

FINANCE - GENERAL

1987

MAY — JUNE

## FINANCIAL SERVICES

### Packing for action

With images of the African veld conjured up by its new logo, and the patriotic flavour of its new name, First National Bank is re-establishing itself — as “the bank that came home” (see Leader). But the emergence of this new persona was not the only development on the financial services scene last week.

The new-look building societies are moving into top gear. Developments are flowing thick and fast.



Allied Bank's De Villiers ..  
forex dealing by June

Allied Bank has just acquired a licence to deal in foreign exchange and the operation will be on line by June. “We will mainly target middle-size corporations,” says MD Kevin de Villiers.

Another development in the group was the despatch of offer documents to shareholders who qualify for equity. Allied Group is to go for a listing on June 10. Existing shareholders have until May 22 to convert.

Last week also saw an innovative move from Natal Building Society (NBS), which has taken over potentially R55m retail deposits from Hill Samuel which now prefers to

specialise in wholesale accounts with a minimum of R100 000 on deposit.

The accounts taken over are under this amount, and significantly are in the shorter end of the deposit spectrum. NBS's Keir Dellar says they are “call and notice accounts and fixed deposits of up to 12 months.”

The deal represents an increase of only 8% in NBS's short-term deposits. The sum is not as significant as the idea of taking over a chunk of another institution's assets. Like debt securitisation, this is unfamiliar territory in SA.

Meanwhile, the Perm, which has been overshadowed by publicity surrounding newly-listed and about-to-be-listed competitors, has published figures for the 11 months ending February that claim growth in most categories of savings and loans outstripping the industry's.

Figures are not given for NCDs or paid-up shares, which were most affected by the equity conversion option given by several societies. The latter is the largest category of saving, so total growth is not clear from the figures supplied.

Cost of growth, of course, must be high as the Perm has no service charges on savings accounts. But given the economies of scale generated by a large client base, the growth could be cheap at the price.

Clark  
Phillips & Rodis 45  
Safeway 80

F/M  
1/5/87

58

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Profit soars by 80% to R58m from R32m

# Nedbank in impressive turnaround

20/11/87  
\$  
BIDay

NEDBANK Group's taxed profit for the half-year to March soared to R58m, an advance of 80% on the R32,2 earned during the comparable period last year.

Earnings a share, however, rose to only 37,2c from 35,7c because of the 73% increase to 156-million in the weighted average number of fully paid shares in issue.

The interim dividend has been raised to 11c a share from 10c, with a marginal reduction in cover to 3,4 times.

The provision for bad and doubtful debts was R43,7m, against R43,3m at March 1986 and R119,3m when final accounts were drawn at September 1986.

All subsidiary banks enjoyed improved performances. UAL Merchant Bank more than doubled its contribution to group profits, with taxed earnings of R11,1m, compared with R5,3m previously.

Newly acquired Finansbank weighed in with a maiden R5m. The published statement says Finansbank will continue to operate as an autonomous merchant bank.

The biggest earner was, of course, the commercial bank, now rid of the Triomf incubus. Its profit rose from R21,8m to R32,4m. Nedfin turned a loss of R2m into a profit of R1m. Syfrets and Nefic showed marginal improvements,

HAROLD FRIDJHON

with Cape-based Syfrets earning R6,1m and Nefic R3,8m.

An analysis of the figures shows that the group really recovered in the second half of the last financial year from its severe setback and that in the reporting period real growth was minimal. The group held its ground in what has been a very difficult time for the banking industry.

Advances grew by only 1,2% in the six months to R9,162bn, while deposits were 2,4% higher at R11,32bn.

Chairman Owen Horwood and CE Piet Liebenberg say in the statement that the quality of the earnings has improved and that this is expected to continue in the current six months. One can infer that the 10% increase in the interim is a tangible sign of this expectation.

On the increased capital, the 11c interim dividend cost R17,2m, compared with R9m last year, leaving retained earnings of R43,1m.

Assuming taxed income at the same level for the financial year as a whole, the group should earn at least R116m and a final of 22c a share (20c last year) appears feasible. It would involve a distribution of about R51,6m for the year, with cover slightly lower than in 1986.

BARCLAYS

# A nice new set of clothes

SB

Barclays' name change will give corporate designers plenty to talk about over the next few months, but of one thing Chris Ball's team can be certain: it's decision to hand the multi-million rand job to overseas interests won't be easily forgotten or forgiven.

Judgments will thus tend to be a little

**First National Bank has gone all out for indigenisation. But have the links with Barclays Plc truly been cut, and will the new image go down well in the market?**

clouded, but for what it's worth, on the *FM*'s scorecard First National Bank of Southern Africa rates about two for originality, and around six for marketability on a scale of one to 10.

And as for that sun and schematic acacia, we could probably be a little more generous

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if we knew if the sun was rising or setting.

But, leg-pulling aside, with R45m on the line it adds up to a serious business for SA's largest commercial bank. Barclays has not had an easy time of it lately, with Barclays Plc cutting the British connection (or most of it) and Ball's involvement in the high-profile and politically motivated Munnik Commission of Inquiry.

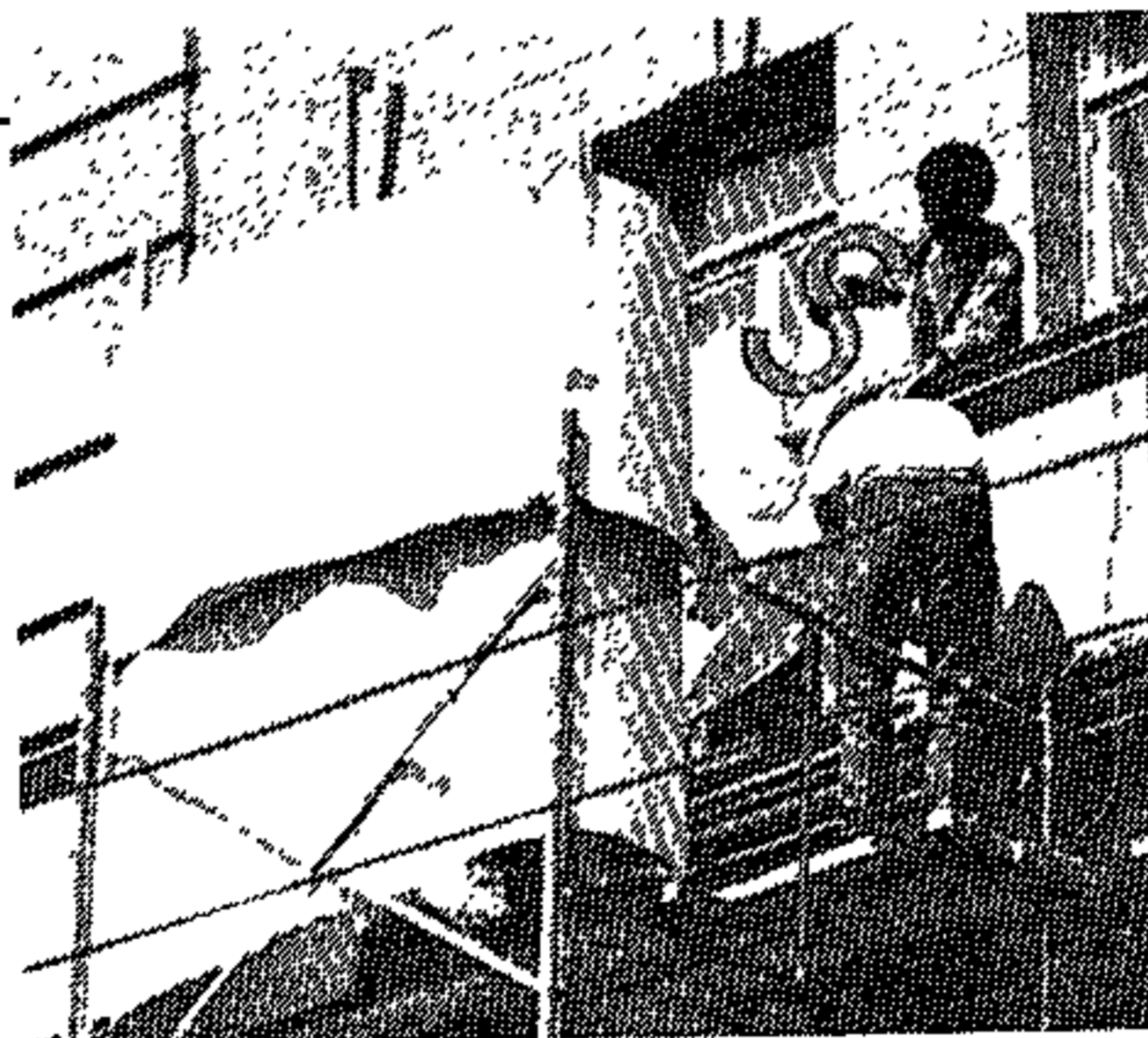
It couldn't have been good for business, but *FM* figures suggest that over the past year Barclays has nevertheless managed to entrench its position at the top of the commercial banking heap. On a group basis, Standard remains larger than Barclays; with the latest year-end results showing Standard with total assets of R20,35 billion against Barclays' R18,75 billion.

As far as the main commercial banking operations are concerned, however, December BA 9 returns show that in terms of total assets, Barclays had pulled more than R3 billion clear of Standard by end-December, with assets of R16,3 billion against R13,2 billion. At the end of December 1985, the two banks were running neck-and-neck at R12 billion and R11,9 billion respectively.

In terms of total deposits, the gap has remained about the same (R10,9 billion and R9,6 billion at December 1986). This relates to events before the Munnik affair, of course, so stock has had to be taken of subsequent events.

Annualised profits also look healthier with Barclays' bottom line advancing 30% in 1986, against Standard's 18,2%. And profits are expected to show an improvement on last year at the interim stage.

The question now is how much, if at all, the involvement in the celebrated "Unban the ANC" ad campaign will affect business. The damage will probably never be quanti-



**Changing names ... swift business acceptance**

fied, although the bank admits that some accounts were lost, particularly in the eastern and northern Transvaal.

But the net effect is likely to be minimal. For one thing, Barclays retains the largest exposure to the debt-ridden agricultural sector and the chances of platteland debtors taking their overdrafts elsewhere is remote, if not impossible. Also, the takeover of the foreign shareholding by local, mainly Anglo, interests can be expected to expand the customer base.

Policy, therefore, has been to make a virtue of the enforced British divestment, and stomp up local sympathy business in the process. So far, it seems to be working.

As senior GM Jimmy McKenzie says: "The public perception of us as a British bank was bound to continue until the name change. But certainly in the business community our change of ownership was accepted very quickly."

Longer term, First National will be counting the cost of the severed offshore connection. But the question being asked is whether the break has been as complete as many may have thought.

At the recent Barclays Plc AGM in London, chairman Sir Timothy Bevan, under pressure from a strong anti-apartheid lobby, bluntly stated: "Our withdrawal from SA is not cosmetic. It is a total severance of links." Yet he later went on to contradict himself, admitting that Barclays Plc would maintain a correspondence relationship with First

National.

This covers such things as international trade payments, staff and information exchanges and, more importantly, interbank loans. This will ensure that the synergies will not be lost.

