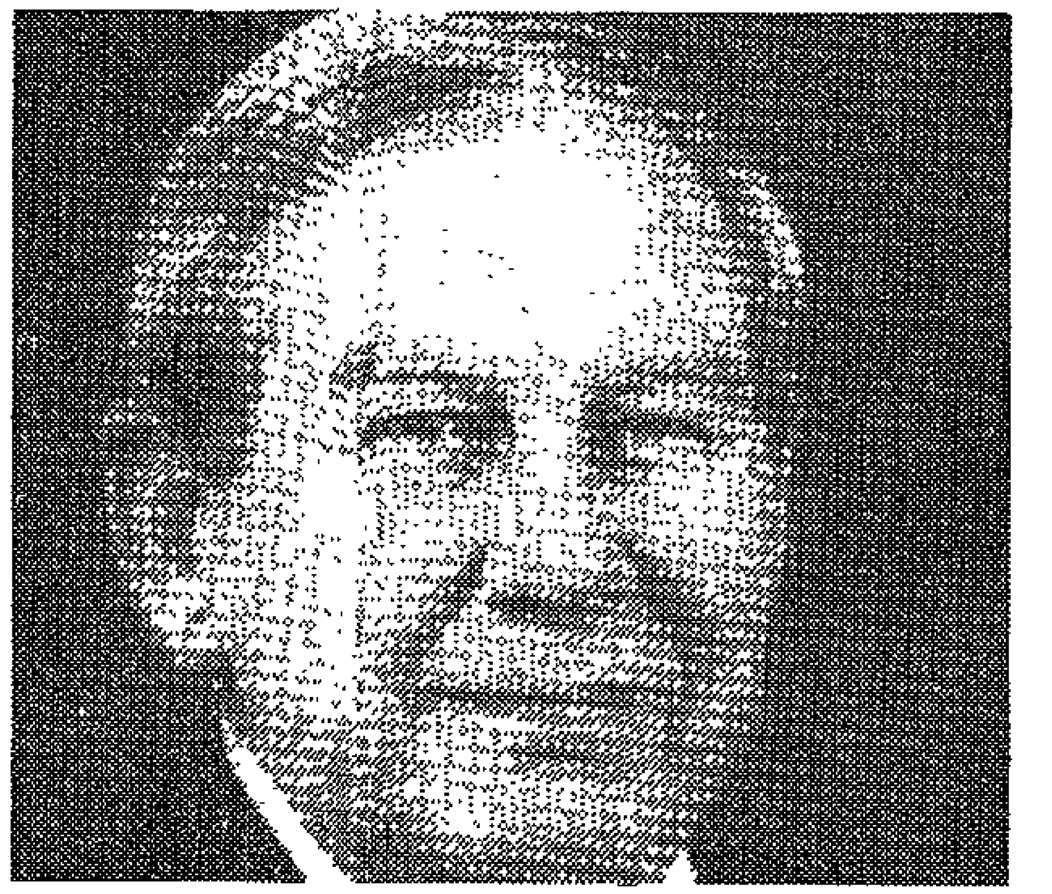
Once again: Old Mutual has a Record Premium Income

The financial year to June 30, 1981 has been one of exceptional achievements for Old Mutual, the Chairman, Dr. J. G. van der Horst said in his address to policyholders in Cape Town.

Highlighting some of these achievements, Dr. van der Horst said:

Net premium income and annuity considerations totalled nearly R820 million, some R193 million more than in 1980. This is a record increase for the Society. While a substantial amount of the increase arose from individual single premium policies, due to some extent to exceptional circumstances that prevailed during the year, it is pleasing to note that the main increase came from recurring premium policies, which form the backbone of the Society's business. Individual and group recurring premium business both grew strongly.

The exceptional growth once more reflects the very high degree of acceptance and support Old Mutual's products and service to policyholders enjoy in the market place. I sincerely thank Old Mutual's field staff and pensions salesmen and the insurance broking industry, which is supporting us to an ever increasing extent, for the very fine effort that made Old Mutual's high rate of growth possible. ■



Dr. J. G. van der Horst

Policyholders' funds up almost R800 m

Total policyholders' funds, as shown in the balance sheet, amounted to nearly R4 299 million at June 30, 1981. This is R785 million more than the corresponding figure in 1980.

The increase consists of the excess of income over outgo of R806 million (a record) and fund adjustments amounting to a net deduction of R21 million, involving a debit in respect of market related business and a credit, being a transfer from the Investment Reserve Fund as a provision for terminal (or final) bonuses. ■

TOTAL COMMUNITY SERVED

Old Mutual has a high visibility in the South African scene, and, as a national organisation, provides life assurance benefits to a wide spectrum of the population.

Its policyholders include persons of different races and of many different political and religious beliefs. Old Mutual as an organisation, therefore, cannot support any particular political or religious view, and its policy is to take a neutral stance on such matters.

In order to provide clients and intermediaries with service and advice of a high quality, Old Mutual is committed to creating a climate that permits each employee to realise his or her full potential, regardless of race, sex, or religion and, where distinction is made, such distinction is made solely on the basis of status or career orientation.

Employees of Old Mutual naturally have their individual political and religious views, but are expected to respect the neutral stance of Old Mutual itself. Old Mutual does not concern itself with the personal, social, religious or political activities or views of its employees provided that these do not bring Old Mutual into contentious situations, or convey the impression that Old Mutual itself takes a non-neutral stance, or detract from the employee's ability to perform his or her work in a satisfactory manner.

I also wish to take this opportunity to thank, on behalf of our policyholders and the Board, all Old Mutual's management and staff for their dedicated service during the past year, and I wish them well for the future. ■

Investment income up 36% in 1981

Old Mutual's investment income increased by nearly R108 million to R405 million. The record growth of 36,2% is the result of:

- The growth in funds available for investment;
- Generally high interest rates available on fixed interest securities;
- Most importantly, the very marked increase in dividend payments from the Society's share investment.

Dividend income increased by 56% during the 1981 financial year, compared to 45% during the previous year. The reasons for this growth are increased investments, the high gold price that has prevailed for most of the last few years, the upswing in the South African economy and the highly successful share investment policy that the Society has followed.

Investment Income Benefits Policyholders

The benefit of these exceptional investment results will be passed on to the Society's with-profit policies, both individual and group.

In this regard I wish to stress that it is Old Mutual's policy, as far as it is deemed prudent, to release high investment earnings to policyholders as and when they occur, rather than design bonus systems in such a manner that the real benefit of good investment becomes deferred so far into the future that current policyholders do not receive their equitable share of the profits.

The steps that the Society has taken in recent years reinforce this policy of distributing profits as they emerge.

Record Profits Serve All

When, under conditions such as have prevailed in recent years, companies announce record profits or record increases in profits, it must be remembered that increased profits are, generally speaking, the result of increased economic activity, and are usually preceded by higher employment and improved employment conditions.

Thus increases in earnings from dividends in the industrial and financial sectors of the economy follow moves in the gross domestic product fairly closely, if the necessary allowance is made for a lag due to later reporting.

Increases in per capita remuneration also correlate well with the gross domestic product in these sectors, and therefore there is no great disparity between the share of growth in the economy that the man in the street receives and what companies earn. **Higher company profits do also benefit the ordinary man.**

If, through special and extraneous circumstances, such as may sometimes occur in particular sections of the market, special profits are earned, these too benefit the ordinary man. For example, higher taxes would be paid on these profits, often resulting either in lower normal personal tax rates, or in improved Government services.

Further, the signal to the market given by high profits, will encourage greater investment in that sector by existing and new companies, thus providing greater employment, and then by a process of competition returning profits to more normal levels.

The idea that only a few shareholders benefit from high and improved dividend rates is also not valid. Through their interest in pension, provident and retirement annuity funds, in life assurance policies, in unit trust holdings and by means of many small direct shareholdings, the workers and the man in the street now effectively own a substantial portion of most public companies. The public benefit directly from the increased profits and dividends of these companies, through better and more economic retirement benefits, through higher bonuses and thus better value for money under their life policies, and through higher dividends on their direct shareholdings.

In fact, it has been said that if socialism is defined as the ownership of the means of production by workers, then the United States is the first truly socialist country, since workers, through their pension funds, as a group own more than one-third of the equity capital of American Business.

In South Africa we have not yet reached that stage, but the same trend is evident: it is estimated that the life insurers plus private pension funds together held about 18% of the Johannesburg Stock Exchange in December, 1980, compared with 7% in 1970 and probably not more than 3% in 1960.

Thus, the South African economy is also increasingly being run for the benefit of the country's employees, and I must, therefore, emphasise that buoyant profits are far more beneficial to the vast majority of people than the opposite. I must also stress that good profits in recent years in most cases partly represented a process of catching up, after a period of insufficient profits during the recessionary years of the mid 1970s. ■

Bonuses up substantially

Old Mutual last year declared a special final bonus in respect of qualifying normal with-profit policies in the South African currency area, and similar British currency policies, that became claims during the calendar year 1981, Dr. J. G. van der Horst, Chairman of Old Mutual said at the Annual General Meeting in Cape Town.

Addressing policyholders, he said that this was to compensate such policies for the very exceptional growth in unrealised appreciation of the Society's appropriate equity investments.

He announced that this special final bonus would continue to be payable on the appropriate qualifying policies that became claims during the calendar year 1982.

He continued:

In addition to the special final bonus declaration, the Society has, since the previous triennial reversionary bonus declaration, twice increased interim reversionary bonus rates in respect of South African currency area and British currency normal with-profit policies, to pass on the benefits of increased revenue earnings.

It has now been decided, in addition to the changes already mentioned, to increase further the normal final bonus rate applicable to qualifying South African currency area, and British currency, with-profit policies that become claims during the calendar year 1982. Full details of this increase will be announced shortly.

Bonus rates in respect of normal with-profit individual policies expressed to be payable in currencies not mentioned above, have been left unaltered pending the general review at the triennial declaration next year.

Higher Bonuses for Pension Funds

In respect of the majority of group with-profit business, bonuses, both reversionary and terminal, are declared annually. It has been decided to increase the bonus rate in respect of normal un-taxed South African currency area with-profit flexfund business, from 14% per annum to 17% per annum for the financial year ended June 30, 1981. Of the 17% per annum, 11% per annum is normal reversionary bonus and 6% per annum is terminal bonus.

Bonus rates on other classes of with-profit group business in the South African currency area have been changed on comformable bases.

Bonus rates on with-profit group business in other currency areas have been adjusted in accordance with earnings emerging in such countries.

Benefit Payments 26% Higher

Total benefit payments to Old Mutual's policyholders or their dependants amounted to R268 million, R52 million more than the figure for the previous year.

Besides the expected normal growth, a number of extra factors contributed to the increase in payments. Firstly the special final bonus declared in respect of qualifying South African and British currency individual policies that became claims in 1981, resulted in significantly higher payments on such claims.

Secondly, because of industrial unrest it was, regrettably, necessary to pay out resignation benefits under certain pension funds, where the intent behind the proposed preservation of pension rights legislation was clearly not fully accepted or understood.

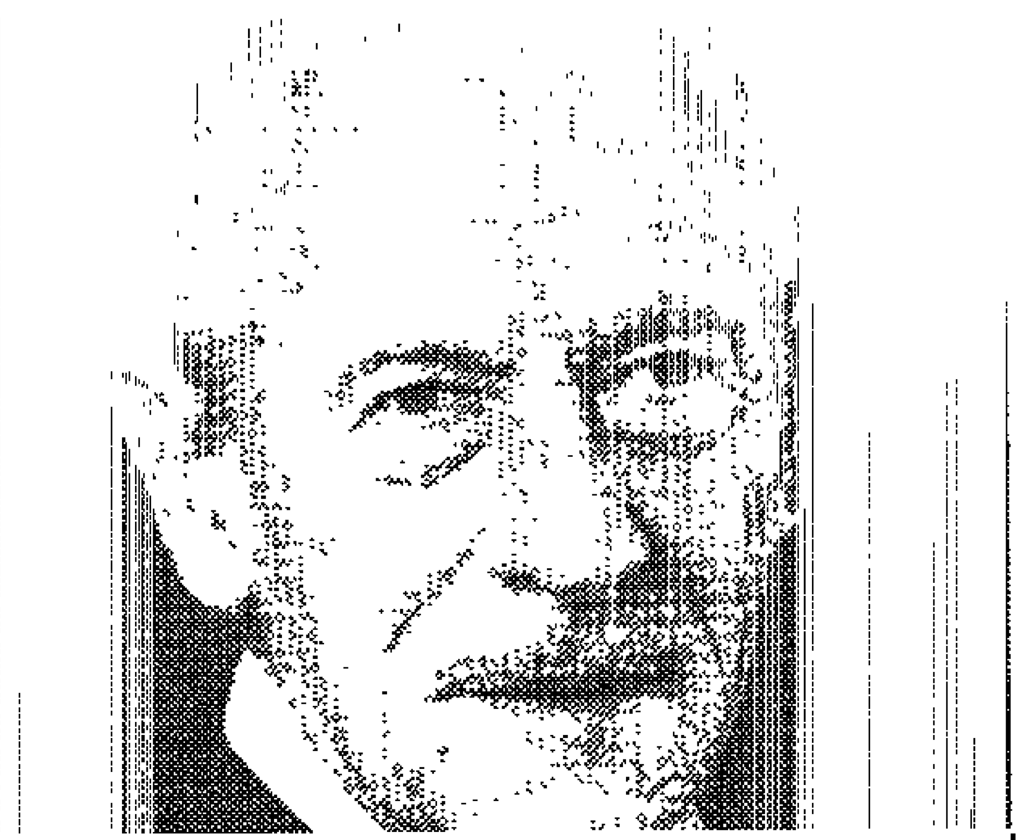
A feature of benefit payments in recent years has been the very rapid growth in annuity payments. These consist largely of payments of pensions under pension funds and under retirement annuity contracts underwritten by Old Mutual. The growth reflects the ever increasing number of people receiving pensions payable by Old

Pensions:

BETTER COMMUNICATION

None immune to inflation

I would particularly like to associate myself with Mutual's Chairman's views on inflation and the appeal he had made to the private sector and the government to use all means available to fight this pernicious phenomenon, Prof. Theo van Wijk, Principal and Vice-Chancellor of the University of South Africa said.



Prof. Theo van Wijk

In his seconder's speech delivered at Old Mutual's 136th Annual General Meeting in Cape Town, Prof. van Wijk among other things said it seemed that none were immune to the effects of inflation.

He continued:

Inflation is *distressing* to the private individual, *disquieting* to the authorities and *disconcerting* to those such as myself who have to fight for higher salaries and wages for staff on the one hand and (usually unsuccessfully) against further raises in student fees on the other.

Disconcerting also because, according to the latest Economic Development Programme, two figure inflation is expected to be with us for some time to come. Disconcerting furthermore because the experts themselves, the economists, seem to be quite sharply divided between monetarists and Keynesians when they discuss what to do about it; and then other explanations and suggestions for a cure come from the structuralists and yet again from others who place their faith in supply side economics.

To the man in the street all this is rather bewildering. I have found your remarks on the evils of inflation apposite and the remedies you suggest practical. Your reference to education and training affords me the opportunity of moving into a more familiar field. Insuring for the future is what your policyholders are doing. Education is our common insurance for the future.

Education now most important

Though you have not alluded to it in your review, I am personally acquainted with your Society's interest in education, its commitment to in-service training and its support of formal schooling at all levels. Education has of late assumed an importance not known since the early 'sixties, and an urgency never known before. It has become the subject of impassioned pleas and passionate polemic, as well as of more restrained and informed debate. What has emerged very clearly from all the reports and recommendations is that government alone cannot provide for the massive demand.

The involvement of the private sector is essential, and on a partnership basis. The private sector is already doing much in the shape of non-formal education and training but efforts have been largely unco-ordinated and unrelated to formal schooling. There is clearly need of a national strategy for all post-compulsory education, in which the private sector will hopefully be actively involved. Hopefully too, the mistakes of the 60's will be avoided, when the response to the demand for more education was often simply the creation of more educational institutions in an attempt to satisfy needs before the needs, both personal and national, had been identified.

A diversification of post-compulsory education and the provision of both formal and non-formal training, in accordance with natural capacity and national priorities, is the precondition for a system of education which will satisfy both. May I in conclusion sound a note of warning? An overseas cynic has remarked that the steady expansion which has been taking place in education has now reached the point where it can be seen as a form of cultural pollution that needs to be checked. This surely applies to misdirected or inappropriate education, and we have not quite come to that pass. But with us education has become a slogan; there is a very real danger that it will be seen as a panacea for all our economic and social ills.

Education will not necessarily enhance productivity or guarantee efficiency, and I doubt whether it is a hedge against inflation. It can certainly do all these things, but not if it simply panders to rising expectations and does not inculcate commitment to service and the national interest.

Old Mutual – a common heritage

May I conclude in a different vein and remind you of what the then Chairman of Old Mutual said in 1927? "The South African Mutual," he said, "is a common heritage of all South Africans. Built on a broad basis of enterprise tempered with caution, it is capable of carrying a superstructure commensurate with the expanding needs of today and the extending demands of tomorrow.

So long as the Directors continue true to the policy of progress along a broad margin of safety, as laid down by the founders; so long as the members continue to recognise the bond of mutuality which unites the interests of all in one, the South African Mutual must continue to grow with the growing needs of the country and our imagination can set no limit to the sphere of usefulness it may yet be destined to fill."

His perception and prescience are borne out by the Annual Report and the accompanying Financial Statements we are considering, and I have pleasure in seconding the motion that they be adopted. ■

Old Mutual is setting the pace

Your report has again convinced me that the long term insurance industry as a whole is an important and lively part of the South African economy. Going back about three decades, thus taking a somewhat longer term view of the matter, one discovers that in the early fifties total assets in the industry amounted to about R400 million. In the early sixties this amount rose to no less than R1 000 million. By 1968 the R2 000 million mark was passed and from then on increases came very rapidly, in fact some R1 000 million every year so that by 1980 the R10 000 million mark was easily breached.

Naturally, and especially in the past ten years or so, this growth in the industry was not all what today is, somewhat glibly, called *real* growth. The figures were indeed flattered by inflation, which – as you so rightly state – often leads to illusory benefits. An industry which provides benefits in money terms at a future date – the life assurance business – could well be expected to encounter difficulties in such inflationary times. However, if such difficulties did, in fact, arise, they have been overcome, for over the period as a whole the industry strengthened its position, as can be seen by, for instance, comparing the value of its total assets with gross national product figures. Such a comparison would show that from a figure of around 16 per cent in the fifties the value of assets rose to 21 per cent of GNP towards the eighties. This is a clear indication of the increasing part played by your industry in the RSA.

To an outsider, such as myself, the interesting question is how, in such a period of growth and of undoubtedly growing competition, a society such as yours could be expected to fare. Could it be expected to keep pace with all the new developments – for instance the greater emphasis on group life assurance schemes and pensions? Would it be fair to expect this of an organisation that has attained a more than venerable age?

If we look at the seventies, in other words the past ten years or so, then it can be stated unequivocally that Old Mutual did indeed keep pace with an industry which was as a whole increasing its share of the South African economy.

In the earlier years of that decade a steady 28 to 29 per cent of the industry's total assets were accounted for by your Society. But, by increasing its net assets from R1 000 million in 1973 to R2 000 million in 1978 to R3 000 million in 1980 and R4 300 million in 1981, there are strong indications that this percentage is now significantly higher.

Indeed the term "Old" in "Old Mutual" is appropriately a South African term of affection and endearment; it certainly is not an indication of diminishing vigour in your Society's case. The problem certainly does not seem to be whether you are *keeping* pace with the rest of the industry; instead our data seem to show that you are *setting* the pace – and that in this way you are playing a key role in this country's economic development both through service to the community and the mobilisation of investment funds. ■

Over the last 20 years, considerable strides have been made in the development of pension provision in the private sector.

This has taken place both through the medium of occupational pension funds and through the purchase of individual retirement annuities. Membership of pension funds has grown at a phenomenal rate, and both employers and employees are increasingly recognising the need to set aside funds today in order to provide for tomorrow's retirement.

As is well known, there is a serious weakness in the present pension fund system. This arises because on change of job, the vast majority of pension funds permit, and the vast majority of employees prefer, the encashment of pension benefits accrued to that date, in many cases to use such money as an unemployment benefit. They thereby destroy the provision of pension in respect of service prior to the date jobs are changed unless proceeds are suitably invested.

Action to remedy this fundamental weakness should not have become a matter for Government. It is, and always was, in the powers of employers and employees to remedy the situation. Lack of action in this regard has regrettably left many people at present, and would continue to leave more and more people in future, without sufficient provision having been made for their later years. In these circumstances, it is not surprising that Government has stepped in to consider what action needs to be taken to improve the position.

In 1978 a committee was established by the Government to investigate the matter, and to report on how the present system could be improved. This committee drew up a draft Bill for consideration and comment.

An unfortunate side-effect of the developments around the preservation of pensions interests, has been a considerable amount of labour unrest in the industrial area. This unrest has led the Registrar of Pension Funds not to proceed with the draft Bill. Before the introduction of legislation in this regard there will be further considered, there will be consultation in depth with leaders of those concerned. I trust that this will only be a temporary delay as the acceptance of the principle of preservation and the introduction thereof remain matters of great urgency.

This unrest has highlighted another important factor, namely, the need for communication with the members of pension funds about the value of pension fund membership. It is most important that employers create better channels of communication with all members, in order to establish a position of understanding and trust in relation to the question of pension fund membership. If this can be achieved it will hopefully be possible to introduce successfully the very important principle of preservation on a widely accepted basis. ■

Dr. van der Horst paid tribute to Dr. J. S. Gericke who died on 16.8.81 and had been a director of Old Mutual since 1.2.78. He also thanked Mr. J. S. Brown who, at his own request, had decided to retire from the Board on 31.12.81, for his distinguished service on the Head Office Board of the Society since 1962.

Messrs. D. G. Malan, M. de W. Marsh, D. V. Benadé, Dr. G. W. G. Browne and Mr. J. J. Kitshoff, who retired by rotation, were re-elected.

Dr. van der Horst announced that one of the Managing Directors, Mr. R. C. Lloyd, will retire on 1.4.82 after more than 36 years' service with the Society. Mr. Lloyd had over this period played a most important part in the Society. Mr. F. J. Davin will be the sole Managing Director from the date of Mr. Lloyd's retirement.

Dr. van der Horst referred to the grievous loss Old Mutual had suffered through the sudden death of Mr. Marius van den Heever on 3.11.81 at the age of 48. Mr. van den Heever was known the world over for his expertise in pensions matters.

He had played a major role in the growth of the Society's pensions business. Mr. M J. Levett has been appointed General Manager (Pensions) to succeed Mr. van den Heever.

The following appointments to Assistant General Manager were made during the year:–

Dr. Johannes van der Horst, B.A., LL.D. Assistant General Manager (Investments)
Mr. W. Langley, B.Com. Assistant General Manager (Investments)
Mr. K. Maxwell, B.Com., F.F.A. Assistant General Manager (Pensions)
Mr. G. S. van Niekerk, B.Com. (Hons.), Hons. B.(B&A), M.A. Assistant General Manager (Pensions)
Mr. A. R. Hoffman, B.Com. Assistant General Manager (Computer Services)
Mr. G. Griffin, B.Sc., F.I.A. Assistant General Manager (Marketing)
Mr. A. R. Munro, B.Sc., F.F.A., A.S.A., was transferred to the Pensions Division as Assistant General Manager (Pensions). ■

Total annual annuity payments have been growing at an average rate of 34% per annum over the last 10 years. ■

Excellent Co-operation

Old Mutual has enjoyed continued, loyal support and co-operation from offices with whom we are proud to be associated. I mention particularly the South African Permanent Building Society and Mutual & Federal Insurance Company Limited, as well as Central Africa Building Society in Zimbabwe. To them, their Directors, General Management and staff we also extend our grateful thanks.

As an organisation, we are greatly dependent upon the goodwill of the community. Our success depends in a large measure on the co-operation of the public in general, and the insurance community in particular. To all those who have aided us during the last year we say: Thank you very much. ■

Positive Expense Management

In inflationary times all organisations suffer problems in keeping expenses within reasonable bounds. In this regard Old Mutual, through vigorous expense management and increased use of sophisticated data processing equipment, has achieved above average success.

However, in the current economic upturn, the Society, in common with most other organisations, was experiencing severe upward pressure on costs because of escalating salaries resulting from the severe national shortage of skilled staff and because of the view (which appears more and more to become the norm) that increases in wage and salary levels should anticipate, or be automatically related to, increases in the Consumer Price Index.

While it is natural that people who are able to do so will tend to anticipate rises in the cost of living by demanding, and obtaining, increases in wages and salaries in excess of the increase in the CPI that have already taken place, this tendency inevitably makes matters worse by accelerating the inflationary spiral.

Inflation 'Benefits' Illusionary

Therefore, whilst Government must carry the major responsibility for combating inflation, it is essential that the private sector at all times acts with discipline, to augment, and not frustrate, government actions against inflation. Such discipline is not easy, because one of the most insidious effects of inflation is the illusion it creates that many people are better off with inflation, than without inflation. This illusion can easily be demonstrated:

During the period 1970 to 1980 the monetary income of the economically active population in South Africa has increased more than fourfold. Yet if the real average gross per capita income is calculated, it will be seen that this has no more than kept pace with inflation. If the effect of 'fiscal drag' (the process whereby inflation pushes taxpayers into higher tax brackets through increases in money wages) is taken into account, it is clear that the vast majority of people are probably worse off, despite large increases in money wages.

It should be brought home to employees and employers alike that the demanding and granting of so-called 'above average' salary and wage increases has a very transitory effect in an inflationary environment, as those that endeavour to lead in this field are inevitably followed very quickly by everybody else, and find their efforts negated.

Similar effects more often than not follow price increases, as upward pressures from salary, wages and other costs quickly erode whatever advantage may have been gained by the price increase.

Shareholders, too, feel the pinch of inflation, as business has to hold back an even greater portion of 'historical cost' profits to provide for adequate replacement costs of plant and machinery, and to fund debtors and stocks.

I have tried to demonstrate to those people who may think that they benefit from inflation, that the 'benefit' is illusory.

I must thus add my voice to those who are pleading strongly that the private sector should act with circumspection and discipline in the matters of prices, salaries and wages, so as to augment, support and further encourage Government in its endeavours to contain inflation.

Contribution by Private Sector

The private sector's contribution must be by way of increased productivity, by motivating personnel by means other than only material reward, and by demonstrating that freedom of choice, private ownership and the application of sound business principles are to the benefit of all.

To achieve the latter it is essential that all population groups be allowed to benefit, sooner rather than later, from the westernised part of the South African economy, through the freedom to seek the most rewarding employment, to own property and to participate in business, as owners or otherwise. If all population groups are not allowed to take part fully in the economy, or do not perceive the benefits flowing to them therefrom, many people will inevitably seek other systems that will look, from their point of view, more attractive in the short term, but will be to the detriment of all in the long term.

The private sector must therefore ensure that, as far as matters are within their control or sphere of influence, impediments in this regard are removed quickly, and that all the necessary education and training that is within the capacity of the private sector is provided as efficiently as possible. ■

[illegible]

[illegible]

The long overdue process of rationalising and centralising the whole panoply of development agencies in SA is [illegible] ... in getting the proposed Southern African Development Bank off the ground [illegible] threatening to bring the process to a halt.

Financial Mail, December 4, 1981

It had been anticipated that the Development Bank would play the pivotal role in streamlining the cumbersome development apparatus in southern Africa.

Architects of the bank envisaged that the existing independent state and homeland development corporations, which are still directly responsible to the state-run Corporation for Economic Development (CED), would sever their ties with Pretoria. They would then become the independent development arms of their own governments under the aegis of the multilaterally controlled bank. The CED itself would be incorporated into the functioning of the [illegible] department of the bank. [illegible] bodies like the [illegible] Development Trust, the Bureau for Economic [illegible] and Development and the [illegible] Department of [illegible] Affairs.

But this [illegible] the government [illegible] plaguing the birth of the [illegible] central [illegible] corporation [illegible]

Meanwhile [illegible] progress is being made in other areas [illegible] Indian and coloured development corporations, the Indian [illegible] Corporation [illegible] and [illegible] Corporation [illegible] ly, should be [illegible] into the functioning of the [illegible] Small Business Development [illegible] The idea [illegible] character and [illegible] of the SBDC.

The Industrial Development Corporation (IDC), which [illegible] development [illegible] has [illegible] assets [illegible] SBDC. And the sections of the IDC [illegible] which relate to small business will [illegible] be subsumed by the SBDC.

These initiatives are to be welcomed. The sooner government comes clean on its proposals for the Development Bank, the sooner the role of the regional and homeland development corporations can be sorted out.

Then only one area remains outstanding — who is to bear responsibility for development in the black urban areas and how this is to be carried out.

Financial Mail, December 4, 1981

R M PROPS (58)

No mining prospects

FM 4/2/81

Activities: *Township development and investment company. Subsidiaries involved in mining, retreatment of sand and other materials, building leases, land development and property marketing, as well as timber operations in the Cape. Holding company is TCL, ultimate holding company is Barlow Rand.*

Chairman: *D T Watt; joint managing directors: J R Forbes, A B Hall*

Capital structure: *12,4m ordinaries of R1. Market capitalisation: R91,8m.*

Financial: *Year to September 30 1981. Borrowings: long- and medium-term, R731 000, Net cash: R2,4m. Debt:equity ratio: 3,5%. Current ratio: 1. Group cash flow: R20,9m. Capital commitments: R30,3m.*

Share market: *Price: 740c (1980-81: high, 1 100c; low, 460c; trading volume last quarter, 472 000 shares). Yields: 21,5% on earnings; 4,1% on dividend. Cover: 5,3. PE ratio: 4,6.*

	'78	'79	'80	'81
Turnover (Rm)	20,0	21,4	31,9	51,8
Pre-tax profit (Rm)	4,1	4,9	9,3	24,8
Earnings (c)	29,2	34,3	50,5	159,3
Dividends (c)	15	17	24	30
Net asset value (c)	259	282	356	477

On chairman Dammy Watt's forecast that significant dividend growth should not be expected this year, the share, offering an historic dividend yield of 4,1%, appears a little overpriced. Prospects of a new earnings source chipping in this year could justify a longer-term hold, but it is disappointing to see that any hopes of a contribution from underground gold mining operations now appear to have been dashed.

The new earnings source this year will be the commissioning of the sand retreatment plant at Crown Mines. The extent of the contribution, however, will depend on the prevailing gold price and also on cost structures at the new plant. With 1982 gold price prospects looking little more than moderate at the moment, and with start-up costs to be absorbed, it would appear at this stage that any profit from this operation will be comparatively small.

RM Props' Watt . . . not optimistic on mining

Nevertheless, RMP looks as if it will be able to rely on its traditional operations for continued steady earnings, and Watt says he has not yet seen any signs of a downturn in the property and timber divisions.

Investigations into the feasibility of resuming mining at Crown Mines, City Deep and CMR concluded that, unless there is a material increase in the gold price to levels "which cannot now be foreseen," the limited ore available in these areas would not prove viable.

They did reveal, however, that if certain nearby areas could be brought into the picture, a more reasonable gold price increase might justify the resumption of mining. But the directors warn that some difficulty could be experienced in consolidating these other areas because of the complexities of ownership. The actual prospects of this being achieved are not expanded upon, but the tone of the directors' report does not look too optimistic.

After commissioning early in the year and additional capital expenditure of R27m during 1982, the sand retreatment plant should be milling ore at an annual rate of around 4,4 Mt by mid-year. Capex at the plant amounted to R22,9m by end-1981. The plant has some 70 Mt of ore available to it and the recovery grade should apparently be around 0,5g/t. Under current conditions, and assuming reasonable cost increases, the recovery operations should provide a "satisfactory" return, the directors say.

Management is not exactly forthcoming on the R40m loan facility arranged to finance the retreatment operation other than to say that it, along with internal funds, will be sufficient to cover capex. The facility is not reflected in the accounts, nor in the notes, so presumably it has not been drawn down at all as yet. With debt:equity at a meagre 3,5% the extra R40m should not be too much of a strain though if taken in one lump it could push gearing to more than 70%. It would be nice to know just what the plans are.

The property division was the profit mainstay last year, benefiting in particular from government plans to construct a National Sports Centre on land belonging to RMP. The price paid for the land was R13m, of which R5m has already been received, and the surplus on the entire deal has already been taken into account.

Consequently, the share of pre-tax profit attributable to the property division rocketed from under 75% to over 90%, or from R6,8m to R22m. The timber operation, Thesens, also performed well with improved margins and a 70% hike in profit. Though the directors' report on Thesens is scant, prospects must be fairly good. *Scott Hawker*

58 FM 4/12/81

BARLOW RAND

A buying opportunity

Activities: *Diversified industrial/mining group. Main listed subsidiaries are. Welgedacht (effective interest 45%), Witbank Colliery (45%); TC Land (63%); P P Cement (53%); Reunert & Lenz (52%); Plevans (80%); C G Smith (54%); Romatex (30%); Nampak (32%); and R M Props (47%). Major shareholders include Old Mutual (12,4%) and Anglo American (7%).*

Chairman and chief executive: *A M Rosholt.*

Capital structure: *126,1m ordinaries of 10c; and 375 000 6% prefs of R2. Market capitalisation: R1 387m.*

Financial: *Year to September 30 1981. Borrowings: long- and medium-term, R441m; net short-term, R177m. Debt: equity ratio: 37,9% Current ratio: 1,6. Group cash flow: R525m. Capital commitments: R504m, of which R356m will be incurred during 1982.*

Share market: *Price: 1 100c (1980-81: high, 1 300c; low, 795c; trading volume last quarter, 1,24m shares). Yields: 18,5% on earnings; 6,4% on dividend. Cover: 2,9. PE ratio: 5,4.*

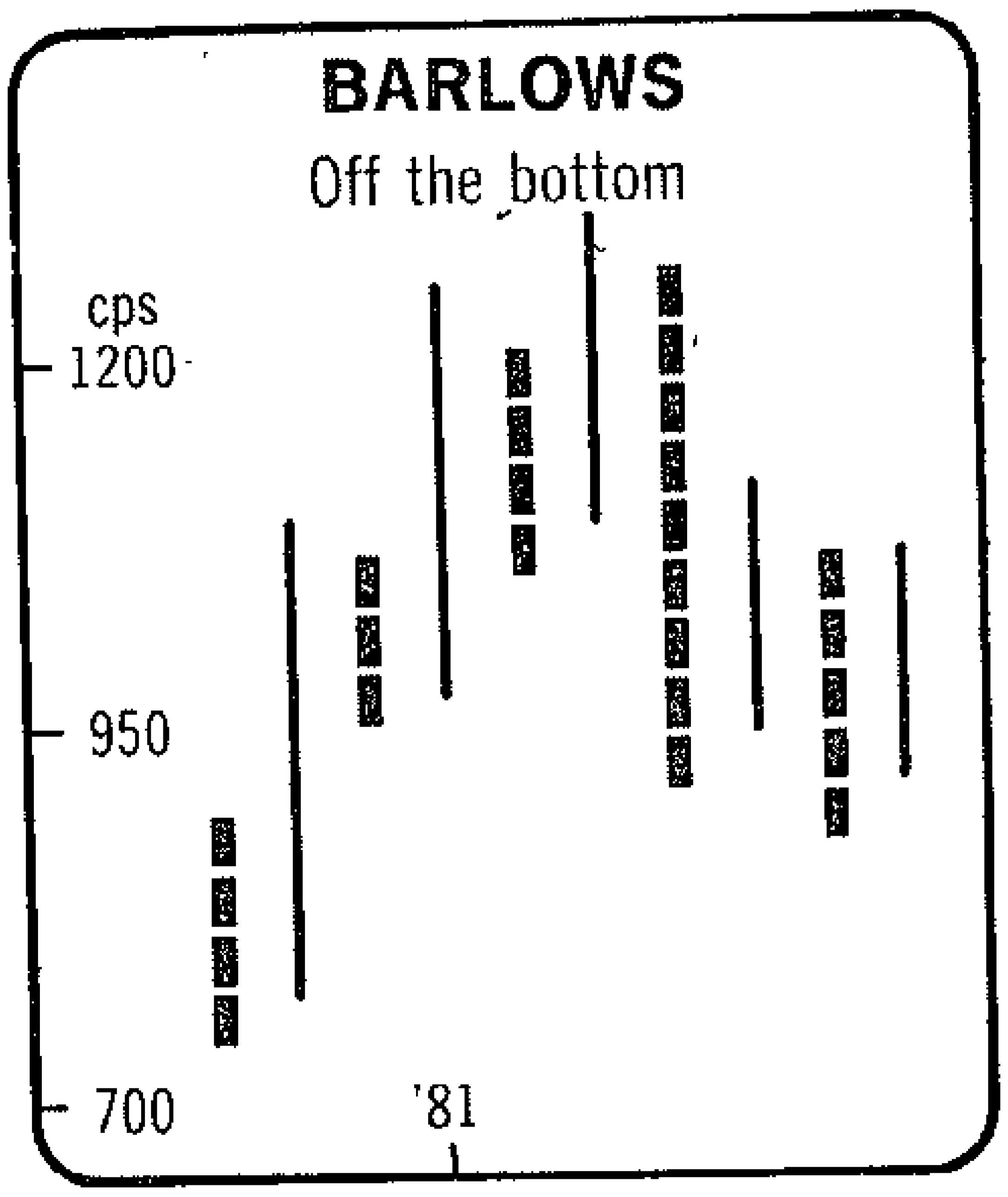
	'78	'79	'80	'81
Return on cap (%)	20,7	23,6	22,3	25,2
Turnover (Rbn)	1,6	2 3	3,4	4,6
Pre-tax profit (Rm)	214	315	509	653
Trading margin*(%)	9,0	10,8	11,9	11,6
Earnings (c)	88	117	175	204
Dividends (c)	30	38	58	70
Net asset value (c)	471	580	824	918

* Operating profit, excluding mining, on turnover

Although Barlows chairman Mike Rosholt sees 1982 as being a difficult year for the SA economy, our assessment at the time of the preliminary results that the group should be in a position to maintain its long-term 20% dividend growth rate still looks reasonable

But it is also clear from the annual report that this year's earnings improvement again will depend largely on the performance of local manufacturing operations. On present indications the mining sector seems unlikely to provide anything more than a token increase in income, while no meaningful recovery is expected from ferro-alloys or the overseas subsidiaries before 1983.

Last year's relatively slow 18% improvement in attributable earnings was almost entirely the result of recessionary conditions overseas. In particular, this was reflected in weak international steel and ferro-alloys markets, which virtually wiped out the profit from Middelburg Steel. This company contributed almost R20m to 1980 group earnings: last year it was down to only R1,5m. Similarly, economic conditions impacted on subsidiaries operating in the UK and the US, with the result that profit



attributable to overseas operations was down 63% from R2,7m to R1m.

If these two sectors are excluded, the rest of the group would have shown an earnings improvement of 30% — 12 percentage points more than that actually achieved — despite growth of only 9% in mining earnings This underlines the strong contribution from local manufacturing operations which, in aggregate, increased profits by 38% — though with a little help from acquisitions like Reunert & Lenz and the first full year's consolidation of the Smith group.

To justify a 20% increase in this year's payout, without any further reduction in cover, attributable profit would have to improve from 1981's R259m to around R311m. And, as the following table shows, working on basically unchanged contributions from mining, ferro-alloys and the overseas subsidiaries, the local manufacturing sector would have to improve 26% to achieve this goal.

DIVISION PROFITS
(Net taxed profit attributable to Barlows)

	Rm		
	1980	1981	1982*
Local manufacturing	144,3	199,5	250,5
Mining Operations	27,6	34,5	38,0
Investments	25,1	22,9	20,0
Ferro-alloys	19,7	1,5	1,5
Foreign subsidiaries	2 7	1,0	1,0
	219,4	259,4	311,0

* *FM* estimate

To run through these sectors in order, most of the local operations are looking to further profit improvements this year though the growth rate must inevitably be affected by the slow-down of the SA economy. Nevertheless, the above estimate takes this into account to the extent that the 26% improvement is only two-thirds of the 1981 gain.

In the case of mining, income from coal is expected to rise substantially, but this could be offset by conditions in base mineral markets. Overall, therefore, it has been assumed that profit from mining operations will increase by only 10%. Investment income, similarly, has been conservatively estimated at R20m (down 13%) to take account of the possibility of lower gold dividends while the gold price remains depressed.

Middelburg management expects profit to remain more or less unchanged at last year's depressed level, but Rosholt foresees the possibility that better earnings could be achieved in the second half in line with an expected recovery in the world steel market The estimate for this division, therefore, could prove conservative, although its importance in the context of the overall group has been reduced to such a level that any variation will not have a material impact.

And, finally, the foreign subsidiaries could also show some improvement during the second half if recessionary conditions abate. Results here should, in any event, benefit from the sale since the year-end of one of the loss-making UK subsidiaries, steel distributor Smith Druce.

On balance, therefore, the 20% dividend growth target looks to be within reach, in

Barlows' Rosholt . . . depending on local operations

surprising if major institutions do not view it as a buying opportunity The rating, however, has probably suffered as a result of the steep decline of the rand against major world currencies which has reduced, if not wiped out, the benefits to foreign shareholders of last year's dividend advance.

It follows that if the authorities are successful in stabilising the rand, Barlows could regain its premium rating in the months ahead. Of course, another major acquisition would also help. *Brian Thompson*

2. To assess the influence of:

The Availability of Services

Service utilization

Population pressures

Sanitation

Socio-economic Status

Family Factors

<u>Can be correlated with</u>

Nutritional Status, Illness, di
rates

All this can be done accurately by a ... trained nurses. It is however already perhaps too much to handle in the beginning stage in an area poorly monitored. To start, one should therefore select from the comprehensive set of measurements for those few with the highest payoff. Thereafter build up to a fuller picture if the information gathered first has been shown to be used to the benefit of the population

I would like to suggest that the best starting point is the:

1. INFANT MORTALITY RATE
2. NUTRITIONAL STATUS
3. TUBERCULOSIS INFECTION RISK

If it can be shown that these three measures can be gathered accurately in an economic way then it should be of great service to assist with the health care in the presently poorly monitored areas

... (1976):

G.S. FEHRSEN
<u>Dept of Family Medicine</u>
<u>MEDUNSA</u>

1978

BANK PROFITS

O banco booms

58 FM 4/12/81

The profits of most banks have begun to sag as the recent sharp rise in money costs has squeezed the margins between their borrowing and lending rates. The Bank of Lisbon is, however, a notable exception.

Not only are its profits in the year to September sharply higher, but it expects profits in the current year to exceed that growth. Indeed, the higher interest rates go, the more money it is likely to make.

There are several reasons for this contracyclic trend The basic one, however, is that the bank has been able to fund itself relatively cheaply and securely from the savings of the Portuguese community and others. It has done so through intelligent marketing that concentrates on personal service.

Since 1976, the bank's savings accounts have risen by 302%, against a rise of 189% for all commercial banks and 191% for building societies. Savings from private clients constitute 60% of its total deposits against only 30% five years ago

Lending, too, has been on a much more selective basis, with an emphasis on spreading risk. In the main, the business of the bank has been swung back to the High Street and away from the discounting of bills and property finance.

A growth area has been instalment finance, which is now 21% of total advances against only 4,1% five years ago. Total advances are now approaching R75m against R30m in 1975 on total assets of R145m against about R78m in 1975.

Net profit at R602 612 is 50% up on last year's R400 000, which in turn was 60% higher than in the previous year. Disclosed return on assets has improved from 0,31% to 0,42% which is well below the good performers but is improving.

With advances constituting only 52% of assets (45% last year) the bank has the ability to increase its loans (subject to capital restraints) quite considerably. It should be able to do so at a time when interest rates are likely still to rise. Yet, because of its secure and relatively cheap funding base, its cost of deposits will not increase appreciably. So its margins will widen

In 1979 shareholders increased the bank's capital by R1m and this, with later transfers to reserve, has effectively doubled the shareholders' interest since then. Joint MD Jorgé Anastacio says the bank plans to continue its aggressive expansion which will entail a further increase in capital this year.

[illegible]

[illegible] Financial Institutions [illegible] its intention to operate on an agency basis (as a matter of courtesy, not law), [illegible] ly identified with Legal and General [illegible] General [illegible]

[illegible] Commercial bank [illegible]

The large commercial banks [illegible] to make inroads into what they consider their traditional business. When money market surpluses develop, usually during the middle of the month, and the banks and discount houses are not aggressively bidding for cash, money brokers turn to the grey market. The large commercial banks say that a number of their large, visible clients are

[illegible]

[illegible] business by matching [illegible] rates offered to important corporate clients." He cites the case of [illegible] being offered to a client, and Barclays' decision to match it as a defensive measure. A one-off cash ad-

[illegible] margins between the [illegible] and borrowing rates. Where there are these "exploitable gaps" [illegible] activity will always [illegible] will prevent [illegible]

[illegible] response can [illegible]

BANKING

58 FM 4/12/81

Inside the exploitable gap

There is a right royal row going on between the banks. It is, in fact, the resurgence of a long-standing dispute. The large commercial banks are being accused of resorting to unethical means to counter perceived threats to their market positions from smaller banks. One of the giants, Barclays, has spelt out details of certain loans which appear to be the focus of the accusations.

The allegations imply the contravention of two market agreements, one of which lies at the heart of SA's system of monetary control. This is the long-standing arrangement between the commercial banks and the Reserve Bank that the minimum overdraft rate be set at 2,5% above Bank rate.

The other, honoured more in the breach, is an agreement arrived at by the all-bank cartel which was created about a year ago to reform a market that had become, by its own standards, unruly. This was the proviso that no cash advances of less than 12 months would be made by banks to clients at rates below the prevailing prime OD rate.

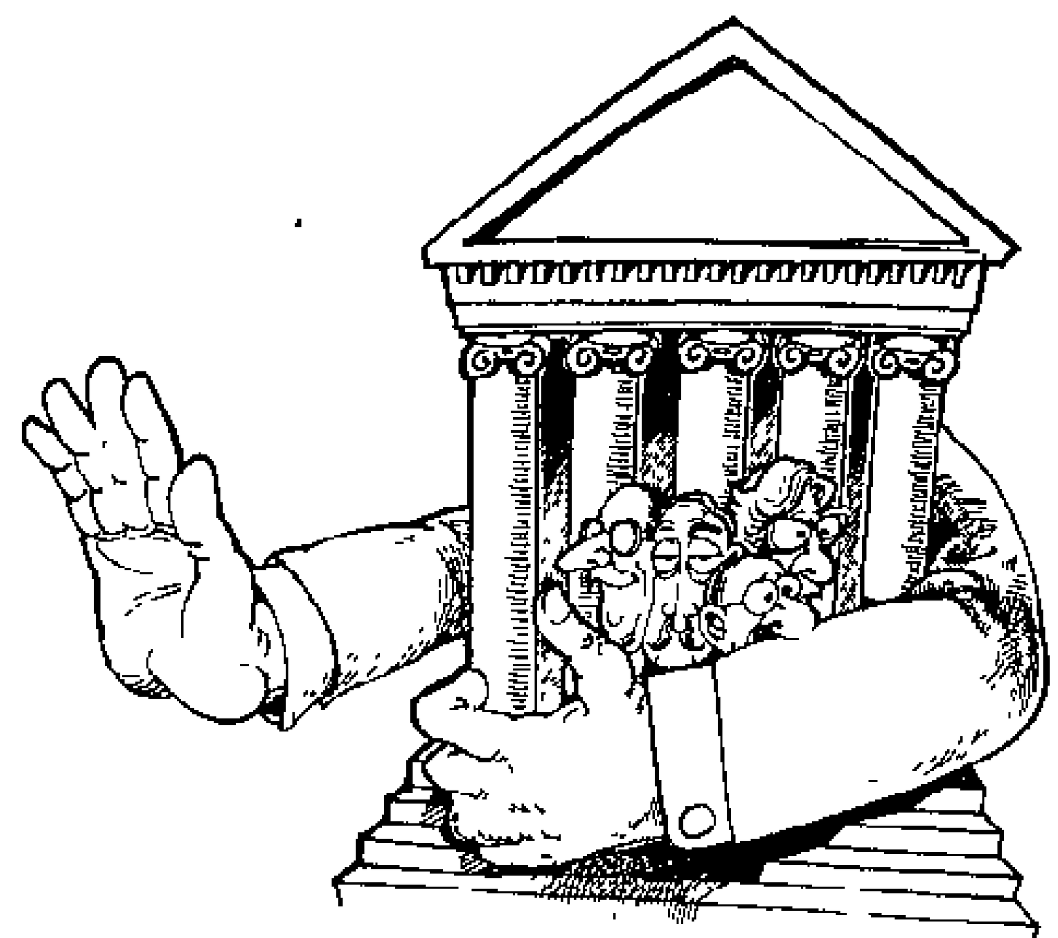
The current allegations concern the activities of the banks in the "grey" market, in which direct borrowing and lending takes place between private sector companies managing their own short-term deficits and surpluses. Some banks act as agents in this market, bringing together borrowers and lenders for a fee. The most active are those who have corporate connections with the large life insurers and the mining houses, the size of whose daily cash flows make them ready sources of short-term funds.

Santam and Senbank are most readily identified in this market with Sanlam, through Federale Volksbeleggings. Volkskas, which recently informed the Registrar of Financial Institutions Naas van Staden of its intention to operate on an agency basis (as a matter of courtesy, not law), is usually identified with Legal and General. Finansbank is often said to act on behalf of General Mining.

The grey market has seen a resurgence of activity in the last few weeks, and at least one large borrower claims to have "turned away millions" in call loans. Further evidence is provided by large fluctuations in commercial bank overdrafts, and there lies the crux of the dispute.

The large commercial banks claim that the smaller banks utilise institutional funds to make inroads into what they consider their rightful business. When money market surpluses develop, usually during the middle of the month, and the banks and discount houses are not aggressively bidding for cash, money brokers turn to the grey market. The large commercial banks say that a number of their large, visible clients are then "targetted" by the smaller banks, who (as agents) offer cash loans to them at lower rates than they are paying for prime overdrafts (now 16%). A representative call rate in the grey market is now about 14%.

These loans are then called at the month-end, when the market tightens, causing the utilised portion of the OD facility at the commercial bank to rise, and forcing it into holding expensive cash, capital and liquid asset reserve requirements against its increased liability. It is a practice that understandably irks those disadvantaged by it, and which was rampant when the financial system was wallowing in excess liquidity a year ago. The current extent of it is said to be more modest — a "hard core" of about R200m, according to a money market manager. And an agent for Sanlam claims that it has "only about R100m in the grey market



at the moment." But the commercial banks claim to have witnessed undue OD fluctuations in the last few weeks, which is interpreted as a clear sign of grey market activity.

The large commercial banks have now been accused of attempting to counter this phenomenon by placing their own funds (as opposed to acting as agents for non-bank funds) in the grey market at prevailing rates. This would mean that they are effectively making cash advances at lower than the minimum OD rate.

Barclays senior general manager Colin Waterson says that his bank has "on two or three occasions in the last week protected business by matching below-prime rates offered to important corporate clients." He cites the case of R9m being offered to a client, and Barclays' decision to match it as a defensive measure. A one-off cash advance was made, repayable on demand, under the strict supervision of MD Bob Aldworth.

"We are not contravening any agreements," he adds. "We are fighting to protect corporate customers from the blandishments of competitors."

Another Barclays money manager estimates that about R100m was placed at 14% last month "when the smaller banks mounted an aggressive client-targeting operation" He adds: "They exploited the gap between call deposit rates and the official lending rate. We hit back to protect our position."

Standard, along with the other commercial banks, denies categorically all knowledge of it, but admits "that we have been driven to the brink on a number of occasions by this thorn in our side" And a Standard source adds: "We have been held to ransom before by large companies threatening to go to the grey market, and asking us to match its rates. But we have always turned them away."

A Reserve Bank spokesman, Braam van Staden, confirms that unsecured cash advances repayable on demand, "which are, after all, overdrafts", made at below the prime OD rate, abrogate the agreement between the Reserve Bank and the commercial banks.

The truth of the matter, however, and the ultimate cause of the current dispute, is that the SA financial markets are not sufficiently free. Administered lending rates, like the prime OD rate, adjust slowly and imperfectly to market forces. Prohibitively high reserve requirements make it necessary for banks to maintain relatively wide margins between their lending and borrowing rates. Where there are these "exploitable gaps" scope for grey market activity will always exist and no cartel agreements will prevent them.

There is little the authorities can do short term to discourage these activities. The answer lies in more appropriate and market-related means of credit control And that, in turn, awaits the recommendations of the De Kock Commission into monetary matters. So long have the large banks waited for them, that their impatient response can hardly be surprising

F.M. 11/12/81

FEDVOLKS
Still growing

58

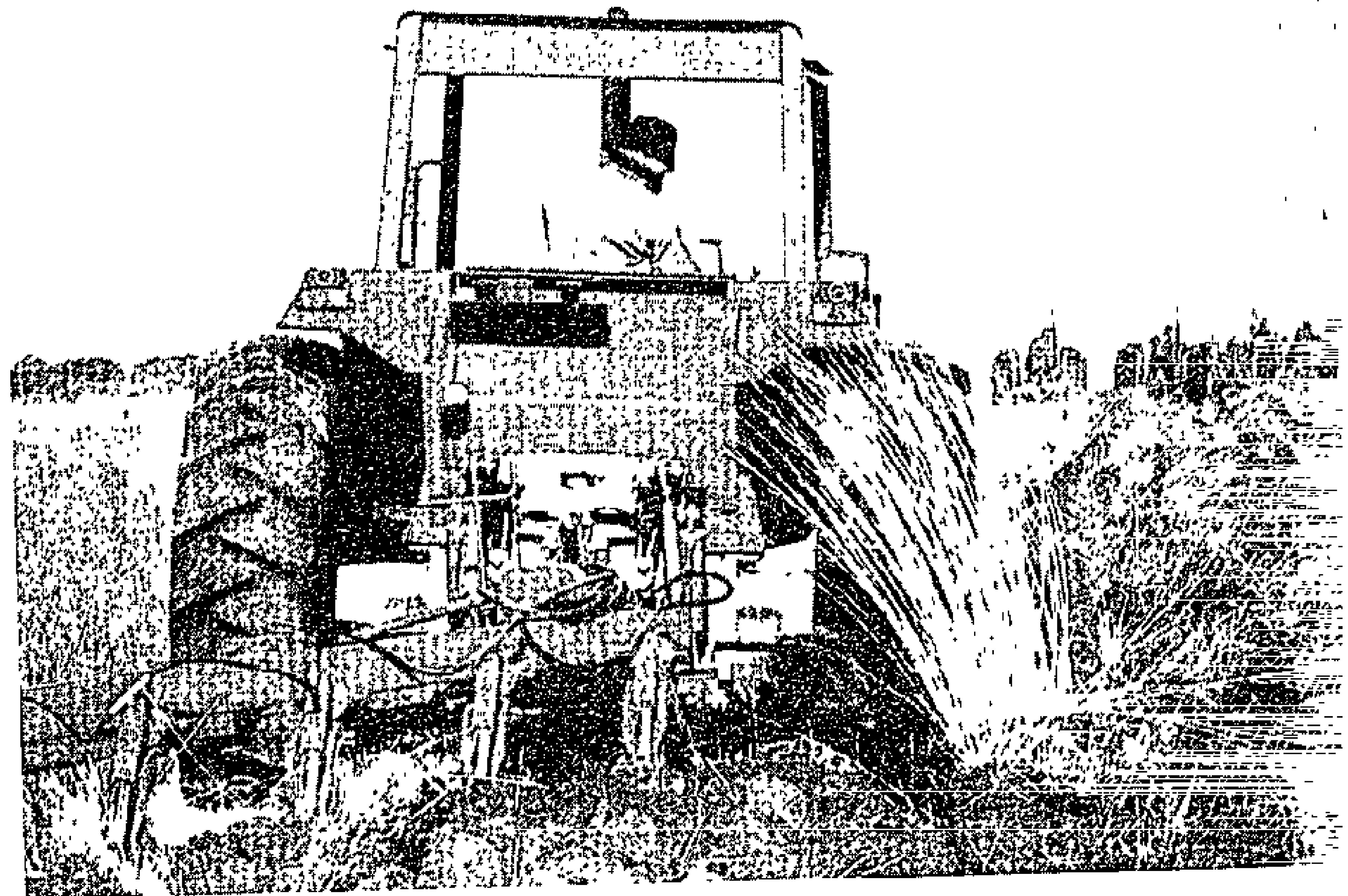
Federale Volksbeleggings' 31% profit growth in the six months to end-September is probably somewhat higher than the market expected. It owes much to the performance of its non-listed subsidiaries as well as to the acquisition of a controlling interest in Firestone last April. For the second six months the directors expect a slowdown, but the final earnings figure should be mo[re] or less in line with the 20% stated grow[th] objective.

In posting a 31% first-half earnings a[d]vance, Fedvolks performed far better th[an] listed subsidiaries Fedfood and SA Dr[ug]gists. Fedfood, for example, (see F[...] turned in 19% earnings growth while Druggists' attributable profit was 13% hi[gh]er. However, associate Sentrachem, wh[ich] has big capex programmes in the pipel[ine] would have contributed around R3, (R2,9m) to income based on its 23c (19c) fi[nal] dividend.

On the basis of the *FM* estimates at time of the Firestone acquisition and a c[on]servative estimate of market growth, fi[rst] half results could have benefited by so[me] R2,5m before offsetting the R2m-odd [fi]nancing costs of the deal. On a per sh[are] basis this would have boosted earning[s] something under 2c a share. Stripping [it] out would produce normal earnings gro[wth] of around 25%, which is closer to the 2[0%] per annum three-year target set by m[an]agement It also gives an indication of [the] strength still left in the economy.

Fedvolks' farming equipment inter[ests] should have been a fairly strong contribu[tor] to this organic growth as the agricultu[ral] sector geared up for what was expected [to] be a bumper year Drought problems si[nce] in certain areas could have offset this [to] some extent. Also, the consumer prod[ucts] subsidiaries, including Morkels, must h[ave] experienced solid demand which sh[ould] hold up until the year-end.

Financially, Fedvolks remains sound [...] R30m rights issue of prefs to fund the F[ire]stone purchase and the issue of R5m w[...] of ords to Sanlam for an additional effe[ctive] 7,5% in Firestone boosted sharehol[ders'] funds and improved gearing potentia[l] even if subsidiaries call for more fu[nds] might happen in Fedfood's case, li[...]



Fedvolks' farm equipment ploughing a deeper profit furrow

BANKING F.M. 11/12/81

Profit challenge (83)

The challenge to bank profits presented by an adverse financial environment is well-illustrated by the latest crop of bank quarterly returns, which reflect their balance sheet positions at the end of September.

Most noticeably, perhaps, the surprise factor that emerged at the end of the second quarter of this year has been eradicated. This was the fact that by balance sheet definition, the Standard group had inched past the Barclays group in terms of total assets. It was a phenomenon that caused both alarm and elation in an industry acutely aware of market share and asset size. But according to the balance sheets as of September 30 Barclays had regained its premier position in SA banking.

The table of "Total assets and contingent liabilities" offers some indication of the degree of accounting flexibility offered by the official regulations and definitions attached to the bank quarterlies. Barclays leads the field in the rate of growth of its bill rediscounting activities, a fact attributable less to the demand for paper in the market than to its attempts to reduce the load on its overdraft book by encouraging clients to finance through bills. Certain endorsed bills as yet require no high reserve requirements to be held against them by the banks, hence their definition as contingent liabilities (an exemption that will change by law on December 31).

When cash reserves are scarce, as they are now, endorsed bills represent a cheaper means *to the banks* of servicing credit demand. Eighteen months ago, when rates on this kind of paper were relatively low, it was the other way around — customer demand expanded the banking system's contingent liabilities. The June quarterly returns showed negative growth rates for all banks' contingent liabilities except Barclays, which was then already engaged in "selling off its book". This trend appears to have continued, with Nedbank having now joined Barclays as another exception. In Standard's case, the figure is disguised by being included (an example of flexibility of definition) under the item "Guarantees". This item also generally includes domestic bank guarantees against off-shore financing of foreign trade.

Notable increase

The most notable increase in contingent liabilities, however, is in the category of "Loans granted but not yet drawn" with the sectoral annual growth rate at 117%. This was also a feature of the June returns. The banks show reluctance to explain this, some pointing to large financial packages associated with public sector fixed investment spending, others to variations of definition. There is probably more truth in the latter, indicating how contingent liabilities may be a repository for items either difficult to define or costly to carry on balance sheet.

The table of Deposits shows clearly a shift in the liquidity preferences of depositors to the very short-term. Call deposits continued to play an inordinately large role in bank financing, and the annual growth rate (155%) remained high. Attracting a 58% reserve requirement, call deposits represent a costly source of funds.

Barclays, Standard and Volkskas contin-

BLACK AND GREY

TOTAL ASSETS AND CONTINGENT LIABILITIES

	BARCLAYS Amount Rm	BARCLAYS Annual growth %	STANDARD Amount Rm	STANDARD Annual growth %	VOLKSKAS Amount Rm	VOLKSKAS Annual growth %	TRUST Amount Rm	TRUST Annual growth %	NEDBANK Amount Rm	NEDBANK Annual growth %	OTHER Amount Rm	OTHER Annual growth %	TOTAL Amount Rm	TOTAL Annual growth %
Total on balance sheet	8 201	27	7 955	30	4 198	30	4 637	40	4 677	33	2 328	27	31 996	31
Bills rediscounted	340	75	—	—	11	−89	186	−56	568	36	39	−81	1 144	−15
Guarantees	2 021	14	1 901	25	778	52	401	43	298	63	367	21	5 766	26
Loans granted but undrawn	1 135	858	1 048	925	27	153	53	−61	71	142	42	−33	2 376	417
Total	11 696	37	10 904	41	5 014	30	5 276	27	5 615	35	2 777	14	41 282	34

• All figures rounded and as at 30 September 1981 – all on group basis.
Bills discounted, guarantees and undrawn loans granted are defined as contingent liabilities in terms of the Banks Act

FROM WHENCE IT CAME . . .

DEPOSIT CATEGORIES

	STANDARD Amount	STANDARD Mix*	BARCLAYS Amount	BARCLAYS Mix	NEDBANK Amount	NEDBANK Mix	BANKORP Amount	BANKORP Mix	VOLKSKAS Amount	VOLKSKAS Mix	OTHERS Amount	OTHERS Mix	TOTAL Amount	TOTAL Mix
CALL (Rm)	1 236	19	601	9	972	29	476	14	290	9	154	10	3 728	15
Annual change %	391		40		209		168		50		65		155	
MARKET SHARE %	33		16		26		13		8		4		100	
Annual change %	94		−45		18		8		−38		−33		—	
DEMAND (Rm)	1 405	22	1 697	26	422	12	238	7	840	25	72	5	4 674	19
Annual change %	6		10		12		20		15		18		11	
MARKET SHARE %	30		36		9		5		18		2		100	
Annual change %	−3		—		—		—		−6		—		—	
SAVINGS (Rm)	1 289	20	1 328	20	728	22	371	11	579	17	225	14	4 521	18
Annual change %	13		9		9		14		14		9		11	
MARKET SHARE %	29		29		16		8		13		5		100	
Annual change %	−9		−3		−6		300		−7		—		—	
NCDs (Rm)	377	6	467	7	190	6	243	7	267	8	80	5	1 625	7
Annual change %	−17		3		−40		−8		141		11		−3	
MARKET SHARE %	23		29		12		15		16		5		100	
Annual change %	−15		7		−37		−6		129		25		—	
FIXED (Rm)	2 194	34	2 525	38	1 079	32	2 155	62	1 425	42	1 063	67	10 441	42
Annual change %	23		59		17		54		35		23		37	
MARKET SHARE %	21		24		10		21		14		10		100	
Annual change %	−9		14		−16		16		—		−9		—	
TOTAL (Rm)	6 501	100	6 618	100	3 391	100	3 483	100	3 401	100	1 594	100	24 988	100
Annual change %	30		27		32		46		30		24		31	
MARKET SHARE %	26		27		14		14		14		6		100	
Annual change %			−3		—		−8		—		—		—	

AND WHERE IT WENT

LENDING CATEGORIES

	BARCLAYS Amount	BARCLAYS Mix	STANDARD Amount	STANDARD Mix	BANKORP Amount	BANKORP Mix	VOLKSKAS Amount	VOLKSKAS Mix	NEDBANK Amount	NEDBANK Mix	OTHERS Amount	OTHERS Mix	TOTAL Amount	TOTAL Mix
HIRE PURCHASE (Rm)	1 127	24	950	19	1 078	39	332	15	296	12	399	30	4 182	23
Annual change %	56		45		53		88		139		50		58	
MARKET SHARE %	27		23		26		8		7		10		100	
Annual change %			−8		−4		14		40		—		—	
LEASING (Rm)	707	15	853	17	438	16	172	8	356	14	227	17	2 752	15
Annual change %	34		22		57		61		101		27		40	
MARKET SHARE %	26		31		16		6		13		8		100	
Annual change %	−4		−11		14		20		44		−11		—	
OTHER ADVANCES (Rm) +	2 917	61	3 122	63	1 225	45	1 750	78	1 909	75	694	53	11 617	63
Annual change %	44		34		40		61		74		23		46	
MARKET SHARE %	25		27		11		15		16		6		100	
Annual change %			−7		—		7		14		−14		—	
TOTAL ADVANCES (Rm)	4 751	100	4 925	100	2 741	100	2 254	100	2 561	100	1 321	100	18 552	100
Annual change %	46		34		48		65		84		32		48	
MARKET SHARE %	26		27		15		12		14		7		100	
Annual change %			−7		—		9		27		−13		—	

• All figures rounded — all figures as at September 30 1981 and on group basis.
* Mix — refers to percentage share in total
+ Other advances — overdraft
SOURCE: Barclays Bank

ued to ride on the back of a healthy mix of demand deposits, while Bankorp in particular funded itself to a large extent on fixed deposits. This group continued to show the largest rise in total deposits, an ironic repayment of its obligations to the Reserve Bank, which is still underpinning the solvency of its premier institution. But the total deposits of the banking sector as a whole showed a lower growth rate than the previous quarter, a factor presumably encouraging to the monetary authorities.

In Advances, Bankorp continues to be strong in hire purchase, and to command an inordinate market share relative to its size. The sectoral growth rate in HP, although high, is substantially lower than it was three months ago. It would appear as if the con-

A. During the audit of A Ltd you discover that, although the company is presently paying its accounts promptly, heavy losses have been incurred on contracts which render insolvency likely. Later on the audit of B Ltd you find a substantial debt, still outstanding, due by A Ltd on the list of debtors.

YOU ARE REQUIRED:

to state whether, as auditor to B Ltd, you are entitled to use the information gained on the audit of A Ltd. Give reasons.

B. E Ltd is a member of a trade association to which it renders returns of sales on which levy is payable. You are the auditor of both E Ltd and the trade association. In the course of the interim audit of E Ltd you discover an error in the books which falsifies the sales returns rendered. You advise the secretary to render an amended return. Later, on the audit of the trade association, you notice that E Ltd did not render an amended return.

YOU ARE REQUIRED:

to state what action you would take. Give reasons.

1951)

rks - 18 minutes)

sumer demand that has for the last eighteen months fuelled very high growth rates in instalment credit has finally begun to lose momentum.

However the annual rate of growth of "Other advances", mainly overdrafts, has shown the largest decline over the quarter, from 60% to 46%. Bankorp and Volkskas are the exceptions to this rule, appearing to have accelerated their OD lendings at a time when the other large banks were slowing down. Most bankers, however, claim to have detected a decline in the demand for credit. Overdraft demand rose by only 6% over the last quarter, displaying approximately half the rate of growth it has shown over the last year. Total deposits rose only 7% over the quarter, against an annual growth rate of almost 50%. Even Nedbank, the most aggressive market penetrator, curtailed its rate of growth of total advances over the last quarter to a relatively modest annualised 70%!

2

Jan Pickard's touchdown — right between posts

ARGUS 11/12/81

58

AS a young man, Mr Jan Pickard achieved considerable fame for his prowess on the rugby field. But now he is showing that he's just as adept in the field of business.

Picardi Investments (Picbel), the top company in the business empire he has built up in the past 15 years, announced today that it is doubling its annual dividend for the second year running.

It is paying 16c a share after paying 8c last year and 4c in 1979.

And at a Press conference, Mr Pickard indicated that with six months of the financial year already over, there was a good chance that Picbel might be able again to double its dividend next year.

PICCAN

One of the reasons for the big increase in Picbel's dividend was the sharp increase in profits earned by an associated company Piccan (formerly Picardi Canners).

Piccan sold its canning interests to Langeberg Co-op earlier this year.

The move led to Piccan's net profit before tax in the year ended June rising more than six times to R2 275 000 from R359 000.

Net profit after tax and preference dividend payments rose 8,7 times from R253 000 equal to 2,7c a share to R2 215 000, equal to 23,6c a share.

An annual dividend of 8c — 2c more than the 6c forecast — has been declared.

Jan Pickard

As Piccan's profits included canning losses for the seven months ended January, profits for the year ending June, 1982, were expected to be substantially higher, in spite of the more difficult trading conditions which were likely to arise, Mr Pickard said.

Mr Pickard reports that Picardi Finance, the controlling company of Union Wine, increased its net income before tax in the year ended June by 66 percent from R3,5-million to R5,8-million, and its net income after tax by 111 percent from R1 998 000 to R4 219 000.

After taking into account dividend and attributable income of an associated company and minority interests, income attributable to ordinary shareholders was 112 per cent higher at R4 4550 000 equal to 124c a share (last year, 61,6c).

The annual dividend has been increased 50 percent from 20c to 30c a share.

BUOYANT

Mr Pickard says Picfin generally experienced buoyant trading conditions.

Union Wine's wholesale turnover rose 41 percent and breakthroughs were achieved in product development, but the final results were adversely affected by the sharp rise in interest rates on borrowed money.

Picardi Investments almost doubled its net income before tax from R6,4-million to R11,1-million.

After providing for taxation, preference dividend and minority shareholders, income attributable to ordinary shareholders was R6 366 000, an increase of 79 percent on last year, equal to 143,6c (80,4c) a share.

The 16c dividend was thus covered almost nine times by earnings.

Mr Pickard said the high dividend cover was necessary to conserve cash in companies lower down the pyramid.

Derek Tommy

Bank rate up — SA must tighten belt

CAPE TIMES 15/12/81 (58)

By PAUL DOLD
Financial Editor

SOUTH Africans are facing a period of belt-tightening following last night's one percent rise in the bank rate to 13,5 percent, which seems bound to lead to further increases in the cost of bank overdrafts and mortgage bond rates.

The rise in the bank rate came only hours after the rand had sunk to near parity with the dollar for the first time, and it follows a substantial deterioration in the country's foreign exchange reserves in recent months.

The Reserve Bank action served notice that the authorities intend to defend the rand, which has been tumbling as the nation's trading account deteriorated.

Because of the still booming economy, imports have been rocketing while exports sagged because of the recession overseas, and South Africa has been living beyond its means. This has occured at a time when the gold price has also been depressed.

Put simply, a surplus of rands in the world economy — as we have been importing and paying for more goods than we have been exporting — has caused the price of rands to fall sharply.

The Reserve Bank has thus far been able to shield the economy from the overseas recession, but with the reserves under pressure, a low gold price and the rand tumbling, this could no longer continue.

Prime bank overdrafts are likely to move to 17 percent, and given the current economic scenario, the man in the street can expect his rate to increase as well. The cost of hire purchase credit and leases will also rise sharply.

While it is not yet clear if building societies will immediately follow the bank rate, they are virtually certain to increase the bond rate early in the New Year.

South Africans face further price shocks in the New Year, including an increased petrol price due to the dramatic fall of the rand.

● Full report, page 14

Belt-tightening ahead as bank rate goes up to 13½%

CAPE TIMES 15/12/81 (58)

By PAUL DOLD
Financial Editor

SOUTH AFRICANS are facing a period of belt-tightening following last night's one percent hike in the bank rate to 13,5 percent which seems bound to lead to further increases in the cost of bank overdrafts and mortgage bond rates.

The increase could lead to an easing of industrial share prices on the Johannesburg Stock Exchange.

Higher interest rates will bite into corporate profits and consumer demand should weaken. The prospect is for lower dividends and the reverse yield gap could come under pressure.

Industrial yields may thus rise with the inevitable correction to share prices.

The dramatic rise in the bank rate came only hours after the rand had sunk to near parity with the dollar and it follows a substantial deterioration in the country's foreign exchange reserves in recent months.

The Reserve Bank action served notice that the authorities intend to defend the rand which has been tumbling due to the worsening of our current account of the balance of payments and the gold price.

Imports have been rocketting while exports sagged due to the recession overseas and South Africa has been living beyond its means. This has occured at a time when the gold price has also been depressed.

Put simply, a surplus of rands in the world economy — as we have been importing more than exporting — has caused the price of rands to fall sharply.

The Reserve Bank has thus far been able to shield the economy from the overseas recession but with the reserves under pressure and the rand tumbling this could no longer continue.

It, however, remains to be seen whether the rand can be defended at the current rate or whether a further fall below parity will be necessary.

To defend the rand the authorities will have to dip into precious foreign exchange reserves but the decision to increase the rate could also be interpreted by the market as the current level being the "right" rate as far as the authorities are concerned.

Prime bank overdrafts are likely to move to 17 percent, and given the current economic scenario the man-in-the-street can expect his rate to increase as well, possibly to 19 to 20 percent. While it is not yet clear if the building societies will immediately follow the bank rate they are virtually certain to increase the bond rate in coming weeks and their deposit rates to maintain the attractiveness of building society investments.

The cost of hire-purchases and leases will rise sharply and it will be necessary to revise the Ladofca ceilings (Limitation and Disclosure of Financial Charges Act).

The Reserve Bank is to be congratulated in allowing South African interest rates which, under previous governors, were artificially surpressed for years to reach a market-orientated level.

The rate stood at seven percent a year ago and the latest rise is the fifth this year. The previous rise was two percent in July.

Overdrafts, mortgages and H-P bound to cost more

The latest rise in the bank rate and short-term interest rates will slow the still booming South African economy and further reinforce monetary control.

As the gold price remains well below $450 and consumer demand continues to boom it was apparent that the authorities would soon have to resort to further steps to slow the economy and reduce the soaring import bill.

Church Square had probably postponed corrective measures hoping that the gold price would recover sharply. This has not occured, however, and although the Polish crisis will lead to a short-term rise in the price there is little in the longer term to sustain a recovery.

The record and growing deficit on the current account was fast becoming South Africa's main priority. In spite of heavy borrowing abroad and gold swaps, leading to an injection of some R3-billion, the reserves have been falling sharply.

While imports will eventually slowdown, the deficit on the current account of nearly R6-billion at a seasonally adjusted annual rate in the third quarter suggests strong measures were needed to cool off the excessive demand in the economy. The squeeze is now underway.

Money market rates are likely to soar further in the first quarter of the new year as liquidity in the economy tightens and impacts on corporate funding.

In addition, the authorities success in bringing the money supply under control again will not be threatened by overseas borrowing as bank credit is slowing and the funds raised will be out of reach of the private sector.

A realization that the recovery of the United States economy, and that of Europe, has been delayed probably hastened, rather than postponed, the necessary adjustment in the South African economy.

The upturn in demand for South African exports may now be delayed until the end of 1982 and with higher-than-expected United States budget deficit US prime rates in turn may move up once again with the anticipated downward effect on the bullion price.

United States bond market guru, Dr Henry Kaufman, said in London yesterday that the US budget deficit will total $85-billion to $90-billion in fiscal 1982, and $65-billion to $75-billion in fiscal 1983.

He told a world banking conference that US government agencies will borrow another $20-billion in fiscal 1982, bringing net marketable borrowings by government to $105-billion to $115-billion.

Kaufman said he believed the US bond market rally, which started in early October when interest rates on the highest rated utility debt were at 18 percent, is now at least 75 percent over.

Several weeks ago he said the bond market rally was at least two-thirds over. He added that one more rally in bonds was likely in the early part of next year.

The South African economy is faced with the prospect of higher interest rates and a reduced economic growth rate for longer than was expected.

Continued on page 15.

Bank Rate up: credit screw is tightened

STAR 15/12/81

58

By Michael Chester, Financial Editor

The Reserve Bank today introduced sweeping new credit squeeze measures which are likely to put a damper on the remaining Christmas shopping.

The signal to further tighten the screws on credit came with a surprise announcement that Bank Rate — the bench marker for all interest rates — was jumping to a record 13,5 percent from this morning.

The 1 percent increase means that Bank Rate has now almost doubled since it stood at 7 percent only 12 months ago.

And today the Governor of the Reserve Bank, Dr Gerhard de Kock, called in top commercial bankers to talks in Pretoria to discuss guidelines on how to handle the impact on all forms of credit.

Repercussions

Among the expected repercussions:

● Prime overdraft rates, limited by the banks to only the cream of businesses, will move from 16 percent to 17 percent or even higher.

● Overdrafts for the man in the street will be scarcer and, when available, may go to 19 percent or more.

● Most hire purchase deals, which at the moment cost a maximum 24 percent, will become even more expensive.

● Credit card charges

will be under ... go beyond 18 percent.

- Home mortgages, which on an average bond of around R30 000 have already jumped to about 13,25 percent, will be under further upward pressure.

An announcement from the banks on most interest rate rises is expected in the wake of the Reserve Bank meeting being held today.

The building societies are likely to stay mum until the rest of the new rate pattern emerges, but it is considered inevitable that bond rates will rise sooner or later.

The rate of spending by South African families, though perhaps not as furious as at the peak of the 1980 boom has been causing mounting concern at the Reserve Bank in recent months.

Savings slump

Of particular concern has been the nose-dive in savings, and the slide into debt by more and more buying on credit.

It has been widely expected that the Reserve Bank would try to hold Bank Rate pegged at least until the New Year.

But the final nudge to act now—despite the effect on Christmas shopping—was given by trends on foreign exchange market, where the South African rand has declined steeply over the past year.

Higher domestic interest rates, it is hoped, will turn the tide.

- Page 23: Bank rate up — bid to curb spending.

BANK RATE (1)

Policy punch

F.M. 18/12/81

58

The 1% rise in Bank rate on Monday, which brought its current level to a record 13,5%, did not really surprise the financial markets. Some eyebrows were raised, however, at its timing — it had been widely expected to coincide with the seasonal tightening of the money market in February next year.

Domestic financial conditions did not dictate the rise. The money market, though not exactly awash with liquidity, is more fluid than it has been in the months since Bank rate was last raised, and in September the banking system displayed a generous excess liquidity ratio. Loanable funds have been available on the grey market for 14% or less, compared to a prime overdraft rate of 16%, and bankers' acceptance finance a little below that.

The increase is a symbol of Reserve Bank Governor Gerhard de Kock's intention to lead a market that has to some extent been side-stepping stated monetary policy. De Kock has pointed out in recent statements that policy has erred on the side of protecting the domestic economy at the expense of the international value of the rand. An important plank in this was the preservation for too long of a large discount on forward dollars, which encouraged the off-shore financing of trade, and prevented substantial liquidity drains on the domestic system.

Simultaneously, it softened the bite of policies aimed at raising the cost of domestic credit, and curbing inflationary spending pressure. The rise in Bank rate, and recent developments in the foreign exchange market, suggest a shift of policy in a manner that may well err in the opposite direction. Santambank economist Frank Shostak, for instance, believes that it could reduce real economic growth next year to about 1%.

It could have been prompted by the realisation that the annualised BoP current account deficit was running at almost R6 billion in the third quarter of this year. The decision was taken to manage the foreign reserves in a non-inflationary manner by raising foreign exchange through gold swaps, and transforming the forward discount into a premium. The Bank rate increase was the next logical step. It discourages further the country's propensity to import, thus protecting the external value of the rand. And it discourages further domestic spending, thus protecting the rand's internal value, whose chief enemy is a high inflation rate.

Some hint that an increase was imminent came at last week's Treasury bill tender, when the TB rate inched 22 points above the prevailing Bank rate. This was no accident — the TB rate had been rising consistently in the face of other stagnant market rates. And the TB rate at any time can be the result of careful orchestration of weekly tender prices between the discount houses and the Reserve Bank.

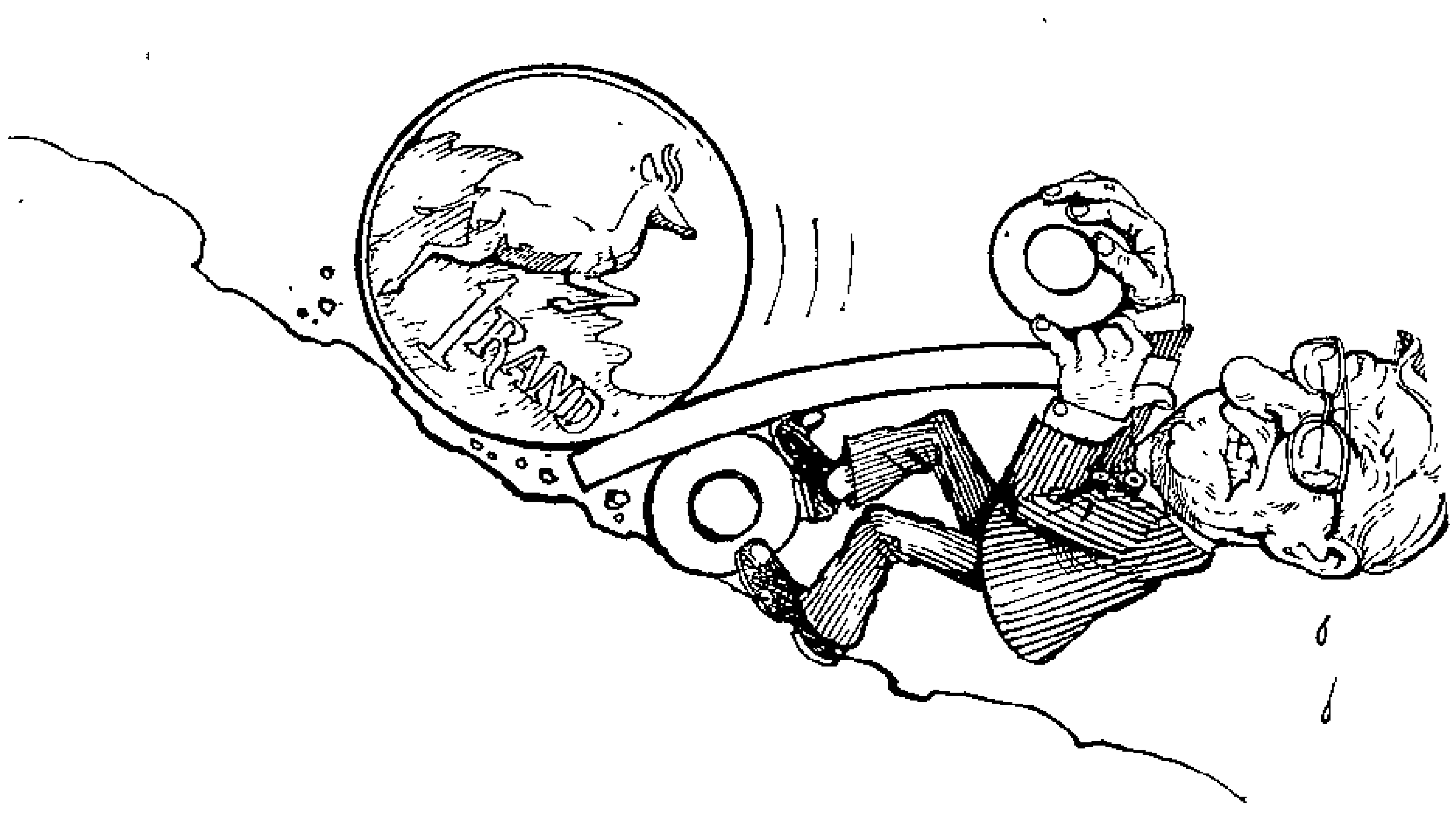
Evidence of upward pressure on other short-term rates is already apparent. The BA rate has been marked up 50 points to 14,85%, putting the effective cost of BA credit at a little over 16,5%. The commercial banks may now raise their prime OD rate to 17%, but early indications are that they will not go as far as this. A 0,5% rise is expected.

As one economist puts it: "If they did not raise it at all, it would defeat the purpose of the Bank rate rise. But they may not go to 17%. As it is, with the effective Ladofca limitation at 18%, they have little room for manoeuvre. And it will have other ripple effects. Agricultural financing at 12% looks increasingly generous, and the building societies, who are competing for the same cash, have had no increase in their lending rates. All these limitations will have to be reviewed."

The increase also raises Bank rate above the rate on long-dated government stock, an inverted yield situation expected to place upward pressure on long-term rates.

The poor response to the latest government stock issue may have been an anticipation of this. Only R325m was taken in, R159m on the short-dated stock and R166m on the long-dated, to which the PDC contributed an undisclosed amount. Part of the balance of the R818m rollover was accounted for by recent Reserve Bank sales of tap stock amounting to R430m, but a shortfall of over R50m remained.

Both stocks, it will be remembered, were sold at discounts for an effective yield in each case of 13,25%, and the short-dated would have been aimed primarily at the banks for liquid asset purposes. Even without the rise in Bank rate, however, 13,25% is an attractive liquid asset yield compared only to Land Bank overdrafts at 12%.



BANK RATE (2)

F.M. 18/12/81

Rallying the rand

58

The prolonged slide in the value of the rand — amounting to a devaluation against the dollar of more then 30% over nine months — appears to have been checked by this week's Bank rate rise.

After falling to a low of $1,0034/40 on Monday, the rand rallied on Tuesday to $1,0220/30 — a rise of nearly 2% on the day.

A slight firming in the gold price as a result of the latest Polish crisis may also have been a factor.

The rise in Bank rate was undoubtedly the correct policy response to a weakening rand, which inflates the costs of imports and pushes up prices generally.

It hits at its roots the cause of the currency's weakness — excess domestic demand which is pushing up both imports, which together with a lower gold price has created a wide trade deficit, and domestic prices.

An alternative policy measure would have been for the Reserve Bank to use the proceeds of the recent gold swaps to buy rands and stabilise the rate.

But that would not have had any influence on basic demand. So the chances are that progressively more of the reserves would have to be used, until a more fundamental economic correction occurred. Clearly the level of reserves is not sufficient to make such a course of action feasible.

The question now is whether, having checked the rand's slide, a 1% Bank rate rise will be sufficient to maintain a stable international value for the currency over the months ahead.

What has to be kept in mind in this respect is that the currency's weakness in recent weeks is not entirely due to domestic inflation and a gaping trade deficit.

On a trade weighted basis the rand is only some 16% lower than it was nine months ago. And sterling, one of the main components of this index (20% to 2[illegible]% of SA's trade is involved in sterling) has been under downward pressure.

Moreover, with the forward dollar premium widened to make it less attractive to finance imports abroad, traders with existing foreign financing obligations could have been buying dollars now to meet what would otherwise be a rising future dollar commitment. Exporters on the other hand could be delaying repatriating their dollar proceeds from abroad as long as possible to take advantage of a rising dollar against the rand.

This might be creating a temporary shortage of dollars in the local foreign exchange market, accounting for the rand's accelerated slide last week. The relative strength of the financial rand suggests that this might be so.

On balance, with domestic prices still likely to rise in the months ahead on the back of the high growth of the money supply earlier this year, and with imports showing no sign of reducing, the general downward pressure on the rand is likely to reoccur. This will be especially so during periods in which the gold price is tending to ease.

It is quite likely that further rises in interest rates will therefore be necessary to bolster the currency. The extent to which they become necessary will be determined by the gold price but also by the authorities' ability to squeeze the money supply and discourage disintermediation or non-bank lending. This, in turn, will require some quite fundamental changes in the methods of bank credit control as well as vigorous marketing by the authorities of official securities.

BUILDING SOCIETIES

F.M. Mar/81

A helping hand

(58)

The United Building Society is no doubt pleased by the injection of assets of some R449m acquired through its takeover of Southern Trident (ST). However, ST's surplus — what an ordinary company would call profit — is such that the merger cannot be described as a financial coup. It is more likely that the UBS is offering a helping hand.

March 1981 figures reveal that the ST had the movement's lowest surplus R100 of mean assets — 4,3c (against the UBS's 40,2c) — with a reserve ratio of 1,5% against 1,9% last year and pre-tax surplus (profit) after dividends and special appropriations of R173 000 on assets of R449m.

At the time the *FM* made the point that if the surpluses of some societies remained low, they might become "ripe" for takeover. On those figures it was clear the Trident was heading for troubled water. Had the competition for deposits been less, the best it could have hoped for was to break even.

Movement stability

The point must be made that building societies are never allowed to get into real difficulties: they simply place their liabilities and assets in the hands of another, more robust society.

It is to the movement's credit that such is its stability that bigger societies can absorb another the size of ST with no trouble.

Because Trident's profitability was very low, its absorption into the United has pulled United's key ratios down. But the society is sufficiently strong to carry the burden and recover. The new United (ST will be phased out by April) will have a reserve ratio of 2,59% and profit/R100 of mean assets of 36,4c based on March '81 figures.

United's market share will now increase by 4% thus broadening its client base and number of outlets.

Although one or two of the bigger societies are believed to want to enhance their growth and market penetration by taking over a smaller independent society, these societies have healthy ratios and are displaying a marked reluctance to merge.

But this merger demonstrates clearly that building society managers who fail to generate realistic surpluses will increasingly become vulnerable to a loss of independence.

FOREIGN LINKS

Independent insurance broker Robert Enthoven Nebicon will become one of the Big Five when Jardine Glenvill merges into it in April next year.

The Enthoven family will remain in control with Jardine Insurance Brokers (the international broking arm of Jardine Matheson), Rennies, Board of Executors and Fidelity Bank Group the other main shareholders.

Veteran insurance man, Robert Enthoven, will be executive chairman of the enlarged group, which he says is the culmination of a two-year development programme.

Unlike any other major broking company, his new group is able to combine independence with substantial resources. It has no direct ties with a large bank, building society or underwriter.

Great takeover binge continues

Prices and time right for multi-million rand spending

RDM (B.M.) 21/12/81 221 55

By DAVID CARTE

AFTER a great spate of mergers and takeovers in the past four weeks, merchant bankers expect the pace to slow only slightly in months to come.

In the past month, as merchant banks and the chief executives of takeover-hungry companies rushed to clear their desks before the holidays, takeovers totalling hundreds of millions of rands have been clinched.

But the holiday does not signal the end of the predatory orgy. Merchant banks expect it to continue in the new year

Some mergers and takeovers sealed in the past four weeks:

- Amic became the biggest industrial company in SA by taking over Debincor and other Anglo American industrial stakes in companies such as Highveld, Mondi, Huletts, McCarthy and NTE. Amic is now worth R1 600-million.
- Mondi bought Usutu Pulp for R110-million.
- Triton bought Enyati control for R9 400 000.
- Gencor bought out TC Land's asbestos interests for R43 700 000
- Calan has gone to a consortium for R63-million.
- HLH bought Suiderland's timber interests for R9 500 000.
- The minority stake in Karoo went to Kanhym for R37-million
- Hanhill bought Swazi Chemical
- Lucor bought Audiodek for R3-million
- Edgars bought Ackermans for R30-million.
- HLH bought WF Johnstone for R39-million to become one of SA's biggest building suppliers.
- And, not in the stock market, the United Building Society merged with R1 000-million Southern Trident Building Society.

Merchant banks attribute the spate of takeovers to a greater readiness by sellers to accept realistic prices

"As the boom caused company profits to take off, sellers were reluctant and therefore asked totally unrealistic prices," said one banker. "As a result few deals were clinched even though most companies have been highly acquisitive for the past three years

"Now, sellers of companies see profits levelling off and liquidity tightening and they are more receptive to a big brother"

At the same time, blue-chip companies are more liquid now than normally at this stage of the economic cycle They still have the means to spend on expansion In fact, with organic growth slackening, there is more of an incentive for them to buy growth by means of acquisitions than before

This situation is expected to go on into the new year and many a chief executive today is sitting on a beach or in a bar at Plettenberg Bay considering or even discussing a proposal or two that should be clinched before April.

While they expect the takeover binge to continue, and in fact half-seriously joke that at the end of the day there will be four industrial companies left on the Johannesburg Stock Exchange -- Barlows, Amic, Fedvolk and Anglovaal -- merchant banks do not see new listings to replace many of the names that are disappearing from the lists.

"The only new companies we'll see listed are those that will use their listing, or rather their paper, to grow It would take another 1969-type boom with yields on 1,5% and PEs of 12 to 15 to bring blue chip companies with organic growth objectives back to the market looking for equity capital", said a corporate finance chief

Merchant banks do not expect a rash of preference share or debenture issues They say financial directors will wait for interest rates to peak before venturing into this market

"Most company balance sheets are realistically structured at the moment and there is not much pressure on them to go for pref or debenture capital.

"Most are content to wait for this type of capital to cheapen when rates come off

"But if inflation does not slacken and the bears, who expect interest rates to rise further, are right, some companies might be pressured back into the market"

Merchant bankers are counting on a big Budget deficit next year and are confident of good business in the capital market.

Ex-banker slams life companies

Sun' Times 27/12/81 (B.T.) (58)

LIFE insurance companies are pushing the public into spending far more on insurance premiums than necessary.

Even worse, the premiums are generally paid for policies that will have little value when they mature.

This is the controversial view of investment adviser, Horace Powell, who founded Standard Bank Financial Services and now publishes an investment newsletter, Pros & Cons.

His comments were strongly rejected by Dr Morris Bernstein, managing director of African Eagle Life Insurance Company, one of the country's major life insurers.

Mr Powell says: "Hundreds of thousands of people are spending ridiculous amounts of money that they really can't afford only to be grossly under-insured later."

He says that the huge companies and the system that markets life insurance in South Africa has distorted insurance into a financial burden that forces buyers to pay for a string of other "benefits" that they never wanted in the first place.

The prospective buyer, he adds, is rarely told about low-cost life insurance — term policies, which provide insurance for a low premium for a stipulated (but generally renewable) period of time — that are available from most major life insurers.

These policies provide insurance at minimum cost without claims that they also provide profits performance, collateral and a surrender value.

'Public is spending far more than necessary on insurance'

By Andrew McNulty

"It is essential to have life insurance but it should be just that, not an investment or anything else."

Mr Powell says the prospective insurance buyer is rarely made aware of the low-cost policies, or else he is discouraged from taking them, largely because he is falling victim of a conflict of interest between buyers and sellers of insurance.

On the other side of the desk he faces a professional life insurance consultant, a specialist salesman, trained in selling high premium life insurance.

The seller's sales kit will cover every situation: family, retirement, savings, investment, income tax, estate duty, trusts and business problems, for which high premium life insurance, he will claim, provides the only legitimate solution.

"His selling skills will have been honed to the highest degree by the most formidable marketing force in the country, and his training directed to selling high-premium permanent life or endowment assurance on which the commission may be anything up to, say, 70% of the first year's premium."

The life assurance consultant, says Mr Powell, is not the only one who feeds off the insured's premium. A pyramid of managers may receive commissions in the form of overriders.

"The whole weight of the huge life insurance industry and its vested interests supports the selling of high premium permanent life insurance.

"This has been buttressed by the formidable respectability of the institutions and of the commercial banks in particular, who can be counted on to recognise a profit situation when they see one.

"These people would starve if they encouraged people to take out low-cost insurance, so nobody hears about it."

Also compounding the odds stacked against the buyer is his bank manager, often implicitly engaged in conditional selling through suggestions or approaches made directly or indirectly through the bank's brokers.

In support of the "term policy" Mr Powell quotes the example of a R100 000 low-cost life insurance policy (bigger than most people want), renewable every five years without further evidence of health.

Nominal monthly premiums at age 30 would be R25, rising to R55 by the time the insured reaches the age of 55.

Adjusted for an inflation rate of, say, 8%, the value of the monthly premium falls to only R20 when the buyer is 55.

Mr Powell contrasts this with a R10 000 "with profits" policy, requiring annual premiums of R264 from age 35, intended to provide "generous cover" on retirement at age 65 even if payment of premiums is stopped.

In nominal figures, premiums paid would be R7 911, the policy amount R38 870, the paid-up amount R33 900 and the cash surrender value R14 560.

But, assuming inflation of 10%, the figures expressed as real values are quite different: The premiums paid are R2 753, the policy amount is R2 228, the paid-up amount is R1 943 and the cash surrender value is R834.

In terms of value, the policy proceeds on death at age 65 would be 17% less than the premiums paid, and the surrender amount 70% less.

● **Dr BERNSTEIN COMMENTS:**

"The argument for term insurance is an old American cliché. These policies have never caught on seriously in South Africa and today account for only about 6% of all life policies.

"They are big in the US but the legal environment is very different there.

"Here we have tax advantages on life insurance profits, which they do not have there.

"Complex legislation in US has retarded development of life policies in the US. In South Africa they have become extremely sophisticated.

"It sounds a wonderful theory to buy cheaper insurance and invest the rest. But you get very little investment in property or equities for R50 or R100 a month, and very few non-compulsory savings schemes come to fruition.

"It is possible to take the cynical view that term policies are not pushed because commission earnings are lower, but, in reality, if you sell people a policy they don't need you won't stay in business for long."

FINANCE — GENERAL

1982

JAN. — DEC.

MESSINA (58)

Cash hungry

FM 15/1/82

Activities: *Industrial and mining group. Copper interests [illegible] the Messina mine in SA and MTD Mangula [illegible] and Metals [illegible] Zimbabwe. Datsun-Nissan is wholly owned [illegible] holds [illegible] of the equity.*

Chairman: *Commander H [illegible] P Grenfell, deputy chairman and joint managing [illegible] W [illegible] joint managing [illegible] R P Smithfield.*

Capital structure: *[illegible] ordinaries of [illegible] [illegible] 500 [illegible] cum part pref [illegible] Market capitalisation [illegible] Financial: Year [illegible] September 30 1981 [illegible] and medium term R [illegible] 18m, [illegible] Debt equity ratio [illegible] Current ratio 1,2 [illegible] R [illegible] 625m.*

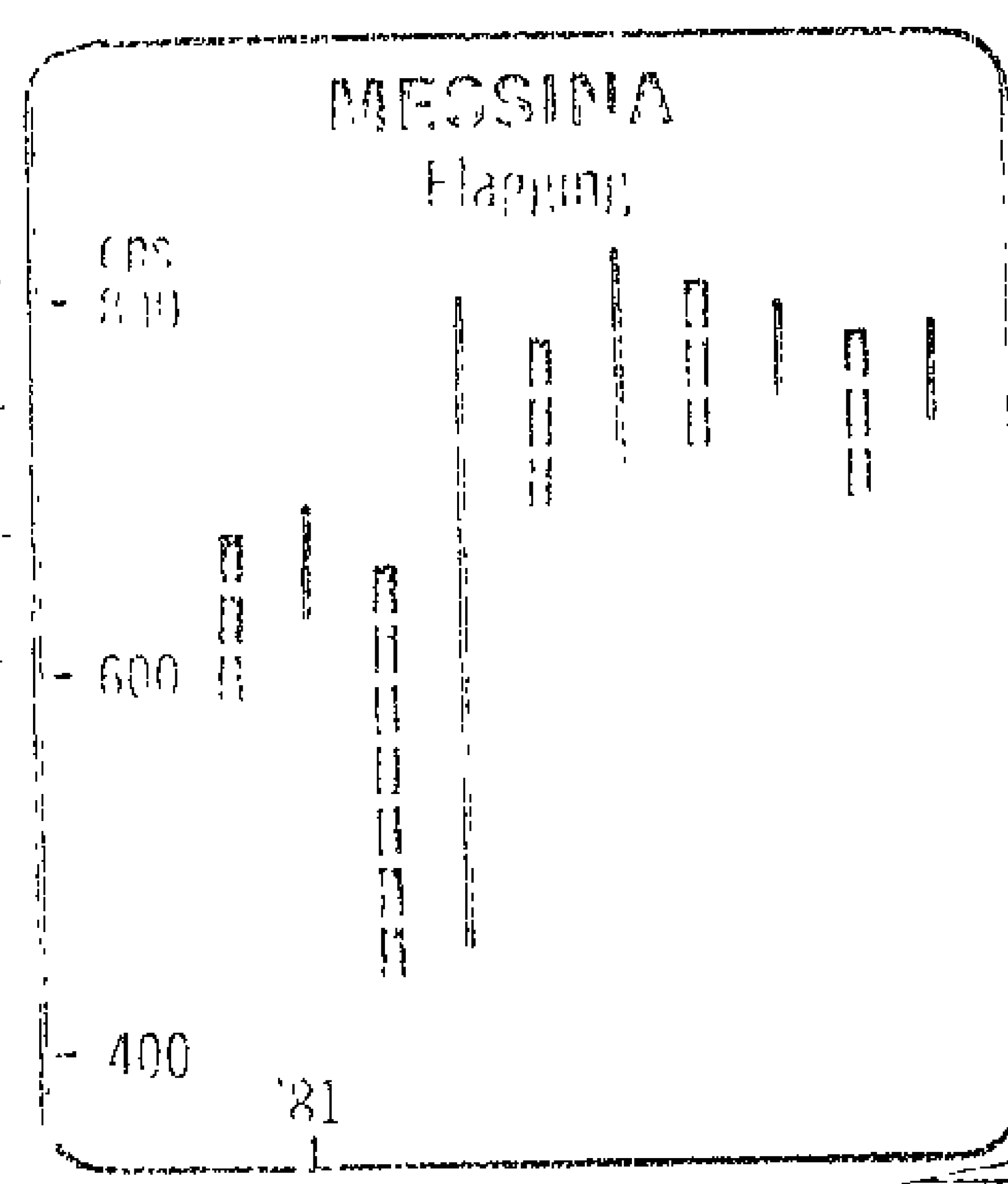
Share market: *Price 750c (1981-82) high [illegible] 1075c, low 475c; trading volume [illegible] 127 000 shares. Yield 10,5 [illegible] earnings 7,0 [illegible] on dividend. Cover [illegible] ratio 2,5.*

	'78	'79	'80	'81
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Retiring chairman Commander Grenfell says that it is the Messina board's policy to pay an increased dividend each year. But he qualifies the statement by adding that he hopes that the group's profit and cash flow will enable the policy to continue. At this stage of the business cycle it is probably best to assume that any dividend increase this year will be token rather than substantial.

The major restraint on distributions will be the capital spending programme planned for the next three years. It is far greater than the group's own cash generating capacity, particularly if the growth rate of some of the industrial interests are most likely to lower this year. Subsidiary Datsun plans to spend R120m on expanding production facilities over the next three years.

Datsun, which last year contributed 76 [illegible] of group turnover, 81 [illegible] of pre-tax profit and [illegible]



P.T.O.

SAM STEELE 58

Improved forecast

FM 15/1/82

Activities: *Investment and finance company with subsidiaries manufacturing and retailing furniture. Owns 100% of Steel & Barnett.*
Chairman: *H A McNeil; managing director: B M Goldberg.*
Capital structure: *10,9m ordinaries of 50c Market capitalisation. R8,9m.*
Financial: *Year to August 31 1981 Borrowings: long- and medium-term. R6,5m; net short-term, R3,6m. Debt: equity ratio: 78,5% Current ratio 2,4. Group cash flow: R2,5m. Capital commitments: R935 000.*
Share market: *Price: 82c (1981-82 high, 90c, low, 67c; trading volume last quarter, 383 200 shares). Yields: 26,2% on earnings; 10,4% on dividend. Cover. 2,5. PE ratio 3,8*

	'78	'79	'80	'81
Return on cap (%) .	10,7	11,0	14,2	18,5
Turnover (Rm)	20,6	20 9	24,4	35,1
Pre-tax profit (Rm) ...	1,1	1,2	2,4	4,1
Gross margin (%)	8,2	10,1	13,6	15,6
Earnings (c)	5,8	6,3	12,3	21,5
Dividends (c)	3,5	4	6	8 5
Net asset value (c) ...	75	78	102	115

After a 73,3% pre-tax profit advance in the year to end-August 1981, Sam Steele expects further "significant improvements" in turnover and profitability in 1982, says chairman Hugh McNeil. This is despite the slackening of consumer demand growth and the increased cost of credit.

Last year's performance — the best ever — stemmed from higher retail activity in the group's 82 branches nationwide and improved efficiency and sales in the manufacturing division. The profit advance takes attributable profit to a level more than five times that of 1977 and 3,5 times higher than in 1979.

At the same time, the financial picture has generally improved. Last year, in line with the expanded working capital needs, total borrowings rose 39,8% to R10,1m. This pushed the debt:equity ratio to 79% (63%). However, with sharply improved profitability (gross margin up three points to 15,6%) the annual cover on the R1,3m (R940 000) interest and leasing bill improved to 4,1 (3,5) times.

The working capital item responsible for this increase was the debtors' book which jumped 41,3% to R26,2m (R18,5m). The book was thus 74,6% of total turnover compared with 81,5% in 1980. But the provision for unearned finance charges rose 545% to R1,1m. This, apparently, was in order to account more conservatively for the book and was after maintaining the bad debt provision at R400 000.

Thus Samstel entered its 1982 financial year in good health. And as four months of the trading period had passed by the time McNeil made his improved profit forecast, prospects of a disappointment seem slim. The only worry in the medium-term is that interest rate pressure could squeeze margins in a company which relies heavily on its book.

The share has yet to recover to the 102c high of 1980 despite continued profit growth.

DATES TO REMEMBER

Last day to register for dividends;
Friday January 22: Curfin 17c; Elsburg 13c; Randfontein 400c; Tex Mill 3c; W Area 20c.
Meetings:
Monday January 18: Prem Group: Samanco.
Tuesday January 19: Nampak.
Wednesday January 20: Loraine; Sasol (Sasolburg); Smith (Durban); Sumcor.
Thursday January 21: PP Cement.
Friday January 22: Bracken, Kinross; Leslie, Mit Cott (S); Unisel; Winkels
All meetings are in Johannesburg unless otherwise stated.
S = Special meeting.

BANKS (58)

Back on the books

FM 22/1/82

Changes in the reserve requirements of the banks, effective for the first time this month, could result in a net reduction of their statutory liquid asset obligations. But the sector could find itself very short of cash at the monthend for entirely different reasons.

The revised reserve requirements stem from an amendment to the Banks Act passed last year. Its effect is to reduce liquid asset and capital reserves held by the banks against liabilities under bankers' acceptances, while simultaneously introducing reserve requirements on other forms of negotiable paper endorsed by banks. These other forms of paper, like promissory notes and trade bills, were previously regarded as contingent liabilities, which are free from reserve requirements. These off-balance sheet items are now "back on the books." Along with BA's, they will now attract a liquid asset reserve of 5% and a capital reserve of 4%. The original requirement against BA's was 10% in liquid assets and 6% in capital.

Pressure to introduce the legal change originated as far back as 1980, when the excessive liquidity of the financial system found banks falling over each other to generate business by cutting rates. Promissory notes, as lending instruments less costly than BA's precisely because they lacked reserve requirements, leapt to prominence — and the contingent liabilities of the banking system increased dramatically. The banks eventually called themselves to order and formed an all-industry cartel which set minimum commission rates on endorsing paper. This was partly to protect established market shares, and partly to preserve the traditional status of the BA, which was becoming progressively downgraded as a lending instrument.

The legal amendment was passed in February last year, but the banks were given a 10-month period of grace within which to comply with the new ruling. As it happens, the new requirements will make little difference to the total reserve position of the banking system. Increases in liquid asset as the result of contingent liabilities becoming full-blown liabilities will be largely offset by the reduction in reserve requirements on BA's. Broadly speaking the merchant banks, which have relatively high exposures in BA's, should see a net reduction in their total liquid asset obligations — as much as 15%, according to one.

The commercial banks, on the other hand, estimate that their net liquid asset requirements will turn out to be slightly — but not prohibitively — higher on January 21. This is the final day in any month for submitting to the Registrar of Financial Institutions, Naas van Staden, the liquid asset reserve position, based on liabilities at the end of previous month.

Nor should capital reserve requirements prove a problem. There is in any case more leeway here since capital returns are submitted only every quarter.

In addition no distinctions are made between the different maturity terms of full liabilities, and only liquid assets need to be held against them. They are exempt from the more extensive cash reserve requirements, which could turn out to be excessive this month for other reasons. One is that January 31 is a Sunday, which means that deposits lodged with banks for the calendar month have terms of less than 30 days. This automatically defines them as short-term liabilities instead of medium-term, and as such they attract higher cash reserves which can at best be merely reduced by [illegible]tive liability management.

On top of this, many cheques written for tax payment made at the end of December have not yet been cleared by the Treasury. Current accounts swollen to cover them are still swollen, another factor that raises the banking system's short-term liabilities. One banker estimates the sector could lose up to R100m in higher cash reserve requirements on January 31. Other tax and [illegible] outflows added to this could result in a total monthend shortage of over R600m.

PENSION BASHING

(58) FM 22/1/82

Pretoria has dealt a blow to pension funds. It has made it clear that it will no longer tolerate the funds allowing holdings of Part 1 prescribed assets — mainly official securities — to drop below the required 53% of liabilities between financial year ends.

The funds, which are penalised by having to hold prescribed assets at all, received the news in a circular on Friday from the Registrar of Financial Institutions, Naas van Staden.

Ignoring the Act, which they claim is not explicit about the 53% being maintained throughout the year, the funds have refrained from investing in gilt and semi-gilt stock in a rising market. Instead they have stayed liquid, hoping to maximise earnings by buying securities with yields as close as possible to what they believe is a peak. This practice has become particularly prevalent over the last two months when interest rates have been rising strongly.

The Registrar is adamant that there is no significance in the timing of the circular. But it comes at a time when the Treasury has to finance a growing deficit. The strict enforcement of the "53% throughout the year" proviso will ensure a steady flow of cash from pension funds to the Exchequer, regardless of interest rate trends.

The effect on the money and capital markets will depend on the extent to which the funds have been ignoring the constant 53% stipulation. Feeling among the funds is that the practice has been fairly widespread.

The investment manager for a large mining house comments: "I believe that nearly all funds have been remiss on this score. Sooner or later we expected a clampdown, but, nevertheless, Friday's circular comes as a nasty shock."

Dealers stress that even if the practice has not been widespread, there will, in any event, be an increased demand for official securities as pension fund investment managers top up their portfolios in accordance with the growth in their assets. If it has been widespread, they expect the demand to be even heavier, especially for Treasury Bills (TBs). The 53% is made up of 20,5% government securities, including TBs, and 32,5% other approved securities, such as semi-gilts.

The insured pension funds (that is those administered by insurance companies) have not yet been sent the circular. However, they suffer from no delusions that they will be exempt from Pretoria's scrutiny. Van Staden confirms this, saying that the Act will be applied across the board and that in due course the insured funds will receive a similar circular.

The circular expresses the Registrar's displeasure with pension funds for failing to comply with the Act. However, it makes plain that failure to comply will "constitute an offence."

Enforcing this type of proviso will not be easy for the Registrar, because the funds do not necessarily know their exact financial position daily. However, he tells the *FM* that his department "has its ways." The industry understands that some sort of inspectorate will be established.

Registrar van Staden . . . sitting on the nation's savers

A second facet of Friday's circular disallows "encumbered" assets being used as Part 1 required assets.

Van Staden explains: "If you sell a pension fund security on a buyback basis, it cannot be claimed as a Part 1 asset." He agrees that this will discourage the forward deals that some funds have used to get around the 53% proviso.

The Registrar has acted, no doubt, strictly within his province. But if the declared policy of the present administration is to phase out direct controls, his action is at best peculiar.

What he has done, in effect, is increase an already unfair burden on the nation's savers. It is, indeed, a strange attitude to pensioners, widows and orphans.

It could cost R770 a year to insure your car

ARGUS 28/1/82 58

Argus Correspondent

JOHANNESBURG. — Comprehensive motor vehicle insurance, up by about 130 percent since the start of 1981, is expected to rise another 20 to 40 percent by the year's end.

Top men in insurance said premiums have not yet reached a stage where motor vehicle insurance had become profitable for the insurance companies and thus further rises could be expected.

This means that first-time insurance on a new car costing R10 000, now R500 to R550 a year, is expected to cost up to R770.

The sharp escalation has, according to insurers, led to a situation where many people are paying more to insure their car than their life.

A look at motor vehicle insurance by The Argus shows that costs have risen for three main reasons.

- Insurance companies, which have been making substantial losses on premium income, are now trying to make profits on motor vehicle insurance.
- Panel-beating and repair costs have practically doubled in the past year; and
- Malpractices in the panel-beating industry have contributed to costs.

INQUIRY

Recommendations before the recently formed commission of inquiry into compulsory motor vehiccle insurance include the introduction of a compulsory balance of Third Party.

Coverage provided by a Third Party token would thereby be increased to include damage to property caused by motor vehicles.

This, it is felt, would prevent the innocent party from suffering as a result of negligence of someone else.

However, it would also mean that the minimum insurance required by law would cost the motorist more.

INTEREST RATES

Raising the roof?

58 FM 29/1/82

Enormous pressure is being placed on short-term rates by a money market cash squeeze unprecedented in SA financial history. The Bank rate — and by implication the lending rate ceilings specified by the Limitation and Disclosure of Finance Charges Act (Ladofca) — must rise in the next few weeks.

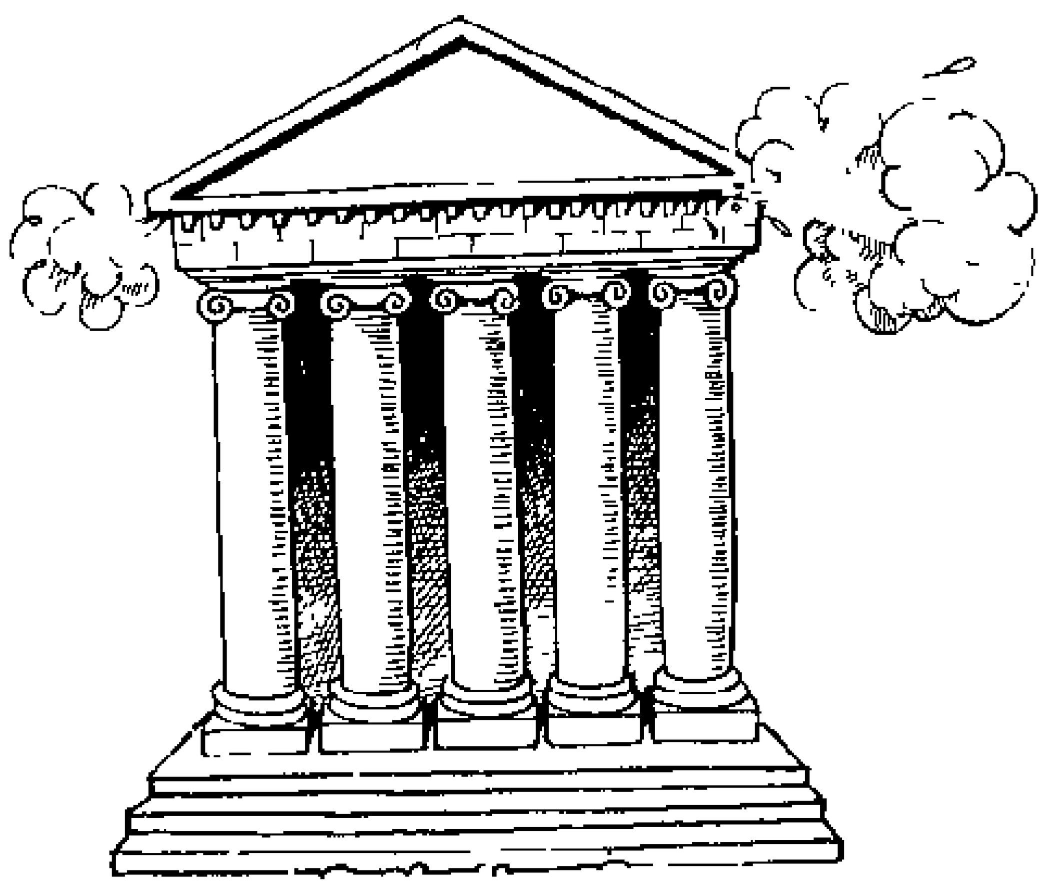
There are widespread market expectations that Finance Minister Owen Horwood will announce a rise in the Ladofca ceilings of at least 2% in the opening sessions of Parliament, which begins its 1982 sitting next week. A 1% rise in Bank rate, it is believed, will follow it. The two rate patterns are now inextricably linked. The rise in Bank rate would put the prime overdraft rate at 18%, which is now the effective ceiling under Ladofca for most commercial bank lending. Should the Ladofca ceiling not be raised, the much-eroded margins within which commercial banks discriminate between borrowers would shrink to nothing at all.

This in itself constitutes one pressure point. Another is the cost of money. The money market is currently carrying an overall shortage of nearly R700m, and many dealers believe it will reach R1 billion by the month-end. As one analyst puts it: "the market is at panic stations." The commercial banks are paying 16% and higher for month-end money and rates in the grey market, which normally lag by a margin, have leapt to similar levels from about 14,25% a week ago. Simultaneously an excess supply of liquid assets is depressing the price of market paper and thereby holding up rates. Dealers say they have seen 90-day bankers' acceptances trading at 16%, about 50 points higher than the official discount house rate on these assets (The houses, which are currently re-discounting these assets at the Reserve Bank at a 0,75% mark-up, obviously have a vested interest in maintaining a depressed rate.) The Treasury bill rate, which reached 14,48% last Friday, is also acting as a floor for other market rates, and substantial TB sales have bled the market.

The miseries of the banking system do not, however, constitute sufficient reason for a rise in Bank rate. Of more pressing urgency to the monetary authorities, manipulating interest rates both to curb inflation and bolster the exchange rate of the rand, is the persistence of the demand for credit.

Says one leading commercial banker: "We have seen little real decline in the demand for lending from our customers, and no noticeable change in the pace at which we are extending it. And we, like all the other banks, do not want to be the first to turn away clients."

On top of all this, the Reserve Bank is being faced with another major headache — the dismal state of government finances (see box). The bank's successful marketing



of Treasury bills has represented a bridging finance operation, but at a price in that it has contributed to upward pressure on short-term rates. This implies not only a higher short-term interest burden, but a rising pattern in long-term rates as well. Institutional cash has flowed into the money market, and raised the expectations of long-term investors to a level that deters the Treasury from selling long-dated government debt at market-related levels. It has drawn over R600m from the Stabilisation Account, which means a direct high-powered cash flow into the banking system and a setback to anti-inflationary monetary policy. It is also believed to have borrowed R300m from the Reserve Bank, which has a similar effect. The two add up, say analysts, to a R1 billion deficit.

One escape route now being tested by the Reserve Bank is a generously priced medium-term tap stock (see Capital Market). But with the financial markets as tight as they are, and government unwilling to lock itself into a long-term RSA rate which edged past 14% this week, the deficit is currently being financed in the most inflationary manner possible. There is a widespread belief that direct controls on the banking system may be the inevitable result. If they are, the reforming zeal of Reserve Bank governor Gerhard de Kock would be stopped dead in its tracks, and his reputation somewhat tarnished.

SAVINGS RATES

Battle royal

58

The retail deposit market is under siege. Investors are deserting conventional retail deposits with the banks and building societies for the much higher returns of the money market.

The flight of funds is being felt across the board, but hardest hit are the building societies' indefinite paid-up shares. Redeemable after 18 months, they offer 11,5% with some tax benefits.

Funds leaving the conventional retail market are being attracted to two main areas — smaller-denomination Treasury Bills (TBs) at 14,48% and syndicated investments in money market paper.

There is a feeling among bankers that this could be the beginning of the end of the conventional retail market. This could be a double-edged sword — it would mean the end of a two-tier rate structure, but could squeeze small depositors into disadvantaged positions.

The competitive ability of the societies is hampered by the socio-political sensitivity of the mortgage rate. Changes in this rate (though one is apparently imminent) tend to lag the market, leaving the societies to limp behind in rising rate patterns. In the case of indefinite paid-up shares, the matter is further complicated because rates on investments with tax benefits must be sanctioned by Pretoria. There are indications that this rate will move soon, but in the meantime the societies continue to lose cash and clients to the money market

RETAIL RATES

58 FM 29/1/82

BUILDING SOCIETIES

Investment	UBS	SA Perm	Allied	NBS	Saambou	S Trident	Standard
SPECIAL SAVINGS							
R200-R14 999	8,75	8,25	8,25	9,11	8,30	8,75	9,10
R15 000-R25 000	9,75	9,25	9,25	10,20	9,40	9,75	10,20
Capitalised	monthly	monthly	monthly	annually	annually	monthly	annually
FIXED DEPOSITS							
12-17 months	11,50	11,50	11,50	11,50	11,50	11,50	12,50
18-23 months	12,50	12,50	12,50	12,50	12,50	12,50	13,00
24-35 months	13,50	13,50	13,00	13,00	13 00	13,50	13.50
36-47 months	13,50	—	13,25	—	14,00	13 50	—
48-59 months	13,50	—	13,50	—	14,00	13,50	—
60 months	14,00	—	14,00	—	14,00	14,00	--

BANKS

	Barclays	Nedbank	Standard	Trust	Volkskas
SAVINGS RATES Up to 12 months on amounts R1-R25 000	1% to 10%	2% to 9,75%	2,5% to 10%	3,5% to 10,25%	3,5% to 9,75%
Capitalised	annually	monthly	annually	annually	half-yearly
FIXED DEPOSITS					
12-17 months	4,50	11.50	11,50	14,50	11,50
18-23 months	12,50	12,50	12,50	14,50	12,50
24-35 months	13,50	13,50	13,50	14,00	13,50
36-47 months	13,50	—	—	13 50	—
48-59 months	13,50	—	—	12,50	—
60 months	14,00	—	—	12.50	—

POST OFFICE

	National Savings certificates	Savings Bank certificates	Treasury Bonds	Savings Bank accounts
RATE	average 9,1%	8,75%	8,75%	5,5%
Max Investment	R15 000	R20 000	R60 000	R10 000
Tax concession	Fully tax-free	Tax-free to R10 000 per person	R60 000 per taxpayer	Tax-free to R4 000
Period	5 years	Indefinite	Indefinite	Indefinite
Withdrawals	After 2 years	After 6 months	After 12 months	Immediate

Source. United Building Society

Few will escape increase, says society chairman

'DOUBLE RISE' IN BOND REPAYMENTS

W/E ARGUS 6/2/82 ~~#3~~ 53

A DOUBLE increase in monthly repayments face those with home loans. They will have to pay higher interest rates soon and also a larger element of capital.

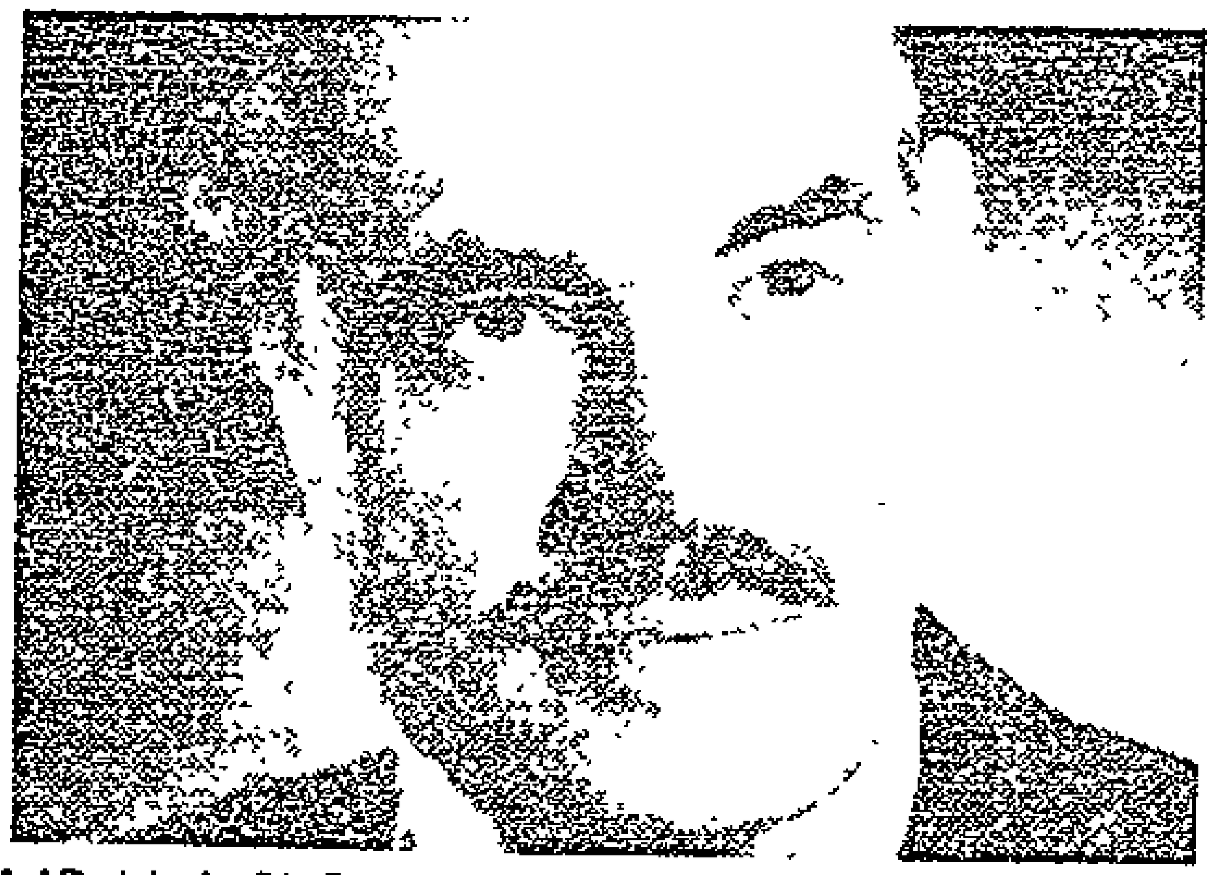
By Alan Cooper
Property Editor

'Few will escape increases with the next rise in the bond rate,' Mr H A Sloet, chairman of the Association of Building Societies, said today.

He said that when the banks raise their deposit rates following the increase in key market interest rates, building societies will be forced in turn to raise their deposit rates and consequently their mortgage rates.

'There is no doubt in my mind this will happen in the very near future,' he warned.

There is speculation that the bond rate will rise by at least one percent.



MR H A SLOET — 'monthly interest repayments may exceed the monthly instalments.

FURTHER SHOCK

While this means home borrowers will have to pay more interest on their loans, a further shock awaits them. They will not be able to avoid larger monthly repayments by lengthening the way and we will insist on a small capital repayment to keep the debt on an even keel.

'We will not be harsh debt repayments in the monthly instalments.'

The Weekend Argus correspondent in Johannesburg reports that Mr

While this means home borrowers will have to pay more interest on their loans, a further shock awaits them. They will not be able to avoid larger monthly repayments by lengthening the lives of their bonds.

Mr Sloet said that while the societies would do all they could to prevent large increases in repayments, the situation had arrived where larger capital repayments would be necessary to avoid the debt growing through increasing interest rates.

'With the number of increases in interest we have had in the past year and one coming soon, the monthly interest repayments may exceed the monthly instalments.

'We cannot allow the debt to increase in this way and we will insist on a small capital repayment to keep the debt on an even keel.

'We will not be harsh but, with the next increase, few people will escape larger monthly repayments.

'Previously if a man had been paying for five years on a 25-year loan and there was an increase in the mortgage rate we would calculate instalments on a further five years.

'But today if a person is paying, say 14 percent interest he will never repay his full debt no matter how long the debt is extended.

'Hence we must insist on a larger portion of debt repayments in the monthly instalments.'

The Weekend Argus correspondent in Johannesburg reports that Mr Peter Richardson, managing director of the United Building Society, believes there is an over-reaction on the question of mortgage rate increases.

He said: 'People rush in and buy cars at 21 percent interest rate, for instance, and it doesn't seem to bother them, but when it comes to a R20 addition to the monthly bond payment they are up in arms.'

Borrowers had been living in properties for some years and secured their bonds over much cheaper homes than in today's market.

FM 5/2/82

HILL SAMUEL/BFB (58) (~~337~~)

Attracting boarders

"The deal is about the mobilisation of money," says Hill Samuel (HSSA) managing director, Richard Crick of the merger between his merchant bank and The Board of Executors & Fidelity Bank (BFB), the unquoted Cape-based trust company, which was announced this week

The deal values HSSA at around R21,5m and BFB at R13m and will create an as yet-unnamed quoted holding company with merchant banking and lease financing operations and trust services, administering funds in excess of R750m

Crick says that though HSSA's capital base had not yet become a constraint on profit growth — especially following last year's ordinary rights issue and pref share placing — it could have become so within the next two to three years. Now, however, because of the flexibility of funding which the trust company's asset backing will allow, there will be no need to approach shareholders for some considerable time

BFB meanwhile, until now had been unable to expand its leasing operations acquired through Fidelity Bank in February last year — because of its lack of a large deposit-taking base. The merger of the two companies should, therefore, be complementary to both, and will also give HSSA the break into leasing it had been seeking, together with some regional advantages

HSSA will acquire BFB's operating companies for the issue of 3 96m new shares in HSSA — equivalent to 37,1% of the new company. As a result, HSSA parent Hill Samuel UK (HSUK), which currently owns 71 5% of the local company, will have its stake reduced to 40,6% of the new operation.

BFB will also take a further 1m new shares in HSSA, financed by the sale of 335 000 shares in BFB to Southern Life Association At the same time, HSSA will redeem 15% of its present issued ordinary shares at 320c a share — the same price as last year's rights issue — ostensibly to avoid ending up with excess cash in the new operating company

In fact, the shares that are redeemed go to BFB to help raise its stake in the enlarged company to 46,5% The 15% redemption is, I believe, unfair to those minorities who do not want their interest reduced If it is necessary for BFB to acquire the extra 1m shares, why could not HSUK guarantee that, if minority shareholders do not want part of their holdings redeemed, it would make good any shortfall?

HSUK will receive some R2,5m as a result of the redemption Crick says that the loss of control by the UK company is not a disinvestment move though it was helped along by Pretoria's guidelines on local control of banks These guidelines also helped dictate the way in which the deal was eventually structured More significantly, perhaps, the JSE agreed with HSSA that, though HSUK is losing its majority stake, no other single party will have control of the new company Consequently, no offer will have to be made to minorities

Neither, says Crick, was the deal motivated by the comparatively poor performance of HSSA and BFB over the past year Though HSSA's interim results for the half year to end September showed an earnings decline, this will be reversed in the second half Crick says, and the company will pay a total dividend of 29c (26 5c) at end March

Though there are obvious benefits from enlarging HSSA's operating base the method leaves something to be desired Last year, shareholders were courted to take up additional shares at 320c Now they are being told that their full support is no longer wanted

The arrangements appear to be largely for the convenience of HSUK and BFB Only last February, the Board merged with Fidelity Bank to form BFB and said that none of its shareholders would hold an interest of more than 1%. That has been quickly forgot-

Hill Samuel's Crick . . . a merger of convenience

Mortgage rate rise likely tomorrow

ARGUS 9/2/82

SF

Property Editor

BUILDING society officials will meet the Minister of Finance, Mr Owen Horwood, in Cape Town tomorrow to ask for an increase in the building mortgage rate. It is expected that a statement on the agreed increases will be made in the afternoon.

Speaking from Worcester, the chairman of the Association of Building Societies, Mr H A Sloet, confirmed that a deputation from his association would meet the Minister tomorrow. He would not disclose what requests would be made to the Minister who must give approval to any rise in mortgage interest rates and in tax-free investment rates.

It is expected that the societies will ask for a 1¼ percent rise in the mortgage rate but will be content to accept three-quarters or one percent rise. However, any increase will be matched by increases in deposit rates in an effort by the societies to compete with banks in attracting money.

Warning

Mr Sloet said last Friday that he expected a rise in home loan interest rates, 'in the very near future,' and a matching rise in deposit rates.

He warned that few would escape larger monthly repayments on their mortgages due not only to the increase in interest rates but by the decision a larger payment of the by the societies to call for capital debt

In other words, bondholders will face a double increase from higher interest rates and larger capital repayments.

BUILDING SOCIETIES 58

Thwarted again

FM 12/2/82

Something odd happened yesterday to the building societies.

Their representatives held a meeting in Cape Town with Finance Minister Owen Horwood. Afterwards, the societies' people issued a brief statement which referred to fruitful discussions. The Minister himself confined himself to mentioning it as a routine meeting.

But routine it was not, at least not to the societies. For long they have sought and indeed needed a rise in the mortgage rate as well of course as an increase in the rates for their deposits.

So before they met the Minister, they announced a Press conference at 2.30 pm. The suggestion was allowed to gain ground that a one percentage point hike in the mortgage rate was going to be announced.

Not so. The conference was cancelled at short notice. The president of the Association of the Building Societies, Saasmbou's Hendrik Sloet, who was leading the delegation, caught the 2 pm 'plane for Pretoria.

Mystified

In Johannesburg, executives of the major building societies were mystified. What had happened to the widely expected increases?

The answer is probably that the Minister said "No." His reasons were likely to have been a mixture of the political and economic.

All politicians are super-sensitive to mortgage rate rises. There are the elections looming in Johannesburg. The Nationalists are already in some disarray there, and suggestions, let alone the reality, of a harsher economic climate can only help their opponents.

But, in the *FM*'s view, if the Minister wants market-related interest rates, he has to allow the building societies to get on with their business and allow investors a real return on their savings.

The building societies have not been particularly adept at handling their finances and will have now, more than ever before, to examine what the future holds for them and their advocates.

The Minister could be signalling that they must consider more seriously whether to turn themselves into banks or fund themselves in a manner appropriate to providers of mortgages.

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1) Needs for status, recognition and meaningful activity are examples of "task accomplishment needs". t f

3) The functional understanding of leadership places the emphasis on what a leader does so as to lead effectively, rather than on what he is. t f

Total

(58) Mercury 17/2/82

Overdrafts barrier abolished

JOHANNESBURG— The South African Reserve Bank said it has abolished the present direct link between its bank rate and commercial bank prime overdraft rate from yesterday.

The Reserve Bank said the link between bank rate and commercial bank prime overdraft rate was abolished after consultations with the Treasury and the South African Clearing Banks Association.

A previous understanding between the Reserve Bank and commercial banks meant prime overdraft rate had to be maintained within a range of 2,5 to 3,5 percent above bank rate.

In future, each bank will be free to determine its own prime overdraft rate in response to market forces, subject only to the influence of broad monetary policy and maximum rates of interest laid down by law, the bank said.

The Reserve Bank said the present bank rate of 13,5 percent and all maximum rates of interest laid down by law, including the maximum rate of 20 percent on all overdrafts over R5 000, remain unchanged.

Prime rates

It is expected, however, that clearing banks will find it necessary in present circumstances to raise prime overdraft rates from their present 17 percent to 18 percent or more, it said.

This is indicated by a recent further tightening of short term financial markets and an accompanying rise in short-term interest rates, it added.

The Reserve Bank noted between December 15, 1981, when the last prime rate increase was announced, and February 12, that the South African Treasury bill rate rose to 15,11 percent from 12,72 percent and the three-month bankers' acceptance rate to 16,35 percent from 14,85 percent.

In addition, the expected seasonal tightening of the money market towards the end of February shows every indication of being particularly severe this year, it said.

Although the Reserve Bank will provide the required accommodation to discount houses and, if necessary, to banks, it will do so at penalty rates of interest, it added.

The Reserve Bank said the penalty rates of interest will reinforce its present restrictive monetary policies.

Ceilings

In these circumstances, an increase in prime overdraft rate to more market-related levels will be logical and in full conformity with current official policy, it said.

Subject only to the legal ceilings, each bank will be free to determine its own rates as it sees fit in competition with other participants in the relevant financial markets, it noted.

The Reserve Bank and clearing banks agreed that the rate charged by banks for advances to the Land Bank will be increased to 14 percent from 13 percent, effective March 1, the bank said.

New arrangements for Land Bank financing will be negotiated with the bank before end-June 1982, it added. — (Reuter)

WEDNESDAY, 17 FEBRUARY 1982

†Indicates translated version.

For oral reply:

Prime Minister.

17/2/82 (58) Hansard Q. Col 112

Development Bank for Southern Africa

*1. Mr. H. H. SCHWARZ asked the Prime Minister:

(ii) 1 June 1980
1 500 cent per 100 kg

9 June 1980
1 745 cent per 100 kg

1 June 1981
2 130 cent per 100 kg

(b) 1. Fresh milk: 2,0 cent per litre

2. Industrial milk: 60,0 cent per 100 kg

Nasella trichotoma

101. Mr. P. A. MYBURGH asked the Minister of Agriculture and Fisheries:

(a) What was the approximate area of land in the Republic infested by nasella trichotoma at the end of 1980 and 1981, respectively, (b) what amount was spent by his Department in (i) 1980 and (ii) 1981 in combating the spread of this weed and (c) how many hectares were cleared during each such year?

The MINISTER OF AGRICULTURE AND FISHERIES:

		1980	1981
(a)		70 700 ha	59 975 ha
(b)	(i)	R341 710	—
	(ii)	—	R322 000
(c)		53 600 ha treated	2 015 ha cleared

ACCOUNTING A

SOLUTION TO: CL5

(1) Premiums Treated as Business Expense

01, Jan 1:	Insurance Expense	300	
	Bank		300
	being payment of premium		
Dec 31:	Income Statement	300	
	Insurance Expense		300
	being closing entry		

Years 02 and 03 - same as 01

04, Jan 1:	Insurance Expense	300	
	Bank		300
Jan 2:	Debtor (Insurance Company)	24 000	
	Income from Life Policy		24 000
	being accrual of proceeds receivable		

DAILY DISPATCH, MONDAY, FEBRUARY 22, 1982 — 7

NOB 58

Proud Transkei directors

Prosperity Insurance Company Limited was formed in August 1951 to provide insurance for people living in Transkei.

Among its founder members was the late Professor D. D. T. Jabavu and the present chairman Mr S. S. Guzana. Prosperity was the first black company to be granted a licence as a financial institution in Southern Africa.

Flashback to the night Hendersons Agency went up in fire.

Prosperity has pioneered insurance for blacks and is, in step with the present rapid expansion of the economy, with a range of policies to meet the requirements of all sectors of the black community.

The head office was registered in East London but then moved to Umtata. An increased volume of new business is being written every year and financial growth has been shown each financial year for the past decade In 1973 the company acquired its own offices in Sutherland Street. With managerial assistance from the Corporation for Economic Development, Prosperity has operated throughout South Africa until the Independence of Transkei in 1976 the corporation is still involved in day to day expertise management

Prosperity Insurance Company Limited is part shareholder of New Era Life Insurance Company Limited in Johannesburg which the company assisted in forming recently

The growth of Prosperity over the past years has been a record in itself and gives evidence of the ever increasing support of the Transkei community which is proud of its own company.

The board of directors are blacks and are proud to have been associated with the development of Transkei over the past thirty years.

SOLUTION TO: GL5

(1) Premiums Treated as Business Expense

01, Jan 1:	Insurance Expense	300	
	Bank		300
	being payment of premium		
Dec 31:	Income Statement	300	
	Insurance Expense		300
	being closing entry		
	Years 02 and 03 - same as 01		
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	Bank		300
Jan 2:	Debtor (Insurance Company)	24 000	
	Income from Life Policy		24 000
	being accrual of proceeds receivable		
Jan 2:	Incom...	24 000	
	Inc...		24 000
	being ...		
Jan 2:	Income...	300	
	Insu...		300
	being ...		
Jan 31:	Bank	...000	
	Debt...		24 000
	being ...		

(2) Premiums Treated a...

01, Jan 1:	Life Pol...	...00	
	Bank		300
Dec 31:	Income St...	...	
	Life P...		300
	(Surrender...		
	therefore...		

...inued/ ....

Star 24/2/82

Volkskas sells Namibia banks

By Pieter de Vos

Volkskas Group has sold control of its fully owned subsidiary Volkskas SWA-Namibia to 23 local residents, it was announced in Pretoria last night.

Volkskas will sell 74.9 percent of its interest in the Namibia banking group with its Walvis Bay branch included in the deal.

An interest of 51 percent will be transferred on April 1 with a further 23.9 percent to be transferred on April 1 next year.

The banking group will acquire a new name, likely to be made public before April 1.

Headquarters will be in Windhoek and Mr Piet Botha has been appointed managing director.

No personnel changes are foreseen.

The bank will have two branches in South Africa.

Sapa reports that the Gold Fields group announced in Johannesburg yesterday that all operations at the Berg Aukas mine near Grootfontein in Namibia will cease at at the end of this month.

In a statement Gold Fields said operations had been suspended in 1978 because of losses, due principally to the decline in the price of zinc.

A reclamation operation using a Wealz kiln had not proved feasible.

58

VOLKSKAS FM 26/2/82

Loosening ties ([redacted]) (SP)

Volkskas is selling controlling interest in its SWA/Namibian operations to a group of businessmen and politicians in the country. The driving force behind the 23 who formed the consortium is Nico Oelofse, cousin of the DTA's Dirk Mudge.

Oelofse was farming adviser to the Administrator-General and a director of the Bank of South West Africa-Namibia (Swabank). He is now described as a general businessman.

His partner in the venture is Johnny Hamman, owner of Windhoek's Safari Motel. Oelofse will be chairman of the new bank's holding company, which is in the process of being established, while Hamman will be chairman of the bank.

The bank has yet to receive a name. The group is currently in discussion with the local registrar of banks.

The initiative for buying Volkskas' bank branches in the country came from the businessmen themselves. No price is being disclosed at present.

But the total assets of the bank amount to R[illegible]. It has eight branches in SWA [illegible] in SA, one in Johannesburg and another in Cape Town.

Volkskas is selling off [illegible] of its interests in two stages, the first being the transfer of a 51% stake on April 1. It will retain a 25,1% interest.

"The move made good sense to us," a Volkskas spokesman said in Pretoria. He emphasised, however, that the bank had made sure the operation was viable, that it was not abandoning its interests in the country and that it would continue to provide expertise to the new group.

The 23 will each have an equal financial stake in the bank. Of those nominated for the bank's board, three are Nationalists and three Republicans.

There is one black businessman among the 23, an Ovambo millionaire, Frans Indongo, who is a wholesale and retail trader.

The MD of the bank will be Piet Botha, manager of Rand Bank in Johannesburg 10 years ago. He recently resigned as MD of Swabank to take on the new job.

Among the active politicians represented in the group is Jannie de Wet, member of the executive committee for the administration of whites and a prominent Nationalist. The Republicans are represented by H Schneider-Waterberg, a member of the Legislative Assembly.

The whole operation was co-ordinated by Gert Hanekom, an accountant in Windhoek for 25 years. He acts as secretary to the group and is not financially interested in the deal.

BANKS TO URGE END OF LOAN RATE CEILINGS

W/E Argus 27/2/82 (Bus) 58

By Derek Tommey, Financial Editor

REPRESENTATIVES of the country's top banks are to meet senior Government officials next week to press for the abolition of interest-rate ceilings on loans.

If the Government were to agree to the banks' requests there would no longer be any restrictions on the rates of interest which banks and other lenders could charge for overdrafts and leasing and hire-purchase transactions.

Bankers have decided on this move after the steep jump in short-term rates in the past few days.

A growing shortage of funds in the money market ahead of the month-end has pushed some rates above 20 percent and forced the commercial banks to raise their prime lending rate from 18 percent to a record 19 percent.

It is estimated that the money market could be short of between R1,3-billion and R1,6-billion this weekend. This money will either have to be borrowed from abroad or from the Reserve Bank at penal rates.

The main cause of the money tightness has been the deterioration in the country's balance of payments. This has resulted in a strong outflow of funds from South Africa.

However, this situation has been aggravated by the need for private sector enterprises to pay their tax bills by the end of this month.

The gold mines alone are believed to be indebted to the Treasury to the amount of R750-million.

Bankers are not sanguine that the month-end will see much of a drop in interest rates. In fact, most appear to be expecting short-term rates to remain in the upper teens for several months.

As a result it is no longer profitable to lend money for leasing and hire-purchase at present rates, bankers claim.

These rates are controlled by the Limitations and Disclosure of Finance Charges Act (Ladofca).

The maximum rates the banks can charge on hire-purchase and leasing transactions of R10 000 or more is 22 percent, while the maximum for transactions of less than R10 000 is 24 percent.

At the current price of money these rates are unprofitable when the cost of collections is taken into account, bankers say.

The Ladofca rates were last adjusted 11 days ago.

Bankers argue that the Government is attempting to stimulate free enterprise and greater competition and by the same token should allow the market to determine what rates to charge on leasing and hire-purchase business.

Meanwhile, unless the Ladofca rates are increased, the flow of funds for financing car and domestic appliance sales could dry up, they warn.

(58)

The Cape Times, Thursday, March 4, 1982 3

Settlement on Soweto claim

Own Correspondent

JOHANNESBURG. – A settlement was unexpectedly reached yesterday afternoon in the case in which the West Rand Bantu Administration Board claimed R7 081 900 from the Santam Insurance Company.

The settlement was not made an order of court and no details of the terms of settlement were made available. Counsel on both sides declined to comment.

The claim had followed the damaging of buildings and other property in Soweto and other black areas on the West Rand during the 1976 riots.

The hearing, which began before Mr Justice Coetzee on April 29 last year, was expected to be one of the longest civil hearings in legal history.

A large number of witnesses including Mr John Kane Berman, author of "The Unwanted City" and "Soweto: Black Revolt, White Reaction", and Mr John Rees, a former secretary of the South African Council of Churches, had given evidence. Extensive references were made to the report of the Cillie Commission on the events of 1976.

Last night neither the board chairman, Mr John Knoetze, nor Mr J C Kriegler SC, who represented WRAB, would divulge the amount that had been agreed upon between them and Santam.

"In the interest of all parties concerned, it was agreed after negotiations held this morning, to effect a settlement.

"All that is now required is for the settlement to be made an order of court," Mr Knoetze said.

(58) ROM 10/3/82

Stanbic Chairman's Statement

Ian Mackenzie confident that the Group is in an extremely sound position and is well placed to achieve its strategic objectives.

Financial results

The Group's net income for the year was R66 463 000 compared with R67 286 000 in 1980. This minor decline was experienced against a background of rising interest rates, which made trading conditions difficult. The Standard Bank of South Africa (SBSA) was able to adjust well to this factor and increased its net income by 40% over 1980. Standard Credit Corporation and Standard Bank Corporate Finance (Stannic Group) the bulk of whose business was written at fixed rates of interest suffered badly from the resultant severe pressure on net interest margins. Profits in this group decreased to R9 219 000 from R23 483 000. Standard Merchant Bank continued to produce encouraging profits which at R8 638 000 showed an increase of 13% over the record achieved in 1980.

The dividend for the year remains unchanged at 40c which against earnings a share of 107c reduces cover marginally from 2,8 to 2,7.

We have continued the practice of presenting Current Cost financial statements and on this basis earnings a share are 55c, reducing cover to 1,4.

In order to enhance the Group's flexibility with regard to future business opportunities, it was decided in November to raise approximately R31 000 000 by way of a rights issue of convertible, redeemable preference shares. The issue handled by Standard Merchant Bank was successful in all respects.

Economic climate

The level of domestic economic activity remained unexpectedly high during 1981 in sharp contrast to poor growth conditions which prevailed generally in the economies of most of South Africa's trading partners. The real increase in the gross domestic product is likely to have exceeded 4 per cent, with the rise in gross domestic expenditure considerably higher.

The rapid growth which continued beyond the boom of 1980 was attributable mainly to the authorities' reluctance to take early and decisive action to curb liquidity and to slow domestic activity. Except for a brief mid-year period, liquidity remained relatively easy despite the much higher interest rates and official indications that monetary policy was being applied to reduce inflation and bring about a balance of payments adjustment.

After a modest slowdown early in the year, growth in many sectors accelerated very significantly. Despite a renewed levelling off in domestic demand becoming noticeable towards the year-end which is likely to have marked the beginning of the postponed period of downward adjustment, the economy has moved far out of line with developments in the rest of the world. The extent to which the country was allowed to live beyond its means is reflected by the huge shortfall on the current account of the balance of payments, estimated at some R4 000m for 1981.

Curbs on public spending as well as possible tax increases have become almost inevitable given the difficult financing position which the public sector will probably face in 1982.

Because the effect on the local economy of the poor foreign demand for gold and other export commodities was accentuated by the authorities' changed policy stance, a visible downward trend in the pace of overall economic activity must be expected to emerge in 1982.

There were early indications towards the end of 1981 that the economy was beginning to respond to changed conditions and policies. This was partly reflected by a decline in imports and sluggish commercial bank lending. Should the economy continue to move as rapidly towards a more balanced position as it did from late 1981, the slowdown which lies ahead is unlikely to deteriorate into a serious recession. However, because the adjustment was held off for so long and the world economic picture continues to be relatively gloomy, an improvement in the economy's *performance is not expected to come before late 1983.*

Banking climate

The end of 1980 saw the authorities committed to turn away from direct domestic controls but the link between Bank Rate and Prime Rate remained which resulted in fund margins being squeezed when Bank Rate adjustments lagged behind market rate movements as happened in the first half of 1981. During the second half of 1981 Bank Rate was made increasingly responsive to market trends thereby relieving the more acute problems. The latest move to abolish the link between Bank Rate and Prime Rate will do much to help ensure that the balance within the market is maintained, and is to be welcomed.

It is a pity that the final report of the de Kock Commission has not yet been issued. The financial institutions have to operate in a climate of continuing change with little in the way of firm policy guidelines to assist planning, in particular of the structuring and funding of the exceptionally high liquid and prescribed reserves demanded of banks in this country. A further complicating factor is the unprecedented level to which borrowings by the Land Bank from commercial banks have had to rise. While the loans are classed as liquid assets, their price is well below market rates for similar investments and represent a sustained injection of relatively cheap funds into the economy. At the same time these huge reserve assets have resulted in reserve portfolios becoming unduly inflexible. Overall the result has been a significant distortion of the market.

Bank services

Agreement was reached on a new basis of charging for the commercial banks' current account and money transmission services; this was introduced on May 18. The radical nature of the change and the introduction of a cash handling fee has not been universally popular, but we believe the new structure has settled down and will become recognised as more equitable than the one it has replaced.

When introducing the new structure, SBSA pitched its formulae competitively and it is the only Bank which enables many of its clients to earn a discount on their charges, in recognition of worthwhile balances maintained in their current accounts.

Another topic I want to refer to is the withdrawal of credit cards from use at petrol stations. This has not been a popular move either and I regret the inconvenience to the motorist, but the banks could no longer afford gratuitously to process a considerable volume of paper at a cost of many millions of Rand a year. The 2% charge we proposed would still have represented a considerable subsidy but would have provided at least some return for the labour involved and credit provided.

In April, the Group launched a small business advisory unit known as the Business Development and Advisory Department, which structures and adapts financial packages for its clients, and attaches paramount importance to the need the small business entrepreneur has for professional management advice. The unit places a priority on its ability to tackle problems in the field and a close working relationship has been established with the Small Business Development Corporation and small business units around the country.

Regional computer network

Following the installation of some 3500 terminal devices the Standard Bank Group now has the largest computer network in the country with three computer centres intercommunicating freely with each other. Our plans provide for the installation of a further 1500 terminals by the end of 1982.

Computerised on-line systems have been completed for both Standard Credit Corporation and Standard Building Society and these are in the process of implementation at branch level.

Autobank

The introduction of Autobank cards to current account customers from April 21, proved a resounding success. From the outset we were met with an enthusiastic response and customers took readily to the idea that through an accessible machine with extended banking hours, they could obtain cash, make deposits to their accounts, obtain mini statements and be informed about their balance.

Overseas seminars

The Group pursued its overseas seminar programme which began in France in 1979 and continued in West Germany in 1980. A seminar was held in Taipei in late October 1981 and in Hong Kong shortly afterwards. The aim of this programme is to advise foreign businessmen of the many trade and investment opportunities in South Africa, and how the Standard Bank Group can actively provide a broad range of international financial services. While in the Far East, senior Group executives undertook calling programmes and presented an economic briefing to bankers and businessmen in Japan. The help and advice of our colleagues in The Chartered Bank in Hong Kong and Tokyo is gratefully acknowledged.

Personnel

Three years ago we published a brochure entitled 'Code of Employment Practice'. This information has now been updated and supplemented in the form of a Social Report and is available on request to all shareholders and interested parties. Four items deserve comment here.

The fierce competition which characterised the labour market in 1980 continued in 1981 but stabilised towards the end of the year when in line with the projected lower economic growth rate for 1982, it began to decline. At the same time there is a continuing chronic shortage of specialised and skilled staff.

In conjunction with the Trade Unions we introduced a job assessment system for all clerical and supervisory staff in SBSA. An entirely new grading structure has resulted which allows for better recognition of skill levels and which relates the pay package to the job being performed more effectively.

A Career School was established in 1981 with the intention of setting up development training to combat the shortfall of skills in the professional and management areas. It has been designed to overcome many of the learning problems encountered in the past and to improve the education level of recruits with potential. A secretarial training facility is planned for 1982.

The residential Management College is being extended and with enlarged and more modern training facilities being made available, capacity at the College will treble. This will help meet the need for senior personnel to keep pace with developments in the technological, economic and financial spheres.

Community involvement

The Group continued to donate funds to a broad range of community and educational activities. Principal among these is aid given to universities and technikons which invariably require support for programmes not funded from institutional sources. Another substantial donation was made to the Urban Foundation which is devoted to improvement in the quality of life of underprivileged people.

Sponsorship covered both the sporting and cultural fields as in previous years. In the sporting category are the Standard Bank Cup for tennis between South Africa and an overseas team, support for junior squash coaching, the staging of an intervarsity athletics meeting, and the Stannic Admirals Trophy, an annual yachting occasion in the Cape.

Cultural sponsorship is expected to generate goodwill and also to contribute to national cultural life. One major interest is in the Standard Bank Foundation for African Tribal Art, where works of art have been collected from many parts of Africa and are housed at the University of the Witwatersrand in Johannesburg. Another is the South African National Youth Orchestra which in 1981 enabled young musicians to assemble and compete for places in the orchestra, and then to give several public concerts.

Political climate

The most important development for us internationally has been the more pragmatic approach to South Africa adopted by the Reagan Administration in the United States. While voicing certain serious reservations about our domestic policies, it is nevertheless refreshing to feel that there is an acknowledgement of what progress has been made and keener appreciation of the broad South African political situation.

American attempts to orchestrate a settlement in South West Africa/Namibia which is a key to stability in the sub-continent should be welcomed and we should be under no illusion that the changes that could take place in that country within a fairly short timespan would be no less significant for South Africa than those in neighbouring Mocambique and more recently in Zimbabwe.

At home, the Prime Minister held a conference in Cape Town for businessmen to exchange ideas with himself and senior members of the Government which I hope contributed in some way to a greater mutual understanding of each other's problems. Rapid reform in a number of key areas has been called for by a majority of businessmen if the country is to be regarded as sincere in its desire to improve standards and uplift the underprivileged. I have said in my statement in previous years that change is best brought about by a desire within the country to do so, rather than merely as a response to outside pressure. There is no doubt that the desire for significant change is now widespread, but I believe that the response is too slow to satisfy the reasonable aspirations of the community and this gives cause for concern.

Future strategy

Despite the expected economic downturn this year and the expectation that Stannic's profitability will not recover before early 1983, I remain confident that our Group is in an extremely sound position and is well placed to achieve its strategic objectives.

Based on our wide ranging infrastructure, we shall continue to concentrate on providing ever more efficient and improved services to our customers.

Ian Mackenzie
February 19 1982

The Annual General Meeting of members will take place in the boardroom, 27th floor Standard Bank Centre at 12 noon on Tuesday April 13 1982.

R9 000 forced off house prices

11/3/82 Sowetan 58

THE PRICES of 24 Pimville houses which stood empty for several months because they were too expensive for Soweto residents, have been cut down by an average of R9 000.

By SAM MABE

The surprise price cut-down announced yesterday by Mr J Billman, assistant manager of the South African Permanent Development Corporation, follows **The SOWETAN's** investigation and expose of highly priced houses which many residents of Soweto were refusing to buy.

Mr Billman said the original prices were R36 320 and R46 320. On Tuesday night after the chairman of the board of directors inspected the houses, the prices were lowered to R29 820 and R35 840 respectively.

"For us, this is quite a big loss. But for those who will now take advantage of the reduced prices, this will be a tremendous bargain for them when considering the fact that about two months ago, we sold houses smaller than these between R35 000 and R37 000 in Diepkloof," he said.

Mr Billman added that he thought among other things, people did not like the cul-de-sac arrangement of the streets passing in front of the houses.

"This has tremendous advantages in that there is no through traffic in the area and this arrangement is safe for children who are usually knocked down by passing cars.

"Another thing is that we built the houses not on the centre of the stand but on the side. This gives enough room for extension. Houses built in the centre of the stand allow for a lot of space to be wasted around the house," he said.

Mr Billman said never before have prices of houses been brought down because residents could not afford advertised prices.

A well known building society also built a number of houses costing between R22 000 and R28 000 in Dobsonville last year and residents decided that the houses should be boycotted because of their size and because they were considered too expensive.

Of the 160 houses completed in May last year, only about 74 have been sold to date.

Im Pimville, Zone 7, there are several houses which were completed last year and which up to now have not been occupied. The houses, built by various companies are believed also to be expensive for homeless Soweto residents.

A resident in Pimville, Mr Pat Petersen Pule, said "The one mistake that some of these companies are making is that of thinking that because there is a big housing backlog in Soweto, they can exploit the situation by quoting exorbitant prices for houses.

"You see, the laws of supply and demand cannot be fully applicable in this case because while the demand is surely high and the supply low, the means of the people also have to be taken into consideration.

"If people in Soweto find it difficult to pay monthly rentals of about R30, how are they expected to pay off such expensive houses which will demand that they repay their loans at about R200 per month, or more?"

589

58 ROV 17/3/82

BARCLAYS

BARCLAYS NATIONAL BANK LIMITED

Registered Commercial Bank

Chairman's statement

The theme of this year's report is the sustained growth of Barclays National Bank Limited in the ten year period since its formation in 1971 as a South African bank retaining strong links with the worldwide Barclays network. The report shows that the bank's growth accelerated in the last few years but that last year the increase in after-tax profit was not as great as the previous two years.

In 1981 the Barclays National Bank Group made a consolidated after-tax profit of R80,6 million (compared with R76,4 million for 1980) which is equivalent to 151,4 cents per share, and dividends totalling 63 cents were declared compared with 58 cents for 1980.

Last August we referred to the effect of the credit squeeze on our half-yearly results. Shortly after making our announcement the restrictions on overdraft rates were relaxed by an adjustment of the Bank Rate. Although this adjustment created more normal trading conditions in the banking industry during the rest of the year, our bank's profitability for the full year was inevitably less than we had originally forecast. A substantially increased volume of business was handled during the period under review. Shareholders will be particularly pleased to know that this additional volume was processed without any significant increase in staff numbers and without affecting the high standard of willing service which our customers have come to expect from our bank.

The South African economy

Last year the South African economy was not able to maintain the high rate of expansion of the previous year when the economy, which was near the limit of its existing productive capacity, generated a high level of imports. Earnings from exports of gold and other minerals dropped sharply mainly because recessionary conditions existed in the industrial economies of the Republic's trading partners, and an imbalance between imports and exports developed. This imbalance caused a dramatic turn-around in the current account of the balance of payments from a surplus of nearly R3 billion in 1980 to a deficit of about R4 billion in 1981.

The mounting deficit on current account considerably reduced liquidity in the South African money market and led to a sharp rise in interest rates. The authorities took steps to mop up excess liquidity but their response to the increase in interest rates was slow. For several months Bank Rate and hence prime overdraft rates were held at a level which caused a severe squeeze on interest margins. On the other hand domestic economic activity as well as the inflation rate remained at a high level, so that a strong demand for finance continued throughout the year.

The dilemma facing the South African economy is how to retain, in a climate of inflation, an economic growth rate which at least matches the growing population. This seems essential if industry and Government are to deal effectively with the requirements of an increasing number of people. There has been a great deal of discussion about satisfying the demand for housing and education and about the removal of restrictions which affect the black community. Industrial leaders have committed themselves to a number of programmes to meet these needs and have stressed in meetings with Government the urgency for effective change and the importance of Governmental support for industry's initiative.

Socio-economic developments

The bank is committed to supporting programmes for housing and education and is making a significant contribution to universities and technical colleges. Assistance and guidance is provided for a wide range of projects, which directly affect the lives of members of the urban and rural communities. The Urban Foundation is supported because it is emerging as a forceful catalyst for structural change in South Africa. The Foundation is deeply involved in promoting the advancement of blacks in every sphere of South African life but with emphasis on residential development, education and training and improved access to economic opportunities.

Personnel

The bank's policy towards employees remains unchanged. There is no discrimination on the basis of colour or sex and the Personnel Division of the bank aims at ensuring that all our employees are afforded every opportunity to develop their individual careers in a harmonious environment which leads to real satisfaction in their jobs. The bank's customers benefit from this policy in the services which are rendered to them. The quality of service is enhanced by training which continues to enjoy a high priority. There are six centres for training in routine and basic skills and we have recently built and equipped a residential college for executive training. The college, which is an outstanding building incorporating the latest educational facilities, is a symbol of the bank's commitment to the development of our manpower resources. The growth of the South African economy is severely restricted by the shortage of fully trained personnel and the dedicated staff who are responsible for training in the bank are making a major contribution to the future development of our bank which, with the other components of the banking industry, relies heavily on the efforts of skilled personnel.

Outlook for 1982

Traditionally the South African authorities have formulated their monetary and fiscal policies with care. They should therefore be able to prevent a precipitous drop in the growth rate in 1982 even though account will have to be taken of a likely increase in the Treasury's borrowing requirement, a continuing current account deficit and the accepted necessity to control the rate of inflation. In the immediate future a further contraction of business activity is forecast with a consequent adverse effect on the bank's growth. On the assumption that there is no excessive fall in the growth rate we expect any slowing down to be of relatively short duration and we look forward to an expansion of our business in the medium to longer term with a sustained increase in the bank's profitability. For the increase in profitability the bank will continue to depend on a high level of productivity from its staff and their ability to handle efficiently a growing volume of business. The strength of the bank in South Africa coupled with its international connections as an integral part of the Barclays group ensures that the needs of the bank's customers for the development of their national or international businesses will be satisfied.

J.M. Barry
16 February 1982

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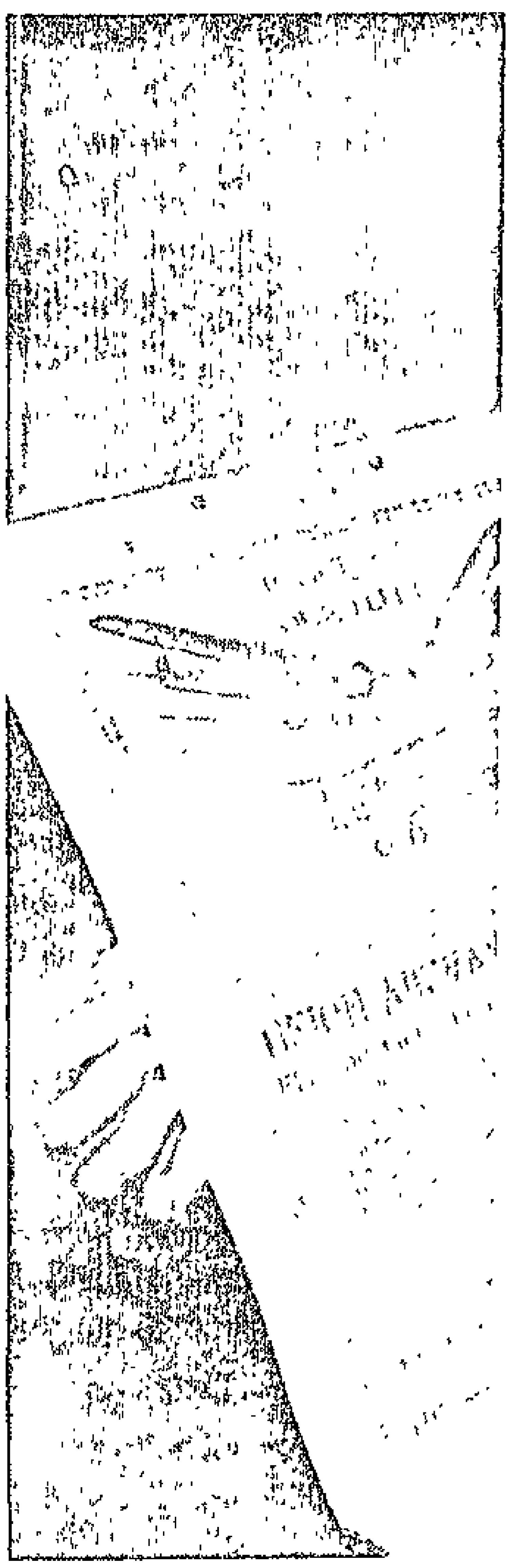
Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

Cape to respond to an appeal by SA Airways for items of historic interest to be exhibited during the airline's 50th anniversary celebrations in 1984.

Mr Johann Prozesky, SAA's deputy director of technical training at Jan Smuts Airport flew to Cape Town yesterday to see relics of the passenger-carrying past that have been offered by Mrs Williamson, whose late husband Captain John "Bill" Williamson was one of the pioneers of civil aviation in this country.

One of the items offered for exhibition is a large and well preserved photograph of George



In the Cape Times offic... African Airways two of t... SAA's 50th anniversary ... Shaw at Wingfield, Cape

'We can't mothball the City'

WHILE Cape Town's population continued to rise rapidly, it was just not possible to put the whole of the historical city centre into mothballs, the Mayor, Mr M J van Zyl, told the United Municipal Executive this week.

Addressing delegates in Cape Town at the UME's 51st meeting, Mr Van Zyl said the City Council did what it could to preserve the City's many buildings,

Tollgate profits fall by R1,2m in first half

Cape Times 20/5/82

58

By PAUL DOLD
Financial Editor

TOLLGATE HOLDINGS profits have fallen fairly sharply at the half way stage but chairman Dr M D Marais says results for the second six months should show an improvement.

Pre-taxed profits were down by around R1,2m to R3 579 000. After tax profits were R1 357 000 as against R1 860 000 — equivalent to earnings per share of 7,6c (10,5c).

Applications for fare increases by the two subsidiaries of Associated Bus Holdings have been approved by the National Transport Commission and the new fares will be introduced on March 21.

"The operating position of City Tramways continues to be closely watched to determine the timing of a fares application by the company."

The group has also disclosed that the valuations of a number of older buses have been revised leading to a reduction of R4,3m in the value placed on the bus fleet as at July 1980. The drop has been set off against the surplus of R21,5m arising from the earlier revaluation which was transferred to non-distributable reserves.

The reduction the the valuations flows from the extended lives of the bus fleet due to changing operating conditions, the delivery of new buses over the next two years in terms of existing orders and the phasing out of obsolete types of buses.

Group capex commitments over the next three years are R12,2m which be financed internally and through borrowings.

Alderson passes interim dividend

The downswing in the economy has hit Alderson and with profits slumping at the halfway stage the board has passed the interim dividend.

Chairman Mr Johan van der Burgh says that pretax profits fell to R567 000 from R1 485 000 with taxed profits down to R284 000 (R873 000). Earnings per share were 5,2c as against 16c.

The profit slide was due to a combination of higher interest rates, adverse exchange rates and below budget sales.

The board is taking steps to improve profits but this is unlikely to have an impact until the new financial year. Last year Alderson paid an interim of 4,5c.

Today's announcement says that Alderson has reduced its majority stake in Isando Electrical to a minority position and the White River branch of the General Motors Division has been sold.

The group has bought Melo Lack (Pty) Ltd for R240 000. This Johannesburg based company manufactures recovery trailers.