The anti-apartheid lobby, from all accounts, is not letting the matter rest but Ball is adamant: "Our working relationship with Barclays Plc will not change." The biggest job, however, will be marketing the new image at home. TV spots, full-page ads and follow-through promotions are standard techniques which are being effectively utilised.

Also, perhaps coincidentally, the bank has just announced the appointment of a black and an Indian to the main board to replace the retiring British directors. This makes it the first major "white" bank with directors of colour at top level, although some of the others have black regional directors.

The appointments fit in well with Barclays' well-nurtured "liberal" image — although it has been quick to point out that the selections were on merit. Still, as McKenzie put it, "it gives us a better spread."

The new Indian director, Sedek Vahed, is a prominent businessman in Durban and a member of the State President's Economic Advisory Council, but the *FM* could not confirm the name of the black appointee before going to press.

Vahed, however, says he was "pleasantly surprised" when chairman Basil Hersov rang him some weeks ago, and suggested that he join the board. Tokenism? Vahed does not see his selection as anything of the sort. He says he believes the decision was based "on merit, rather than race."

What it all adds up to is that Barclays is now dressed up in a nice new set of clothes. And it *does* have somewhere to go.



**Sedek Vahed**

ARGUS 1/5/89 58

# Bank stands firm behind Chris Ball

The Argus Correspondent

JOHANNESBURG. — The First National Bank today stood firm behind Mr Chris Ball as controversy raged over the Munnik Commission of Inquiry into the ANC advertisement.

The bank said it had "complete confidence in the innocence of our managing director".

Mr Jimmy McKenzie, senior general manager, said: "Our board of directors has reviewed all the evidence and formally rejects any suspicion that Mr Ball was aware that the R100 000 advanced to Mr Surtee was to be used to fund the ANC advertisements.

"Mr Ball, who is universally regarded as South Africa's No 1 banker, will stay at the helm.

"We now intend a full-scale operation to underline his innocence in the affair, whatever the allegations of the Munnik Commission, and to emphasise that neither Mr Ball nor the bank is involved in party politics.

"We hope we can now clear the air with our staff and all our customers who have been fed all the statements following the commission of inquiry while we have had to remain silent.

"The bank cannot deny that it lost certain accounts as the controversy dragged on but



Mr Chris Ball

we feel confident that we can now influence a return of the accounts — and no doubt bring in new customers who have expressed sympathy with Mr Ball and the bank in the affair.

"It is distressing that there is no legal route to appeal against the finding of a commission of inquiry like the Munnik one. If only it had been a court of law Mr Ball could easily have proved his innocence."

The President's Office, which received the full report from the commission, said that Mr P W Botha was aware of the formal statements issued by the bank's board and by the managing director but had no comment.

'Verdict unsupported'

CAG Tracks 1/5/72

# Bank rejects Munnik

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**JOHANNESBURG. — A full meeting of the board of directors of the First National Bank has rejected the findings of the Munnik Commission of Inquiry into the funding of ANC advertisements, which implicated the bank's MD, Mr Chris Ball.**

A statement issued here said the bank's legal team, after having studied the full report of the commission, could find no evidence to support the commission's verdict.

In a statement last night, Mr Ball said events over the past few months had caused concern to staff and customers of the bank.

"The legal advice given to me since 5 February has been that I should not make any statement to use during the sitting of the Munnik commission. I am now, however, in a position to do so. The events of the last couple of months have given rise to certain false perceptions in regard to my personal stance which are caus-

ing concern to staff and customers of the bank.

"I have repeatedly stated that I am totally opposed to violence. I therefore cannot and do not support terrorism and revolution, or people or movements who promote them. Thus I believe in negotiation and reconciliation, in the creation of a peaceful and just society.

"Communication and dialogue are fundamental to the process. Businessmen have a right and duty to participate in the debate on the socio-economic issues.

"I am extremely proud of the traditions of the bank. Neither it nor I as Managing Director have ever taken sides politically and will not do so in future. The bank's contribution to the development of our great country is without equal and I and my colleagues will continue that tradition.

"The evidence I gave to the Munnik commission was factual and accurate and my conscience is totally clear on that point."

Mr Ball's statement received the full support the First

National Bank's board, who released the following statement:

"The Board of First National Bank of Southern Africa Ltd has had the opportunity of being advised by its legal advisers who were present throughout the hearing.

"In view of the foregoing, and that Mr Ball at all times acted lawfully and within his authority, the board expresses its full confidence in and continued support for Mr Ball.

"The bank affirms its age-old tradition of service to all sectors of the South African community. Contrary to impressions which may have been created, the bank has no political position or allegiance and seeks only consistently to serve the best interests of all its clients.

"At the same time it is of the view that there is a critically important role for business leadership to play in public life.

"The general management committee of the bank has been a party to and fully endorses the contents of this statement." — Sapa and Own Correspondent

PR operation planned to underline MD's 'innocence'

# Bank stands firm: We back Ball

Staff Reporters

The First National Bank today stood firmly behind its managing director Mr Chris Ball as controversy raged over the Munnik Commission of Inquiry into the African National Congress advertisement row.

The bank's senior general manager, Mr Jimmy McKenzie, said: "We have complete confidence in the innocence of our managing director in the whole affair.

"Our board of directors has reviewed all the evidence and formally rejects any suspicions that Mr Ball was aware that the R100 000 advanced to Mr Yusuf Surtee was to be used to finance the ANC adverts," he said.

"Mr Ball, universally regarded as South Africa's No 1 banker, will stay at the helm.

"We now intend a full-scale public relations operation to underline his innocence in the affair, whatever the allegations of the Munnik Commission, and to emphasise that neither Mr Ball nor the bank is involved in party politics.

"We hope we can now clear the air with our staff and all our customers, who have been fed all the statements flowing from the commission of inquiry while we have had to remain silent.

## Accounts lost

"The bank cannot deny that it lost certain accounts as the controversy dragged on but we feel confident we can now influence a return of the accounts — and no doubt bring in new customers who have expressed sympathy with Mr Ball and bank in the affair.

"It is distressing that there is no legal route to appeal against the findings of a commission of inquiry. If only it had been a court of law Mr Ball could have easily proved his innocence."

The State President's office, which has been handed the full report from the Munnik Commission, said Mr Botha was aware of the formal statements issued by the bank's board of directors and the managing director himself, but had no comment.

Mr Ball last night reacted to the commission report, saying the evidence he had given was factual and his conscience was "totally clear on that point".

He said the events of the past few months had given rise to "certain false perceptions" regarding his personal stance, causing concern to staff and bank customers.

● See Page 3.

(58) Sapa 1/2/87

# My conscience is totally clear, says Chris Ball

The full text of the statement released last night by Mr Chris Ball, MD of the First National Bank, accused by the Munnik Commission of having known that a R100 000 overdraft he granted was for the placing of advertisements calling for the unbanning of the ANC, reads:

"The legal advice given me since February 5 has been that I should not make any statement

to you during the sitting of the Munnik Commission.

"I am now, however, in a position to do so.

"The events of the last few of months have given rise to certain false perceptions regarding my personal stance which are causing concern to staff and customers of the bank.

"I have repeatedly stated that

I am totally opposed to violence. I therefore cannot and do not support terrorism or revolution, or people or movements who promote them.

"Thus I believe in negotiation and reconciliation, in the creation of a peaceful and just society. This requires goodwill from all sides and the realisation of an appropriate balance in the structure of our society and the accommodation of economic, cultural and power interests.

"Communication and dialogue are fundamental to the process. Discussion between all sectors and persuasions in our society on these goals and the route to success can only come about through contact and to this end I and others have sought to have communication on the socio-economic issues with people across the full spectrum.

"My view is that businessmen have a right and duty to participate in the debate on the socio-economic issues.

"I am one of those South Africans who believe that there is the possibility of great success for our country and all its people and that that success can only be built on the real economic prosperity that we have the potential to deliver, so that we have the resources to promote the development and education of all of our people.

"I am extremely proud of the traditions of the bank. Neither it nor I as managing director have ever taken sides politically and will not do so in future.

"The bank's contribution to the development of our great country is without equal and my colleagues and I will continue that tradition.

"The evidence I gave to the Munnik Commission was factual and accurate and my conscience is totally clear on that point." — Sapa.

## Bank rejects commission's findings

The board of the First National Bank issued the following statement in Johannesburg yesterday:

"The board of First National Bank of Southern Africa Limited has had the opportunity of being advised by its legal advisers who were present through the hearing, concerning the contents and implications of the findings of "the commission of inquiry into certain advertisements", against which no appeal lies, that the evidence before the commission did not justify the adverse findings against Mr Ball and therefore rejects them.

"In view of the foregoing, and that Mr Ball at all times acted lawfully and within his authority, the board expresses its full confidence in and continued support for Mr Ball as managing director.

"The bank affirms its age-old tradition of service to all sectors of the South African community. Contrary to impressions which may have been created, the bank has no political position or allegiances and seeks only consistently to serve the best interests of all its clients, at the same time it is of the view that there is a critically important rôle for business leadership to play in public life.

"The general management committee of the bank has been a party to and fully endorses the contents of this statement."



SS (S) DD 11/5/87

# Ball reacts to money finding

**JOHANNESBURG** — The managing director of the First National Bank, Mr Chris Ball, — said by the Munnik Commission to have known a R100 000 overdraft he granted a businessman was to be used to fund newspaper adverts calling for the unbanning of the ANC — says he is opposed to violence.

Mr Ball said in a statement that events over the past few months had caused concern to "staff and customers of the bank".

"I have repeatedly stated that I am totally opposed to violence," said Mr Ball.

"I therefore cannot and do not support terrorism or revolution, or people or movements who promote them."

Mr Ball's statement read:

"The legal advice given me since February 5, has been that I should not make any statement to you during the sitting of the Munnik Commission.

"I am now, however, in a position to do so.

"I believe in negotia-

tion and reconciliation, in the creation of a peaceful and just society.

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"I am extremely proud of the traditions of the bank.

"Neither it nor I as managing director have



**MR BALL**

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*CAM Trinks 2/15/87*

# EP achieves *SB* growth of 14,8%

## Financial Staff

THE Eastern Province Building Society achieved a growth in assets of 14,8% for the past financial year, with a growth in share counters of 22,3%.

According to its report for the year ending March 31, total assets increased by R60,8m and now stand at over R470m. Gross mortgage loans granted during the year amounted to a record R137m of which only 3,8% were in respect of business transfers.

The property market has been improving steadily over the last few months and the number of borrowers in arrears has dropped, due partly to the effects of an improved housing market.