Bateman profits plunge

JOHANNESBURG — Edward L Bateman report unaudited operating profit for the six months to December 31 last of R1 076 000, compared to R2 235 000 for the corresponding period in 1980. Taxation took R1 295 000 (R1 191 000), leaving an after tax loss of R219 000 (1980 profit of R2 044 000).

After further deducting outside shareholder's interest and extraordinary item and preference dividend, net loss for the period under review amounted to R229 000 (profit of R1 870 000). An interim ordinary dividend of 13c, which is unchanged, has been declared.

The directors say results for the first half year "are very disappointing." They add the major reasons for this were cost overruns on some firm price contracts.

They add, however, that they are forecasting pretax profits for the year close to last year's figures, though earnings will be lower. A final dividend in line with last year's is anticipated.

Quincor pays 8c

JOHANNESBURG. — Quin Corporation, an industrial engineering holding company, reports unaudited group operating income before taxation of R2 195 000 for the six months to December 31, down from the corresponding R2 458 000 recorded in the corresponding 1980 period.

No taxation (1980: R835 000) has been provided for as a result of assessable losses brought forward from previous years.

After adding net non-recurrable income and deducting preference dividends, earning attributable to ordinary shareholders amounted to R2 527 000 (R1 246 000).

The directors have declared an ordinary interim dividend of 8c per share (nil) and say that prospects for the group's trading divisions are satisfactory notwithstanding the current economic downturn. — Sapa

City's R12,5m loan issue

THE City of Cape Town is coming to the market with a new loan stock issue which will be issued at an all-in 14,74 percent — some 24 points above Escom's current rate.

The City is to issue R12,5m loan stock with a nominal value of R14,4m. The loan will be for 16 years and is to be handled by Senbank.

Cape Town was originally scheduled to borrow some R20m and appears to have cut the amount of the issue due to the record interest rates.

RDM indices

Coal 1 278,1.
Diamonds 1 023,7.
Gold 451,3.
Metals 193,5.
Mining houses 510,8.
Industrial 580,3.

Metal markets

LONDON — Closing prices (in sterling) on the London metal exchange.

Copper Higher grade — barely steady 9 475, mainly carries, cash 845,50 846,00, three months 873,00 874,00, settlement 846,00. Cats, standard — quiet 250, mainly carries, cash 841,50 842,50; three months 869,00 870,00, settlement 842,50.

Tin. Standard — barely steady 355, mainly carries; cash 7 145 7 150, three months 7 300 7 305; settlement 7 150

SUNDAY EXPRESS March 21, 1982

Life insurance needs commitment in 'critical' black housing problem

By [illegible]

AN independent insurance expert has called on life insurance companies to play an active part in the provision of housing for blacks.

Cape Town based Isaac Hickman said. "The problem of black housing is much more critical than it was in 1980 and the life insurance industry ignores it at its peril."

He said if the industry was to fulfil its promises to make large payments in terms of policies sold in the future, it must take an interest today.

"There can be no doubt that a major issue leading to the lack of social stability is this very problem of non-white urban housing and industry must accept some degree of responsibility to commitments in urban planning."

Hickman said the profit motive given by these institutions as a reason for non-involvement was not as important as they made out. Short-term loss could be turned into a long term profit.

He said each life assurer underwrited itself with the provision of black housing and made a small percentage of total annual income to a group formed for this purpose.

This would provide a large annual sum enabling the planners to plan well in advance.

To do this the interest charged on this money should be well below the market rate and in return for this, the Government should reduce or abolish compulsory low yielding Government and quasi-Government stock.

This, said Hickman, has been done in several other countries.

Insurance giant in the offing

S Times

21/3/82

(58)

By John Spira

MERGER negotiations between Price Forbes Federale Volkskas (PFFV) and Alexander Howden (AH) will, if successful, result in an insurance-broking giant generating short-term premium income in excess of R200-million.

Further, the combined operation would boast life business premium incomes of close on R10-million and income from pensions business estimated at more than R100-million.

PFFV is already the country's largest group of insurance brokers, and the addition of AH will accordingly increase its dominance in the market.

The negotiations are being conducted under a heavy veil of secrecy, with neither side prepared to comment at this stage.

A merger of the operations of the two groups would make a good deal of sense because of their respective overseas connections.

AH is 100% owned by Alexander Howden UK, which, in turn, is controlled by Alexander & Alexander of the US — one of the world's largest insurance-broking groups

Hill Samuel merger allows for streamlining

S. Tribune 21/3/82

(58)

By MIKE PEIRSON
Finance Editor

ONE OF the major advantages for Board of Executors and Fidelity Bank when they merge with Hill Samuel next month is that the trust company and banking [illegible] will be [illegible] in a [illegible] concentrated fashion.

[illegible] Board managing director [illegible] Dickson told me [illegible] week that BOE, established in [illegible], [illegible] the oldest independent trust company in the world.

"For over a century we provided the traditional trust company service of handling deceased estates and managing trusts [illegible]. But in the Seventies we started branching out into complementary fields such as setting up a money market, which grew out of a service known as Cash Management.

"We also got into non-traditional fields such as liquidations and money market insurance [illegible]. We went into [illegible] which are [illegible] to those operated by merchant banks — corporate finance deals, mergers, acquisitions, raising of long term issues for companies and finally into instalment credit [illegible] and HP.

"Last year we merged with Fidelity Bank and we found we were in general banking as well.

"The benefits of the merger for us [illegible] Hill Samuel in the group we can now streamline our activities and have [illegible] companies operating as trust companies and our banking and related activities streamlined under Hill Samuel.

"We felt that it would enable the trust companies (operating in Cape Town, Durban, Port Elizabeth and Johannesburg) to be focussed entirely on that kind of activity, leaving the banking to the specialists in that field controlled by Hill Samuel. The opportunity presented itself for strengthening the management of the different activities.

"To expand our banking side, for instance, we needed more deposits because we had plenty of takers for instalment credit. Hill Samuel were the exact reverse of this. They were [illegible] with deposits but lacked the capacity to get those funds to work."

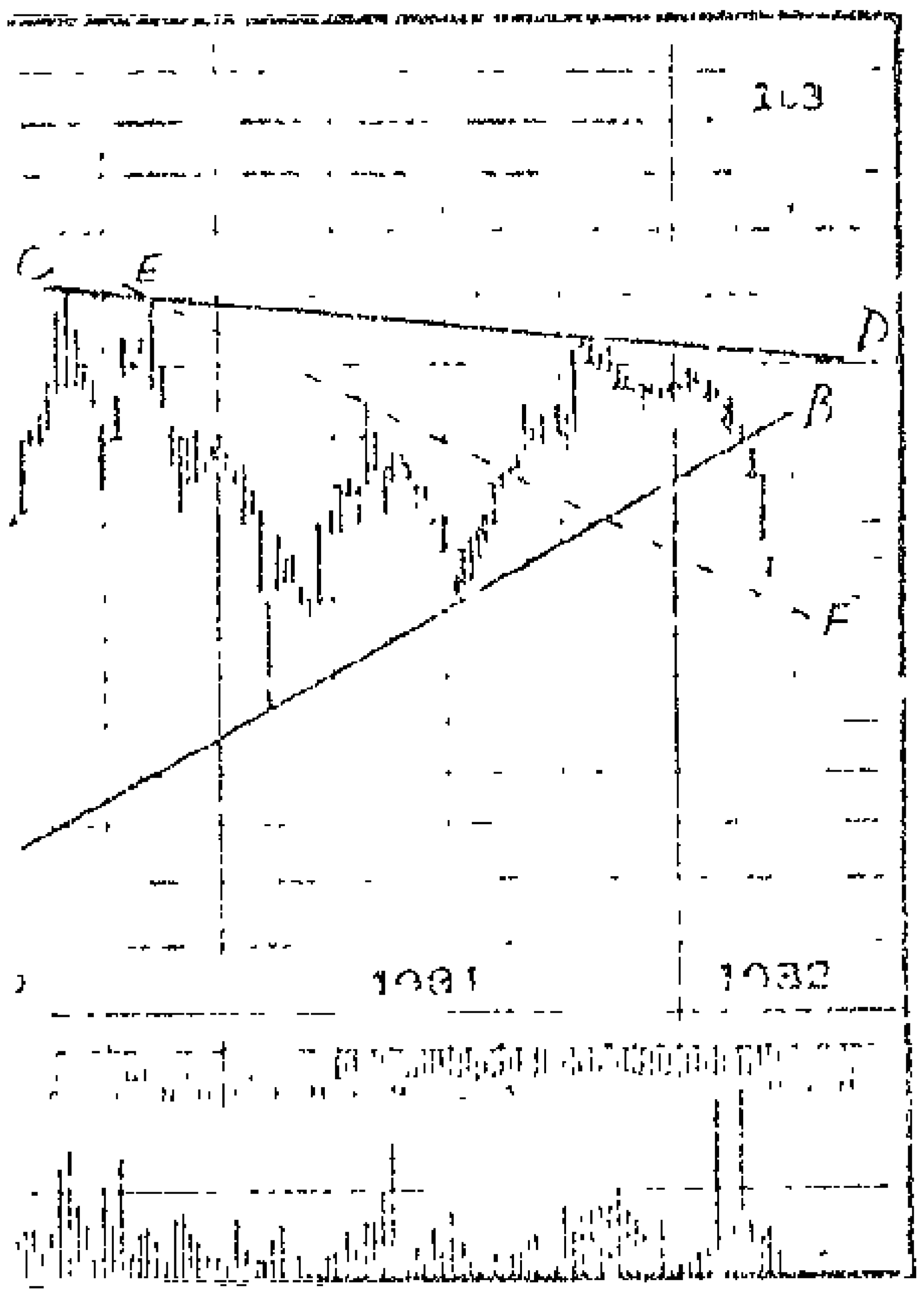
There were other areas where the merger made a lot of sense. Hill Samuel ran a successful money market ... but highly different to BOE. BOE strength is in the corporate, inter-company or [illegible] market area [illegible] to assets. Most of BOE money market activity is blue chip borrowers. Hill Samuel, on the other hand, are very strong in gilts, semi-gilts and assets. So these are complementary.

Adds Dickson: "On investment management, we are particularly strong in client portfolio management and still place great emphasis on highly personal service. Hill Samuel have a fairly significant [illegible] investment management activity as well, but theirs is perhaps more heavily concentrated on [illegible].

"The real value of the move is the complementary nature of so many factors. Our management strength is in the trust area, theirs in banking.

"We are not faced with duplication of staff and offices, as happens with many other mergers and we expect tremendous spin offs from the interplay of services which could be very significant."

Tony Henfrey

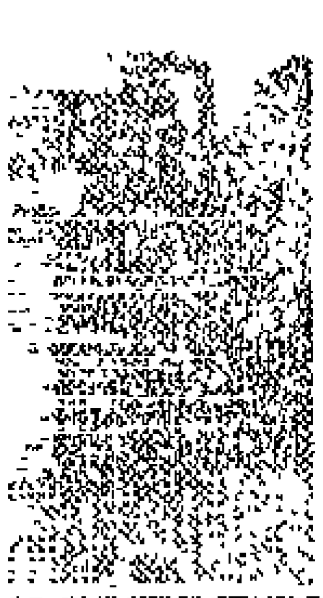


ket came apart.

I've decided to use the chart of Southern Sun to try and get some insight on what could happen. The company by its very nature should be a good reflection of consumer spending. You will notice that strength late last year failed to drive the shares through resistance marked by line CD and then the price drifted down to major support line AB. Came the fall in gold, and the shares plummeted below the support.

Line EF offers a measure of respite around 360 in the short term but any rally or return move to the 400 to 440 area should be used as an opportunity to sell. There appears a lot more downside than upside potential.

LAST OF SCRUBBERS SENT TO NEWCASTLE



THE last of eight 35 ton electro-scrubbers on its way to Newcastle where it is being installed in the Iscor sinter plant.

Murray and Roberts was awarded the R1-million contract for the manufacture and supply of 16 electro-scrubbers — eight for Newcastle and the remainder for Iscor's Vanderbijlpark works.

(58) (AH1) Star 25/3/82

SA back with a vengeance in the international borrowing market

From the Financial Times

LONDON — South Africa is back with a vengeance in the international capital markets. After several years of modest borrowing and net repayment of outstanding debts, there has been a flurry of activity in recent months.

A regular flow of bond and medium-term credits has been accompanied by a [illegible] borrowing [illegible] banks and the South African Reserve Bank.

Details of loans are hard to come by, for South African borrowers private and government are notoriously secretive for fear of attracting political hostility.

Higher tempo

However there is no doubting the increase in tempo. The list includes:

● AECI, the largest South African chemicals producer in which Britain's ICI and the De Beers mining group own equal 40 percent shares, which is seeking a R100 million seven-year credit in December.

● Escom — the Electricity Supply Commission — which is likely to be by far the biggest South African borrower of medium-term funds this year, which launched a R250 million seven-year credit last month. It has [illegible] placed lately a Swiss franc bond, with Union Bank of Switzerland as lead manager with a coupon of 8,25 percent, maturing in 1985, and priced at par.

● South African Transport Services (SATS), the State enterprise which runs the railways, harbours and South African Airways, has already [illegible] three medium-term credits each for about R25 million [illegible].

● [illegible] black [illegible] do- [illegible] recently [illegible] major [illegible] scheme, [illegible] to sign a loan agreement for R160 million again for seven years, next month.

Liabilities

At the same time as medium-term borrowers have returned to the markets there has been a sharp increase in short-term borrowing by the banking sector. Short-term foreign liabilities of the banks (mostly with maturities of three to six months) more than quadrupled in the first nine months of last year from R632 million to R2 800 million.

Meanwhile the South African Reserve Bank's borrowing to support the balance of payment jumped from nothing at the end of 1980 to R650 million at last October.

Encouraged

The Reserve Bank [illegible] also encouraged the commercial bank and trading companies to borrow abroad [illegible] [illegible] the balance of payments — by adjusting the rand's forward exchange rate against other currencies. At the end of last month, private banks arranged loans worth several hundred million rand, when the domestic money market was at its tightest.

The return to foreign borrowing, as with most other recent developments in the South African economy, is a function of the fall in the gold price. The gold movement turned the country's R2 800 million current account surplus of 1980 into a R4 000 million deficit last year. Even if the gold price recovers to an average 450 dollars this year, the 1982 deficit will exceed R2 000 million.

Drained

The squeeze on the balance of payments has drained the economy of liquidity, and pushed domestic interest rates up to record levels, with the commercial banks' prime lending rate on 20 percent. This in turn has made overseas interest rates attractive once again high though they may be.

Balance of payments financing has continued at a high level. The Reserve Bank pledged a quarter of its gold holding — or about 3,1 million ounces — as collateral for foreign exchange in gold "swaps" with foreign banks late last year. In February it activated about R300 million in International Monetary Fund facilities.

Ambitious

Corporate borrowing has been required to finance large inventories and ambitious investment programmes, at a time of dwindling cash flows because of the economic downturn.

AECI's credit, believed to be the largest Euromarket borrowing made by a privately owned South African company, had Citicorp as the lead manager.

Several other companies are understood to have borrowed smaller amounts, while others have negotiated, but not yet drawn, substantial lines of credit. Barlow Rand, South Africa's largest industrial group, began arranging medium-term credit facilities with foreign banks 18 months ago. "We fore-[illegible] February carried a spread of 0,75 percent above Libor, with Banque de l'Indochine et de Suez as lead manager.

South Africa is increasing its calls on the international capital market, against the background of the fall in the price of gold, but political pressures constrain it to do so discreetly. "It took us some time to get interest margins down," says Dr Joep de Loor (left), the Director-General of Finance, "and we would not want them to go higher."

Post Office

Sats declined to reveal details of the pricing its credits, but plans to raise a total of about R450 million in new foreign borrowing for the financial year to March, 1983 including a R50 million floating rate bond later this year.

Iscor, the State-owned steel producer, the South African Post Office, Armscor — the weapons procurement and manufacturing agency which has bor-[illegible]

Long battle

Referring to South Africa's long battle to restore its acceptability in world capital markets after loans dried up during the disturbances in black urban areas in 1976-77, Dr de Loor says: "It took us some time to get margins down, and we would not want them to go higher."

With the notable exception of Swiss and German banks, many foreign institutions are still nervous about the political controversy surrounding loans to South Africa. Citicorp has been subjected to public criticism over its

...ne international ...orrowing market

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Several other companies are understood to have borrowed smaller amounts, while others have negotiated, but not yet drawn, substantial lines of credit. Barlow Rand, South Africa's largest industrial group, began arranging medium-term credit facilities with foreign banks 18 months ago. 'We foresaw that there would be a need to have facilities offshore. We are prepared," the company says.

Power stations

The Euromarkets are an important source of funds for large public sector projects which are continuing n the face of the overall economic downturn.

Escom is currently building four 3 600 MW coal-fired power s'a... tions, and will probably unveil plans for another three over the next two years.

The utility estimates that it will need R800 million during 1982 in bank credits, mainly for downpayments on equipment, and another R1 100 million in buyers' and suppliers' credits. Its R250 million credit in early February carried a spread of 0,75 percent above Libor, with Banque de l'Indochine et de Suez as lead manager.

South Africa is increasing its calls on the international capital market, against the background of the fall in the price of gold, but political pressures constrain it to do so discreetly. "It took us some time to get interest margins down," says Dr Joep de Loor (left), the Director-General of Finance, "and we would not want them to go higher."

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Iscor, the State-owned steel producer, the South African Post Office, Armscor — the weapons procurement and manufacturing agency which has borrowed surreptitiously in the past — and one or two large municipalities are expected to raise smaller amounts.

Saturation

The Government itself is unlikely to be a heavy borrower. According to Dr Joep de Loor, the Director-General of Finance, offshore loans to finance this year's budget deficit will be about the same, maybe even less" than the R250 million budgeted for the 1981/82 financial year.

With other borrowers' demands on the Euromarkets increasing, the authorities are well aware of the dangers of saturating foreign lenders with South African paper. "We won't be pressing the banks," Dr de Loor says. "We want to give them a little more scope."

Long battle

Referring to South Africa's long battle to restore its acceptability in world capital markets after loans dried up during the disturbances in black urban areas in 1976-77, Dr de Loor says: "It took us some time to get margins down, and we would not want them to go higher."

With the notable exception of Swiss and German banks, many foreign institutions are still nervous about the political controversy surrounding loans to South Africa. Citicorp has been subjected to public criticism over its joint management of a R250 million credit for the Government in September, 1980.

US banks

US banks these days confine their activities largely to private sector customers. There is still a problem with US banks and government loans, according to a representative of one US bank in Johannesburg.

One way out has been to tie loans to specific projects benefiting blacks though critics maintain that this simply frees other funds for the enforcement of apartheid. The current loan for Soweto is given as an example. The September 1980 credit was also linked to projects in black and coloured townships.

Property men mildly pleased

Cape Times 25/3/82

Own Correspondent

JOHANNESBURG — Property experts have cautiously welcomed Mr Horwood's concessions to developers but they feel he has not gone far enough

The minister — in an attempt to encourage the building of rental accommodation — has proposed an annual depreciation of two percent for all new housing projects of not less than five family housing units. An initial 10 percent of the cost of a project is also allowed as a deduction from income in the year in which the project is completed and the accommodation is first let to tenants

Mr Don Kennedy, executive director of the Property Owners' Association, (Sapoa), described the moves as stimulants but noted they had limitations

"The two percent depreciation is an important psychological breakthrough but is not enough to be a real stimulant at this stage My organisation feels four percent would have had the necessary effect

"The 10 percent allowance will be a help in solving some cash flow problems and is welcomed "

He described the restraint under which the developer would have to pay back the allowance if the housing project is sold as "fair"

Mr Pieter Rautenbach, director of the Master Builders' Association in Natal, said the concession to rental developers was long overdue But he wondered why the Minister had decided to exclude developments of less than five units which would prove disappointing to small developers

Mr Bruce Forssman, financial director of estate agents R M S Syfrets, said of the concessions "It's a start The important fact is the acceptance of the need for tax concessions which can become better in the future. It is important, too, that the principle has been agreed as it has been turned aside in the past "

Insurance tax a 'serious blow'

Cape Times 25/3/82 (58)

Staff Reporter

THE government's decision to increase the taxable income of life assurers by 10 percent was a very serious blow to the industry, the chairman of the Life Offices' Association, Mr Jack van Wyk, said yesterday.

The increase, from 30 to 40 percent of gross investment income, would mean that policy holders would receive a "less beneficial product".

Mr Van Wyk criticized the move, saying the goose which laid the golden egg for South Africa's economy should be petted and not castigated.

"Our country's capital needs are so vast that our system of providing for this through the private sector instead of through state schemes should be encouraged rather than impeded."

The industry worked hard to provide financial security for the public, thus lightening the government's social responsibilities towards charity and assisting the economy to grow. In the process the industry also held down consumption and therefore inflation.

"An increase in the general company rate will, as the minister said, mean a total increase of R38 million for life insurers and total tax payable of R100 million.

"To the industry this is a very serious blow because it amounts to taxation of policy holders with the result that they will at some time or other receive a less beneficial product," he said.

"We are still awaiting the De Kock report to give us relief from prescribed assets and now we get this knock."

BUDGET '82

'82

Dried fruit

HOUSE OF ASSEMBLY — The government had decided to extend a five-year interest-free loan of R2 million to the sole registered packer of dried fruit, the Minister of Finance, Mr Owen Horwood, said yesterday.

Mr Horwood said that present state assistance to the canning industry was based on a system of marketing quotas to discourage over-production and the accumulation of unsold stocks of canned fruit.

In the short term, however, this policy had resulted in an over-supply of fruit

Cinema tax abolished

HOUSE OF ASSEMBLY — The Minister of Finance, Mr Owen Horwood, announced yesterday that the cinema tax would be abolished from April 1.

The tax, imposed at the rate of three cents on admission tickets of more than 35 cents, had been in operation since 1960 and had remained unchanged, he said

Development Bank gets off the ground

(58) Star 25/3/82

Political Staff

CAPE TOWN — The long-awaited Southern African Development Bank is set to be launched — more than two years since it was proposed by the Prime Minister, Mr P W Botha.

R1 million has been set aside for the bank on the estimates which were tabled in Parliament yesterday.

The bank is intended to be a mini-world bank to help with the development of the proposed confederation of Southern African states.

Mr Harry Schwarz, Progressive Federal Party finance spokesman, said in an interview that although it appeared that the government was now going ahead with the bank a lot more than the R1 million put aside on the estimates would be required.

L & GV still at top of the pension fund ratings

58

S. Times 28/3/82

By JOHN SPIRA

LEGAL & General Volkskas (L & GV) continues to head the three-year performance ratings of the Business Times ongoing survey of managed pension funds.

The first survey, published on February 21 and using figures which extended to the end of the third quarter of last year, showed L & GV in No 1 spot with a three-year average annual compound yield of 29,9%, followed by Prudential (24,2%), Liberty (23,9%) and Federated (22,6%).

According to the most recent data (to the end of December 1981), Prudential has slipped to fourth spot, with Liberty moving up to second position and Federated up to third.

On February 21, only the three and five year histories were published. Now a four-year history has been added, showing L & GV still at the top with 30,5%, followed by Liberty (25,7%), Prudential (25,2%) and National Mutual (24,8%).

Norwich Union's four-year figure does not appear in the tabulation as it has only been operating a managed fund for three years.

Of the eight insurers supplying statistics for the survey, five have been operating in the managed-fund sphere for five or more years.

Here L & GV (27,8%) is followed by Prudential (24,3%), Metropolitan Homes (23,7%), National Mutual (23%) and Federated (21,5%).

In assessing the results of managed pension funds, it should be borne in mind that the longer the period surveyed the more significant are the results.

The widely varying investment conditions with which pension fund investment managers have had to contend over the past five years highlight this observation.

Such conditions included:

● During the course of 1977, interest rates declined and market values of fixed-interest securities correspondingly increased.

At the same time, ordinary shares appreciated. Substantial investment gains could accordingly have been comfortably achieved.

● A similar picture emerged during 1978. These were years when most managed pension fund portfolios were small but growing.

They were thus able to invest relatively substantial amounts of new money at favourable terms.

● The following year was the beginning of a turnaround in interest rates. Some managers began to shorten the term of their fixed-interest holdings in anticipation of a rise in interest rates.

In contrast, ordinary shares boomed. The lowest overall yield for 1979 of the eight participants in this survey was 32% and the highest was 53%!

● In 1980, as expected, interest rates rose — by about 2,5% over the year — and market values suffered a severe drop.

Portfolios that had remained invested long in the fixed-interest sector suffered accordingly.

However, the ordinary share market remained firm until September, and this acted as a booster for the managed-fund portfolios, offsetting the adverse influence of rising interest rates.

Yields among the eight in 1980 ranged from 12% to 23%

cember 31 1981 were respectively 14,6%, 13,8% and 13,3%.

In the first survey, National Mutual's yields were shown as lagging behind the other insurers.

Since then, National Mutual has advised Business Times that the published yields — which had been confirmed with National Mutual prior to publication — were incorrect as a result of misunderstandings concerning the data required.

National Mutual's position in the table has accordingly improved considerably.

Commercial Union has supplied data for the investigation but is not reflected in the table because it will only complete its first three years of managed pension fund business later this year.

Anglo American Life has asked Business Times to state that its 1981 market value contains only an estimate of the value of its property investments.

The yields achieved to March 31 1982 will reflect Anglo American Life's final 1981-82 property values.

The three insurers active in this field — Old Mutual, Sanlam and Southern Life — which had previously refused to supply data, have, regrettably, not as yet given any indication that they are prepared to reconsider their position.

The next Business Times report on the investigation will reflect results updated to March 31 1982. It is hoped to publish these in May.

MANAGED PENSION FUNDS - HOW THEY PERFORMED

	Average Annual Compound Yield to Dec. 31, 1981		
	Past 3 Years	Past 4 Years	Past 5 Years
	%	%	%
Anglo American Life	21,8	21,9	-
Federated Life	24,0	22,5	21,5
Legal and General Volkskas	29,8	30,5	27,8
Liberty Life	24,1	25,7	-
Metropolitan Homes Trust	21,1	23,2	23,7
National Mutual	22,9	24,8	23,0
Norwich Union	22,3	-	-
Prudential	23,8	25,2	24,3

● Last year's pattern was similar to the 1980 experience and during this period yields ranged from 10% to 19%.

The five years from 1977 to 1981 consequently encompassed a wide range of investment circumstances and only a performance measurement taken over the whole of such a period provides a true test of performance.

The years 1979 to 1981 in particular were a severe test of ability to adopt the correct strategy regarding the various investment sectors into which the portfolios' funds should be placed.

It is also clear from the historical sketch of investment circumstances that investment gains in one year can be offset by losses in another — unless the manager has read the signs correctly and secured the gains before the losses set in.

As before, all insurers have substantially exceeded the inflation rate with their managed pension fund yields.

The average annual rates of inflation for the three, four and five years ending De-

Remember...

FOOTNOTE: The figures listed in the accompanying table must be assessed in the light of the following:

● The yields quoted seek to relate to all "full discretion" managed funds operated by the office concerned.

Because of timing differences — which the Business Times yield formula seeks to eliminate in the interests of obtaining valid comparisons — it is possible that these yields might differ from those calculated in respect of individual clients of that office.

● The yield formula has been designed to apply to all insurers to allow for valid comparisons. The quoted yields could therefore differ slightly from those published by some of the insurers, calculated on the insurer's own formula.

● The yields quoted are intended as a guide to the returns that the insurers have produced on the monies invested with them under their managed pension funds — by whatever means they have produced those returns.

● Each insurer participating in the survey supplies quarterly details of the market value of the total assets held by it in respect of its "full discretion" managed pension funds, as well as details of the net new cash flows emanating from these funds.

These details are integrated by an appropriate formula that discloses the investment yield that is achieved over each quarter. These are then compounded to produce annual yields.

● The investigation relates specifically to funds where the insurer has been granted "full discretion" by the client regarding the investment strategy to be adopted and the particular stocks, shares, etc that should be purchased.

A

Aggro brewing in the war of money

3/4/82 (58) Star

One-stop banking in South Africa is often predicted as the likely outcome of the financial institutions' current aggressive competition for funds.

Banks and building societies may have to become more innovative and amplify their range of services in order to stay in business.

In the US banks are preparing for the elimination of restrictions on the range of services they offer. However, the merging of financial institutions is already under way.

Broking firms, like Merrill Lynch, have made impressive inroads into the savings-account market originally dominated by banks and building societies (thrifts).

Insurance companies have also begun operating in traditional bank markets by discounting money market paper directly to corporate clients.

Takeovers

In response, the bigger institutions are ensuring survival by taking over smaller institutions.

Similar patterns are also emerging in Britain as financial institutions begin to compete outside established markets.

Banks have infiltrated strongly into building society territory and building societies have now ventured into banking. The

By David Braun

Leicester Building Society is offering a cheque book as part of a package and will be offering loans for other than property-related purposes.

Building societies in Britain want the rules changed so that they can lend money for cars, holidays or hi-fi. At present they are allowed to provide cash only for home loans or improvements.

The new move is part of the societies' counter-attack on the banks, which have moved into home loans in a big way.

Clearing banks are currently handling about one-third of new mortgage applications in the United Kingdom.

Traditional

In many European countries there are no building societies, the banks being the traditional lenders. In those countries where building societies do exist competition is much along the lines which have evolved in the UK.

Will this happen in South Africa?

In 1979 banks were required to give up their broking licences and, in turn, the Registrar of Financial Institutions, Mr Naas van Staden, has recently prevented brokers from starting Merrill Lynch-style money market funds.

Banks, of course, are not prohibited from granting mortgage bonds but, because mortgage rates are well below market rates and banks are not privileged to offer tax-free deposits, there is little incentive for them to compete at this state.

"Nevertheless," says Mr Frank Durand, financial planning manager of Barclays Bank, "beneath the surface signs of blurring are apparent.

"Like banks, brokers manage gilt and semi-gilt portfolios. Also, banks have long been active as brokers of money market paper, accepting commission revenue instead of interest-turn revenue.

"Hill Samuel is now particularly active in the retail market.

Mortgages

"Standard and Trust have their own building societies and Barclays has stated publicly that it is geared up to grant mortgage bonds but is waiting for the final recommendations of the De Kock Commission," said Mr Durand.

The commission (inquiring into monetary policy) has put forward three basic alternatives to the building societies. They can choose to be:

- Specialised semi-public institutions subject to complete control by the authorities.
- Reclassified as banking institutions subject to the Banks Act.
- Separate institutions funded by capital-market instruments and affiliated with existing banks or new "homeowners" banks.

Details are not yet clear but building societies have expressed preferences for the latter alternatives — an indication that in future banks and building societies are likely to become less distinguishable.

At this stage insurance companies are not actively in the picture but they are big holders of bank shares. Banks in turn are often affiliated with insurance brokers.

Some banks are already positioning themselves for developments.

Barclays, for example, at its recent presentations to the Press and investment analysts of 1981 results, disclosed that the reasoning behind its "We'll get you Going" campaign was to reposition itself to appeal to the largest possible market in anticipation of banks increasing their range of services.

What does this mean for the investor?

"It would appear that the best banks to buy shares in are those likely to score in this new environment," said Mr Durand.

"Certainly, financial and trained manpower resources will be important. Established representation and market share could also be an advantage. As in America well-managed smaller banks are likely to be less vulnerable than well-managed smaller banks and lethargic management will be a handicap, regardless of size.

"Ironically, traditional measures of performance such as return on assets and return on equity will therefore be poor criteria on which to base investment decisions.

"This is because it is an economic fact of life that marginal returns tend to decrease with size. Consequently they are unlikely to reflect advantages held by the bigger banks," he said.

In any event the man in the street is poised to benefit from the wider range of services likely to be offered by his bank or building society, and from the competition that will ensue.

EDSON

SUNDAY EXPRESS April 4, 1982

WHIZZ-KIDS OF THE BUSINESS WORLD

Marais is bouncing back with a London banking scheme

58

MILLIONS MAY POUR INTO S A IF AMBITIOUS PLAN WINS U K APPROVAL

By JOHN GILMORE

TRUST BANK founder Dr Jan Marais is back in banking — this time as a specialist adviser to his business associate, Johannesburg-based Mr Abe Bank.

Dr Marais confirmed this week that he was helping Mr Bank investigate the prospect of acquiring an interest in a bank in the City of London. The bank's aim will be to funnel foreign investment funds into South Africa.

On a recent trip to London Mr Bank was offered the rare opportunity to purchase a stake in a City bank.

Realising the potential for tapping European capital sources he called on Dr Marais to assist in assessing the financial implications.

Dr Marais and Mr Bank are already associated as president and vice-president of Adpro, an advertising agency.

Mr Bank told the Sunday Express he has applied to the Bank of England for approval of his plans to take control of a London bank, but emphasised he is still waiting for the go-ahead.

He said his ambitious plans are "still at the supposition stage" — but there seems little doubt his application is being seriously considered.

Shortly after the Easter holidays he will leave for London, hopefully to finalise the matter. Dr Marais expects to be in London sometime in May.

Dr Marais said: "Mr Bank has approached me and indicated that before he commits himself he would look to me for my approval and advice. At this stage we have sorted nothing out and it is still too early to say whether I shall be taking any sort of interest in the project or not.

"What I can say is that if I can be useful in promoting South African interests in any way then I would certainly do so.

"I am a sucker for this kind of proposition because South Africa needs billions of rands in development capital.

"I am convinced that in the Eighties South Africa will be the world's growth nation."

Dr Marais said the project was Mr Bank's own idea and that capital would be no problem, notwithstanding the rigid rules and regulations laid down by the Bank of England which stipulate minimum capital and reserve requirements.

He believed the problem would be to keep other banking institutions away from the door.

Dr Marais added: "Such a bank, drawing funds in from the City of London would be a tremendous boon to this country. The more capital it could attract for South Africa the better."

Clearly Dr Marais foresees no difficulty in overcoming initial problems and arousing a great deal of interest in Mr Bank's multi-million rand project — the Trust Bank founder has influential and long-standing friends in the British and European banking community.

● Dr Jan Marais — he will have a vital negotiati[illegible]

Bank 'is backing troops in SA'

Cape Times 9/4/82

58

Own Correspondent

LONDON. — An organization here has released a report showing that Barclays Bank is backing the troops in South Africa.

The Barclays "shadow board", established by the End Loans to South Africa Organization to monitor the bank's activities in South Africa, has just released its second "shadow report," which details "the way in which Barclays is backing the troops in South Africa".

The "shadow board" has expanded to 13 members and includes diplomatic representatives from two Commonwealth countries.

The "shadow report" contains a section entitled "Barclays at work", mirroring the style of the Barclays annual report.

The report claims that Barclays' support for the military is symbolized by the presence of one of its directors, Mr Basil Hersov, on the defence advisory board, established by the Prime Mininster, to "unite the private sector and industrial leaders behind the country's defence efforts".

Military links

Further evidence is given of the bank's military links, including its servicing of the 100 000 troops which illegally occupy Namibia, the purchase of R10-million worth of Defence Bonds, participating in loans to strategic projects such as Sasol and Escom and to the South African Government itself. The bank also provides financial facilities to many of the 800 companies involved in contracts with Armscor — the State arms corporation.

"The 'report of the directors' includes a section on withdrawals which records the accounts recently closed as a result of the bank's support for apartheid. These include churches, trade unions and local authorities and total more than £2-billion.

"The chairman of the shadow board, Professor Michael Dummett, reports in his introductory statement that thousands of copies of the 1981 report were distributed in Britain and internationally last year.

"The chairman's statement concludes: 'We once again call upon Barclays to withdraw completely from South Africa'."

● A spokesman for Barclays National Bank said from Johannesburg yesterday that it had no comment to make on the matter.

PROPERTY AREAS
17/4/82
SP

3 COLOURED MEN BACK R3,5-m CENTRE

Tom Hood
Property Editor

A R3,5-million shopping centre planned for the Cape Flats by three coloured businessmen is the first major centre to be financed by a coloured investment group of private individuals.

Until now all shopping centres in coloured areas have been developed either by the local authority, the Small Business Development Corporation (previously the Coloured Development Corporation) or the Government.

The three men decline to be indentified for security reasons

The Airport Shopping Centre, as it will be known, is in Charlesville on a two hectare site.

The major tenant is Pick 'n Pay with a 3 800 sq m supermarket. Most of the other 3 000 sq m for retail shops and offices is already let.

Many national chains have applied for space, say the leasing consultants.

The planning and financing of the project has reached an advanced stage, they said today.

A petrol service station has already been built at the site.

Eventually the centre will be extended to give another 1 000 sq m for smaller shops.

PARKING

Parking for 270 cars will be provided although another 50 or more bays can be provided later.

Well over 300 000 people live within a 5 km radius, estimate market analysts. Areas covered include Bonteheuwel, Bishop Lavis, Montana, Valhalla, Heideveld and Vanguard.

Only a fifth of the shopping needs of these people are presently met and the centre will go only part of the way to fill the gap.

ARGUS 20/4/82

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Bank, told a recent IMF seminar in Nairobi, that cuts in subsidies 'impose tremendous adverse affects.'

Mr Ndegwa could have cited two cases. Several hundred people died during food riots in Morocco (which signed an SRD 819m agreement in March 1981) last June, while protesters took to the streets in Sudan in January after price rises for basic commodities followed agreement on an SDR 198 m programme in October. Both governments were attempting to meet targets agreed with the fund.

Yet the non-oil producing countries are in a bind. They have few other sources of large-scale financial aid at a time when their predicament has never been worse.

Two recent meetings in Nairobi released some disturbing statistics.

The annual increase in GDP of non-oil producing African countries fell to 2.5 percent between 1978 and 1980, compared with 3.8 percent in 1973-1977. Since the annual average population increase is 2.5 percent, per capita income has been stagnant.

The annual rate of inflation tripled in 1973-77 to nearly 17 percent, rising to about 20 percent in 1978-80. Medium and long term external debt of the non-oil African group more than quadrupled, reaching $47,8bn at the end of 1980.

Also in Nairobi last month, African delegates to the United Nations World Food Council heard an alarming assessment of the continent's food position. The forecast is that food imports of 18.5-million tons in 1980-81 will triple by the mid-1980s. Overall agricultural and food production grew by only 1.7 percent in 1981 — well behind the growth rate of the population.

IMF STAND-BY ARRANGEMENTS AND ARRANGEMENTS UNDER THE EXTENDED FUND FACILITY IN AFRICA* (SDRm)	Date of agreement	Programme years	Total commitment	Undrawn balance
STAND-BY ARRANGEMENTS				
Cent African Republic	April 10, 1981	1	10 40	2 40
Ethiopia	May 8, 1981	1	67.50	23 50
Kenya	Oct 15, 1980	2	241.50	151.50
Liberia	Aug 26, 1981	1	55 00	22 00
Madagascar	April 13, 1981	1	109.00	70.00
Malawi	May 9, 1980	2	49 88	9.88
Mauritania	June 1, 1981	2	25 80	15.50
Mauritius	Dec 21, 1981	1	30 00	22 50
Senegal	Sept 11, 1981	1	63.00	47.26
Somalia	July 15, 1981	1	43.13	17 25
Tanzania	Sept 15, 1980	2	179.60	154 60
Togo	Feb 13, 19.	2	47 50	40.25
Uganda	June 5, 1981	1	112.50	35.00
Zimbabwe	April 8, 1981	1	37.50	—
TOTAL			1,072.31	611.64
EXTENDED FUND FACILITY				
Gabon	June 27, 1980	3	34 00	34 00
Ivory Coast	Feb 27, 1981	3	484 50	307 78
Morocco	March 9, 1981	3	817.05	680 55
Sierra Leone	March 30, 1981	3	186 00	152 50
Sudan	May 4, 1979	3	427.00	176.00
Zaire	June 22, 1981	3	912.00	737.00
Zambia	May 8, 1981	3	800 00	500.00
TOTAL			3,660 55	2,587.83

* As at December 31, 1981

Source: IMF

Extended

As balance of payments deficit rose and commodity prices fell, so the Fund's role has increased. Commitments under the upper credit tranche standby and extended arrangements rose from two in 1978 to nine in 1979 and 12 in 1980. Last year the board approved 14 such arrangements with African countries for periods of one to four years, and seven others negotiated three-year programmes.

Yet African resentment of the fund seems to have risen in proportion to its role. One of the world's poorest countries has taken the toughest stance: Tanzania has conducted a running battle, with President Julius Nyerere and Mr Amir Jamal, Finance Minister, ... taking up the

economic policies' — including poor agricultural pricing policies, burgeoning and inefficient state-owned companies, and 'overly expansionist' fiscal and monetary policies.

Among the many cases which bear out his criticisms, Zambia is one example, less tobacco is produced today than at independence in 1964.

Treasury officials throughout Africa however can point to the impact of world price fluctuations over which they have no control. In Zambia, for instance, the copper mines provided over 50 percent of government revenue in 1974. For the past five years it has ranged from nil to negligible.

One analysis which carries disquieting implications has been carried out by Professor Tony Killick, of the Overseas Development Institute.

Broken down

In a paper looking at the fund's relationship with Kenya, Professor Killick points out that three higher conditionality agreements have all broken down. Yet the Government is 'rather conservative, pragmatic and generally market orientated.' Further, there is 'no great ideological divide . . . the Treasury does not disagree with the thrust of the IMF policies . . . (and) the principle of conditionality is not contested.'

He does not put all the blame for the difficulties on the IMF, but one ...

R86-million lent to the little men

ARGUS 20/4/82

Argus Correspondent

DURBAN. — Though the newly formed Small Business Development Corporation would aid small businessmen of all races, it was clear the greatest need was among blacks, coloured and Indians, Dr Willem Vosloo, managing director of the corporation, said at the weekend.

Addressing the Natal and Free State chartered accountants' autumn school at Hilton College, Dr Vosloo said that up to the end of January 162 loans had been granted, worth R86-million.

Because the corporation had only three main offices — in Johannesburg, Cape Town and Durban — it had entered into an agreement with the banks who would act as its agent under a 'financial guarantees system.'

Under the system the corporation would give private guarantees for bank loans to small businessmen who otherwise would not have been able to obtain finance.

Dr Vosloo said R2.5-million had already been lent by the banks under this system.

Basically the corporation applied the following flexible guidelines:

- Businesses it helped had to be small — with gross assets of less than R500 000.
- Loans were for a maximum of R150 000, except in a few unusual cases.
- Applicant businessmen would have some experience in their fields.
- The businesses had to be viable in their own right.
- A reasonable capital contribution had to be made by the businessman himself.
- Some security for the loans was usually required.

Rio Tinto may lose

SALISBURY. — A second major mining group in Zimbabwe, Rio Tinto Mining, says it 'may well' make a loss in 1982.

Chairman Mr W Rickards says in his annual report that 198- proved to be one of the group's worst years for profit, with attributable earnings falling from R4,9-million dollars to R1,4-million dollars.

'I am not optimistic that there will be a significant change for the better in 1982. In the circumstances the group may well incur a loss during the year,' he says. — Sapa

IBM tells of billions in losses

THE IBM Corporation estimates that it lost more than two billion dollars (R2,06-billion) in gross income as a result of the rapid fall of major ... against

Investment losses: boards get shares

(58) RDM 20/4/82

Political Staff

CAPE TOWN. — At least two administration boards have become massive shareholders in a finance company in a controversial compromise settlement on huge investments they lost when two banks were placed under curatorship.

The compromise came to light in the reports of the Auditor General on the Port Natal and Western Cape boards and is the latest development in a two-year controversy surrounding the boards, their investments in floundering banks and their own lack of internal checks and controls.

It is understood that the compromise — in which the two boards have been allotted 6-million 1c shares — involved their earlier investments with the former Rondalia Bank which is now a financial institution.

The shares they have been allotted do not cover the full amounts outstanding on their investments and the balance has been regarded as a "shareholder's loan".

The Port Natal board, says the Auditor General, received 4 500 000 of 1c shares.

"Meanwhile the outstanding amount of R593 156 on March 31, 1980 was reduced by a capital repayment of R88 973 and the balance of R504 183 is in accordance with the compromise, regarded as a shareholder's loan."

The Western Cape board received 1 500 000 of 1c shares and in terms of the compromise the outstanding amount of R197 719 as at March 30, 1980 was also regarded as a shareholder's loan.

An amount of R29 658 was repaid to the board in November 1980.

The chief Opposition spokesman on finance matters, Mr Harry Schwarz, yesterday described the situation as "ludicrous".

"We will just have to see if they earn any dividends on their new shares," he said.

The boards now had shares which could not be utilised for providing urgently needed services for blacks, he said.

The financial position of the Western Cape board was not satisfactory, he said.

21/4/82

Soweton

58

Azapo attacks overseas loan

By SELLO RABOTHATA

A FOREIGN loan agreement of 1600 million dollars for the upgrading of Soweto was signed in Frankfurt, West Germany, yesterday by the Minister of Finance, Mr Owen Horwood, and the chairmen of the Greater Soweto councils.

The loan has been taken with a syndicate of international banks for whom Deutsche Bank Financiere Luxembourg will act as agent

News of the loan was received with mixed emotions by community leaders in Soweto Bishop Desmond Tutu, general secretary of the South African Council of Churches, said: "Why should we get a loan with the price of gold so much? This is an attempt at justifying investment as a service to blacks. South Africa ought to have sufficient funds They spend far too much on defence — defending their apartheid policy."

Mr Ishmael Mkhabela, Azapo's publicity secretary, said: "Compensation will not substitute for the acquisition and demand for political power by black people of South Africa. Money cannot buy the people their political economical and social aspirations Our message to the authorities is that reform can only buy time but it will never dissuade the people from their genuine demand."

Mr Ambition Brown of Inkatha said the Greater Soweto councils had undertaken a highly praise-worthy role to spread their wings of friendship to outer and foreign countries by getting a handsome loan for the upliftment of the three councils. This "idealistic manoeuvre" of a loan should not be transferred or inherited by the people in the form of perpetual rent increases.

He said: "Just as the council devised ordinary ingenius means of this loan they should improvise other ingenius strategies to reimburse the R160 million, other than imposing further oppressive measures in the form of rent.

SA loan under fire

Star 21/4/82

(58)

The Star Bureau

LONDON — Britain's National Westminster Bank has been attacked by dissident shareholders for its part in a R170 million loan to South Africa.

The shareholders pointed to Natwest's withdrawal from a recent R210 million credit to the Argentine electric utility while encouraging new loans to South Africa.

Mr Robin Leigh-Pemberton, the chairman, told yesterday's annual meeting that the bank had been ordered to abstain from loans to Argentina, but there were no directives on South Africa.

The loan to South Africa, with banks in West Germany and Switzerland, is to Soweto.

Building Society flat-buying slammed

23/4/87 ECON (58)

By PENNY CUMMINS
Property Editor

PEOPLE may be forced onto the streets if building societies continue to buy blocks of flats, according to a Johannesburg estate agent.

"The function of a building society is not to buy existing blocks of flats and throw people on to the streets if they can't afford to buy their homes", he said yesterday

Mr Errol Friedmann joint managing director of J H Isaacs, was commenting on the purchase of La Fayette, a block of flats in Illovo, by the Southern Trident Building Society's development company The deal was completed on April 1, when the Trident had already been incorporated into the United Building Society.

"A Building Society's responsibility is to provide money for housing," said Mr Friedmann "That doesn't mean venturing into high class areas and selling exorbitantly"

Mr Allan Wentzel, erstwhile managing director of Southern Trident, said the deal was an exception

"We converted and sold several blocks of flats under sectional title The others, which were concentrated in Natal, Florida and Roodepoort, were for lower and middle income buyers But I thought that La Fayette would provide a good return on investment"

In a newsletter published last month, J H Isaacs castigated societies which paid above market prices for buildings, and were preparing to sell the flats at a profit.

Since 1970 Building Societies have been empowered to operate development companies. The companies cannot hold more than R12 million of property investment at one time. As a matter of policy they tend to concentrate on developing and proclaiming townships, and developing groups of new houses or sectional title units The housing they create is usually for middle or low income families, both black and white. But most societies have engaged in the occasional high income project

"The development arms are there to make a profit," said Mr Wentzel

Mr Friedmann said yesterday that the practice of buying and reselling blocks of flats by building societies had now ceased

"The building societies agree with us that it is wrong and they are in sympathy with our attitude."

The Director of the Association of Building Societies, Mr Tim Hart, said yesterday that he was not aware of societies buying and reselling flats

"They must be exceptional I am only aware of the development corporations creating new housing But I'd think it a very good idea if they were to dolly up and improve an existing building and then resell it It certainly isn't illegal or undesirable"

Other big losers in Rondalia Bank fiasco

58

Mercury Mercury Reporter 23/4/82

THE Port Natal Administration Board was not the only large loser in the collapse of Rondalia Bank, the Mercury learned this week.

Among the lengthy list of investors who are now hoping to recoup their sizeable investments are Pretoria City Council, eight Rand towns, a large discount house and a prominent church.

Also among those who were caught in the bank's demise are: Barclays Merchant Bank, the SABC, the Council for Public Resorts, four pension funds, a university, an investment corporation, 18 local authorities, 10 administration boards and eight private companies.

The largest investor was a discount house, which had R2 500 000 involved.

Following the bank's crash a complex series of financial manoeuvres resulted in the establishment of Rondalia Finance, a private company which has replaced Rondalia Bank.

Individuals, organisations and institutions who held investments in the bank are now shareholders in Rondalia Finance, a company which has been formed in an attempt to build its holdings to the point where their value will at least equal the original investments with Rondalia Bank.

Hope

Investors were able to recoup portions of their investments from the sale of the bank's licence.

Mr H A du Plessis, the chief director of the Port Natal Administration Board, said in an interview yesterday that the PNAB had a seat on the board of Rondalia Finance.

He said there was no way of knowing to what extent the PNAB's outstanding investment of R504 183 would be recouped.

'We can but hope that the company will resolve its financial situation', he said.

Mr du Plessis said the PNAB had followed its usual procedure in deciding to make the investment with Rondalia — calling for offers from investment institutions, and making a decision on the basis of the rate of interest and the soundness of the institution concerned.

'Contrary to what some people are now saying, we had no way of knowing that Rondalia Bank was in trouble.

'I have checked, and can find no reference to anything of the kind in the Press at the time.

'If we were misguided, then many other people of more substantial means were also,' he said.

Mr du Plessis said that the local authorities and the administration boards between them had a majority shareholding in Rondalia Finance.

(58)

Long list of losers in bank's collapse

Mail Correspondent

DURBAN. — The Port Natal Administration Board was not the only large loser in the collapse of Rondalia Bank.

Among the lengthy list of investors who are now hoping to recoup their sizable investments are the Pretoria City Council, eight Rand towns, a large discount house and a prominent church

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Mr Du Plessis said the Boards and local authorities between them had a majority shareholding in Rondalia Finance.

TV comeback for Donna

By IAN REID

NEARLY two years after she quit her post as producer-/presenter of the SABC-TV series "Woman Today" (it was in October 1980), Donna Wurzel is poised for a comeback on the small screen.

No date was given by the SABC as to when Ms Wurzel will be chatting to viewers again, but it will be within the next couple of months

She will be present "Open End" — interviews with showbiz personalities

Ms Wurzel will be joining the SABC on a freelance basis and "Open End" will not be her only contribution.

She is also gathering material and ideas for a number of special reports which she will present and produce

"I want to do something light and happy and entertaining for a change," she said in an interview "I don't always want to be landed with a blue-stocking serious image. I love to meet and talk to show-business people At the same time I can quietly get on with research for those special reports."

The programme is the brainchild of its producer, Ray Wilson, who has just returned from the United States where he's been looking at the handling of personality chat shows.

DONNA WURZEL
showbiz interviews

Mining for Zimbabwe

HARARE. — A company to start mining on behalf of the government would be established in July, the Minister of Mines, Mr Maurice Nyagumbo, said in an interview published yesterday

Zimbabwe Mining Development Corporation would start operations as soon as all the necessary legislation had been passed, he said. — Sapa.

Clamp on cotton price rise

RDM 23/4/82 (3) Cotton

Pretoria Bureau

THE Government has taken a hard line on applications for a cotton price increase

The chairman of the Cotton Board, Mr Gert Schoombee, said the new price was "totally inadequate".

Agricultural authorities said the Government's attitude indicated it would also limit maize price increase

Mr Schoombee said in Pretoria yesterday the board would continue its representations to the Government on the new price, 167,19c/kg for average grade Dirk A2 cotton fibre, which was a mere 2,1% higher than last year's price.

He said the price was inadequate to cover production cost rises, to give farmers a reasonable return on capital, to prevent South Africa becoming totally dependent on imports, and to keep thousands of black workers in jobs.

Mr Schoombee said the industry employed more than 182 000 people.

The Government, he added, had to decide whether the country could afford to spend R35-million this year importing cotton fibre.

This figure could increase to R200-million if South Africa became totally dependent on imports, he warned.

CAPE TIMES 24/4/82 (58)

Questions on Wavecrest are still unanswered

By JANE ARBOUS

TODAY the dream Wavecrest township near Jeffrey's Bay consists of several thousand empty plots serviced by roads electricity and water. But the questions being asked by the public on how it all went wrong, remain unanswered.

The property development scandal which broke 10 years ago, surfaced again during last week's civil action in which the Trust Bank claimed R4-million and interest for transactions that took place 10 years ago.

The bank, a co-developer of the scheme, was confident enough to sue 10 defendants, some of whom were prominent businessmen linked to the bank at the time.

But after hints in the Supreme Court of unjust enrichment and a conspiracy to steal, the action was settled out of court and in secret.

The unusual circumstances surrounding the speed and manner in which the multi-million rand township was established, have never been fully explained.

Developments so far include:

- Repeated calls for a judicial commission of inquiry but this has never materialized,
- A minority report by a Provincial Council select committee which the then Administrator, Mr A H Vosloo, refused to table,
- The Trust Bank report, as well as the minority report, which were handed to the police in the mid-1970s,
- A police investigation which was completed late in 1979 and handed to the Attorney-General who is still considering whether further action, if any, is to be taken,
- And now the aborted civil case which had been pending since 1979.

One of the most extraordinary aspects of the development was the decision by the Provincial Administration to give it blanket approval. Usual policy in the case of a property scheme as large as this (3 800 erven) is to phase in development, with authorization only being given for the initial stages.

Pushing ahead, the Provincial Administration went against the wishes of the Townships Board which consisted of town planners, architects and provincial officials.

The first seeds of doubt over the development were sown by the United Party opposition in the Provincial Council in 1972. A series of probing questions covering four printed pages were put to the MEC in charge of Local Government, Mr Frans Conradie.

'Jobs for pals'

Fiery clashes over allegations of "Nationalists feathering their own nests" and "jobs for pals" followed.

The Administrator, Mr Vosloo, who said he was "sick of mud-slinging", finally agreed to the appointment of a select committee to conduct an inquiry.

In 1974, after months of demands for the committee's report to be tabled, Mr Vosloo decided not to disclose the full text. In fact, only four pages (containing recommendations) of the 144-page report were tabled.

Cover-up allegation

Accusing him of a "cover-up", one of the two UP MPCs allowed on the committee, Mr Theo Aronson, alleged that

- The Jeffrey's Bay municipality approved the township application before it received it,
- In return for an R800 000 donation from the development company, the municipality waived a requirement

Dr Fred du Plessis

Mr Frans Conradie

Mr Theo Aronson

Mr A H Vosloo

A permanent 'black mark'

THE Trust Bank would always have "a black ...

in Wavecrest

"Thousands of ordinary people who ...


Dr Fred du Plessis


Mr Frans Conradie


Mr Theo Aronson


Mr A H Vosloo

A permanent 'black mark'

THE Trust Bank would always have "a black mark" against its name for its involvement in the Wavecrest property debacle, the chairman of the Wavecrest Plotholders Protection Society, Mr Dave Blem, said yesterday.

Calling for a judicial commission of inquiry into the 10-year-old scandal, Mr Blem said from his Durban home that the secret settlement between Trust Bank and the men it was suing was "unsatisfactory" in the light of all the unanswered questions.

Mr Blem, who is one of several thousand people throughout South Africa owning land in the township, has been involved for years in attempts to find out what went wrong.

During one of several meetings with the Trust Bank chief, Dr Fred du Plessis, he was told that the bank deeply regretted ever having got involved in Wavecrest.

"Thousands of ordinary people who normally would never have bought there, were attracted by the massive advertising campaign by the Trust Bank. It was their first move into property and their good name and the picture of this golden development prompted people to buy.

'Dreams shattered'

"Instead their dreams were shattered.

"Over the past eight years we have paid and paid, never seeming to dent what we owe on the land And although very few houses were ever built, land owners still have to pay service charges every month."

The area would never be "a status one" as promised, Mr Blem said. Because no building restrictions were instituted, anything from pondoks can be erected on the land

Trust Bank won 'substantial damages'

THE Trust Bank won "substantial damages, running to millions" in the settlement it reached with the 10 defendants it was suing over the controversial Wavecrest development, according to a legal source quoted in the Financial Mail this week.

Secrecy surrounds the deal and Trust Bank officials refuse to comment on the terms

The bank's claim for R4-million plus 11 percent interest for nearly 10 years was brought last week against 10 defendants, one of them a City property developer, Mr Bill Mitchell.

The bank alleged in the Supreme Court that Mr Mitchell and former principal officers of the bank conspired in 1972 to steal money in a series of transactions involving the development of Wavecrest township near Jeffrey's Bay

The Financial Mail said it was clear that the sheer magnitude of the case influenced the settlement decision, details of which may never be known.

Involved were five firms of attorneys 11 counsel, dozens of potential witnesses and a court record that would have run to thousands of pages

Hundreds of documents in tin trunks were held in readiness.

The Financial Mail said costs would have been "staggering".

nally agreed to the appointment of a select committee to conduct an inquiry.

In 1974, after months of demands for the committee's report to be tabled, Mr Vosloo decided not to disclose the full text In fact, only four pages (containing recommendations) of the 144-page report were tabled.

Cover-up allegation

Accusing him of a "cover-up", one of the two UP MPCs allowed on the committee, Mr Theo Aronson, alleged that:

- The Jeffrey's Bay municipality approved the township application before it received it,
- In return for an R800 000 donation from the development company, the municipality waived a requirement that they pay a 7½ percent "incorporation endowment" on the plots,
- A brother of Mr Frans Conradie was one of the land surveyors employed by the developers,
- A law firm in which Mr Conradie was a former partner was involved in the scheme,
- The chairman of the inquiry into Wavecrest, Nationalist MPC Mr J H Heyns was a partner in a law firm involved in the scheme,
- The developers used "gangster-type" tactics on Mr Aronson in an attempt to prevent him from probing their financial affairs

Full-page newspaper advertisements were placed by both the developers, Jeffrey's Bay Property Holdings (Pty) Limited, and the town's mayor, Mr B Keet, explaining their positions and replying to some of the allegations.

The then Prime Minister, Mr B J Vorster, was urged to act.

Police

The row raged on and in 1979 the findings of an internal inquiry instituted by the newly-appointed head of Trust Bank, Dr Fred du Plessis, were given to the police.

Dr Du Plessis handed his report over after the results had been sent to the Registrar of Financial Institutions

Both the minority report and the administrations report were also given to the police whose investigation involved allegations of "unreasonable advantage".

Ten years later the seaside township stands desolate.

And in spite of the accusations and counter-accusations the questions people hoped would be disclosed in the civil court action remain unanswered.

BANKING

The silent war

(58) FM 23 4.82

A bitter, if bloodless, war is at this very moment being waged under your unsuspecting nose. Its weapons are not stored in military arsenals and its troops are not in uniform. Yet every inch of territorial gain by any one of its antagonists is a cause for jubilation. Every inch lost must be accounted for by its generals and officers in the field. And its language employs the terms used by military strategists from the age of Pericles to that of Moshe Dayan.

The combatants are the financial institutions in South Africa. Their battleground is a mature, saturated market where product differentiation is difficult and new markets limited. The major battles are fought between the imperialist powers that lead the market, Barclays and Standard, and the main challengers, Nedbank, Volkskas and Trust. Their spoils of war are your patronage and business.

Their marketing tactics can be analysed in terms of the successful military strategies identified by Liddell Hart in his analysis of the thirty most important conflicts in the world from the Greek campaigns to the First World War. Market leaders must use holding or defending strategies, although they can attack. The main defending strategies are:

☐ **Flank positioning defence:** This involves carving a niche by distinctive positioning. Its military equivalent is defending a pass or bridge.

Standard subscribed to this approach by branding financial products — like "Plusplan" or "Flexiplan." But product differences are slight and gains unlikely to be startling.

☐ **Pre-emptive defence:** This involves corrrectly assessing market trends and acting on them before anyone else — attacking before being attacked.

Barclays has embraced this wholeheartedly. It believes that growth is dependent on expanding the range of bank services and that financial institutions will in consequence start to become indistinguishable. Hence its emphasis on service-orientated advertising — "We'll get you going" — rather than product differentiation.

Standard's version of this approach is its heavy investment in automatic tellers (ATMs) which allow all-day banking. However, if it is discovered that a joint ATM system shared by all financial institutions is preferable to individual systems, it will have paid dearly for blazing a trail only halfway to the final destination.

☐ **Counter-offensive defense:** This implies counterattacks on aggression initiated by the enemy. An example is Barclay's "Supersave" launched in response to Standard's "Plusplan."

☐ **Positional defence:** This strategy involves digging in and fighting challengers with existing products and resources. It is unimaginative and usually unsuccessful. The building societies are currently employing it in a vain attempt to stem the outflow of funds from their deposit bases.

These are the main defensive strategies. Market challengers must use attacking or building strategies, although they will have to defend as well. The main attacking strategies are:

☐ **Frontal attack:** This involves pitting strength against strength in head-on combat, like that used in the trenches in France in World War 1. Military dogma rules that the attacker requires a 3:1 firepower advantage to be successful.

A modified frontal attack is one, say, where a leader's products are matched by the challenger in all respects, but beaten on price. It is a costly way of gaining market share. Nedbank initially used this by offering 2% more on special savings accounts.

☐ **Flanking attack:** This is aimed at a leader's weak spots and blind sides and depends on an element of surprise or deception. It serves best a challenger with limited resources.

Flanking can be geographical, as in the case of Volkskas building a strong Afrikaans rural representation, or Nedbank training local women for suburban branches.

It can also be segmented — directed at market needs not served by the leaders. Trust, and later Nedbank, adopted aggressive stances in untraditional markets.

☐ **Encirclement attack:** This involves offering all that a leader offers and more in order to blur existing segments and disperse established strengths. It corresponds to launching a grand offensive on several fronts and requires superior resources.

In banking it is equivalent to offering the full range of financial services — one-stop banking. No challenger has the resources to do this, but Barclays' pre-emptive defence is developing in this direction.

☐ **By-pass attack:** This means focusing on easier markets to broaden a resource base limited by the difficulties of the original market. It could involve either diversifying into new and unrelated product areas, or servicing different segments or regions with the same products. Hill Samuel is attempting this approach by, *inter alia*, discounting bankers' acceptances into the untapped retail market.

☐ **Guerrilla warfare:** This consists of perpetual small, surprise attacks. It means gradual weakening by a number of pinpricks, rather than risking all in a heavy blow. All the banks use this by targeting and enticing each other's clients.

The accompanying table entitled "Before" shows where the banks are now placed in a market broken down in terms of four main poles — English/Afrikaans and traditional/innovative. The table entitled "After" shows where their current strategies may have led them when the next 10-year campaigns draw to a close.

TOP 100

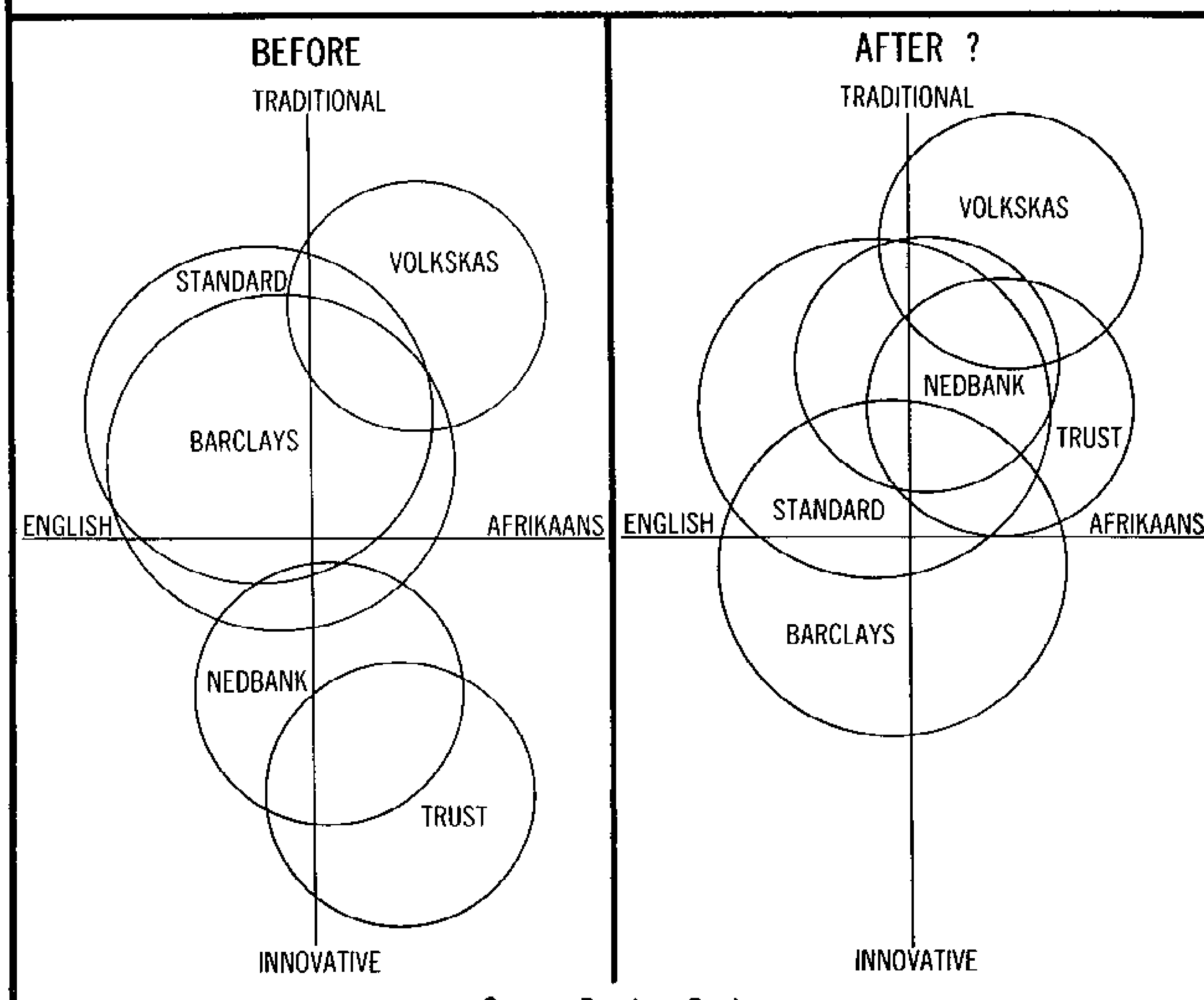
The *FM*'s biggest annual special survey, "Top Companies," will be published with next week's issue.

The Top 100, as the survey is informally called after its most widely read table listing the leading 100 industrial companies, is this year bigger than ever.

Subscribers who fail to receive "Top Companies" with their regular *FM* delivery should not worry.

The weight of the survey's 264 pages is such that it has to be mailed separately.

LOCKED IN BATTLE



Source: Barclays Bank

(58) S. Times 25/4/82

HIGH-GEARED COMPANIES FACE DEATHLY SQUEEZE

	Loans (long)	Loans (short)	Profits	Interest	Interest % of profit	Debt/equity ratio
Amic	R154,6m	R152,3m	R178,7m	R34,1m	19	42,3%
	(R112m)	(R84,3m)	(R151,5m)	(R15m)	(0,1)	(32,4%)
Rennies	R43,8m	—	R23,6m	R6,3m	26,4	57,9%
	(R33,5m)	—	(R15m)	(R3,6m)	(24,2)	(59%)
B Circle	R53,8m	R16,3m	R22,9m	R8,2m	39	51%
	(R26,8m)	(R5,9m)	(R17,1m)	(R4,5m)	(26,2)	(44,1%)
D & H	R31,5m	R19,2m	R25,2m	R6,5m	26	69,6%
	(R20,1m)	(R5,6m)	(R17,1m)	(R2,4m)	(13,7)	(54,5%)
Asea	R23,2m	R5m	R7,6m	R3,3m	42,9	54,7%
	(R6,8m)	(R14,1m)	(R6,3m)	(R1,8m)	(28,4)	(63,1%)
DRG	R9,3m	R5,7m	R2,8m	R1,4m	50,7	34,2%
	(R2,5m)	(R7,2m)	(R5,3m)	(R0,8m)	(0,2)	(33,3%)
BTR	R2,8m	R38,7m	R15,7m	R3,5m	22	96,2%
	(R2,1m)	(R19,5m)	(R11,8m)	(R1,5m)	(12,8)	(59,6%)
Foschini	R13m	R16,4m	R13,1m	R3m	23,2	71,8%
	(R13m)	(R10,3m)	(R10,5m)	(R1,8m)	(17,3)	(64,8%)
Frasers	R9,5m	R37,9m	R10,5m	R3,6m	48	91%
	(R9,2m)	(R25,4m)	(R7,5m)	(R2,6m)	(35)	77%
Veka	R2,2m	R11,4m	R1m	R1,9m	190	101,8%
	(R0,6m)	(R9m)	(R0,7m)	(R0,6m)	(87)	(75,5%)

1980 figures in brackets

PRETORIA LAUNCHES A MAJOR PROBE

58

Sunday Times 25/4/82

Rip-off by loan sharks uncovered!

By JOHN SPIRA

LOAN sharks are ripping large chunks off loan seekers and, in the process, are running foul of the Insurance Act.

Masquerading as insurance brokers, the sharks are conning borrowers into paying interest rates equivalent to a staggering 224% per annum.

Sanlam (and possibly other life companies) has, apparently unwittingly, become embroiled in the matter.

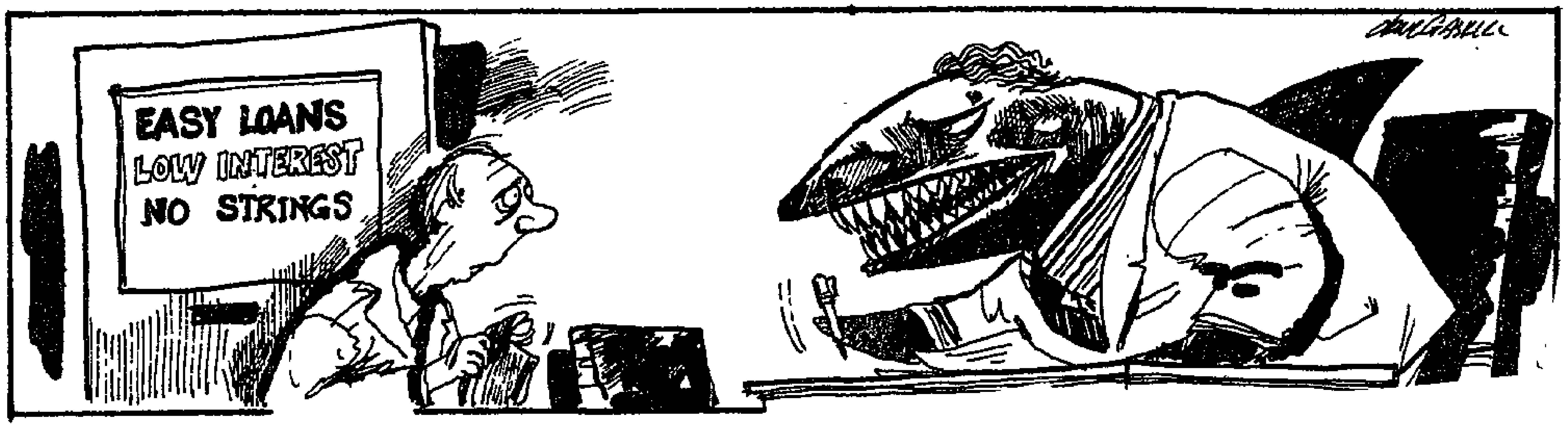
It seems the new rip-off strategy is mushrooming, as the Registrar of Financial Institutions has deemed it worth thorough investigation.

He has already started his probe.

The thoroughly distasteful affair came to a head this week after allegations contained in Vitae magazine, a leading life-assurance-industry publication.

Vitae quotes a documented case in which a firm has been advertising "Quick loans: personal loans without guarantees".

The borrowers, usually people who are desperate for immediate capital and who do not have collateral to secure a loan through normal channels, are presented with a loan document showing a theoretical 10% interest rate — attractive relative to the current high cost of borrowing.



Accordingly, on the face of it, the borrower of R1 000 will repay R1 200 in two years.

He is then forced to sign a document agreeing to:

- Appoint the lenders as brokers.
- Refrain from terminating any existing insurance policies.

Further, a 27-year-term "savings plan" is documented as having a validity of only two years. Yet, in the case in point, a R160 premium is called for.

Therefore, the victim pays R3 840 (24 premiums of R160 each) to liquidate a R1 200 debt.

According to Vitae, the Sanlam policy documented in the agreement has a specific surrender value after two years of R1 751 — the amount used to pay back the loan.

Vitae continues: "The policy is presumably ceded to the company as security, as this was not given to the applicant at all."

The net cost to the borrower is consequently R3 289 (the cost of premiums plus interest less the surrender value). All this for a two-year loan of R1 000!

The compound interest cost of the loan is equivalent to 224% a year.

The loan shark, not surprisingly, comes very nicely out of the whole deal.

He receives the flat R200 in interest after two years plus the commission on the 27-year endowment imme-

The 27-year term, of course, was selected for the maximum broker commission of R1 534.

Vitae comments: "While this contravenes several important laws, it is a highly immoral operation which bastardises life assurance, aided as it is by an assurer of the calibre of Sanlam, although any assurer would have filled the bill."

Further: "It appears that Sanlam does not concern itself greatly over the sales techniques of its brokers, as

● To Page 3

um- Trador will have at least

Sharks uncovered

(58) S. Times 25/4/82

● From Page 1

explained by Sanlam regarding a previous case of this nature."

Other issues to emerge include:

● A portion of the agreement allows the broker to pay any premiums missed and charge 14% interest on such premiums. This is in contravention of the Insurance Act, Section 51.

● Conditional selling of insurance is prohibited in terms of Section 23C of the Insurance Act.

● In the documented case presented by Vitae, an immigrant from Scotland was presented with forms in Afrikaans only.

Dorian Wharton-Hood, general manager of the Prudential Assurance Co of SA, comments that the loan sharks operating in this manner should be immediately precluded from access to any assurance company.

He adds: "The public must be made fully aware of what they are letting themselves in for when signing a document as scandalous as those being bandied about by these unscrupulous opportunists."

Jack van Wyk, Sanlam's senior general manager, marketing, comments: "Sanlam is no party whatever to any scheme or arrangement of the nature described.

"We accept business as any other insurer without querying the proceeds from which the premiums are paid or any collateral arrangements entered into in the process.

"The brokers which sell our (and other insurers') policies are independent and beyond the control of insurers, including Sanlam.

"Morally, I am disgusted with what I am told regarding the operation of this racket.

"Sanlam, like other insurers, is accepting this business because we have no ability to distinguish between rackets and genuine business.

"Action in the matter lies with the authorities, who have allocated inspectors to investigate the matter.

"But this is a slow process and I understand that the loan sharks are continuing to do a roaring trade.

"It is clear that brokers engaged in these activities need to be severely disciplined."

Highly geared companies face deathly squeeze

S. Times 25/4/82 (58)

INDUSTRY and business are feeling the pinch of high interest rates and a growing number of companies fear a deathly squeeze if interest rates remain high for long.

Predictions are that highly-geared companies that cannot refinance themselves to bring down the cost of their borrowings could face disaster, or at least takeover, this year — unless backed by major cash-generating groups. Even large corporations may have to fight to keep their heads above water.

Burdened by huge inventories — which, with hindsight, should not have been expanded as much as they were, and committed to large expansion programmes, companies found interest payments soaring in 1981. These payments threaten to climb out of sight this year if the cost of borrowing remains at current levels.

By Elizabeth Rouse

The effect of having the prop of gold, platinum and diamonds pulled from the economy, plus lower ore and mineral export volumes and prices, is now becoming all too apparent in other industries.

South Africa will now pay the price of enjoying a three-year boom while its major trading partners suffered a recession, large international corporations ran into multi-billion losses and smaller companies in the US, UK and Europe went bust by the score.

Few South African companies appear to have foreseen that interest rates would eventually fall in line with those of other major industrial countries.

Many have not even planned their mix of long-medium-term borrowings and short-term loans to achieve a lower average interest rate.

It appears that many companies' average interest rates paid shot up to 15%-16% in 1981 from 6%-6,5% in 1980.

The wise shifted borrowings to the long and medium term, but the less perspicacious (or less creditworthy) resorted heavily to the short-term market to obtain funds.

The effect on the debt/equity ratios of sound and troubled companies and the dramatic increase in the interest percentage of profits is clearly visible in the table on Page 3.

The table is purely illustrative in a random way, and there is no suggestion that it is a comprehensive sample.

Solid Amic fared comparatively well, but is committed to finance vast expansion programmes.

Rennies' greater cash flow reduced its debt/equity ratio a shade. Blue Circle's huge expansion programme drained liquidity.

Darling & Hodgson encountered problems in its oil-rig venture. DRG suffered from misreporting at its Durban operations. BTR plunged heavily into short-term borrowing.

Frasers may have over-expanded stocks. Veka inherited problems.

Foschini had to finance more stocks and carry more creditors. Only Asea reduced its debt/equity ratio, resorting to long-term loans and cutting short-term borrowings.

(58) Hansard Q.Col. 743 - 744
30/4/82

99-year leasehold scheme

591. Mr. P. R. C. ROGERS asked the Minister of Co-operation and Development:

How many houses (a) built and (b) sold in terms of the 99-year leasehold scheme were financed (i) by building societies and (ii) by means of private capital from the inception of this scheme to the latest specified date for which figures are available?

The MINISTER OF CO-OPERATION AND DEVELOPMENT:

(a) (i) 870 (ii) 136

(b) (i) 1 552 (ii) 336

Mortgage bond rates to go up once again

58

Mercury 1/5/82

PORT ELIZABETH—Mortgage bond rates are going up for a fifth time in 15 months by a maximum of 1 percent, but each building society will determine its own increase following a decision to do away with the cartel agreement in the movement.

This was confirmed yesterday by Mr Ronnie Munford, general manager of the Eastern Province Building Society, who said his society had already increased the rate by 1 percent on new bonds and this would apply from June 1 on existing bonds.

Mercury Correspondent

He did not expect all building societies to increase bond rates by 1 percent because the increase would be determined by each society's investment mix.

Those with big portfolios of savings accounts paying 4 percent interest a year would probably increase their bond rates by 0,5 percent to 0,75 percent, while there would also be different rates for different types of properties.

Investment rate

Notices had already gone out to his clients and he expected other building societies to follow suit. Mr Munford said building societies already determined investment rates individually.

The latest increase means that since February last year the bond rate has risen by up to 5,25 percent — an increase of up to 58,3 percent on bonds under R10 000 and up to 47,7 percent on bonds of more than R40 000, depending on the increases decided on by individual building societies.

The Port Elizabeth branch manager of the EP Building Society, Mr Bernie Muirhead, said that in anticipation of the bond rate rise the investment rate on new paid-up indefinite period shares had been increased from 12,5 percent to 14 percent from Wednesday.

This would also apply to existing shares from today when the rate on new fixed period shares would be increased from 13,5 percent to 14,5 percent. Both were partially tax free.

He said on a bond of R10 000 with the EP Building Society the new rate would be 14,25 percent pushing up the monthly repayment over 25 years from R115 to R123.

Other examples showing the new interest rates and outstanding bond amounts were:

- R15 000 at 14,5 percent from R176 to R188.
- R20 000 at 14,75 percent from R238 to R254.
- R25 000 at 15 percent from R303 to R323.

Repayment over 20 years:

- R30 000 at 15,25 percent from R381 to R402.
- R40 000 at 15,75 percent from R520 to R552.
- R45 000 at 16,25 percent from R603 to R639.

Building societies do not need Government approval to push up bond rates.

Watch those loan sharks!

SUNDAY TIMES, May 2 198

58

S. Times 2/5/82

...be careful when dealing with loan brokers. Last week Business Times disclosed that loan sharks have been conning borrowers into paying interest rates of more than 200 percent per annum.

Now, further investigation has revealed that this type of abuse has grown to epidemic proportions.

Police hold man as massive rip-off of public is uncovered

By JOHN SPIRA

Not only are thousands of people being ripped off in this way, but virtually every life assurance office in the country has become an unwitting party to this type of practice.

This week I visited the offices of a firm in Springs which offers "quick loans ... personal loans without guarantees".

The proprietor of this firm, which also operates under a host of other names, had, I learned, been evicted from his offices a few days earlier for failure to pay his rent.

A man has since been arrested by the Commercial Branch of the South African Police.

I am told that he is being held by the police pending a full investigation.

Promises

An occupant of the offices adjacent to those formerly rented by the loan broker told me that, since his eviction, between 20 and 30 people a day had been visiting the offices to collect cheques for loans promised to them.

They had already paid raising fees ranging from R15 to R35.

Others had been demanding interest payments (both current and arrear) on monies loaned to the broker or to one or more of his companies.

During the two hours that I spent at the offices, five men (mostly in their twenties) came in at various times, claiming they had been promised cheques on that day for loans granted to them by the broker.

A woman in her sixties wished to see the broker to obtain arrear interest on a sum of R8 000 which she had lent him at 20 percent.

She had not been paid any interest since December last year.

Previously, her interest cheques had been drawn by several different firms.

The amount of R8 000 represented her life savings.

The broker's former secretary informed me that he had "lived like a king".

Policies

He and his associates had been running similar operations in centres as far afield as Leslie, Pretoria, Boksburg, Krugersdorp and Klerksdorp, suggesting that the practice is widespread and involves a large number of individuals.

During the past week, Business Times has received several telephone calls and letters from people who have fallen into the clutches of loan sharks requiring that insurance policies be used as collateral for loans.

A typical instance is a letter received from a woman who borrowed R1 500 from a loan-broking firm. All the documents relating to the transaction were enclosed with her letter.

She needed the money to take transfer of a property.

She writes:

"The original loan was for R1 500, of which I only received R1 250, the difference being expenses deducted.

"As you will see from the agreement, my son had to sign surety for me.

"After he had signed the necessary documents, we were told that a second bond (on my son's property) had to be registered in favour of the loan company, which was then done.

"In addition to that, I am repaying R92 a month for 35 months, after which a final repayment of R2 405 is required."

So, after three years, she will have paid R3 220 (R92 for 35 months) plus R2 405 for a total of R5 625 — all for the initial receipt of R1 250!

She adds:

"When my son and I realised the full implications of the agreement, we wanted to repay the loan immediately but were told this was not possible and that it would only be repaid after the specified period."

The agreement — entitled "Acknowledgement of Debt" — contains, among others, the following undertakings by the borrower:

"I hereby undertake to keep said Life Insurance Policy in force for the period that I shall remain indebted to the Corporation in terms of this Agreement and to pay the premiums in full on the stated due dates and hereby acknowledge that any failure in this regard shall constitute a breach of the terms hereof."

Statement

Potential borrowers must check out the contract with a lawyer, accountant and/or the insurance company mentioned in the contract before putting pen to paper.

The Registrar continues to investigate the matter.

In a statement, the SA Insurance Brokers' Association (SAIBA) says:

"The Association's attention has been drawn to an article in a leading Sunday newspaper regarding the alleged activities of loan sharks, 'masquerading as insurance brokers', which result in borrowers paying exorbitantly high rates of interest.

"The office-bearers of the Association (representing over 200 brokers in South Africa) have discussed this matter with the Registrar of Insurance, and from the documentary evidence made available by the editor of Vitae, the insurance publication which uncovered the activities referred to, it has been established that no member of SAIBA is involved.

"However, the Association would like to make it clear that it deprecates the practice in question in the strongest possible terms, and will lend its fullest support to the authorities and the life assurance industry in taking steps to debar such intermediaries from having any dealings with the public."

LADYSMITH INDIAN MUNICIPAL EMPLOYEES ASSOCIATION

Membership			
African	Asian and Coloured	White	Total

177

Yesterday in Parliament

Horwood to query Rondalia investments

(58) Mercury 4/5/82

Parliamentary Correspondent

THE Minister of Finance, Mr Owen Horwood, has undertaken to investigate a series of events surrounding the investment of about R40 million with Rondalia Bank shortly before it was placed under curatorship in 1976.

Speaking during the finance vote debate on Friday, Mr John Malcomess (PFP Port Elizabeth Central) said the money was invested by 42 public institutions, including a hefty R8 750 000 by 11 black administration boards.

He referred repeatedly to a Sunday newspaper report, published last June 21 in which it was alleged that several prominent politicians took part in what appeared to be a concerted campaign to solicit investments with Rondalia shortly before it was placed under curatorship.

Mr Malcomess said that among public bodies which invested with Rondalia were the Public Resorts Board (R3 000 000), the Rand Water Board (R4 000 000), the SABC (R2 500 000), the Economic Development Corporation (R1 000 000), the Randburg Municipality (R2 500 000), Sandton Municipality (R1 000 000), Benoni Municipality (R2 000 000), Kempton Park Municipality (R5 000 000), Krugersdorp Municipality (R2 000 000) and Brits Municipality (R3 750 000).

He said that about R16 million of the investments remained unrecovered.

Referring to the newspaper report he said that a director of Rondalia, Mr A J Marais, had also become a director of a Rondalia subsidiary, Ferco Investments (Pty) Ltd, which had granted a R1 000 000 interest-free loan without security to Sebkor (Pty).

Mr Marais was named as the sole shareholder in Sebkor. The report claimed the entire debt was written off as irrecoverable.

Mr Malcomess said the newspaper reported that Ferco had borrowed R1 180 000 from Rondalia at 14 percent interest.

'Stop fishing...

HOME LOANS: BANKS GET GREEN LIGHT

Cape Argus 8/5/82

(58)

TOM HOOD
Property Editor

BANKS were given the green light this week to enter the home loans market.

This is the interpretation in building society and banking circles of a statement by the registrar of Financial Institutions, Mr Naas van Standen, that building societies are free to raise their interest rates so long as they do not exceed the 22 percent limit of the Limitations and Disclosures of Finance Charges Act (Ladofca).

And that could lead to hundreds of millions of rands becoming available to the thousands of families who cannot buy a house or flat because building society bonds have almost dried up.

In the past the Government indirectly controlled mortgage rates but Mr van Standen's statement is clearly in line with the Government's new free market policy in relation to the money market, foreign exchange and the Reserve Bank's tender rate.

Some of the major banks are now doing hard in-depth thinking about home loans.

Already the major bank credit cards offer loans for swimming pools, garages and home improvements.

WARFARE

One of the barriers has been the belief that the Government could prevent building societies acting on their own and increasing bond rates.

"Inevitably we must expect the banks and building societies to get into a more open warfare as in the United States", said a bank executive.

"Building societies are already trespassing into bank business with their cash cards and free cheques. They have also gone into insurance, township developments and home development schemes".

Banks are already well entrenched in the home loans business in Britain and Canada.

South Africa's banks could enter the market but consider they would need to compete on equal terms with building societies, says Dr Johan Cloete, chief economist of Barclays Bank.

This means building societies would have to meet the banks' stringent conditions in terms of assets and cash resources.

While short-term interest rates remain high, banks would not be keen to take on long-term housing loans.

Banks would have to develop long-term deposits on the other side of their balance sheet if they went into the housing market in a big way.

One bank going for housing business is Trust Bank, currently offering loans of up to R15 000 for five years for home improvements.

This is done on a personal loan basis, so that interest is charged at around 20 percent.

There is no shortage of funds. Once an application is approved a cheque is issued the same day, says the bank.

The bank's 20 percent might seem high compared with the 15,25 percent charged by most building societies and the 15,25 rate which two small ones, EP and Standard, are to charge in future.

But many families are already paying above building society rates where they fall back on the grey market and pay as much as 7,5 percent raising fees when they raise housing finance.

DISAPPOINTED

The president of the Institute of Estate Agents, Mr Basil Elk, says home-seekers applied for bonds totalling R300-million in February but building societies could supply only a third.

"Thousands of disappointed families are battling to find finance to own their own homes."

Speaking at the institute's congress at Sun City this week, he said the immediate future of housing rested squarely with the Government which should be actively doing things to assist building societies capture enough finance from the market place to fulfil their traditional function.

Afrikaner business giants lock horns

58 9/7/87 S. Times

THE country's most powerful Afrikaner business houses are squaring up for what could be a legal battle royal.

It concerns the procedure adopted for electing directors at last week's general meeting of the giant Federale Mynbou Beperk.

The Rembrandt Group and Volkskas, which each hold substantial shares in Federale, claimed at the meeting that the correct legal procedure was not followed when three additional directors — nominated by the giant Sanlam group — were elected to the board.

Special

They said they might institute legal action to have the election of the directors nullified.

According to the two companies, the law requires that the articles of association of Federale must first be altered by a special resolution of the board (and the articles changed at the Companies Office) to accommodate the additional directors before had been a dispute at the meeting over the directorships.

He would not comment on

By GEOFFREY ALLEN

they can be elected.

They claim this procedure was not followed.

Federale chairman Dr W B Coetzer said that the directors could be elected by a majority decision at a normal general meeting provided more than 50 percent of the voters were present.

From his home in Cape Town, Dr A D Wassenaar, whose Sanlam group owns 50 percent of the shares in Federale, confirmed that there a story in the Afrikaans newspaper Die Transvaler that the issue had blown up as a result of a long-standing feud between himself and Dr Wim de Villiers, chairman of Federale.

According to Die Transvaler, the alleged feud came into the open this week when Sanlam managed to strengthen its grasp on the directorship of Federale.

Sanlam owns 50 percent of the Federale shares but was in a minority position on the directorate.

Now the board has increased from 12 to 15 with the addition of three Sanlam nominees.

According to Die Transvaler, the feud stems from the time when Dr de Villiers was vice-chairman of Sanlam and disagreed with certain actions taken by Dr Wassenaar.

The newspaper said that if Sanlam succeeded in its bid to achieve overall control of Federale, Dr de Villiers (as head of the wholly owned General Mining Corporation) would be in a very vulnerable position.

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and Allied Workers Union
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National Union ... Brick and Allied Workers
Transport & General Workers Union

Base Metal Industries and Manufacture of Fabricated Metal Products Machinery and Equipment

Amalgamated Engineering Union of South Africa
Amalgamated Society of Woodworkers
Black Allied Workers Union
Electrical and Allied Trade Union of S.A.
Electrical and Allied Workers Union of S.A.
Engineering and Allied Workers Union
Engineering Industrial Workers Union of S.A.
General Workers Union
General Workers Union of South Africa
Iron Moulders Society of South Africa
Metal and Allied Workers Union
Motor Assembly Components Workers Union of South Africa
Motor Industry Employees Union of South Africa
Motor Industry Combined Workers Union
Motor Industry Staff Association
National Union of Engineering, Industrial and Allied Workers
National Union of Motor Assembly & Rubber Workers of S.A.
Radio Television, Electronic and Allied Workers Union
S.A. Boilermakers, Iron and Steelworkers, Shipbuilders and Welders
S.A. Electrical Workers Union
S.A. Iron, Steel and Allied Industries Union
S.A. Tin Workers Union
South African Allied Workers Union (SAAWU)
Steel, Engineering and Allied Workers Union
Transvaal, Radio, Television and Allied Workers Union
United African Motor and Allied Workers Union

58

Old Mutual cements its dominance

By John Spira

SOME significant changes in market shares took place in a life-assurance market which increased in terms of net premium income by 26,5% in 1981.

Old Mutual gained a further 1,4 percentage points of the total market, thereby cementing its dominant position. Federated Life increased its share by 0,5.

Biggest losers were Sanlam, with a loss of 1,5, and African Eagle (now merged with Guarantee Life as Anglo American Life), which was down by 0,7.

These figures, which are presented alongside in tabular form, have been extracted from the Financial Mail's Top Companies survey.

A surprising loser in the market share stakes was Liberty Life — down 0,4.

Southern and L & GV each gained 0,3, while Norwich garnered an additional 0,2.

These percentage-point changes may, at first glance, seem small. Yet 0,1% of the total 1980 market in premiums was R19,1-million and R24,7-million of the 1981 market.

The figures are not necessarily for similar year-ends. Thus, for example, Mutual's are to June last year, while Sanlam's are to September.

These differences will, however, have had little effect on the more significant changes in market share.

A similar exercise based on the 1980 figures showed Sanlam and Liberty increasing their market share and Old Mutual losing ground. But in 1981 Mutual more than made up its losses.

In terms of percentage gain in premium income, Federated came out tops with 48,5%, followed by L & GV with 36,5%.

The life-assurance cake

	Market share (%) 1980	Market share (%) 1981	Change in market share
Old Mutual	27,3	28,7	+ 1,4
Sanlam	27,1	25,6	− 1,5
Liberty	10,9	10,5	− 0,4
Southern	4,5	4,8	+ 0,3
Prudential	3,4	3,3	− 0,1
Af Eagle	5,9	5,2	− 0,7
L & GV	4,4	4,7	+ 0,3
Federated	3,2	3,7	+ 0,5
Metropolitan	4,2	4,2	—
Com Union	1,5	1,6	+ 0,1
Col Mutual	1,2	1,2	—
Norwich	1,7	1,9	+ 0,2
Ned-Equity	1,4	1,4	—
Nat Mutual	0,8	0,7	− 0,1
Guarantee	1,0	1,0	—
Momentum	0,4	0,4	—
Shield	0,1	0,2	+ 0,1
Std General	0,4	0,4	—
Traduna	0,4	0,3	− 0,1
Protea	0,2	0,2	—

Sanlam – Rembrandt clash on cards

By Patrick McLoughlin

A legal battle could be looming between two major Afrikaner business giants — Sanlam and Rembrandt — following an unprecedented public clash at the recent Federale Mynbou annual meeting.

This possibility has become increasingly more evident after a Sanlam proposal to boost the number of directors on the Fedmyn board aws opposed by Rembrandt. Volkskas has supported Rembrandt in the dispute.

Fedmyn is the holding company of Gencor. Sanlam controls Fedmyn with around 50 percent, Rembradnt is the second biggest shareholders with 30 percent asd Volkskas has a 5 percent stake.

The fireworks occurred on Thursday over Sanlam's ordinary resolution to increase the maximum number of directors from 12 to 15 in terms of article 77 of Fedmyn's articles of association.

The Companies Act, Section 62, says that a company may alter or add to its articles by special resolution — which requires 75 percent of the votes. However, article 77 refers to a maximum of 12 directors as otherwise decided by shareholders at a general meeting.

The legal dispute occurred here. At the meeting, Mr Dirk Hertzog, Fedmyn director and a director of the Rembrandt, said he could not support the motion and that it was not necessary to increase the number of directors.

He said the proposal should be ratified by a special resolution.

In the event the resolution was passed as an ordinary resolution — which is passed with a simple majority of more than half of those voting — and the new directors were elected.

SANLAM MD

Questioned on the disagreement, Sanlam managing director Dr Fred du Plessis told me: "I do not know whether they (Rembrandt and Volkskas) want to make a test case of it. That could be. As far as I am concerned it's a matter of legal interpretation, nothing more."

Dr du Plessis added: "I must agree, looking at it from an objective point of view, that they might have a case — but I do not think so."

He pooh-poohed the observation by some people that the clash represented a far deeper rift between the three — a possible "new era" in South African business with traditionally united, at least publically, Afrikaner operations competing openly.

'First of all Bankorp have been competitive with Volkas all along, there's beenno doubt about that

"There's been no competition between Rem randt and Sanlam because we are not in the same field. So I don't think the view is relevant. We have never tried to avoid competition."

Dr du Plessis said the rationale behind the bigger board was to add more talent in a bureoning group.

"I feel it logical to have a bigger board because the company has increased 10 to 15-fold over the pas few years."

As far as Sanlam was concerned the matter was finished and he was waiting for further developments from the other parites.

Rembrandt says legal opinion was that the passing os such an ordinary resultion did not comply with the law and they felt obliged to vote against it in the public interest.

"In view of possible further ction from our side we are treating the matter as sub judice and have no further comment."

...ceptor? — See Star Motoring today.

Buthelezi: NBS policy callous

Star 13/5/82 58

DURBAN — The Natal Building Society's decision to restrict the savings accounts of illiterate people has been described as "unbelievable" and "callous" by the Chief Minister of kwaZulu, Chief Gatsha Buthelezi.

Chief Buthelezi said the restriction was clearly aimed at Africans who comprised the majority of illiterate people in Natal and South Africa.

Referring to the NBS's intention to maintain only "economic" accounts, Chief Buthelezi questioned whether the NBS could do without black savings.

"Is the NBS challenging all its African clients to withdraw their meagre savings?

"Black savings are going to increase

"I hope Africans will learn who their friends are — and who their enemies are — when black savings in South Africa reach an astronomical figure as they are bound to do in the long run," Chief Buthelezi said.

Financial director of the NBS, Mr John Gafney, said in response to Chief Buthelezi the society would be prepared to review its policy of "upgrading" its present savings accounts.

"The policy — which is having a trial run — has been in operation since February and until now we have received no adverse comment.

"However, in view of the strong criticism by Chief Buthelezi, the NBS would be prepared to review its policy," Mr Gafney said.

He emphasised the society had "no racialistic intentions whatsoever" when it affected the policy.

JEWELLERS AND GOLDSMITHS UNION

Year	Membership				
	African	Asian and Coloured	White	Total	
1970					
1971					
1972					
1973		98	320	418	x
1974		28	294	322	x
1975		26	305	331	x
1976		21	201	222	x
1977		30	347	377	x
1978				..	
1979				445	$
1980				460	Fosatu Annual Report 1980/81

Address: 201/4 City Centre
Corporation Street
Cape Town
8001

Telephone: (021) 433658

Officials: Secretary: A.Frazer

Area of Operation: Western Cape

Founded: 1939

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'Illiterates' — NBS revokes policy

ARGUS 14/5/82 (58)

Argus Correspondent

DURBAN. — The Natal Building Society has changed its policy to restrict illiterate people from opening savings accounts.

A telex issued by NBS head office to all branches on Wednesday read: "With immediate effect all accounts for illiterates may now be opened. Please ensure that no depositors in this category are turned away."

The financial director of the NBS, Mr John Gafney, confirmed the message had been issued.

"In the light of the outcry our policy has caused we have decided to countermand our previous instruction" he said.

He said nobody would be turned away from the NBS banking halls. And the society would be "carrying on as if nothing had happened."

CALLOUS

Earlier Chief Gatsha Buthelezi Chief Minister of Kwazulu said the decision to restrict savings accounts of illeterate people was "unbelievable" and "callous."

Chief Buthelezi said the restriction was clearly aimed at the many illiterate Africans in Natal and South Africa.

"The NBS is punishing our people for something which they are not really responsible for," he said.

Earlier, the NBS said the society had become concerned with overcrowding in its banking halls and the resultant reduction in client service.

The NBS was trying to overcome this problem and provide a higher level of service.

RECORD RATES BEGIN TO BITE

Bus. Argus 15/5/82

58

BUSINESSMEN and bankers report that South Africa's record interest rates are beginning to bite. Companies and individuals are finding the jump in the cost of money is imposing increasingly heavy burdens on them.

By Derek Tommey, Financial Editor

As yet the situation is not critical, but the view is growing that conditions could get worse quite suddenly.

Already many people in finance and property are forecasting a substantial rise in the number of repossessions by building societies and in the number of companies getting into trouble in the next six months or so.

In the past 16 months interest rates have soared to unprecedented levels. The maximum rate of interest charged by most building societies on mortgages is now 15.25 percent, almost 30 percent more than they charged at the beginning of last year.

PRIME RATE

The prime bank overdraft rate has doubled in this time from 9,5 to 19 percent and some banks are charging even more.

Bankers say it is only now, when the economy is starting to slow down, that South Africans are beginning to realise just how expensive money has become.

When the economy was booming and profits, wages and overtime payments were rising strongly, borrowers tended to shrug off the extra cost of money because they expected to offset it by higher earnings and profits. They are now finding this cannot be done so easily.

Among the borrowers hardest hit have been house buyers. Since the start of 1981 the monthly repayments on bonds have risen by between 23 and 31 percent, with the smallest bonds showing the biggest percentage increase.

Bankers point out that although wages have risen on average by between 16 and 20 percent in the past year, the worker's income after tax has not risen by anywhere near the same extent.

INFLATION

On top of this individuals are facing a bulge in inflation between now and the third quarter.

The Standard Bank said this week that in addition to already sharply rising homeowner costs other major contributors to inflation would be the increase in the general sales tax, higher petrol prices, and rises in a chain of administered prices.

As a result real incomes were not expected to show much improvement this year

Building societies are reported to be experiencing an increasing number of late and reduced payments, though they are not saying much about it. And property officials are expecting even more householders to have difficulties meeting the jump in bond repayments.

In business the main result of the high interest rates has been much longer delays in payments to creditors. Holding back on payments for a day or two can earn the debtor substantial interest at present rates. By the same token late payments are lifting creditors' costs.

As a result firms are keeping a close eye on their outstandings and are putting strong pressure on debtors to make payment on time.

Mr Robert Walker of the Board of Executors Trustees told Business Argus that in Johannesburg some firms were now issuing summonses for debt before the 30-day period of grace was up just to ensure payment on time.

One of the fears businessmen have is that any downturn in consumer spending could cause a drastic reduction in new orders from retailers and wholesalers, leading to manufacturers having to cut production and start laying off staff.

This could lead to a sharp and sudden fall in economic activity.

However, some bankers say the downturn in the economy need not lead to a recession if the monetary authorities handle the situation correctly.

Fortunately, many industrialists can see a marked improvement in economic activity in a year or two. So they are prepared to take a longer view and prepare for the upturn after what is likely to be merely a short setback.

S.A. Canvas & Ropeworkers Union
S.A. Canvas & Ropeworkers Union (Cape)
Tailoring Workers, Dressmaking & Furriers Industrial Union
Tanning, Footwear and Allied Workers Union
Textile Workers Industrial Union
Textile Workers Union (Transvaal)
Transvaal Leather and Allied Trades Industrial Union
Trunk & Box Workers Industrial Union

<u>Wood & Wood Products, including Furniture</u>

National Union of Furniture & Allied Workers of S.A.
Paper, Wood and Allied Workers Union
South African Allied Workers Union (SAAWU)

<u>Paper & Paper Products, Printing & Publishing</u>

Amalgamated Engineering Union of South Africa
Media Workers Association of South Africa
Paper, Wood & Allied Workers Union
S.A. Boilermakers, Iron & Steelworkers, Shipbuilders & Welde
S.A. Electrical Workers Association
S.A. Society of Journalists
S.A. Typographical Union
South African Allied Workers Union (SAAWU)

BLACK HOUSING (58) 20

New society mooted

FM 21/5/82

The National African Federated Chamber of Commerce (Nafcoc) has placed the establishment of a building society high on its priority list.

According to Nafcoc president, Sam Motsuenyane, "this is an absolute necessity." The idea of setting up a black building society has been considered by Nafcoc for the past two years. Now the idea is firming up.

Motsuenyane says that lengthy discussions on the matter were held between Nafcoc and the Registrar of Building Societies last year. "However, I would not like to be drawn into making elaborate statements. It is still in its embryonic stage."

Nafcoc needs the assistance of both blacks and whites in establishing such a society — money has become an expensive commodity. But Motsuenyane feels that "blacks who have been supporting white building societies now have the opportunity of supporting ventures of their own."

SA Perm MD, Boet Viljoen, says the Association of Building Societies has already assisted in creating such societies in Bophuthatswana and Transkei and intends offering the same assistance to SWA. "But before we can give a view on how the thoughts of Motsuenyane should be developed, we would like, in the spirit of assistance, to discuss the issue with him and to talk the matter out. We will tell him about the experiences we have gained and tell him how we can help him. He must feel invited."

Bank commission blues

58 S. Tribune 30/5/82

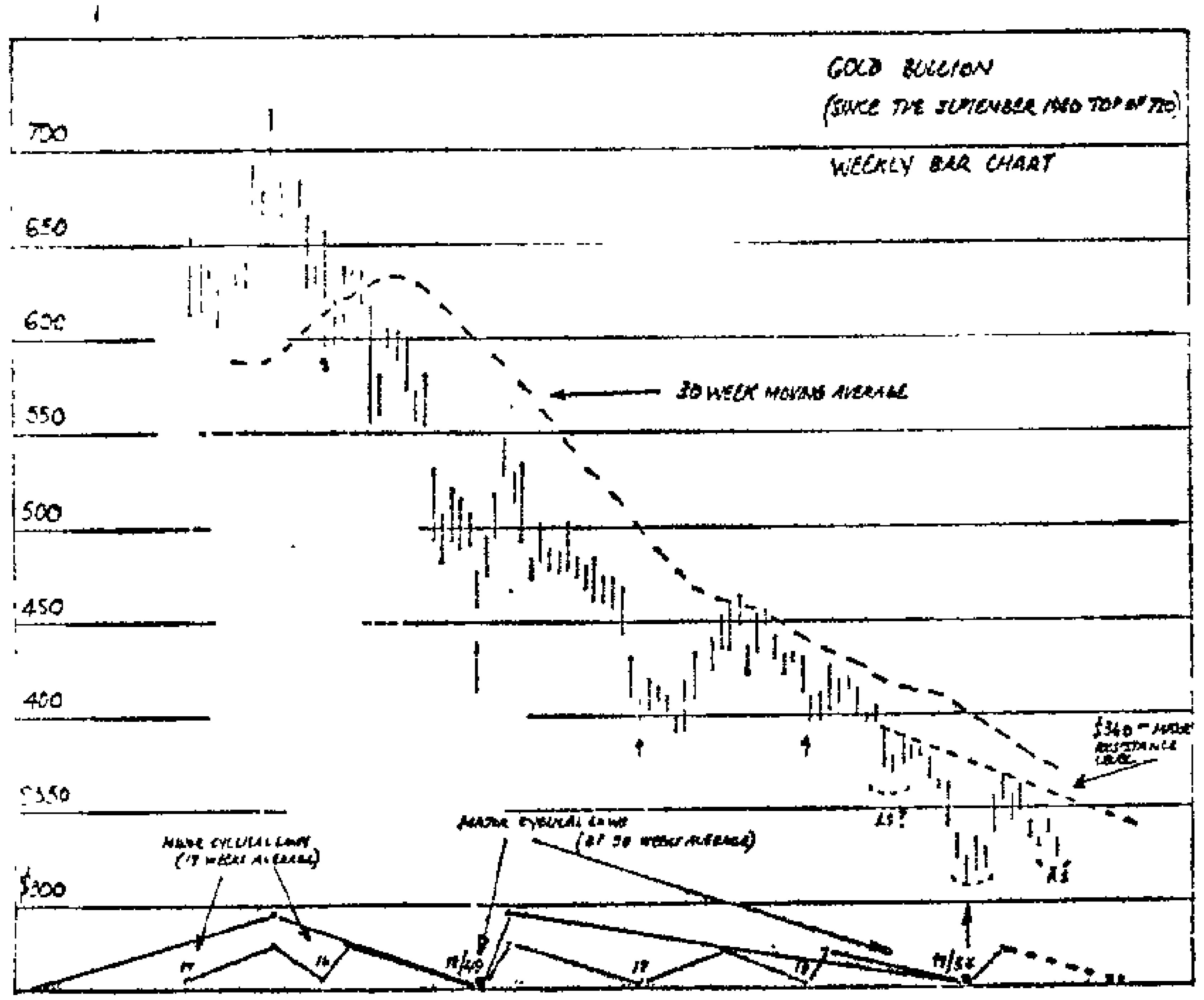
THE CHARTIST . . . Tony Henfrey

Gold could go up this week

SO much for politics and their effect on gold's performance. The Falklands crisis is being treated as a non-event by the gold market. This is because the major trend in gold is determined by an economic consideration.

When the United States is in the up-phase of the inflation cycle, gold responds positively to political events but during the disinflationary phase of the cycle, as is occurring now, the response is minimal.

The accompanying chart shows that the major trend in gold is still down, and until reversed, political news will play a minor role. The current negative outlook for gold will be reversed once the price can rise above the 30 week moving average.



An interesting side of technical analysis is the study of cycles and I've marked the major 48-54 month cycle law which has appeared regularly over the past 10 years. This big cycle is made up of three small cycles, which on average, appear every 18 weeks.

Many gripes against new system

By DAVE McDERMOTT

SOME sectors of commerce are still dissatisfied with the system of commission charges brought in by the banks a year ago.

It seems that the system — cause of much acrimonious debate when it was first introduced — is here to stay but the Associated Chambers of Commerce will maintain contact with the banks on behalf of its members.

The sector hardest hit by the new system — small businesses with high cash receipts — continues to gripe against it but many have made alternative arrangements in order to keep their banking costs down to previous levels.

A garage owner whose charges rose from about R400 a year to R200 a month because of high cash turnover attracting higher service charges for handling the cash, now deposits cash at a building society and transfers to his bank account enough to cover the cheques he will be writing each month.

While this means more effort on his part, he finds that by writing fewer cheques and making more payments in cash, he has been able to keep his bank charges down to the level they were at before the introduction of the new system.

Durban Chamber of Commerce general manger, Ken Hobson, says some people still have reservations about the system and it is for this reason that Assocom is maintaining dialogue with the banks.

"It was very difficult in the early stages to criticise the system because, of course, nobody really knew how it was going to work.

"But I think it would be fair to say that the impact has been very uneven in that it has weighed heavily on certain sectors and it is these people who are still far from happy with it.

"Possibly people are beginning to adjust to it but that does not necessarily mean they are happy with it. People tend to look at what their bank charges were in 1979 and what they are in 1982 and some feel they're being badly done by and you can't really blame them."

Hobson says the indications are that it is going to be very difficult to persuade the banks to make any significant changes.

"Discussions will take place on trying to work out some formula for those particular sectors that have been hard hit but I'm not very optimistic that we're likely to achieve any significant changes."

Denzil Busse, chairman of the pricing committee of the Association, says discussions with Assocom have centred more on the level of charges — the costs rather than the system itself.

"We have gone to great lengths to explain that the banks in fact are not making more money out of the system — there has been a redistribution of the revenue which the banks are getting from the service.

"The banks are satisfied that the distribution as it stands now is better than previously. Even though it has unfortunately hit some sectors very hard, the changes which those sectors are now paying are more in line with the costs of doing the banking business of those particular sectors."

The main reasons, says Busse, that the banks do not wish to change the system at the moment is that they are satisfied it is now more equitable.

"When it comes to the level of charges we have maintained that this is really a point for discussion between clients and their respective bankers — it is not something that the inter-bank committee can sort out.

"So that's where it stands at the moment. I know it is difficult for those sectors that are paying more to agree or appreciate that there is more equity in the system but the fact is that the old system was ridiculous and did not put the charges where the costs were.

"We don't purport to say the new system is perfect, it is not and we know that but I don't think any changing system will be perfect."

'Angels' to help after rape

LONDON — An all-female rape squad set up by Thames Valley police has started work in a bid to make it easier for woman victims to disclose details about attacks.

The five-woman team — nicknamed "the Blue Angels" — has been formed after protests earlier this year when television viewers saw male detectives interrogating an alleged rape victim.

Protesters claimed the woman was "bullied" by detectives who were seen swearing at her and asking intimate questions.

The rape squad has been formed at Reading police station, Berks, where the filming took place, to bring the "gentle touch" to all rapes and indecency cases involving women and children.

The head of The Reading CID, Detective-Inspector Brian Warren, said yesterday: "There is a desperate need for such a squad. Some members of the public may be inhibited in reporting sexual offences because of the embarrassment involved in giving details to a man. But if they know they will be able to talk to a woman, we feel it will be much easier for them."

The constables will be on call 24 hours a day.

Move for Wavecrest inquiry is defeated

Cape Times 2/6/82

58

Staff Reporter

A PROGRESSIVE Federal Party motion calling for a judicial commission of inquiry into the Wavecrest township at Jeffrey's Bay was defeated by 39 votes to 10 in the Provincial Council yesterday.

Introducing the motion, Mr Herbert Hirsch MPC for Sea Point and leader of the opposition, said there was a "cast iron" case for an inquiry as although the Attorney-General had decided not to prosecute any person in connection with the establishment of Wavecrest, many questions still remained unanswered in the minds of the public.

'Crazy township'

Describing Wavecrest as "a crazy township that went against all accepted norms of town-planning", Mr Jan van Gend, PFP MPC for Constantia said suspicions of corruption and bribery had been created in connection with the township. There was even the suspicion that the creation of "jobs for pals" had taken place.

Certain answers needed to be known.

For instance, Mr Van Gend said the Wavecrest ground was worth only R300 000 as it stood, yet the developer agreed to pay R1,8-million for the land before approval of the township.

Who would over-pay R1,5-million unless the success of the application was guaranteed, he asked.

Mr Rupert Hurly, PFP MPC for Claremont, pointed out that while many roads existed at Wavecrest, few houses had been built.

In fact, so unused were the streets prepared for the township that there was actually a bush growing through the tar.

Mr Hurly added that it appeared that a large piece of ground which could have been used for agricultural purposes had been excised for the township and now lay unused.

Earlier in the debate, Mr H J Kriel MEC for local government, replied that not a single fact had so far been laid before the council to warrant the institution of a commission of inquiry.

The official opposition, he said, was trying to make political capital out of the issue and was trying to have the matter debated in the press.

He added that the PFP could take any queries to the Attorney-General.

● Notice of a motion calling for Harfield Village to be opened to all races was given in the Provincial Council yesterday by Mr Frank van der Velde, MPC and PFP chief whip.

Stating that genuine political reform can take place only once the Group Areas Act is abolished, the motion requests the Prime Minister to rescind the decision to relocate the residents of Harfield Village, and to declare it open to all races.

In terms of a motion to come before the council today, however, official business will get preference tomorrow.

Mr Herbert Hirsch

Mr Jan van Gend

handling.

"Looking at costs we are not winning this war had we had the volume and marketing conditions of last season this industry would be in trouble.

Only the record crop volume and soaring prices brought on by the huge competitive advantage gained from the slide in the foreign exchange value of the rand had made the season such a success.

It was clear yesterday that the big grievances of the farmers still existed. Recent cancellation of government export incentives is a major new complaint and dissatisfaction with services provided by near-monopolies in the packaging and transport sectors is rife. This year's

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Judge refus[es to] recuse hims[elf]

Staff Reporter

A SUPREME COURT judge yest[erday refused to] recuse himself. He was then asked ... cused to instigate a commission of ... African prisons.

Mr John Newman, 28, of David Stre[et] ... yesterday asked for the recusal of M[r Justice Rose-In]nes because he felt remarks made b[y the judge were] prejudicial to his case.

Mr Newman was appearing wit[h ... De] Allende, 20, of Joan Street, Valhalla ... face charges of rape and two counts ... aggravating circumstances. He has p[leaded ...] on all counts. Mr De Allende has p[leaded guilty to] rape, but not guilty to the other cha[rges].

At a hearing in April this year, Mr [Justice Rose-In]nes had said certain of Mr Newman['s ... were] "ludicrous, absolute drivel, nonsense, ... court's time".

Hearing the application yesterday, ... said his remarks indicated impatience ... had not prejudiced the accused's cas[e].

After an adjournment, Mr De Allen[de asked the] judge to instigate a commission of inq[uiry into] abuses and maltreatment in South Af[rican prisons].

The hearing continues today.

Mr Justice Rose-Innes sat with two asses[sors] ... and Mr S O'Brien. Mr G N Katz appeared ... Allende. Mr S Baker appeared for the Sta[te].

School anger at Scientology study

Staff Reporter

THE principal of a City high school yesterday expressed anger at a "thinly-veiled" study-method workshop organized by the Church of Scientology of South Africa, which she felt was being used by the movement to attract young people to its offices.

Circulars advertising the Ron Hubbard Study Method Project, which claimed to be able to show schoolchildren ways of breaking "study barriers" were sent to a number of schools recently and a workshop was held at the movement's offices on Monday.

The school principal, who asked not to be named, said she had ... panied by a staff member.

"It was only later, when it was reported back to me how the workshop had gone, that I realized what the whole thing was about — a thinly-disguised way to attract people to the offices and show them what Scientology is," she said.

● Approached for comment, a spokesman for the Church of Scientology denied emphatically that the workshop had had anything to do with recruiting for the movement, even though it had been developed and researched by its founder, Lafayette Ronald Hubbard.

No attempt had been made to hide that the workshop was organized by the Church ...

The Anglo empire in good hands

58

The Cape Times, Thursday, June 3, 1982

From HOWARD PREECE

JOHANNESBURG. — The retirement of Mr Harry Oppenheimer at the end of this year as chairman of Anglo American Corporation will bring down the curtain on a remarkable era of South African business.

But it will surely signify an intermission rather than the end of the story

Everything suggests that in time Mr Nicholas Oppenheimer, 36, will follow in the chairman's path of his father and of his grandfather, Sir Ernest Oppenheimer, who founded Anglo 65 years ago

From the end of this year, however, the chairmanship of Anglo American — the flagship of the South African economy's private sector will pass into the hands of Mr Gavin Relly, the 56-year-old present joint deputy chairman.

Few men seem better equipped for that daunting role than Mr Relly.

He will start with the immense advantage of knowing that he was hand-picked for the job by Mr Harry Oppenheimer.

Mr Relly, in fact, is a man who stands very tall in his own right, nationally and internationally, as a business leader.

As his two deputy chairmen he will have Mr Nicholas Oppenheimer and Mr Julian Ogilvie Thompson, 48, son of a former Chief Justice.

All three are the privileged products of private schools and Oxford University. All three enjoy the unprivileged reputation of a boundless capacity for work and a remarkable devotion to the Anglo American group, which has just reported gross profits of R715-million for the 1981-82 financial year.

Only time can tell whether Mr Relly and his colleagues have the indefinable qualities, and the luck, needed to sustain the astonishing saga of Anglo.

Gavin Walter Hamilton Relly was born in Cape Town in 1926 and educated at Diocesan College and — after war service in Italy — Trinity College, Oxford, where he took an honours degree in politics, philosophy and economics

He joined Anglo American in 1949 and early in his career had spells as private secretary to Mr Harry Oppenheimer and Sir Ernest Oppenheimer

Mr Relly was involved in the opening up of the Free State goldfields and later in the starting up of Highveld Steel and Vanadium Corporation.

He became a director of Anglo American in 1965 and a member of the group's policy-making executive committee in 1966

Mr G W H Relly

Among Mr Relly's tightrope experiences was heading Anglo's copper interests in Zambia when President Kaunda was bent on wholesale nationalization

After spending time with Anglo's interests in the United States and Canada he returned to South Africa in 1973 and four years ago became heir apparent to Mr Oppenheimer when he was made chairman of the corporation's executive committee

His wider involvement in society has been evidenced by his work for the South Africa Foundation

It has been suggested that Anglo American's often outspoken criticisms of South African social and racial policies may be more subdued under Mr Relly — he is, after all, not in quite the same position as Mr Harry Oppenheimer

Certainly, Mr Relly's approach seems on the surface quiet

But that is perhaps more of a matter of style than conviction At times he has spoken out with uncompromising intensity

Last year, for instance he told a South Africa Club meeting in London "The advance of black people in business and industry will have to be at a total expense of the tattered remmants of apartheid."

That aspect of Gavin Relly is unlikely to be altered, though it might be tempered, by the responsibilities of the chairmanship of Anglo American

Julian Ogilvie Thompson is the very model of the patrician professional

Educated, like Mr Relly, at Diocesan College and Oxford (where he also took an honours degree in politics, philosophy and economics) he was married in England in 1957 to Miss Tessa Brand, whose father later became Viscount Hampden

But Mr Ogilvie Thompson has long enjoyed, if that is the word, the reputation of an almost compulsive worker.

He became personal assistant to Mr Harry Oppenheimer in 1958 and after a variety of other experience within the group became an executive director of Anglo in 1969.

In recent years he has been chairman of Anglo American Gold Corporation and effective chief executive of De Beers.

Politically Mr Ogilvie Thompson seems the low profile liberal, as indeed he seems to shun any personal publicity in business

Nicholas Oppenheimer, a graduate of Harrow and Oxford, has perhaps the hardest task of all — to prove that he is more than Mr Harry Oppenheimer's son.

A growing view within and without Anglo suggests that he is a long way down that road already.

There can certainly be no doubt that Mr Nicholas Oppenheimer's strong convictions on black advancement and his views on Anglo's marketing strategies are his own.

Few men have inherited a business empire and better advanced it than Mr Harry Oppenheimer.

He can now move into partial retirement in 1983 (he will continue his connection with De Beers) and look foward to a time when his son will be a third generation Oppenheimer chairman of Anglo American.

'Money finding its way back to banks'

CAPE TIMES 8/6/82

58

A MERE two years ago no investment conscious person would have money stuck in fixed deposits or other long term investments offered by banks. The message was clear: buy gold, buy property, buy diamonds, buy anything, just do not keep your money in banks. Cash in, prices are going up.

"But inflation and the recession has changed all that and money is finding its way back to banks," says Mr Andre du Toit, group marketing manager of Boland Bank

"People prefered to spend money rather than keep it in banks because inflation was higher than interest rates. At the beginning of last year the inflation rate was about 15 percent and fixed deposit rates were in order of nine percent.

Interest

"But the situation has changed dramatically since the beginning of this year. The investor now has a net real income on a deposit. He can now get 16 percent interest on his investment against the inflation rate of about 15 percent.

"Hard investments like property, gold and diamonds have lost their glitter. Stock exchange prices are down and are still falling. Diamonds are weaker than ever with De Beers closing down certain mines.

"There is no indication that the gold price will improve soon and the property market islso less attractive with prices in certain categories falling and buyers unable to get bonds anyway.

"Banks are experiencing a trend in which people are investing in long term fixed deposits because of the high interest rates and the fear that these rates may come down.

Rates

"The United States is presently considering lowering interest rates. This will be the start of the end of the world recession."

"The South African economy will follow suit by lowering interest rates within a year after the process has started in the United States."

Presently, return on a deposit fixed for a year is 16 percent and that for two to three years is 14,5 percent.

"The lower rate for the longer period," says Mr Du Toit, "is because banks are making provision for a drop in rates in about a year.

"But fixed deposits are not the final answer. Your investment portfolio should consist of fixed property, available money in a savings account commensurate with your needs, and you should seriously consider fixed deposits. The high rates offered now may not be available in a year's time," he said.

(58) Hansard Q. Col. 1038 — 11/6/82

Rondalia 1980 Limited

712. Mr. D. J. N. MALCOMESS asked the Minister of Industries, Commerce and Tourism:

Whether (a) State and (b) semi-State bodies other than Administration Boards hold shares in Rondalia 1980 Limited; if so, (i) how many shares are held by (aa) State and (bb) semi-State bodies and (ii) what percentage of the total share issue is held by such bodies?

The MINISTER OF INDUSTRIES, COMMERCE AND TOURISM:

(a) Yes, only local authorities such as municipalities but not Government departments or provincial administrations.

(b) Yes, if statutory bodies such as Universities are implied.

(i) (aa) 82 368 648 shares of 1 cent each

(bb) 37 191 003 shares of 1 cent each

(ii) (aa) State bodies— 38,25%

(bb) Semi-state bodies— 17,26%

RAND DAILY MAIL, Saturday, June 19, 1982

58

Behind the business broedertwis

JOHN GILMORE assesses the battle for power and position among Afrikaner capitalism's warlords.

IF CONFIRMATION were needed of the seriousness of the split in the Afrikaner business hierarchy it came yesterday with the remarkable Press advertising campaign undertaken by Sanlam to explain and confirm its position as the controlling shareholder in Federale Mynbou, and thereby of Gencor.

Sanlam's action by no means resolves the issues, but it does bring the conflict right out into the open and represents a throwing down of the gauntlet to Dr Anton Rupert's Rembrandt Group which has 30% of the shares in Federale.

Late yesterday, Rembrandt responded in a Press statement by saying it was considering legal action to protect minority interests in Federale Mynbou.

Referring to Sanlam's statement, signed by its managing director, Dr Fred Du Plessis, Rembrandt said it was "amazed that Dr Du Plessis should blame it for his problems."

Basically there are two separate elements to the dispute though they have tended to become linked and their distinctions blurred as the struggle has intensified.

The first is the minority power battle waged over the past year or so between Dr Andreas Wassenaar, chairman of the R4 000-million Sanlam insurance group, and Dr Wim de Villiers, executive chairman of Gencor and managing director of the R2 800-million Federale Mynbou mining group which is 50% controlled by Sanlam.

The second is the determination of the Rembrandt Group to exercise firmer control over Federale by virtue of the 30% minority stake it acquired during and after the fierce takeover battle for control of Union Corporation, when it threw its financial muscle behind Sanlam.

Where the two issues have become confused is in the fact that Rembrandt has tended to be recognised as a strong supporter of Dr De Villiers in his attempts to keep day to day control of the mining house in his own hands to the exclusion of Sanlam.

Dr Fred du Plessis, managing director of Sanlam, admits in the advertisement published yesterday that "a difference of opinion did occur between the chairman of Sanlam and the executive chairman of Gencor during 1980/81 but this was resolved more than a year ago."

But he says this difference of opinion has no relevance to the current dispute.

If this is so, then Dr De Villiers has possibly decided to present a united Afrikaner front with Dr Wassenaar, nor is he claiming any ambition to become chairman of Sanlam after the resignation of Dr Wassenaar next February.

Dr De Villiers was deputy chairman of Sanlam until last year when he resigned, reportedly for health reasons, and is anyway a mining and not an investment man.

His successor, Dr Etienne Rousseau, soon gave way to Dr Du Plessis. Since then there has seemed little doubt that Dr Du Plessis is the front runner in the race for one of the most powerful financial seats in the country.

It is perhaps significant that Sanlam's statement is signed by the managing director and not the chairman as might have been expected.

The larger issue, that of Rembrandt's ambitions, will not be solved as cosily or as quickly. Dr Rupert does not like taking a back seat to anyone, particularly when he has so much money at stake.

And with just over R13-million of Federale's 43 800 000 issued ordinary shares under his control, Dr Rupert has an investment worth around R182-million with the shares currently standing at 1 400c. Having bought a 5% stake from Volkskas last year it is possible Dr Rupert has a pre-emptive right on the other 5% the bank owns, which would bring his investment to 35% of Federale.

Moreover, with a mountain of cash piling up overseas after the $350-million sale of 44% of Rothman's Tobacco just over a year ago, it is thought Dr Rupert is considering repatriating the money to South Africa in order to pursue his ambition of building a giant energy/mining group. This, at one time at least, was the similar ambition of Dr De Villiers in the realisation that Gencor's gold, coal and uranium reserves would not last forever.

While the row over who controls and who runs Federale Mynbou has obviously been simmering for over a year now, it only came into the open last month on a most unlikely battleground: the annual general meeting of Federale, and on a seemingly innocuous topic — a Sanlam proposal to increase the number of directors from 12 to 15.

The two Rembrandt directors, later supported by the Volkskas representative, immediately took exception, saying they did not believe it was necessary or desirable that the number of directors be increased. Having broken into the open, the differences between the two main protagonists became more pronounced and increasingly bitter.

In essence, and behind all the legal complexities and technicalities, it seems that Sanlam wants a greater say in the running of its largest single investment and is determined that Rembrandt shall not become a partner in any controlling sense. Rembrandt, for its part, has great designs to build an energy/mining empire and Gencor must seem a natural massively based vehicle.

Dr Du Plessis says that during 1980 Rembrandt, for the first time made reference to a "partnership", "entailing that Sanlam no longer controlled Federale and that control would be exercised by the partners on a basis of a consensus'.

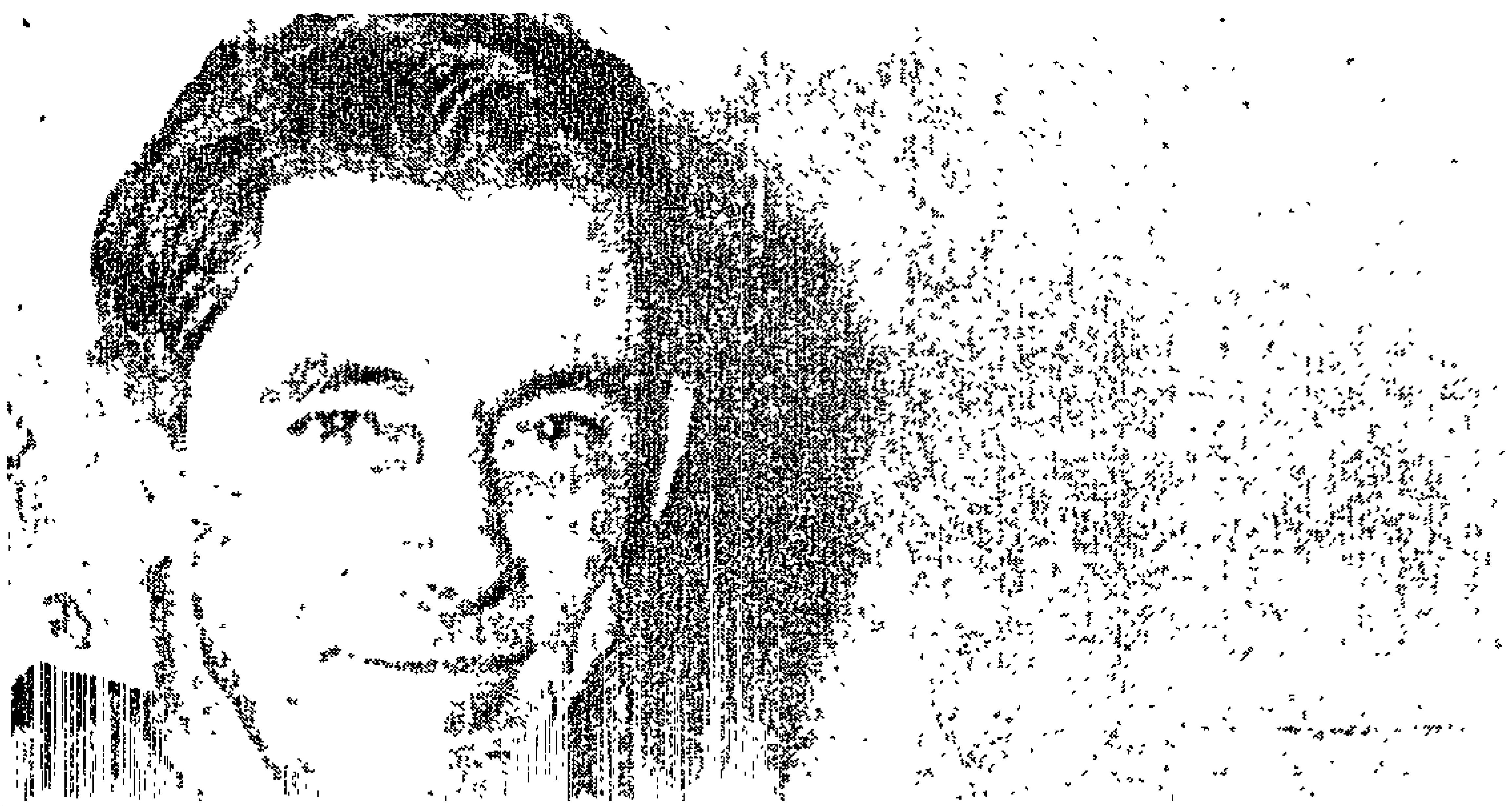
Sanlam rejected this view, and Dr du Plessis still maintains that "any attack on the controlling position of Sanlam will be vigorously resisted".

Rembrandt pointed out yesterday that its action in blocking Sanlam's move to alter the Articles of Association had resulted in Gencor's management remaining undisturbed.

Furthermore, it considered "a second important matter was Dr Du Plessis announcement that Sanlam intends to change its long-standing policy on controlled subsidiaries by intensifying its control by means of drastic alterations to the Articles of Association.

"These dramatic new powers could, for instance, give Dr Du Plessis the power of immediate dismissal of the directors of subsidiaries. For this reason we are defending our existing rights and those of minority shareholders".

So the affair is by no means over and it could be a long, expensive war. But one thing is for sure: the solid image of the Afrikaner business world has been shattered.



N O, MAJOR-General Jeremy Moor does not take his bible into battle. Instead he takes Shakespeare, but not the bard's complete works though. Just the sonnets.

"I couldn't fit the complete works into my gear, but the sonnets do well," he explains. "They give you ease of mind, you know."

And that about sums up this professional who resisted the calls for blood as his troops stood poised, for an eternity it seemed, on the hills around Port Stanley in the Falklands. General Moore wanted an Argentinian surrender — not the blood of its teenage army.

"Surrender and let's end the killing now," is the emphatic message he radioed his Argentinian counterpart, Major-General Mario Menendez, on Sunday night.

Some 24 hours later, General Moore was able to inform Mrs Thatcher in Downing Street:

"In Port Stanley at 9pm Falklands' time tonight June 14 Major-General Menendez surrendered to me all Argentine armed forces in East and West Falklands, together with their

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BRUCE STEPHENSON

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STATEMENT BY SANLAM

(58) ROM 19/6/82

Since 6 May this year several reports have appeared in the South African press on the so-called clash between Sanlam and Rembrandt about the appointment of three further directors to the Board of Directors of Federale Mynbou. Some of these reports created the impression that Sanlam by unnecessarily aggressive action is treating the Rembrandt group unfairly. The position has been further aggravated by speculation on clashes between the chairman of Sanlam and the chairman of Gencor. Because the reports have been one-sided and have generally given a distorted impression it has now become necessary to make public the real state of affairs.

Sanlam has indirectly been the founder of Federale Mynbou and has since the inception of this company in 1953 directly or indirectly had control over it by virtue of holding more than fifty percent of the voting shares in Federale Mynbou. This is still the case today. Meanwhile General Mining and Finance Corporation (Genmin) was taken over and is controlled by Mynbou.

Years later, in 1974, when Genmin took control of Union Corporation, the Rembrandt organisation and Volkskas played a part in making a success of this take-over and this resulted in an offer of freshly issued shares in Mynbou being made to these two groups. At the end of 1975, they decided to

further expressly stated that Sanlam would only support the nomination of the Rembrandt directors as long as Rembrandt's shareholding in Mynbou did not fall below twenty percent. The agreement also stipulates that Sanlam has a pre-emptive right to Rembrandt's shares in Mynbou, but there is no mention at all of a reciprocal pre-emptive right to Sanlam's shares in Mynbou being given to Rembrandt. With provisions such as these in the shareholders' agreement there can definitely be no question of a "consensus partnership".

However, the difference of opinion in respect of the control over Mynbou came to a head earlier this year when Sanlam wished to carry through two non-contentious amendments to the Articles of Association of Mynbou, partly to standardise the Articles of Association of Sanlam's associated companies and partly to enable Gencor's management to proceed with plans regarding a reconstitution of their Board of Directors.

The first of the two amendments that Sanlam wished to effect was to have a clause which already appears in the articles of some other associated companies of Sanlam, inserted in Mynbou's articles. The proposed amendment enables the majority of the shareholders to remove a director from the Board by written notice, but would not be applicable to Rembrandt directors. It would,

meeting of Mynbou on 6 May 1982 that Rembrandt and Volkskas would try to foil this step too by contending that the number of directors could only be increased by means of a special resolution — which they would also obstruct.

Although Sanlam always places great value on looking after the interests of minority shareholders, on maintaining good relations with all shareholders and on keeping them informed of all matters concerning the relevant company, it is obvious that Sanlam, in the interests of its policy-holders, can under no circumstances agree to any restrictions being placed on its position of control by other shareholders in a non-statutory manner.

Indeed, it is Sanlam's accepted policy not to become involved in the day-to-day management of its associated companies, but only to satisfy itself of the quality of management of these associated companies (inter alia as measured against the returns on Sanlam's investment) and, in the interests of its policy-holders, to ensure that Sanlam's control over its subsidiary companies is fully protected. It is therefore obvious that any attack on the controlling position of Sanlam, regardless of who attempts it or in what manner it is done, will be vigorously resisted.

A difference of opinion did occur between the chairman of Sanlam and the organisation twenty-five percent of the Mynbou shares and Volkskas ten percent.

Five years later, during 1980, the Rembrandt organisation for the first time made reference to a "partnership" having actually come into being in 1974/1975 between Sanlam, Rembrandt and Volkskas, entailing that Sanlam no longer controlled Mynbou and that control would be exercised by the "partners" on a basis of "consensus". No explanation was given as to why it had taken Rembrandt five years to reach this conclusion.

Sanlam rejected this point of view by virtue of the fact that a shareholders' agreement, which was drawn up in 1975, made no mention of such a "partnership" and consequently did not spell out the terms of such a "partnership" either. The only reference to the concept of "partnership" at that time actually occurred in a joint press release at the end of 1975, where the concept was used in an unspecified context and could at most have referred to co-operation. Part of a sentence in the shareholders' agreement itself, which had read "Rembrandt shall respect the controlling position of the Sanlam group in Mynbou" was deleted. The reason why Sanlam agreed to the deletion of these words from the agreement was to remove any doubt as to Rembrandt's statutory right as a twenty-five percent shareholder and can in no way be taken as a positive partnership agreement. The opposite is true. This agreement provides, inter alia, that the appointment of two of Rembrandt's directors to the Mynbou Board of Directors shall be supported by Sanlam. It is therefore clear that there is not even any mention here of Rembrandt at all times having proportional representation on the Board of Directors. It is by Sanlam or those who held their posts with Sanlam's tacit consent. The second amendment was aimed at restoring to the articles a sentence which had inadvertently been omitted from one of the clauses at the revision of Mynbou's Articles of Association in 1978. This sentence, which is standard in Schedule A to the 1973 Companies Act, gives shareholders the right to take decisions at a shareholders' meeting which can curtail the Board of Directors' power in certain respects.

Both the Rembrandt and Volkskas representatives on Mynbou's Board of Directors intimated that they did not support the amendments, and the Rembrandt representatives indicated that they would oppose Sanlam at the shareholders' meeting by using their statutory voting rights.

Since amendments to the Articles of Association were involved, any shareholder with a shareholding of twenty-five percent or more had the right to block the amendment. It is strange, however, that these two shareholders found it necessary to have wanted to use this right, as the matter did not affect them or the company materially and, at most, implied a difference of opinion in philosophy of control. It therefore once again amounted to a denial by Rembrandt and Volkskas, by implication, that Sanlam had control over Mynbou and that the Sanlam philosophy of control should be the accepted one.

Since Sanlam in any event wanted to strengthen the Board of Directors of Mynbou, in the light of its being the largest single investment of Sanlam, it was then decided to at least increase the number of directors. It was therefore with a degree of surprise that Sanlam learnt three days before the annual 1980/1981 but this was resolved more than a year ago. This difference of opinion was taken out of context in recent reports and it has no relevance whatsoever to the steps taken by Sanlam and those which are planned.

Since Rembrandt has foiled Sanlam's attempts to amend the Mynbou articles, Sanlam will now proceed, in accordance with its policy as explained, to ask the Gencor shareholders in the near future to approve the amendments to the articles discussed here because Sanlam is of the opinion that it would be in Gencor's interest.

Dr F J du Plessis
MANAGING DIRECTOR
On behalf of the Board of Directors of Sanlam
17 June 1982

4555/02

Company loses thousands in Soweto housing scheme

Sowetan (58) 23/6/82

By JOSHUA RABOROKO

THE South African Permanent Development Corporation is to lose more than R100 000 on the 24 houses it has built in Soweto's Pimville, Zone Seven.

The corporation's assistant manager, Mr Johan Billman, told The SOWETAN yesterday the reason for this "substantial loss" could be attributed to the failure to make proper surveys before embarking on the project.

The houses were initially priced between R36 000 for small ones and R46 000 for larger ones, but following large-scale reluctance to buy from would-be-homeowners the prices were brought down to R8 000 and R10 000 respectively.

Since the slashing of the prices, only five of the cluster-form units have been occupied since last year.

He also explained the corporation had thought that blacks would like the idea of the townhouses, but "it has become clear to us that blacks are not ready for townhouses and we have learnt a lesson."

The corporation, a property-development division of the SA Permanent Society, had inherited the township project from the Urban Foundation.

We are going to embark on a new project and we hope to exhibit five different types of units," Mr Billman said.

The corporation would probably learn from a questionnaire about the sort of houses that blacks wanted and once this had been completed "we shall build more homes in Soweto."

A spokesman for the West Rand Administration Board said residents were not in favour of the houses, probably because of the high prices.

However, Mr Billman said in future they would first have to do research before building any sort of houses in black residential areas.

AHI quits Volkskas

Star 23/6/82 58

Political Correspondent

The Afrikaanse Handelsinstituut has decided to take its banking business away from Volkskas and give it to the Trust Bank.

AHI president Mr Jan Horn said today the decision had nothing to do with "differences between certain large groups presently being aired in the media."

"This is a simple and logical decision taken purely on merit to rotate the AHI banking account among its members."

Nafcoc: NBS move a shock to blacks

(58) ROH 24/6/82

Pretoria Bureau

THE recent Natal Building Society decision to dispense with low-income accounts belonging to illiterate blacks in its Natal branches has shocked the black population, according to the National African Federated Chamber of Commerce (Nafcoc).

Nafcoc said in its monthly magazine, African Business, that even the subsequent explanation by the building society provoked strong reaction among blacks.

Chief Gatsha Buthelezi, the Chief Minister of Kwazulu, said the announcement was unbelievable and "callous"

Nafcoc asked whether NBS could really afford to antagonise the black market, the market of the future

"It is evident that black savings are increasing and that within a short period of time, these will reach astronomical figures "

"By taking such a brash decision, the Natal Building Society is going against the general policy of banks and other financial institutions, which are formulating various methods to attract the black market "

Nafcoc asked further whether it was not absurd for NBS to cut savings accounts when the national economic policy encouraged disciplined spending and proper budgeting and banks and financial institutions encouraged savings

Nafcoc, which is the umbrella body of black traders in the country, said it was common knowledge throughout the world that small accounts meant money and provided stability.

58

RDM

25/6/82

Shock 2% Ladofca rates increase

By HAROLD FRIDJHON

BANKING circles have been taken by surprise by the sudden two percentage points increases in the money-lending, hire purchase and leasing rates controlled by the Limitation and Disclosure of Finance Charges Act (Ladofca).

Yesterday evening the Registrar of Financial Institutions, Mr Naas van Staden, announced the changed rates which are (with the previous rates in brackets):

Money lending transactions

- Up to R2 000 26% (24%)
- R2 000 to R5 000 24% (22%)
- Above R5 000 22% (20%)

Hire purchase and leasing transactions

- Up to R10 000 26% (24%)
- R10 000 upwards 24% (22%).

The increase in the rates has come out of the blue because bankers told me last night that they had not been pressing for higher rates even though with prime at 20% and a lending ceiling of 20% they had not been able to take a risk spread which would distinguish between AAA customers and those who did not fall into this category.

In any case at present with little real pressure in the money market they had been able to operate within current margins, albeit with some difficulty.

It seems probable that certain overdraft rates will be raised, but not prime. Rates on credit cards will probably be raised and rates on hire purchase and leasing trsnastion with floating interest rates will also go up.

The move by the Registrar is seen as a warning that interest rates will remain high for some time to come and if tighter money market conditions develop in the months ahead, the implementation of of a more stringent monetary policy will not be inhibited by Ladofca regulations.

That happened last time round.

Soaring money market rates meant that the banks' cost of money was rising faster than they could adjust their lending rates and bankers were being squeezed into what was tantamount to loss margins.

But they were helpless to act and to impose rates which were required by the Reserve Bank's monetary policy because of the Ladofca regulations.

It was only in March after prime had been raised from 17% to 19% in two quick steps during February that the Ladofca ceilings followed in order to accommodate the pressures from the markets.

Now it would seem that the monetary authorities are anticipating tougher times ahead and they are giving themselvs the necessary room for manoeuvre.

One banker suggested that the major concern of the Reserve Bank was the deteriorating position of the current account of the balance of payments, particularly with the continuing bearish trend of the gold price.

Rather than impose physical controls on the economy such as credit control or import control, the bank is pursuing the policy of curbing demand by the high costs of money.

I was told last night that in the hire purchase field, although demand is still relatively high, there has been a sharp decline in the rate of increase in the demand for facilities.

The increase of two percentage points in the overdraft rates of hundreds of smaller businesses will mean that these enterprises will come under pressure with the result that they will reduce stocks in order to get more liquid and they will put increasing pressure on their debtors.

And they will try to adapt their businesses to trading on a hand-to-mouth basis in order to keep their requirements of borrowed money down to a minimum.

Most of the annual reports of companies which have been released recently reflect the inroads which higher interest rates have made into profits. To maintain some semblance of profitability, borrowing will have to be cut to the bone.

If the demand for borrowed money is drastically reduced, surpluses might develop in the money market which is currently operating on a tight rein. The Reserve Bank will the mop up surplus liquidity by selling Government stock and short-dated Treasury paper into the market at attractive rates.

Bankers are well aware that the persistence of high rates and falling consumption demand could bring a crop of insolvencies towards the end of this year and certainly into next year but I was assured that they had made provsion for this eventiality.

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page 2

Prince Charles: The happy face of a proud father

...te the freedom of three weeks school holiday? ...en van Riebeeck High School yesterday three ...a Dannhauser, 14, Francois du Toit, 18, and take to their roller-skates in Camps Bay.

PICTURE. John Rubython

Cost of money goes up

Cape Times 25/6/82

(58)

Own Correspondent

JOHANNESBURG — The cost of borrowing money will go up by two percentage points today.

This will affect everyone buying goods on hire purchase, or leasing cars or other equipment.

It will probably hit everyone with an overdraft except the big companies who enjoy the privilege of the prime overdraft rate of 20 percent.

The Registrar of Financial Institutions, Mr Naas van Staden, has raised the maximum ceiling rates which can be charged on borrowed money and on all hire-purchase and leasing transactions.

Maximum

For people who borrow sums of up to R2 000 the maximum rate has been raised from 24 percent a year to 26 percent. For borrowings between R2 000 and R5 000 the rate has been increased from 22 percent to 24 percent. Above R5 000 the rate has gone up from 20 percent to 22 percent.

On hire-purchase and leasing transactions under R10 000 the maximum interest payable has been increased from 24 percent to 26 percent and above R10 000 the new top rate will be 24 percent against the previous 22 percent.

Fixed rate

It is extremely unlikely that existing hire-purchase agreements will be affected. A banker said last night that consumer credit was financed at a fixed rate and that present contracts would not be changed.

The rates on very large instalment credit leases too would not be adjusted because most of these transactions were linked to the prime overdraft rate.

Most bankers expressed the view that the prime rate would not go up at present although this could happen if conditions in the money market became tight, forcing up the rates at which banks raise their funds.

Credit cards

The rates which banks charge on credit card deals will also be raised.

The groups which will be hardest hit are people with small overdrafts at the bank and businesses in the middle category. Because of the previous restrictions, they were charged the same rate on their overdrafts as the major companies with the highest credit ratings. Now the banks will be able to grade their lending into various categories according to their assessment of the lending risk.

Bankers see the unexpected move by the Registrar as indicating that the monetary authorities are determined to stifle demand in the economy by raising the cost of money.

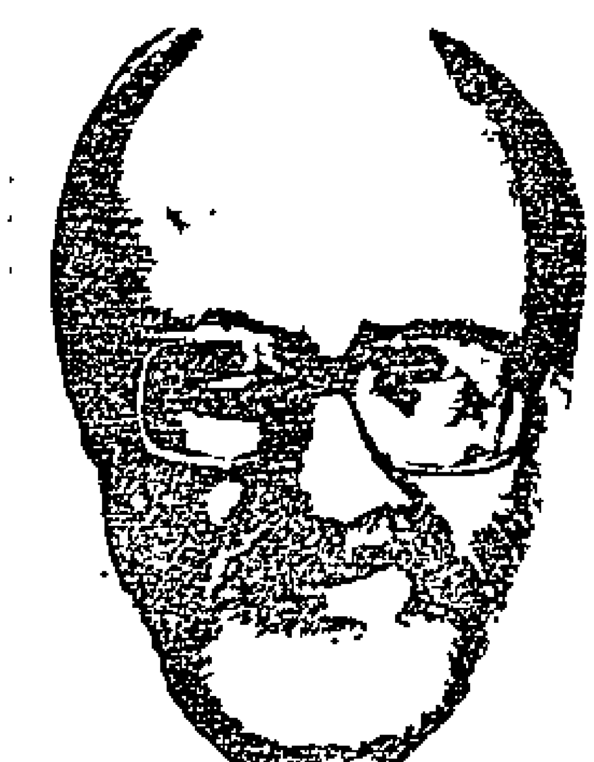
Debts

The momentum which had been generated during the recent boom years has persisted in spite of the current downturn and the critically low level of the gold price. South Africa has continued to buy from abroad more than it is now selling overseas and huge foreign debts are accumulating.

Another factor which no doubt influenced the decision to raise rates is the high inflation rate which the country is experiencing.

● UBS attacks govt over home loans, page 16
● Home loans, overdrafts likey to cost more, page 16

PS



John Scott on 'ball abuse'
Page 14

Royal Astrologer stargazes for little prince
Page 8

...left

150 women

BLACKS BLOCKED

58

S. Tribune 27/6/82

WHY SOCIETIES CAN'T HELP IN THE HOMELANDS

By DAVE McDERMOTT
Property Editor

BUILDING societies will not get involved in the funding of homes for blacks in the homelands until tenure of title is brought into line with 99-year lease and adequate arrangements are made for the security of investments.

"At the moment," says Tim Hart, the director of the Association of Building Societies, "we cannot get involved — we dare not."

"But we are not letting the matter lie and we are still making efforts to get in and assist."

Hart says the different land tenure systems that apply in the homelands represent the main stumbling block. "Until some arrangement is made that will give title deeds that can be officially registered in a deeds office, we are blocked."

Societies are also worried about their security in some of the independent homelands which enact their own building societies legislation and the question of nationalisation, which has been hinted at.

Tim Hart

"In the first place," says Hart, "you cannot get title to anything. Secondly, until one knows exactly what is going to happen in the future in the homelands building societies are obviously very reluctant to get in there.

"However, notwithstanding all these problems, we are negotiating at length with the authorities that control these areas to find some way out of the impasse."

The societies are seeking the co-operation and support of a substantial body, like, for instance, the KwaZulu Development Corporation, which could undertake to set up an organisation to take over the bonds — be it a building society or a housing corporation or some such body — in the event of anything happening that would make it impossible for the societies to realise their securities.

Giving an example, Hart says the amendments that would have to take place to bring the tenure of title in KwaZulu into line with 99-year lease represent a very thick document.

"There are archaic things that still sit in that ordinance. For instance, if you upset the chief you can lose your land.

"We have steadfastly put forward the 99-year lease in all our negotiations because once a man gets that it is his and you cannot take it away from him for any reason other than he fails to pay his dues in terms of an undertaking which affects that property.

"Even if he is had up for high treason, his title to that land still stands. He may not be able to occupy it because he is locked up in jail but his title remains and then his interest in that can be sold or transferred."

Hart says that without the building societies the 99-year lease scheme would "still be stuck in the starting blocks".

He feels that where the building societies have been permitted to assist they have gone out of their way to promote loans for black housing.

"The black housing situation is an unusual one in that it was artificially strangled until 1976 when we discovered that as the investments with the administration boards had been declared prescribed investments we could then as building societies invest money with them.

"We grabbed this opportunity and said we would invest money with them provided they built houses and then granted loans to others to own them.

"Then came the revival of the 30-year occupation right which was no good to us because it could not be registered as it was too short but we went in boots and all in the belief that the momentum was now going."

The societies demonstrated to the authorities that they and individuals were ready to do something about solving their own problems and as a result, Hart believes, the authorities realised there was a huge force available to tackle the problem. Out of this came the steps towards title and the 99-year lease.

"Now, wherever there is 99-year-lease we apply the same considerations to our security and the person that is going to borrow as we do in, for example, Westville or Chatsworth.

"If they pass muster we will lend. In fact, one of the things very few people understand is that a building society wants to know that the security on which it lends is in the first place durable and secondly that it is attractive in the market place."

Qualifying attractiveness, Hart says that what is attractive in Soweto might be totally unattractive in Houghton.

"Therefore you can not say that you will only lend on replicas of Houghton houses in Soweto.

"If houses are the type that we believe are going to last and people demonstrate that they are prepared to pay good money to buy them then it is a marketable security and we will go in for it."

Effective control through Tolux

Stanbic gets stake in Unisec

1/7/82 RDM 58

By JOHN GILMORE

STANDARD Bank Investment Corporation has spent R17 300 000 on buying 67,5% of investment trust group Tolux SA — and in one swoop has become the largest single shareholder in the Unisec group.

In doing so it has stepped into the fierce imbroglio between Unisec and Sage which last year were locked in a no-holds barred takeover battle.

Tolux has a 33% interest in Hesperus Holdings which brings Stanbic's stake up to 52%, and in turn Hesperus has a strategic 41% interest in Unisec that could determine the cash-rich group's fate.

Among its other assets, Unisec is sitting on a pile of cash that probably exceeds R50-million after spending possibly R20-million recently on the acquisition of Stuttafords Van Lines

In a short statement yesterday that concealed the dramatic implications of the acquisition, Standard Merchant Bank "was authorised to announce that Stanbic has been offered, and has purchased, for a total cash consideration of R17 316 478 85% the shareholding of certain non-resident shareholders in Tolux. Accordingly, Stanbic has acquired 1 228 119 shares representing 67,5% of Tolux's issued share capital "

Having acquired control of Tolux, Stanbic will give the remaining shareholders the opportunity of selling 85% of their holdings to Stanbic at R14,10 a share

Tolux was untraded on the Johannesburg Stock Exchange yesterday, but the going price was 470c However, the market appears to have got wind of the deal as Unisec shares shot up 80c to 400c.

The directors of Stanbic said that "they believe the acquisition of a controlling interest in Tolux is in the long-term interest of the bank, and subject to the necessary approvals it is intended to retain the listings of Tolux shares on the stock exchanges in Johannesburg, London and Luxembourg".

Only three months ago Stanbic bought 19% of Hesperus in what was described as a long-term investment. But it must now be seen as a vital strategic move to become a dominant partner in Unisec in spite of its assertion that the acquisition of shares in Tolux was not being contemplated

Stanbic's move yesterday coincided with Unisec's annual meeting at which teh battle resumed when representatives of Sage put some searching questions to the board, particularly over the cancellation of shares in subsidiary companies that Sage maintained could alter the control situation

Because of Sage's substantial shareholding in Unisec, believed to be 20% of the equity, "we are of the opinion that we should be granted representation on the board of directors" However, the Unisec directors rejected the request and replied that they "are not prepared to support the appointment of a representative of Sage Holdings to the board'

Sage asked how much was paid for Stuttaford's Van Lines and Unisec replied the amount was material in relation to the group as a whole and it was acquired on terms Sage's request for a breakdown of Unisec's investments and loans of R11 195 000 was met fully and included executive share purchases of R1 241 987, housing loans to a director and staff of R532 020 and loans made by a finance company to Billhawk Investments & Newstock (Pty) totalling R5 153 360.

Sage said that borrowings and overdrafts at December 31, 1981, increased substantially and asked, because of the large cash resources, would it not be desirable to reduce substantially the borrowings of the operating companies

Unisec's reply was that the yearend amounts were book figures and not necessarily overdrafts.

"The increase in overdrafts is mainly due to the new subsidiaries It is the directors' policy that operating companies continue to use bank overdrafts in part and from the holding company for the balance."

COMMENT: Stanbic has bought the key to control of Unisec and the statement that Tolux is in its long-term interest must be taken with a pinch of salt. The options, of course, are fascinating and no doubt will unfurl before long But it seems that Sage will now have to deal with Stanbic, either to sell its stake or to purchase Stanbic's.

African Bank to sell 1,5 million shares

Sowetan 2/7/82

By SELLO RABOTHATA

THE AFRICAN Bank Limited, under the chairmanship of Mr Sam Motsuenyane, is offering 1 500 000 ordinary shares of R1 each.

According to the company's directors the purpose of the offer is to broaden its capital base and to facilitate its expansion deposit base as well as fund future expansion operations. In terms of the Banks Act 1965, the amount of deposits that may be accepted from the public is linked primarily to the level of the Company's capital and unimpaired reserves.

Application lists for the offer opened at 9am yesterday and will close on Monday, August 30 at 3pm or on such a date as the directors of the company may determine, but not later than September 22. The shares to be issued will be at R1 per share.

The prospectus issued by the company states that its directors have the right to refuse or accept any application either in whole or in part or accept some applications in full and others in part or to abate all or any applications in such a manner as they determine. Applicants will be informed of the basis of allocation within nine days of the closing date

Conditions for application for ordinary shares and issues are as follows:

- Applications are irrevocable and may not be withdrawn,
- They may only be made on the forms attached to the prospectus which is obtainable from the head office which is to be completed in accordance with the instructions and conditions of the prospectus.
- They must be for a minimum of 100 ordinary shares or multiples thereof;
- Acceptance of applications and the allotment and issue of ordinary shares pursuant thereto will be conditional on the minimum subscription received;
- All moneys received for this purpose will be held by the company's commercial bankers. Interest earned will be for the company's benefit;
- If the minimum number of subscriptions are not received, all moneys will be refunded to applicants by not later than nine days after closing date;

Copies of the prospectus can be obtained from the Ground floor, Afex House, 58 Marshall Street, Johannesburg, or from Barclays National Bank Limited, Sauer Street, Johannesburg

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1. Enter at the top of each page and in column (1) of the block on this cover the number of the question you are answering.
2. Blue or black ink must be used for written answers. The use of a ball point pen is acceptable. Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used
3. Names must be printed on each separate sheet (e.g graph paper) where sheets additional to examination book(s) are used.
4. Do not write in the left hand margin.

WARNING

1. No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed.
2. Candidates are not to communicate with other candidates or with any person except the invigilator.
3. No part of an answer book is to be torn out.
4. All answer books must be handed to the commissioner or to an invigilator before leaving the examination

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

CREDIT'S TIGHT FOR MR AVERAGE...

Buying on credit? Well, think again

(58)

By ANDREW TORCHIA

BUYING a medium-size car priced at R7 220 on credit will cost you R2 835 MORE than you think you're paying for it.

By the time you have settled the bill under a normal credit agreement over 42 months the car will cost you R10 055 — more than a third (39%) more than the original selling price.

That's with a minimum 20% deposit (R1 444) on the car and an interest rate of 26%. This means a repayment of R205 a month.

Just two years ago, a similarly priced car would have cost only R2 414 in interest and finance charges — a saving of R421.

Which goes to show that, if buying on credit seems to be an easy way of acquiring your house, a car or even a refrigerator, think again.

INTEREST CAN ADD A THIRD TO BILL

In the case of a house bond you could pay more than three times the original selling price.

And, within the next few months, you might be paying even more for credit — experts warned this week that the interest rate would almost certainly rise again by at least 1%.

Rocketing interest rates, together with inflation and the general economic downturn, are the latest threats to hard-pressed consumers.

Take buying a house.

A R30 000 bond 18 months ago — at a 10% interest rate — would have meant an overall payment of R82 000 over 25 years — which is a whopping 2¾ times the original value of the bond.

Still, this was a viable proposition in terms of market trends and because of a growing shortage of houses.

But take the same situation today. The shortage of houses has become more critical and interest rates are higher.

The interest rate on a R30 000 bond has shot up from 10% to 14,25% — which means that, over 25 years, the bond will require an eventual payment of not R82 000, but R110 000 — 3 2/3 times its original price.

This means the bondholder will have to fork out R1 150 a year MORE than he did 18 months ago.

Inflation would mean that his monthly repayments over the years would, effectively, be worth less, but, with interest rates set to continue climbing, that would be small comfort.

And remember that, on top of this, interest rates are likely to be raised again.

A leading financial analyst said: "With savings failing to keep pace with inflation, South Africans with capital to spare still believe that investing in a home is one of the few reliable hedges against inflation.

"They have even lost faith in that old standby, the Krugerrand.

"Yet ironically, it's this very quest for credit that is sending interest rates soaring."

While buying a house may be the most dramatic — and financially painful — way to confront the rising cost of credit, smaller credit purchases could also mean paying much more in the end.

African Bank is on cash trial

S-Express 4/7/82

THE African Bank, founded in 1975 with a capital of R1-million as a result of the demands of the black business community, plans to raise R1 500 000 from black investors through a public offer of 1 500 000 ordinary shares of R1 each

Founder chairman Sam Motsuenyane says this could prove a "very difficult marketing exercise" in the current economic climate and in the light of the bank's limited exposure to the black community, but he sees the need to broadening the capital base to facilitate the expansion of the deposit base and to fund future growth.

In terms of the Banks Act the amount of deposits that may be accepted from the public is linked primarily to the level of capital and unimpaired reserves.

It follows that an increase in capital funds will enable the African Bank to accept substantially increased deposits which in turn means it will have the capacity to accept further funds, not only at its existing offices but also at other branches and the 'mini' branches it intends to establish under its five year development plan.

Mr Motsuenyane has no doubt the bank will hit its target.

In the past five years the banks's assets have grown from R4 929 000 to R17 475 000 with advances increasing from R1 447 000 to R8 834 000. On the liabilities side deposits and savings accounts have risen from R3 949 000 to R15 909 000.

Over the same period profits before tax have grown from a loss of R168 000 to a forecast profit to October 31 of R200 000.

Mr Motsuenyane says it may be three years before a dividend is declared though the books will be clean of the accumulated loss of R164 000 within six months.

A black headache now for building societies

58 S. Express 4/7/82

A SECRET report by a major building society has revealed serious defects in the black home ownership scheme when borrowers default.

The Sunday Express has learnt that serious concern is being expressed by the NBS over a report prepared by its legal advisers. The matter will be raised with the Association of Building Societies in an effort to clear up vital issues over black home loans.

The major problem relates to black defaulters when societies have to buy-in homes to protect their investment.

In the case of a white housing sale-in-execution, societies can bid as low as R1 for a house against which they have a bond. This effectively means they are buying it for the price of their bond plus R1.

In doing so, they still have a legal contract with the borrower, in which the buyer owes the society the outstanding amount of the bond.

Societies can then act against the debtor if they are unable to sell the house on the open market.

In terms of the 99-year leasehold rules, however, societies are forced to bid for the total amount of the bond outstanding, which has the effect of extinguishing the debt. They are then unable to pursue the borrower as there would no longer be an instrument of debt, according to the society's legal advisers.

The next problem arises with the fact that societies, under the 99-year leasehold plan are then allowed to hold the property only for a maximum of 12 months. If after 12 months the property is unsold it would seem that the society would lose its asset.

Yet another problem relates to the sale of the property taken in by the society. Normally they would place it with an estate agent to raise the highest price. However, estate agents are unknown in black townships.

S. Express 4/7/82

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...BUT EASY FOR THE 'IN' CROWD

The quick way to a cheap home loan

Sunday Express Correspondent

SIX months ago Mr Aldo Gill and his wife Delia, of Port Elizabeth, were like scores of other young married couples in South Africa — struggling to find a home of their own.

The odds were against them.

They had invested small amounts in a building society for some time but were still not eligible for a bond. House prices were rising constantly and, even if a bond had been available, their income would have been too low to meet repayments.

This all changed suddenly — because Mr Gill took a lower-paid job.

Today they have a home of their own.

What happened? Quite simple: Mr Gill went to work for a building society

After six months he was able to take out a bond at 2,5%. The repayments were calculated at 4% (to reduce the capital commitment quicker), which made his repayments on a R30 000 bond R196 a month.

Had he obtained a bond and not been a building society employee, his repayments would have been R393.

Another building society gives staff members a bond immediately — at an interest rate of 4,5%, which drops to 2,5% after six months' service.

The man-in-the-street usually has to pay 14,25%.

Each building society has its own policy about when it will grant an employee a bond, but it usually varies between immediately and after six months' service.

Mr Gill scored a second advantage by joining a building society. If he decides at some time in the future to follow some other career, his interest payment will revert to the average public rate — but he will not lose his bond.

Women working for building societies are not so fortunate, but each case is judged on merit. If the woman is the family breadwinner, she might be granted a bond.

Mr Gill and his wife were two people who realised that the only way they could get what they wanted was by joining an organisation which offered perks.

A spokesman for a building society said it was 99,9% certain that a staff member would get a bond. In most cases, staff applications were considered before those of other clients, though the head office was beginning to clamp down on this.

The United Building Society calculates its mortgage bond interest rate for staff members at 2,5%, and repayments at 4%.

Other workers in commerce also getting along nicely on taxpayers' or investors' cash.

Banks offer perks on personal and car loans at 3% interest. Home loans are also 3% — with a deposit of 5%. Employees can then borrow up to six times their annual salary, repaying over 30 years.

The Systems Manager for SA Transport Services in Port Elizabeth, Mr G D Engelbrecht, said the railways offered some of the best perks in South Africa.

There are various schemes for buying homes, with the average interest rate 4%. Coloured and black staff pay 2%.

Railway rents, too, are low. The average for a two- or three-bedroomed homes is R40 to R45 a month.

(58) Star 8/7/82

Mutual backs OK expansion

By Frank Jeans

Old Mutual is to finance an OK Bazaars venture to the tune of R45,5 million. It involves a shopping block adjoining the Hyperama in Lynnwood Glen, Pretoria.

In a joint announcement today, Old Mutual's property manager, Mr Martin Buss, and OK chairman Mr Meyer Kahn said that the project would be started soon.

The block, comprising 24 000 sq m of shopping space, will be linked to the Hyperama by a shopping mall.

There will also be a six-storey Z-shaped office block in the development, providing 5 000 sq m of space in the heart of the thriving eastern suburbs of Pretoria

The existing parking area will also be extended to take 3 500 cars.

The 25 000 sq m Hyperama, built three years ago and owned by Old Mutual, will be extended by 4 000 sq m for a new "House and Home" department store which will open for trading next November.

Completion of the overall project is due in November 1983, with OK Bazaars leasing and administering the shopping centre.