## Reserves, surpluses increased

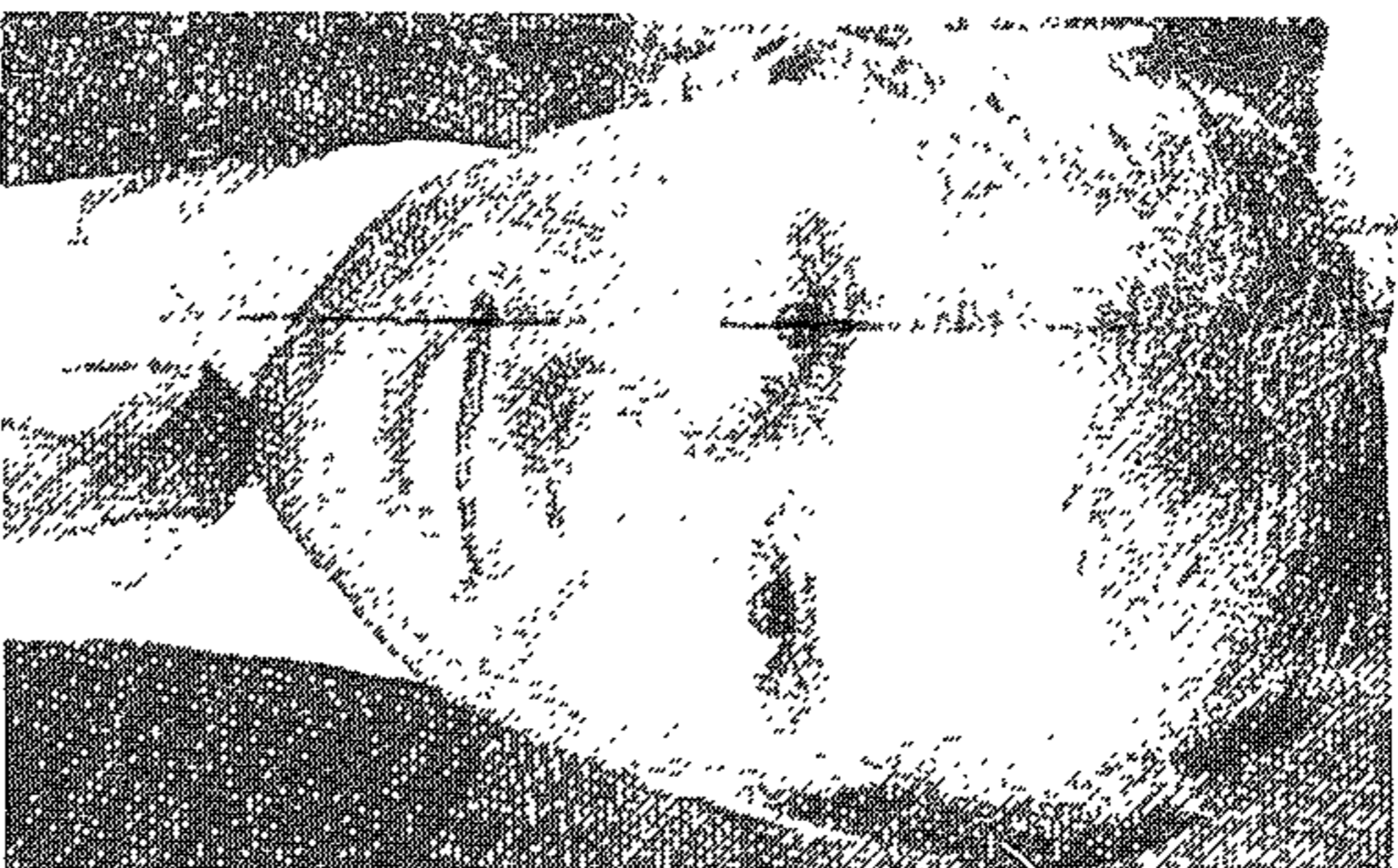
The society had no problem in placing all available funds received during the year out on mortgage loans and in the last two months has in fact regained an excess of loan applications.

The EP was able to increase its reserves and surpluses at the year-end and they now stand at over R10,6m. The society has also provided a substantial amount for possible future losses on properties. The board feels this is a prudent move in view of its decision to recommend to shareholders that the society convert to a company at some future date.

The board decided during the year to substantially widen the financial services offered and now handles equity-linked investments, insurance-broking services as well as the traditional building-society investments and a range of property-related services.

## NEWS

# Gifted banker — with built-in compassion



Mr. Chris Ball . . . Rolls-Royce mind tuned to technicalities of profession.

Whichever way one's sympathies lie, and whatever the repercussions may be of the Munnik Commission's finding, anyone who has talked to the managing director of the First National Bank can but concur that he is a man who knows his own mind.

Mr Justice Munnik would tend to agree. He made the observation of Mr Chris Ball that he was used to having his own way and given to making positive statements.

Such traits are, of course, essential for anyone holding down one of the most prestige-filled and responsible commercial posts in the country.

One hour with him some time ago in his quiet, spacious office overlooking the Johannesburg City Library left one with the impression of a highly-motivated, sincere and energetic person, a man who was equipped with a Rolls-Royce of a mind superbly tuned to the

technicalities of his profession, yet filled with compassion for his countrymen of all persuasions.

He is earnest, courteous, fluent and speaks with a rich, charismatic style which would earn him much support should he ever enter the political arena. Not that he would ever contemplate politics, making it clear that he is contented enough in banking.

This said, he has firm views on the future of this country and where it should be going politically and socially. His various speeches, interviews and statements over the years underline this positiveness. As a corporate leader he believes it is his duty to stand up and be counted.

Explaining his attitude toward making decisions which can affect many people and often huge currency flows, he said in an interview for another publication: "There are different types of de-

## Personality

### CHRIS BALL

#### Compiled by FREDERICK CLEARY

isions," he said. "Day-to-day ones are easy to make. Others one has to consider very carefully, especially in complex matters where there may be a number of possible alternatives, of which only one is the right one.

"You have to encourage debate and even disagreement to ensure you arrive at the right conclusion. You must not rush to conclusions."

Physically attractive, with a ready smile and the build of the rugby player he was, John Watkins Ball, now 47, became MD in March 1984 after a rapid rise through the

Barclays corporate ranks.

Born in Johannesburg into a family background of law and engineering (although his brother Jonathan is a publisher), he qualified in law, but decided it was not the profession for him and did not practise. Instead, he borrowed money and took himself to Cambridge, where he earned a degree in economics. From then, in his own words, his career became a "series of happy chances".

Attracted to merchant banking, he learned the business in Johannesburg, London and New York before joining Barclays, where his obvious talents soon had him moving up the executive ladder.

In 1978 he moved out of merchant banking for a while to run the Barclays subsidy, Wesbank. After two years, he returned to London, this time as regional general manager, running eight districts embracing 500 branches and

a staff of 15 000 — and still only 38.

Brought back to South Africa in 1982, Ball was now earmarked for the top post, into which he pours most of his waking day.

While abjuring the term "workaholic", he is at his desk by 7 am five days a week, rarely leaving much before 6 pm and sometimes as late as 10 pm, and then devoting Saturdays to corporate affairs in one form or other. Only Sunday is left for time with his wife and children, two daughters and a son.

On this his one day off a week, Chris Ball loves working with his hands. He is no slouch, having designed and built personally his Johannesburg and seaside homes.

"I am a frustrated builder" at heart. I am not happy unless I am building something," he said.

One was left with the feeling that the building he had in mind encompassed more than just bricks and mortar.

# Insurance collapse causes biggest AA loss in 50 years

**THE Automobile Association has suffered the biggest financial loss in its 50-year history.**

The 670 000 members will be told that as a result of the demise of the AA Mutual short-term insurance division, in which the AA held 42%, more than R8-million has had to be written off.

The AA also suffered an operational deficit of R3.2-million because of the loss of commissions and rent from the short-term insurance business.

Membership fees were raised by 40% to R28 last year, and are likely to be increased again this year because of inflation.

## Rolling again

The annual report of the non-profit club is frank about the knocks the AA has taken, but it gives details of what has been done to get the wheels rolling smoothly again.

Director-general Peter Elliott tells *Business Times* that members still have faith in the association.

"The majority of members have reaffirmed their support and loyalty to the AA. But some — understandably — blamed the AA for the financial loss they suffered through insuring with AA Mutual Insurance."

**By Udo Rypstra**

In spite of its major shareholding in AAM, the AA was not involved in day-to-day management. It placed its faith in the ability and "autocratic" management-style of former AAM chief Warren Plummer.

Mr Plummer left SA when AAM collapsed.

Mr Elliott says that to counteract the loss of revenue caused by the demise of AAM, several AA branch offices have been closed, expenditure has been pruned and development projects shelved. Staff numbers have been reduced from 850 to 700, but mostly on the administrative side.

A new motor policy called *Motor-sure* — it does not include household cover — is being provided by Mutual & Federal Insurance and is selling well at competitive premiums, says Mr Elliott.

AA's income for 1986 was slightly up on the previous year's at R20.8-million. Half of it was derived — as usual — from membership fees and the magazine. A family membership recruitment drive netted R3.5-million — about R700 000 more than in 1985.

The AA lost an estimated R2.5-million in commissions, capitation fees

and rents from AAM and membership subscriptions associated with insurance policies.

Expenditure rose from about R19.5-million to R24-million, largely because of general increases in the cost of services to members, staff pay and leasing charges on movable assets.

Net income from non-operational assets fell from R1.8-million to R1-million. More than R8-million was written off on the AAM partnership and on investments in the UK-based AA Mutual International. The investment division recorded a deficit of R10.2-million after a surplus of R2.7-million in the previous year.

## Legal costs

With R25.3-million brought forward from the previous year (R22.6-million in 1985) the AA started 1987 with capital funds of R15.1-million compared with R25.3-million at the beginning of last year.

Mr Elliott warns that legal costs relating to litigation in which the AA is involved may be substantial. But he believes that with more members and higher membership fees, the AA will be back to normal by the end of the year — or show a surplus.

# The Bank Stands by Ball

THE board of directors of First National Bank - formerly Barclays - has pledged its full confidence in the bank's managing director, Chris Ball.

This is despite the Munnik Commission's finding that Ball knew that the money he was advancing by way of an overdraft would be used to sponsor an advertisement calling for the unbanning of the ANC.

Nothing has changed the board's view on Ball's denial that he knew what the money would be used for, and we have absolutely no reason to doubt what Ball told the commission.

FNB's chairman, Basil Herslov, said FNB's supportive statement of Ball came in the wake of speculation that the commission's find-

ings may have a negative effect on Ball's future with the bank.

The one-man Munnik Commission was appointed on February 11, with a brief to investigate and report.

Which newspapers carried advertisements concerning the ANC which appeared on January 8, 1987.

By whom, or behalf of whom, the advertisement was placed.

How much and by whom, or on behalf of whom, the newspapers were paid for for the publication of the advertisements.

What the source was of funds that were used to pay for the advertisement, and especially also with reference to a report in the *Cape Times* of February 5, which stated that the UDF had had a bank guaranteed cheque for R100 000 for the placing of the advertisement.

Whether Ball was, in any way, involved in financial arrangements concerning payment for the placing of the advertisements.

Any relevant aspects that may more fully explain the matter.

The advertisements in question appeared in *City Press*, *The Argus*, *Business Day*, *The Cape Times*, *Diamond Field Advertiser*, *Eastern Province Herald*, *Natal Witness*, *Ilanga*.

The newspaper has been produced under emergency regulations which amount to censorship. The restrictions effectively suppress information of public interest. No details of unrest or security force action can be published without permission. However, within the limits of these restrictions, City Press will continue to make every effort to provide objective coverage.



Flashback: Chris Ball, surrounded by bodyguards, attending a session of the Munnik Commission.

*Sowetan*, *The New Nation*, *Post Natal*, *Pretoria News*, *The Star*, *Daily News* and *The Daily Dispatch*. The *Weekly Mail* carried a blank in place of the advert, which had been banned by them.