"Because of the size of the block, its ideal centralised location and with the Hyperama the major drawcard, the development is expected to become the predominant shopping area in the Pretoria region," says Mr Buss

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S. Express 15/8/82

Banks enter Gencor battle

By TONY HUDSON, Business Editor

WORD has it in banking circles that General Mining Corporation is moving its account from Volkskas to the Trust Bank

And although no official confirmation could be found none of those involved would give an unequivocal denial

Such a move could be important in terms of the battle between Sanlam and Rembrandt for control of Gencor — which top corporate sources predicted last month would take the form of a contest between banks

The Trust Bank is effectively a subsidiary of Sanlam, while Rembrandt group chairman Dr Anton Rupert has substantial holdings in Volkskas and an interest its insurance arm

Besides acquisition of the account would simply be an economic coup for the Trust Bank Gencor current assets for the financial year to December 1980 were R1 400 million, while consolidated profits were over the R400-million mark

This week Sanlam managing director Dr Fred du Plessis who is also MD of the Trust Bank said he was not in a position to comment as "I am not concerned with the day to day operations"

A spokesman for Gencor refused either to deny or confirm the move

A deputy managing director of the Trust Bank Dr Chris van Wyk refused to speak to the Sunday Express but sent a message that the bank was carrying out its normal commercial activity and refused to comment on the question

Sanlam and Volkskas were closely allied until 1977 when Volkskas refused to help rescue the ailing Trust Bank forcing Sanlam into the banking field

And when Volkskas launched into the insurance field with the takeover of Legal & General, it again trod on Sanlam's toes

Banking sources say Sanlam is now determined to make its banking operations pay even if it means continuing conflict with Volkskas

And an indication of support for Sanlam's efforts is that the Afrikaanse Handelsinstituut account is going to the Trust Bank

While it is fairly small, as are those of most commercial associations many member companies can be expected to follow the example

MOST BONDS COME FROM FORCED LOANS

W/L Argus Property 17/7/82

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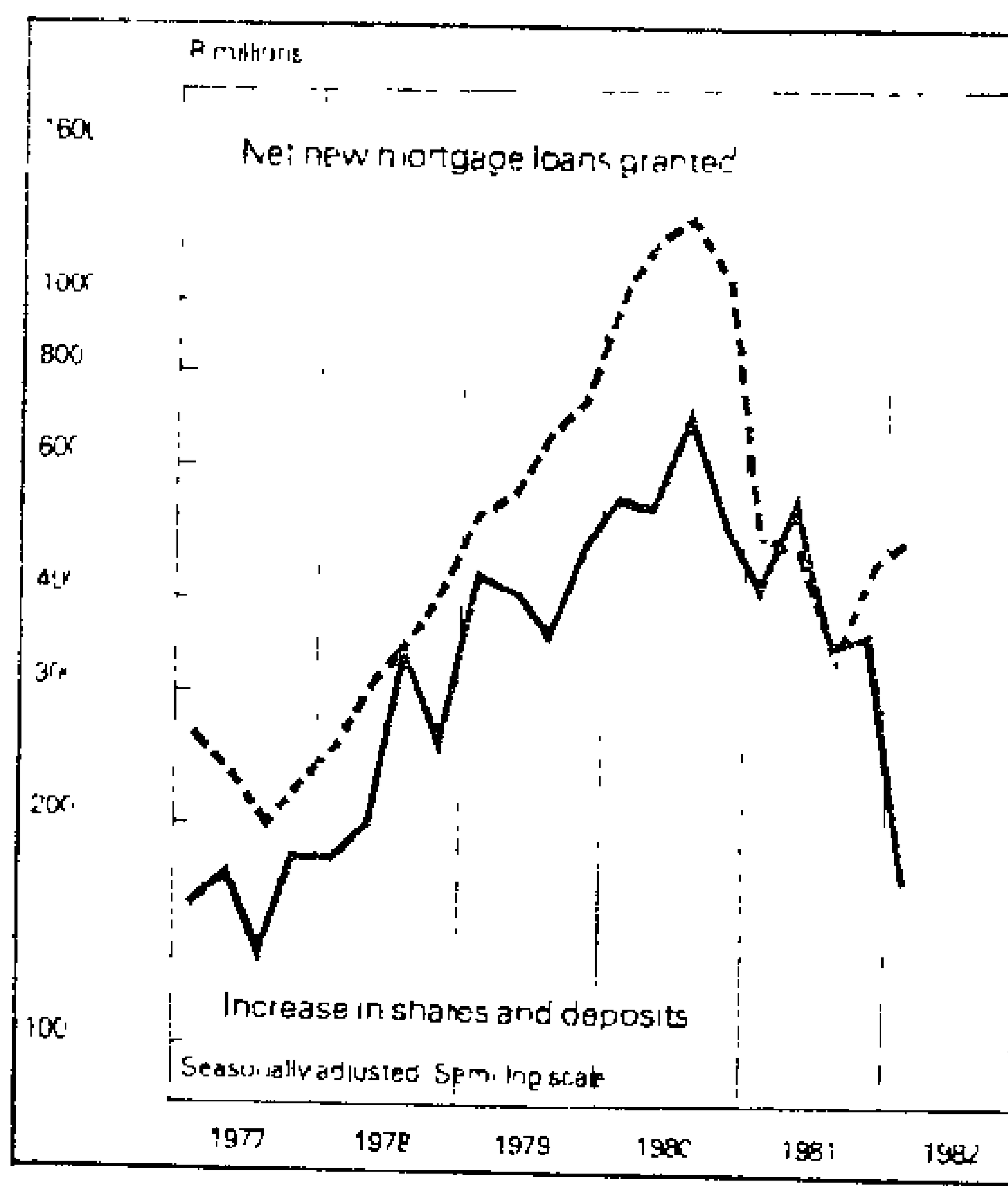
By TOM HOOD,
Property Editor

AN INDICATION of the battle by building societies to attract funds is the fact that 80 percent of the R389-million paid out in new loans in April and May came from matching finance from investors.

Only about R78-million came from voluntary funds and was not locked in for two or three years as an investment for a back-to-back loan.

This means the vast majority of bond applications to building societies is being matched in hard cash for the home loan required either through company assistance, participation by the seller or help from the buyer's relatives.



Reserve Bank figures of building society funds.

Mr Hendrik Sloet, president of the Association of Building Societies, made the calculation that 80 percent of all new loans granted were made against matching investments.

INVESTMENTS

Another pointer to the pressure facing societies — the country's main providers of housing funds — is shown in the latest report by the association which discloses that share investments dropped by R75.8-million in April and May compared with a gain of R9.7 million for the same period last year and a R189-million gain for the same months in 1980.

The erosion of lending capability is evident from the two-month figures.

The amount of R389-million advanced was R3-million up on a year ago but less than half of the R940-million of new loans granted in April and May two years ago.

The snag about "matching investments" is that the investor is sacrificing the higher interest rates offered by banks and financial institutions. In turn he wants to be compensated and frequently asks for a raising fee of anything between 5 and 15 percent which is paid once only and usually in cash in advance.

And this fee on top of the deposit and legal fees for buying a home, can be the final cost that puts a house or flat beyond reach of most young people.

Mr Sloet says in the association's latest newsletter: "The backlog of housing must be growing steadily while building societies are unable to meet the demand for home purchase finance.

"Society rates have been lagging behind the market for at least 18 months now and unless the general level of rates available in the market place starts to decline soon, action to assist home purchasers will have to follow."

And that means, he says, a further increase in building society rates is "inevitable."

SAVINGS

Some building societies increased their special savings rates this week in an effort to stem the outflow of cash that was attracted by higher rates offered by the banks.

In April and May building societies had a R15.7-million outflow from their savings accounts, much of which is believed to have been diverted to more profitable investments with banks and other institutions. A year ago savings for those two months grew by R67.5-million and by R54-million two years ago.

If the latest move to attract more funds succeeds, the higher cost will have to be met by borrowers — bringing the inevitable rise in mortgage rates all that much nearer.

In the two months 15 413 loans were granted against 17 403 a year ago and 45 749 two years ago.

The average loan was R32 400, up 15 percent on the year-ago R28 194 and 40 percent higher than the R23 149 average of two years ago.

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'Clash of the Afrikaner business titans looms

58

S. Express 18/7/82

SANLAM, the Cape-based Afrikaner insurance giant, is clearing the decks for all-out war on its banking counterpart Volkskas, the powerhouse of Afrikaner business in the north.

SANLAM AND VOLKSKAS BATTLE FOR CONTROL OF THE NORTH

The vehicle for the assault will be Trust Bank, which Sanlam is now working to rehabilitate.

This is the extraordinary sequel to the feud between multi-billion rand Afrikaner giants, Sanlam and Rembrandt, that broke into the headlines last month.

The recent decision by the Afrikaanse Handelsinstituut to shift its bank account from Volkskas to Trustbank is already sending out the signals, but there is more to come.

The battle, which was heralded by a number of minor skirmishes in recent years, is likely to cover the entire business front, from banking and insurance, to the Press and mining. It has strong overtones of a political feud, and is spiced with a corporate determination to exact vengeance.

By MARTIN WELZ

It could, observers believe, be the ultimate battle between North and South for dominance of the Afrikaner business and political scene.

The battle, which is expected to continue for several years, runs deep in the Afrikaner establishment.

What emerged last month as an ostensibly petty feud about the number of directors to be appointed to the board of Fedmyn, the Afrikaner-controlled mining holding company, was a final call to battle between the three Afrikaner business titans that, behind the scenes, have been in a state of cold war for the past 10 years.

According to Sanlam sources, it follows the discovery by Sanlam of what its directors believed was a plan by Rembrandt to use its huge cash reserves to grab control of the biggest Afrikaner mining company, General Mining Corporation, from Sanlam.

And, Sanlam believes, Volkskas was a partner in the scheme.

Sanlam's subsidiary Federale Mynbou controls Gencor with more than 50% of its shares. Rembrandt and Volkskas are minority shareholders, with Rembrandt holding 30% of the shares and Volkskas 5%.

Rembrandt appointed two directors on the Fedmyn board and Volkskas one director, Sanlam has the remaining eight to secure its control

Or so it thought. But when it got wind of a bid by Rembrandt to buy control of General Mining, it discovered that three of the Sanlam appointed directors and the Volkskas director were prepared to support Rembrandt.

In effect, Rembrandt had control of Fedmyn. If the Fedmyn board was called upon to approve a deal giving Rembrandt control of General Mining, Sanlam could not stop them.

This is what prompted the, until now, unexplained move by Sanlam to have the board of Federale Mynbou enlarged by three directors.

The extraordinary tale of boardroom intrigue echoes the break with the Afrikaner's political commitment to unity at all costs.

While the battle centres on financial interests, it has presented opportunities for alliances aimed, many believe, at political advantage and the settling of old scores between North and South.

"Sentiment once played a role in Afrikaner business. Not any more," a director of one of the companies observed.

While the feud between Sanlam and Rembrandt might have remained one of competing business ambitions, it is Rembrandt's alliance with Volkskas that has sent the political undercurrents between North and South into full flood.

Has mighty Volkskas, the Afrikaner business leader of the North, stung by the North's fall from political power and its related loss of financial advantage, been tempted into the alliance by the prospect of revenge?

That is what Sanlam appears to believe.

The tale begins in 1954 when the then two Afrikaner giants, Sanlam and Volkskas, each agreed to finance the launch of a third: Rembrandt. There had long been an understanding between the two that Volkskas would be the Afrikaner banking house, and Sanlam the insurer.

The insurer and the banker each agreed to lend R500 000 to Rembrandt to enable it to buy the controlling share in London-based Rothmans International. The 'understanding' was that Rembrandt would do its banking with Volkskas and its insurance with Sanlam.

The first major crack in the 'friendly alliance' came in 1977 when Sanlam appealed to Volkskas to launch a rescue operation on Trust Bank, a banking scandal which many admit could seriously have embarrassed the Cape Nationalist establishment if the Cape-based bank had been allowed to crash and all the details had been revealed.

Volkskas refused and Sanlam was reluctantly obliged to launch into banking to save the situation — at the same time creating the opportunity for direct competition with Volkskas — an opportunity banking sources believe will now be exploited to the full in the coming battle.

For a start, it is openly rumoured in Sanlam ranks, Fedmyn and Genkor banking accounts could be moved from Volkskas to Trust Bank, depriving Volkskas of two of its largest accounts.

Volkskas, in turn, went into competition with Sanlam when it acquired Legal and General as its own insurance arm — with Rembrandt as one of its shareholders and clients.

The understanding between the giants was at an end.

About the same time Perskor, financed by Volkskas, and Nasionale Pers, financed by Sanlam, launched into a costly Press battle in the Transvaal. The battle between Nasionale Pers's Beeld and Perskor's Die Transvaler ended in financial victory for Beeld and a series of charges against Perskor for allegedly fiddling circulation figures.

This financial blow for Perskor came only shortly after it was deprived of its lucrative monopoly of major Government printing contracts when the Transvaal Nat leader Dr Connie Mulder, fell from power in the Info scandal.

Last year Perskor boss and Treurnicht supporter Dr Marius Jooste held a closed two-day farewell party for outgoing Volkskas chairman Dr Jan Hurter on the isolated Perskor holiday farm Plaas Marius in the Zoutpansberg.

It is widely believed that Dr Jooste used the opportunity to sound out the Volkskas board on whether they would approve if Perskor newspapers supported a Treurnicht breakaway. Volkskas, moved by financial prudence, remained uncommitted.

Sanlam's board is now preparing an all-out onslaught on Volkskas's banking market.

Watchdog needed to hound liquidators

(58) S-Express 18/7/82

ALLEGATIONS of widespread malpractices in the liquidation of insolvent estates has led to a call for a 'watchdog' professional organisation to control the affairs of liquidators.

Informed sources said that malpractices by some liquidators — who deal with the winding up of insolvent companies or individials — have got out of control.

They said hundreds of thousands of rands were changing hands through 'kickbacks' and other illegal operations.

The malpractices are allegedly committed by conspirators who include, apart from liquidators (who have the power to sign cheques and dispose of assets) the liquidating attorney, the valuer, the auctioneer and the prospective purchaser of an insolvent company.

Posing as an agent for a liquidator, the Sunday Express approached several auctioneering firms — and was offered 'kickbacks' for business by two of them.

But a third said: "We don't do that kind of business" and put down the phone.

Others declined to discuss the subject over the phone.

The Sunday Express was handed the original of a Special Power of Attorney whereby total responsibility for a liquidation was delegated to a third party, who was not entitled by law to conduct the business.

By CATHY KENTRIDGE

The Sunday Express was also handed affidavits describing how liquidators appointed by the Master of the Supreme Court abused their powers by using estate cheques for their own personal gains.

Other malpractices disclosed to the Sunday Express were:

● Securing the appointment

... AND THE FUR FLIES AS KICKBACK CLAIMS ARE LEVELLED AT THE 'CONSPIRATORS'

of a particular liquidator by submitting false claims against the estate by fictitious creditors.

To be appointed a liquidator, a person must submit affidavits to the Master from creditors stating they have a claim against the estate and wish a particular liquidator to assist them in recovering their money.

Many claims are false — the creditors do not exist or have no claim. The Master has no way of knowing.

This is done because the would-be liquidator, nominated by the largest number of creditors or creditors with the largest claim, is usally appointed to wind up the estate.

● Fee-sharing between attorneys and liquidators — which is a contravention of the Insolvency and Attorney's Acts.

● Under-valuing assets so creditors accept less for their sale than they would if they were valued at their true market price. The assets are then apparently sold at a higher value with the liquidator pocketing the difference.

● 'Kickbacks' between auctioneers selling assets and the liquidators.

According to Mr A Dixon, assistant master of the Supreme Court, 99% of the assets of insolvent estates are disposed of by public auction.

Attorneys and liquidators claim some auctioneers are so keen to handle these sales that they are prepared to pay the liquidator a percentage of the money realised by the sale in return for being given the job.

Those in favour of a 'watchdog' association feel the system under which insolvency practitioners operate "discourages honesty and promotes dishonesty".

Liquidators, unlike lawyers or accountants, are not required to have any specific qualifications such as law or accountancy degrees.

Under the Insolvency Act, liquidators are appointed by the Master at his sole discretion from a panel of people whose credentials he has had to accept on their own recognisances.

A lawyer (who cannot be named for professional reasons) said: "Once an appointment has been made, all the insolvency practitioner has to do is comply with the Insolvency Act — it doesn't matter how or why.

"The whole thing becomes even more of a mockery since liquidators can, and often do, delegate total responsibility for the estate to a third party who would not have been acceptable to the Master and who is not entitled to be involved in the matter."

A steering committee appointed to pursue the proposal for the formation of an association of insolvency practitioners recognised by statute has been told that the Department of Justice does not see the need for the envisaged legislation.

But the department would be prepared to consider a memoradnum setting out the facts and the proposals.

'Bitter blow' as bond rate hits record high

58 Mercury 20/7/82

Property Editor

THE battle between banks and building societies for the man-in-the-street's savings was blamed yesterday for being part of the reason for yet another rise in the mortgage rates — the fifth hike in 18 months.

Mr Hendrik Sloet, president of the Association of Building Societies, announced late yesterday that member societies, which include all the major firms, had been informed of the recommendation of a 1 percent increase.

The hike — which will come into effect on September 1 — lifts the maximum rate payable to 16,25 percent, the highest the country has known.

A typical example of change in repayments at that rate on a bond of R45 000, is from R603 to R639.

Demand

Experts in the property industry, however, forecast there would not necessarily be either a slump in property prices or an increase in the number of forced sales.

The reasons for those comments were that the demand for homes still remained extremely high — and that demand will continue to support prices.

Mr Woody Harrison, managing director of Durban-based estate agents RMS Syfrets, said last night he blamed 'greed' and the 'fight between banks and buildings societies' for the round of interest-rate increases.

'We have got to stop this nonsense between them,' he said. 'The banks are giving the societies a full go and the building societies are trying to keep up.

'People are going to the banks with their money because of the higher investment rates they offer,' he said, adding it was greed that made them do so.

'Why can't they invest in building societies which would support the movement and enable others to obtain loans for homes?' he asked.

It was because the banks and building societies were in an 'open fight' that the ordinary people were suffering.

In spite of the high interest rates, there were still few bonds — a negligible amount — available nationwide. And the across-the-board increases which raise the minimum to 14,25 percent, will be another bitter blow to young people hoping to buy their first homes.

As one property man put it: 'They cannot get the bonds and if by chance they do, then they cannot afford them.'

Yet estate agents approached last night still insist that the demand for homes is strong enough to keep prices up, at least at their present rates.

For some months, agents have stoutly claimed that prices are not showing a drop, although they have admitted that the high-priced luxury homes, whose prices zoomed during the 1980 property boom, were vulnerable to hard-bargaining buyers.

Some cases of drops in that upper-price bracket have been reported but what is termed middle-priced housing — between R65 000 to R90 000 — has been holding reasonably steady, as long as the price asked has offered value for money.

However, what effect the latest jump will have still has to be seen.

Regarding the possibility of repossessions, property men believe homeowners will desperately cling to their houses, although they will have to dig deeper into their monthly budgets to make the repayments.

For one thing, even if they sell, they still have to

★ TURN TO PAGE 2

Bitter mortgage rates blow

58 Mercury 20/7/82

★ FROM PAGE 1

live somewhere and the alternative to mortgage-bond repayments — renting — matches the monthly outlay of home-ownership.

Mr Peter Foddering, managing director of Fodderings Estate Eagents in Durban, said yesterday the situation in the property market in the current downturn was not like that during the depression days of the middle-to-late 70s.

Houses then stood for sale for a considerable period and prices were static. Now the 'demand bubble is there and the balloon is getting bigger'.

Mr Foddering believes the climbing interest rates are 'Government-supported' to cool things down in the general economy.

'When those rates fall, we are going to have a boom that will make the last boom look silly. In fact I don't think we had a boom — the price increases then were purely adjustments to what should have been going on.'

Mr Harrison added: 'Other countries such as America and Britain have overcome high interest rates, and if they could do it, we must.'

Schwarz blames Govt control

Argus Correspondent

DURBAN — Government mismanagement of the economy was the primary factor in yesterday's controversial 1 percent increase in the mortgage bond rate, Mr Harry Schwarz, Progressive Federal Party finance spokesman, said today.

Mr Schwarz said the soaring bond rates were putting "housing out of the reach of the ordinary man."

"He is being hit by not only the high bond rates but also increasing building costs. The effects of the bond rate are going to leave scars, not only on the economy but also on the social structure of South Africa."

WARNED

Mr Schwarz said Government mismanagement of the economy was clearly a primary factor in the soaring interest rates.

"We warned during last year's general election that it was a 'vote now, pay later election'. This was one of the best economic forecasts ever made."

Mr Schwarz demanded to know what had happened to the commission of inquiry appointed during the general election by the Finance Minister, Mr Owen Horwood, to investigate increasing bond rates.

"Since then the bond rate has increased on a number of occasions and the ambit of the commission has been increased. It is now time the public is told whether the commission has reported and, if it has, what is in its report," he said.

Commenting from Pretoria, Mr Horwood said: "The factual position is that determination of mortgage bond interest rates is in the hands of the building societies."

Bonds rise: New strain on the CoL

ARGUS 20/7/82

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THE cost of living for many South Africans will rise again in September when building societies increase mortage rates by a further 1 percent.

This will be the fifth increase in the past 21 months. Homebuyers will now be paying between 14,25 percent and 16,25 percent for their bonds.

Since the end of 1980 the rate of interest on mortgage bonds has risen by 5,25 percent.

The new increase means repayments of between R7,50 and R8 a month more — depending on whether they are repaying bonds over 20 or 25 years — for every R10 000 they have borrowed from a building society.

The monthly repayment on a R20 000 bond repayable over 25 years will increase by around R16 to R252 while the monthly repayment on a R32 000 bond repayable over 20 years will increase by about R22 to R450 a month.

A R45 000 bond will now require monthly repayments of R634 while a R75 000 bond will mean about R1 050 a month.

TIGHT

Since the end of 1980 the cost of a mortgage bond has risen by R40 a month for every R10 000 borrowed.

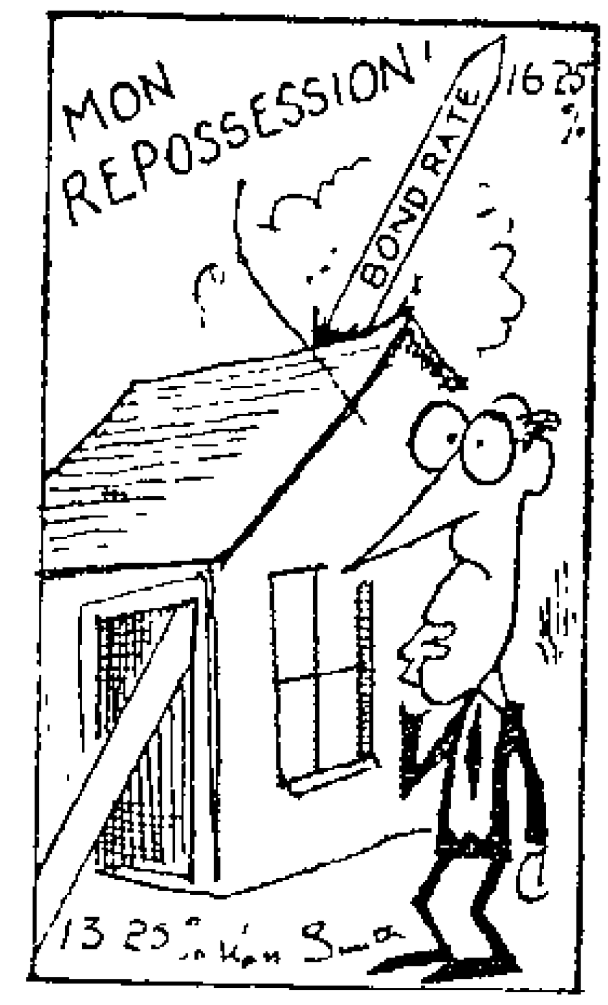
The building societies say the increase in rates is necessary because of tight money conditions and increased competition from the commercial banks for funds.

Building society officials point out that most of the funds they are receiving these days are coming from "back-to-back" or forced loans. This is money put up by third parties to assist the building societies to grant mortgage bonds.

Bond rate hits record 16,25 pc after 5th rise in 18 months

58

Star · 20/7/82



By Frank Jeans

The bond rate goes up by 1 percent, from the maximum 15,25 percent to a record 16,25 percent, on September 1.

This means that a homeowner with a R45 000 bond on his property will face an extra outlay of R40 a month, while a man with a R60 000 bond will pay R51 more.

The latest bond rate increase — the fifth since March 1981 — underlines the mounting pressure by building societies to allow them to operate freely in the money market

A leading building society executive says: "The only way to get adequate bond finance is to pay competitive rates on the money market.

"We are competing with banks which have 7 percent more on their lending rates than societies have on theirs"

Mr Tim Hart, director of the Association of Building Societies, says: "We are up against the problem of the increasing cost of retaining the funds we already hold"

An economist expressed the view that there would be no dramatic action taken to cater to the specific needs of building societies

How yesterday's bond increase affects the home buyer:

Cost of house	Deposit	Bond and instalment	Salary needed
R40 000	R8 000	R32 000 (R438)	R1 800
R60 000	R15 000	R45 000 (R648)	R2 500
R80 000	R20 000	R60 000 (R846)	R3 400
R100 000	R25 000	R75 000 (R1 057)	R4 200

MOVEMENT

Leading estate agent Mr Basil Elk comments "There may be some dampening on the market but prices won't come down"

This is how the bond rate has moved in the past 16 months:

- March 1981 — up by 0,75 percent to 9,75 percent minimum and 11,75 percent maximum.
- June 1981 — up by 1,5 percent to 11,25 percent minimum and 13,25 percent maximum
- October 1981 — up by 1 percent to 12 25 percent minimum and 14,25 percent maximum.
- April 1982 — up by 1 percent to 13,25 percent minimum and 15 25 maximum
- September, 1982 — up by 1 percent to 14,25 percent minimum and 16,25 percent maximum.

Bonds up again — by 1 pc

CAPE TIMES 20/7/82

5-8

By GORDON KLING

HOME mortgage bond interest rates are to rise again, for the fifth time in 18 months, by one percent from September 1.

The latest increase, announced yesterday by the president of the Association of Building Societies, Mr Hendrik Sloet, means homeowners' monthly bond repayments have now jumped by nearly 60 percent since January last year, an increase of about R45 for every R10 000 worth of bond.

The increase is also the third to be announced since the Minister of Finance, Mr Owen Horwood, appointed a commission of inquiry to investigate rising bond rates in April last year, just before the general election. The commission has yet to report its findings.

Reacting to the move, the chairman of the Institute of Estate Agents in Cape Town and the Western Cape, Mr Geoffrey Seeff, said he was highly disappointed the societies had apparently rejected an institute appeal for a greater spread in interest rates charged on bonds to alleviate the burden on lower-income groups and encourage faster repayments.

He said the institute had made representations to the association to have the present two percent-spread between maximum and minimum rates widened to four percent.

Minimum rate

This would spare homeowners with a R10 000 bond from paying the new increase which takes the minimum rate to 14,25 percent, while those with bonds of R40 000 and above would pay 17,25 percent, or one percent more than the 16,25 percent maximum applicable from September.

Before January last year, the minimum rate had been 9 percent and the maximum 11.

The increase has been regarded as inevitable in the building society movement since two societies, the EP and the Standard, broke ranks with the association to increase their rates by one percent last May

It means that even to qualify for a R25 000 bond a wage-earner would have to earn about R1 600 a month if the normal building society requirement of repayments not exceeding one-quarter of the breadwinner's income is taken into account.

Managers' fees

The director of the Association of Building Societies, Mr Tim Hart, said the bond rate was a reflection of interest rates throughout the economy; the societies had to offer higher rates on deposits to compete for funds and this necessitated higher rates being charged to borrowers. He confirmed that the availability of new bond finance remained extremely tight.

Mr Seeff noted that the building society rates were still below those available on the open market through participation mortgage bonds, which now charged borrowers 19,35 percent, leaving lenders a return of 18 percent (the difference going to fund managers as a fee).

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3 No part of an answer book is to be torn out.

4. All answer books must be handed to the commissioner or to an invigilator before leaving the examination.

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

ARGUS 21/7/82 58

R1 400-million jump in SA shares

SHARE prices rose by almost R1 400-million in the first two hours of trading on the Johannesburg Stock Exchange today following a seven-dollar rise in the gold price to above 360 dollars an ounce for the first time since mid-April.

Gold and mining financial shares were heavily traded, but the rally later spread to metals and mineral shares and to the industrial counters.

In the initial burst of trading some mining counters had price-gains of 10 percent or more. Shares in the marginal mine ERPM jumped 100c to 875c, while the shares of the gold-mining holding company Middle Wits rose 120c to 950c.

Anglo American shares were heavily bought and rose 75c to 1 230c. Harmony's shares increased by 75c to 1 075c and Loraine's by 30c to 285c.

Other shares to show substantial gains included Free State Geduld, Western Holdings, St Helena, Buffelsfontein, SA Lands, Village, Randfontein, Grootvlei and Egoli.

By the middle of the morning the value of gold shares had risen around R600-million, mining financial shares by probably a similar amount and industrial shares by around R150-million.

The rally on the share market has been gathering momentum since the beginning of the month, after the gold price began recovering from its 2½-year low of 296 dollars an ounce reached a month ago.

Although the recovery was slow at first, it has gathered momentum since the Iranian attack on Iraq and the emergence of signs that American interest rates were starting to ease.

As a result of these favourable developments, the value of shares on the JSE has risen by around R6,7-billion since the beginning of July and are now worth about R54-billion.

This compares with a figure of R55,6-billion at the end of March and R71,6-billion last December.

Staggering cost of bond perks

Cape Times 21/7/82 58

Mortgage bond perks for hundreds of thousands of South Africans coupled with the staggering rise in interest rates throughout the economy, have grown to the point where they are costing the country about R80-million a year. GORDON KLING reports.

THE BURDEN is borne almost exclusively by ordinary taxpayers who do not receive housing benefits from their employers, many of whom will never be able to afford a home of their own, according to the Consumer Council.

Information supplied by building society sources and tax experts indicates that about 50 to 60 percent of building society bonds benefit from housing perks conservatively worth at least half the monthly repayments on an employee's bond.

Building society mortgage advances as of March totalled R11,3-billion, according to Central Statistical Services at the Department of the Prime Minister, and taking half of these as being subsidized to the extent of at least 50 percent on the average 15,25 percent interest now being charged on building society bonds means that about R800-million in interest is affected by benefits.

Considering the benefits to be worth half the repayments, they would total about R400-million.

Assuming the people who gain these benefits are paying an average tax rate of about 20 percent, the Receiver of Revenue is losing about R80-million in personal income tax. The Receiver is also losing out in taxation on company profits which would be much higher if they did not lend out housing money to employees at rates far below what they could earn on the open market.

Major companies, financial insitutions, and the Ministry of State Administration have declined to supply the Cape Times with any details of the housing perks they offer their employees but reliable sources maintain that building societies offer bonds to their employees at a flat interest rate of 2,5 percent — less than a sixth of the normal average rate — while state employees effectively pay less than one third of the normal rate. Public servants are also to obtain 100 percent bonds, instead of the usual 80 percent through a scheme whereby pensions are taken as security for the 20 percent of the loan that would normally have to be contributed by the would-be homeowner, and they are eligible for further benefits if they make early repayments on their subsidized bonds.

The Chief of Liason at the Commission for State Administration in Pretoria, Mr J J Verreynne, yesterday said all details regarding salaries and service benefits in the public service were confidential.

"You can't let everyone know what you're doing in an open market. It would be like playing poker with an open hand," he said.

"It is not company policy to discuss staff benefits publicly," said a spokesman for the British Petroleum Company.

A spokesman for Barclays National Bank said it was not prepared to divulge its housing benefits.

Senior building society sources, however, said the oil companies and banks all offered attractive tax-free housing benefits to their employees.

Tax expert, Dr Aubrey Silke, pointed out that regulations pertaining to housing benefits were due to be ammended by fringe benefits legislation next year, but they were currently in a very disordered state and rather arbitrary as well.

In a case where an employee arranges a bond at a building society and his firm agrees to meet half the repayments, the benefit would clearly be taxable in the hands of the employee, he said, except in the case of state employees where legislation has specifically exempted them from liability for tax on housing perks.

But where an employer makes a housing loan to an employee at a very low or even nil rate of interest, the employee is not liable for tax and the firm can in fact save on tax as well by effectively earning reduced profits through the loss in interest that could otherwise be earned in the open market on its housing money.

Even draft legislation on the proposed fringe benefits tax, he pointed out, made provision for a very favourable rate of interest on housing loans to public sector employees through a government fixed "official" rate of interest.

PFP spokesman

Dr Silke agreed that since the Minister of Finance had only limited sources to gather revenue from, it could be said that the taxes of those who did not benefit from housing perks were effectively subsidizing those who did.

The chief opposition spokesman on finance, Mr Harry Schwarz, emphasized that as a member of the commission of inquiry into the fringe benefits legislation he could not comment on its probable findings.

But he believed that many people were seeking jobs with building societies and banks specifically to gain from their housing loans.

"For the ordinary person who doesn't get a subsidized loan, housing is becoming a luxury and because of high interest rates these people will have to downgrade their level of accommodation. The interest rate pattern together with the other things happening in the economy is putting a tremendous squeeze on the standards of the community and it is benefiting only a privileged few."

The director of the Association of Building Societies, Mr Tim Hart, however, said: "My feeling is that it (perks) has become such an integrated part of our whole home ownership philosophy in this country that it would be very hard to move out of it. Either the employee gains from a subsidy or he'll have to be compensated if he is going to maintain his life style."

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Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

Rembrandt cash soars R500m as Rupert gears for takeover

CAPE TIMES 21/7/82 58 209

By PAUL DOLD, Financial Editor

DR ANTON RUPERT'S Rembrandt group has substantially increased its financial muscle in the past year, boosting cash reserves by more than R500m, and is geared for acquisitions.

Apart from today's profits of the four quoted companies which show that in spite of the world recession Rembrandt has done extremely well with its diversified base of mining, tobacco, wine and other interests — shareholders' funds rose by R507m, or R26,12 a share.

The sharp rise was due to a R155m foreign exchange windfall plus the R162m injection from the sale of an associate to Philip Morris. Included in the R507m is a R207m increase in net income.

While shareholders will have to wait for the annual report due in a few weeks for more details of how the group fared, today's figures will be more than sufficient to add a lustre to the shares. And there is the added attraction that Rembrandt will benefit from the eventual upswing of overseas economies.

It appears that the group has assembled considerable funds within South Africa and that Dr Rupert may be intent on a significant local acquisition.

Speculation is likely to grow ahead of the annual meeting but it is a fair guess that Rembrandt could be interested in expanding its mining interests which have provided an excellent return since the group diversified from the tobacco — wine base.

Capital employed soared from R961m to R1 507m and in the current year should reach the R2 000m level.

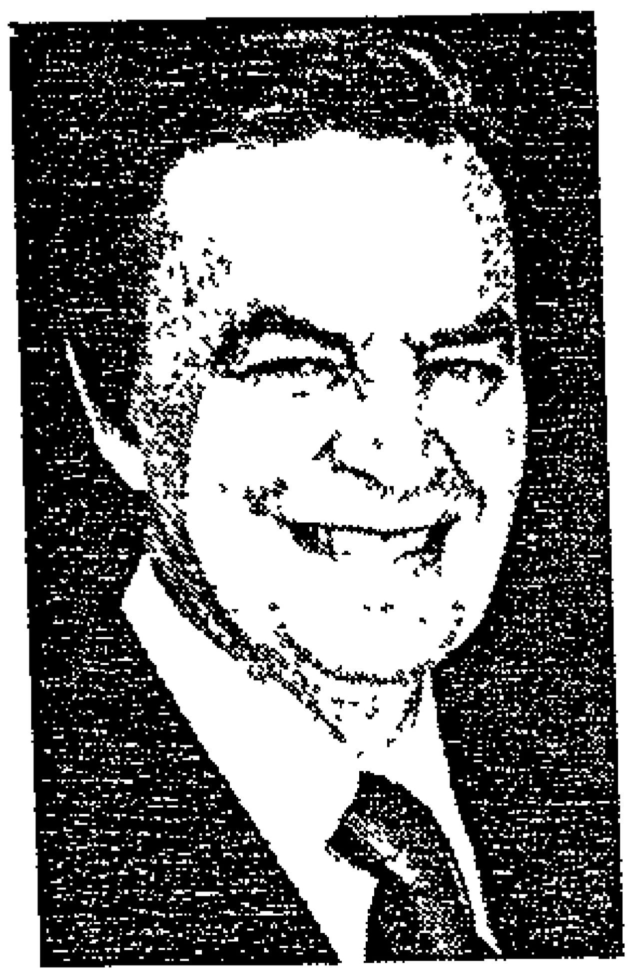
The profits show an impressive 22 percent gain for Remgro itself, with attributable income rising from R169 678 000 to R206 996 000 — the equivalent earnings per share of 392,2c (326,5c).

The dividends, as usual, are well covered for a total of 48c (37c) - an interim of 23c and a final of 25c.

Rembrandt Controlling had attributable income of R105 645 000 as against R86 592 000. Earnings per share were 290,2 (241,6c). The dividend totalled 35,1c (27c).

Technical and Industrial net income was R35 867 000 as against R29 403 000 with eps of 268,8c (233,7c). The dividend totalled 30,2c (23,3c).

Technical Investment Corporation net income was R42 804 000 (R35 079 000) with earnings per share of 254,4c (211,7c). Dividends totalled 30,2c (23,3c).



Dr Anton Rupert

Banking change in Lesotho

MASERU. — From August 2 the Lesotho Monetary Authority is to be known as the Central Bank of Lesotho, under the same authority of the Commissioner for Financial Institutions in Lesotho.

The Central Bank will withdraw the present Lesotho currency and put into circulation new notes of the denominations of R2, R5, R10, R20 and R50 as from that date. — Sapa

Monis & Fattis suspended

Own Correspondent

JOHANNESBURG. — The shares of Monis & Fattis, currently waiting to be taken over by Tiger Oats, were suspended yesterday on the Johannesburg Stock Exchange at the request of the company.

The company's financial advisers, merchant bankers UAL, think they have found the answer to the dividend taxation problem but with one or two legal details yet to be filled in felt it desirable to supend the shares until shareholders know their exact position.

UAL has been trying to put together a proposal which meets everyone's requirements and now seems to have got clearance from the Receiver of Revenue. Once the legal points have been cleared it hopes to go back to the Receiver for final clearance.

Anyone selling M & F shares now they have gone ex-dividend might lose the opportunity of receiving a capital sum of 990c which is tax free.

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Foreign banks cautious on lending to SA

58 ECON 22/1/82

By STEVE ELLIS

OVERSEAS bankers are becoming increasingly concerned about their exposure to SA, according to the head of the Reserve Bank's economics department, Dr Chris de Swardt.

He said at a Finance Writers Club luncheon in Johannesburg yesterday that although SA could continue to borrow, "we haven't much scope left".

In the past few months, the frequency of visits to SA by overseas financiers had increased — they appeared to be looking more closely at the SA's financial state.

"But we have been told that the country's (borrowing) limit is not fixed, it is changed from time to time according to circumstance. Hopefully, it won't become necessary to overborrow."

He suggested that the private sector might make a larger contribution to financing the deficit on the current account which was expected to remain about R4 000-million this year.

Dr De Swardt said that the Government would wait for the growth in money supply to slow down before using trade credits or encouraging the private sector to raise finance abroad.

The Government had had to make extensive use of overseas funds to finance the shortfall in domestic savings.

The economic recession would cause a further reduction in corporate saving which, as a proportion of gross domestic product, fell from about 20% to 15% between 1980 and the first half of this year.

Although personal savings might rise later this year and in 1983, when real interest rates should provide the consumer with a greater incentive to save, the total savings ratio was likely to continue to fall until next year at least.

He said any increase in personal saving would depend on the inflation rate because the consumer was more likely to spend than save while inflation remained higher than interest rates.

"People have become very inflation-conscious."

However, "SA's total savings ratio is not of line with other Western countries' and is not expected to be. However, there could be a change in its composition."

Dr De Swardt said that while the total savings ratio continued to fall, overseas borrowing would have to be used to fund the shortfall.

THE ARGUS, THURSDAY JULY 22 1982

Mortgage probe report sought

ARGUS 22/7/82

58

Argus Corrrespondent

PRETORIA. — The Minister of Finance should disclose the evidence and recommendations of the commisssion of inquiry into mortgage bond rates, says Mr Harry Schwarz, the Opposition's chief spokesman on Finance.

He was commenting on the disclosure that the commisssion's report had been given to the Minister of Finance, Mr Owen Horwood, but that its contents had not been released.

A spokesman for Mr Horwood's office said the report was comprehensive and would require detailed study.

Mr Schwarz said Mr Horwood should take the public into his confidence and disclose the evidence.

"Ths bond rates are much higher tnan they were when the commission was announced and the public is more than concerned about the interest rates on mortgage bonds and the high cost of housing," he said.

The two-man commission, with a former Deputy Governor of the Reserve Bank, Dr J C du Plessis, as chairman and Mr E G Kemp as member, was announced by Mr Horwood during the general election last year.

FOREIGN MONEY POURS INTO CITY PROPERTY

BUS ARGUS 24/7/82 (58) ~~(127 124)~~

By Tom Hood, Property Editor

FOREIGN investors are using the financial rand to buy property in Cape Town, where prices are still well below overseas levels and yields on lettable buildings are much higher.

More than R15-million has come in this year, Mr Gerald Divaris, head of a city real estate and development company, estimates.

He says: "There is a vast number of investors in Britain and the United States who could be encouraged to get involved in South Africa and particularly Cape Town.

"The R15-million inflow was apparently achieved without any special marketing effort."

He leaves this weekend to open an office in the United States, where he hopes to encourage more investment. He intends to stay two years to establish the business and has already been licensed to practise in the states of Virginia and California.

One target for overseas money has been the Milton Manor block of flats now being built on the Elizabeth Hotel site in Sea Point, where the cheapest costs R250 000.

Fall in rand

Although building work began only a few months ago, a third of the flats have been sold for more than R6-million — all in cash deals.

The fall in the rand and rise of the dollar could be another incentive for overseas investors if they knew more of what property was available in Cape Town.

Mr Divaris believes the next two years could see a big improvement in the American economy and it will be a good time to start promoting South African property.

The next 12 months could be tough for the South African economy and that would prevent commercial rents escalating further. Supply of new commercial and industrial buildings is beginning to catch up with demand and by next July there could be an equilibrium.

Prices of buildings and rents have rocketed in the past two years and they should stabilise, although they are not likely to drop.

Flat rents

Rents of flats are also unlikely to fall because of the severe shortage of all kinds of accommodation. Apart from a few luxury blocks, no flats development can be expected because of the possibility of rent control coming back.

Cape Town could derive great benefits if the city council became more realistic about the needs and wishes of developers.

"The council is sensitive to the opinions of the vociferous few people

Continued on Page 2.

BUS ARGUS 24/7/82

FOREIGN MONEY POURS IN

From Page 1.

who have resisted new developments.

"But the development of the city produces more rates and taxes for the public and investors should be encouraged to bring their money here."

Parking

The city centre faces a parking crisis. The new Southern Sun hotel has been allowed to go ahead without making provision for parking under the building and it will displace scores of motorists by taking over most of the parking garage near by.

Monthly parking has increased to R160 a month in Johannesburg and Cape Town's reserved parking can be expected to reach that level as well.

At current prices it costs R15 000 to build a parking bay in the city centre and that would mean a charge of R250 a month for the permanent parker.

Parking is now a major factor in determing letting and rents. If the owner of an office block had no guaranteed parking, he will lose tenants to other blocks that have parking.

A sign of the times is that many professional firms are now looking to buying their own building rather than leasing it to safeguard themselves from future rent rises, M Divaris says.

Bank merger talks

By Stephen Orpen

MERGER and rationalisation talks have been staged at top level by the captains of at least three of South Africa's major banking groups.

This emerged late on Friday when Business Times again sought the views of banking chiefs.

In particular, Barclays and Standard are known to have explored a wide variety of possibilities.

Also, there have been thoughts — but not formal discussions — of a possible Standard or Barclays toenadering with Nedbank.

However, the main obstacle to an outright merger of the largest banking groups is considered to be official opposition on the grounds of monopolistic conditions.

According to Bob Aldworth, chief executive of the huge Barclays network: "For this main reason, current discussions are centred more on joint operations in the field of automation and computers.

"The idea is for a highly important new company to be formed to handle, as a start, all the institutions using Docutel ATMs.

Currently talking this through are Barclays, Nedbank and Trust Bank, as well as "two leading building societies".

Where two or more banks have branches in a single area, "automatic" banking by customers could be done through centralised automatic tellers, under the umbrella of the new company.

"We are agreed that the idea of actual bank marriages would make sense on a number of grounds.

"But a way of avoiding the monopoly threat must first be formalised."

Big bank changes coming

58 S-Times 1/8/82

COMMENTS by top bankers this week indicate that South Africa's banking sector is ripe for "major structural changes".

This could involve the merger of two or more of the country's top banking groups.

At a Press conference on Tuesday, Barclays Bank's Bob Aldworth hinted at changes in the banking sector.

Others have pointed to the glaring lack of merger activity in the banking sector — in marked contrast to virtually every other sector of the South African economy

They have also stressed the pace at which banking has progressed, pointing out that those who have not modernised at the same rate as others have lost ground

By JOHN SPIRA

That significant structural alterations have taken place among the major banking groups is clear from the accompanying table, which measures market capitalisation (share market value on the Johannesburg Stock Exchange) today against the same 1978 yardstick

Clearly, Nedbank and Barclays enjoy pre-eminence in the banking sphere — a dominant position which they have cemented since 1978.

But the most striking change is Standard's deterioration in market capitalisation over the past four years.

And, since a merger of any of the banking groups would be based largely on market capitalisation, there is evidently no possibility that Standard could absorb either of the big two.

That Standard itself could acquire control of either Volkskas or Bankorp is, of course, a possibility, although any merger activity which might eventuate would very likely involve Nedbank and Barclays.

These two groups have attained their current position through innovation, and it is therefore probable that they will be the instigators in bringing about a measure of rationalisation to an overbanked South African market

Banking groups' market capitalisation (R-m)

	1978	Today	% change
Nedbank	452	530	+17
Barclays	354	500	+41
Standard	334	288	−14
Volkskas	116	198	+71
Bankorp	76	75	−1

The trend in market capitalisation is of significance, since investment funds are, over a period, generally channelled into those areas of the stock market which are likely to produce the greatest returns

Total market capitalisation of the JSE's banking sector is in the region of R1 600-million

A merger between two or more of the major banking groups would make a good deal of sense because:

● Duplication of branches could be eliminated.

It is well known that many banks have many unprofitable branches By closing these down, the banks would expand their profit margins and, perhaps, pass on part of the benefits to their customers

● The return on assets of South African banks — the only true measure of banking efficiency — is extremely low by world standards. Rationalisation would help towards raising the return to higher levels.

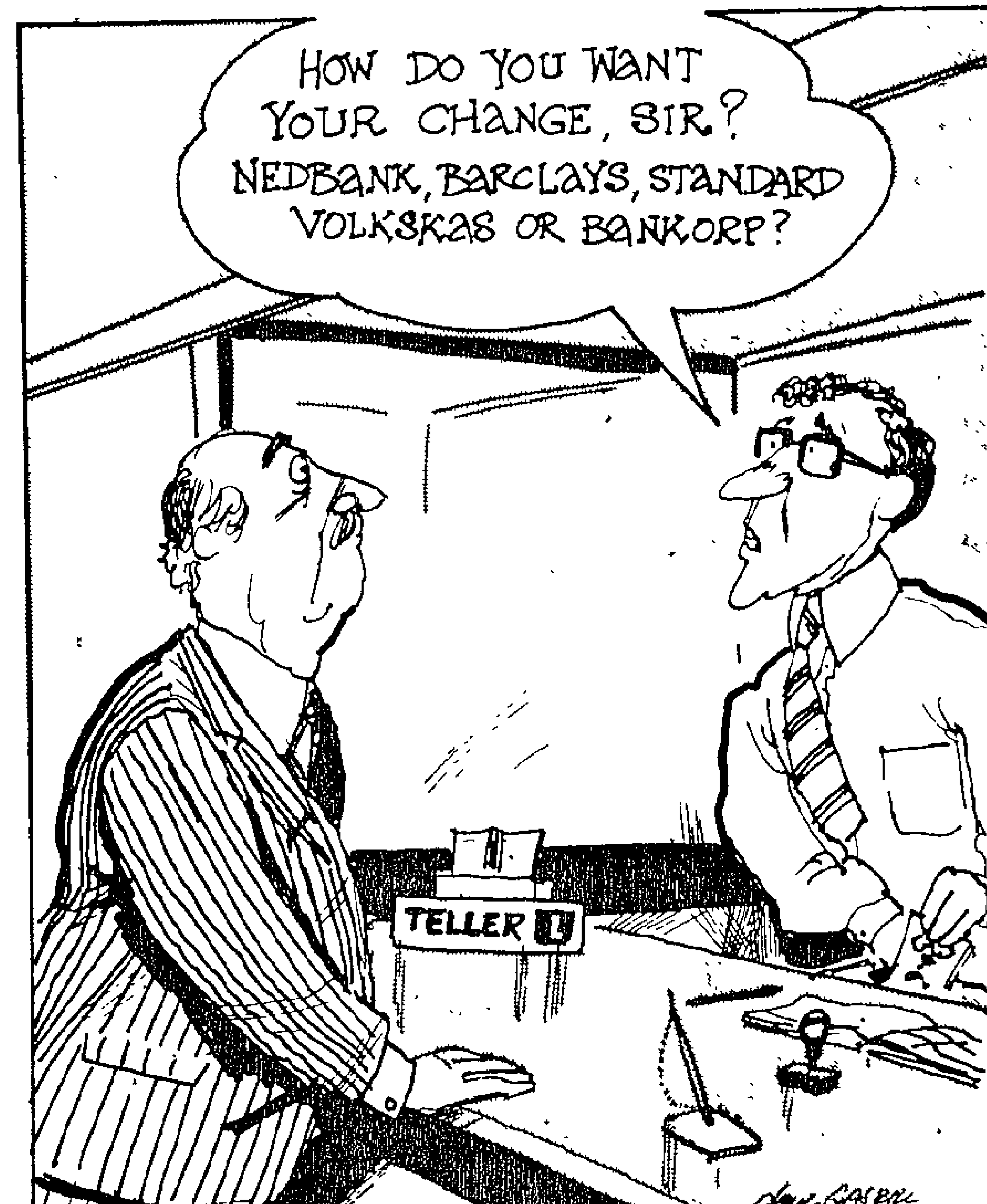
● Some 58% of Standard's equity is held overseas, while Barclays has a 60% foreign shareholding.

For political and other reasons, the controlling shareholders in these groups might be prepared to part with their equity at the right price.

● Certain banks have tended to specialise in specific areas of the banking spectrum and in definable population groups

A merger between two banks with diverse specialities would give the expanded unit wider coverage of the market.

● Because the focus of any rationalisation moves would fall on the banking groups — and not, specifically, the commercial banks — synergy benefits would extend to activities such as general banking, merchant banking and insurance



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Banking's big guns are blazing

58

S. Times 2/8/82

A GARGANTUAN struggle for market share is developing in South Africa's R8 400-million finance sector.

Main combatants are Barclays and Standard, which together control 54% of the country's hire-purchase and leasing business.

Judging from comments made by the chief executives of the two groups during the past two weeks, both are suffering casualties in the conflict.

Standard's Conrad Strauss reported that Stanbic's 12,6% half-year profit rise had been inhibited by losses suffered at Stannic, the group's financing arm.

By JOHN SPIRA

Barclays's Bob Aldworth stated earlier that he was not satisfied with the performance of his group's Wesbank subsidiary.

The scramble for market share is probably a symptom of the fact that last year these banks took a view on interest rates and came up with the wrong answer.

They wrote business at fixed rates, expecting interest rates to decline this year.

Had they read the market correctly, they would now be earning income at high rates but paying for money at low rates, thereby reaping expanded profit margins.

But, because interest rates have remained high, margins are being severely squeezed.

They are now trying to ensure that they maintain or increase market share in order to grow, trusting that the profit pendulum will swing the other way once interest rates begin to ease off.

And, since 90% of hire-purchase business is done with the motor industry (and HP accounts for 63% of the total finance market), the prospect of declining car sales will mean an intensified struggle for business in a shrinking market.

To date, it seems that Barclays is getting the upper hand.

In March 1981, Barclays's total share of the finance market was 26,2%.

By March this year its proportion had risen to 31,1%, principally because Wesbank made substantial inroads into the hire-purchase sphere, raising its share of this market from 26% to 33,6%.

Moreover, it is a trend which is evidently continuing, with Wesbank having written a record R113-million worth of business in June.

Standard, on the other hand, has been losing ground.

In March 1981, Standard controlled 27,9% of total finance business. By March this year the figure had fallen to 23,3%.

During this period, Stannic's share of the hire-purchase market fell from 24,2% to 19,4%.

Standard also shed market share (from 33,3% to 30%) in the leasing market, while Barclays made marginal inroads, pushing up its slice of the cake from 26,5% to 26,7%.

Of the country's total finance business, hire purchase accounts for R5 300-million and leasing R3 100-million.

Other major forces in the finance market are Bankorp (Trust Bank, Santam and Senbank) with a 21% share, Nedbank with 9,9% and Volkskas with 6,1%.

In the 12 months to March this year, Nedbank was the only group other than Barclays to have gained market share (up from 8%).

Bankovs slipped from 21,9% and Volkskas from 6,7%, ostensibly because of the scramble for hire-purchase business — an area where both groups lost ground.

Examiners' Initials	

Paper No. I

(to be copied from the heading on the Examination Paper)

NOTE CAREFULLY

1. The answers only on the right hand pages will be marked. The left hand pages may be used for rough work, but no credit will be given for such work.
2. Enter at the top of each page and in column (1) of the block on this cover the number of the question you are answering.
3. Blue or black ink must be used for written answers. The use of a ball point pen is acceptable. Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used.
4. Names must be printed on each separate sheet (e.g. graph paper) where sheets additional to examination book(s) are used.

WARNING

1. No books, notes, pieces of pap... may be brought into the examination room unless candidates are so instructed.
2. Candidates are not to communicate with other candidates or with any person except the invigilator.
3. No part of an answer book is to be torn out.
4. All answer books must be handed to the commissioner or to an invigilator before leaving the examination.

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

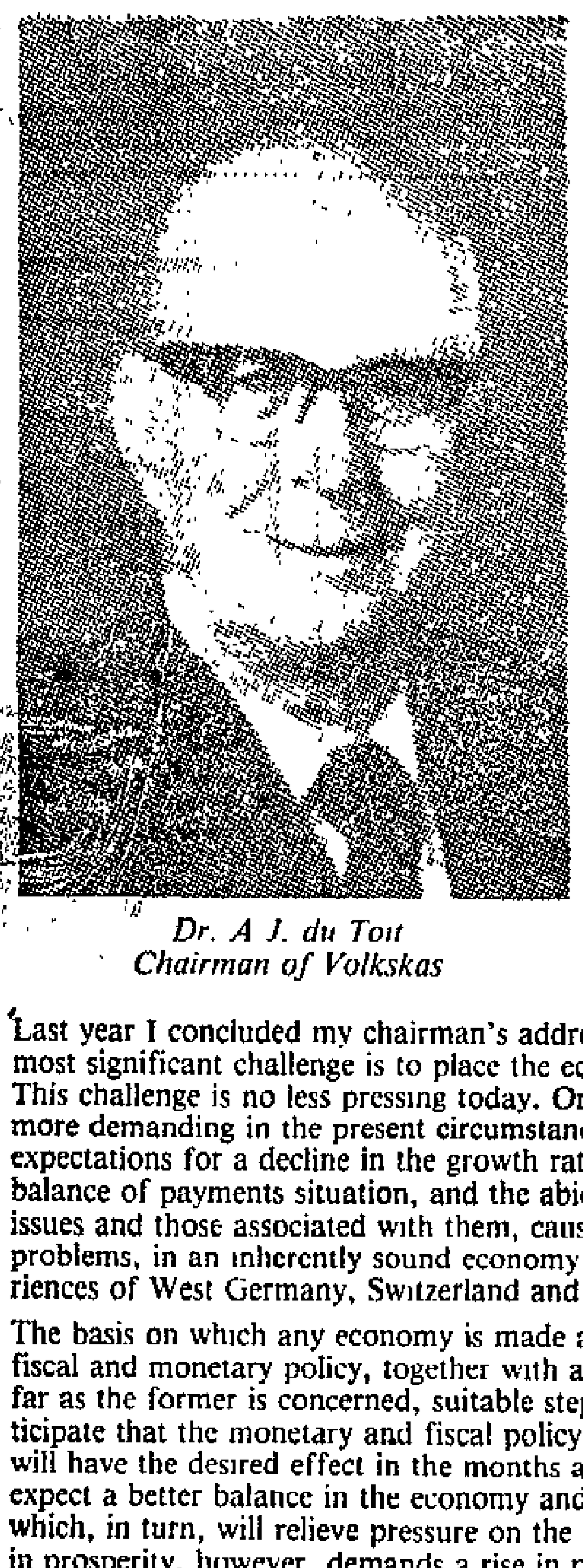
EDSON 15255

Volkskas Group Limited

(Bank Controlling Company)

58 Star 9/8/82

The year ahead is a period of adjustment and consolidation in which the promotion of productivity is a top priority.



Dr. A J. du Toit
Chairman of Volkskas

Chairman's Address

The economic and financial developments of the past year is fully covered in my chairman's review published in the annual report. I do not wish to dwell on these today. I am sure you would also prefer me to concentrate on the road ahead.

Challenges are part of our daily lives. As in the past, South Africa today faces grave challenges in virtually every sphere of its national identity. I consider it appropriate, however, to confine my remarks to the economic challenges.

Last year I concluded my chairman's address by saying: "Meanwhile, the most significant challenge is to place the economy on a sound footing". This challenge is no less pressing today. On the contrary, it is all the more demanding in the present circumstances, particularly in the light of expectations for a decline in the growth rate both this year and next, the balance of payments situation, and the abiding inflation problem. These issues and those associated with them, cause few, or at least fewer problems, in an inherently sound economy, as witnessed by the experiences of West Germany, Switzerland and Japan.

The basis on which any economy is made and kept sound is a balanced fiscal and monetary policy, together with a productive community. As far as the former is concerned, suitable steps have been taken. I anticipate that the monetary and fiscal policy measures already employed will have the desired effect in the months ahead. One may confidently expect a better balance in the economy and a sharp decline in imports which, in turn, will relieve pressure on the foreign account. An increase in prosperity, however, demands a rise in productivity which naturally will also make a valuable contribution in the struggle against inflation. There is no more positive way to counter our economic problems than to strive for greater productivity.

There are many aspects to the promotion of productivity. I do not intend to go into the matter in exhaustive detail, but will rather refer to a few aspects which I believe cannot be ignored.

Competitition is the one incentive that induces management throughout the economy to perform better. Promotion of productivity is one of the most important — if not the most important — elements of competition. We fully support, therefore, all efforts to promote the establishment of more business enterprises. In this regard I refer in particular to the assistance being given to the entrepreneurs without a great deal of capital, commonly known as the small businessman. These efforts are essential for the establishment of a greater number of entrepreneurs — a prerequisite for keener competition.

The authorities will also have to guard against overly sharp fluctations in the business cycle. In times like the present, the small to medium-sized enterprise is the most vulnerable. The economic adjustments now being made are indeed necessary, but it would be a great pity if inherently sound small business should go under for reasons and circumstances over which they have no control.

Optimal utilisation of production factors should be reviewed on a continuous basis. Luadable efforts are being made at present to improve the utilisation of labour and to raise its quality through training and retaining. These efforts should not only be continued but even be intensified in the coming period of sluggish economic conditions. Something that gives rise to growing concern, however, is the fact that available information suggests existing capital assets are not always used to the best advantage. Furthermore fixed investment in the private sector is not growing as one might have wished it to do. During the recent upswing phase of the business cycle, which lasted nearly four years, fixed capital formation by the private sector grew by only 12 per cent in real terms. During the previous upswing phase, an increase of the same proportions was realised in only two years. While it is essential that existing assets be used to the best advantage it is equally important that expansion and renewal should keep pace. At present this is considered to be the central problem in the economies of the US and Great Britain, and it is generally regarded as one of the most important factors undermining the capacity of these countries to compete internationally, bringing various other economic problems in its wake.

When capital formation is increased, new investment also demands adequate attention to research and development. Research, and the application of research results, not only improve the competitiveness of business enterprises or countries, but are also an essential condition if they are to remain in the vanguard of development.

Economically, the coming year will be difficult. It will be a year of adjustment and consolidation. Lower profits or a slower rate of increase in profits must be expected, while the community's standard of living is bound to decline. In addition, international economic prospects remain uncertain, which may futher complicate matters.

While economic conditions are not likely to be easy, there is certainly no cause for undue pessimism. The fact of the matter is that the cause of our current economic dilemma is largely to be found in ourselves. For the present, therefore, there is no alternative to the more stringent economic policy measures. However, as in the past, clients may accept and rely on the fact that the banking subsidiaries of the Volkskas Group have a sympathetic understanding of problems caused by situations beyond their control. In particular, the farming community, especially that of the summer rainfall regions, may rest assured Volkskas has empathy with their current problems. We trust that next season will be a more favourable one.

The banking subsidiaries expect their clients to use credit judiciously at all times. Especially in times such as these, when money is expensive, the injudicious utilisation of credit is to be avoided. It is essential that we all search our own hearts and, where appropriate, make the required adjustments without delay. A solution to our economic problems demands in the first place that we put our domestic affairs in order. Every household and every business enterprise should make it their business to put matters right. After all, any country's economy is only as sound and resilient as its citizens and business enterprises are.

Dr. J.W.L de Villiers, Executive Chairman, Atomic Energy Corporation of South Africa, Limited

Seconding Speech

Mr Chairman, ladies and gentlemen, it is my pleasant privilege to congratulate the Board of Directors, management and staff of the Volkskas Group of Companies on another successful year. It is no mean achievement in the present economic climate to show an increase in profit such as the one you have achieved.

All indications are that in the forthcoming year ever-increasing demands will be made on all our financial institutions and industries, as well as on the consumer, and therefore also on the management of the Volkskas Group. However, the successes which you have achieved in the past make me confident that you will meet these challenges successfully. Mr Chairman, your speech is an example of the positive disposition and sober approach of your Group's philosophy, and we would all like to take it to heart and identify ourselves with it. I agree wholeheartedly with you that we should not now become pessimistic. We should approach the challenges in a positive frame of mind, energetically searching for solutions. In my view, you have not only diagnosed our problems correctly, but have also indicated how we should square up to them.

I would like to associate myself with your point of view on the necessity of increasing productivity. An increase in productivity means an accompanying lowering of the cost structure. An ever-increasing cost structure and increased energy costs have had a paralysing effect on the economies of many countries during the past decade. In South Africa, poor productivity achievements, accompanied by the drop in the gold price and high liquid-fuel costs, have to a great extent been the major cause of the negative swing in our balance of payment. Every resident of this country will have to realise that an increase in remuneration has to be accompanied by an increase in productivity. In my view no undertaking can remain viable if its production costs escalate while production declines.

In the field of energy supply, technological development through research can make a large contribution, but then the new technology must be aimed at lowering expenditure abroad on imports, and at reducing energy costs. An energy policy must therefore include both these aspects viz. pruning foreign spending and reducing the cost factor.

The Atomic Energy Corporation's research program has now been aimed for more than two decades at achieving self-sufficiency in the energy field, and at marketing one of South Africa's most important raw materials to its greatest advantage.

Mr Chairman, I trust that you will allow me to elaborate a little on this topic. It is, after all, a field with which I have been most closely involved. Allow me to refer to only a few aspects of this program.

In the first place, the Atomic Enery Board (now the Nuclear Development Corporation of South Africa (Pty) Ltd) has, from the outset, made a large contribution to the establishment of economic exploitation and extraction of uranium from low-grade ores such as occur in the Witwatersrand deposits. South Africa is a world leader in this field. At present it has the second largest uranium reserves in the Western World that can be mined at acceptable cost; as a uranium producer, the Republic is third on the list.

In order to be able to market our uranium in its most processed form, we have mastered the technique of manufacturing uranium hexafluoride, the feed material for enrichment plants. The Uranium Enrichment Corporation (UCOR) is at present engaged in constructing an industrial-scale UF_6 plant, as well as a semi-commercial uranium enrichment plant. In its enriched form, uranium's export value is more than doubled. Apart from this, enriched uranium also serves as a nuclear fuel for nuclear power stations such as Koeberg; South Africa thus also has the technology to become independent, in the course of time, with regard to the suply of nuclear fuel for the generation of electricity.

South Africa is also, to a great extent, self-sufficient in the production of radioisotopes intendend for application in medicine, industry, agriculture and research. Significant success has also been achieved in limiting the loss of food supplies, especially of fresh produce, by applying radiation preservation techniques.

These are only a few examples of contributions made by research and development in the field of nuclear energy, but research in South Africa extends far wider than just nuclear energy. Since you, Mr Chairman, referred to this in your speech, I would like to avail myself of this opportunity to highlight a few facts.

In the 1979/80 financial year, R310 million was spent on research and development in South Africa, which represents 0,64 percent of the gross domestic product. This figure is low in contrast with the expenditure in other comparable countries, where it is between 1,2 percent and 1,8 percent. In highly developed countries like the USA, Japan and West Germany, the figure is 2,4 percent, 1,9 percent and 2,1 percent respectively. Even the number of man-years per 10 000 spent on research is 2,4 when considering the entire population, and 12,1 for the white population alone. In Japan this figure is 35,6, in the United Kingdom 13,6 and in Australia 19,5. The high figure for Japan is particularly noteworthy in the light of its highly competitive trade position.

Finally, Mr Chairman, I believe that no technologically developed country can afford to disregard research and development if it wishes to remain competitive and to stimulate rejuvenating growth in the industrial field. Where, in contrast with other developed countries, the State in South Africa at present contributes more than 60 percent of all funds for research and development, and more than 80 percent to the financing of our universities, the private sector must be made to realise the long-term advantages of a financial investment in research, and in the training of scientific manpower. After all, we cannot evade our responsibility towards our children, their education and their future development possibilities by uncaringly leaving it entirely in the hands of the State.

Mr Chairman, you have in your speech referred to these matters. I hope that these examples underscore their importance. Science does not, in the first place, serve itself, but rather does it serve the community.

Your organisation also places great value on service; service to your clients, whether as a money-lender, savings institution, or whatever. Our mutual bond is serving the community. I am convinced that in the years to come, as in the past, your primary function as a banker will expand in the interests of your clients, your shareholders and of the country.

Mr Chairman, it is now my pleasure and privilege formally to second the proposal that the report of the Board of Directors and the financial statements for the year ending 31 March 1982 be accepted.

J.W.L. DE VILLIERS.

Business and Shipping

Insurance industry income soared to R4 104m last year

(58) E. Post 12/8/82

By LOUIS BECKERLING
Business Editor

TOTAL income to the life insurance industry in South Africa advanced by just under R1 billion last year, to R4 104 million (compared with R3 109 million in 1980).

By contrast total payments over the same period rose by just over R200 million to R935 million (R730 million).

These figures are contained in the annual review of the industry in South Africa by the Life Offices' Association of SA, which is representative of some 98% of the companies operating in this field.

As can be seen from the table published elsewhere on this page, more than two-thirds of the income came from premiums (up 29%), while investments showed a 38% rise to a total of R1 359.

Income from this secondary source is derived from a wide variety of investments, depicted in a pie-chart published in the informative booklet. The breakdown (with percentages for the preceding year in brackets), is:

- Public-sector securities — R6 349 million, or 43,7% of all investments (41,7%);
- Shares and Units — R3 171 million, or 21,8% (20,8%);
- Fixed Property — R2 279 million, or 15,7% (15,8%);
- Other fixed interest — R992 million, or 6,8% (9,1%);
- Other investments — R748 million, or 5,1% (4,7%);
- Mortgages and other loans — R714 million, or 4,9% (4,1%);and
- Policy loans — R287 million, or 2% (2,3%).

Commenting on the growth in premium income during the year, the Life Offices Association attributes growth to higher salaries and an increase in membership of funds. Growth in premium income from group and pension funds, in fact, reached the figure of R1 160 million — more than double the figure of three years ago.

"Continued growth in individual ordinary premiums was reflected in the figure under this head of R935 million (up 29,5%), while retirement annuities at R466 million revealed a slower growth trend of 23,3% for the year as against 28,6% in 1980." (Comments from PE insurance spokesmen suggest that this trend is continuing into 1982.)

Single premium business showed a 35,3% increase to R184 million (though industry spokesmen in PE asked to comment on the performance for the first seven months of 1982 confirmed that there had been a considerable slump in new business in this sector as well).

Not surprisingly, in the light of high interest rates and inflation (bearing in mind the incidence of inflation-linked rental contracts), investment income showed the highest percentage income for the past five years.

The authors add, however, that income from this source was boosted by the fact that several large property projects were completed shortly before that year under review and began contributing for the first time to revenue.

In fulfilling their primary function, life offices last year paid out more than R3,7 million every working day in benefits to policyholders and their dependents, according to the review.

The total figure of R935 million was broken up as follows:

Death & disab ..	R383m
Maturities	R194m
Ann. & pen.	R265m
Surrenders	R93m

Annuities and pension benefits increased some 42% on the pay-outs in this sector during the previous year (R186 million).

Second largest increase was the pay-out for death and disability claims (up 30%, on the previous year's figure of R295), while the pay-out on policies which reached maturity increased by 21% on last year's R160 million. Surrenders showed only a minimal increase (R93 million, compared with last year's R89 million).

Total assets in the industry now stand at R14 540 million, and the review points out that the amount by which total income exceeded payments, operating expenses and taxation rose to R2 522 million.

"This means that more than R10 million was available every working day for investment on behalf of policyholders, again underlining the important role the industry plays in fostering South Africa's economic growth.

Approached for comment yesterday, Port Elizabeth spokesmen said the strong growth shown by the industry last year was unlikely to be repeated in 1982. "It will prove to be a year in which we more or less stood still," predicted one broker.

"Another spokesman said that though individual business had showed up extremely well under the economic circumstances, this had been more than countered by a substantial decline in single-premium business and immediate annuities."

Signs of decline in SA's deficit

Gold swops lift reserves

(58)

RDM

12/8/82

By HAROLD FRIDJHON

GOLD swops and the higher rand price at which the gold reserves were valued resulted in the Reserve Bank's gold and foreign exchange reserves increasing by R203-million at the end of July to R3 612-million.

The Governor of the Reserve Bank, Dr Gerhard de Kock, said yesterday that more gold swop agreements had been entered into last month.

He did not give details of the swops, but said that in terms of the agreements the bank had sold gold to foreign financial institutions at market-related prices for cash and simultaneously repurchased it on a forward basis.

"As a result the bank's gold holdings have temporarily declined while its foreign exchange reserves have increased."

Part of the additional foreign exchange was used to make early repayments of drawings under existing foreign credit facilities.

He said there were signs that the deficit on the current account of the balance of payments was declining, but a large current account deficit would have to be financed in the months ahead.

In part this deficit was being covered by a normal inflow of capital to the public and private sectors. In addition, the Reserve Bank had encouraged banking institutions and the non-bank private sector to borrow overseas by quoting favourable rates on forward exchange transactions.

"However, in order to prevent the cash reserves and other liquid assets of the banks — and therefore their credit-creating ability — from being increased unduly, it is desirable that the Reserve Bank itself should continue to finance at least a part of the current deficit."

It would seem that about 1 500 000 ounces of gold were involved in the latest swops. Last September about 2 500 000 ounces were withdrawn from the Reserve Bank's gold stock. A month later nearly 500 000 ounces were swopped.

These gold deals illustrate how the current account deficit is running down the reserves.

The latest deal must have brought in about $400-million — about R450-million — in cash which does not go far when dealing with a current account deficit that was estimated to be running at an annualised rate of R6 700-million in the first quarter of this year.

The July figures issued by the bank show that the cash content of the reserves jumped by R300-million. This figure includes receipts from the gold swops, and possibly the $200-million which was raised for the Government by Nedbank.

This suggests that several hundred million rands were used to repay foreign credit facilities, no doubt drawn on to finance the more pressing of the current account shortages.

The July statement shows that gold holdings dropped by R112-million to R2 757-million — about 7 700 000 ounces valued at R358,34 an ounce. Before the Reserve Bank had negotiated the gold swops, the gold content of the reserves was valued at R4 638-million, made up of about 12 500 000 ounces valued at R375,29 an ounce.

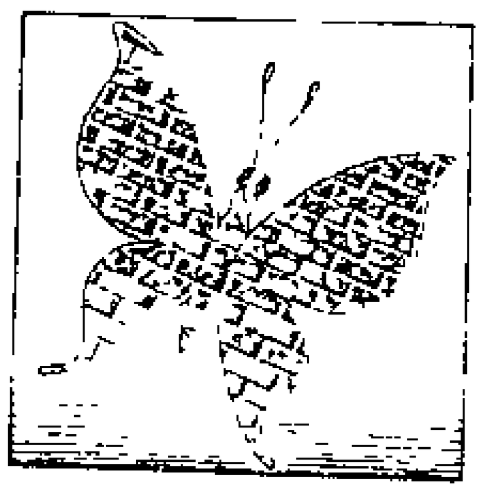
The relative comfort of the money market at the end of last month is reflected in the decline of bills discounted from R477-million to R380-million.

Other loans granted by the Reserve Bank dropped sharply from R1 081-million to R844-million. One ventures to suggest that this might be the result of the refinancing arrangement among the Reserve Bank, the commercial banks and the Land Bank.

In spite of the forays made by the Reserve Bank into the capital market to mop up liquidity, the bank's holdings of Government securities increased by R45-million to R586-million, suggesting that the bank is drawing stock from the Treasury to continue its open-market trading.

BUILDING SOCIETIES (58) FM 13/8/82

From chrysalis to what?



The building society movement in SA has been squarely in the line of critical fire for the last two years or more Even its very survival has been questioned Why?

Long and complex debates have raged publicly and privately over the answer to that question But through them all runs a clear and unarguable truth Quite simply the building societies are not performing their basic function That is to provide home loan finance in adequate amounts at reasonable cost to the borrower.

The building society movement in SA is modelled on the lines of that in England Products of the rapid urbanisation of the Industrial Revolution, building societies were formed, often by modest groups of private individuals, to pool funds for building houses. Once their aims had been accomplished, they were usually terminated. Permanent societies emerged when it became apparent that the same principles could be implemented on a long-term basis.

According to Tim Hart, director of the Association of Building Societies of South Africa, the purpose of the societies is "to satisfy the demand for home finance at the lowest possible cost to the borrower commensurate with the long-term financial viability of the society."

It is quite clear that, in the penultimate decade of the 20th century in South Africa, the societies are not "satisfying the demand for home finance." Mortgage bonds are not only becoming increasingly expensive, they are virtually unobtainable. Many borrowers are now in a position where bonds are granted to them only if they provide matching finance — that is, if they find an investor who will deposit in the society an amount of cash that equals in value the loan they are seeking. No stretch of the imagination allows this trade-off to be described as lending in the form in which it is usually understood.

Worse, it represents a complete abrogation of market principles. If the societies could attract deposits in their own right, they could support mortgage demand. Matching deposits are made not because the price (or interest rate) is right. They are made by employers for their employees, by wealthy individuals for members of their families. The motivation here is not economic rationality, the guiding force of the market. It is a kind of sub-economic rationality.

More than that, it is a throwback to one of the founding principles of the societies — that depositers receive preference on loans. Partly this can be explained by the previous attitude of the authorities It was an argument used to persuade societies to hold the mortgage rate and thus societies' investment rates below the market level.

So, the building societies cannot lend in the accepted sense of the word because they are unable, under present market and political circumstances, to fund themselves adequately. Why?

The societes have come a long way from their beginnings They are no longer the traditional, avuncular depositories of the savings of that convenient abstraction, "the man in the street" This is not strictly their fault. The high interest rates that have characterised most economies in the world in the last few years have wrought fundamental changes in traditional financial distinctions People have become acutely conscious of the time value of money. The rigid line of demarcation between the "wholesale" and the "retail" sectors in financial markets has disappeared. Financial institutions are now courting small savings as aggressively as they once courted large wholesale deposits, and bringing to them the same competitive and volatile pricing structure. The building societies obviously cannot be held responsible for fundamental socio-economic changes

Nor can they be blamed for the fact that housing, their chosen area of concern, plays an important socio-political role This fact has nudged them closer to government than they would like to be Although informal state control over their lending rates has a kickback in tax incentives on some of their funding instruments, the symbiosis appears to be something they would rather do without

Bricks for building ... but where's the bond money?

Nonetheless, the building societies cannot be seen as innocent victims of history and politics Again, why? Because all the other financial institutions have been subject to the same influences to varying degrees And most have risen to the challenge.

Quite simply, the building societies have failed to display the creative and innovative spirit shown by other financial institutions in their relations with government and with history. They have, of course, been shackled within the rigidities of the Building Societies Act and, more recently, reforms have awaited the outcome of various commissions of inquiry But some foresight in the years of plenty might have been a help

No-one suggests a return to fundamentals — an attempt to re-mobilise long-term, contractual small savings towards building societies These savings, it seems, barely exist outside the insurance and pensions industry

So how have the societies attempted to meet these challenges? They have decided that they are effectively competing for the same *type* of money as the banks, and have marked out their battleground on the strength of this belief Not only have they engaged in various price skirmishes with their chosen opponents - they have also attempted to offer, within their legislative limits, similar services.

This has brought them headlong into that aspect of the monetary system that concerns monetary policy In a private discussion memorandum, the De Kock Commission points out that the building societies constitute the major exception to the rule that, in terms of the Banks Act, places a uniform set of restrictions on all deposits-receiving institutions in South Africa Their reserve requirements are low (and in some cases non-existent) and their shares and the dividends that these shares generate are shielded from tax. There are differences of opinion over whether the tax shield actually benefits societies. It was originally offered by the authorities, not requested by the societies, as a means of subsidising the mortgage rate. But it remains a part of difference between the treatment of societies and banks.

The commission's concern is "the major problems which this differentiation in treatment creates for the monetary authorities in their implementation of monetary stabilisation policy."

The memorandum states that building

BANKING 58 FM 13/8/82

Atlantic crossing

Nedbank, the largest domestically-controlled bank in SA, will soon be, in a manner of speaking, also the most international.

It has effectively acquired a US banking licence — a first for any SA-based bank — and will establish a full banking branch in New York.

The US licence is a Federal licence. This means that Nedbank's US banking operations will be overseen only by the US Federal Reserve, through the Comptroller of Currency in Washington DC, and not by state banking authorities as well It also means that it can legally operate across state borders within the US, a privilege now denied most US banks.

But Nedbank, says MD Rob Abrahamsen, does not intend to expand — yet. And its New York operations will be confined specifically to the corporate market — in particular, the international finance needs of those companies engaged in US/SA trade. However, it will be a fully-fledged banking operation, dealing independently in US money and foreign exchange markets.

The Federal Reserve Board in the US demands, by convention, a minimum capital base for new banking operations of about $3m. Nedbank's US investment, however, is worth a lot more — "more than R10m," according to Abrahamsen, although he declines to give the exact figure.

A start-up lag of at least three months is envisaged, this being the time required by the US authorities to formally process Vedbank's application Once this has been ompleted, the branch will open "in New andmark building in the heart of the fiancial district of midtown Manhattan" It vill replace Nedbank's 24-year-old repreentative office in New York

The move entails little internal eorganisation. The bank's new northern emisphere region, comprising the New 'ork branch, the two existing London ranches and the European representative ffices, will fall under the international reasury division of Nedbank's Johannesurg head office. But it will be managed rom London by GM Yale Fisher

Abrahamsen foresees no organisational onflict in the prospect of an SA bank, subect to local banking law, maintaining a ranch in New York which will be subject o US banking law. "We have a similar setp with our English branches," he says, and that's presented no problems Anyvay, it all finally falls under the South Afrian Register of Financial Institutions It is, ifter all, a South African asset."

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Shock awaits Soweto aged

By LEN MASEKO

HUNDREDS of Soweto residents who bought insurance policies from a black-owned Johannesburg company, are in for a shock — they are as good as not being insured.

If the insured person or members of their families die, they would only be liable to R24 or less for funeral expenses — a far cry from the coffin and hearse, the Safrican Association promised its clients.

But this shock disclosure, according to the company's general manager Mr S Robinson, will not affect people who have increased their premiums. He said all clients had been approached to improve their premiums but most had been reluctant to do so.

Before Safrican Association was taken over from blacks by a leading insurance group in 1971, it had offered R24 towards funeral expenses for a monthly premium of 25 cents. With the cost of living biting hard, the company decided to increase its premiums soon after the takeover and its benefits rose to a maximum of R1 000.

Many people - mostly pensioners who used to stay in Sophiatown where the company was started — are still continuing to pay their 25-cent premiums unaware that this will not cover funeral costs.

The whole saga came into the open last week when a family of an Orlando East pensioner was told they would receive only R24 towards her burial costs. According to the family, Mrs Elizabeth Masimong (83) had been paying her premiums since 1937, and had also paid in advance up to January next year.

Mr Robinson said. "This is a problem we've been trying unsuccessfully to solve. These people have ignored our notices that they should improve their premiums. It is costing our company a lot of money to cover their 25-cent premiums. We can't even tell these people to stop paying their premiums because this is against insurance laws. Nor are we allowed to give them their money back.

HOME LOAN LEVEL SOARS TO R33 000

PROPERTY ARGUS 14/8/82 (58)

By Tom Hood, Property Editor

THE average home loan advanced by building societies has jumped by R4 533 or 16 percent to almost R33 000 from the year-ago figure of R28 356.

This means the average loan has soared by R9 492 or 40 percent over the R23 397 average of two years ago.

These figures reflect higher building costs and house prices, which show few signs of falling. For in June the value of the average loan was R489 above the May average — equal to an escalation of almost R6 000 a year.

A R33 000 loan will cost the home owner, R439 a month at the new bond rates of 15.75 percent and to qualify for such a loan he must be earning more than R1 800 a month or R21 700 a year - a salary above the level of most white workers.

BACKLOG

But in spite of that, building societies have a backlog of R546-million in loans they have approved but have not been able to meet because of the shortage of funds.

Societies advanced R482-million in the June quarter, a slight drop on the R452-million advanced a year ago but only 41 percent of the R1 173-million advanced in the June quarter of 1980.

This is disclosed in the latest monthly report by the Association of Building Societies

UNWELCOME

The rate of growth of the building society movement is showing an unwelcome decline, says the association's president, Mr Hendrik Sloet.

It is apparent that building societies have still got to attract expensive fixed deposits and consequently they have again been forced to increase the mortgage rate from September 1 to existing borrowers, Mr Sloet says in the association's August newsletter.

"Societies continue to take all the steps necessary to keep mortgage rates as low as possible at all times, but they are unable to escape the relentless pressures of interest rates."

As examples, Mr Sloet said that in the June quarter, the net growth of the building society movement dropped from R127-million in April to R103-million in May and R79-million in June

LOWER GROWTH

The net growth of shares in the same period dropped from minus R73-million in April to minus R2-million in May to minus R35-million in June.

Net growth of fixed deposits eased from R210-million in April to R103-million in May to R137-million in June.

Last month Mr Sloet made reference to the possibility that consumer spending might hopefully start declining but he now says they have not seen any evidence so far of any real fall off in the demand by the public.

Finance sector: a vast probe

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S. Times 15/8/82

MAJOR changes throughout South Africa's R100 000-million financial sector can be expected following the introduction of a vast new information network in which virtually all the country's institutions will participate.

Fourteen major competing institutions, whose activities span the full range of financial services available to the public, have pooled their know-how and resources to commission a large-scale, ongoing survey to determine how South Africa's householders manage their financial affairs.

When the information is fed into a computer data bank, institutions will have a wealth of information about the demands and needs of the community and a wealth of data for identifying trends.

By ELIZABETH ROUSE

Ongoing surveys could well reveal changes in financial consumer attitudes that could result in dramatic changes in the structure of banks, building societies, insurance companies and even the Post Office, one of the participants.

The survey will lift South Africa's financial sector into the scientific computer age of gauging consumer needs in the following ways:

- It will provide the base for fine-tuning all services to consumer needs, sharpening competition among various institutions in the free-market concept.
- It will enable financial institutions to plan their service, marketing and advertising strategies on a scientific basis in an economic climate in which competition is extremely stiff for available savings and investment funds.
- It will result in better utilisation of institutional funds designated for marketing and advertising. Theoretically, it should eliminate multi-million-rand advertising "flops".

Called the Index of Financial Institutions (IFI), the extensive survey is being undertaken by Market Research South Africa (MRA), whose canvassers will be probing the financial details and opinions of around 2 500 households representing more than 6 000 individuals throughout the country over the next three months.

The first report is expected to be completed by the end of January next year.

The IFI survey represents a significant step forward in South African market research in that it is the first time that this sector of the financial community — which includes banks Barclays, Standard, Nedbank, Trust, Volkskas and Santambank; building societies UBS, Allied, NBS, Saambou; insurance giants Sanlam, Old Mutual and Liberty Life — has been prepared to participate in a joint venture of this kind.

"This bringing together of competitive organisations, which are not only sharing the costs of the project but have also contributed extensive know-how, opens up tremendous opportunities which could not have been possible for any individual concern," says Hannes Buys, chairman of the MRA standards committee.