The adverts were placed by lawyer Krish Naidoo, acting in his official capacity on behalf of the UDF, which, in turn, had the consent of the National Education Crisis Committee and the South Africa Council of Churches to cite these two bodies as issuing the advert jointly with the UDF. The names of other organisations were entered as supporters.

In a 121-page report handed to the State President, Judge Munnik found that, at the time that Ball authorised the overdraft in question, he knew the borrowed money was intended for the UDF to pay in advance for adverts calling for the unbanning of the ANC.

Ball, as MD of Barclays, authorised a branch manager to open a second account for businessman Yusuf Surtee and authorised an overdraft facility of R100 000 to enable Surtee to draw this amount and hand it to the UDF by way of bridging finance for the adverts.

Munnik said his approach in deciding whether or not Ball knew the purpose for which the overdraft was required "was to first examine and test Surtee's story standing by itself, then that of Ball".

His impression of Surtee as a witness was that, apart from his "unsatisfactory demeanour", he had been proved to have lied.

In coming to the conclusion regarding Ball's knowledge, the probabilities were overwhelmingly against him not having known "and Ball's calibre as a witness, and the quality of his evidence were not such as to lead me to a different conclusion".

CAP- Times 4/5/87 (58)

# AA shows R3,2m deficit

JOHANNESBURG. — A decline in membership — the first in decades — and an operating deficit of R3,2m were part of the price the Automobile Association (AA) had to pay for the collapse of AA Mutual Insurance last year.

The AA said it had a 42% shareholding in the company but no involvement in day-to-day management.

The AA's director general, Peter Elliott, said in the annual report membership fell from 675 064 to 672 702.

"The vast majority of members reaffirmed their support and loyalty to the AA but some, understandably, laid the blame at the association's door for the financial loss suffered," he said.

The R3,2m operating deficit — compared with a surplus of R896 120 in 1985 — was due to the loss of R2,5m in commissions, capitation fees and rentals derived from AA Mutual and membership subscriptions associated with insurance policies.

Legal and other costs were incurred in the events surrounding the collapse of the AA Mutual.

In addition, the AA has written

down its investments in AA Mutual and the UK-based insurance company AA Mutual International.

The cost to the AA for the two events was R8m.

After allowing for investment income the deficit for this year amounted to R10 172 131.

After increasing fees from R20 to R28 a year and taking other steps, the AA expected to achieve an operating surplus in 1987.

Elliott said: "The events leading up to and following on the collapse of AA Mutual overshadowed every facet of your association's activities in the year.

"The impact of the debacle was hardest for policy holders, tens of thousands of whom were AA members."

To counteract the loss of revenue, several branch offices were closed, staff was reduced, expenditure pruned and projects shelved.

"It is of interest to note that in 1986 the AA emergency road service alone helped more than 140 000 members, saving them about R10m." — Sapa

CME Times 4/5/87 (58) ~~2071~~ ~~2072~~  
'The slate is clean with Ball'

# Top executives asked to sign support pledge

**Own Correspondent**

**JOHANNESBURG.** — Executives of large corporations who know and deal with First National Bank (FNB) managing director Mr Chris Ball are rallying to his support after the ruling of the Munnik Commission.

More than 70 executives will today be asked to put their name to a letter pledging continuing support for Mr Ball, said one of the signatories, Tradeegro's Mr Mervyn King.

The letter will be handed to FNB chairman Mr Basil Hersov and is intended to show the bank that Mr Ball's peers hold him in esteem and trust, despite the findings of the Munnik Commission.

Support from other executives is being gathered because "we want to put across the message that the slate is clean with Ball, in fact, we regard it as not even being marked".

The letter says: "The bank's legal team feels that the probabilities point to Ball not knowing the destination of the funds. The Commission found that the probabilities pointed to him being aware.

"Probabilities do not create facts.

"We (the executives) know him (Ball) as an honourable man and he will continue to enjoy our trust and confidence in our dealings."

Mr King and Premier's Mr Peter Wrighton have telexed executives whose names would be listed if their support was forthcoming. Mr King and Mr Wrighton will sign the letter in their private capacity.

The names will remain private, but if Mr Hersov wanted to he could make the letter public, said Mr King.

Chris Cairncross reports that many leaders of the country's business community are indicating that they believed the Munnik Commission's conclusions over the funding of the

advert, calling for the unbanning of the ANC, were irrelevant.

Businessmen canvassed for their reactions over the commission's report, released last week, chose not to comment on the merits of Judge President Mr Justice Munnik's findings.

But, they noted, he had not found that Mr Ball had done anything unlawful, he had acted within his rights as a banker in granting the overdraft facility, the UDF was not an illegal organization, and there was nothing illegal about calling for the unbanning of the ANC.

In a statement published as an advertisement in a number of newspapers at the weekend, the full board of FNB supported Mr Ball, affirming that he had at all times acted lawfully and within his authority as managing director.

They rejected Mr Justice Munnik's findings as being unjustified and not substantiated by the evidence placed before the commission.

Generally, business leaders canvassed expressed concern over the events leading up to the appointment of the commission.

Pick n' Pay chairman Mr Raymond Ackerman echoed the views of most of his business colleagues when he again criticized the manner in which the State President, Mr P W Botha, had used the protection of Parliament to make several allegations about Mr Ball.

Others commented that the appointment of the one-man commission also appeared to be a strong-arm tactic by Mr Botha, aimed at warning Mr Ball and other businessmen to stop criticizing his government and stop meddling in politics.

"We will not be covered by such tactics and will continue express our forthright views over the way the country is being run and push for reform," commented Mr Ackerman.

# Businessmen rally around FNB's Chris Ball & Day

CORPORATION executives, who know and deal with First National Bank (FNB) MD Chris Ball, are rallying to his support after the Munnik Commission's findings.

More than 70 executives will be asked today to put their names to a letter pledging continuing support for Ball.

The letter will be handed to FNB chairman Basil Hersov and is intended to show the bank that Ball's peers hold him in esteem and trust despite the commission's findings.

Executive support is being gathered because "we want to put across the mes-

ALAN SENDZUL

sage that the state is clean with Ball; in fact, we regard it as not even being marked".

The letter says: "The bank's legal team feels that the probabilities point to Ball not knowing the destination of the funds. The commission found the probabilities pointed to him being aware. Probabilities do not create facts.

"We (the executives) know him (Ball) as an honourable man and he will continue to enjoy our trust and confidence in our dealings."

Tradegro's Mervyn King and Premier's Peter Wrihton have teleaxed executives whose names would be listed if their support was forthcoming. King and Wrihton will sign the letter in their private capacity.

King said the names would remain private, but if Hersov wanted to he could make the letter public.

FNB recently said it stood behind Ball and believed he had no knowledge that funds lent would be used to finance adverts calling for the unbanning of the ANC.

CHRIS CAIRNCROSS reports that

business leaders are closing ranks behind Ball, with most indicating they believe the commission's conclusions are irrelevant.

Businessmen chose not to comment on the merits of the findings but they noted Munnik had not found that Ball had done anything unlawful. He had acted within his rights as a banker in granting the overdraft facility, the UDF was not an illegal organisation and there was nothing illegal about calling for the unbanning of the ANC.

Generally, businessmen expressed concern over the events leading up to the appointment of the commission.



# Business chiefs launch appeal to back Ball

Political Reporter



Mr Chris Ball

Two of South Africa's top businessmen today sent an appeal to 70 executives to support a letter backing First National Bank managing director Mr Chris Ball.

The initiative was launched by Tradegro chief Mr Mervyn King and Premier executive Mr Peter Wrighton to counter the negative effect of the report of the Munnik Commission of Inquiry. The one-man commission appointed by the State President said in effect that Mr Ball had lied to the commission and had knowingly approved a R100 000 overdraft to pay for the "Unban the ANC" advertisement.

Mr King said today: "The purpose of the letter is to let First National Bank know that business leaders in South Africa are supportive of them."

"The letter says we have dealt with Mr Ball over the years and have known him to be a man of integrity. We will continue to deal with him and the bank with confidence."

The letter will be telexed to business leaders today and later handed to the chairman of the bank, Mr Basil Hersov.

Mr King said the letter was for the bank's private use and that the names of signatories would not be released.

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Edited by Robin Friedland

# Removing the mystery

## So what makes adequate cover?



□ MORDIN of Liberty Life

MEMBERSHIP in group life schemes should be taken into account in the course of personal financial planning. They frequently offer disability benefits as well as strict life cover, and have the advantage that a minimum amount of cover is provided without evidence of health. A point to watch for is a "continuation option" — the right to remain covered even after leaving the relevant employment.

As explained by Peter Mordin, Li-

berly Life's divisional manager (technical marketing), a group life scheme is an arrangement set up by an employer to provide death (and other) benefits to its employees and to their dependants.

From a technical viewpoint, group life schemes can be regarded as "a series of one-year renewable convertible term policies taken out by the employer on the lives of his employees".

So-called "free cover" means that the insurer will offer the members of the scheme a limited amount of life

assurance without medical evidence, provided that a minimum proportion of those employees eligible for membership join at its inception (in order to prevent the membership being loaded with too many sub-standard lives). Mordin says the proportion usually required is 75%.

### Postponed

If an individual member wishes to obtain additional cover, medical evidence will be required. But if the member is found to be uninsurable this discovery will not affect his or her right to life assurance up to the "free cover limit".

There is normally a rule that an individual employee must be at work on the day when he or she becomes eligible for membership, as well as on the preceding 20 working days. If the member is away because of illness on that day, the commencement of cover is normally postponed until after his return "for at least two months of consistent and continuous work".

Mordin draws attention to several advantages for the employee in membership of a group life scheme: □ The entitlement to the "free life cover" already described;

□ Convertibility on withdrawal. On leaving the particular employment before retirement, employees in Liberty group life schemes have the option to convert the cover (up to the free cover limit) to an endowment, whole life or *Universal Lifestyle* policy at the standard rates. The option is normally exercisable within 30 days of withdrawal.

□ At least amongst lower-salaried employees, group life is a method of ensuring a minimum amount of life cover which otherwise could not be afforded — "so securing the interests of their dependants". Since neither a pension nor a disability benefit is payable under pure group life cover, the employee will not forfeit a State pension.

□ A member of a scheme which provides death benefits only will be regarded for income tax deduction purposes as being in "non-retirement funding employment". But where the scheme also offers disability benefits, then Inland Revenue will classify that employment as "retirement-funding employment". This classification entitles the employee to deduct up to 15% of salary in respect of contributions.

COVER equivalent to five times annual salary — at least — should be regarded as the minimum protection to employees and their families. And a "continuation option" to provide cover if the employee resigns is also an important provision.

Gerard Ehmke, senior AGM at Federated Life, says that group life assurance is "one of the least expensive but most important benefits" that can be provided for employees. But too little attention is frequently given to optimising the advantages of a scheme.

Since many employees will look to the group life scheme to provide most of their life cover, it is important to make sure that cover is adequate. When it is realised that a family man with two or three small children needs total life cover of around 10 to 11 times his annual salary during the critical period when those children are still at school, "you can see the inadequacy" of schemes which provide cover of twice or three times salary.

A minimum multiple of five times salary should be the level of cover provided. And it should also be remembered that — if current rates of inflation continue for some time — "what might seem to be an adequate lump sum in the event of an employee's death occurring today" could

very well be "totally unrealistic in money terms" even in five years' time.

It is also important, says Ehmke, to look after employees with sub-standard health. A group scheme can offer generous "free cover" limits within which no evidence of health is required. Without this provision, such employees would either have to pay loaded premiums or go without cover entirely.

As for the continuation option, Ehmke notes that many employees will regard the group scheme "as providing the greater part, if not all" of their life assurance requirements. They will feel "that the cover is adequate" and therefore do not need to make much, if any, further provision.

"This complacency is quickly destroyed and replaced with alarm when the employee finds himself retrenched or moves to a job where there is no group life assurance." The cost of providing a continuation option is small, and ensures that employees can continue to enjoy life cover — without producing evidence of health — when they leave a scheme.

# Benefits of group life to employers

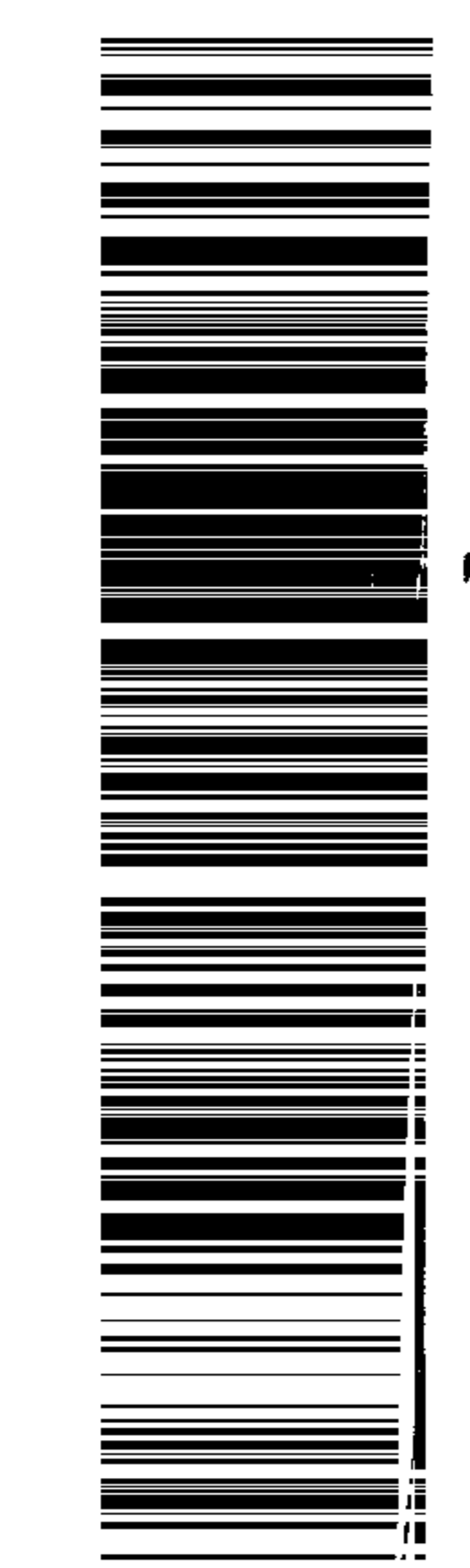
GROUP LIFE schemes carry important benefits for employers as well as for employees. Liberty Life's Peter Mordin notes that group life schemes constitute "an attractive perk," helping the employer to attract and keep valuable employees. Because the basic policy is "equivalent to a one-year renewable term policy," the life cover is relatively inexpensive.

The employer's contribution will be tax deductible if the scheme is approved as a provident fund under Section 11(f) of the Income Tax Act. Even if unapproved, the contribution will still be deductible provided that the employer can prove that the expenses were incurred in the production of

income in terms of Section 11(a).

Where the scheme has been structured as an unapproved "free-standing" policy (i.e., unattached to a pension or provident fund), then deduction of contributions may take place under Section 11(w), provided the policies — following the deferred compensation route — are structured as company-owned.

Management buy-outs — following disinvestment — are now an increasingly frequent phenomenon. The new shareholders "will frequently be hard-pressed at the outset of the venture," so the ideal, inexpensive assurance will be a group life scheme providing only for death benefits.



# Disability benefits

GROUP life schemes can incorporate provisions for disability benefits — either as a capital sum or in the form of a pension. According to Graham Jeffries, senior manager, marketing services, Southern Life, benefits are generally salary-related, and in many cases include “capital disability cover” — payable on the total and permanent disablement of the member. This cover is “an integral part” of the group life cover, effectively “advanced” in total or in part in the event of disability.

But any balance of life cover not advanced would remain in force and be payable on death. In view of the “difficulties of establishing the permanence of disability,” says Jeffries, there is “invariably” a six-month waiting period before payment.

And, in the case of disability benefits, generally the underwriters “are bound by an agreement” (through the Life Offices Association) which “is designed to limit over-insurance”. If a member could obtain excessive benefits on disablement “there would be little incentive to rehabilitate and return to work”.

Disability benefit arrangements may

exclude claims arising from war, riot, or civil commotion, although some life assurers do allow such claims. As an alternative — or in addition to — capital sum disability benefits, there may also be provision for a monthly benefit, some aspects of which are:

□ A typical benefit would comprise 100% of salary in the first two years of disablement, with a maximum of R8 000 per month, and 75% of salary thereafter, with a maximum of R6 000 per month;

□ These benefits would commence after an “agreed period of disability” (one to 24 months). The longer this period, the less the cost of the cover;

□ The income benefits would be payable if the member is totally disabled “but not necessarily permanently so”. Members can thus benefit during a period of temporary disablement;

□ Escalating benefits can be built in to offset the effects of inflation; and

□ Provision can be made for a disabled member to continue membership of his pension fund, thus continuing to accrue pension benefits until retirement and enjoying death cover.

## Those special features

GROUP LIFE schemes benefit from certain specific characteristics of group underwriting, which include the cross-subsidisation of older by younger employees, and the ability of the employer to switch his insurance contract without penalty to take advantage of better rates. In the case of larger schemes, a measure of self-assurance also becomes a possibility.

According to Dave Geary, Sanlam's manager, communication services (pensions), the cost advantages of a group scheme are manifold. Administrative costs are reduced as a result of simplified procedures. The spreading of death risks over a number of lives enables the insurer to offer a certain amount of cover without having to provide proof of health.

The insurance is not permanent. So the contract can be adapted as the needs of the group change. But for some individuals, permanence is seen as an essential need — group assurance should by its nature not be seen as a substitute for individual assurance.

The underlying rates depend primari-

ly on age, but also on other risk factors. Some schemes operate on the basis of differential rates according to age — where the premium for a member is increased every year. “This is often undesirable,” and so group schemes mostly operate by way of an average rate for all members.

This policy implies a cross-subsidy of older members by younger — a situation to which members do not usually object “when the employer also contributes to the scheme”. For this type of scheme to be viable, it is necessary, however, to have compulsory membership with the exception of an initial choice at the inception of the scheme. Sanlam, like other underwriters, requires a minimum percentage of initial entries, to ensure “that not only the uninsurable employees enter initially”.

As schemes expand, they gradually reach the stage where they are able to apply a measure of self-underwriting (with concomitant cost savings). In these circumstances, the group life assurance industry accommodates its big clients, often by effecting the assurance on a profit-sharing basis. In this case, the client is refunded part of the excess of premiums over claims during a specified period.

Alternatively, there may be a basis of retrospective pricing, where the client initially pays a very low premium, but at the end of the year makes a supplementary contribution up to a specified maximum (to the extent that claims exceeded the initial premium).

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# UBS chief criticises role of life assurers

A WARNING against the concentration of economic power in the hands of life assurance companies was sounded by UBS CE Piet Badenhorst last night.

"The greatest threat to building societies today is posed by the life assurers," said Badenhorst, when receiving the Business Day Business Achievement Award.

"The description 'life assurer' is today a misnomer. Life offices have long since

SB 12/87  
BDay  
TONY KOENDERMAN

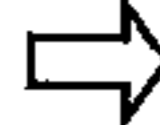
expanded the life assurance business into the deposit-receiving business — without any of the statutory encumbrances applicable to other deposit-receiving institutions."

Badenhorst said the four largest life companies accounted for almost 55% of the total assets of all financial institutions — banks, building societies, Post

Office, unit trusts, participation bonds and life assurers.

They enjoyed low tax rates as a proportion of net operating surplus — 7% or 8%, compared with more than 40% by the major building societies, he added. "Every product they offer enjoys some benefits under the Tax Act. And policy-

● To Page 2



## Badenhorst hits at life assurers

holders even obtain certain protection through the Insurance Act in respect of insolvent estates.

"The dice have been so loaded against the building societies that they experience severe difficulty competing in the market for the investable funds of the retail sector."

Thus, in 1970, for every R1 going to the life assurers as premium income, R1,07 was channelled to the societies. But by 1985, for each R1 going to life assurers, a mere R0,34 went to the societies.

"With one-third of the assurers' relative share of the funds, the building societies are still depended upon to finance the country's housing requirements. Life assurers, by contrast, have had the more comfortable task of swallowing up the shares of proven companies and contributing little to gross capital formation.

SB 12/87  
BDay  
● From Page 1  
UBS received the Business Achievement Award for its role in helping to deregulate financial markets and encouraging changes in legislation which allowed building societies to convert from mutual societies to equity-based companies. Last December UBS became the first building society to be listed on the JSE.

The award has been made annually since 1972, first by the Rand Daily Mail and now by Business Day, to a company or organisation which has "demonstrated extraordinary achievement making a permanent or long-lasting contribution to the well-being of the economy".

● See Page 9

# 1500 top men back Ball

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THE Institute of Directors, which represents 1 500 South African directors of companies, yesterday expressed its support for First National Bank managing director Mr Chris Ball in the wake of the findings of the Munnik commission.

In a statement issued yesterday, the IOD — which said one of its major objectives was to provide the individ-

ual director a voice in his own right — said it was totally supportive of the views expressed by Mr Mervyn King and Mr Peter Wrighton in their letter to First National Bank.

The letter was to have been delivered to FNB yesterday to inform the bank that Mr Ball was held in the highest esteem by his peers despite the findings of the commission.

“The IOD upholds the principle of free speech and — accepting that there is a distinct overlap between business and politics, particularly in South Africa — believes strongly that it would be highly detrimental to the South African economy if directors were obliged to ascertain the political affiliations of other business people prior to conducting any legal business with them,” the statement said.

□ Meanwhile, the response from senior executives to a call for the support of Mr Ball is unlikely to be disclosed to the public.

Mr King said the issue was a private one between business and the FNB, whose chairman, Mr Basil Hersov, was at liberty to make it public if he chose. — Staff Reporter and Own Correspondent

# Insurance field <sup>(S)</sup> needs 'regulation' <sup>B/Dat</sup>

PROVISION should be made in the Insurance Act for internal regulation of members' behaviour by an Insurance Council, said Fred Haslett, MD of SA Eagle Insurance, giving evidence to the Melamet Commission yesterday.