The information gained from the survey is expected to provide a comprehensive picture describing the financial holdings, opinions and habits of the South African white population.

MRA director Nick Slater, who heads the research team working on the project, emphasises that answers will remain strictly confidential, with the anonymity of each participant assured.

MRA has already carried out an extensive pilot study to test the validity of the questionnaire and the degree of acceptance of the IFI survey.

"The response was extremely positive," says Mr Slater.

"An interesting feature that emerged from the pilot is that for many people the exercise of filling in the questionnaire represented the first time they had actually attempted to clarify where they stood in terms of their financial affairs."

As an aid to filling in the questionnaire, the sponsoring institutions have collaborated in producing a comprehensive dictionary of financial terms that will go to each participant.

When the IFI results are computerised, sponsors of the survey will have the benefit of linking into two further MRA surveys, AMPS and Sociomonitor.

The All Media and Product Survey (AMPS) is an annual study carried out by MRA for the South African Advertising Research Foundation.

Sociomonitor is an ongoing research project where the aim is to record, at regular intervals, changes occurring in a wide range of South African social trends.

15/8/82 (58) S. Times

Banks in hot water

● From Page 1

Some banks contend that a warranty constitutes an "accessory" and its cost can therefore be included in the principal debt.

However, Business Times is advised that this is not so because "an accessory is a secondary, additional or non-essential item of equipment".

Petrol or oil could not be regarded as an "accessory" to the motor vehicle as it is consumed in the process of use and does not constitute a non-essential part of the vehicle, such as a radio, clock or sun roof, for example.

The term "services" cannot encompass the sale of an extended warranty as the concept of service in the definition of "credit transaction" refers to the doing of some act by a person who renders the service.

It does not suggest that the concept would include anything not ordinarily regarded as the rendering of services.

Accordingly, the cost of the warranty cannot be included as a portion of the cash price (or principal debt) on the motor vehicle.

The cost of the warranty *can* be included in the principal debt if it falls within the definition of "insurance premiums".

But, as demonstrated in last week's Sunday Times article, very few warranties can be classed as insurance — although, hopefully, this lack will soon be remedied.

What, then, are the possible repercussions arising from the inclusion by the banks of warranty costs in the principal debt?

Business Times is advised: "Where interest is charged it may have the effect of increasing the effective legal rate of interest over and above that permitted by Ladofca.

"Further, if in any proceedings instituted by any persons for recovery of a debt in persuance of a credit or a leasing transaction, the defendant (the lessee, or borrower) can require that the proceedings be stayed until the court has afforded the defendant an opportunity to examine the plaintiff (the lessor, or lender) in court in regard to his claim."

The credit receiver could request the bank or finance house to return the interest element on the warranty transaction if the warranty is not strictly in accordance with the Insurance Act and thus in breach of Ladofca.

A spokesman for a leading general bank tells Business Times that his bank has thoroughly investigated the question of what may and may not be included in the principal debt.

As far as he is concerned, warranty payments may be included.

A warranty company spokesman has this to say: "The major banks and financial institutions have been offered an insurance policy for warranties in accordance with the Insurance Act, and it is hoped that they will respond shortly."

A director of the Association of General Banks comments: "It is not accurate to say that banks are condoning the current illegal system of marketing warranties, or that banks are breaching Ladofca.

"The banks and finance houses do not directly finance or sell warranties. Their involvement is largely confined to the purchase of motor paper on which the cost of the warranties has been included as a result of an agreement between the customer and the seller.

"We understand that the warranty industry is being investigated by the authorities and we are therefore unable to comment further."

Firm 'disappears'

By John Spira

THE R30-million-a-year car-warranty market, already in a state of turmoil following investigations by the Registrar of Financial Institutions, has received another jolt.

Force Five, a Johannesburg-based warranty firm, has mysteriously "disappeared", leaving in its wake hundreds of motorists holding what are now apparently worthless pieces of paper.

As a result of the warranty market "rip-off" allegations carried in the Sunday Times last week, several garage owners phoned Business Times this week to point out that motorists who had bought Force Five warranties through them had been "left holding the baby".

The owner of Sunny Park Motors in Pretoria said: "My customers are now blaming me for having sold them warranties on which they cannot claim. I've tried in vain to contact Force Five.

"It's about time this whole warranty mess was cleared up — for the good of everyone concerned."

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The Cape Times, Friday, 20/8/82

Davin warns against higher taxation of insurance industry

JOHANNESBURG — The fact that net personal savings in the first quarter of 1982 expressed as a percentage of the gross domestic product (GDP) decreased to about 50 percent of that of the previous year, indicates that growth for the insurance industry is also likely to slow down.

This was said by Mr F J Davin, managing director of Old Mutual at Kempton Park yesterday at a function at which he presented the Old Mutual's four millionth policy.

"I believe that in a developing country such as South Africa with vast labour and other natural resources every encouragement to increase savings should be given by the authorities. The life assurance industry acts as a vehicle to accumulate the cash from the individual savers to provide long-term development capital sorely needed by the country.

"Saving through the medium of life assurance has received encouragement from government in the past and I can only hope that it will be maintained and where possible extended," Mr Davin said.

"It would be a pity if the process of cash accumulation through life assurance is to be hampered or discouraged through excessive taxation or other means.

"Unfortunately, there are people of influence in South Africa who are of the opinion that the insurance industry should make a greater contribution towards the fiscus or directly towards the financing of government projects.

"The origin of this view is the impression created by reports in the press about insurance institutions investing in property or equities or the incredible growth experienced by insurance institutions.

It is apparently interpreted to mean that the insurance industry is a great cash cow which should because it has cash make a greater contribution towards the purposes already mentioned.

He said it must be remembered that before an insurance institution makes an investment in property or equities it has already invested in approved assets — government and semi-government as prescribed by the Government — and has paid tax at company rate on the net investment income of all non pension business.

It is important that it is known to whom the insurance industry really belongs.

More than 65 percent of the insurance business in South Africa is written by mutuals and mutuals belong to their respective policyholders, Mr Davin said.

Old Mutual — as one of the mutuals — has more than 870 000 individual policyholders and in addition has a greater number of people belonging to pension schemes underwritten by it.

All individual insurance policyholders have the right to vote on matters of importance. It is on behalf of those many policyholders that Old Mutual is investing in property and equities in an endeavour to obtain the highest return on their savings.

It is therefore important that the traditional role of the insurance industry in South Africa be seen in the right perspective and that the important contribution the industry has made to the development of this country not be underestimated."

It is important that the authorities continue to afford the industry the necessary encouragement so that it can continue to make through the accumulation of the family man's savings a contribution towards the financing of the development of this country, he said. — Sapa

Australian deficit

CANBERRA — Australia's balance of payments as measured by net official monetary movements showed a $147m deficit in July after a $242m surplus in June and against the year-ago $394m deficit.

The strong capital inflow which has bolstered the figures in recent months eased in July to $439m from June's $956m and compared with the year-ago $522m.

The current account deficit was $586m in July against $713m in June and $910m a year ago.

ARGUS 20/8/82 58

Gold shares boom up to 15 pc on JSE

By the Finance Editor

GOLD shares boomed on the Johannesburg Stock Exchange today, adding about R1 000-million in value in early trading following the news that the gold price had jumped more than 20 dollars in New York last night.

The shares of some of the marginal gold mines rose 15 percent or more in price. The average share price increase was just under 6 percent.

The jump in the gold price was caused by mounting concern in the United States about the health of the American banking system.

The flight into gold in the United States last night was triggered by rumours — which have been denied — that the Manufacturers Hanover, one of the United States' biggest banks, was in financial difficulties because of its loans to Mexico.

Last weekend the Mexican Government ordered a temporary halt to all foreign payments to stem the flight of dollars abroad which has threatened to exhaust its foreign exchange reserves.

The gold price closed in New York at 373 dollars an ounce.

Today, in spite of the Manufacturers Hanover's denials, it rose to 383 dollars in Zurich before falling back to 379 dollars an ounce in London.

Mexico is one of the Western hemisphere's richest oil countries, but has been hit hard by the recent slump in oil consumption. Its foreign debts are estimated at 80-billion dollars (about R91-billion) of which about 17-billion dollars (R19,8-billion are short-terms and due for repayment.

Many American banks have lent heavily to third-world countries. The economies of these countries have been seriously hit by the world recession and slump in raw material prices and there are grave fears about the financial health of these banks.

A continuation of the present gold price would greatly improve South Africa's economic prospects. It would increase the country's foreign earnings and ease its balance of payments problems. This in turn could open the way for the Government to embark on a more expansionary economic policy.

Horwood's interference supported

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Star

20/8/82

By Mervyn Harris

The Association of Building Societies has come out in support of action by the Minister of Finance to prevent the country's biggest society from giving the public a larger tax-free return on their savings.

Mr Hendrik Sloet, president of the association, said in a statement that the Minister's action would contribute towards ensuring that future increases in interest rates on home loans would be lower than would otherwise be the case.

LEGISLATION

The Minister of Finance, Mr Owen Horwood, announced yesterday that partial tax exemption on subscription and paid-up building society shares would, from September 1, be valid only if the rate of dividend did not exceed 14 percent.

Enabling legislation would be introduced during the next session of Parliament to clamp down on the country's biggest building society — which the Minister declined to name — to prevent a "total collapse" of the building society movement," Mr Horwood said.

His move follows an announcement last month by the United Building Society that it was to increase from 14 percent to 15 percent the rate of interest on paid-up permanent shares and partly tax-free subscription shares.

With one-third of the interest on paid-up, permanent shares free of tax, the new rate would give investors in the highest tax bracket a 10 percent after-tax return.

This is more than can be obtained from any other tax-free investment.

The United also advertised that lower income groups would get an after-tax return from these shares of up to 20,5 percent.

Mr Horwood said the Government would not permit this situation as it would be unfair towards other deposit-receiving institutions.

It could lead to irregular increases in interest rates and also in mortgage rates if an interest rate of more than 14 percent was offered on building society shares on which dividends enjoyed partial tax exemptions.

The tax concession should be used to obtain maximum cost savings which should be passed on to holders of mortgage bonds and not to chase up interest rates above the prevailing market rate and thereby unnecessarily raise mortgage bond rates.

"When this happens the whole carefully structured pattern of interest rates is bound to be seriously disrupted," Mr Horwood said.

Building societies would have to raise mortgage rates still further if they too were to offer 15 percent.

Inkatha into insurance

S. Times 22/8/82

(58)

AN exciting development in the composition of the consortium which last week announced the acquisition of the National Life Assurance Company of South Africa is the inclusion of Khulani Holdings, the commercial and investment arm of Inkatha.

This was revealed at a document-signing ceremony this week in the KwaZulu capital of Ulundi

Other major partners in the consortium are the Summerley Family Trust, headed by Martin Summerley, chairman of the Magnum group, and the Rupert Family Trust

By Don Robertson

Khulani Holdings, which was registered two years ago will have a 24% participation in the insurance company, which is capitalised at R6-million.

The Summerley interests will also hold 24%, while the Rupert interests will have 17%

The remaining 35% of the share capital of the company, which has been renamed Magnum National Life Assurance, will be held by private individuals.

Khulani sees the interest in Magnum National Life initially in purely investment terms, but it conforms to its stated policy of participating on a partnership basis with whites in areas of business in which it has not previously been involved

This is its first venture on such a scale.

The board of Magnum National will consist of eight members two of whom will be appointed by Khulani Holdings

The other partners believe that it will create a truly national company and give Magnum an additional avenue into all sectors of the market

With this in mind, it is intended to develop a wide spread of products to cater for all sectors of the population

These will include group pension and insurance schemes as well as the traditional range of insurance products

The executive marketing director of Magnum National, Tim Beckett, is currently in America investigating the latest developments and marketing strategies in the industry

At a function after the signing, the Chief Minister of KwaZulu and President of Inkatha, Chief Gatsha Buthelezi, said that Khulani Holdings was passing another milestone in its development

"It is a particularly important milestone because it is progress in a direction which will make it possible for the ordinary people of South Africa to become involved in financial institutions

"Black policyholders are going to be an ever-growing sector in the insurance business, and we believe it is right that, as such, they acquire the rights to enter the business."

He added that it was important that blacks now be given the opportunity of participating in the free-enterprise system, however imperfect that system was, as it was the mechamsm for development.

● See "What's Khulani?" — Page 3

BUILDING SOCIETIES

58

Undercurrents

FM 27/8/82

Two curious events in the last fortnight may testify to some powerful underground rumblings in the building society movement.

The latest was the speech made on Monday by the president of the Association of Building Societies Hendrik Sloet to the Interbou Conference at Milner Park.

Building society sources say that none of the ideas that Sloet put forward are new. The speech was nonetheless the most radical public airing in recent years of suggestions for reform in the movement. It contrasts sharply with Sloet's previous public announcements, mainly confined to calling on Pretoria for larger tax concessions or warning of future increases in mortgage rates. Says one building society manager: "It was a new Mister Sloet."

Building society executives say that Sloet is close to government, and many of his proposals echo the views of the De Kock Commission. Is he preparing the ground for real and imminent changes? The question could not be answered as Sloet made himself unavailable to the press.

Sloet said at Interbou that the building societies would have to match bank services if "they hoped to induce the general public to regard them once again as the traditional haven for its savings." The examples he cited were not confined to things like becoming estate executors and fund trustees. They went as far as hinting that the societies should become full participants in the monetary system by developing "a proper card debit system to facilitate transfers from transmission accounts."

Sloet's comments on funding and lending policies were equally far reaching. He broached the idea of societies funding themselves through long-term debentures, fully tradeable and aimed at institutional investors. He also suggested the creation of a secondary market in mortgage bonds, with a "mortgage bank," a "lender of last resort," at its core.

The US has a secondary market in bonds. As Natal Building Society MD John Bennett points out, it would allow societies to keep less on reserve than "the cushion of about R10m a month that we keep now." And he adds: "At the heart of the matter is the need to augment our flow of funds."

On the other hand, offering bank services would not mean becoming banks. "The reserve restrictions laid down by the Banks Act are too strong for us," says SA Permanent MD Boet Viljoen. "All this would have to be done through amendments to the Building Societies Act."

Conflict of principle

The success of the proposed changes presuppose, of course, market-related mortgage rates. At the same time, Pretoria has made no secret of its desire to promote the rapid development of sub-economic housing. "Any conflicts of principle here would be resolved," says a building society executive, "by direct subsidies on mortage rates. For example, Pretoria is now reconsidering a scheme it had some years ago. Then mortgage rates of over 8,5% triggered a subsidy, with a maximum of 2%, for lower-cost and lower-income group housing."

In general, however, most building society executives favour a continuation of the current system of subsiding investors or depositors.

The other curious event was the case of the United Building Society and the rates on partially tax-free shares. Last month the UBS raised its rate on certain counters to 15%, one percentage point higher than the rest of the movement. Shortly after that, the UBS' joint managing directors, Piet Badenhorst and Peter Richardson, were called to Pretoria to explain their action to the Registrar of Financial Insitutions, Naas Van Staden.

Last week, Finance Minister Owen Horwood told the Natal National Party congress in Durban that these counters would be valid only if the rate of interest did not exceed 14%. The Minister explained that the UBS's actions had caused great concern to the rest of the movement, who felt that if they were forced to match the 15%, mortgage rates would have to rise further. Hendrik Sloet joined the chorus of condemnation in an official statement.

The UBS refuses point-blank to comment. But a building society source offers this explanation. The UBS, he says, is the most cost efficient society, and did not want to follow the movement when it last raised mortgage rates. However, it was eventually pressured into it, losing an opportunity to gain market share. This was its response. It was a challenge to the movement, and a challenge to Pretoria's public stand on free markets in interest rates."

The UBS may have gained some share of the funding market by its brief pre-eminence. More important, it created a test case. The result is not only evidence of the stresses and strains within the movement. It shows as well that for the moment, Pretoria is keeping the building societies on as short a leash as ever.

00-m COULD BE AVAILABLE TO STARVED MARKET

Banks to lend cash for homes

W/E ARGUS 28/8/82 58

COMMERCIAL banking is about to burst into the strangled home loans market with more than R500-million — which will mean bond finance for thousands of home-seekers.

Front-runner is Barclays, which is making bonds available from Monday.

Interest rates are likely to be on a sliding scale between 17 and 19 percent, against the average of 15,25 charged to new borrowers by building societies. Loans will be repayable over a period up to 30 years.

Loans and repayments will be calculated on joint incomes of husbands and wives, with repayments of up to 30 percent of combined gross earnings.

The bank will grant loans of up to R200 000. It is understood the bank will consider loans of up to 90 percent of the purchase price

P. T. O.

By TOM HOOD
Property Editor

'Initial interest rates are understood to be:

- 17 percent on loans up to R20 000,
- 18 percent on loans between R20 000 and R40 000
- 19 percent on loans of more than R40 000.

It has been calculated that building societies can supply only a third of about R300-million a month sought by applicants for bonds.

Estate agents today welcomed the move as providing hope for thousands of home-seekers who cannot get bonds through building societies, the country's traditional source of home finance.

Interest

Nedbank and Standard, while considering offering bonds on houses, have not yet taken a decision.

In Britain, banks entered the property financing field in 1981 when building societies were also short of funds. They began by offering bonds at 20 percent and now provide 40 percent of new mortgages.

Already Barclays' parent company in Britain is almost the largest building society in terms of loans outstanding and is second or third largest in terms of volume of new loans being made, Mr Mark Boleat, deputy secretary-general of the British Building Societies' Association, said in Cape Town this week.

A building society spokesman, Mr Kingsley Loney, Cape regional manager of the NBS, said there was such a need for houses that additional finance was welcomed. But this could also inflate prices because of the shortage of houses.

The chairman of the Cape and Western branch of the Institute of Estate Agents, Mr Geoffrey Seeff, said additional funds were welcome.

"A rate of 17 to 19 percent is higher than the building societies. But we have been saying for a long time that the reason the building societies don't have sufficient money is because the mortgage rate is artificially low.

The bank rate could be realistic if it were considered that most building society borrowers probably paid raising fees running into thousands.

Another feature will be approval in principle of home loans within 24 hours of application, but subject to usual credit checks and property valuations.

Even the relatively few successful applicants to building societies have had to wait months for approval.

"By taking wives' income into account the move would open home-ownership to large numbers of families who could not consider it merely on the husband's salary," said Mr Geoffrey Seeff, chairman of the Cape and Western branch of the Institute of Estate Agents.

Allowing borrowing of up to 30 percent of joint salaries was also a big improvement on the building soicety limit of 25 percent.

"The terms are generally better than the building societies and are very sensible all round," he said.

● See Page 1, Property Argus.

Barclays start the move into bonds

BANKS BURST INTO HOME LOANS

29/8/82

COMMERCIAL banks will burst into the strangled home loans market tomorrow morning.

At the start of business tomorrow all branches of Barclays National Bank will make available home loans of up to R200 000, repayable over periods of up to 30 years.

TRIBUNE REPORTERS

"Normally, Barclays Home Loan will lend approved applicants up to 80 percent of the purchase price of a home. It will, however, consider 90 percent loans if suitable collateral security is provided for the additional 10 percent."

Mr Aldworth pointed out that by spreading payments over 30 years and taking into account the couples combined gross earning his bank was making it easier for young married couples to acquire the homes they really want instead of settling for an unsatisfactory compromise.

Monthly repayments, he said, would automatically be debited to the borrower's Barclays cheque account. The loan account would be simultaneously credited.

The project is aimed directly at the young end of the market, especially newlyweds.

Estate agents today welcomed the move as providing hope for thousands of home-seekers who cannot get bonds through building societies, the country's traditional source of home finance.

But building societies thought only a small proportion of bond-seekers could afford to pay interest rates of 18 percent.

Said Hendrik Sloet, president of the Association of Building Societies: "We have no objection whatsoever. I think it is a good thing. There is a very big shortage of money at the present moment and if Barclays can do something to supplement available funds the better for everybody."

Keith Wakefield, managing director of one of Durbans top estate agencies said: "I am very pleased to see it. It will relieve the pressure on building societies when they are short of cash."

The loans will be available to people of all races and repayments will be calculated on the joint gross income of husbands and wives. Repayments cannot exceed 30 percent of the couples' combined gross income.

Nedbank and Standard are considering taking the plunge as well, making about R500 million available to thousands of homeseekers.

Barclay's move into the mortgage bond field, traditional preserve of building societies, was officially confirmed in Johannesburg last night by Mr Bob Aldworth, managing director of Barclays National Bank.

He said loans would be funded from savings deposits, but declined at this stage to reveal the size of the bank's home loan fund pool. However, he described the initial resources as "substantial".

Joint repayment

A feature of the bank's new home loan service, is the fact that loan and repayment calculations are based on the joint gross income of husbands and wives.

"Repayment of Barclays home loans," said Mr Aldworth "must not exceed 30 percent of the couples' combined gross insome.

Loans provided by Barclays could be repaid over any period up to 30 years, which would make the monthly repayments lower and easier for couples to cope with.

He said interest rates would be pegged for 12-month periods and would be reviewed every September, which meant that consumers would not be faced with irregular increases in rates.

The rates

He said interest rates for the first 12-month period have been fixed at competitive levels:

- 17 percent on loans up to R20 000
- 18 percent on loans of R20 000 to R40 000, and
- 19 per cent on loans of more than R40 000.

"The loans will be approved in principle within 24 hours of applicaton subject, of course, to the usual credit checks and valuations of the property," said Mr Adlworth.

S. Tribune

58

Rush for housing loans — bank

ARGUS 30/8/82

SS

WESTERN CAPE branches of Barclays Bank have been "inundated" with applications for housing loans since offices opened today, according to the regional marketing manager for Barclays, Mr Chris Shutte.

"Response has exceeded our wildest hopes," Mr Shutte said, "and already it is apparent that the rate of applications in the Western Cape is greater than in any other area of the country."

Mr Shutte said the first bank housing loan in South Africa was granted at 9.40 am to an application made through the Sea Point branch of the bank.

JOHANNESBURG

The Argus correspondent in Johannesburg reports that the bank there also received many housing loan inquiries.

Mr Tony Hayward, divisional general manager of Barclays, said the bank was had a flood of telephone queries.

He said loans were attractive because the bank had funds whereas the building societies did not and the administrative fee charged by the bank was only R150

However, building society officials in Cape Town described the Barclays plan to make R500-million available for house mortgages as "a drop in the ocean".

LENDING

Even in today's extremely tight money conditions the societies were lending more than R200-million a month, an official said. A year ago, when the societies were first experiencing difficulties, they were lending more than R400-million a month.

Building society officials saw little reason for concern over the Barclays move.

A number doubted whether many people would be able to afford Barclays' proposed rates of interest, which ranged from 17 percent to 19 percent.

"The motorcyclists council delayed the

says Venter

The leader of the National Party in the city council, Mr Carel Venter, last night told reporters someone was making a mountain out of a molehill about his altercation with the chauffeur of a neighbouring town's mayor.

He was referring to an argument in the basement of the Civic Centre last week. The Mayor of Johannesburg, Mr Danie van Zyl, has written a letter of apology about the incident to his counterpart in Bedfordview.

It is understood Mr Venter crossed swords with the Bedfordview Mayor's chauffeur, who had parked too close to Mr Venter's car.

The incident took place last Wednesday when Mr van Zyl hosted a cocktail party for the launching of "Heart Week."

Mr Venter apparently left the function early to attend another engagement, but was delayed in the basement because his car was parked in by the Bedfordview mayoral limousine.

"As a result of being parked in I was 25 minutes late for an appointment. I have no further comment to make other than that someone is trying to make a mountain out of a molehill," was Mr Venter's reply to questions.

Mr Sam Moss . . . off to Nelspruit.

PFP wins places at municipal

R24-m loan will ease home crisis

58 Star 1/9/82

All reports by Lucille McNamara, Municipal Reporter

The Johannesburg City Council last night approved the flotation of a 50 million Deutschemarks loan from a consortium of banks in Frankfurt, Germany.

The loan will be featured on the Frankfurt Stock Exchange and enable the city council to establish a housing and estate development fund to ease Johannesburg's accommodation crisis.

The R24 million loan must be ratified at a special meeting of the council later this month. The city treasurer, Mr Manie Venter, will thereafter be empowered to sign the documents which will bind the council to the five-year agreement.

Funds will be obtained by public bond issues with current interest rates and commission costs amounting to about 11,65 percent a year. The South African Reserve Bank will guarantee the transfer of funds to Germany when required.

Forward exchange cover will be arranged with the Reserve Bank for variations between the rand and the US dollar at a current cost of 3.5 percent a year in respect of capital and interest payments for the period of the loan.

Management committee chairman Mr Francois Oberholzer said R8.5 million of the loan would be allocated to the housing and estate development fund to augment limited Government financing of housing in Johannesburg.

The city treasurer said that the loan would also be used to finance capital expenditure.

The council has agreed to establish a housing and development fund to solve the accommodation crisis. There are 6 560 white and coloured families on waiting lists for council housing schemes.

Councillors were told that a staggering R177 million was required to eliminate the housing backlog.

They agreed to establish a revolving fund to finance the construction of homes within the municipal area and to impose a monthly levy on tenants in council housing schemes to help boost the fund.

Vote to sell rocks the PFP

The Deputy-Mayor of Johannesburg, Mr Alan Gadd, gave his Progressive Federal Party colleagues on the council a shock when he made a ruling in favour of the National Party-Independent Ratepayers Association coalition.

Standing in at the council's monthly meeting for the chairman, Mr Jan Burger, who is in hospital, Mr Gadd turned down a request by the PFP council leader for an item to be referred back to the management committee.

Mr Sam Moss had opposed a management committee recommendation that the council-owned Lewis and Marks Building in President Street be sold for R2,5 million.

He said it was an asset which would continue to appreciate in value, and believed the council could sell it for R3.5 million.

The management committee chairman, Mr Francois Oberholzer, said the council had tested the market and believed the offer was realistic — and it needed the money to finance the building of an R8 million computer security centre.

Mr Gadd called for a verbal vote, and ruled in favour of the coalition, which gave the management committee the go-ahead to sell the building.

Row over reward scheme to bring illegal dumpers to book

A decision to pay council employees R25 for each summons issued and delivered outside normal working hours for illegal dumping was severely criticised by the Opposition at yesterday's monthly meeting.

Employees would become bounty hunters and it was a bad principle to enforce the law by way of a reward, said the PFP's chief whip, Mr Harold Rudolph.

"This could lead to a proliferation of summonses being issued and the payment of a bounty to employees will jeopardise a suc-

Mr Harold Rudolph . . . bounty hunting the danger.

Mr Koos Sadie . . . wasted time inevitable.

Mr Geoff Stark . . . stick the only deterrent.

support ... ded councillors it ...

Compiled by STAN KENNEDY

(58) Star 8/9/82

Electronic tie links SA to 40 nations

South Africa's banking system, including the Reserve Bank, is now directly connected to almost 1 000 banks in 40 countries for the immediate processing of a wide variety of financial transactions.

The instantaneous computer - to - computer link-up with the international banking community was officially inaugurated by the Vice-State President, Mr Alwyn Schlebusch, in Johannesburg on Monday.

At the press of a button he put South Africa into the global switching system operated by the Society for Worldwide Inter-bank Financial Communication (Swift).

A terminal in a South African bank can now turn on large computers in Brussels, Amsterdam, or in the United States. Each day, the three computers handle more than 300 000 transactions which include monetary transfers, cash management procedures, foreign exchange confirmations, special reconciliations and collections.

CO-OPERATIVE

Transactions are made to almost every part of the world in seconds and cost under 60c.

Before a country is accepted into Swift, which is a co-operative society owned by its member banks, it must prove that its computer equipment is sufficiently sophisticated to tie in with the system.

Member banks must commit themselves to being connected with the network for at least seven hours every working day.

Mr Schlebusch told bankers from all over South Africa that the exchange of information and the transfer of funds, whether in payment for imports or exports, or for domestic purposes, would be achieved more rapidly.

"This will, no doubt, involve the elimination of a number of labour-intensive occupations and the replacement of certain manual and semi-computerised systems," he said.

BIG OUTLAY

The implementation of the Swift communication network in South Africa had not been achieved without considerable financial outlay by the 18 member banks, he said.

It had also required the assistance and co-operation of the Department of Posts and Telecommunications in the provision of leased data-communication lines.

Two important aspects of Swift are the security and privacy of the financial transaction data processed and transmitted by the system.

Member banks enter instructions through computer terminals in computer-readable formats. Swift encrypts the transaction details and the transaction instructions cannot be read, even by its own staff, except by written authority and subsequent security procedures.

South Africa is the first country on the African continent to switch to the live use of the Swift system.

Liberty Life warns of growing power of Cape insurance giants

58 C-Times 9/9/82

Mr Donald Gordon

By PAUL DOLD
Financial Editor

THE epicentre of financial power in South Africa could well move powerfully towards the Cape over the next seven years unless the Transvaal seriously took up the challenge to restore the balance of power, Liberty Life chairman, Mr Donald Gordon, warned yesterday.

"Given the continuation of the present political and economic structure, and the basically free enterprise attitude of the authorities, I predict that the South African economy might well be dominated by no more than half a dozen corporations by 1990, of which possibly half could well be life insurers.

"The concentration of financial power and the polarization of the economy will be even more pronounced than is the position today. Already five life assurers are in the billion-rand plus group with Libery Life in the middle of the scrum."

Mr Gordon's speech before the opening of the R30m new Liberty corporate headquarters in Johannesburg yesterday is regarded in financial circles as a strong Transvaal attack on the power of the Cape's giant mutual life insurers the Old Mutual and Sanlam which have long dominated the industry.

Liberty's assets yesterday passed the R2-billion mark for the first time, and Mr Gordon predicted that within seven years they could reach the R10-billion mark and exceed the present combined assets of the two major Cape competitors.

"Of course, they, too, will be much larger and with their financial and political influence we are frankly unlikely to catch up, given that the existing structure in South Africa is unlikely to be essentially changed — which I strongly believe will be the case."

He also hinted that it is against this background that Liberty's overseas expansion must be seen.

"Perhaps our age and size disadvantages can be balanced by our developing in the international field which has unlimited scope bearing in mind the big wide world out there and we have made our first tentative steps in that direction.

"Because of our special entrepreneurial flair and the close relationships we have established and maintained with our international connections I sincerely believe we would have a major advantage in the larger world arena."

Officially opening Liberty's new headquarters last night, Dr Anton Rupert, chairman of the Small Business Development Corporation, stressed the importance of the free enterprise system.

"We should not only seek to preserve this system but should also do our utmost to extend its benefits to all our peoples.

"The criticism that free enterprise distributes wealth unequally is an accusation often heard in our country.

"The full benefits of private initiative can only be realized when all unncesessary restricting regulations have been lifted and every individual enjoys the fruits of the syustem — the right of private ownership and the freedom to do business in an equitable economic climate.

"We must mirror in ourselves the opportunitities we have, the tasks we can accomplish and regard ourselves as one of the most fortunate white nations. If we are in South Africa merely to uphold Western civilization for our own sakes only then we are on a road which will inevitably lead to our downfall."

Paying tribute to Liberty's growth Rupert noted that in a quarter of a century the group had become somewhat of a legend and was now the third largest life assurer and the largest proprietary insurance company in South Africa.

"Donald Gordon has virtually revolutionized the life insurance industry in our country and has also had a major impact on the development of the industry abroad.

"When Liberty Life started, life insurance was characteristically a very stereotype and rather dozy business. Through innovation and aggressive marketing the company successfully introduced a wide range of new products particularly in the field of equity and property-linked life assurance."

BANK CARTEL SC.

The cracks widen

FM 10/9/82

Standard Bank lowered its cash withdrawal charges this week as the first visible sign of a crack in the commercial bank cartel since it was outlawed three weeks ago (FM August 20).

The 60-year old cartel called the Register of Co-operation (Roco) was declared "an undesirable practice" by the Registrar of Financial Institutions, Naas van Staden. He gave the banks six months to dismantle it.

Standard Bank used the impending demise of the cartel to mount a thrust into a market in which it currently has an edge on other banks. It set a maximum charge of 10c on cheque account withdrawals made through its automated teller machines (ATMs). With 150 of these machines installed, Standard is well ahead of other banks, though not other financial institutions. The United Building Society has about the same number of ATMs in place.

Standard also linked other product improvements to its Autobank network. It offered 13% a year on Plusplan savings accounts attached to Autobank with balances of more than R20 000 and extended the working hours of the ATMs.

Bankers say that Standard's action is technically in contravention of Roco, which is still in formal effect. Strictly speaking the bank is open to the type of censure endorsed by Roco. But the Registrar's announcement has effectively removed whatever wind was left in the cartel's sails and any infringements are unlikely to attract reaction until Roco is formally disbanded.

In fact, say some bankers, there has been an increase recently in the less visible forms of inter-bank competition that Roco prevented. Corporate clients of some banks have been "targeted" by other banks and offered (through the medium of letters or personal visits) similar services at lower rates.

Finance

BANKERS OFFER LOANS TO SOUTH AFRICA

ARGUS 10/9/82 58

By David Bamber, Financial Correspondent

TORONTO-Foreign bankers attending the International Monetary Fund conference here have offered to lend South Africa millions of rands.

Dr Gerhard de Kock, Governor of the Reserve Bank, has received calls from major United States, British and German bankers who have all expressed interest in arranging new loans for South Africa or increasing existing loans.

One bank, which has already lent R50-million to the Johannesburg City Council, suggested that this amount was too small for the "City of gold"." Why not take R100-million?" he asked hopefully.

Dr de Kock said the eagerness of the bankers to lend money to the republic was the result of several factors.

NERVOUS

The Mexican crisis had highlighted economic problems in the developing world. This had made banks nervous about these countries' ability to repay interest and capital when they fell due.

As the banks earned their profits by lending money, they were keen to find safe markets. Thanks to South Africa's political policies, the republic had to and did comply "110 percent" with IMF conditions instead of as low as 50 percent, as in the case of many developing countries.

Dr. de Kock said the steps taken by South Africa to rectify its economy had been met with great approval by the IMF and the bankers.

EXCHANGE CONTROL

He hinted that the authorities might be prepared to make sweeping changes in the exchange control regulations once the economy gets back on its feet.

He said his commission's report should be published in the first quarter of next year.

While he was not willing to discuss any of its contents, it seems that the government may be willing to change its long-standing practice of preventing the mining houes and financial institutions from investing freely abroad,

EXPLANATION

This is the only conclusion which can be drawn after listening to Dr de Kock's explanations on why South Africa's economy deteriorated so rapidly after the boom years of 1979 and 1980.

DISCRIMINATED AGAIN

PUBLIC SERVANTS SAY HOME LOAN SCHEME

Barclays' new plan angers Pretoria

12/9/82

S. Express

By TERRY MEYER Property Editor

PUBLIC servants and others entitled to State home subsidies feel they are being discriminated against by Barclays Bank's new home-loan programme.

Unlike building societies, the bank does not at present take housing subsidies fully into account on certain 100% home loans to public servants

In Pretoria where more than 70% of home loans go to people who get State subsidies, people are furious with the bank, local estate agents said.

This week angry Pretoria estate agents complained to the Sunday Express about the policy of the bank in its approach to loans to public servants.

They said that while building societies have always leaned over backwards to help State employees with home loans, the bank appears to have taken a totally different stance.

But, Barclays Bank assistant general manager Michael Smythe defended the bank policy by saying that the building societies have had an agreement with Government for many years in regard to the "100% loan scheme", but Barclays had not yet been invited to join the scheme

He said that the bank had not yet been approached by the Department of Community Development to take part in the scheme, but then neither had the bank approached the department

In the past, building societies have taken the public service subsidies into account and allowed them to get larger bonds than others would have been entitled to

The system used by building societies, for example, allowed a public servant earning R840 a month to get a R40 000 bond for his house.

But with the new Barclays' scheme, the public servant now has to earn at least R1 569 a month to get the same bond

On a R40 000 bond, the monthly repayments for a building society at current interest rates would be R549 a month.

But most civil servants in this category would then be entitled to a State subsidy of R338,50 a month which, when subtracted from the individual's repayment would mean a payment of R210,50 to the building society The State's portion of the loan is paid in monthly by computer to the building society.

Applying the rule of thumb that repayments should not exceed 25% of a person's income, this means that the State employee would have to earn only R840 a month to qualify for a R40 000 bond

But Barclays does not apply this formula.

It prefers to add the monthly subsidy to the employees income so that in their opinion that same employee earning R840 a month (plus the subsidy of R338,50) gives him total monthly earnings of R1 178,50 a month.

With Barclays' rule of thumb of 30% of salary against repayments, that would mean that he would not be allowed to get a bond from Barclays where repayments were more than R393 a month.

To get a R40 000 loan the Barclays way, a public servant would have to earn R1 568 a month

Smythe said there was no discrimination when it came to 80% loans to public servants.

If certain bank managers in Pretoria were misinterpreting the system this was not the fault of head office, he said.

(58) (Star) 13/7/82

Good signs for Development Bank

There is a good chance that the Development Bank for Southern Africa, once it is established, will be able to co-operate in some projects with the International Development Association and the International Finance Corporation associate bodies of the World Bank.

This emerged from interviews conducted with World Bank and South African officials at the annual meeting of the International Monetary Fund in Toronto last week.

An information officer of the International Finance Corporation, Mr Carl Belt said that co-operation of this type was already taking place. In the past five years about 20 development projects in various regions had been tackled in which bilateral regional development agencies had taken part with world bodies and private-sector companies.

The Director-General of Finance, Dr Joop de Loor, also interviewed in Toronto said that these were perhaps early days for envisaging such co-operation but there was no doubt that it was possible and indeed Southern African countries should be ambitious in their thinking — Sapa.

Argus 14/9/82 58

Politics ban on Barclays staff

Argus Correspondent

DURBAN. — Barclays Bank has banned its employees from taking part in political activities.

Its decision to sack employees involved in politics is an apparent sequel to the dismissal of a black-consciousness leader convicted recently of displaying a banned T-shirt.

A circular from Barclays' head office in Johannesburg is addressed to branch managers throughout the country.

The directive, from the personnel general manager, Mr I S Rudman, says: "As the bank's customers come from all walks of life, race, creed and political affiliation, it is essential that to obtain and retain business the bank maintains an impartial political image.

STAFF MANUAL

"For this reason the bank is unable to employ or continue to employ persons who are unable to maintain a similarly impartial political image or who participate in political activities.

"We shall be glad if managers will make the foregoing known to all members of the staff and impress on them that active participation in politics could result in the bank being obliged to terminate their services.

"The staff manual is being amended accordingly and, as in the past, all new recruits should read the foreword to the manual on joining the bank."

CONVICTION

Mr Bradley Potgieter, chairman of the Azanian People's Organisation branch in Durban, who worked for Barclays in Briardene, Durban, had to leave the bank "because of the adverse publicity his conviction had brought to the company," according to a reported statement by a head office spokesman.

"ASTOUNDING"

The Progressive Federal Party MP for Houghton, Mrs Helen Suzman, described the notice as "an astounding statement which amounts to a denial of the rights of employees to carry out normal civic duties."

She found it "extraordinary" that any public company should impose such restrictions on its employees, especially as the prohibition was so widely phrased.

The leader of the New Republic Party, Mr Vause Raw, said that as long as the bank did not limit the right of employees to hold their own political views and support their political parties, then people should accept the notice as "business policy".

Mr Rudman said the phrase "political activities" should be seen in the widest sense and would include even local government.

"This would include any political act that would harm or interfere with the bank's business," he said.

Asked if the decision to ban the bank's 2 500 employees from participating in poltical activities was itself not a political one, Mr Rudman said:

"It could be a political decision in as much as we ask people not to become involved in any political affair. But I would say it was a business decision because we don't want to harm the bank's business."

Mr Potgieter was asked to leave because his work was not satisfactory and he had been only temporary staff, said Mr Rudman.

Transfer, payment

Theft claims hitting policies

C-Times 15/8/83

By GORDON KLING

RESIDENTS of lower-income coloured areas in the Cape plagued by high theft and crime rates now face the cancellation of their household insurance policies in the latest clampdown by short-term insurance companies now reeling under heavy claims losses.

Confirming that his company was cancelling household policies even where no claims had been made, the marketing director of Multiplan Insurance Brokers, Mr Paul Somin, said yesterday that the move was an "unfortunate fact of life"

"The situation in any area that is out of the ordinary is that we have two choices: We can either raise the rates or cancel the insurance We have a great number of people on our books and we have a duty to the majority and not the minority, which requires us to maintain our rates at an absolute minimum for the benefit of clients"

High claims

Experience had shown a high claims experience on household policies, particularly in the coloured areas, and it had been necessary to cancel policies even where no claims had been made, because statistics showed they could be expected

"The risk in lower-income areas is a great deal higher than in your more affluent suburbs," said Mr Somin, agreeing that this was unfortunately a case of those most needing insurance protection not being able to get it.

Other short-term insurance brokers agreed there was a major problem, but said they had not imposed a blanket ban on any specific areas

"We insist on a proposal form with certain details filled in before we accept a policy," said a senior underwriter at Guardian National, Mr John Ralph "If we saw a previous claim we might not accept the policy in the first place, but we would not just kick out one sector of the population."

However, more stringent precautions, such as the presence of burglar bars were applied in

BUILDING SOCIETIES

Taking a bath

(58) FM 15/6/82

The building societies, along with other financial institutions, recorded heavy book losses on their fixed-interest portfolios in the last two-and-a-half years of rising interest rates. The collective loss of the five largest was almost R300m in the two years to March 1982, enough to wipe out their combined reserves and unappropriated surpluses.

The figure is not large when compared with the estimated R3 billion to R4 billion suffered by all the private sector financial institutions together. But the societies could have avoided them if they had adopted more appropriate investment strategies.

Two important features underline this. One is that large-scale involvement in fixed-interest stock — mainly gilts and public sector paper — is not a traditional investment avenue for the societies. It is, on the other hand, the accepted bread and butter of insurance companies and pension funds.

The second is that the building societies funded their investments on the volatile corporate and institutional deposits that they swept onto their books in 1979 and 1980. They also managed them on an opposing strategy to that followed by most of the financial sector. When other portfolios were being pared, the societies were topping up their own, and vice versa. As the portfolio manager of a large insurance company comments: "Don't quote me, but during that period the societies were absorbing all the stock that we, expecting a rise in rates, were trying to offload. What is more, we lent them the money to do it!"

Strong indictment

It is a strong indictment. Major losses could have been avoided if the societies had directed resources to home finance, or been prepared to accept more modest growth rates when the demand for mortages was low.

The portfolio accounts of the five largest societies — United, SA Permanent, Allied, Saambou and Natal — showed at the end of the 1980 financial year a surplus of market over book value of R35m. The surplus switched to a deficit of R92,7m in 1981. In the year to March 1982 another deficit was recorded — this time of R139,3m. The aggregate decline from the original surplus was R267m.

Added to this are the losses that individual societies actually accounted for in their revenue and expenditure statements. The UBS notched up R6,6m, the NBS R5,7m, and the SA Perm hinted at a realised loss in their 1982 accounts that turned out to be R12m. These swell the total to R288m.

These loss-making investments were partly funded by corporate and institutional cash, which went mainly into fixed deposits and indefinite period shares. Reserve Bank figures show that these categories rose by 19% in 1979 and by 26% in 1980 before the growth rate fell to 13% in 1981.

These inflows tended to outpace the demand for mortgage loans, despite a drop in the mortgage rate in 1980. The societies compensated with heavy investments in fixed-interest securities. At the end of 1978 the whole sector held collectively R460m more in prescribed investments, like government and public sector stock, than the law requires (3,25% of total liabilities). This excess represented about 6% of their total liabilities. In February 1980 the excess peaked at almost R1 billion, 10% of total liabilities and 13% of total mortgage lendings.

In the same year, several societies proudly announced record growth rates in their total assets, a traditional measure of society performance. The United topped the R3 billion mark for the first time in 1980 and the Perm inched past R2 billion. As it happened, a significant portion of this asset growth consisted of fixed interest stock and not mortgage bonds.

Then, as the cash flood began to run dry, the societies began to bail-out of their stock portfolios. In 1980, the five largest reduced the combined book value of their holdings by about R400m. By the end of 1981, the whole sector held only R384m more than it needed to by law. This represented about 4% of total liabilities, the lowest percentage since 1977.

Apart from the combined realised losses of R21m owned to by the UBS, SA Perm and the NBS, the losses are book losses. But that does not make them merely academic. The effects can be severe, as the UBS showed by writing down Southern Tridents's R58,5m portfolio (including cash and at March 1981) by R12,6m when it took it over at the beginning of this year.

Superficial

The truth that a sleeping portfolio can be left to lie through successive interest rate cycles until it is redeemed at par value is a superficial one. Redemption value is likely to be well below real par value. Inflation, still in excess of the highest long-term interest rates seen in the last cycle, represents a steady negative drain on capital values over time.

Again, institutions handling public funds have a moral (and often contractual) obligation to exploit the best growth opportunities available. The average six percentage point rise in long-term interest rates in the two years to March 1982 could have meant another R50m in income on the five societies' collective fixed-interest investments, had they been made at the top of the cycle. This is more than the total of their unappropriated surpluses during those two years.

And of course, portfolios are financed with funds borrowed at current market rates of interest. Historic yields on under-managed portfolios simply do not keep pace with the running cost of money, meaning a gradual decline in asset values.

Some societies appear to be sanguine about their portfolio experiences over the last two years. Says one: "We realised about R8m in losses over the last two years as a charge against profits. But of course we deployed the cash in home finance, so we're earning on it." How one deploys a realised loss, which is literally cash lost altogether, is a matter of some speculation.

Others are either less forthcoming — or less informed. Says Keith Gibbs, senior GM of the SA Perm: "We haven't invested more than we had to by law, so we haven't had to offload to a great extent." The Perm's accounts show, however, that in March 1980 it held R335,7m in fixed interest investments, over *three times* more than was required. In the next 12 months, it sold over R100m into a market in which capital values of stock were steadily declining.

The performance of the societies stands out amongst the general losses suffered by financial institutions. Their strategies tended to run counter to the more experienced institutional investors right through the cycle. While others, prudently, went short and stayed liquid, the societies went long — unlike their UK counterparts who maintain very short fixed-interest portfolios. They exceeded their prescribed investment requirements by unprecedented amounts when other institutions were cutting back on theirs. They funded these investments on a deposit base known to be unstable. It was, moreover, a deposit base aimed not at meeting demand for their traditional home lending services, but at satisfying self-imposed measures of asset growth. And eventually, while others were buying into a rising interest rate cycle, the societies were forced to sell at a loss to generate cash.

The building societies have made frequent calls for investment sweeteners to augment returns from a politically-controlled mortgage rate. If this is their answer, it is a dismal one.

Ban on politics: Barclays under fire

Argus 15/9/82

58

Argus Correspondent

DURBAN. — Barclays Bank's decision to ban its employees from taking part in political activities has been condemned by two more organisations.

A call for international action against the bank may follow.

Mr Mike Govindsamy, secretary of the Democratic Lawyers' Association, an affiliate of the International Commission of Jurists and a member of the World Association of Democratic Lawyers, said unless the bank withdrew the ban his organisation would not hesitate to call on the international community to reconsider investments wth the bank

VICTIMISATION

He condemned the dismissal of black consciousness leader, Mr Bradley Potgieter, who was convicted of wearing a banned T-shirt, as "unfair victimisation."

Azapo, also threatening action against the bank's controversial ruling, said in a statement that it viewed the matter "with great concern".

The acting secretary-general of the National Federation of Workers, Mr M Maphalala, called on the bank to review the decision, or pressure "would force them to revoke it".

Barclays could face tough action by the 26 000-strong South African Society of Bank Officials unless the bank reverses its ruling.

Mr Tom Chalmers, the society's assistant general secretary, said: "We would take a tough line against management if the view of the bank means any infringement on the civil liberties of our members.

"There are already enough restrictions on people in South Africa. We would fight any move by employers to restrict people's political aspirations"

NO PROBLEM

The senior general manager of Nedbank, Mr Ari van Vliet, said today Nedbank did not interfere with people's views The company had no policy on the issue since it did not see it as a problem.

Dr H Fabian, personal manager of Standard Bank, said: "We do not discourage or dissuade anyone from taking an active part in public life. All we ask is that they also seek our advice."

The Barclays ban was announced in a circular this week.

7/9/82 Mercury

58

Exchange control to be removed 'eventually'

HONG KONG— The Minister of Finance, Mr Owen Horwood, said in opening a South African bank's branch here, that it remained the objective of the Government eventually to abolish exchange controls applicable to South African residents.

Cyclical adverse balance of payments developments in the the past 18 months had made it difficult to proceed rapidly with this programme.

He expressed satisfaction with the way in which the South African spot foreign exchange market had developed over the past two years.

'The same progress has not been made with the development of the forward foreign exchange market and more attention will now be focussed on this area of the market.'

The more flexible approach in recent years regarding the foreign operations of the South African banks enabled them to make an important contribution towards the financing of the country's balance of payments deficit.

Liquidity

During the past 18 months, Mr Horwood said, they had borrowed about $2 000m overseas to supplement their liquidity — an amount they could raise with ease because they started from a position of almost 'zero' foreign liabilities.

He said that even after having borrowed this amount, the foreign commitments of the South African banks, and of South Africa as a whole, were still very small, whatever criteria might be used to assess these liabilities.

'Because of exchange controls, the South African banks have not been involved to any significant extent in international lending operations.'

They are not being affected by the ill winds now blowing across the multi-national world banking community.

Mr Horwood referred to the tendency for financial institutions in South Africa to 'cluster together' in a few large groups.

He stressed the continued importance of the 'independent banker' and the need for adequate competition within the banking system.

'As a sufficient number of independent groups has emerged from the rationalisation process in South Africa, there still exists a fair measure of competition and the formation of groups has created a more sound and less vulnerable financial system,' he said.

The official attitude towards banking developments in South Africa, Mr Horwood said, was consistent with the general philosophy of encouraging economic growth, but always subject to the requirement of proper financial discipline.

'Financial discipline does not require prohibitively restrictive controls over the system. In South Africa, the objective is to create greater competition among financial institutions within the market place.

Ceiling

'The abolition of the ceiling method of credit control, the lifting of deposit and other interest rate controls and the liberalisation of the foreign exchange market in recent years are examples of steps taken by the authorities to encourage competition among the banks and to improve the effectiveness of the market system.'

Mr Horwood said he regarded Trust Bank's decision to open an office in Hong Kong as a great step forward and a natural further development in the internationalisation of South African banking.

'The growing trade between South African and Asian countries justifies this decision, which has been taken with the full support and blessing of the South African authorities,' he said. — (Sapa)

W/E ARGUS 18/9/82

58

Politics: Barclays withdraws

Weekend Argus Correspondent

DURBAN. — Barclays Bank yesterday officially withdrew its controversial no-politics rule on employees.

The managing director, Mr A R M Aldworth, said in a statement after a board meeting yesterday that employees could take part in politics

"But it will be appreciated that in many communities it is not possible to be a leading and active participant in politics while at the same time representing the bank."

Officials would be encouraged to discuss the matter with their superiors when they were in doubt.

Banned T-shirt

In a reference to the incident in which a black-consciousness leader, Mr Bradley Potgieter, was asked to leave the bank after being convicted of wearing a banned T-shirt, Mr Aldworth said:

"The dismissal or resignation of staff members in Natal and elsewhere in recent months is not related solely to any disregard of the bank's requirements in the above context.

"However, if it were felt that a member of the staff's involvement in outside activities of whatever nature clashed with the bank's proper demands on his or her interest or time, then clearly we might have to reconsider his or her position in the light of prevailing circumstances."

Controversial

Mr Aldworth said the foreword to the staff manual had long encouraged its officials "to participate in community life, but at the same time relies on its staff not to undertake voluntary work of a controversial nature or work which will interfere with the bank duties".

The assistant general-secretary of the South African Society of Bank Officials, Mr Tom Chalmers, said: "Had management thought about this issue in the first place before rushing into print, they could have used the union as a sounding-board to assess the effect of such a circular."

(58) RDM 20\9\82

RAND DAILY MAIL, Monday, Se

SA looking East for loans to start bank

By GEOFFREY ALLEN

SOUTH Africa is looking East for future loans to form the capital of the Development Bank, says the Minister of Finance Mr Owen Horwood.

Mr Horwood returned to South Africa yesterday after attending the International Monetary Fund meeting in Toronto, Canada, and visiting the Far East.

He said the Far East — particularly Hong Kong and Japan — was a blossoming gold market.

He hoped that at least two major Far Eastern banks would invest money in the planned Development Bank.

"Two banks are sending people here specifically to look at that possibility.

"I hope to see loans coming to South Africa from the Far East," Mr Horwood said at a Press conference at Jan Smuts Airport.

He revealed that one major Far East bank had already been part of a syndicate which made a major loan to South Africa.

"They were a bit sensitive about making their name known. I would like to see that reticence go," he said.

Amid an air of general pessimism over the sagging world economy South Africa's fortunes and credit rating were generally high, Mr Horwood said.

"There is a great interest in this country and a general view that things have been handled well here," the Minister said.

With him on his official trip to the IMF and the Far East were Dr Joop de Loor, Director-General of Finance, and Dr Chris Stals of the South African Reserve Bank.

"Taiwan impressed us greatly. They place great store on financial and economic links with us and it is certainly one of the countries with which we could strengthen ties to our advantage," Mr Horwood said.

He said Japan was very interested in gold.

"There is a broadening gold market in Japan and this can only be to South Africa's advantage. A first class gold market is opening up in the Far East."

Mr Horwood said that contrary to Press reports, South Africa had made no formal application for a loan from the IMF.

"We could certainly borrow money on the international capital markets . . . our credit rating is really very good.

"If we did get loans from overseas it would be to redress the balance of payments and for no other reason.

"We have standby credits and other loans from individual banks that are not insignificant, but we didn't go to the IMF looking for credits or loans.

"We wanted to renew our association with them and to see their outlook," he said.

South Africa could learn a lot from the Far East countries about lending money to neighbouring states.

GENERAL NEWS

Bank has lent R50-m for homes

58

By Andrew Davidson

Barclays Bank has lent R50 million to help people buy their own homes — within three weeks of introducing its house purchase scheme.

Mr Michael Smythe, assistant general manager at the bank's head office in Johannesburg, said today: "The scheme is going better than we expected. To date we granted loans to 1 470 people and have not run into any problems."

Interest on the loans is charged at 17 percent up to R20 000, 18 percent for loans between R20 000 and R40 000, and 19 percent for sums over R40 000.

"There will be no increase in the interest rates before September next year," Mr Smythe said. "And then they might be decreased, depending on the economic climate."

It is cheaper to get a bond from a building society, but Mr Smythe said this was often difficult and the borrower might have to pay high interest rates on raising fees.

"I believe we are less rigid than the building societies," he said. "We base repayments on 30 percent of a couple's joint income, but the building societies do so on 25 percent of the breadwinner's income."

(58) Rdm 21/9/82

Shared automated banking a step nearer

Mail Reporter

THE implementation of a huge shared national network of automated teller machines operating on a 24-hour basis, has progressed a step further.

The Committee for Sharing Client-operated Devices — which represents 13 major banks and building societies and the Post Office — has embarked on a crucial phase in the formulation of the network, a committee member has announced.

If, during this phase, techical and managerial differences between the institutions can be reconciled the next step will be the actual implementation of the shared ATM cash-card system — possibly within six months.

This will mean clients of the Post Office, banks or building societies will be able to make transactions on the same machines. A shared network holds the advantage of saving on manpower and eliminates the need for building many branch institutions.

A general manager of the SA Permanent Building Society, Mr Chris Williams, said the present phase was instrumental in getting the network off the ground. A feasibility study has already shown that in theory a shared network is possible.

According to Mr Williams one of the major obstacles is to work out the number of digits which would serve as the client's identity number.

"One of the advantages of the shared network will be that it will operate on a 24-hour basis. The present ATMs have the drawback that they cannot operate if the computer is not on line. The envisaged ATMs will be able to operate even if the computer is not on line."

It is envisaged that the ATMs shared by the institutions will be installed at public places such as hypermarkets, airports and hotels, as well as at all the branches of the member institutions.

The ATM cash-card system, which is already in use by a number of financial institutions, enables clients to make withdrawals in under a minute during and after normal banking hours. Money can also be deposited or transferred and the ATM can also issue a mini statement.

Kantor takes Reserve Bank to task

Star 22/10/82 (58)

By David Braun

PORT ELIZABETH — The Reserve Bank is making the control of money supply more difficult by resisting financial market fundamentals, says Professor Brian Kantor of the University of Cape Town.

Professor Kantor, who represented the Cape Town Chamber of Commerce at the Assocom congress, said in an interview there was no question that the current growth in money supply represented generally tight money supply policies.

Improvement

"The economy is now at a turning point similar to the one in 1979 and 1972 where the balance of payments outlook began to improve significantly. In fact, the balance of payments fundamentals are looking very good.

"The question is whether the authorities will succeed in keeping the money supply under control during the next balance of payments-led upsurge, which might be quite soon.

"It appears to me that in the light of this, and the improved gold price, generally tight monetary policy and subsequent fall in world interest rates, there is a much better chance of the exchange rate of the rand appreciating rather than depreciating.

Irrational

"If you believe the exchange rate is going to appreciate, you don't take out what would appear to be very expensive forward cover, and the price the Reserve Bank is charging is not consistent with rational exchange rate expectations."

Assocom briefs

PORT ELIZABETH — The control-board system in the maize industry was not negotiable, Mr I S Geldenhuys, chief director, marketing, of the Department of Agriculture, told the Association congress yesterday.

"But there is a need to look at the methods used to determine the price of maize. That is why the Minister of Agriculture hts initiated an inquiry into the system," he added.

The congress resolved to:

- Call on Government to investigate the effects asd implications of continued price and tariff controls on essential agricultural inputs and the presest method of determining the price of maize, with the objective of developing a market-related approach.
- Press Government to enforce standardisation of tender documentation and procedures used by various State and semi-State organisations.
- Ask Government to implement legislation subjecting the buying of all goods and services by authorities in the public sector to uniform controls and disciplinary structure and a framework similar to that of the State Tender Board.

Barclays housing loans at R125-m

Star 22/10/82 58

Financial Staff

Barclays National Bank has granted R125 million in loans — R3 million each working day — since it moved into home financing on August 30. This amount funded a total of 3 419 bonds.

Top drawing area for home loans was the Western Cape, which borrowed R18,8 million.

Other totals were: Eastern Transvaal R16,4 million, Natal R16,3 million, Northern Transvaal R12,4 million, Johannesburg central R11,2 million, Eastern Cape R6 million, and the Free State R3,6 million.

Loan No 2 755, which took the bank's total loans through R100 million mark, went to a Natal couple, Mr and Mrs M J Murphy, of New Germany.

Average size of the loans granted is R36 000.

A Barclays spokesman said: "The loanlist confirms that the vast majority of loans apply to the middle-range housing sector, which dispels speculation that our home loans will only appeal to upper-market buyers."

EVERY CANDIDATE MUST enter in column (1) the number of each question answered (in the order in which it has been answered); leave columns (2) and (3) blank.

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l to possible exclusion from the University

D Dispatch 22/9/82

Conference to study credit finance for developing states

BY TOM LOUW
Business Editor

EAST LONDON — The whole question of the provision of credit finance to developing states and homelands comes under scrutiny in the national conference of the Institute of Credit Management in Southern Africa, to be held in East London from October 10 to 13.

The keynote for the conference will be given by the Deputy Minister of Finance, Mr E vd M Louw. He will define the Government viewpoint on continued reciprocity of finance on credit with developing states, and provision of credit facilities to homelands

Among other high points in the papers and discussions which are to follow is an address by Mr J. J. Bouwer, managing director of the Credit Guarantee Insurance Corporation. He will discuss the risks of selling on credit to the export and domestic markets in terms of the developing nations, how the domestic market is bearing up under the strain of tight money, and the kind of protection available on medium and long-term credit on capital goods sold.

The second keynote address will be given by the final speaker, Dr Chris van Wyk, joint managing director of the Trust Bank. His subject will be economics and projections for the 80s in terms of credit and extending further credit to the developing states. This is to be followed by a panel discussion on the principle of granting credit to the developing states, led by Mr Ron Schurink of the SABC economic news staff.

In between, the conference will hear Mr Sonny Tarr, managing director of the Transkei Development Corporation, speaking on economic development in the Transkei and what effect, if any, restricted credit to Transkei has on its economy, and steps being taken to rectify this

The use of credit in general will also be considered. Then Mr Casey B. Joosse, chief executive of Da Gama Textiles will give a paper with the heading "Development of credit in Southern Africa in the 1980s — a marketing tool or a hindrance?" The managing director of Edgars, Mr Adrian Bellamy, will discuss consumer credit and possible development in the 80s

Of special interest will be the views of Mr Michael Mohlohlo, manager of accounting services and financial affairs of NAFCOC, the federation of African chambers of commerce. His theme is the development of better understanding between the large South African business houses and the emerging small business man in terms of credit purchases

MR CASEY B JOOSSE . . . marketing tool or a hindrance.

The conference programme opens with a braai on the Sunday evening (October 10) and there will be three full days of papers and discussion, punctuated by a banquet on the Monday evening, a barn dance on the Tuesday evening and a farewell drink and smorgasbord on the Wednesday evening (October 13).

Prices cut for retired people

Cape Times 23/9/82

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Staff Reporter

THE Guardian National Insurance Company Limited has offered a 20 percent discount on insurance premiums to all pensioners from October 1, it was announced at a meeting of the Association of Retired Persons and Pensioners yesterday.

A packed hall of pensioners cheered and applauded when Commandant H M Joynt, chairman of the association, said he expected other insurance companies "to be jumping up with offers".

He also announced that association members would in future be able to buy goods at a five percent discount from 400 Pep Store branches, and receive a ten percent discount from 15 Nannucci depots

Launched last February, the association now has eight branches in the Peninsula. It recently sent out circulars to trade and commercial institutions asking for a five percent discount on consumer goods and a competitive discount on other commodities.

Commandant Joynt said he had received letters from pensioners who were so lonely that they were contemplating suicide.

"We plan to establish social clubs for senior citizens in areas where there are none. We won't give in and say shoot yourself because we can't do anything for you."

Inkatha branches into the insurance business

KHULANI Holdings, the commercial and investment arm of Inkatha, has passed another milestone in its development, Chief Minister of KwaZulu, Chief Gatsha Buthelezi said this week.

Khulani has become a member of the consortium which has acquired the National Life Assurance Company of South Africa from its British owners.

58

The company was registered two years ago and has a 24 percent participation in the insurance company, which has been renamed Magnum National Life Assurance. It is capitalised at R6-million.

The other major partner in the consortium is the Summerley Family Trust.

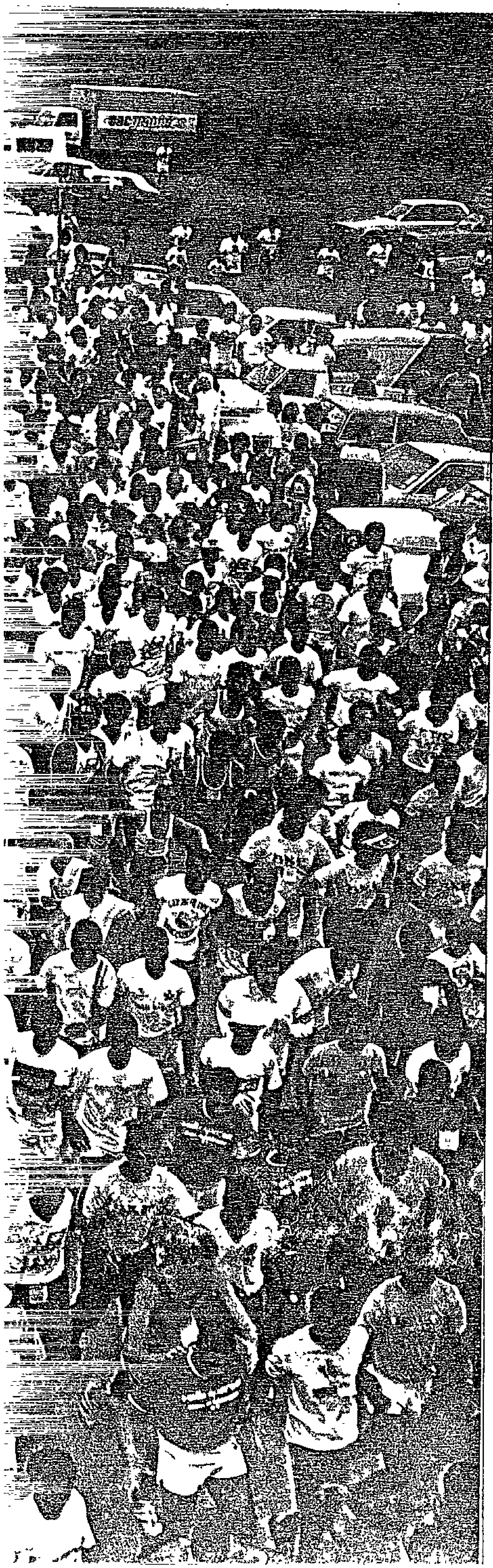
At a function after the signing of the consortium agreement in Ulundi, capital of KwaZulu, Chief Buthelezi said, "Black policy holders are going to be an ever-growing sector in the insurance business, and we believe it is right that they acquire the rights to enter the business."

Sowetan 30/7/82

In a multi-million rand deal, Magnum National Life has acquired a prime block in the financial area of Johannesburg, bordered by Commissioner, Rissik and Fox streets for its headquarters.

Mr S J Mhlungu, managing director of Khulani Holdings, sees the interest in Magnum National Life initially in purely investment terms, but "it conforms to our stated policy of participating on a partnership basis with whites in areas of business in which we have not previously been involved".

This is Khulani's first venture on such a scale.



Raising fee for bonds ~~123~~ is not legal — official

E. Post 58

2/10/82

By CLIFF FOSTER

ANYONE who paid a raising fee to finance a house purchase in the last 18 months can demand his money back.

This statement was made to Weekend Post this week by the Registrar of Financial Institutions, Mr Naas van Staden.

At the same time he strongly criticised a new practice of some building societies granting bonds only if investments of up to twice the size of the bond could be obtained by the borrower.

It is known that many people have paid raising fees in the Eastern Cape. The fees were demanded by financiers prepared to deposit the "matching investments" required by building societies before advancing bonds.

They amounted to as much as 5% of the bond — R2 000 on a R40 000 bond

And usually they were paid in cash — the financiers would not accept cheques.

This week, Mr Van Staden said that people who had paid the raising fee could sue for their money back

He quoted an extract of Section 210 of the Limitation and Disclosure of Finance Charges Amendment Act of 1980. This amendment was assented to on July 1, 1980, and its date of commencement was March 2, last year.

The extract states

"The intermediary (financier) shall not in respect of a money lending transac-

any person to borrow an amount of money in terms of a money lending transaction or to obtain credit in terms of a credit transaction or to lease moveable property in terms of a leasing transaction, demand, receive or recover directly or indirectly on his own account or on behalf of any person other than a money lender or credit granter or lessor concerned any valuable consideration from the borrower or credit rece or lessor concerned or any person so applv

Mr Van Staden opinion when Post asked him latest "tque buyers — nan plicants having for a building soc vestment up to size of the bond be society would gra bond

Mr Van Staden viewed this in much the same light as the raising fees — although the double investment was legal and the raising fee was not

Judging from Weekend Post inquiries, nearly all building societies are now involved in the practice of asking for more than the "matching investment"

Sometimes they want twice the amount of the bond, sometimes 1,5 times the bond, 1,25 or 1,1 times the figure. The amount varies from one application

Raising fee is not legal — official

58

E Post

2/10/82

● From Page 1

building society cannot provide the money and tells an applicant that it can grant the loan if a larger equivalent investment is provided, borrowers in certain instances find that they can arrange this.

"Personally, I don't like it at all. I don't think I can support this practice

"It's difficult, perhaps, to blame a building society for trying to bring in investments by asking borrowers to arrange an equivalent matching amount

"But I don't even like that. It's encouraging raising fees and "round tripping" — withdrawing from one building society to pay another"

The chairman of the Eastern Province branch of the Building Societies Association, Mr Bernie Muirhead, said: "The matching finance varies from society to society. I have heard of 150%. I think it really depends on the society's situation at the time

"In my society we will ask for the employer, member of the family or the seller to provide matching finance in varying proportions

"If you are able to get more investment in you are able to help more people"

Asked if this was not denying bonds to people without rich uncles, he said "If a man comes to me and I don't qualify my answer, but just turn him down, I'm not being as helpful as it might be possible for me to be

"If I talk to him about ... ching investment I may ... to help him

... 's a very ticklish subject ... one"

... usually the investment was required to ... ated for between ... three years

Raising fee for bonds is not legal — official

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Mr Van Staden said: "If a

● Turn to Page 2

ARM 98

YES for government, business homes plan for coloureds

SANLAM Insurance Company became a trailblazer this week in a unique financing scheme with the Department of Community Development in which the insurance firm will provide R15-million to build homes for coloureds in the Western Cape

It marks the first time in SA history that such a mutual pact between private enterprise and the Government has been arranged

By ADA STUIJT

The Urban Foundation will act as a mediator between the two

The move has opened a channel through which private companies can establish funds for lower and middle-income housing, said Mr Jan Steyn of the Urban Foundation

Under the scheme a R15-million Government-guaranteed loan will be noted at the Stock Exchange as a marketable commodity and will be paid in five monthly payments to the National Housing Commission's fund

The stock was registered with a coupon rate of 10 percent by Senbank

But the effective rate will be considerably higher and will be held for a period of 25 years

The stock will be used to establish further funds for the Housing Commission which could eventually reach R500-million, officials believed

Mr Steyn termed the transaction a major breakthrough in the method of financing lower and middle-income homes

"This new procedure provides the private sector with the chance to play a major role in the housing process

"It gives private enterprise a chance to get involved in establishing priorities and provides a way in which the housing shortage can be alleviated," he said.

Unique

"The private sector can thus insure that it will be permanently involved in the process of providing housing"

Mr Steyn said this unique arrangement showed that the private sector the community and the government sectors were definitely willing to work together for the betterment of the South African community as a whole

Dr Fred du Plessis, managing director of Sanlam, said his company is very concerned about the housing crisis in South Africa

"We are delighted to be able to finance projects which will help alleviate this pressing problem, while at the same time earning an acceptable income for our policy holders," he said

The Minister of Community Development, Mr S F Kotze, said he viewed Sanlam's trail-blazing role as an extremely important one

"I am optimistic, that if the private sector and other Government departments follow our lead in such joint ventures, it would not only help reduce the housing shortage, but would make home ownership possible for the greatest segment of our population," the Minister said

More big housing loans possible

Cape Times 5/10/82

85

By GORDON KLING

SOUTH AFRICA'S financial institutions are not rushing to follow Sanlam's lead in the provision of R15-million in finance for low cost housing, but more loans appear to be in the pipeline and the Urban Foundation remains convinced that the move is a major breakthrough.

Sanlam's chairman, Dr Fred du Plessis, yesterday declined to confirm or deny speculation in the Cape that the insurance giant was about to follow up its funding for coloured housing with a further R15 million for black housing

Dr Du Plessis said Sanlam would wait to see what others did before making any further announcements

Neither Sanlam nor the Urban Foundation, which set up the deal were certain of the exact yield on the Sanlam-financed 25-year bond issued by the National Housing Commission which would make the new housing possible. But the coupon rate (the rate at which the interest would be taxed) was 10 percent, and Dr Du Plessis said the effective rate was "completely in line with long-dated government securities" which the banks were required to hold as prescribed assets in any event.

Dr Fred du Plessis

I understand that another major Cape-based financial institution was about to embark on a venture similar to Sanlam's, but pulled out over dissatisfaction with interest rates available from the National Housing Commission.

Banking sources in the Cape yesterday also mentioned uncertainty on the interest rate as a reason for delaying funding, but sources at both the institutions and the banks believed it was inevitable that they would eventually participate in the same way as Sanlam

The manager of communications at the Urban Foundation, Mr Chris Du Plessis, said yesterday that negotiations were under way with several financial groups, but it was "still early days".

Problems included the interest rate, specifically how the money would be spent; and practical difficulties — considering that the process involved not just the lenders and the Foundation but also the National Housing Commission, the Department of Community Development, the Department of Finance, and various local authorities.

'Drop in the ocean'

Mr Du Plessis conceded that Sanlam's R15-million was only "a drop in the ocean" given the immensity of the country's housing needs. (According to the Prime Minister's economic planning section, a total of 280 000 units annually at a cost of R3 963-million would be required every year for the next nine years to meet the demand for housing).

Of key significance, however, was the entry of the private sector into the funding of mass housing for non-whites. In the past the government had shouldered about 90 percent of the finance for black housing, 80 percent for coloured and 65 percent for Asian housing. Only about 10 percent of white housing was government-financed.

The Urban Foundation accordingly saw Sanlam's move as an initiative to correct a big and dangerous imbalance.

Bifsa attacks 'vicious' mortgage rates

58 Star 12/10/82

Building societies have come under attack from the Building Industries Federation of South Africa.

In a statement accompanying the Bifsa annual report the executive director, Mr Lou Davis, says "The performance of the building society movement in increasing mortgage interest rates to ridiculous levels in order to offset their inability to attract institutional deposits, is a circumstance which makes the average young worker despair of ever owning a portion of South African equity."

On the activities of the societies' development companies, Mr Davis said Bifsa had maintained a "critical review" with a view to protecting the interests of those members to whom the shortage of mortgage bond financing presented such a critical threat.

Commenting on Mr Davis's remarks, Mr Keith Gibbs, senior general manager of the South African Permanent Building Society, said "Societies have always borrowed short and lent long. The entire movement is structured on this basis.

"The societies can offer lower mortgage rates because of their share portfolios as well as tax benefits. Other than that the rates must be market-related, or the money will flow away.

"It is not necessarily a case of attracting new funds but fair rates are important if you are to retain existing funds."

This pattern applied not only to institutional investors but to man-in-the-street investors, who accounted for 90 percent of society depositors.

On prospects for the building industry Mr Davis says: "Despite predictions of a negative growth rate next year for the general econo[illegible] followed by a [illegible] upsurge [illegible] onwards, Bifsa can [illegible] no sound reason to alter forecasts of a constant steady growth of about 5 percent a year in the long-term."

He warns against allowing financial analysts to "talk the building industry into recession." If they do, he says the next upswing in prices to satisfy normal building demand will be "mind-boggling."

On costs, Mr Davis makes the point that average builders' profits ("not trading profits enjoyed by marketing and sales agencies") amount to an average of 6 percent on turnover which must be regarded "as moderate, if not downright suicidal."

SA to provide 80% of capital

Rbn 13/10/82

Development Bank kicks off with R2 000m

By PATRICK LAURENCE
Political Editor

The proposed Southern African Development Bank will be launched with an initial share capital "in the order of R2 000-million", Dr Simon Brand, chairman of the committee mandated to oversee the establishment of the bank, said yesterday.

Its launching capital will be provided entirely by the governments of the bank's founder members — South Africa, Transkei, Bophuthatswana, Venda and Ciskei — with the contribution from each determined by the size of its economy as measured by its gross domestic product.

About 80% of the initial capital will come from South Africa, with Bophuthatswana being the next single biggest contributor.

Dr brand said the private sector, with whom discussions have already been held, will be invited to invest money in the bank only after it has been formally founded.

Referring to the deadline of next September set for the establishment of the bank at this week's summit meeting between South African and the territories' leaders, Dr Brand said "It is good to have a target date. It is said a deadline clears the mind".

Official sources in Pretoria confirmed yesterday that membership of the bank will be restricted to independent states, which means that the five non-independent black territories of KwaZulu, Lebowa, Gazankulu, QwaQwa and KwaNdebele will be excluded from full membership.

They will be entitled to development loans because they are part of South Africa.

Exclusion of these territories from the bank is a focus of dispute, which some of the territories interpret as a bid to force them to accept independence in order to join the bank as full members.

In the latest Africa Institute Bulletin, Dr Erich Leistner, director of the institute, speculates on the possibility of co-operation between the envisaged Development Bank and the World Bank.

"Co-operation between the proposed Southern Africa Development Bank and the World Bank on specific projects was predicted during the recent annual meeting (of the World Bank) in Toronto," Dr Leistner said.

Referring to South Africa's knowledge of local conditions and its managerial and technical resources, he said. "Closer ties with the World Bank will increase demand for these contributions — to the advantage of economic advancement in South Africa as well as its neighbouring states."

An informed source in Pretoria said of Dr Leistner's comments: "There is no specific understanding, but the World Bank is well disposed toward helping by training people for projects. The reality, however, is that there will be political difficulties".

Ceteris Paribus
Price
Function
Inferior Good
Substitutes
Complements
Perfect Competition
'Rise' in Demand (or Supply)
'Increase in Quantity Demanded' (or Supplied)
Equilibrium
Maximum Price
Minimum Price
Rent Control
Minimum Wages Legislation
International Trade
Transport Costs
Tariff
Economic Rent.

Money supply up 17,7%

ROM 14/10/82

58

By HAROLD FRIDJHON

ALTHOUGH the money supply rose on a year-on-year basis by 17,77% compared with an increase of 15,3% in July, the monetary authorities are winning the fight to control the increase.

In August 1981, the money supply increased by 31% compared with August 1980. Since then there has been a steady improvement and by March this year the year-on-year increase had dropped to 23,44%.

Since then there has been a marked improvement. the percentage increase dropping below the 20% mark.

In April the increase was 16,26%, May 15,53%, June 17,95, July 15,3%.

The growth in the money supply is still too high. It is higher than the rate of inflation, which means that in real terms there is unacceptable money growth.

(58)

Further rise in bond rates predicted

Own Correspondent

JOHANNESBURG — It is predicted that mortgage bond rates will probably go up early next year but the increase should be less than one percent

Mr Hendrik Sloet, retiring president of the Association of Building Societies, said yesterday that mortgage rates would almost certainly go up again before they came down

While he could not say when the increase would be announced, and while he was not making an official statement, he felt it could be within the next three months But it would be less than the 1 to 1,5 percent forecast in some reports

Mr Sloet's good news yesterday was that the impending increase would probably be the last before the bond rates turned down

He said the turning point in interest rates had come too late to prevent a further increase "Had they softened about nine months ago, it would have been possible to avoid it"

Now a "significant" upward adjustment was needed

"The building society movement has many tens of millions of rands on fixed deposits on terms of 18-24 months at rates of eight to 12 percent some of which are maturing each month, and to retain them as investments we must offer market-related rates

"In effect in spite of the fall in interest rates the cost of money to the societies is still increasing And any new money coming in commands a rate higher than the average yield from mortgages"

● The house mortgage bond squeeze is beginning to ease, but only just

This is the feeling of Cape Town building society officials and estate agents who caution however, that money for housing is still extremely tight

"We're finding bonds are becoming more readily available," said the chairman of the Cape Town and Western branch of the Institute of Estate Agents, Mr Geoffrey Seef. He attributed much of the improvement to the entry of Barclays National Bank into the home loan market

The regional manager of the Allied Building Society in the City, Mr E C Baker, said his society was still lending and "the position is not getting any worse" Prices of houses were not dropping and demand was still high

The Cape Town branch manager of the EP Building Society, Mr Roy van Litsenborgh believed the outlook remained pretty bleak He said he had heard there had been an improvement, but believed it was "not very pronounced"

Homes bond rate set to rise again

58

Sh

15/10/83

By Frank Jeans

The building society bond rate is expected to increase by 0,75 percent.

This means that a homeowner with a R45 000 bond will make a monthly repayment of R637 — R197 a month more than he or she paid only 22 months ago, before the first major bond increase.

Mr Hendrik Sloet, retiring president of the Association of Building Societies, said yesterday the bond rate would have to rise soon — and that the rise would "possibly be less than one percent."

SIX TIMES

If a 0,75 percent increase is announced by the building societies in January, the bond rate will have gone up six times since March 1981, resulting in a total rise of 44,6 percent. The minimum interest rate has risen from 9,75 percent to 15 percent, while the maximum scale has gone from 11,75 percent to 17 percent.

The pending rise would push the total monthly payments on a R45 000 bond from R635 to R660, including a small capital reduction.

At present rates of interest a R45 000 bond-holder would pay R152 000 over the life of his 20-year bond.

Mr Sloet gave a glimmer of hope to howeowners with his prediction that the next increase would be the last before rates start declining.

TOO LATE

Previous interest rate rises came too late to forestall another rise, he said. "If they had softened nine months ago, it would have been possible to avoid a further rise."

He indicated in the association's last newsletter that building societies remained the major providers of home finance.

In August, societies advanced R345 million and the total value of loans in 1981 — to 40 368 borrowers — was R1 207 million. This total represented a 21 percent rise on last year's figure for the period to August.

Next bond increase 'won't exceed 1%'

(58) RDM 15/10/82

Mail Reporter

MORTGAGE bond rates will probably go up early next year but the increase should be less than 1%.

Mr Hendrik Sloet the retiring president of the Association of Building Societies said yesterday that mortgage rates would almost certainly go up again before they came down.

While he could not say when the increase would be announced and he was not making an official statement, he felt it could be within the next three months. But it would be less than the 1 to 1,5% forecast in some reports.

A week ago when the Standard Building Society announced it intended to raised its rates by 1% across the board from November 1, Mr Sloet told the Rand Daily Mail he did not expect any general increase by the societies to be more than 0,75%.

At that time all the other building societies denied they would follow Standard's lead. The consensus was that if interest rates continued to decline, bond rates would remain steady.

Mr Sloet's good news yesterday was that the impending increase would probably be the last before the bond rates turned down.

He said the turning point in interest rates had come too late to prevent a further increase. "Had they softened about nine months ago, it would have been possible to avoid it."

The societies are still the major providers of home finance in South Africa. In August they advanced a total of R345-million. "For the year to date they have advanced R 207 million to 40 368 borrowers, a 23% increase on the same period last year.

Mr Sloet foresees no change in the Government's policy with regard to money supply. "They are continuing to take money out of circulation and we will have to live with the situation for the next 12 months."

Mr Sloet, who is managing director of the Saambou Building Society, retires as the association's president on October 27. He will be succeeded by Mr Peter Richardson, joint managing director of the United Building Society.

Our Cape Town correspondent reports that the house mortgage bond squeeze is beginning to ease, but only just.

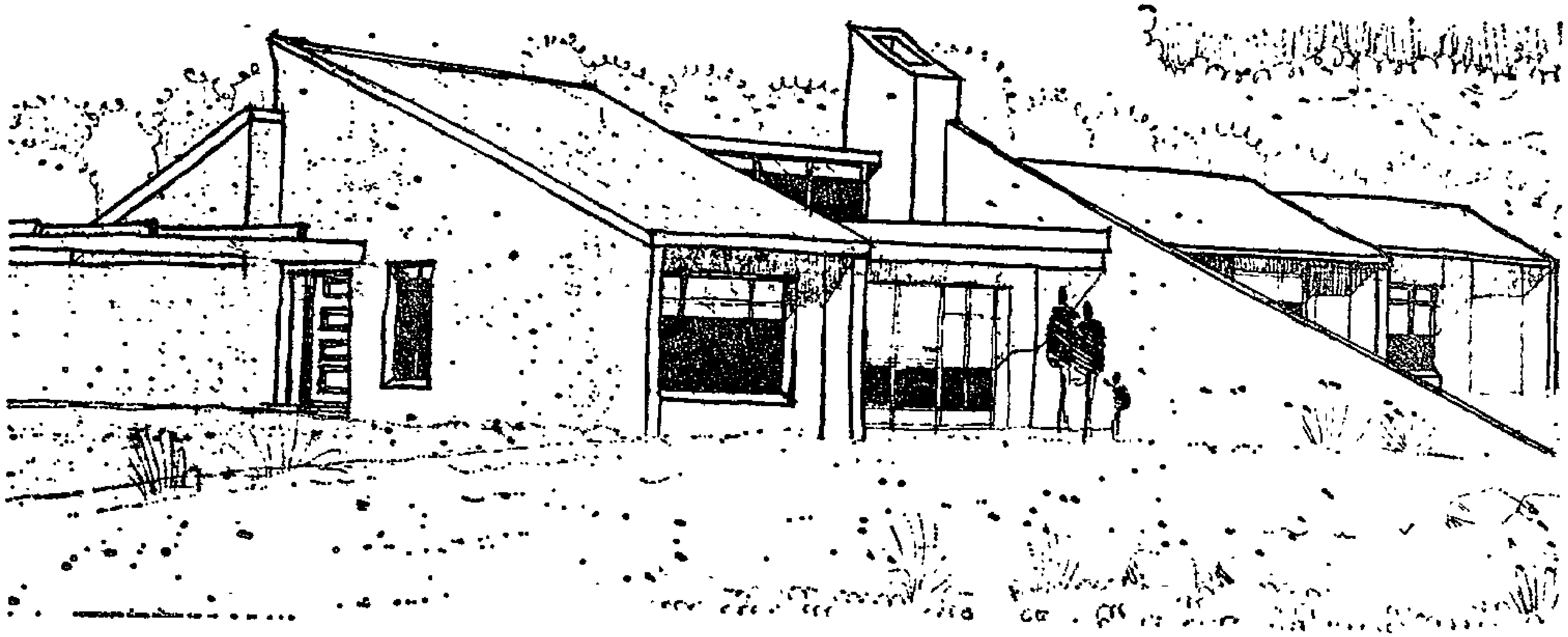
This is the feeling of Cape Town building society officials and estate agents who caution that housing money is still very tight.

"We're finding bonds are becoming more readily available," said the chairman of the Cape Town and Western branch of the Institute of Estate Agents, Mr Geoffrey Seef. He attributed much of the improvement to the entry of Barclays National Bank into the home loan market.

HOMES SCENE

FRANK JEANS

You might not be so badly off with a bank home loan after all



A perspective sketch of a typical Plan-a-home design presentation. The client sees clearly what his future home will look like.

58 Stws 16/10/82

Barclays Bank's R500 million entry into the home loans business is welcome in the residential property industry as a financial clout in the bond market backed up by quick approval.

It has the added advantage of having the wife's earnings taken into consideration.

The only snag for the borrower, it seems, in today's highly-priced residential property market, is Barclays' rates on interest on bond repayments, averaging 18 percent on a R35 500 bond.

On the other hand, a closer look at the situation indicates that the bank borrower in the long run might not be so badly off compared to the traditional source of home finance — the building societies.

In today's mortgage market a raising fee can be considered a norm carrying an interest rate of 12 to 14 percent.

Assuming a borrower pays a raising fee on a R60 000 bond, he is adding R7 200 to the balance and this amount, added to the building society 16,25 percent interest rate means that over an extended period he will, in effect, be paying 18,8 percent for the bond, compared to 19 percent at that particular bond level.

Moreover, another saving is obviously achieved by the fact that Barclays' interest-charges are on a daily balance compared to the monthly balance of the building societies.

Criticism levelled at Barclays in its new venture centres on the bank's decision to extend its lending to existing homes only, and that construction of new homes will not be considered.

The fact is, however, that again this point must be seen in clear perspective.

The bank already does big business with major home-building groups and the distinction must be between "newly built" homes and "new building" loans.

Understandably, while Barclays is now in the home-lending field, it is still without the expertise of the building societies in the "nitty gritty" situations of contract between builder and individual owner, nor can it be involved in dispute over plans and design and advice, all of which comes under the heading of new building loans.

Mr Mike Smythe, who heads the Barclays home loans division, says there is no question that the bank would not give loans on "completed dwellings just off the production line."

"Even in new building loans," says Mr Smythe, "when we are more into the homes business, and there is a need in this particular area, then we will certainly move in there too."

Even in a smaller way, in the individual home-building effort, Barclays still gives bond consideration.

Plan a Home, for instance, the Johannesburg home-design and advice consultancy has no problems in securing Barclays backing.

The company controls individual home building from scratch, "the middle man" in supervising design and contract tendering all the way through to the finished product.

It might be assumed that this situation would come under the "new building" freeze. The fact is, however, that the potential home-owner, as long as he meets Barclays' home-ownership requirements, is advanced an overdraft to allow the home to be built and when it is the property then comes into the mortgage situation.

Mr Rene de Langen, managing director of Plan a Home, says: "Barclays entry into home lending is to be applauded, and this extension of its service to our operations is a great innovation."

ganizer of the Black Sash, asked. "Has the Administration Board gone completely mad? Yesterday they razed the Crossroads market, last night they raided the Langa zones. What horrors

Japan probes loans to SA

ARGUS 19/10/82 (44) (58) (280)

TOKYO. — The finance ministry has begun an investigation of allegations that Japanese banks have made loans to South Africa.

The UN special committee on apartheid reported last week the involvement of seven Japanese banks and securities companies in loans totalling about 402-million dollars.

In New York the UN Centre Against Apartheid has claimed that South Africa had raised more than 2 000-million dollars from international banks since 1979.

The centre was reacting to a Press report that the South African Government was about to receive a 1 000-million dollar loan from the International Monetary Fund.

News of the proposed loan was greeted with anger here because the IMF is a UN agency and this year is ~~being~~ marked at the ~~UN as~~ "international year to mobilise sanctions against South Africa".

Nigeria's Yusuff Maitama-Sule, chairman of the UN anti-apartheid committee, issued a special statement demanding that the countries with the biggest influence within the IMF seriously reconsider making the loan.

At the same time the centre said an investigation into loans for South Africa had revealed that Western bank and financial institutions has provided 2 756-million dollars to South Africa since the beginning of 1979 to mid-1982.

This money had gone directly to the South African Government, or South African private companies.

The centre's report said the bulk of the loans had come from Britain, West Germany, the United States and Switzerland. — Argus Bureau and Sapa-Reuter.

Star 19/10/82

IDC creates 300 000 jobs in 40 years

By Pieter de Vos

Apart from its direct financial contribution to the growth of the economy, the Industrial Development Corporation has created 300 000 new employment opportunities in South African industry (20 percent of the total) in the 42 years from 1940, says the chairman, Mr A J van den Berg, in his annual review to June 30.

In the past year, the IDC further expanded its assistance to South African industry, but the impact of the economic downturn had already become apparent.

The IDC disbursed R385 million for the financing of indusrial undertakings in the private sector, which represents a rise of 61.76 percent on the R238 million in the previous year.

Total advances of R509 million were 24.15 percent higher than the R410 million in the previous year, despite the fact that no further capital was chanelled through the IDC to finance Sasol 2 and 3

As R100 million was advanced towards Sasol 2 and 3 in the previous financial year, the 1982 advances excluding Sasol development were higher by 64,19 percent.

Total financing of private sector industrial undertakings, reflected at cost in the balance sheet, rose by 16.82 percent from R1 677 million the year before to R1 959 million at June 30 this year

Total assets increased from R2 007 million to R2 137 million. In the past year, the advances of R509 million were applied to finance general industrial undertakings with R233 million, decentralised industries with R152 million and export of capital goods with R124 million

However, following the economic cycle, new facilities approved fell by 63,71 percent from the previous year's record level of R645 million to R394 million.

The decline was mainly in the financing of industrial undertakings in the metropolitan areas, Mr van den Berg noted.

In this area of business, authorisations slumped by 45.48 percent from R310 million to R169 million. The decline is exaggerated by completion of the financing of Sasol development.

Decentralisation continues to feature prominently in IDC Activities Increases were recorded in industrial and housing facilities for businesses qualifying, or decentralisation incentives

Full details of the Government's decentralisation package had not yet been finalised, but it was clear that the incentives were much improved and that the demand for finance in these areas would increase, Mr van den Berg said.

Demand for new facilities to export capital goods also remained at a high level despite the international downturn, he noted.

It is hoped that a programme of factory establishment will add impetus to the decentralisation effort.

Individually, major investments made good progress.

- ADE commenced trading early in the past year. The technical performance is exceptionally good, but actual off-take of engines was well below budget.
- Alusaf improved results, but dividends were limited to conserve financial resources for current expansion.
- Sapekoe tea and coffee estates aim at employment of 10 000 to 13 000 people when development is completed.
- SA Micro Electronic Systems showed disappointing sales, but progress is regarded as satisfactory as micro-electronics is a heavily subsidised industry elsewhere in the world.
- Dividend income from its minority interests "will at best stagnate this year" after satisfactory growth last year.

RDM 19/10/82

IDC lends R509m

(53)

Financial Reporter

THE Industrial Development Corporation advanced R509-million for the financing of industrial operations in the year to June 30, 1982, according to the annual report

It says this was almost R100-million more than in the previous year.

The IDC says demand for new facilities from it from the private sector was down, however, to R394-million last year against R645-million in 1980-81 mming unwanted embarrassment that has put mother

Banks may charge for credit cards

152

hom 19/10/82

By PAT SIDLEY

SOUTH African credit card operators hope to be able to introduce a charge to customers for the use of the cards

At present they are unable to because of regulations which peg the amount of interest that can be charged in a credit transaction

Yesterday Mr Dennis Matfield, a Standard Bank general manager, said his bank was "closely examining the profitability of the cards".

He explained that most card-holders pay their debt on time and in full and therefore do not pay any interest.

The bank had to "subsidise" the amount owed until it was paid — about 45 days — and this reduced profitability.

Mr Matfield was addressing a Mastercard conference which was also addressed by Mastercard International's president, Mr Russell Hogg

Describing the US experience, Mr Hogg said charging for credit cards made banking more profitable

Charges ranged between $9 and $15 (about R10-R17) a year.

If the one-million credit card holders in South Africa were charged about R12 a year for the use of their cards, the operating banks would gain R12-million a year more

Mr Hogg said the US had changed its interest laws so that more interest could be charged on cards. Usury laws in about 80% of the states had been changed.

Mr Hogg said when Mastercard had tried to charge interest from the time the bill was posted (thereby earning interest for the 45-day "free period") consumers had reacted particularly badly

He said the debit card — which automatically debits the customer's account — was the future payment mechanism and its use would outstrip that of credit cards

Both he and Mr Matfield expressed concern at the sharp increase in the incidence of credit card crime

Mr Matfield said the main crime in South Africa was fraud using stolen cards, but he declined to put a figure on the extent of the crime. Counterfeiting cards was not yet a problem in South Africa

The counterfeiting of credit cards using silk-screening process is on the increase in the US.

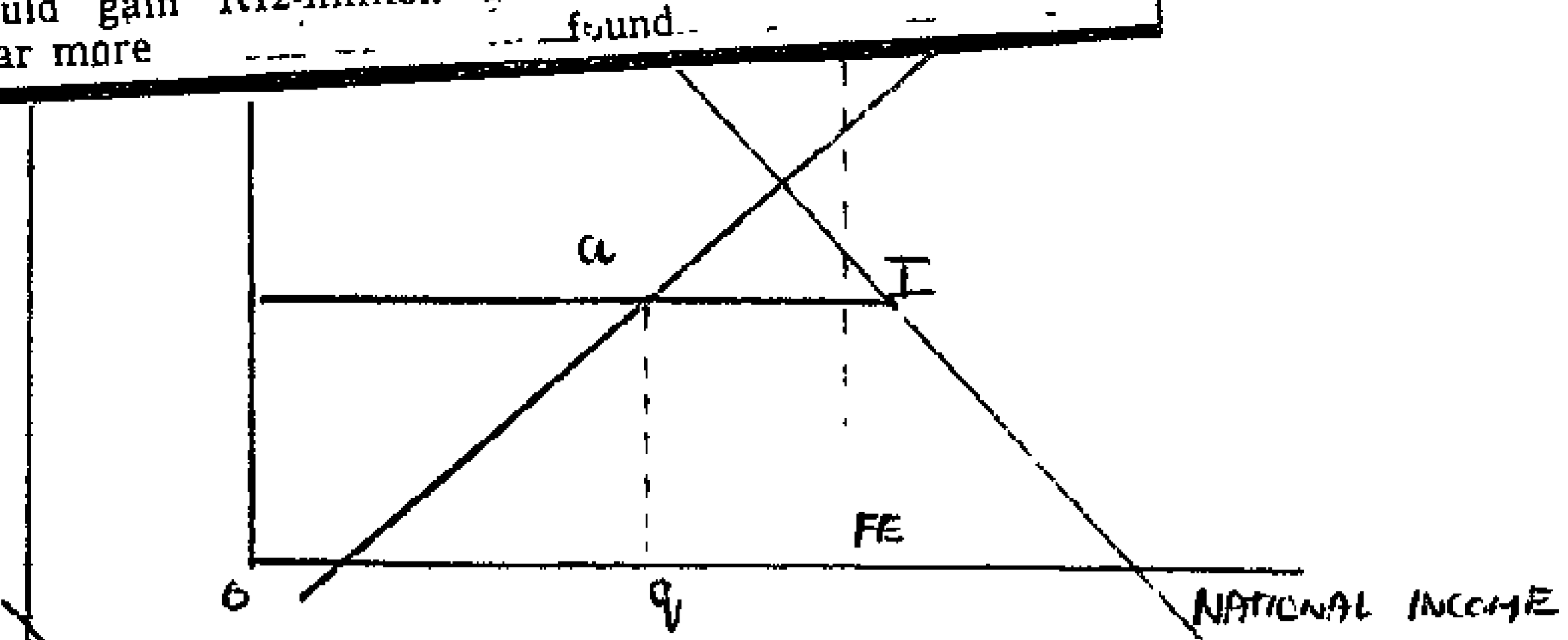
Mr Hogg said large batches of cards could be produced and appeared on the streets along with forged identity documents. The "package" would be sold for about R200. Recently a batch of 168 000 forged cards was found.

f equilibrium, actual (ex post) saving and actual always be equal"

um only because planned (ex ante) saving and nt are unequal."

ontradicting in any way. The important difference c-post concepts. As is shown ex-ante is the what actually happens. If statements had only nent without these concepts they would d incorrect.

equal actual investment.



FE = full-employment line. Is the level of national income is all resources are fully used in most efficient way.

We can see that the investment

from

Sanlam spells out its policy on capital

58 S. Times 21/11/82

WITH billions at stake, SA's hard-pressed long-term capital needs are forcing institutions to be far more innovative in their search for investment opportunities outside traditional markets.

In explaining the implications to Business Times this weekend, Marinus Daling, general manager of Sanlam, openly suggested answers (see also story below) to many questions which caused such an uproar in Sanlam's battle with Rembrandt over Gencor.

By Stephen Orpen

The sums at stake remain as they were then — enormous. Figures like R20 000-million have been bandied about.

It may be argued that such total asset sums are only distantly linked to the personal Sanlam-Rembrandt fight in which luckless Dr Wim de Villiers, then head of Gencor, was the apparent centre of controversy — and the ultimate victim.

Yet another participant who is today arguably No 1 in the "Afrikaans" business power structure recently told me himself: "It was not just a fight over the degree of control we should have over Gencor, a very large investment for us even by our standards.

"Nor was it merely a question of who supported Dr De Villiers and who didn't.

"With the entry of Rembrandt into the fray, it became, frankly, an unspoken thrust for control of the companies.

"I realised that, with R500-million to work with, Rembrandt enjoyed at least a theoretical chance of acquiring the necessary stake, for only about R450-million, that could take Gencor out of our firm control.

"We were, in a word, vulnerable. That classic situation had to be changed. . . ."

Meanwhile, Mr Daling added his voice to the clamour for new long-term investment ideas this weekend in his review of Sanlam's investment achievements in the past year.

In the financial year ended September 30 1982, Sanlam's investment income rose by 43% to R420-million, bringing the return on average assets at book value to 13,4%, as against 11,8% last year.

Total assets increased by R857-million to R3 930-million.

"Superficially it would seem there is a lack of investment scope in South Africa for the multi-billion cash flows of institutions."

But the fact that the country is currently experiencing deficits on the current account and the balance of payments indicates that the total domestic demand for capital exceeds total domestic saving, Mr Daling told Business Times.

"The downswing in the economy could result in a temporary easing of the pressure on the capital market. But longer term there can be no doubt that this country faces enormous capital needs.

"Opportunities will not necessarily present themselves in the traditional markets."

Need to move outside the traditional marketplace

"SANLAM has for some time been actively identifying and using investment opportunities outside the traditional markets," says the company's general manager, Marinus Daling.

"Property development is an example.

"As there are practically no suitable completed property developments in which to invest, we are presently engaged in developing projects valued at no less than R240-million.

"In share investments, too, we have had to move outside the stock exchange to secure sufficient opportunities.

"Thus, in recent years we have acquired a variety of minority interests in the local business of foreign companies.

"For example, in February year we obtained a 25% interest in the local business of GKN.

"Other interests acquired have been 26% in Plessey, 25% in United Transport and about 19% in Firestone."

These companies are mostly unlisted — which fits in with Sanlam's character as a long-term investor.

In most cases agreements have been signed with controlling shareholders, setting out the rights of the various shareholders as well as any restrictions to which they are subject.

Management remains explicitly in the hands of the controlling shareholder.

"Sanlam is in most cases entitled to appoint one or more directors to the boards of directors of such companies, but the task of the board is in the main the formulation of the general direction in which the relevant company should develop.

"In this way we are kept informed most effectively, although we have not the slightest intention of interfering in the operational management of the relevant companies.

"By taking up minority interests in the local subsidiaries of foreign companies, Sanlam has ensured that overseas technology and expertise remain at South Africa's disposal.

Mr Daling says that Sanlam views the relationships with associates as an ideal combination of its own capital and the management of the associated companies.

"We thus initiate viable projects to the advantage of Sanlam's policyholders, the shareholders concerned and South Africa.

"Any steps taken by Sanlam to protect its position of control in its associated companies should be seen against this background.

"We are not only protecting our policyholders' existing interest, but also those relationships which are of great importance to the policyholders from the point of view of future investment opportunities."

Sanlam's total assets of R3 930-million have been invested more or less as follows:

	1982 Rm	1981 Rm	%
Government stocks	765	533	+44
Stocks of public institutions and local authorities	766	504	+52
Shares	711	506	+41
Property	673	473	+42
Cash and deposits	307	374	-18
Sundry investments, including policy loans and mortgage bonds	396	438	-10
Current and other assets	312	245	+27

The larger portion of the increase in Sanlam's assets of R857-million — namely, R494-million — has been invested in long-term stock of the public sector during the past year.

Sanlam has furthermore increased its share investment by R205-million and its property investment by R200 million.

Share investments:

	Rm
Gencor	11,1
Barlows	8,4
C G Smith	12,1
FVB	8,8
SA Brews (via Edcon)	15,8
Sasol	9,0
GKN	10,5
Sanland	12,5
De Beers/Anamint	8,7
Federale Mynbou	6,0

(58) Rkam 22/12/82

Volkskas goes international

By NEIL BEHRMANN

LONDON. — Only four years after the De Kock Commission liberalised the foreign exchange market and exchange controls, South African banks are seeking to generate international business.

Volkskas launched its London subsidiary, Volkskas International, last week.

Nedbank, which has been established in London for 76 years, has expanded its foreign exchange and international banking business in the past three years.

The new general manager of Nedbank's London division, is Mr Yale Fisher, who headed its international treasury in Johannesburg.

Both banks are extending their operations in difficult times. World banking activity has been shrinking in the face of the deepest international depression since the Thirties.

Most of the SA business will be based on Southern African international trade and borrowings. But the South African economy is sliding and the banks will be competing with the international network of Barclays and Standard. Hill Samuel, long established in London, is no mean competitor either.

The chief executive officer of Volkskas International, Mr Bill Pienaar does not have any illusions about the challenge.

The London subsidiary will start "in a small way, representing both our commercial bank and merchant bank", he says.

Volkskas also wants to establish independent business in London, but the international operation is a "long-term venture".

Volkskas International plans to win South African business from clients which have been dealing through other banks. Its services will include current and deposit facilities for corporate and private clients, foreign trade financing, managing and participation in loan syndications and foreign exchange services.

"We intend being mainly wholesale bankers," says Mr Pienaar.

The foreign exchange dealing team is small in terms of London standards. It is headed by Mr Herman Roux.

A retail outlet servicing current and deposit accounts will operate from the bank's offices in Gracechurch Street.

London bankers say Volkskas International's expansion could be restricted because it is a subsidiary of a foreign bank. A licensed deposit taker, under UK regulations, can carry out all services of a recognised bank But it may not call itself a bank or use the word bank anywhere in its title.

For a "reasonable period", it must enjoy a high reputation and standing in the UK financial community. It will thereofre take time before the Bank of England allows Volkskas to become a recognised bank.

The City of London establishment must approve of Volkskas if it is to grow rapidly.

Nedbank is a recognised bank and is a part of the City establishment. Mr Fisher's brief covers Europe and the United States. Nedbank has opened a branch in New York and is looking at the Far East.

Mr Fisher says that the volume of business in the commercial rand has grown considerably and the bank is making its mark in this market. The bank's foreign exchange operation is growing rapidly. Besides trading on the Euromarkets it intends dealing on the US money and capital markets.

An independent foreign exchange manager says Nedbank has become a "heavy trader and an active force" in the London foreign exchange market.

Barclays and Standard, however, have large teams backed by economic departments to serve their clients.

Mr Fisher says Nedbank trades extensively on the financial futures markets in both London and Chicago.

It is involved in commodities futures trading and acts for and advises clients on hedging techniques. Nedbank will try to get a larger share of the syndicated lending market, but most of the issues or credits will be for South African borrowers.

Bank lends R3-m a day to home buyers

Star 22/10/82

58

By Frank Jeans

Barclays National Bank has lent more than R3 million every working day since it entered the home-finance market.

The total value of loans has reached R125 million, funding 3 419 bonds, with the Western Cape the top borrower with R18,8 million and Johannesburg Central in fifth place (R11,2 million).

The average bond granted is R36 000.

"This confirms that the vast majority of our loans apply to middle - range housing," a Barclays spokesman said. "We believe this dispels speculation that our home loans will appeal only to the upper market buyer."

● See Page 21.

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ca's 'other government'

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ı being the
Breier reports.

ᵉducational ı the fund ırt for the non-racial ıs St Bar- ·. a private ıool in Jo-

last year R3,5 mil- ı R1,6 mil- ırom the Fund., the coloured, ınd Indian ıts out to from less ıckgrounds the best possible education.

The fund has met the building costs of two agricultural high schools for blacks in Ciskei and Lebowa. It has also financed new science buildings at the University of Swaziland at a cost of R500 000, as well as financing research projects at various other universities.

The Chairman's Fund also helps finance the United States-South Africa Leadership Exchange Programme (Ussalep) which aims to promote international dialogue and understanding.

It also supports the other end of the spectrum by aiding community projects for coloured people on the Cape Flats.

Optima describes these people as the victims of the "legislated destruction" of District Six which was wiped out by the Group Areas Act.

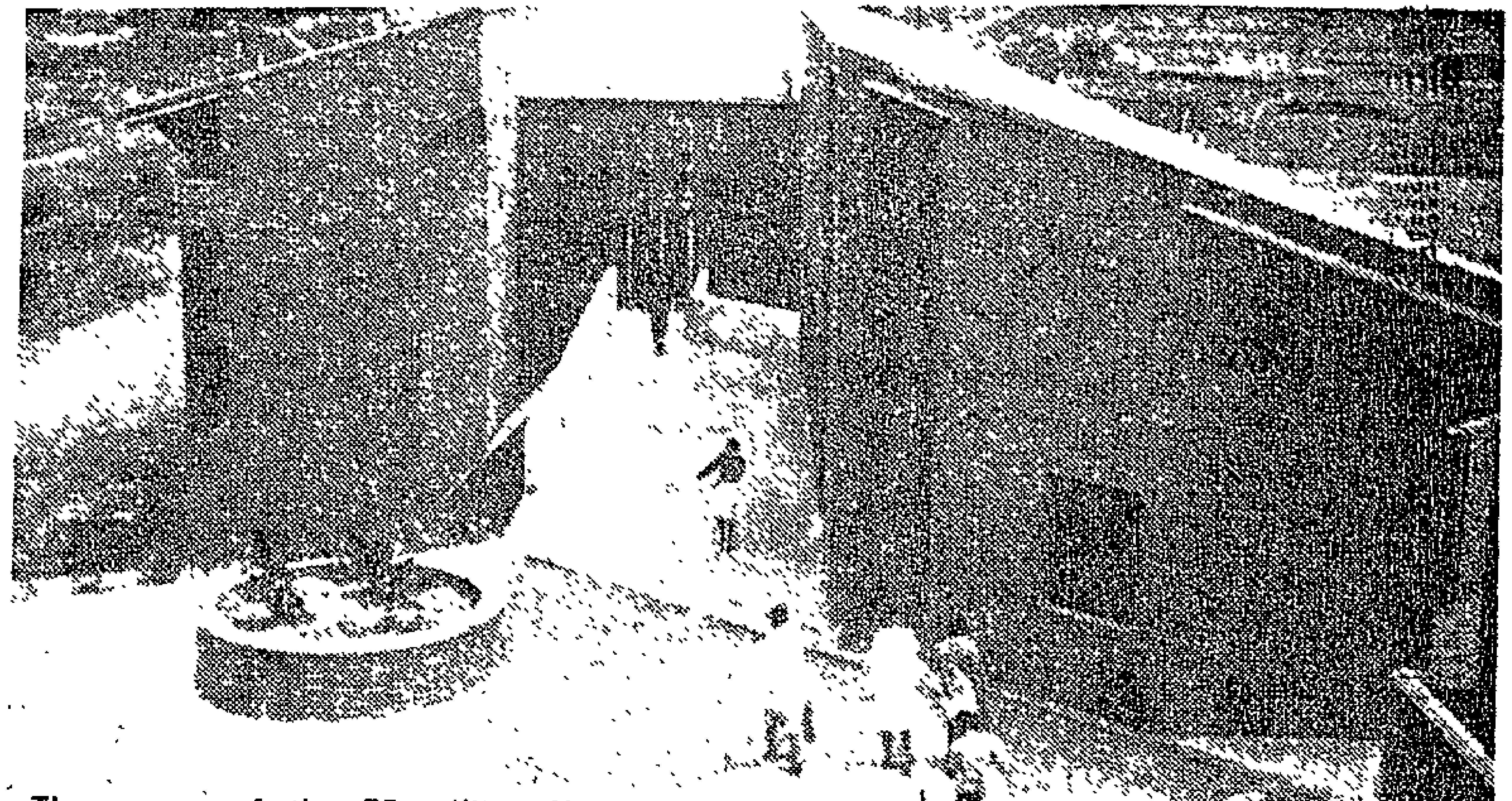
The Act also banished coloured people from Cape Town's middle-class southern suburbs to the windswept flats.

The fund helps the Western Cape Foundation for Community Work which the poet Adam Small helped create.

It aids the Foundation for Social Development in the Cape Flats township of Bishop Lavis and the Build a Better Society group, as well as a variety of South African charities.

The fund's chairman, Mr Michael O'Dowd, believes in a flexible handling of all these projects.

"You don't always get what you set out to achieve in the form initially proposed. But if what you want is sensible, and you are flexible, you can almost always come up with a worthwhile result," he said.



The campus of the R7 million Manosuthu Technikon in kwaZulu, largely financed by the Chairman's Fund.

South Africa's

Some people believe South Africa has two governments — one run from the Union Buildings in Pretoria and the other from 44 Main Street, Johannesburg, the headquarters of Anglo American and De Beers.

A fund set up by two major mining groups spends up to R15 million a year on community projects, black education being the main beneficiary. David Breier reports.

Both governments have education, research, cultural, social development and charity programmes.

The one in Main Street spends up to R15 million a year of company profits on its scheme, known as the Anglo American and De Beers Chairman's Fund.

And the government of Main Street believes it can exercise more flair and imagination in the way it spends money on community projects than can the bureaucratic and ideologically hidebound government in Pretoria.

In fact, if Main Street did not spend millions on its Chairman's Fund, much of this money would be siphoned to Pretoria bureaucrats by way of taxation.

The Chairman's Fund Committee believes that rather than pay more tax to the central government it should exercise its own resources of money and imagination, especially on education projects.

A supplement to the prestige Anglo publication Optima makes it quite clear that Main Street has less than a high regard for the Government with its multiplicity of education departments.

In a speech at an international management symposium in St Gallen, Switzerland, this year, Anglo American's chairman-designate, Mr Gavin Relly, said the importance of corporate giving stemmed from a recognition of the inevitable limitations on State activity.

The social services of the State carried the hallmarks and shortcomings of bureaucracy, rigidity, slowness, uniformity and insensitivity, he said.

"Above all the state system is unlikely to inspire, let alone act upon, the imaginative

without profits it could not pay good wages and offer satisfying opportunities to its employees.

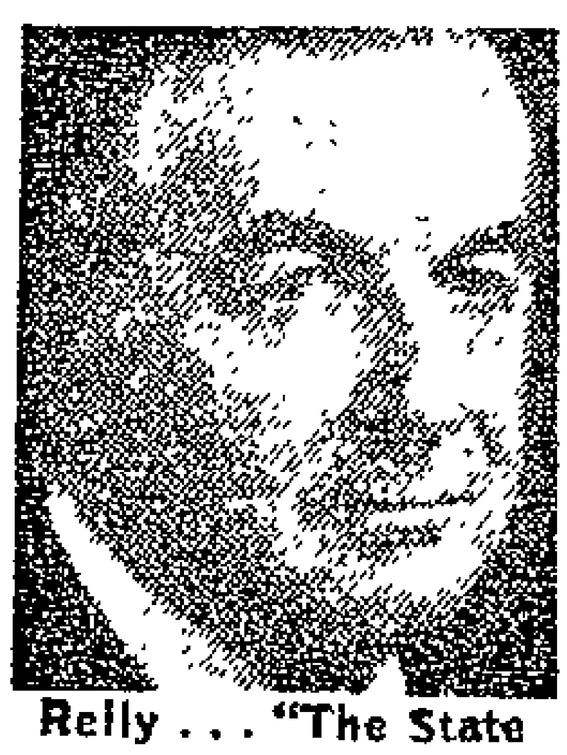
And unlike the Government, which tightens its belt during recession when community projects are most needed, the Chairman's Fund uses money left over from good years to tide the fund over the bad years.

The Optima supplement concludes there is a growing realisation that the health of South Africa's society is too dangerously delicate to be left entirely in the "indelicate, however well-intentioned, ministrations of its Government."

The fund traces its origins to the late 19th century when Cecil John Rhodes was carving his own empire.

Rhodes, the founder of De Beers, began contributions to causes that offered no direct benefit for the company but were seen as socially valuable.

Soon after its creation in 1917, Anglo



Relly ... "The State does not inspire."

American founded its own fund for this purpose.

But these funds merely reacted to requests for money without playing an active role.

The two funds were merged in 1973 when Main Street realised the South African Government was gradually easing its former tight grip on the reins of social development.

The fund is financed by a levy related to the profits of both Main

tural and social development and charity.

The fund's committee considers that shortcomings in black education strains South Africa's social fabric more than any other factor it retards economic growth, aggravates unemployment and makes fertile ground for social and political unrest.

Of the estimated 6.2 million illiterate adults in South Africa and its homelands, some 5,8 million are black

The fund supports many literacy projects and provides buildings and teaching aids for all levels of education

Major educational projects include:

- R13 million for the Isidingo Technical College due to open in Daveyton near Benoni next year.
- The Mangosuthu Technikon in Umlazi, kwaZulu, on the outskirts of Durban The fund provided R6.7 million towards the R7 million complex which was opened last year.
- Building 16 new classrooms and three new workshops for the Jabulani Technical High School in Soweto, South Africa's first urban technical high school for blacks. These additions cost R500 000.
- The Soweto Teachers' Training College which cost R2.4 million and finally enabled black secondary school teachers to be trained on the Witwatersrand instead of in the homelands.
- A project in Bophuthatswana aimed at taking to matriculation standard those teachers who teach at secondary schools although only qualified to teach at primary school level.
- Bursaries for black, Indian and coloured graduate teachers to attend a one-year course at Rhodes University.
- The Schools English Language Research Project run by the Centre for Continuing

tion project.

One educational project which the fund sees as support for the ideal of a non-racial South Africa, is St Barnabas College, a private secondary school in Johannesburg.

Completed last year at a cost of R3.5 million of which R1.6 million came from the Chairman's Fund, the school has coloured, white, black and Indian pupils and sets out to give pupils from less affluent backgrounds the best possible education.

The fund has met the building costs of two agricultural high schools for blacks in Ciskei and Lebowa. It has also financed new science buildings at the University of Swaziland at a cost of R500 000, as well as financing research projects at various other universities.

The Chairman's Fund also helps finance the United States-South Africa

American's chairman-designate, Mr Gavin Relly, said the importance of corporate giving stemmed from a recognition of the inevitable limitations on State activity.

The social services of the State carried the hallmarks and shortcomings of bureaucracy, rigidity, slowness, uniformity and insensitivity, he said.

"Above all, the state system is unlikely to inspire, let alone act upon, the imaginative, 'way-out' means of tackling a social problem that a private organisation could conceive of and carry through," he added.

But Mr Relly left no doubt that company profits came first, for American founded its own fund for this purpose.

But these funds merely reacted to requests for money without playing an active role.

The two funds were merged in 1973 when Main Street realised the South African Government was gradually easing its former tight grip on the reins of social development.

The fund is financed by a levy related to the profits of both Main Street groups. Last year this amounted to R17 million for the fund, not all of which is spent in one year.

More money goes into education than into any other field, including research, cul-

phuthatswana aimed at taking to matriculation standard those teachers who teach at secondary schools although only qualified to teach at primary school level.

- Bursaries for black, Indian and coloured graduate teachers to attend a one-year course at Rhodes University.
- The Schools English Language Research Project run by the Centre for Continuing Education at the University of the Witwatersrand. This aims to improve the ability of Soweto teachers to teach the school curriculum through the medium of English.
- A science educa-

Uncertain mood in Poland

Star 28/10/82

The more you discover about this nation the more confused you become, says Amit Roy of the Daily Mail, London.

WARSAW — The cartoon is savage. It shows a bushy-eyed Brezhnev leading a dog with the face of General Jaruzelski, the Polish leader. "Get them, get them," says the Soviet leader, as he lets loose his faithful hound on a crowd clutching Solidarity banners.

People of all ages gather to study the cartoon, placed by the side of a floral cross in front of a church in the centre of Warsaw.

A young couple suddenly appear and lay a long poster across the floral cross: "The war declared on the Polish nation by a group of soldiers has already lasted 10 months. From November 10 the passive resistance ends."

Some people in the crowd offer lit candles before portraits of Lech Walesa, the interned Solidarity leader.

What is distinctly odd is that all this is occurring in daylight, almost opposite a large police station.

If the authorities so wished, all these Solidarity sympathisers could be rounded up in one swoop. But Poland is not like that. It is truly extraordinary. The more you discover about Poland the more confused you become.

Of course, there are the usual facts which are trotted out to explain why Poland is a paradox.

The Catholic Church has immense influence in a nation where at least threequarters of the 36 million population are said to be believers.

Threequarters of farming is in private hands although, because of lack of investment over many years, it is scarcely a showcase for private enterprise.

But the paradox of Poland is to be found in the personality of the Pole: individualistic, hardly ever afraid to speak his mind, and passionately seeking a freedom he would be hard put to define.

As winter sets in and the country moves towards the first anniversary of martial law, on December 13, the mood is uncertain.

Solidarity has been banned, and the underground leadership has called a strike for November 10, further stoppages in early December and a full-scale general strike early next year.

A visitor is utterly bewildered by what he finds in what is, after all, a communist country.

For example, it is difficult to move about the lobby of the top hotels in the evening without being accosted by young prostitutes.

But ask a Pole and he smiles indulgently: "Another example of private enterprise."

The taxi drivers are forever offering to take you to night clubs or change your dollars at a favourable rate.

After 10 months of martial law, many of the restrictions have been removed.

The casual visitor, like myself, can be easily impressed with the superficial appearance of normality.

But a Third World diplomat just transferred from Moscow to Warsaw said: "It took me eight months to get my first anti-establishment joke out of a Soviet official. Here, in my first meeting with a foreign ministry official, he told me five good jokes against the government."

Humour, particularly the ability to laugh at oneself, has perhaps allowed the Poles to sublimate some of their recent suffering.

You sense that ordinary Poles long for something they cannot quite explain. You sense it in the mournful voices of men and women of all ages singing hymns by the floral cross not far from my hotel. They know they are trapped by both history and geography.

I shall always remember the words of the priest in Krakow: "We are alone."

Housing: combined effort vital

58

Star 27/10/82

There should be wider acceptance of alternative building systems which do not sacrifice quality, says Boet Viljoen.

At an annual growth rate of five percent the economy can be expected to double over the next 15 years. Unless the authorities can succeed in reducing the inflation rate to single figures, the cost of housing will continue to escalate.

These facts, coupled with the increased demand for housing resulting from the population explosion and bearing in mind the considerable backlogs which have to be made up, make it certain that the demand for home loan finance will be enormous.

Building societies will certainly not be able to satisfy this demand even if they are free to compete in the open market for funds and have absolute flexibility in the setting of the bond rate. Such freedom would not satisfy the demand for housing — it would merely reduce the demand for loans.

In other words, if building societies were to increase rates to attract funds and if they increased their bond rates still further to enable them to do this, the demand for building society finance would diminish and perhaps equate with the increased inflow.

It would not solve the problem of an increasing group of people who would not be able to afford the high rate which building societies would have to charge but who nevertheless require housing.

Other sources of mortgage finance could be:

● Commercial banks, one of which has already entered the home loan market. However, they would only be interested in this type of lending if the rates were attractive enough. This was proved in Britain where the commercial banks concentrated on the upper end of the market and in fact secured, at the peak, some 40 percent of the total home loan market.

However, once rates dropped they were conspicuous by their absence in the market and building societies found themselves having to satisfy an increasing percentage of the total demand.

I do not see that commercial banks will be an ongoing force as suppliers of home loan finance as they are bound to be less active in this market once returns on funds so employed do not meet required levels.

● The employer. Naturally companies do not wish to tie up large amounts of their capital in loans to employees but to retain staff they may be forced to, in which case it could well be that the authorities will have to look at some form of tax inducement to encourage them to play their part.

The mobilisation of funds for housing either through building

Viljoen . . . "Educate the public."

societies or through the Government's Housing Fund should be thoroughly motivated. It would seem that pension funds and life assurance companies could contribute to a considerable degree through funds invested at market-related rates.

Personal savings should be stimulated through tax incentives. Largely as a result of the high inflation rate, South Africa has become a nation of spenders rather than savers and it is precisely this which fuels inflation. People are not only saving less but they are also withdrawing the money which they have accumulated in the past.

An adequate supply of serviced erven for all race groups and the speed at which township development can be achieved are vital if prices are to be contained.

Building societies and local authorities are continually reviewing building regulations and their minimum requirements, but it is my view that new developments and products take a long time to gain acceptance. As an example I quote the use of plastic conduiting for electric wiring which has been on the market for many years and only recently gained acceptance by local authorities.

Alternative building systems abound in the market place, yet many of these do not achieve what they claim — for example, substantial reduction in cost. Where this is in fact achieved without loss of quality standards, the suppliers of these systems find a lack of acceptance owing to conservatism on the part of the public, local authorities and the suppliers of home loan finance.

The process of educating the public should be accelerated to achieve cost savings as well as wider acceptance of more modern building methods.

Finally, it is of prime importance that the Government continues its policy of discussion with and involvement of private enterprise. The authorities, local authorities and private enterprise must work together in solving the housing problems of our country.

● *Boet Viljoen is managing director of the SA Permanent Building Society, and chairman of the Viljoen Committee which examined the Soweto housing backlog. This extract is from an article in the publication Leadership SA.*

Krem

With its new approach to China firmly established, Russia is turning its attention to other foreign policy areas with Africa in the forefront.

Africa has not usually been a high priority for Moscow, which has tended to concentrate on relations with the West, the Middle East and Asia. This month, however, President Brezhnev used the occasion of a dinner in the Kremlin for Colonel Haile Mariam Mengistu, the Ethiopian leader, to launch a wide-ranging attack on Western exploitation and "encirclement" of Africa.

Now Krasnaya Zvezda (Red Star), the

Science

Penguins in the depths

Whether surrounded by scrap metal dealers, military men or scientists, king penguin chicks on South Georgia Island in the Antarctic need to be fed.

The strenuous life of

metres. Each penguin made many dives of more than 100 metres, and two of them once reached about 250 metres, a depth equalled among birds by only the emperor penguin.

With the help of three more penguins ...

71-1

Anglo-De Beers drama under fire in London

C/A/k. Time 29/10/82 (58)

By NEIL BEHRMANN

LONDON. — The Financial Times Lex column yesterday commented scathingly on Anglo American's closed door announcement of its purchase of 10-million De Beers shares.

"As South African companies, neither De Beers nor Anglo is strictly bound by the disclosure procedures which govern their British counterparts.

"But the revelation of price-sensitive information which left the shares 36 pence lower at 287 pence on Wednesday, to a small group of shareholders by the company's stockbroker, is hardly in the spirit of the stock exchange listing agreement.

"The announcement was admittedly made after hours in London but no formal statement was issued through the stock exchange until Wednesday afternoon and, in the case of a stock traded in several markets, niceties of timing became less material.

"The London Stock Exchange quotations committee will presumably wish to take the matter up informally with those concerned. It should find the relevant telephone numbers in a file marked "Dawn raid — Consolidated Gold Fields."

Rules of the London Council for the Securities Industry state:

"Following an acquisition of shares, or rights over shares, a person shall notify that acquisition and his total holding to the company and to the company announcements office of the quotations of the (London) stock exchange not later than 12 noon on the dealing day following the date of acquisition if . . his holding of shares, or rights over shares, already relate to 15 percent or more of the voting rights, and as a result of the acquisition increases to, or beyond, any whole percentage figure above 15 percent of the voting rights of the company."

Since Anglo already had direct an indirect control of 31 percent, Mr Ogilvie Thompson's disclosure to institutional clients of Rowe & Pitman was, as the Financial Times states, "hardly in the spirit" of the London Stock Exchange listing agreement.

London broking sources say that the buying took place through R & R Layton in London, Ernst & Co in New York and Davis Borkum Hare in Johannesburg.

The sources say however, that Anglo American is in the last stages of completing the deal and by this week will have bought about 11-million shares.

One broker also said that the market had itself to blame because it was bidding the price up on sometimes "ridiculous rumours."

But they contend that Johannesburg should tighten its own regulations to enforce open declarations of market-sensitive information.

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

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NOTE CAREFULLY

1. The answers only on the right hand pages will b marked. The left hand pages may be used f rough work, but no credit will be given for su work.
2. Enter at the top of each page and in column (1) the block on this cover the number of the questi you are answering.
3. Blue or black ink must be used for written answers. The use of a ball point pen is acceptable. Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used.
4. Names must be printed on each separate sheet (e.g. graph paper) where sheets additional to examination book(s) are used.

s, pieces of paper or other material into the examination room unless o instructed.

not to communicate with other ith any person except the invigilator.

iswer book is to be torn out.

4. All answer books must be handed to the commissioner or to an invigilator before leaving the examination.

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

EDSON 15255

Building societies beat banks

RDM 30/11/82

By HAROLD FRIDJHON

THE banks appear to be losing out to the building societies in attracting the public's savings, according to figures contained in BA9, the official returns made by financial institutions for the quarter to September 30.

Market shares are compiled by Stanbic's Economic Research Division.

In September 1981 the banks held R4 379-million in savings accounts. This dropped to R4 188-million last September.

In contrast, the building societies attracted R2 620-million in September 1981 and this figure rose to R2 900-million in September 1982.

Total savings, excluding those in the Post Office, showed minimal growth in the 12 months — R7 088-million at the end of September 1982 compared with R6 999-million a year befopre.

Standard Bank Group (Stanbic) had the biggest share of savings with the banks. At R1 310-million, it was 32% of the total. Stanbic gained at the expense of Nedbank which gave ground to Volkskas and Bankorp group. Barclays group had 31,1% of the market.

Barclays, although still the largest, has lost market share of cheque deposits. With 34,1% of the market, Barclays held deposits of R1 625-million, but a year previously with cheque deposits amounting to R1 697-million Barclays held 36,7% of the market.

Standard picked up from 30,4% of the market to 33,2%. Nedbank improved its position from 9,1% to 9,4%. Volkskas dropped from 17,9% to 15,7% and the Bankorp group improved from 5% to 6,7%.

The market as a whole showed little growth in cheque deposits in 12 months, growing from R4 629-million to R4 765-million — an increase of 2,9%. A year ago the overall growth rate was 10,6%.

For total deposits Barclays had 18,2% of the market — no increase over the year. Stanbic had 17,3% against 17,9% in September 1981, Nedbank improved from 9,3% to 10,8%, Volkskas dropped from 9,2% to to 8,7% and the Bankorp group improved from 9,6% to 10%.

Total deposits held by all the banks went up by 16,9% to R28 696-million, so that the banks had the largest share overall.

Advances have soared from R8 516-million to R11 127, an increase of 30%, but this does not mean that the banks have been lending more money to the business sector.

A large percentage of the increase came from the changed method of financing the Land Bank, the debt being transferred from the Reserve Bank to the commercial banks.

The biggest share of advances is held by the Barclays group, but the increase is minimal from 24,8% of the market a year ago to 25,4%. Stanbic's share dropped from 25,4% to 23,7%. Nedbank moved from 16,9% to 18,6%. Volkskas marked time and Bankorp group increased its market share from 11,5% to 12,7%.

Hire-purchase advances continued to increase, but at a slower rate. In the year to September 1982, they rose from R4 130-million to R6 001-million, 45,3% up. In the previous year HP advances went up by 58,1%. These figures include consumer credit and corporate borrowing.

Biggest share of the market is held by Barclays group with 38,4% compared with 27,3% in September 1981. It would seem that Barclays group has taken business from all its competitors.

The second biggest share is held by Bankorp with 23%, but this is a drop from 26,1% a year ago. Standard Bank with 18,7% lost ground

Star 30/10/82

A lease of business life

(58)

Leasing is a popular and imaginative method of financing the acquisition of equipment. In the first of two articles DAVID BRAUN reports on how businessmen can get the most out of it.

By David Braun

Leasing and hire purchase financing are the fastest growing areas of bank advances in South Africa. The compounded growth in leasing alone within the banking sector since 1975 is 32 percent a year.

Why has leasing become such a popular management tool so rapidly?

Mr J V Moore of Rand Merchant Bank, recently told a coiference of leasing, in Johannesburg, that the rapid growth of this form of financing could be ascribed to:

- Attractive return on investment.
- Big banks mobilising marketing muscle.
- Better pricing models.
- Development of increasing sophistication in financial management.
- Competition among financial institutions.
- Cost inflation of capital goods.

LEASE CHOICES

Mr Moore said that in the private sector alone about R25 000 million in project financing requirements was currently committed. Of this he estimated that about R2 000 million was already earmarked for lease financing.

Mr R P A Wood, general manager, project finance, of Trust Bank, said that when a business chose between leasing and borrowing it was taking a purely financial decision.

"It should really be deciding between leasing and buying."

There were several ways to finance the acquisition of capital equipment: retained earnings, new ordinary share capital, new preference share capital, debentures, bank lending or suspensive sale and leasing facilities.

DIFFERENT

Although leasing and suspensive sale financing were fundamentally different from each other in that the ownership of the asset was subject to completely different considerations, both methods of finance were equally important in a South African context.

"It should be noted that suspensive sale financing can be and has been used for the acquisition of plant and not only for financing consumer durables."

TAX QUESTION

In a suspensive sale agreement, ownership of the asset passed automatically to the buyer once the instalments had been paid in full. In a lease the lessee could never acquire ownership as a right during the course of the lease or at the end of the lease period.

The decision to lease was tax-oriented. The business would have available to it various taxation liabilities and allowances and it may be decided to employ these in a particular way which then impacted on its financing decision.

It was not only the allowances and the method of company tax, but also the tax rate that was important, and the timing of the consequent tax payments.

"Other reasons for choosing leasing could be that leasing taps other areas of the market. For example, there may be institutional funding involved in a leveraged lease. These sources of lease funding may be attracted because the finance is dedicated to a specific asset, usually with a security charge on that asset and consequently there is a preference to the lessor over the lender.

"Leasing does not draw upon the securities required by other financing because it creates its own security in the leased asset. In this way all other financing alternatives continue to remain open to a company and the company can therefore use the traditional financing alternatives alongside leasing."

Those are the advantages of leasing, but what are the snags?

BENEFITS

Mr Max Braun, a financial and management consultant who has lectured on leasing extensively in South Africa and Australia, says the true advantages of leasing are in knowing what the after-tax benefits are and in using the natural flexibility of leasing to suit your cash flow needs exactly.

"For the businessman the only way to evaluate a lease is to evaluate it in after-tax terms. It is meaningless to look at the advantages of a lease before tax."

He said there were several tax concessions which could make leasing attractive for financing plant and equipment used in the process of manufacturing.

CONCESSIONS

"Even if you are not in a position to take advantage of these special concessions you can sell them to the bank who then reflects them in the form of lower rentals," said Mr Braun.

He said the lessee could decide on several aspects which would determine the size of the rentals to be paid.

Apart from the final price of the equipment to be leased there was the question of insurance and sales tax, which could be either included or excluded.

INTEREST RATE

The rate of interest could be pegged or it could be linked to the prime overdraft rate, rising and falling with market forces.

Lease payments could be structured so that rentals started high and finished low or started low and ended high.

Residual value leases had become popular. People liked them because they kept rentals low where cash flow was important. In this type of lease the lessee repaid the portion of the capital amount of the equipment equal only to the depreciation of that equipment. The balance was paid at the end of the lease.

All leases should be open-ended so that if the lessee wanted to continue with the lease he should be able to do so.

"You can skip rentals or do anything you like, as long as you decide on what you want to do in advance."

Finally, said Mr Braun, lessees should shop around for a better rate of interest.

"All these aspects are potential pitfalls or, at least, wasted opportunities to make leasing really work."

Prime rate cut to 19%

RDM 30/10/82

58

By HOWARD PREECE

FOUR of the big banks are reducing their prime rate — the minimum overdraft rate charged to blue-chip borrowers — from 20% to 19% from Monday.

Nedbank, Standard, Volkskas and Trust all announced this decision yesterday.

Barclays National Bank said, however, that it had not yet decided whether to follow suit — but it is virtually certain to do so.

Among the points arising from the prime rate cut are:

● There will be no immediate reduction in the general range of overdraft rates which can run as high as 26%. But an overall lowering of rates is likely to filter through gradually.

● The threat of yet another rise in home loan mortgage rates has eased, but it would be premature to say that it is has passed.

● A crucial reason for the easing in interest rates is that the economy has moved towards recessionary conditions and the demand for credit, at onerous interest rates, is falling.

● The gold price still holds the key to the current situation. If it moves into a rising trend again this will put further downward pressure on interest rates because of additional money that will be washing around in the economy.

Should gold drop sharply, however, interest rates could move back up again.

● The Government is no longer scrambling for funds to pay for its own spending.

Long-term Government stock 12,5% 2003 fell below 12% in the capital market yesterday to 11,97%.

Considering that the rate was up to 14,75% in mid-July this means that handome profits — book and realised — have been made in gilts in the past three months.

The cut in prime rate patently has the blessing of the Reserve Bank.

Earlier this week the bank effectively gave R250-million help to the money market.

Technically that was to smooth operations and, and as National Accetpances put it, "curb erratic month end movements".

However, the central bank would not have taken that step without knowing that this would give another downward nudge to short-term interest rates and thus make probable the long-expected cut in prime rate.

In his address to the National Finance Corporation this week Dr Gerhard de Kock, the Governor of the Reserve Bank, said: "With one or two possible exceptions interest rates appear to have peaked and may well tend to decline in the weeks and months ahead.

"The Reserve Bank remains adamant that it will not undermine its own monetary policy by bringing about an artificial decline in interest rates through central bank credit creation.

"But if interest rates were to decline for the 'right' reasons, such as a decline in the demand for credit flowing from a further cooling down of the economy, the Reserve Bank would not prevent such a downward tendency, particularly now that interest rates in the United States and elsewhere have declined substantially."

That, broadly, is what the prime rate cut is all about.

It was signalled earlier yesterday by the 0,5% cut in the Treasury Bill rate to 15,44% and the further reduction in the discount houses three months bankers' acceptance rate from 16% to 15,75%

Bankers said last night, however, they expected that most or all overdraft rates would gradually fall by a similar amount to the cut in prime rate over the rest of the year, provided there was no change for the worse in the economy

Hire purchase rates will not be affected, however

Leading bankers expect that, subject inevitably to gold, prime rate will fall considerably in 1983

But the overall economic outlook for 1983 is grim, as was spelt out this week by Dr Gerhard de Kock, the Governor of the Reserve Bank.

He said in Pretoria: "To be realistic we must, therefore, expect a further reduction in production, an increase in unemployment and either lower rates of growth or further declines in real investment, consumption, sales, profits, salaries, wages and imports."

Boost for home owners

Banks to cut lending rates

Rdm 30/10/82

58

By HOWARD PREECE
Financial Editor

HOME owners and big business got a welcome boost last night — four of the major banks announced a cut in their prime minimum overdraft rate from 20% to 19% from Monday.

The reduction will slightly ease the painful cost of borrowing for blue-chip companies.

It also reflects a general downturn in interest rates — and that lessens, but does not yet remove, the threat of another increase in home loan mortgage rates.

The drop in rates arises from the two-way effect of the severe downturn now under way in the economy — which has caused a drop in the demand for credit — and the improvement in the gold price since mid-August

It does not remotely signal the start of a new economic surge

The four banks which have announced a cut in prime rate are Nedbank, Standard, Volkskas and Trust

Barclays National Bank has decided to take no immediate action, but it seems certain it will join the others in a day or so.

At this stage, however, there will be no reduction in the various overdraft rates paid by individuals and small and medium companies.

These can run as high as 26% on credit cards and loans under R2 000

The only bank customers who are charged the minimum prime rate are the large companies with reputedly impeccable financial standing

Bankers said last night, however they expected that

Few noticed the change

THE Soweto Council's rejection of a R77-million housing development plan could lose black housing up to R500-million

What went wrong?

Part of the reason is that Government's policy on urban black housing has changed radically — but few people have noticed.

● See Page 5

NGK on Beyers banning

Rdm 30/10/82

32

Mail Reporter

LEADING NGK theologians yesterday added their voices to the barrage of protest against the extended banning of Dr C F Beyers Naude.

Most said that they would not be surprised if the banning was linked to the heresy troubles the white NGK was experiencing.

They also said the church moderature should take up the matter with the Government and with the board that reviews all bannings

But the NGK's conservative assessor, Ds Tappies Möller, said from Cape Town "I don't think there is any connection between the church and the banning".

Some dominees felt the new ban may have flowed out of the Rightwing onslaught on the National Party

The Rightwing took full control of the church at the recent General Synod of the NGK

Yesterday Dr Naude's legal adviser Mr Raymond

INSIDE

Chiavelli in another storm

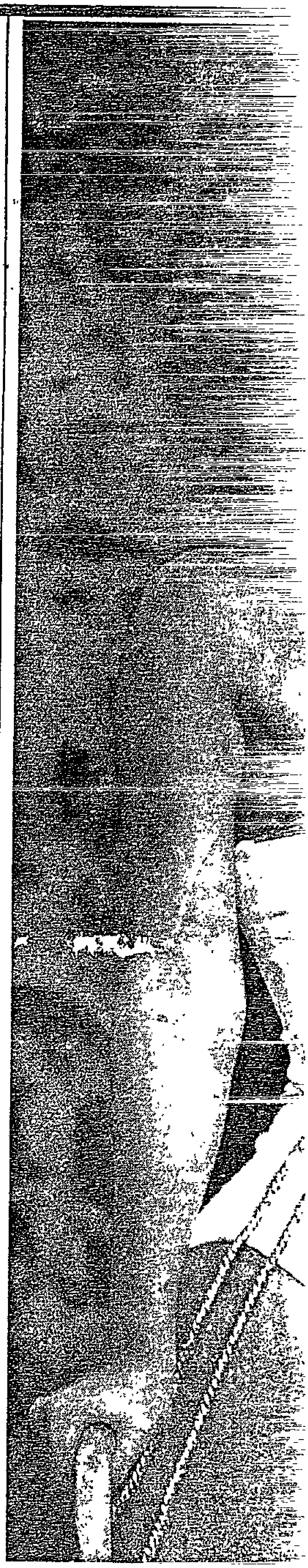
ANOTHER legal storm is brewing around Italian millionaire, Dr Marino Chiavelli — this time over the accommodation for 16 servants at his sumptuous Sandton home, Summer Place.

● Page 2

R6 300 Saturday Jackpot

● Page 2

NP support



Yvonne Cloete of Johannesburg su
October heat of the Miss J R con

Injured ch

S Times 7/11/82

Good home news from Barclays

● From Page 1

structures is smaller than is superficially apparent because the Barclays home-loan programme offers certain marked advantages.

Of primary importance is the fact that funds under the Barclays scheme are still freely available. The bank has thus far approved advances totalling more than R145-million.

And, comments Mr Aldworth, Barclays still has a wealth of funds available for this purpose.

The building societies, on the other hand, continue to labour under the burden of extreme illiquidity.

Because of the shortage of funds at the societies, the vast majority of borrowers are having to obtain matching finance, which means that over and above the official rate they are paying raising fees in the region of 12%.

Consequently, a R60 000 bond is costing an effective 18,8% over five years — marginally above the Barclays rate. A Barclays home loan requires no matching finance and hence no raising fees.

Additionally, a decision on a Barclays loan is obtained within 24 hours.

Barclays is now also assisting home owners with building loans by granting bridging bank finance to those who are building their houses.

Once the house is complete, the borrower then converts his finance to the home-loan scheme.

The criteria for granting bridging finance are, however, more stringent than those applied under the home-loan scheme.

Now the GOOD NEWS on bonds

58

S. Tribune 7/11/82

By DAVE McDERMOTT
Property Editor

INTEREST rates on all Barclays Bank home loans are to be cut by 0,5 percent from tomorrow — just two months after the bank introduced its mortage loan scheme in South Africa.

And more good news for borrowers could be just around the corner. Barclays Bank managing director Bob Aldworth says the reduction could be the forerunner of further cuts if short-term interest rates decline further.

The decision to reduce the rates comes despite a ruling by the bank at the end of August, when the scheme was introduced, that rates would be reviewed in September of each subsequent year.

Mr Aldworth said deposit rates had softened this week and the bank had decided to pass on the reduction to its bondholders. He believes the softening trend will continue and the bank's future policy on mortgage rates will be dictated by whatever happens to deposit rates.

"If deposit rates continue to come off we will give further reductions on the mortgage rate."

From tomorrow the rates applicable to home loans from the bank will be as follows:

- For amounts up to R20 000 — 16.5 percent (previously 17 percent):
- For amounts from R20 000 to R40 000 — 17,5 percent (previously 18 percent):
- For amounts above R40 000 — 18.5 percent (previously 19 percent).

At the new rates, Barclays says a home-owner with a R60 000 bond will pay about R25 a month less.

Building society rates presently range from 14.25 percent for loans up to R10 000 to a top rate of 16.25 percent for loans of R40 000 and upwards. Two of the smaller societies, the Standard and Eastern Province, are holding rates of one percent higher in all categories.

Mr Aldworth maintains the Barclays scheme was never intended to be competitive with the building societies as far as rates are concerned. But the bank loans offer certain advantages, including speed of processing (as little as 24 hours, the taking into account of both husband and wife's salaries without reservation and terms of up to 30 years.

"So far we have lent R145 million," says Mr Aldworth. "There is plenty of money available for home loans."

News of the reduction has been welcomed by the property market generally and by the managing director of the Natal Buildings Society, Mr John Bennett.

"Obviously any reduction is to be welcomed on behalf of prospective homeowners."

Estate agents believe it will be a bull factor for the property market and some say it may herald the beginning of an upturn.

See Page One of Tribune Property.

S Times 7/11/82

Barclays — good news

By John Spira .

BARCLAYS Bank has reduced the lending rate on its home-finance scheme, thereby placing intense pressure on the building societies to lower mortgage-bond costs across the board in the near future.

And, stresses managing director Bob Aldworth, Barclays will not hesitate to lower its lending rate again should short-term interest rates decline further.

When the bank launched its home-loan scheme at the end of August, it stated that rates would be reviewed in September of each subsequent year.

Mr Aldworth did, however, undertake to review rates in the interim should circumstances justify such a revision.

"We are now," he says, "living up to this undertaking."

With effect from tomorrow, the rate on Barclays' home loans will drop from:

- 17% to 16,5% for amounts up to R20 000.
- 18% to 17,5% for amounts from R20 001 to R40 000.
- 19% to 18,5% for amounts above R40 000.

Mr Aldworth sees the reduction as the commencement of a downward trend in rates, the implication being that, unless the building societies act soon to lower their mortgage rates, the Barclays pattern could equate with those of the societies before long.

Following the Barclays rate reduction, a home owner with a R60 000 bond will be paying R25 a month less than formerly.

The top rate currently being charged by the societies is 16,25% — against the new, lower, Barclays figure of 18,5%.

In practice, however, the gap between the two rate

● To Page 3

BUSINESS

Heavy sale to discount the cost of moving down the road

By DAVID PINCUS

THE high cost of moving its heavy machine tools a few kilometres down the road to new premises led to National Machinery Suppliers (NMS) dreaming up one of the most unusual marketing ideas this year.

It will try to reduce stock by, in addition to offering normal discounts, discounting the price of all machine tools it sells this week by the estimated cost of moving them to its new Germiston abode.

Managing director Reg Hayman explained: "We realised it was going to cost us money to get the stock out of our showrooms, so it didn't really matter whether we paid the hauliers to move it to Germiston or pass it on to our customers as a reduction in price.

"We decided to stay open in the evenings to make it easier for people who find it difficult to come to us during the day.

"We believe they will be hungry and thirsty, so have decided to lay on refreshments.

"Then someone had the bright idea of auctioning off some smaller items every night for whatever they go for. We don't expect to get much for those, so decided to call every night a 'take away' night.

"Someone realised that some would need finance to buy, so we arranged with finance companies for them to have their representatives here as well.

"I do not think that anyone else in the machine tool industry has tried anything like this before."

Hayman said his company, which specialises in machine tools for the automotive industry was "certainly not over-stocked at present".

"In fact, our stock levels are below budget. But whether our levels are above or below what they should be is not important. We still have to get everything out of the showroom here."

He said he was "rather surprised" by some of the quotes given to move the firm's stock.

The hire of a suitable low-bed trailer from one source, without a tractor or any labour thrown in, is R500 a day. At its current stock level NMS will need two of them for eight days at least.

Barclays drops loan interest rate

S-Express 7/11/82 (58)

Cash starts flowing into building societies

BUILDING societies are experiencing an increase in the inflow of money, and a marked decline in the outflow of their funds, says Boet Viljoen, managing director of the Perm.

This has enabled his society to increase its rate of lending and, according to Viljoen, to be the top lender in the building society movement.

Viljoen says from April 1 to August 31 the Perm granted loans totalling R329,5-million to 11 042 applicants.

Of this, R73,3-million was for new projects, R251,9-million for existing projects and R4,3-million for vacant land.

In September the total rose to R397-million granted to 13 339 successful applicants.

In October the Perm granted loans worth R53,9-million and in the first week of this month loans granted totalled about R12-million.

By DAVID PINCUS

BARCLAYS Bank announced that it is to reduce its interest rate for loans to homeowners by 0,5% as from today.

This announcement came in a week when the major banks reduced their prime overdraft interest rates from 20 to 19%.

Barclays was the last of the major banks, after Standard, Volkskas, Trust Bank and Nedbank, to do this — and building societies announced that from November 1 they were marketing 10-year, fixed-period shares at 14%.

The effect of Barclays reduction on home loans will be that the 17% interest rate it charged yesterday for loans up to R20 000 will go down to 16,5% from tomorrow.

For loans between R20 000 and R40 000 it will go down to 17,5%, from 18%, and the rate for loans of more than R40 000 will be reduced from 19% to 18,5%.

Many believe this is a clear indication that Barclays, which has lent R145-million to homeowners in the two months since its scheme was started, is doing this to increase its share of this market. (See report in Homefinder.)

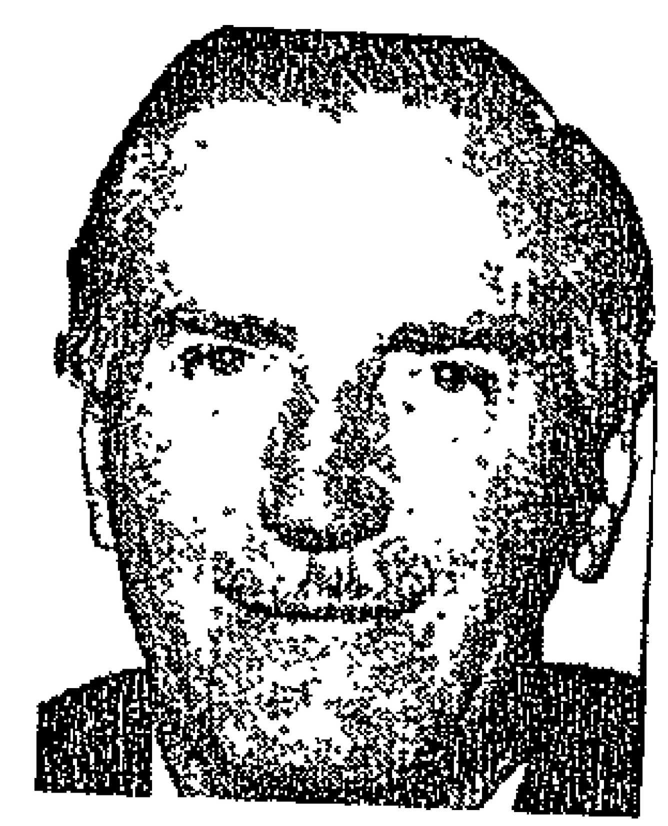
Barclays managing director Bob Aldworth's remarks when announcing the drop in rates — "of primary importance is the fact that funds under the Barclays scheme are still freely available," and "decisions on Barclays loans are obtained within 24 hours" — seem to underscore this supposition.

Aldworth pointed out that the 0,5% cut could be the forerunner of more cuts, should there be a further decline in short-term interest rates.

He also said that when the bank introduced its home loans at the end of August it undertook to review its rates every year in September, and to "review them in the interim should circumstances justify such a revision".

"We are now living up to that undertaking," he said, and added that he saw the move as the commencement of a downward trend in rates.

FURTHER CUTS ARE INDICATED NOW, BUT BUILDING SOCIETIES ARE STILL CAUTIOUS



● Allied's Jim Dodds ... no rush to buy shares

Building societies are, in fact, hoping that the downward trend in rates will become the best marketing agent for their 10-year 14% shares.

Peter Richardson, managing director of the United Building Society and newly-elected president of the Association of Building Societies of South Africa, was not available for comment on the new shares, but Jim Dodds, managing director of the Allied Building society and a past president of the association, said there hadn't been a mad rush yet to buy them.

The cause of this reluctance was "possibly that we have not yet advertised them properly, and people may still want to remain liquid, in case rates go up".

Honda won't fly

HONDA and Adpro have together said

SPOT

Domestic body rejects pension plan

ARGUS 8/11/82

(58) (294)

Labour Reporter

THE Domestic Workers Association (DWA) has dissociated itself from a retirement plan for domestic workers devised by the Natal Building Society.

In a Press statement released today, the NBS said the retirement plan had been approved by both the Domestic Workers Employment Project (DWEP) and DWA.

However, when approached for comment, Miss Maggie Oewies, the chairwoman of DWA, said the NBS had not consulted DWA about the scheme.

CONFUSION

Mr Kingsley Loney, NBS Cape regional manager explained that the confusion had arisen over the fact that DWEP's "operating arm" was called the South African Domestic Workers' Association (SADWA).

"The names of the two organisations are similar and this created the confusion," said Mr Loney.

The NBS plan depends on contributions from workers alone and not on joint contributions involving employers.

In the statement, Mr Loney said research among urban domestics had shown they were "acutely aware" of the importance of providing for their retirement years.

"SCEPTICAL"

"At the same time, they are often sceptical about available pension plans as they depend on the goodwill and participation of their employers. Others report that employers are simply not interested in assisting them with a pension contribution," said Mr Loney.

The NBS plan was a "more flexible" one, allowing domestics to invest their own money without necessarily relying on the employers to make contributions, he added.

According to the Press statement, one of the "highlights" of the plan is that workers can choose the amount to be invested each month with the minimum amount being R5.

A monthly payment of R20 over a 30-year period will provide a lump sum of R92 088 made up of R7 200 in savings and R84 888 in interest.

AGE

The youngest age of entry into the plan is 16 and the oldest 55.

Should a domestic be unemployed the plan can be suspended without monthly payments for up to six months.

Commenting on the plan Miss Oewies said the "whole point" about a pension scheme was that employers should contribute.

"Which domestic can afford to pay R20 a month into a pension scheme when they are already living on the breadline?" she said.

A spokeswoman for DWEP in Johannesburg said the research among domestic workers had been done in Johannesburg and Durban.

The NBS had had several meetings with DWEP who had approved the scheme, she said.

Building society scheme for domestic servants

Cape Times 8/11/82

58

Staff Reporter

A SPECIAL retirement plan for domestic workers in South Africa was announced by the Natal Building Society at the weekend.

The scheme, which has been approved by the Domestic Workers' Employment Project and the Domestic Workers' Association, includes tax-free savings and life assurance cover.

The building society's Cape regional manager, Mr Kingsley Loney, said the scheme was aimed mainly at domestic workers so that they would not be entirely dependent on the financial co-operation or goodwill of their employers.

He said research by the NBS showed that many domestic workers were acutely aware of the importance of providing for their retirement years. But they were often sceptical about available pension plans which depended on the goodwill and participation of their employers.

"The answer is a more flexible plan that can be operated directly by domestics without employer aid," he said. "Obviously we would like to think that employers, in their own interest and with a view to retaining the loyalty of their domestic workers, will assist their workers with the monthly payments — ideally with a matching contribution."

Features

Some of the features of the plan are:

- The domestic worker can choose the amount to be invested each month, from a minimum of R5.
- Domestic workers can choose their own retirement age, although they cannot remain on the plan beyond the age of 65. The minimum age for participation in the scheme is 16 and the maximum 55.
- The plan is registered in the name of the domestic worker and all money paid remains her property, whether she remains in the same job or moves.
- The amount saved during her working life, plus interest, may be withdrawn as a tax-free lump sum, but the NBS suggests that the sum be re-invested to ensure regular monthly payments.
- Should she be unemployed, the plan can be suspended without monthly payments for up to six months.
- Life assurance cover of up to R5 000 is offered by the plan. When opening the retirement plan, applicants will sign a will to avoid complications with tribal laws requiring money to be paid out exclusively to male relatives.

RDM 10/11/1982

All building societies cut deposit rates by 1%

53

By HAROLD FRIDJHON

ALL building societies have reduced interest rates by one percentage point on one-year and two-year deposits.

The SA Perm was the first society to give notice to the Association of Building Societies of its intention to cut the rate. Then came the the Natal Building Society which reduced its rate on 12-month deposits from 16% to 15% and on 13 to 24 months from 15,5% to 14,5%.

The reductions have made the 10-year 14% shares an attractive investment and one which might not remain on the market for too long if the societies' borrowing rates continue to ease.

If deposit rates are tilted downwards, paying 14% for 10-year money might not suit the building societies' book. It might unduly increase their cost of money if too large an inflow is attracted.

As Mr Peter Richardson, joint managing director of the United Building Society said yesterday, the public should "get into the investment while the going is good".

I am told there has been a fair demand for the new share, but the societies have not received the expected flood of inquiries.

Mr Richardson agreed that the 10-year share should be negotiable.

The shares are transferable — they may be passed on to third parties at the face value through the societies. But they are not negotiable in the sense that 10-year shareholders can dispose of their shares in the market at a market-related rate.

This would make a 10-year debenture out of the share and would enable the shareholder to make a profit if he wanted to sell when rates fell.

Mr Richardson said the building-society movement should produce special investments tailored for the "wholesale" market. The big institutions — as well as large corporate investors — required specialised investments and the societies should try to meet that demand.

Investors were becoming more sophisticated and the societies must move with the time.

One presumes that Mr Richardson is referring to negotiable certificates of deposit and other negotiable paper which can be traded in the money market.

The slight cut in the one-year and two-year deposits rates does not indicate that the mortgage rate will be lowered soon. This will depend not only on the rates the societies are paying for money but on the volume of money they attract.

What one can infer is that the threat of further increases in mortgage rates is receding and that the next change will be down.

GENERAL NEWS

Summit will boost new development

Star 12/1/82

Political Staff

A major step towards the economic development of Southern Africa was taken in Pretoria yesterday at a five-nation summit conference.

South Africa and the independent black states of Transkei, Bophuthatswana, Venda and Ciskei agreed to establish a Southern African Development Bank by next September.

The leaders dealt mainly with economic, financial and development matters.

They also resolved to:

- Establish a multilateral Council of Ministers and an economic and financial committee to formulate a coherent overall regional policy.
- Create an inter-state institutional structure for economic co-operation.
- Appoint a full-time interim management committee.

Because of the extreme importance of increasing food production the summit decided the Ministers of Agriculture of the respective states should meet to consider and make recommendations on agricultural matters.

PRODUCTION

The leaders agreed to refer to an agricultural technical committee the problem of the maintenance of production on land due to be incorporated into the independent states.

The summit meeting also agreed to:

- Issue a joint manual of incentives for industrialists.
- Give immediate attention to non-industrial activities.
- Give special attention to mining development.
- Have international co-operation on environmental matters.
- Discuss security matters on a technical level.
- Refer financial relations between states to another committee.
- Establish an inter-state working group to review the work of existing committees.

DEVELOPMENT

The five leaders acknowledged that the development potential of some regions was mainly none-industrial and that immediate attention should be given to promotion of non-industrial activities such as agriculture, forestry, trade and tourism.

Mining development is to get special attention.

In his opening address to the summit, the South African Prime Minister, Mr P W Botha, said the establishment of the Development Bank was of particular importance.

The Prime Minister of Transkei, Mr George Matanzima, said the summit leaders had chosen constructive engagement in preference to confrontation, although he did plead for the emancipation of all population groups in South Africa.

POVERTY

Mr Matanzima asked for more money to be made available for Transkei because the level of poverty and underdevelopment in his country was far more severe than in South Africa.

He appreciated that the South African Government was making serious efforts to share the wealth of South Africa.

The President of Ciskei, Mr Lennox Sebe, presented his own country's "Declaration of Intent," which included:

- Sovereignty and equality for member states.
- Voluntary co-operation where agreements were reached by consensus.
- Acknowledgement of interdependence.
- Support for a free enterprise system in contrast to marxist imperialism.

c Rent.

Target date set for Development Bank

RDM 12/11/82

53

By PATRICK LAURENCE
Political Editor

THE leaders of South Africa and the independent TBVC states of Transkei, Bophuthatswana, Venda and Ciskei yesterday set next September as the target date for the establishment of a Southern African Development Bank.

The leaders, who held discussions at a summit meeting in Pretoria, also agreed to jointly establish a multilateral development council of Ministers and a multilateral economic and finance committee to "formulate a coherent overall regional development strategy".

Controversy, however, shrouded the Development Bank over the question of offering full membership to the five non-independent black states of KwaZulu, Lebowa, Gazankulu, Qwaqwa and KwaNdebele.

Venda yesterday objected to these territories being offered any form of membership of the bank, insisting that membership be restricted to independent states.

At an earlier series of meetings with the Minister of Co-operation and Development, Dr Piet Koornhof, the leaders of these states were told they could not be full members of the bank.

The proposal to restrict membership to independent states is seen as a ploy by Pretoria to use the lure of shared control in the bank to force these territories into accepting independence.

Dr Cedric Phatudi of Lebowa protested vigorously against the decision, describing it as "political discrimination." Chief Gatsha Buthelezi of KwaZulu has expressed similar views.

In his opening address to yesterday's summit, the Prime Minister, Mr P W Botha, labelled establishment of the Development Bank "an event of particular importance".

In reply to Mr Botha, the Transkei Prime Minister, Chief George Matanzima, voiced concern that South Africa would have "overwhelming influence" in the bank and consequently on the allotment of capital.

Transkei sought an assurance that a mechanism would be created to "safeguard our relative share in the allocation of funds."

Chief Matanzima was also anxious that the proposed involvement of the private sector in the bank might result in too heavy an emphasis being placed on "profitable" and "income-gathering" projects to the detriment of investment in human potential and infrastructure.

In his address to the summit, President Lucas Mangope of Bophuthatswana stressed the priority of economic co-operation between South Africa and the TBVC states over any political or constitutional links.

He proposed the eventual creation of a Southern African Economic Community along the lines of the European Economic Community.

In his formal address to the conference, President Lennox Sebe of Ciskei advocated the adoption of a Ciskei-inspired Declaration of Intent, which would include commitment to the "free enterprise system in contrast to Marxist imperialism" and joint resistance to "external threats to any member".

R1 000-m blast-off

Space-age banking

S.T. 14/4/82

By STEPHEN ORPEN

FROM tomorrow, South Africa will have its first 24-hour, fully automated banking network.

Barclays Bank chief Big Bob Aldworth says that more than R1 000-million is expected to pass through the new system, as already installed or conservatively planned, within three years.

This is a sizeable figure by any standards. Even more impressive, however, are figures which signal the possible longer-term potential of the broader concept of Electronic Funds Transfer (EFT) between the banks.

As much as R500 000-million a year (well over R2 000-million *a day*) could avalanche through the EFT system once it is in full swing.

TOMORROW IS D-DAY FOR SA'S FIRST 24-HOUR PUSH-BUTTON SERVICES

Barclays' new system is the greatest leap in this direction so far.

Either new OmniBank cards or Visa Barclaycard credit cards can be used in the new Barclays auto-tellers sited at the nerve-ends of the bank's new system. The auto-network will mark the most important step yet in what Barclays National Bank — which is behind the breakthrough — is determined will lead steadily to the ultimate service for commercial bank customers: so-called home-banking, in which customers can conduct bank transactions from a terminal, or similar unit, in their homes.

The new step also represents another milestone in Barclays' startling progress in recent years from a conservative "granddaddy" bank towards a highly innovative, omni-finance house diversifying into a number of new areas, some only tenuously connected with traditional banking areas.

The success of Barclays' new philosophy, so far mainly applied to its conventional mix of services has already been reflected in the bank's results, which were 20% better in the most recent reporting period despite the recession and in contrast to the dull performance of major competitors.

Still better is apparently expected when Barclays' next results are announced.

Also, at least five important new areas for diversification — to counter the squeeze on margins and rising costs in bread-and-butter cheque and savings account business — have now been defined by the bank, and basic "invasion" plans formulated.

Barclay's "Omnibank" thrust will take-off tomorrow, when Docutel automatic teller machines sited at high-traffic, high-convenience points will offer customers round-the-clock deposit, withdrawal and other services on their current and savings accounts.

Barclays OmniBank facilities (fittingly, "BOB" for short, after Big Bob Aldworth, the architect of Barclays' new athletic approach) will start with 19 machines operating day and night, seven days a week, including public holidays, all the year round.

Success with pre-launch test runs on these machines has already moved Mr Aldworth and his team to order 150 more, some of which will be located at Barclays branches, others in kiosks at shopping centres and other such sites.

In constructing its overall package, Barclays has matched Standard Bank by pitching the cost of a withdrawal transaction at 10c.

Mr Aldworth tells me he expects the new system to benefit both customers and the bank.

"The benefits and savings for customers should be obvious. For us, a key advantage is that we will be able greatly to reduce the cost of servicing the 750 000-odd savings accounts we operate in which the balances for each account average only R100 or less yet which are fairly heavily worked.

"Some 750 000 such accounts is a big number compared with the total of about 1,2-million we operate altogether. And the cost of the transactions on such small accounts is currently horrific compared with the return they offer us.

"OmniBank will change that.

"It will also revolutionise paydays. Blacks, in particular, will not have to queue in our branches to deposit or withdraw. They will be able to do their business where they work."

Mr Aldworth says it is hard to estimate the likely number of daily OmniBank transactions.

"However, overseas terminals are currently processing as many as 45 000 a month."

In the next three years, with 300 machines operating countrywide, transactions could range from 4 000 to 12 000 a month per unit.

Barclays expects the units to be used by the entire adult population of the country.

The market represented by blacks accounts for as much as 90% of the country's regular savings-account business, so the potential here is clear.

Initially, 125 000 current-account holders in the Witwatersrand area will have immediate access to the auto-tellers.

By the year-end, 100 machines will be operational in the major centres in the Northern Transvaal, Natal and the Eastern and Western Cape.

For consumers, important benefits are cited as:

- Low-cost transactions.
- No charge for withdrawals from savings accounts.
- The facility to use credit cards in the auto-tellers.
- Facilities for 20 types of service at each auto-terminal.
- First-ever 24-hour, year-round service.
- Unequalled reliability. If the computer is shut down, the auto-tellers will continue to dispense up to R100 a customer, and to perform other operations.

58

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Interest rates easing

Financial Editor

INTEREST rates in South Africa are beginning to ease, bringing some relief to the hard-pressed businessman and farmer and also to a number of house buyers.

The Standard Ba... and Barclays Bank ... nounced today — for the second time in a month — that they are to reduce their prime lending rate by one percent.

The Standard's ... comes into operation on Monday and Barclays on Wednesday.

At the same time the Standard Building Society is also reducing its mortgage rates by 0.5 percent.

Sooner

The move towards lower interest rates follows a fall off in demand for bank loans owing to the business recession, which has arrived much sooner than many bankers and businessmen were expecting.

The latest reduction in the banks' prime rate will reduce it to 18 percent. This is two percentage points below the record 20 percent which the banks charged from March until the end of October.

Warmly welcomed

However, it still has a long way to drop before its returns to the 9,5 percent the banks were charging at the start of last year.

The 0.5 percent cut in mortgage rates by the Standard Bank's associate, the Standard Building Society will be warmly welcomed by borrowers. They have been paying two percent more for their loans than people with mortgages from building societies.

Reluctant

The reduction narrows the gap to 1.5 percent

Chest needs R550 000 by year-end

Staff Reporter

THE Community Chest had received R110 000 since the start of its Awareness Week at the beginning of the month, the director, Mr Robert Blake, said today.

Donations and other income total R1,2-million.

The target for 1982 is R1,75-million leaving R550 000 to be raised in six weeks.

GRATITUDE

"We had a very warm response to Awareness Week," Mr Blake said.

"We are very grateful for the public's understanding of our needs, particularly at a time when we know many people are having difficulty meeting their own budgets."

The donations came in many different ways. Some were dropped in collection boxes at banks and building societies; some were from business luncheon, others were mailed in reply to an appeal by the Mayoress of Cape Town, Mrs Bettie van Zyl; and some were sent by readers of the Chest's newsletter, the Red Feather.

Warning on role of new bank

58

Star
13/11/82

The announcement by the Prime Minister, Mr P W Botha, that the Southern Africa Development Bank will begin operating on September 1 next year should be welcomed, the managing director of Credit Guarantee Insurance Corporation, Mr J J Bouwer, said in a statement at the weekend.

The proposed bank could make an essential contribution in the co-ordination of the economic plans and development of Southern African states, and could complement other financing schemes and methods already commercially available.

An amount of R150 million in export credits had already been made available to, among others, buyers in Transkei, Bophuthatswana, Venda and Ciskei, Mr Bouwer said.

"As the bank is still to be finally set up, it may be opportune at this stage to sound a word of warning on the role that it will have to play," he added.

"I am of the opinion that South Africa and the other States do not have the necessary manpower or funds available to establish a gigantic organisation to try and control and direct all aspects related to the economic well-being in these states," Mr Bouwer said.

CATALYST ROLE

It would be much more effective if the bank operated as a nucleus organisation, acting as a catalyst in the development of infrastructure and financing packages, so that the private sector could be persuaded to participate in this development process.

"This also emphasises what, in our opinion, the approach of the bank should be," Mr Bouwer said. "It should not endeavour to be the sole determinor of what would be in the economic interest of the different nations, but should rather support the free market system."—Sapa.