He said such a council would have statutory recognition and disciplinary powers, and could act on behalf of the Registrar. The Insurance Association, SAIA, might be the body to do that.

The commission, chaired by Mr Justice Melamet, is inquiring into the collapse of short-term insurer AA Mutual last year.

Haslett said insurance companies, which were managed properly, would pay attention to adequate estimation of provision for claims, adequate estimation of incurred but not reported (IBNR) reserves, correct unexpired risk reserves, correct placing of insurance treaties and adequate quality of business accepted.

He said if those practices were adhered to, no insurance company would ever go insolvent. He had never understood why the solvency margin

HELENA PATTEN

was related to premium income and thought solvency margins should be related to liabilities instead.

Michiel Loubser, one of the provisional liquidators of AA Mutual, also gave evidence.

He said AAM had had profits of R8m (R14m accumulated) in 1985. The following year it suffered losses of R42m (R39m accumulated). The main reason for this was an increase in claims paid and provided for — from R188m in 1985 to R298m in 1986, a substantial increase.

The auditors had not wanted to express themselves on the subject of the adequacy of AAM's R4m reserves. The provisional liquidators had not been confident that R4m was adequate.

Loubser said the liquidator should investigate, as a matter of priority, the redemption of redeemable preference shares and payment of a dividend. There would have to have been sufficient profit, but it had been impossible to determine at what stage the loss occurred.

# Directors group backs Ball

THE Institute of Directors, a 1 500-strong group representing company directors, said yesterday it stood behind businessmen who showed support for First National Bank (FNB) MD Chris Ball.

A spokesman said the institute upheld free speech and accepted that business and politics were inter-linked, particularly in SA.

Meanwhile, the response from senior executives to a call to support Ball is unlikely to be revealed to the public.

Mervyn King, one of the signatories to the letter that noted businessmen's

ALAN SENDZUL

continued backing of Ball, said the issue was a private one between business and FNB.

He added it was not his function to keep a scorecard of the responses, and that it was more important that the bank knew of the backing it had in "our present economic and political climate".

King expected the letter to be handed to FNB chairman Basil Hersov who, he said, was at liberty to make it public knowledge if he chose.

# Institute of Directors backs Ball

Political Reporter

The Institute of Directors, made up of 1 500 business executives, has added its voice to support for First National Bank managing director, Mr Chris Ball.

In a statement, the institute said it was "totally supportive of the views expressed by Mr Mervyn King and Mr Peter Wrighton in their letter to First National Bank showing the bank that Mr Ball was held in the highest esteem by his peers despite the findings of the Munnik Commission".

"It appears to the institute that Mr Ball acted within his rights as banker in granting the overdraft facility, given the authority he holds

from his board of directors," said the statement.

It said the institute upheld the principle of free speech and accepted that there was a "distinct overlap between business and politics".

In the light of this "it would be highly detrimental to the South African economy if directors were obliged to ascertain the political affiliations of other business people prior to conducting any legal business with them", the statement said.

Mr King and Mr Wrighton yesterday asked 70 top executives to support a letter backing the bank and Mr Ball. It is unlikely that the signatories or names will be made public.



“THE VITAL VIEWPOINT”

# Life assurers up in arms over UBS chief's views

CHRIS CAIRNCROSS

SOME senior people in the life assurance industry reacted strongly yesterday to the critical comments directed at the industry by UBS CE Piet Badenhorst at Business Day's Business Achievement Award banquet this week.

“I am appalled that a man of his standing could get his facts so screwed up,” commented an irate Dorian Wharton-Hood, chairman of the Life Offices' Association (LOA), adding his was a common sentiment expressed by other members of the industry at an LOA meeting in Johannesburg yesterday.

His response was echoed partly by Liberty Life chairman Donald Gordon, who also holds the position of deputy chair-

man of the UBS, and Sanlam senior GM Johann Sohng.

Gordon said Badenhorst might have misunderstood the situation, and it was incomprehensible to him why he had made them in the first place.

Sohng said he had very real problems with Badenhorst's statements, as they definitely did not square with the facts.

Badenhorst's comments, which have caused the industry's blood to boil, were that the four largest life companies accounted for almost 55% of the total assets of all financial institutions; that they enjoyed low tax rates of 7%-8% as a pro-

portion of net operating surplus, compared with more than 40% faced by building societies; and they contributed very little to capital formation in SA.

He also accused life companies of swallowing up the shares of proven companies, and of having an unfair competitive advantage over banks and societies.

Wharton-Hood described these comments as “absolute tripe”, and provided figures to support his view.

On figures available for 1985, the Post Office's share of assets was R6,8bn; unit trusts R1,6bn; banks R63,2bn; building societies R22,2bn; short-term insurance and other similar vehicles about R12bn; and life companies R38bn.

This totalled about R144bn, of which the life industry's proportion was only about 26%, Wharton-Hood contended.

Both he and Sohng said Badenhorst was also incorrect on assurers' tax levels and appeared to be culpable of ignoring the accumulation of liabilities.

Wharton-Hood took issue with Badenhorst's implication that life offices were encroaching unfairly on building society and bank territory.

Gordon said life companies had been so successful in attracting investment income because they were “just being bloody efficient, and doing a good job for the investing public”.

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# Upturn won't mean more jobs for blacks, says UBS

Star 6/5/87

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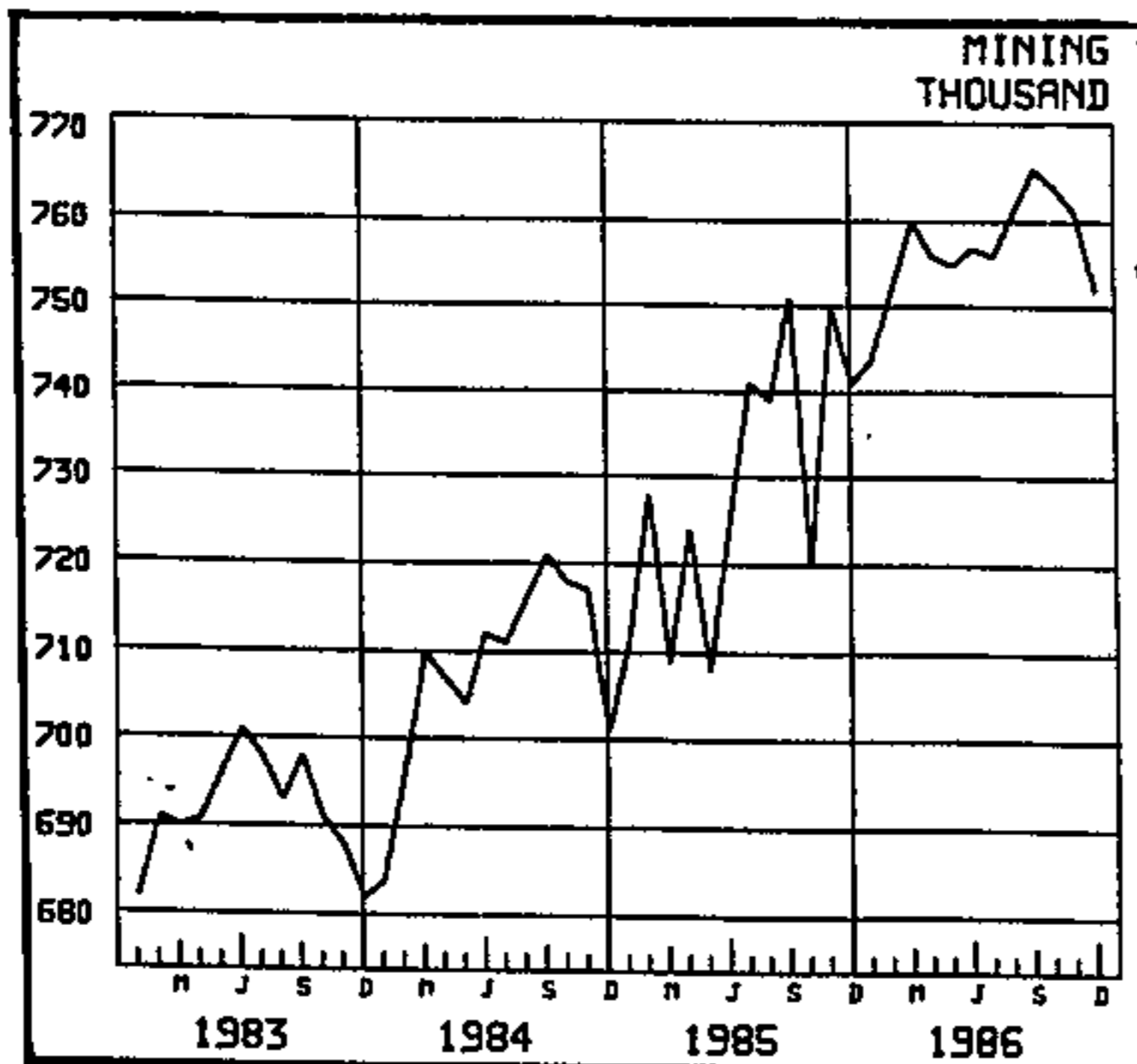
By Sven Lünsche

The domestic economy is likely to achieve real growth in the next two years, but this will not necessarily mean reduced unemployment, says the United Building Society in its latest economic survey.

White unemployment is expected to decline, but black unemployment is forecast to stay at present levels, calculated to be at the level of 1.4 million people or 22 percent of the employable population, the society says in its publication, the *Economic Monitor*.

This has become evident recently from the substantial decrease in employment levels in South Africa's main industrial sectors.

The country's two lar-

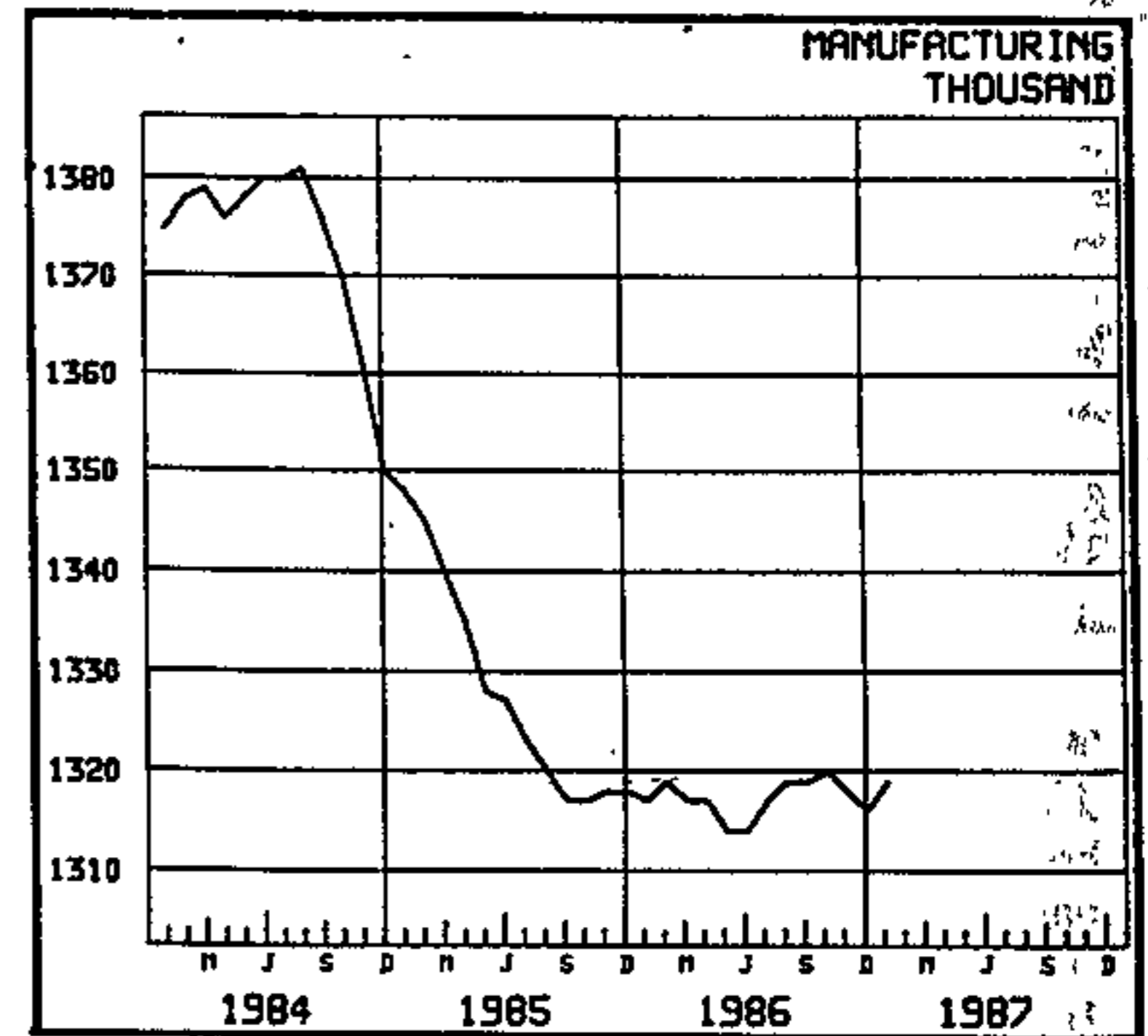


gest employment sectors, the manufacturing and mining industries, (see graphs above), have recorded negative growth rates recently.

After rising to a peak of 765 000 in September last year, the employ-

ment figures declined towards the end of 1986 and the beginning of this year.

Employment levels in manufacturing have been stagnant around 1,318 million for more than two years, after de-



clining rapidly from a peak of 1,380 million in 1984.

The construction and commerce industries both decreased the numbers of their workers by about 30 000 over the last two years to 295 000 and 740 000 respectively.

New assessment methods employed by the Department of Central Statistics also led to radically revised official estimates of black unemployment — from an average of approximately 500 000, or 8 percent of the economically active population, to 1,4 million (22 percent).

White unemployment declined from 84 000 in the second half of last year to approximately 70 000 in the first quarter of this year.

Most analysts and observers share the view that, where job creation is concerned, the outlook is gloomy.

The society writes that, compared to other industrial countries, the unemployment level in South Africa will remain high on account of the growing number of unskilled workers who are entering the labour market an-

nually.

Of the roughly 10 million people making up South Africa's economically active population, the Science Committee of South Africa estimates that 30 percent can be regarded as having no formal education, while only 3 percent have degrees or diplomas.

The UBS adds that two traditional sources of skilled workers — whites and immigrants — are steadily diminishing.

Concluding its analysis, the society says that, considering the spare capacity in the South African economy, economic growth will be possible without any need for new capacity — and thus new jobs — until at least 1988.

Good news for the individual is that this year wage remunerations are forecast to outperform the inflation rate.

UBS expects a rise in personal disposable income of around 20 percent in 1987, basing its projections on improved corporate profits and agricultural income, successful trade union demands and a 12.5 percent formal civil servant salary increase.

# AAM growth too fast - consultant

JOHANNESBURG — The AA Mutual Insurance Association was "like a supertanker going down the English Channel" in the last few years as the company's growth rocketed, the Melamet Commission of Inquiry heard in the Rand Supreme Court yesterday.

"I just couldn't think how a captain could do such a thing," said Mr Denzil Curgenven of Quest, an insurance advisory service.

Quest analyses insurance companies and prepares reports on them for its subscribers.

Mr Curgenven said he had monitored and analysed the figures for AA Mutual from 1973 to 1983.

He said that in 1973 motor vehicle insurance formed 92% of AAM's portfolio. He said that from 1972 to 1982 AAM's growth had been in line with the market.

By 1985, motor business formed 62% of the portfolio as AAM had gone into other classes of business.

"Net premium income increased tremendously — far in excess of market growth," Mr Curgenven said.

He said from 1981 to 1983, AAM grew by about 239%, compared with a market growth of 130%.

But AAM's free reserves did not grow proportionally and hardly increased at all, he said.

He said this was of great concern to him as the growth was too rapid. He had projected an underwriting loss of R34 million if growth continued at the same rate.

Mr Curgenven said his analysis of AAM's position had been printed in a Quest report in March, 1986. This had been sent to AAM for their comments. It was only returned to Quest around the time when AAM was liquidated and no comment had been made, he said.

The liquidator of AAM, Mr Billy van der Merwe, said the liquidation of AAM's short-term insurance

business would take years.

• He said it was "an attorney and advocate's paradise".

He said insurance brokers, who collected premiums worth millions of rands and had 60 days to transfer them to an insurance company, should have to account for the interest earned on the money.

The Insurance Act said premiums must be put into a trust account — but he disagreed.

Policy holders should get the benefit of the interest earned every month on the millions of rands controlled by brokers, said Mr Van der Merwe.

Mr Van der Merwe said brokers should have a control body such as those for estate agents and attorneys.

An ombudsman would let the public know there was someone checking up on the insurance companies and would save legal costs.

**SADEK VAHED**

## Rag trade riches

Sadek Vahed, newly appointed to the board of First National Bank (FNB), describes himself as a "coal-face" chairman. It was this hands-on approach, he says, which helped him acquire rights to a prestigious designer label in 1983, under the noses of heavyweights in the clothing industry.

His Calvin Klein coup attracted the grudging admiration of the clothing industry. During Easter of the same year, his A M Moolla Group bought three ailing clothing manufacturers from their financiers, the Trade & Industries Group, for R2,5m. Vahed travelled five times to New York negotiating the Klein franchise; and came to an expensive but successful rescue of a venture in Isithebe, KwaZulu.

In the years after that, he persuaded bankers and an apprehensive board to take over an industrial site in Durban — at a profit of R500 000 to speculators who had held the site for one month — and then spent R1,5m adding to one of the group's factories.

Audited balance sheet figures for the group secured a place among the top 10 non-listed companies in SA last year, in the competition sponsored by *Business Day*, Arthur Andersen and the Wits Business School. The figures show that a turnover of R30m in February 1983 increased to R59m last year.

Not surprisingly, with a record of decisive and successful business deals in the clothing industry, and growing stature as an employer (the group has some 5 000 on its payroll), the man who learned his trade from the basement up began to attract attention.

In 1985 Vahed was appointed to the State President's Economic Advisory Council. There, he says, rattling off the names of some captains of South African industry, he was a "sardine among the whales." He says he spends more time listening

than talking.

Now he has been invited to join the FNB board. "I was in Hong Kong when chairman Basil Hersov phoned me. I was in Taiwan when I phoned back and accepted, and asked him what he believed I could contribute to the bank. He said that if I was good enough for the Economic Advisory Council, I was good enough for the bank."

Vahed went to work instead of finishing school, and this practical approach is evident in his bearing and relationship with his staff. He enjoys a reputation for earthy simplicity and honesty.

It is this characteristic, rather than modesty, which allows him to disclaim personal credit for the obvious success of the A M Moolla Group. "I have the finest management team available," he says, and means it. The impression he leaves is that of a benign guru who has successfully communicated business mysteries to his subordinates.

It was just such a benign guru who taught him the clothing trade, and Vahed is full of praise for the patience and foresight shown by Dr A M Moolla, founder of the group and of its largest trading arm, Kingsgate Clothing. Moolla came to the rescue of a widow at her wits' end, with her 11-year-old Sadek showing great energy but little enthusiasm for schoolwork.

Moolla tamed him by putting him to work as an errand boy in the basement of Lockhat Bros. It was a long and thorough apprenticeship, begun on a wage of five shillings a week, but the lessons are not forgotten: "The secret of success in the clothing business is that you must buy right. And I still do all the volume buying for the company. Others can teach me about fashion, about colour, but they can tell me nothing about fabrics and prices."

Vahed says his contribution to running FNB will be based on his experience as a manufacturer and employer, and a "positive attitude to the future."

"Three years ago foreign bankers wouldn't look at me when I went overseas.

Now they're regaining interest, and they attach a lot of importance to the development of the new independent political alliance in this country," he says.

"I have great faith in the future. How do you think Indian people survived and prospered despite legislation like the Group Areas Act? It is because they adopted just such a positive attitude. I believe that we face a challenging but interesting future in this country, and I want to help it prosper."



Vahed ... benign guru

## ROAD TRANSPORT

### On collision course

Relations between the Public Carriers' Association (PCA) and SA Transport Services (Sats) have plummeted to a new low, with renewed PCA accusations of police harass-

ment of its members.

The PCA — its 401 members own 12 783 vehicles — has subsequently withdrawn its support for the Transport White Paper. It avers that nothing has yet been done to deregulate transport, while the permit system is still very much in force — and being enforced.

At issue between the two groups is goods conveyed by road for reward. Central Statistics Services research shows that Sats conveyed 4,1 Mt by road last year, or around 2% of the 205 Mt conveyed by private sector operators.

So why the big fuss about such a small percentage?

## BLACK BUSINESS

# The financing conundrum

FEATURE

By now it's become almost a cliché, but emerging black businessmen still claim to encounter considerable hostility in their dealings with financial institutions.

The charge goes deeper than mere access to cash. It strikes at the social conscience of money lenders themselves in the formal financial sector. Bankers, however, claim they are justified in adopting the cautious approach — at least for the time being.

The major problem apparently lies at the interface between strict First World financing requirements and the developmental requirements of SA's growing Third World economy.

While SA has one of the most developed financial sectors in the world, and no shortage of capital to speak of, there is a desperate need for venture capital to fund new entrepreneurs in the informal sector.

Banks often profess a willingness to help, but frequently find the level of black business proficiency well below that which they are accustomed to in the developed sector. And herein lies the rub.

"Banks are steeped in a sophisticated First World lending environment and to an ever increasing extent are being asked to assist businesses in an operationally Third World environment," says Roy Polkinghorne, Standard Bank GM in charge of small business development.

"The availability of funds to black businessmen is being hampered to a certain extent by a reluctance on the part of financiers to part with money to people who, through no fault of their own, are not yet in a position to manage money effectively."

So, inevitably, the process of black business development will have to involve adjustments on all sides. Up until the early Seventies South African bankers were basically security lenders. Only recently have they orientated themselves more towards cash flow lending.

Criticism of their staid approach is, to some extent, valid however. Many of the black applicants they pass over are not just hawkers and dreamers — as they would have it.

Thabo Matsho left his position as personnel officer of Gundle Plastics in October 1984 to start up his own business — a factory making shower caps and aprons for the hair-dressing trade.