Banks lower prime rate

Star 18/11/82

By Alec Hogg, Assistant Financial Editor

The prime overdraft rate is to be lowered from 19 percent to 18 percent on Monday.

Standard Bank, Barclays Bank and Volkskas announced the move today.

Because of intense competition in the banking industry, other banks will be forced to follow suit.

The managing director of Barclays, Mr Bob Aldworth, said: "We have been sitting on a possible move for two days now, waiting to see what Standard would do."

This is the second time in less than a month that the prime overdraft rate has been lowered. The first drop, also of one percent, was announced on October 29.

The managing director of Standard, Dr Conrad Strauss, said: "Tight money market conditions in the first nine months of the year caused the lending rates to be increased.

"However, since October the position in the money market has eased and with margins improving banks were able to reduce the prime rate."

GOOD NEWS

The drop in the prime rate is good news for companies and individuals, who have laboured under record high borrowing rates for 18 months.

Dr Strauss also announced that his group's subsidiary, Standard Building Society, would reduce all its mortgage rates by 0,5 percent from December 1.

The drop in the prime rate could be the last for some time.

Dr Strauss said: "The latest decrease in the prime rate substantially reduces the scope for further decreases.

"Further decreases will probably have to be accompanied by downward adjustments in retail (individuals') deposit rates.

"Given the still strong demand for housing finance and the slow inflow of deposits at the building societies, such adjustments may not be possible before the second quarter of next year."

58

RDM 9/11/82

Prime rates are cut by 1%

By HAROLD FRIDJHON

ALL the major banks have announced their intention of cutting their prime overdraft rates. Prime is the rate that is charged to their largest clients.

Prime will come down next week from 19% to 18% and the present reduction is the second cut in the rate in three weeks.

The reduction in the prime rate is not a signal that the recession has bottomed out. On the contrary it is a clear indication that the economy is flagging and that there is a lessening demand by businesses for funds.

See Page 13

Now 18% after two points lopped off in three weeks

Next overdraft cut early in 1983

(58)

RDM 19/11/82

3	40%	
4	28%	

PRIME overdraft rate will be cut by all the major banks from 19% to 18%, the dates of the reduction differing from bank to bank.

This is the second one-percentage reduction in two weeks. But it is unlikely that the prime overdraft will become cheaper until early next year.

First to announce the reduction yesterday was Standard Bank. It will reduce its rate on Monday.

Other banks followed closely, Nedbank, Barclays and Trust Bank making their cuts effective next Wednesday and Volkskas next Thursday.

Standard Bank also announced that the mortgage rates of its building society would be cut by half a percentage point across the board. Other building societies are not expected to follow.

An immediate effect of the cut in prime was the reduction of the three-month bankers' acceptances rate, the key money-market rate, from 15% (discount) to 14,80%.

The money market does not expect any further reductions in the rates on its paper.

One dealer expected a slight hiccup in the rates as an immediate reaction but this would not affect the trend.

Dr Conrad Strauss, managing director of Standard Bank, said tight money-market conditions in the first nine months of the year had caused short-term lending rates to increase and the prime overdraft rate peaked at 20%.

"The pressure on fund margins as a result of rising money-market rates was also reinforced by a similar trend in all retail deposit rates.

"At times I felt the 20% prime was too low. However, since October the position in the money markets has eased and with fund margins improving the banks were able to reduce prime by 1% on October 29.

"The softer trend in wholesale rates has continued since and, coupled with a softer loan demand, the Standard Bank has decided to reduce prime by a further 1% to 18%.

"As a result of this decrease, Standard Building Society has also decided to reduce all its mortgage lending rates by with effect from December 1.

"The latest decrease in prime substantially reduces the scope for further decreases in prime purely as the result of a decrease in wholesale rates.

By HAROLD FRIDJHON

Another cut in prime rate close

HAROLD FRIDJHON — in the money markets

ANOTHER cut in the prime overdraft rate appears to be in the offing.

Monday's Business Mail headline

"Further decreases in prime will, in all probability, have to be accompanied by a downward adjustment to retail rates.

"Given the still strong demand for housing finance and the slow inflow of deposits experienced by the building societies, such adjustments may not be possible before about the second quarter of next year.

"Much, of course, will also depend on the gold price," he said.

Syfrets is to reduce its interest rate on participation bonds by ½% from January 1.

Mr Stuart Gallow, managing director of Syfrets Participation Bond Managers, said in Cape Town yesterday that the rate to the borrower would be reduced from 20% to 19,46% and the investor rate would drop from 18,5% to 18%. "This follows a good inflow of funds over the past few months and is in line with the falling interest-rate pattern.

"The holding rate which Syfrets has been charging new borrowers will be reduced from 22% to 20½%.

"The floor rate, which is 14,59% and 13½% to investors, will remain unchanged."

But it seems improbable that the building societies will drop their mortgage rates in the immediate future.

Mr Brian Kemmy, general manager operations, of SA Permanent Building Society, told me that the Perm was not considering any cuts in mortgage rates.

Mortgage rates were linked to investment rates and although an inflow of funds for deposit investments had been experienced — and the deposit rates had been cut — there had not been any acceleration in the movement of money into the society's other investments.

The societies needed both forms of investment to enable them to maintain a profitable margin between the cost of money and the mortgage rate.

The position was being watched on a day-to-day basis and there was no indication that the margins warranted a change.

Last week, Barclays a cut a half a percentage point on its home loans plan and yesterday Mr Mike Smythe indicated that no further reductions were likely.

The home loan scheme was steaming ahead. To date the bank had lent R185-million to 4 800 accounts.

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Home loans 'freely available'

ARGUS 19/11/82 58

Property Editor

LOANS for buying property can now be granted immediately, says one of the country's largest building societies, the S A Permanent.

An announcement is to be made in Johannesburg tonight, but a spokesman in Cape Town said mortgages will now be "freely available."

"A lot more funds are coming in and there has been a dramatic change in the situation, especially with the banks cutting their prime lending rate," he said.

"This should put an end to the ugly business of raising fees."

The need for back-to-back finance should also be over.

For almost two years, building societies have had long waiting lists of home-buyers seeking mortgages but the Perm claimed today it no longer had a backlog.

The biggest society, United, reported it still had more applications for mortgages than it could finance, but the position was improving.

Hard times for HP car buyers

Cape Times 20/11/82 (58)

By STEVE GORDON

REPOSSESSION of cars by finance companies has become so frequent that one company must clear its City warehouse of vehicles in an auction this morning to make way for a new batch of repossessions expected next week.

Investigation among finance houses showed that the tight money situation is causing a large number of people to fall behind with their payments, resulting in what one firm's credit manager acknowledged was an unprecedented number of repossessions for this time of year.

The managing director of Wesbank, Mr Dennis O'Brien, said yesterday that while the number of repossessions had increased, he did not feel this to be out of proportion to the overall increase in business experienced by his firm in recent months.

Pointing out that law obliged companies to store repossessed vehicles for 30 days before reselling, Mr O'Brien nevertheless emphasized that an auction was a "last resort" after normal sales to motor dealers had been exhausted.

Although finance charges on new cars have risen from 20 to 24 percent since January this year, it appears that it is the effect recession has on the cost of living which is causing default of payments.

"People have to pay their rents and buy food. Something like a car becomes a luxury in these times," commented a City banker.

The regional manager of another finance company confirmed a marked increase in repossessions. Some people were also voluntarily coming to hand in their cars. He also has a large number of cars in "custody" while customers try to catch up on payments.

For sale in the City yesterday were repossessed cars ranging from the latest in computerized luxury to a two-door economy model. A Green Point garage contains more than 50 recently reclaimed motorcycles.

21/11/82

R2 500-m for pension funds this year — OM report

By Stephen Orpen

EMPLOYERS will contribute a staggering R2 500-million to employee pension funds in 1982.

This represents an increase of more than 500% over the past 10 years, says Dr Jan van der Horst, chairman of Old Mutual, in Old Mutual's pensions services annual report, released this weekend.

Principal features of the past year's pensions business include:

- Old Mutual's pensions premium income increased by 20,2% to R459-million in the year to June 30.
- Employee benefit assets administered rose to R2 258-million.
- The amount paid out to members of pension f[illegible] in the form of pensions [illegible] by no less than 36% to more than R23-million.
- No less than 2 258 funds are now administered by Old Mutual.
- 1,650-million families participate in OM's group benefit plans.

Premium income has climbed from R189-million only four years ago to R459-million.

In the same period, funds administered have risen from R751-million to R2 258-million.

Old Mutual managers tell me their organisation now accounts for 40% of all linked funds and about 25% of all single and recurring premium incomes, but with the stress heavily on the latter (well over 30%) compared with not more than about 10% for single premiums.

The mix of the group's Multifund assets is roughly 21% government stock, 33% other prescribed assets, including cash and liquid assets, 32% equities, 10% properties and 4% "other".

OM is adamant that the performance of its equities, as reflected in the report, is acceptable, all things considered.

"For instance, our table shows our equities performance in the year June last year to last June.

"This had to be the most adverse period possible to choose for measuring our performance, with the JSE diving and yields on fixed-interest government stock rising to an all-time high only a fortnight after the close of the period.

"But we went public with our equity management in this period nevertheless, as it happens to coincide with our financial year.

"Also, we show the performance of our equities *and only our equities*, whereas many other life offices base their equity performance on the overall performance of their 'balanced' funds — that is, their funds in which equities account for less than half the investments and prescribed assets for the rest."

These points are well taken.

Unfortunately, they do not entirely explain away the fact that in the June-to-June period OM's Equity Fund declined (market value) faster and further than at any time since the beginning of the Seventies — by 20.5%.

This compares with declines in the JSE Actuaries All-Share Index of 25% and in the Industrial Share Index of 18.3%.

So the market was beaten by the OM men.

But other life companies actually produced *positive figures* (for instance, plus 3% or 4%) over similar if slightly more favourable 12 month periods

CAPE TOWN
NSWER BOOK

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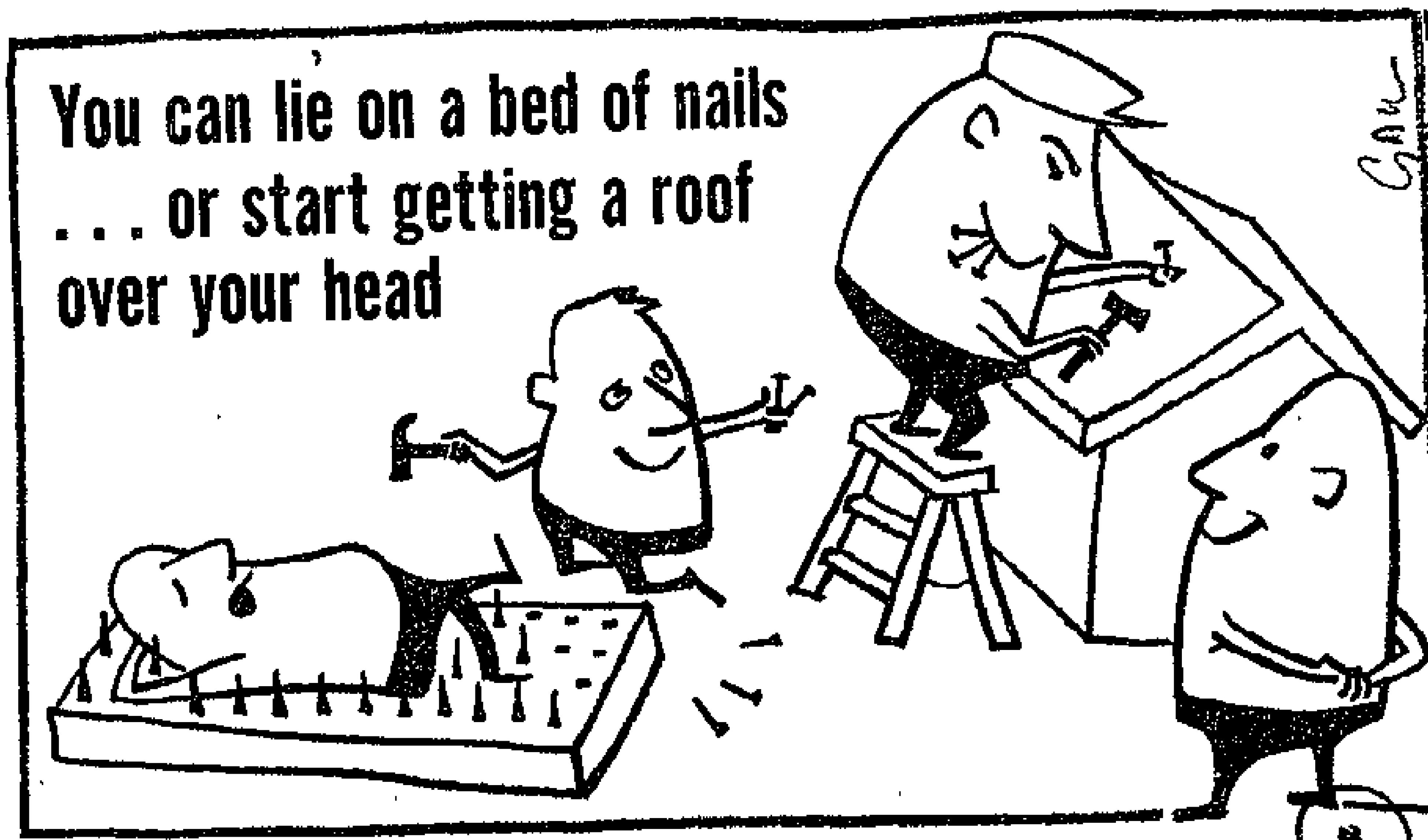

Building societies are doing something

By LIN MENGE

WHEN whites think of housing, they think of building societies, bonds, mortgage rates, estate agents, property developers, show houses ...

WHEN Indians and coloureds think of housing, they think of the Department of Community Development and waiting lists; while blacks think of adminstration boards, community councils ... and waiting lists.

This is because while most whites have been able to buy and sell houses, obtain bonds and and live more or less where they choose, people of other races have had almost no choice of housing or stands, and have not been able to obtain building society loans ... either because the land on which their houses were built had not been subdivided or surveyed, or because they did not have title to the land.

The result is that, while whites think about what they can do to house themselves, other races often think only of what the Government should be doing about it.

How to get people off their bed of nails and into housing themselves isn't easy. This is where the building societies are trying to help.

Mr Peter Richardson, president of the Association of Building Societies, says: "The biggest concern for me is the relatively small contribution made by building societies to the coloureds and Indians.

"We have been in their areas only in a very small way, the main problem being that the development of those areas is entirely in

HOMEFRONT!!

Community Development hands.

"If you talk about housing to an Indian or coloured, he thinks Community Development ... he never thinks building societies.

"We think that's wrong, because many of the people being looked after by Community Development qualify through employer schemes or in their own right for loans from building societies.

"Recently, several building societies have negotiated a scheme with Community Development by which they have advanced a R30-million loan to the Department in exchange for individual properties which will be bonded to the building societies.

"The loan has been made, we have looked at areas that are acceptable to us, we are quite happy with the houses and now the programme of transferring the properties from the municipalities or the Department to the societies is under way.

"The more we can do that, the more these communities will become aware of the existence of building societies and no longer just talk Community Development.

"Only then can we start opening little offices and inviting people to save and get loans.

"Another major problem is that there are very substantial townships with no subdivision whatsoever ... huge blocks of land with thousands of houses and not a single subdivision register.

"To be able to pass a bond, a building society must be able to say: This is Erf No. 29, belonging to Mr X and bonded to Building Society Z.

"If there is no subdivision, building societies cannot lend, because they cannot bond the property to secure the loan.

"We have pushed for subdivision and, gradually, we are getting it ... in Bloemendal, in Booysens Park, in Pretoria, the subdivision should be registered in about six months and building societies will take many of those houses over or pass bonds on them.

"The same is happening in Coronationville, in Riverlea, and in coloured housing in Worcester."

The same problem has existed in black townships, but the aerial survey will put that right, says Mr Richardson.

Watch HOMEFRONT for reports on how building societies work and how to use them.

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Afribank gets new MD

Sowetan 23/11/87

(58)

THE first black general manager of the African Bank, Mr Moses Maubane, has been appointed its first managing director.

The announcement of Mr Maubane's appointment was made during a thanksgiving party organised for the bank's Pretoria and Bophuthatswana shareholders over the weekend.

Mr Maubane, who had started his working career as a clerk, rose to great heights. He has been a lecturer at the University of Swaziland, Botswana and Lesotho and an executive director of Nafcoc.

The managing director told the audience that the achievements of the bank centered around the desire among blacks to achieve and that the bank was destined to become the largest institution of its type in southern Africa.

"Potentially, we are the biggest bank in the country and through your support this dream will be realised in your lifetime," Mr Maubane said.

Mr Madala Mohahlele, director of the International Marketing company in Johannesburg, said the success of the bank was a manifestation of what people could achieve.

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Drop in standards helps home seekers

Cape Times 24/11/82

58

Staff Reporter

HOME HUNTERS now finding a slight improvment in mortgage bond availability also stand to gain from a relaxation in construction standards imposed by the country's largest building society.

The lower standards should greatly improve the possibility of home ownership for blacks in particular.

United Building Society (UBS) valuers have been examining a wide range of houses built by the administration boards in black townships, and by the Department of Community Development in Indian and coloured townships, to see whether they offer adequate security for building society loans.

"We have decided that where the construction is sound, we will be happy to lend on a township house even if it lacks a ceiling or cupboards or has a concrete floor," Mr Peter Richardson, joint managing director of the UBS and president of the Association of Building Societies, said.

"We must not think the standards of the white group necessarily apply directly to the other groups, particularly where finishes are concerned," Mr Richardson said.

"It is not the absence of a ceiling that will decide whether a township house is sold or not. Our main consideration is that there must be a demand for such houses, and a market for sale and re-sale of these houses. In the event of repossession by the building society of such a house, the existence of a market would be all-important."

At a disadvantage

Up to now blacks who have wanted to buy their houses have been at a disadvantage because although they may have saved with a building society, they have not been able to apply for loans — firstly, because until recently they had no leasehold title in urban areas, and secondly because they could not afford to meet the white housing standards applied by the building societies.

Large numbers of State-built, rented houses will be offered for sale to their occupants when the government starts pulling out of rental accommodation. This will apply to all race groups, except for welfare cases. Instead of providing houses, The government will then concentrate on providing land and services.

"I'm not saying we will lend on all these houses when they come on sale," Mr Richardson said, "but if the construction is sound the cost of improvements such as putting in a ceiling, adding another room or providing electricity could be included in the loan."

Meanwhile the director of the Association of Building Societies, Mr Tim Hart, agreed that there were real signs of an improvement in the societies' ability to lend, but it was too early to predict how meaningful this would be.

Question A: Question 1.

UNIVERSITY OF CAPE TOWN
EXAMINATION ANSWER BOOK

(58) S. Express 28/11/82

Flood of bond money greeted with a yawn

By DAVID PINCUS

THE end of the 18-month bond drought which the building societies have just ended has not stirred up the expected enthusiasm from either the building industry or estate agents.

The Allied, the South African Permanent and the United Building societies all announced this week that they had money to lend and the Perm indicated that it was awash with cash.

Building societies were virtually the only lending institutions that were short of money and because of their new attractive rates have attracted money that two months ago would have found its way into other money institutions.

Banks are apparently not short of money.

Lou Davis, executive director of the Building Industries Federation of South Africa (Bifsa), said: "I am delighted this money is coming on to the market when housing is so desperately needed, but I do have reservations about the way it was just dumped on to the market place where everyone can scratch for it.

"We have been fighting for years for stability in the building industry. This stop-go thing is a disaster for it.

"Two months ago they didn't have enough money, now they are pumping money back into the market again.

"People who have been waiting for bonds for some time will, as soon as they can get their hands on some of this money, go for existing dwellings and bid just about anything to get them.

"One must expect that to happen when people who have been starved of housing suddenly find themselves in a position where they can borrow to get it.

"No cognisance has been taken of the fact that the building industry needs time to create stock. It cannot gear up and produce that stock overnight, so most of this money will go into financing the purchasing of existing homes."

Leslie Weil, of J H Isaacs, was not all that enthusiastic about this flow of cash to the market place.

"It is interesting to note that building societies are putting this money out at a time when fiscal policy is to increase savings and when the demand for most commodities has been dampened," he said.

"I believe that this money will hold up the prices of lower and middle-priced houses — those up to about R120 000 — but it won't do much for the price of dwellings at the top end of the market.

"Prices for those have come off quite a bit already."

Weil said people who bought houses of R150 000 and more invariably also owned their own businesses so were probably also facing liquidity problems in their businesses.

"They are affected by business cycles more than anyone else and are now probably getting rid of stock to stay liquid. They are not interested in moving to more expensive accommodation.

"People who can afford houses at the top end of the market normally wait until boom times before they buy."

There was a possibility that the new building society money would entice developers of housing back into the market, he said

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ESS 2

Credit card becomes savings fund

New move by Barclays makes banking easy

Star 1/12/82

S8

By Alec Hogg, Assistant Financial Editor

From tomorrow the country's 530 000 Barclaycard holders will be paid interest of 10,5 percent on any credit balance in their accounts.

This is a breakthrough for money-conscious individuals since it is the first time market - related interest rates have been offered on credit balances in card accounts.

The previous interest rate was five percent — still offered by all other bank issued credit cards.

DUAL INSTRUMENT

Barclays' decision to pay a meaningful return on credit balances to cardholders converts the Barclaycard into a dual-purpose instrument.

It now takes on the qualities of a debit card and it is up to the individual whether he uses the card in the conventional manner or keeps a buffer (which earns him interest) to take care of monthly payments.

Further advantages are obvious. As the Barclaycard is linked to the Barclays Omnibank automatic teller machines, cash withdrawals can be made at any time.

Card-holders will effectively be able to earn interest on working funds, having to keep only a minimal amount in non-interest bearing current accounts.

Barclays' managing director, Mr Bob Aldworth, says: "We have taken this step because it has become apparent that we would have to pay a market-related rate on Barclaycard funds in order to popularise the facility."

FUND LIMIT

He adds that "this action is likely to entrench the use of the plastic card as a payment mechanism in the retail world of the future."

To keep the new mechanism from becoming an alternative to more traditional savings accounts, Barclays has put a limit of R25 000 on the amount of funds which can be kept in the card account.

That the previous interest rate paid on positive balances in credit card accounts was meaningless is illustrated by Barclaycard's experience.

Barclaycard credit balances at present total only R4 million compared with an annual turnover of R1 000 million.

Mr Aldworth cautions, however, that the facility will only be made available to Barclaycard holders.

ACCEPTANCE RATE

The group is proud of its 50 percent acceptance rate and will maintain this standard.

For Barclaycard holders, the new facility is a bonus.

As Mr Aldworth puts it: "If the Barclaycard holder plays his card right, he can pay in enough to cover his monthly expenses and still have the surplus in the account working for him at a highly attractive 10,5 percent per annum."

10,5 pc interest on credit card

Star 1/12/82 58

By Alec Hogg. Assistant Financial Editor

From tomorrow, consumers who keep a credit balance in their Barclaycard accounts will be paid interest of 10,5 percent.

This is the first time any plastic card operator has offered individuals a market-related rate of interest for excess funds in the account.

The previous interest rate offered to the 530 000 Barclaycard holders was five percent, which is the same rate other card operators pay.

The move is a breakthrough for the consumer and could lead to a switch in banking habits.

Individuals, hit by some of the highest bank charges in the world on cheque accounts, will be encouraged by the good interest rate to keep only a minimal balance in their cheque accounts.

ROBOT TELLERS

Plastic cards can be used for most functions which cheques offer, particularly with Barclays where the card can be used in the recently installed round-the-clock automatic teller machines.

The payment of interest on credit balances makes the Barclaycard a combined credit-debit card.

It should also entrench the use of "plastic money" in the country's financial system.

Other bank-issued credit cards are expected to follow Barclays' lead in the near future.

● See Page 33: New move by Barclays makes banking easy.

OLD MUTUAL Premium Income doubled since 1979

Net premium income and annuity considerations totalled more than R1 000 million, some R187 million higher than the figure for last year and represents a doubling in premium income, in the space of only three years. At the same time, OLD MUTUAL became the first life office in Southern Africa to exceed the R1 000 million mark in premium income in a single year.

ARGUS 2/12/82

58

Premium income from individual business increased by more than 25% to R548 million, and group business premium income increased by some 20% to R459 million.

Results

These outstanding results reflect how highly acceptable OLD MUTUAL's products and services continue to be in the market place. While thanking the public for their valued support, I also want to pay special tribute to those people involved in OLD MUTUAL's marketing and selling effort, viz. our Field Staff, Pensions Salesmen and Independent Brokers. I must also mention the Administrative Staff who provide the necessary back-up and support. To all of them I wish to say thank you for their efforts on behalf of OLD MUTUAL.

Investment income

Investment income increased by more than R135 million to nearly R541 million - an increase of 33,4% over last year. With this achievement OLD MUTUAL became the first life office in Southern Africa to produce an investment income in excess of R500 million in a single year.

OLD MUTUAL has continued to follow a highly successful equity investment policy and the many benefits arising from certain major transactions concluded during the year will further enhance the future position of policyholders.

It is, of course, well known that, in South Africa, life assurers and pension funds are obliged by law to invest a substantial portion of their assets in Government and semi-Government securities. As a result the market is not free and because of this compulsory element, the returns obtainable on these securities are below that which would have been obtainable had the market been free. While it is so that in recent years the relevant borrowing authorities have offered nearer to market related rates in respect of these securities, life assurers and pension funds are still being disadvantaged because of the compulsory investment requirement which must and does affect the rates of return.

During the calendar year 1982, interest rates on Government and semi-Government securities reached an all time high before decreasing dramatically. As a result of the view it took on interest rates the Society invested a large amount in these securities at the most favourable terms available during the year.

Income from OLD MUTUAL's property investments has also increased substantially. Having built up a stock of prime development sites with several projects under construction, we are well placed to take full advantage of the next upswing in the business cycle.

The benefits arising from OLD MUTUAL's investments are passed on to its with-profit policyholders, both individual and group, to the full extent that prudent principles allow.

"UNDISPUTED LEADER IN THE INDUSTRY"

ARGUS 2/12/82 (58)

The original signatories by whom OLD MUTUAL was established in 1845 could have had little idea that their humble effort would eventually mean so much to many hundreds of thousands of people in Southern Africa, said Mr. G. A. MacMillan, Chairman and Chief Executive of Rio Tinto South Africa Limited and Chairman of Palabora Mining Company Limited, in seconding the motion for the adoption of OLD MUTUAL's annual report and financial statements.

MR. G. A. MACMILLAN

The story of OLD MUTUAL, in many ways, is the story of South Africa's dynamic history over the past 137 years. The country and the Society have together faced periods of prosperity and depression, of health and disease, of war and peace, of stagnation and change.

Many generations of South Africans have been born, reared, educated, wedded and have lived their lives in all those years made safer for them by the existence of the Society. The motto of OLD MUTUAL is "AMICUS CERTUS IN RE INCERTA" - "The certain friend in uncertain times" - and it is the extent to which the Society has in practice lived up to its motto that has built it up to its present membership of more than 920 000.

The Board - and the Management whose task it is to invest the premiums and other income received as beneficially as possible for the policyholders, have again done extremely well. I would particularly like to congratulate them on two unique achievements - doubling OLD MUTUAL's premium income, the lifeblood of an assurance society, in the space of three years to over R1 000 million in one year and producing investment income in excess of R500 million in a single year - both firsts for Southern Africa

This proves that OLD MUTUAL despite its age, is as modern as today, with a drive and dynamism culminating in a sound investment policy which has brought it to the forefront as the undisputed leader of the insurance industry in South Africa.

These exceptional results could not have been achieved unless the Society had quality people.

Mr. MacMillan referred to the problem of inflation and the fact that South Africa has not yet been able to contain it successfully.

Since 1978 the average annual inflation rate has steadily increased from 10,9% to 15,3% at present. A concomitant problem, almost as serious as inflation, has also developed and that is the decline in personal savings.

Despite the innovative approach of societies such as yours to develop more productive forms of saving for the public, obviously much more has to be done to reverse the decline in personal savings and to restore it to a level which will ensure the continued development and growth of South Africa.

Mr. MacMillan supported the Chairman's proposals regarding indexed government stock to be issued on a controlled basis to specific institutions as a method of combating inflation, and said:

Unless we are prepared to approach such new proposals with an open mind and to try them out on a controlled basis, it will remain difficult to convince the ordinary citizen of the merits of saving for the future.

OLD MUTUAL bonuses rise by up to 30%

ARGUS
2/12/82
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Every three years OLD MUTUAL makes a bonus distribution to its INDIVIDUAL WITH-PROFIT REVERSIONARY BONUS policyholders. 1982 is a bonus distribution year, and I am pleased to announce that REVERSIONARY BONUS RATES in the South African currency area and in the United Kingdom have been increased by some 30% compared to the rates declared in 1979. In other countries in which we operate, bonus rates have also been increased compared to the rates declared in that year, said Dr. J. G. van der Horst, Chairman of OLD MUTUAL, in his address to policyholders in Cape Town. Extracts from his address are featured on this page.

REVERSIONARY BONUSES added to individual policies, for payment together with basic sums assured and with previously added REVERSIONARY BONUSES, totalled over R1 000 million for the triennium ended 30th June 1982 - more than double the corresponding amount added in 1979.

In addition to REVERSIONARY BONUSES, OLD MUTUAL has, since the beginning of 1970, been paying substantial FINAL BONUSES on qualifying South African and British currency with-profit policies, as and when these became claims. I am pleased to report that these latter bonuses will continue to be paid on the relevant policies that become claims during 1983. Generally speaking these rates have also been increased substantially.

In 1980 OLD MUTUAL declared a SPECIAL FINAL BONUS on qualifying South African and U.K. currency policies in order to distribute to policyholders whose policies were becoming claims in 1981, a portion of the additional capital appreciation which, at that time, had arisen as a result of the sharp rise in the stock market over a relatively short period. This bonus was repeated in 1982. I am pleased to announce that, despite the fall in equity values over the first six months of 1982 and the uncertain economic prospects facing the country, a SPECIAL FINAL BONUS has again been declared this year, albeit at a lower level than last year, in respect of qualifying South African and U.K. currency policies that will become claims after 30 November 1982, but before 31 December 1983.

Tax impact

The recently announced increased level of taxation on life offices in South Africa could have a significant impact on the bonuses payable in future on taxed business, that is business other than retirement annuity and approved pension fund business.

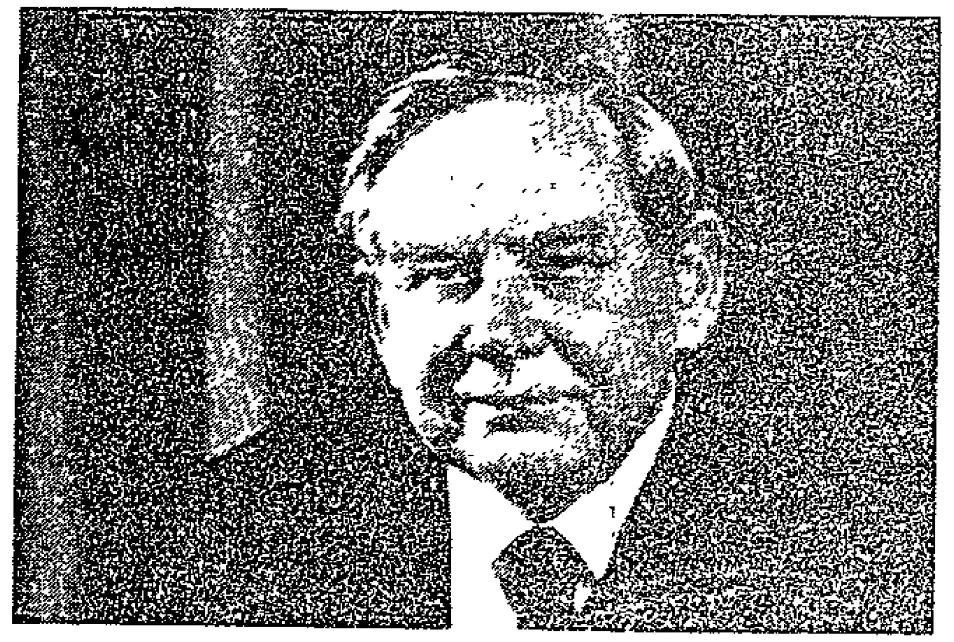
The higher tax applied only in the last year of the triennium and its effect on the bonus rates for the full triennium was therefore less than it will be in coming years. INTERIM REVERSIONARY BONUS RATES for taxed business, which will apply on claims before the next bonus declaration, have, in respect of S. A. currency policies, therefore been declared at a lower rate than the rates of REVERSIONARY BONUSES that were added to policies for the past triennium. The high yield on investments made towards the close of the triennium made it nevertheless possible for these INTERIM REVERSIONARY BONUS RATES **to be some 20% higher than the rates declared in 1979.**

It is necessary, however, to point out that the increased tax has an adverse impact on the returns of the savings element in life assurance. It is unfortunate that people who save by way of life assurance have been singled out in this manner, especially in view of the dire need for South Africa to maintain a high savings rate.

• For untaxed business, INTERIM BONUS RATES have been declared at the same rates as those that applied for the immediate past triennium.

Bonus rates are now historically very high and have been rising fairly consistently over the last 35 years, as have yields on investments. It is, of course, unrealistic to assume that bonus rates will always increase. However, the Society's track record in this regard as measured by amounts paid out relative to premiums paid, is an achievement of which we are justly proud.

The following examples, applying in South Africa, will give some indication of what these bonus additions can mean to individual members:-



DR. J. G. VAN DER HORST

Looking back

A person who took out a R10 000 with-profit endowment life assurance policy 30 years ago in South Africa, would have been told by his OLD MUTUAL assurance adviser that, at the then prevailing bonus rates, his policy would reach a claim value of R19 216 by 1982. In fact, the claim value of his policy amounted to R40 942 or more than TWICE THE ORIGINAL PROJECTED VALUE, or more than FOUR TIMES THE ORIGINAL SUM ASSURED. This increase of over R21 700 portrays the effect of the growing investment returns obtained by OLD MUTUAL during this period as well as the extent that expenses have been contained in an increasingly inflationary era.

Looking forward

If the latest bonus rates are maintained in the future, a policyholder age 30 next birthday who takes out a 30-year with-profit endowment assurance policy with OLD MUTUAL today, will receive a projected maturity value in the year 2012 of some SIX TIMES THE INITIAL SUM ASSURED. This will represent a return of nearly 10,5% per annum on the premiums paid over the term of the policy after tax, and also after paying for the cost of the life cover provided by the policy over 30 years. On the same bonus assumption, the death claim value of this policy will represent after-tax returns of 82% per annum if the life assured should die in 5 years' time, 30% per annum if the life assured should die in 10 years' time or 14% per annum if the life assured should die in 20 years' time. This demonstrates the value of the life cover provided by the policy.

SHARE BOOM

ARGUS 3/12/82

Record week with heavy gold trading

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By Derek Tommey
Finance Editor

THE Johannesburg Stock Exchange is booming as it experiences the third busiest week in its history.

Heavy buying of gold shares by the big financial institutions has been spurred by expectations that gold mining profits this quarter will be a near record.

Industrial shares have also been active because high gold mining profits are expected to stimulate the economy and shorten the recession.

So far this week just less than R100-million worth of shares have been traded on the exchange. This handsomely exceeds the highest turnover achieved in the 1969 boom.

With trading today also likely to be heavy, this week's turnover is expected to be between R120-million and R125-million.

ZULU CHIEF WARN OUT AND DUMPE

Granny Roster Mulilo . . . prayed day and night for God to help

Barrier

This figure has been exceeded on only two previous occasions — in the third week of January 1980, when the gold price broke through the $600-an-ounce barrier and turnover rose to R150,7-million, and in the second week of September 1980, when gold jumped to $850 and turnover rose to R159,4-million.

Although the present gold price — $442 an ounce — is far below that prevailing in 1980, the 30 percent devaluation of the rand against the dollar means that the mines are now getting a record price in rands for their output.

The average gold price to the mines for the December quarter is expected to be around R480 an ounce. This is equal to the highest price the mines received in any quarter in 1980.

Also helping to sustain the gold share boom are expectations that the dollar gold price could rise much further.

Failure

The failure of American and European governments to pull their countries out of recession is expected by some economists and businessmen to lead to a major restimulation of Western economies, which could boost the gold price.

So far this week the market value of gold shares has risen 8,2 percent or by R2,4-billion. The market value of all shares listed has increased by around 6,6 percent, or R5,3-billion.

However, individual gold shares have risen by a far greater amount.

A feature of the present boom has been the large purchases of gold shares by the pension funds. In the past they shunned buying these shares because they regarded them as a risky investment.

get us out makes me suspicious — this very fertile land for farming and many people would like to grab it."

He added: "Homeland or no homeland we want to stay. We are desperate — we don't like the idea of taking our lives but life is not worth anything if you have nothing to live for."

"The tribe's determination to remain in the reserve resulted in

THORITIES: WE DON'T W IELAND WE DON'T EVE

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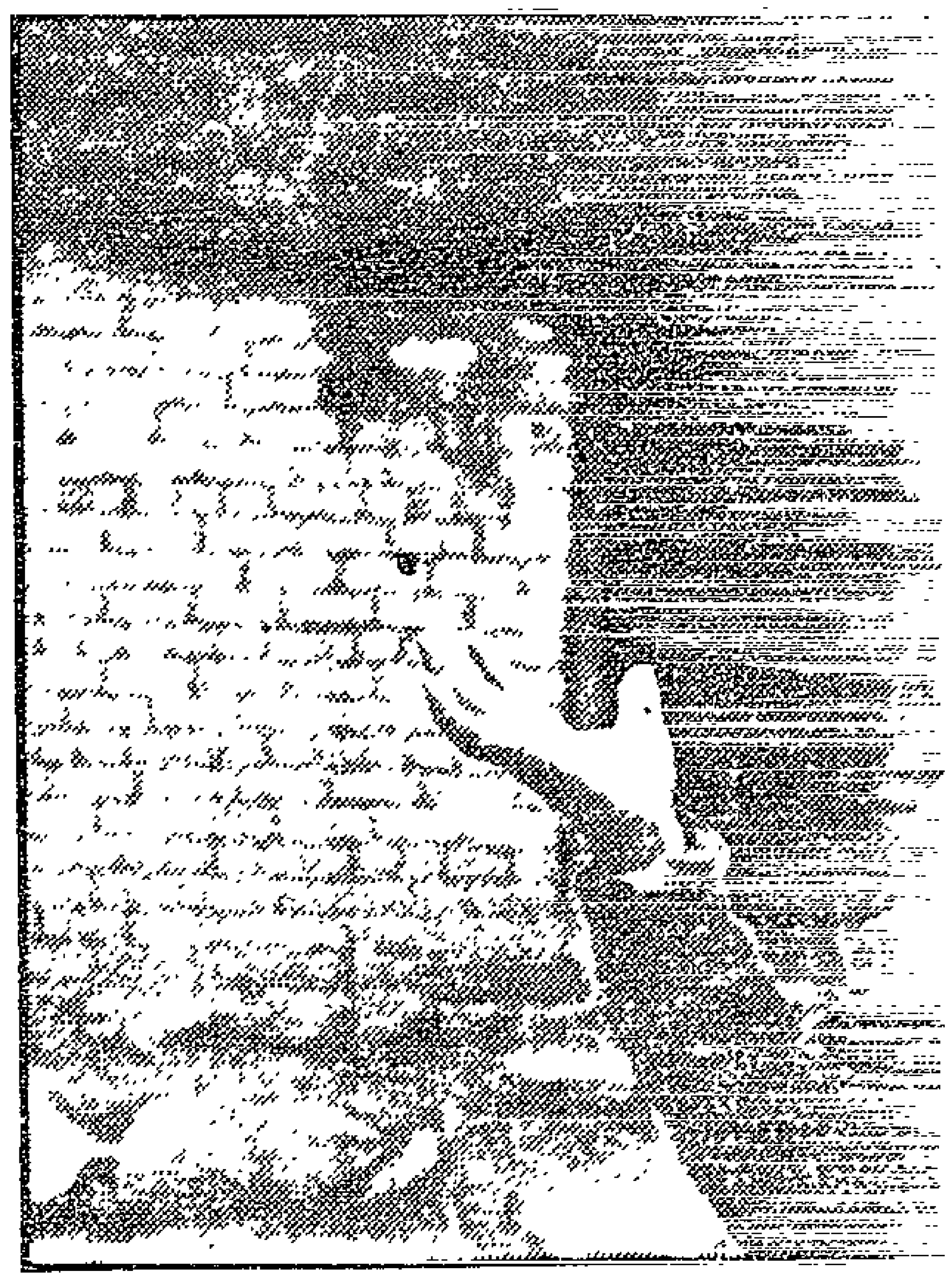


Johannes Shongwe . . . after having lost

a costly legal battle in the Pretoria Supreme Court in May. Tribesmen challenged the Hermannsburg Mission Society's claim to land ownership.

They lost, and in the process lost their right to remain in the area. The court ruled that they were illegal squatters and that they must move out in terms of the Bantu Land and Trust Act.

"Our failure in the court action has made us lose confidence in legal actions. We put every cent we had into the case and sold our cattle an possessions just to go to court. And what do we get in return? A ruling by the court that we are breaking the law," Mr Shongwe said.

He said the community had spent about R30 000 on legal fees and the court action.

"Sometimes I wonder how cruel a law can be. We have lost just about everything, and now they want to take away our homes, the only thing we possess.

"We came up the hard way. Our cows, an

The Star Friday December 3 1982

Oppenheimer's reflections on retirement

...'Make suggestions — but not too often'

58 Star 3/12/82

Mr Harry Oppenheimer took his leave of the staff of the Anglo American Corporation today in a farewell address outside the firm's headquarters. He has spent a working lifetime with the corporation and 25 years as its chairman. The Star spoke to Mr Oppenheimer this week—about his life's work, his vision of retirement and his perspective on the world around him.

By David Breier, Chief Reporter

Diamonds are a girl's best friend — and Harry Oppenheimer's too.

If beneath that businessman's exterior there beats a heart of gold, you can be sure it is well studded with diamonds.

"Diamonds are a fascinating business— a sort of mixture between the mining business and dealing with works of art," Mr Oppenheimer says.

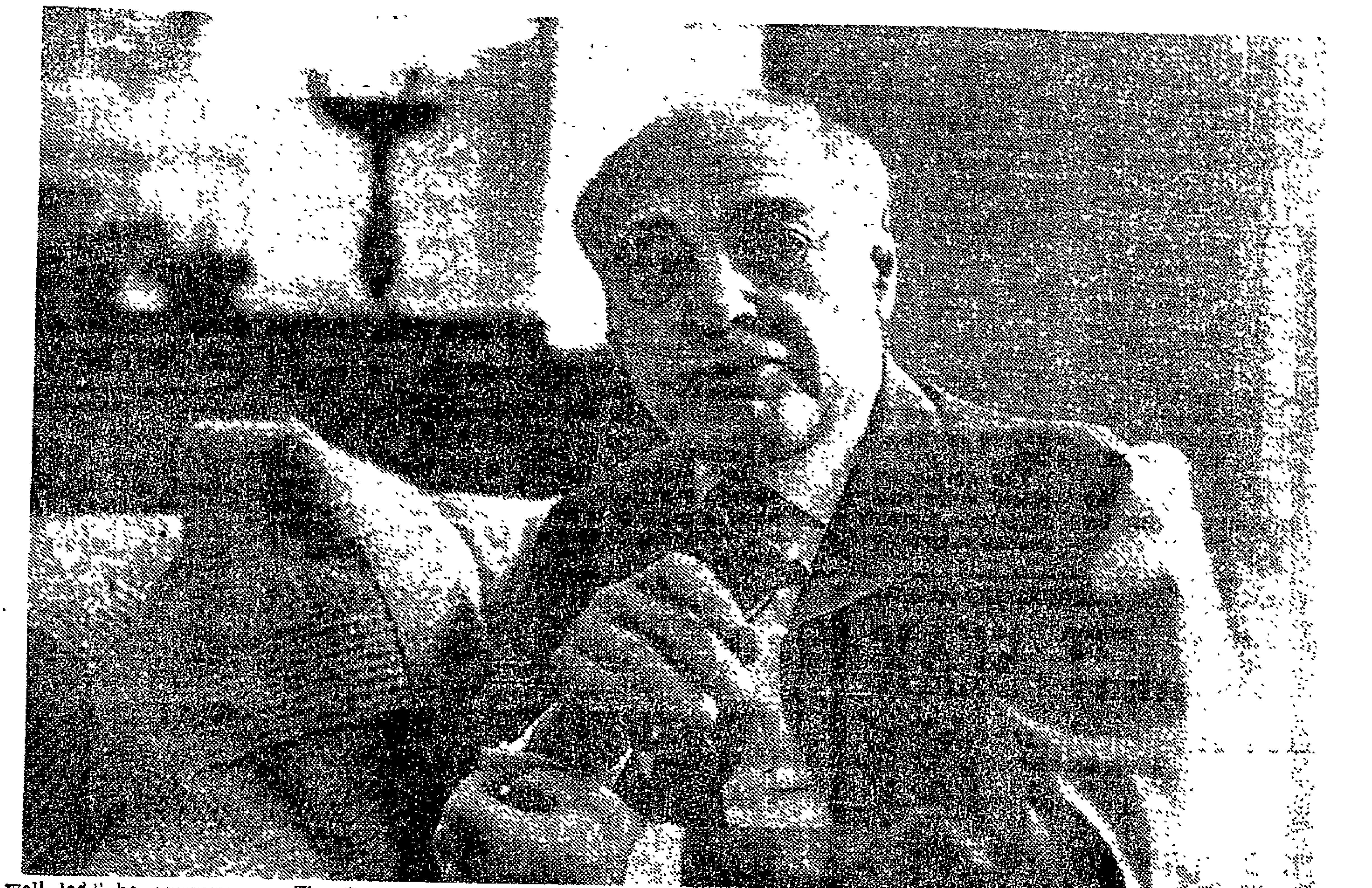
He reclines on a plush couch in the offices of Oppenheimer and Son at 44 Main Street Johannesburg.

Looking benignly at him from the wall is a portrait of his father. Sir Ernest, founder of the Oppenheimer empire.

Sir Ernest's love of diamonds, of their sheer beauty, was legendary.

As plain Ernest Oppenheimer, a young upstart at De Beers in Kimberley, he once had the temerity to tell the great Solly Joel that a chunk found in one of his diamond mines was nothing more than a piece of glass.

Joel bet him £50 that it was a diamond — and lost. "Best £50 I ever earned," Sir Ernest used to say.



Mr Harry Oppenheimer . . . reflecting on his life and times. Left: "I have had the satisfaction of inheriting my position from my father and of being able to develop it so that I leave it bigger than when I started it." Right: "I still feel the Government is not facing up to the point which has been the stone in the way of advancement — that is the urban black worker. Until it faces up to that, nothing will be adequate."

His son, who retires at the end of the year at the age of 74 after 25 years as chairman of Anglo American, is delaying his retirement as chairman of De Beers to help nurse the diamond trade out of the doldrums.

"I think it was right to stay on until one could see light at the end of the tunnel.

"Actually, for some reason, the diamond business is a little better now. I don't know whether that is a flash in the pan or the beginning of a real improvement," he said as if describing the slow convalescence of a loved one.

Looking back at his career, he said: "I have had the satisfaction over the years of having inherited my position from my father . . . and of having been able to develop it over the years so that I leave it bigger than it was when I was first concerned with it."

In modesty, Mr Oppenheimer fails to say just how much bigger.

In 1958 after he took over, Anglo had assets of R192 million. For the year to March 1982, direct assets were valued at R6 000 million, a giant leap even if inflation is taken into account.

As MP for Kimberley from 1948 until he took over as chairman of Anglo, and as a leading figure in the Opposition during the early days of Nationalist rule, Mr Oppenheimer could have had a successful political career.

"Over the years I've been very pleased not to be in politics. I think at the moment with all the movement that is going on, politics are fascinating again although I am far too old to take part.

"But if I were 20 years younger, I think I would find present day politics very interesting," he said.

Of the current Government - initiated reform movement, he said that if the Government were prepared to move strongly enough to split the National Party, it should be taken seriously.

But he added: "I still feel the Government is not facing up to the point which has been the stone in the way of advancement from the beginning — that is the urban black worker.

"And until it faces up to that, nothing will be adequate," he said.

Mr Oppenheimer makes no secret of his financial support of the Progressive Federal Party. He said he was quite happy with the PFP's stance on the constitutional issue: "I think it is being very well led," he commented.

"I don't think any sensible person in the PFP is going to disapprove of giving some share at the centre to coloured people and Indians. But I don't think that really goes to the heart of the matter.

"I think the role of the PFP is largely to push on with this thing and to stick to this issue of blacks in the towns and to press for something to be done about them also," he said

The Government was mistaken in thinking that either the homelands policy or its regional development plan could solve the basic dilemma of the urban blacks, Mr Oppenheimer said.

"I think the dispersal of industry is a good thing in so far as each individual case is looked at to make sure that the particular growth is economically soundly based.

"But I think that simply to say there is a great virtue in dispersing industry without too much regard for the economics involved — is a very dangerous policy," he said.

Asked whether the new regional policy, which recognises a single economy for South Africa, was preferable to the old idea of fragmented economies, he assented, with qualification: "Yes, I think it is an improvement in the sense that neo-colonialism is an improvement on colonialism and new-Verwoerdianism is an improvement on Verwoerdianism."

Mr Oppenheimer said the growth of Afrikaans business — "and as far as we are concerned, in the mining industry" — had substantially diminished the hostility which the Nationalist Government had long felt towards big business.

Mr Oppenheimer plays down his role in the entry of Afrikaans business into big-time mining, in helping Federale Mynbou take over General Mining.

"Some people talk as if I did the whole thing. I had some part in it, but one must not exaggerate. There is no doubt if it hadn't happened in that way at a later stage it would have happened another way," he said.

While Sir Ernest, also a Kimberley MP, was a personal friend of General Smuts, Mr Oppenheimer met the current Prime Minister, Mr P W Botha, for the first time at the Carlton Conference.

"I think that on the whole, although I don't approve of everything Mr Botha does, he has improved relations between the Government and the business people," Mr Oppenheimer said.

Ultra-verkramptes in South Africa still use the old "Hoggenheimer" bogy to beat Anglo American, accusing it of pumping money out of the country into its huge multinational interests.

"I have always seen Anglo American as a South African group which had the resources and the know-how to do good business outside South Africa," Mr Oppenheimer said.

"Eighty percent of our business is in South Africa. The flow of money in and out of South Africa in regard to this group over the years has been enormously in the favour of South Africa. We have been major importers of capital into South Africa."

Mr Oppenheimer is obviously delighted that his son, Mr Nicholas Oppenheimer (37), now joint deputy chairman of Anglo, is successful in the group.

In retirement he still intends to call at the office (which is the address of his private company Oppenheimer and Son) although not every day — and not for the hours that he used to.

"Occasionally I hope that I shall even be able to make a useful suggestion. But I won't try that too often because I believe that when you retire you must not breathe down people's necks."

He hopes to spend a little more time at his La Lucia estate near Durban and to take a more active interest in his racing stable.

Family air in tycoon's suite

By Jean Waite

At first meeting it is hard to believe this small, neat man with a cultured English accent is chairman of South Africa's biggest multinational corporation.

In his unpretentious office, surrounded by family pictures, the man who has become a business legend could be taken for an amiable school headmaster (albeit of the best British public school) or perhaps a career diplomat.

But the impression lasts only for as long as it takes a determined jaw and shrewd, penetrating eyes to jerk to attention as the first question of the interview is put.

Little escapes Mr Harry Oppenheimer. He speaks directly at you, unwavering, chin thrust out, the movement is all in his head and eyes — his body is relaxed.

Mr Oppenheimer's clothes are discreet, standard Main Street. It is his office that does the talking.

Not huge by executive standards, it reflects contentment.

The suite belongs to the family firm of Oppenheimer and Son. And while Mr Oppenheimer doesn't intend to be in it as much as in the past, there will be no immediate packing of books and mementoes.

A formal portrait of Sir Ernest Oppenheimer dominates the room. From a casual painting Mr Nicholas Oppenheimer "locks eyes" with his grandfather across the room.

Framed family photographs — wedding pictures, baby pictures, many of them obviously unprofessional, unposed snaps — are dotted around.

With the job of De Beers chairmanship his only official job from the new year, Harry Oppenheimer reckons he'll be able to take a bit more time to walk and read.

He has a love of thrillers — Agatha Christie, Dick Francis — and Victorian novels — Dickens, Thackeray, Trollope.

And, when it comes to poetry the steely tycoon is blatantly Romantic — Byron, no less, is his preference!

RDM 4/1/82

Standard's cards follow Barclay lead

By HAROLD FRIDJHON

STANDARD Bank Card Division has followed close on the heels of Barclaycard by offering cardholders 10½% on daily credit balances.

Standard's previous rate was 5%, although the rate went as high as 8% during 1978/79.

This means that the two major credit cards have been converted to debit/credit cards — at the cardholder's discretion.

When a cardholder invests a sum of money with either of the two credit card operations, that investment is not an unimpaired savings account. As the debit slips come in from the cardholder's normal purchases, the amounts are deducted from the the initial investment — and the interest earned is adjusted daily.

On the other hand, cardholders who do not wish to make an investment in the credit card division will still enjoy the present credit facility of about 24 days each month.

The higher interest rate, however, makes the cards a profitable alternative to operating a cheque account with no interest on daily balances and monthly charges, or a building society transmission account.

The Standard Bank's Card Division will offer the same terms as Barclaycard. The maximum investment will be R25 000 and cash drawings are limited to R100 at any time.

CAPE TIMES

58

Botha lauds Tswana efforts

Own Correspondent

JOHANNESBURG. — The recent decision by leaders of the "independent" homelands and the South African Government to set a definite date for establishment of the Southern African Development Bank highlighted the determination of these countries to engage in joint efforts "for the advancement of our peoples", the Minister of Foreign Affairs and Information, Mr Pik Botha, said at the weekend.

Talking at Bophuthatswana's five-year "independence" celebrations in Mmbatho, he said South Africa and Bophuthatswana remained committed to working together towards a "better future — of good hope".

'Progress'

It did not matter what the United Nations said about Bophuthatswana. The "truth" about the progress achieved in that country would ultimately have to be admitted, Mr Botha said.

He said bilateral discussions about co-operation were held "almost daily" between the two countries. This was one of the reasons why he was optimistic about the future of Southern Africa.

"I want to tell you the fact that Bophuthatswana exports food is noted by the world — it is an achievement many countries envy."

The wide range of common interests, common goals and interdependence among the states of Southern Africa were best demonstrated by their mutual will to increase co-operation over a wide field of economic and development activity.

Govt reports clash head-on

Free reins, says one — other suggests control

By Trevor Walker
Assistant Financial Editor

The Government was presented with an unusual problem today when for the first time two commissions of inquiry dealing with the same subject released their findings simultaneously and recommended completely different solutions.

The commissions, both studying the building society movement in the country, have recommended on the one hand that Government regulates the housing market and on the other that it leaves market forces free to determined what morgage rate homeowners should pay.

Because the two reports are so completely different, with the one offering a socialistic solution and the other a capitalist one, the Minister of Finance, Mr Owen Horwood, has called for comment from the building society movement and the business sector before the end of next month before any official decision is taken.

However, there can be little doubt what course Government will follow. The first interim report of the De Kock Commission into foreign exchange matters and now the second interim report concerning building societies point quite clearly in which direction the final report is heading.

If government were to accept the solutions offered by the Du Plessis Report, the final report of the De Kock Commission, expected to be completed by the middle of next year, might just as well be placed on the shelf immediately.

The Du Plessis report has recommended a dual system of mortgage financing where "sheltered funds" would be made available for middle and lower-income groups at rates lower than market rates.

This would mean a reversal of present policy, where all key rates have been largely depoliticised. The foreign exchange rate, the prime overdraft rate and even the Land Bank rate have been distanced from the monetary authorities and it would be nonsensical for Mr Horwood to retain control of such a sensitive rate.

A controlled mortgage rate would disrupt the existing interest rate structure and would have a direct influence on the recommendations of the final report of the De Kock Commission dealing with inflation, the balance of payments, money supply, bank credit, interest rates, the exchange rate and the financial rand.

The South African building socity movement, largest in the world and fourth largest in absolute terms, has become too sophisticated to be left out of the move towards a monetary-related policy of control.

Interest rates have been set free to reflect market forces and it would be of little use to nationalise building society rates at this particular time in the country's advance to a new monetary system.

The De Kock Report says: "Any monetary policy which concentrates only on banking institutions and treats modern building societies as pure savings intermediaries without any monetary significance, cannot be effective in controlling all the relevant monetary aggregates."

S8

Star 8/12/82

1: The De Kock report

'Put societies on par with banks'

The second interim report of the De Kock commission of inquiry dealing with the building society movement, has recommended that building societies be required to comply with the same cash reserve and liquid asset requirements as banking institutions.

It says these should be introduced gradually over one or two years. Since these requirements are much more stringent in respect of their short-term liabilities than in the case of medium and long term liabilities, they would automatically have less effect on building societies than on commercial banks and those other banking institutions which operate with a deposit mix containing a relatively large proportion of demand and other short-term deposits.

It says in effect that building societies would be required to hold a much lower percentage of their total liabilities to the public in the form of cash reserves, balances and liquid assets than most banking institutions.

However, they would depend on the acceptance by the authorities of the recommendations regarding minimum cash reserve and liquid assets requirements for banks to be submitted in the final report of the commission next year.

It says these will include the recommendation that minimum liquid asset ratios be reduced gradually from the present 30, 20 and five percent of short, medium and long-term liabilities to the public respectively to 20, 15 and five percent respectively.

RESERVES

All supplementary liquid asset requirements should be phased out and the minimum basic cash reserves balance with the Reserve Bank should be set at eight percent of short-term and eight percent of medium-term liabilities.

It also says it will recommend that the Reserve Bank be given the right to call for supplementary cash reserve balances against both short and medium term liabilities and pay interest on reserve balances.

The commission has recommended that building societies be encouraged to raise a part of their funds in the capital market through the issue of marketable notes or debentures with a minimum maturity of three years.

Legal requirements are recommended regarding the nature and size of building society mortgage loans and the collateral on the loans. The size of the monthly payment should be relaxed, it says: Societies would then be given more freedom of action in the mortgage lending field.

Tax-free concessions on building society shares should not be extended and in fact should be gradually replaced by other and better forms of assistance.

It also concludes that a system of mortgage interest deduction for tax purposes would not be appropriate for South Africa at this stage.

SUBSIDY

As far as State assistance for home ownership is concerned the commission believes the most appropriate solution would be the payment of an interest subsidy of two percent on building societies and other approved financial institutions in respect of mortage loans below a certain amount and secured by residential property below a certain value.

This would leave the societies free to quote realistic and flexible rates and therefore would not undermine monetary policy and the functioning of the financial markets.

If a quarter of mortgage advances by building societies were to qualify for this type of assistance it would cost the State about R60 million a year.

2: The Du Plessis report

'Offer dual mortgage to low income groups'

The Du Plessis commission of inquiry into building societies has recommended that a dual system of mortgage financing be introduced in such a way that all "sheltered funds" be made available to middle and lower income groups at lower than market rates.

It says this could be accomplished by fixing a basic limit in the form of a maximum mortgage amount and property value above which mortgages would be supplied by building societies and other institutions at open market rates.

The commission found that 1½ percent increase in building society mortgage rates on June 1 last year could have been postponed if societies had been able to keep management expenses under control.

But it felt an earlier ¾ percent increase in mortgage rates on March 1 last year was justified.

The commission's findings and recommendations were made known in a lengthy report published yesterday in Pretoria.

The commission, under the chairmanship of Dr J C du Plessis, was appointed by the State President of April 24 last year.

In its findings the commission stated: "The building societies deserve credit for the fact that they deploy their funds very effectively for the purpose of providing housing and that their reserves have been declining in relation to their assets."

Building societies had to compete actively for funds in the money and capital markets and an important consequence of the way that this had taken place had been the increasing importance of company and institutional funds with them, the report said.

"Such funds might be relatively expensive during periods of financial stringency and could increase the cost of funds for building societies."

Building societies had experienced a large flow of funds during 1980 and their policy of making such funds available for mortgage loans on a large scale might be questioned.

The report also emphasised that the demand for mortgage loans would "exceed the available supply if the mortgage rate should directly or indirectly be kept below the equilibrium rate in the market." — Sapa.

Building societies 'delighted'

Financial Staff

The president of the Association of Building Societies, Mr Peter Richardson, said this morning: "My first impression on the De Kock Report is that in broad principle societies are delighted.

"On the whole, the report is very understanding and is an excellent survey of the building society movement. At first glance the proposals appear very logical."

Mr Richardson noted that the societies would particularly welcome being placed on an identical footing with banks: "We are not frightened of competition."

The proposal that societies should have reserves equal to four percent of total liabilities was "excellent."

RDM 8/12/82

Horwood releases societies reports

(58)

Pretoria Bureau

THE Minister of Finance, Mr Owen Horwood, last night released two reports on investigations into building societies in South Africa.

In a statement the Minister said during recent years it had become increasingly clear that the evolutionary changes which had occurred in the functions and operations of South African building societies had had significant implications for the effectiveness of monetary policy and the functioning of financial markets.

The activities of the societies had come to exert an important influence on money, credit and interest rates, and, therefore, on the rate of inflation, the balance of payments and economic growth.

He requested the commission of inquiry into the monetary system and monetary policy in South Africa to make a special study of the building society issue as part of its overall investigation.

The commission had submitted its second interim report on the building societies, the financial markets and monetary policy, which would be available from the Government Printer, Pretoria, from today.

Mr Horwood said while the inquiry of this commission into the broad issues of monetary policy was under way, the substantial increases in building society mortgage rates in the first half of 1981 had led to the appointment of a "commission of inquiry into certain matters relating to building societies in South Africa".

The commission's report would also be available from today.

De Kock rejects relief for home loan mortgages

(52) RDM 8/12/82

By HOWARD PREECE
Financial Editor

TAX relief for home loan mortgages has been firmly rejected in a top-level report to the Government.

However, the report urges sweeping changes in the controls over building societies in ways which would effectively put them much closer to the banks.

It also suggests that income qualifications for mortgages might be relaxed.

The recommendations come in the second interim report — "The Building Societies, the Financial Markets and Monetary Policy" — of the De Kock Commission, investigating South Africa's monetary system.

Among its conclusions is that there should be no tax relief on bonds. The commission rejects this proposal because "it would be of greater benefit to the affluent than the lower income groups", because it could be used to avoid tax by encouraging people to take out bonds and because it would discriminate against taxpayers in rented accommodation.

It says the best way to provide housing subsidies for the lower income groups is by a direct Government payment to building societies and banks for mortgages below a certain amount and for property valued below a certain level.

These amounts would be determined and reviewed by the Treasury in line with general economic conditions.

But the commission warns of the "harmful longer-term effects of excessive subsidisation of the cost of financing home ownership".

The commission accepts, however, that the Government "might at times consider it necessary for social and other reasons to intervene in order to increase the amount and to reduce the cost of housing finance".

It says the mortgage rate should be "depoliticised" — building societies should in future raise or lower rates without reference to the Government. They should also act independently and not in a cartel.

It says that, ultimately, it is more important that savers get real rates of interest (that is more than the level of inflation) than that home owners should be subsidised.

See Page 15

De Kock's plan for building societies

RDM 8/12/82

New deal urged for home loans

58

By HOWARD PREECE

HOME loan subsidies should be kept to a minimum and provided only to the lower income groups.

This is the broad conclusion of the second interim report of the De Kock Commission on monetary policy.

In its report — "The Building Societies, the Financial Markets and Monetary Policy" — the Commission recommends sweeping changes in the controls and operations of building societies.

It also urges changing the controls over bank lending to give the authorities a tighter grip on money supply.

The report urges:

- Building societies should be subject to the same cash reserve and liquid asset requirements as the banks.
- This, however, should be conditional on the Government's accepting new cash reserve and liquid asset requirements for the banks.

Those suggested are:

THAT the minimum basic liquid asset ratios be reduced gradually from the present 30%, 20% and 5% of short, medium and long-term liabilities to the public respectively to 20%, 15% and 5%.

THAT all supplementary liquid asset requirements be phased out.

THAT the minimum basic cash reserve balance with the Reserve Bank be set at 8% of short-term and 4% of medium-term liabilities.

THAT the Reserve Bank be given the right to call for supplementary cash reserves against both short and medium term liabilities.

THAT the Reserve Bank be authorised to pay interest on reserve balances.

- So-called "prescribed investment requirements" be scrapped for building societies apart from liquid asset requirements.
- Building societies be allowed to accept large deposits from companies and other public bodies without needing special permission from the Registrar first.

They should also be allowed to issue Negotiable Certificates of Deposit (NCDs) for one year or longer, subject to similar conditions as banks.

- Building societies be encouraged to borrow longer. They should be "permitted and encouraged ro raise a part of their funds through the issue of marketable notes or debentures with a minimum maturity of three years".
- Reserve funds of the societies should gradually be increased to a minimum 4% of total liabilities to the public.

"Individual building societies need not be debarred from becoming joint stock companies with ordinary equity capital like that of most banks."

- Societies should be allowed to continue with insurance and property development activities.
- Urgent attention be given to "the possible relaxation and simplification of the present strict and comprehensive legal requirements regarding then nature and size of building society mortgage loans, the collateral margin on such loans, mandatory monthly repayments and other related matters."
- Mortgage rates be moved freely in line with market forces without any reference to Government.

The Commission comments: "If building societies adhere to sound banking precepts in their funding operations, and particularly if they succeed in lengthening the average maturity of their funds, there is every reason to expect their mortgage rates will be much less volatile than short-term interest rates."

- "Every effort be made to depoliticise building society mortgage rates."
- Differential mortgage rates are inconsistent with market-related policies.

"Indeed, on strict market principles, building societies would often be justified by charging a higher rate on small loans than on large loans."

The Commission says differential rates should be scrapped and any subsidy on loans should be paid directly by government at, say, 2% on loans below a certain level and on properties valued below a certain amount.

The Treasury would decide the amounts.

- There should be no tax relief on bonds.
- The Commission argues: "While the existing tax concessions on building society investments should be retained in the short-term to avoid disruption their gradual replacement by other and better forms of assistance should be accepted as long-term policy objective.

"In the meantime these concessions should not be extended in any way."

Other recommendations are:

- The abolition of rent control where it prevents young people from getting homes, particularly flats.
- The payment of interest only in the early years of a mortgage.
- The building societies should prepare themselves for financing and encouraging home-ownership by blacks on a sub-economic as well as on an economic basis.

The building societies should try to increase the average term of their investments and should give serious consideration to the issuing of bonds and debentures.

Referring to the situation in 1980, the commission says that the building societies could have taken a more sober view of market conditions during 1980 and early in 1981 and could have refused or discouraged the surfeit of investment funds flowing to them.

An important recommendation is that the societies should grant increases of existing mortgages only if the advances are used for the actual improvement of the properties and after the needs of persons requiring accommodation have been satisfied.

The building societies should adopt the profit motive as the working basis of their operational philosophy and the accentuation of the profit motive would be an additional incentive to the societies to seek new ways of improving their efficiency.

Two-tier mortgate system recommended by Du Plessis

By HAROLD FRIDJHON

A DUAL system of mortgage financing so that cheaper bonds are available for the lower and middle income groups and that higher price properties would be mortgaged at open market rates is recommended by the Du Plessis commission of inquiry into the building societies.

The commission was appointed in April 1981 primarily to inquire into the raising of the mortgage rate by ¾% on March 1 1981 and by a further 1½% on June 1 1981.

It also looked into possible alternative courses or actions which the societies could have followed to avoid rapid increases in bond rates then and in the future.

It said that the ¾% increase was justified but the further increase of 1½% could have been postponed if the building societies had kept their management expenses under control.

It recommends for the future a dual financing system in which the "sheltered" funds — those which are raised by means of tax-free investments — are made available as far as possible to the middle and lower income groups at rates lower than the open market level.

The maximum mortgage that a building society may advance to an individual should be provisionally fixed at, say, R54 000 which would be the basic limit.

That would imply a house valued at R67 000.

This basic limit would have to be adjusted annually on the basis of house prices and building costys.

The purchase or building of higher priced houses would have to be financed from money on which open market rates would be paid.

The commission says that the advantage of such a system is that the available "sheltered" funds would be provided to more families in the middle and lower income brackets.

It is also recommended that the societies would reap benefits from the encouragement of home ownership by the lower and middle income groups if the societies co-operated in the development and financing of garden cities by means of utlity companies.

Building societies should propagate the concept of "core" houses among young people. This involves the intitial building of a core home with one bedroom and no outbuildings on a stand and then the addition of extensions in later years when the owner can afford it.

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units/year in 1984 and plans to be selling 600 units by 1986 with substantial exports.

He maintains that the duty of 30% would be essential to ensure the project's viability for the first four years, after which it could come down to about 10%.

"We only need a relatively high protection in the initial phase," says Aldrich. "We never start a local manufacturing project unless we are confident we can get at least 60% of the market."

Mitco opened the R500 000 plant in Vereeniging in March. Its current capacity is 20 machines/month.

Aldrich rejects criticism that import protection will necessarily raise prices. He claims that importers are holding big stocks of the machines and that some merchants have said their mark-ups are high enough to allow them to cut prices to import and remain competitive. Nonetheless, when demand rises again, price increases could inevitably result from the tariffs.

Familiar arguments are presented for protection of the Mitco project as an infant secondary industry. When the plant reaches its viability level of 300 units/year, it will have created more than 200 jobs at relatively low cost.

When it produces 600 a year it will employ about 400. The capital-intensive R900m pulp and paper project being developed by Sappi at Ngodwana will create fewer than 3 000 jobs. It will also bring in export earnings, he says.

It is in many respects that the present dispute is a repetition of a row two years ago when the Six Hundred Group sought protection for its planned production facilities for turret milling machines. After opposition from Skok it withdrew its application for import tariffs and ditched the project.

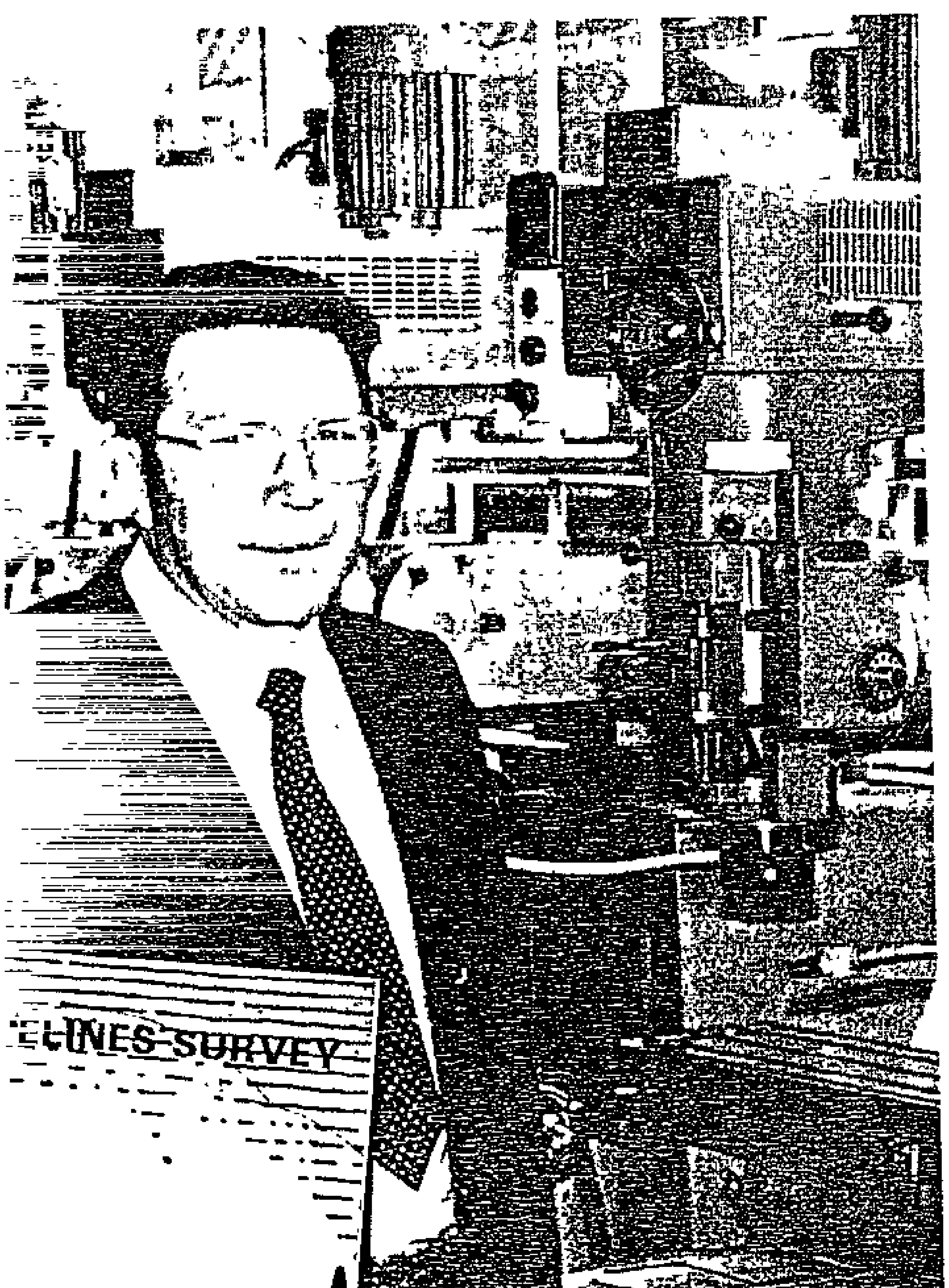
Like the Six Hundred Group, Mitco elected to produce the relatively obscure Holke machines. However, Mitco's MD, Christo Aldrich, says he is determined that manufacturing plans will proceed. Mitco has already started production at its R500 000 plant in Vereeniging in March.

Aldrich says that while no Holke machines were marketed in 1981, Mitco has already won 35% of the depressed 1983 market by selling 67 of a batch of 100 fully assembled Holke tools it imported earlier this year.

"We had to import the completed units to help Holke clear its stocks as part of the manufacturing agreement," he says. "Members of the Machine Tool Merchants Association have refused to support us by buying Holke machines then or now. We sold only six machines to them. The rest were sold to non-members."

He adds that the import tariff protection was precipitated by the MTMA's refusal to take Holke machines.

Aldrich claims the locally-made machines start with a local content by value of 47%. If the planned 300 units is attained, this would rise to 55% by 1984 and 66% in the following year.



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FRANCS FOR VENDA

10/12/82

A leading French bank is providing about R16m in capital lines of credit to Venda for agricultural and industrial development. The arrangement was negotiated by Agtec, an LTA Mitec company specialising in agricultural projects.

The first project planned to benefit is the Tshandama Estate agricultural scheme, 30 km north of Thohoyandou, which will be expanded from 400 ha to 1 200 ha.

Mike Clemitson, MD of Agtec which manages the estate, says production, mainly spices, will be extended to grain crops, including wheat and maize and such others as tobacco.

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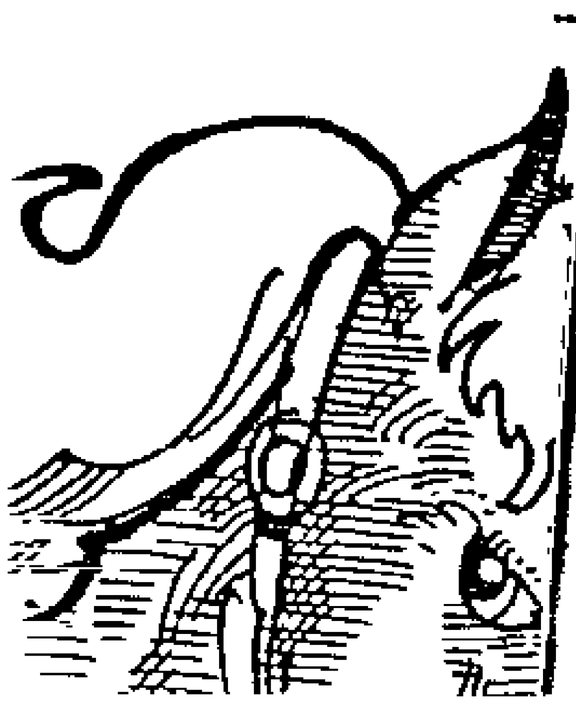

AVIATION

Air Cape moves up

The ideals postulated by the Margo (civil aviation) Commission moved a step closer to realisation last week when the revenue pooling arrangement between Safmarine's wholly-owned Air Cape (Pty) and SAA ex-

Not many families are lucky enough to be able to stay together.

Unite families is the cry from rural areas

Women fight for legal recognition

58 Sowetan

Sowetan 10/12/82

By SINNAH KUNENE

FINANCE institutions have been challenged as to whether they require a certificate of sterilisation before granting home loans on the basis of both the husband and wife's salary, and also about their attitude to granting black women loans.

In their latest newsletter the Women's Legal Status Committee states that it is awaiting replies from some institutions. The committee has also replied to a questionnaire from the National Manpower Commission asking about its activities in the labour field.

Included in the questionnaire are:

- that the WLSC is compiling a memorandum to the Minister of Manpower in connection with equal pay for comparable work, easier access to the Industrial Court, rights for pregnant women to have their jobs kept open before and after confinement, an increase in Unemployment Insurance Fund benefits and action on discriminatory pension and medical benefits;
- that the WLSC appreciates the removal of "sex clauses" from the labour legislation but it contends that this is only the beginning of justice for women;
- that the co-convenors Ms Roberta Johnston and Ms Babette Kabak continue to sit on the Womanpower 2 000 committee which concerns itself with the training and retraining of women.

The WSLC has written to the Minister of Co-operation and Development, Dr Piet Koornhof, stating concern over the social consequences of separation of families where the breadwinner is forced to find a livelihood in an urban area.

This follows the minister's statement that he was likely to introduce legislation waving certain court decisions which permitted women to live in urban areas with their qualified husbands (The Khomani case).

"It is a recognised basic legal right of married people to live together and bring up their families together, and every population group other than the blacks have this unquestioned right taken for granted," the newsletter states.

Other matters for which the WLSC have made submissions to the relevant Government institutions include the Orderly Movement and Settlement of Black Persons Bill, the Matrimonial Property Legislation and Alcohol as a mitigating factor.

In reply to the latter, the Department of Justice expressed the minister's concern and that he had already ordered an investigation into this.

The founder member of the WLSC who gave the organisation its name, Dr Ellen Hellman, died recently.

'New' giant takes on big banks

58

S. Times 12/12/82

MOVE over Barclays, Standard, Nedbank, Volkskas and you other big fellas!

Make way for one "PO Goliath", who will soon join your ranks in this press-button age of electronic banking services.

By Vera Beljakova

The Post Office is finally ready to muscle in — 1980s-style — on your territory.

For a start, its "Telebank" goes live on New Year's Day.

Of course, the SA Post Office Savings Bank is no newcomer to banking.

But, from early next year, the PO will join the ranks of the fully fledged, electronic banking giants — in terms of marketing, customer services and up-to-date, competitive product packages as well as automation and computerisation, centrally and at points of business.

PO's Telebank is out to capture new clients and increase its already mind-boggling market share.

With more than 2,5-million accounts already and more than R250-million in deposits, the PO aims for a 35% increase in number of accounts (to reach more than 3-million) and size of deposits (to reach R337,5-million).

The PO expects to achieve this target within the next three years as a result of installing full automation throughout all its branches nationwide.

Move over BOB. The Post Office Bank (POB), is going electronic in at least 800 of its 1 600 national branches with counter terminals and automatic teller machines over the next five years.

R23 000-m loans for public sector

(58) S. Times 19/12/82

LOWER INTEREST RATES SPUR TO MORE BORROWING

By Elizabeth Rouse

A RECORD of around R23 000-million will be raised by the public sector on the capital market in 1983 — almost R1 000-million more than in 1982.

The main reason for the spate of public-sector borrowing is expectations of lower interest rates.

Some municipalities withdrew their issues in 1982 because of high interest rates.

They can no longer delay issues, and opinion is that coupon rates will now be favourable for them.

Another reason for the increase in loan issues is that SATS and the National Housing Commission, previously funded directly from the Government, now draw their loan funds for capital expenditure from the capital market.

SATS kicks off with a loan issue of R100,1-million in early January and goes for another R100-million in early July.

The National Housing Commission, which brought the 1982 public-sector loan programme to a close with a successful R50-million issue, comes to the capital market for a R75-million loan in the second half of April and another R75-million in the second half of November.

Among the big borrowers is Post and Telecommunications, which comes to the capital market for R100-million in the first half of May and another R100-million in the first half of October.

Escom will raise R100-million in the second half of May and another R100-million in the second half of October.

The Atomic Energy Corporation launches a R73-million issue in the second half of February, and another R73-million issue is on the cards for the second half of September.

Armscor has two loan issues of R50-million each, one in the first half of June and the other in the first half of November.

Iscor wants to raise R100-million — R50-milllion in the first half of February and R50-million in the second half of August.

The Government is rolling over loans of R408,3-million in the first half of April, R300-million in the first half of August and R229,4-million in the second half of November.

The Land Bank will roll over two loans of R150-million each, in the first half of May and in the second half of September.

Homeland governments are seeking to raise R120-million. BophuthaTswana will borrow R56-million.

The SWA Administration is coming to the market for R40-million in the first half of August.

UNIVERSITY OF CAPE TOWN EXAMINATION ANSWER BOOK

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Du Plessis report

Building societies' misgivings

By NORMAN CUTHBERT

THE Du Plessis report on building societies appears to run contrary to the spirit of free enterprise and calls for a greater degree of State participation in the formulation of society policy.

This was the immediate reaction of the Association of Building Societies to the report, published on Tuesday, by Mr Peter Richardson, the association's president.

He says that because of the Du Plessis terms of reference (it was appointed primarily to inquire into the raising of mortgage rates in 1981), there is a vast amount of detail which has to be examined before any comment is made.

On the other hand, the building societies are delighted with the "positive, objective" report presented by the De Kock Commission.

Many of its recommendations reflect representations made by the societies at various times, says Mr Richardson.

"The commission recognises the position of the building-society movement within the overall financial structure of the country and its role as a dynamic, competitive institution.

"There is very little in broad principle that we will not be able to accept.

"The report is very fair. It suggests greater freedom in deciding the parameters of lending within the field of mortgage financing.

"It also reflects the free-enterprise concept which the authorities are currently promoting. More suitable instruments for attracting institutional investments are recommended.

"It would be interesting to read the recommendations on other financial institutions in order to get a better perspective but, all in all, it is a very sound report.

"We will examine the various recommendations closely and there will be further discussions with the authorities after the preparation of our comments."

The Du Plessis report has given "a much greater emphasis to the socio-political aspect of housing".

"We are socially conscious, of course, but our business is really house financing and we do that most efficiently in an open market situation," says Mr Richardson.

Mr Lou Davis, director of the Building Industries Federation, says both reports have "come to grips with the situation very adequately, with positive attitudes".

"The system needs a lot of overhauling as part of the country's financial system, rather than looking at it in isolation. But I do not think the recommendations are the final expression of what is going to happen."

Mr Johan Grotsius, executive director of the National Association of Home Builders, points to the opposing conclusions of the two reports.

The Du Plessis Commission recommends State control and a two-tier system of funding for house purchases, with "sheltered funds" being made available for middle- and lower-income groups at lower than market rates.

The De Kock report says mortgage rates should be determined by market forces and that the building societies should move closer to banking instutions as far as reserves anbd liquid asset requirements are concerned.

"The fact that the De Kock Commission wants to bring the building societies closer to the money market is to be welcomed," says Mr Grotsius. "The recommendation that the societies should not be allowed to act as a cartel is also important."

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