"I got a definite 'no' from the banks," he

says, adding that since the Small Business Development Corporation (SBDC) started to expand its activities, banks have passed the buck and are now even more reluctant to finance new black businesses.

"The only time I received help from a bank was last year when Citibank lent money to black businesses as part of an attempt to appease anti-apartheid groups in the US," says Matsho.

His sentiments are echoed by Greater Soweto Chamber of Commerce executive director David Maloane. "Banks ignore many of the good ideas emanating from the townships, so loans are very hard to come by," he says.



**Black Tree's Matsho ...  
no help from banks**

Fortunately Matsho, a Sociology BA from the University College of Botswana, was helped by the SBDC and is now operating from its Orlando West industrial park.

Matsho's Black Tree business now employs 15 workers and manufactures 2 000 shower caps and 300 nylon articles, including shampoo gowns, perm caps and tint aprons, a day. But financing is not the only hurdle.

As a Soweto businessman, Matsho is fortunately exempt from much of the red tape that bedevils black businessmen elsewhere. However, he sees little prospect of similar black businesses opening up in "white" industrial areas.

"I can't see much evidence of deregulation

yet," he concludes.

SA Perm MD Bob Tucker agrees there are many practical problems.

"Blacks have been told that they may hire premises in the Johannesburg CBD at R10/m<sup>2</sup>, but they are still not allowed to hire premises in any of the small business districts where space is available close to potential markets at R5/m<sup>2</sup>," he says.

Another area where changes need to be made is in education and training. Polkinghorne says financial training is imperative. Standard, as a result, offers financial training courses to black businessmen throughout the country.

Meanwhile, black businessmen who need help in drawing up their business plans can turn to the SBDC which has taken the lead in township development. Maloane says it has largely shed its old image as a government agency. And, while its staffing structure and lending policies have been criticised, it offers the best hope to those in the informal and semi-formal sectors.

The SBDC's Small Business Start-Up Fund, for example, offers up to R300 000 to approved new businesses with capital repayment deferred for up to four years. This is particularly suitable for import replacement or export-orientated businesses.

Semi-formal new businesses can get up to R30 000 under the Comprehensive Assistance Programme, while the Mini-Loan Programme allows up to R5 000 to even the most informal infant businesses. Other help includes space in industrial parks and the Entrepreneurship Development Programme (*Business* February 20).

But the SBDC, too, is plagued by limited resources — total lending on the three schemes to date has been below R120m — at a time when the country is awash with capital.

The private sector is reluctant to give it more financial support without either a tax recompense or a State-subsidy on interest rates.

Venture capitalists — and banks in particular — claim they need tax breaks before they can commit themselves to the relatively unknown territory of financing developing business.

Sadly, it seems to be very much a chicken and egg equation with the only prospect for some improvement being a willingness to embrace change on all sides.

(SS) f/m 8/5/87

## BARCLAYS

### Volumes needed

Results seen so far from major banking groups show that the banks have not yet shared in the rising profit figures reported by industrial companies since last August. Relatively static earnings figures released by Barclays this week confirmed this.

Crucial to getting banking profits moving again is a pick-up in demand for funds. As Barclays deputy MD Barry Swart says, "the

lifeblood of the bank is lending money and there we have seen no real improvement, whatever the impression that might be given by the profits coming from industrial and mining companies." Given the inflation rate, and the persistently weak volumes of business, Swart believes that the group did well to lift attributable income for the six months to end-March by 5,6%. Because of the change in reporting periods, the comparative six months is the half-year to end-June 1986.

All the banks' margins are under pressure,

### BARCLAYS STEADY

Six months to end	June '86	March '87
Net interest income (Rm)	389,1	412,2
Doubtful debt provision (Rm)	88,8	70,1
Other operating income (Rm)	249,0	286,6
Net income before extraordinary items (Rm)	78,2	82,8
Earnings (c)	107,8	114,2
Dividend		
— ordinaries (c)	35,0	35,0
— preferred ords (c)	78,75	78,75

## FEATURE

colleagues on the exchange and the investing public, to ensure — insofar as he can do so — that a repeat of the 1969 debacle is avoided.

Two further points are worth considering. The first is that the majority of new listings at the moment are DCM companies whose share issues are being pitched — both in terms of the size of the issues and their pricing — primarily at the smaller investor. From this flows the second point, which is that the smaller investor is often less sophisticated, and has fewer resources, than the more professional institutional market. Rightly or wrongly, he will tend to view a broker's name on a document as a stamp of approval. Since this view is unlikely to change, sponsoring brokers can do worse than to ensure that their stamp actually means something.

The JSE listings committee: While one has every sympathy with the committee, which is having to process an enormous quantity of material, it would appear their workload is going to have to be increased to include a more direct monitoring/checking function. Clearly, and as the Faircape prospectus proves, existing checks are inadequate and will have to be supplemented if JSE listing requirements are to be properly adhered to. In reality, the situation is not as onerous as it sounds. For one thing, the committee could, if necessary, use the resources of the individual broking firms represented on the committee in the checking process; for another the type of error highlighted in the Faircape prospectus is so elementary that it does not require a high degree of expertise and will normally be uncovered during the course of a relatively fast check.

Finally, the investing public: The fact that the Faircape prospectus was issued without a squawk from anyone involved is, regrettably, indicative of the level of protection you can expect from "the system" as it presently seems to be operating. In one sense, this is not altogether a bad thing, as it underlines the necessity for you to do your own checking before committing funds to a new listing or, for that matter, any other investment.

Faircape argues, incidentally, that the errors which it admits do exist are actually in favour of shareholders, as they understate

shareholders' wealth. That is beside the point; our object here is essentially to point out the weakness of the system.

### FAIRCAPE REPLIES

The figure of 10,29c given as the net asset value in the "Salient Features of the Issue" is indeed incorrect, as it does not take into account proceeds of the issue. Had this been done, the figure would read 25,49c. While the error is regretted, it does not prejudice potential shareholders' interests. In fact, more to the contrary.

You state the *pro forma* balance sheet reflecting the financial position after the issue omits the costs. While the *pro forma* balance sheet does, indeed, take proceeds of the issue into account, had they been received during the year to December 31, 1986, most of the expenses of the issue have been allowed for in the profits forecast for the period to December 31, 1987 — in other words during the period in which they will be paid.

The summarised three-year record does project shareholders' funds at December 31, 1987 as R2,468m. This was a proof-reading error and the figure should read R2,492m. Unfortunately, by the time the error was noted, the document had been printed. It was our view, that as the mistake was on the conservative side and not material, it did not warrant a reprint and the consequent delay in the listing procedure. You will note that the correct figure of R2,492m translates into a net worth a share of 33,23c.

You also say the net asset value of 33,23c does not take into account the estimated issue expenses, nor has the figure been adjusted for cost of the forecast 2,5c dividend in respect of the 1987 year. The cost of the issue has been taken into account in the *pro forma* profit forecast of R580 000 after tax. The dividend is only due to be declared and paid during the 1988 financial year, as stated in the prospectus. Your statement that the cu-

mulative error of R287 500, or 3,82c a share, is incorrect.

While the auditors' report does state that adjustments have been made to interest payments, you comment that there is no indication as to whether the amounts reflected have been added or deducted from profits. The prospectus does state that the figures were adjusted to reflect the position of the company had it been recapitalised throughout the period. Clearly, the inflow of funds from the issue would result in a saving in interest, and the interest payment of R10 000 on borrowings of R678 553 reflects this.

You also ask why virtually all the company's borrowings have been classified as current. In the case of Faircape, borrowings are building bonds taken out on current projects. These are then converted into home bonds by individuals who purchase completed dwelling units. While the terms stated in the prospectus are the actual terms of the bonds, they will have been paid within the next 12 months when the bonds are transferred to purchasers.

It must be borne in mind that, in line with the stated operating philosophy, all units are sold prior to construction. Your comment on the effect of the Faircape listing on the value of the investments of the two directors is correct. Their position is not unique and the investing community will surely put a level on the shares.

Finally, we believe the professionals involved did institute the necessary checks. Unfortunately, the errors acknowledged above did occur, but I would emphasise that these understated the figures in both instances and could thus be construed as being in favour of potential shareholders.

# Buckling down to P W Botha



**Businessmen should not be intimidated by the State President's unfortunate treatment of Barclays' Chris Ball. It is a warning shot across the bows of businessmen who dare to challenge him that should be met with defiance.**

The Chris Ball election side-show is having detrimental short-term consequences for the bank, which is unfortunate. But it is also symptomatic of a changing relationship between government and business which, if it continues, could be important for the survival of free enterprise in a post-apartheid society. In the short term it could mean a rough ride.

Simply put, the more that businessmen demonstrate that neither apartheid laws nor the capricious behaviour of beleaguered Nats are compatible with the normal conduct of business, the more credibility a free enterprise society will have in the eyes of intelligent black citizens. That suggests businessmen must in future be more — certainly not less — critical of government intransigence over reform.

The first duty of every CE is to preserve the productive capacity of the assets under his stewardship. Inevitably that means he has to be aware of the environment, political and otherwise, in which his enterprise operates.

Botha himself invited businessmen to participate in politics at various celebrated conferences. When, however, his reform initiative retreated into rhetoric, he became impatient at their outspoken concern. We guess he will react again with mercurial indignation as other businessmen express views with which he does not agree. Given the nature of the man, that is inevitable. Given time, it could be his downfall.

Certainly, it will enhance the possibility of some Brutus appearing within his ranks. We should never forget the deep differences that exist between Cape Nats and those in the Transvaal. Didn't Tacitus say of another race a long time ago something like: "They are separated by high mountains and mutual animosities"? It is true too of the Afrikaner.

Ball has been unfortunate, a victim of circumstances as

**The sad affair of Chris Ball and P W Botha won't be without an encouraging aspect if it heralds greater business censure of apartheid's incompatibility with free enterprise.**

much as Botha's misplaced wrath. There, but for the grace of God, stands many another businessman Botha brought against him the full force of sovereign power, parliamentary privilege and a legal process which might give the impression of a fair trial.

It doesn't matter a damn to anyone who cares to think about it, except the Nats, whether Ball knew or didn't know for what purpose he advanced a relatively small sum to a client. Many business judgments taken in the heat of the moment could look illogical in the ex-post glare of legal scrutiny. Proof must be in the outcome: the advance to pay for the controversial advertisement has still not been proved commercially unacceptable.

Our government expects foreign bankers to be politically blind when making loans to this country. The same criterion must logically apply to local banks, within the bounds of reason and the law. Ball's mistake was that he did not make this clear right from the outset.

Ball's "trial" was not according to the normal processes of court procedure which enable the accused — in the course of defending himself — to call witnesses and cross-examine those giving evidence against him. Even then, the presiding judge did not find beyond all reasonable doubt that Ball knew what he denied knowing. His judgment was based on probability and his selection of the relevant facts.

Even such a finding would be acceptable were an appeal to a higher tribunal possible. But it is not.

The legality of the advertisement was never in question. And after all the travail of the commission's hearing and finding, the slur on Ball's integrity and the damage done to the bank, the State President — according to his office — plans to take the matter no further.

So it is difficult to assume any other motive than an election tactic.

There may also have been an element of vengefulness over the decision of Barclays Bank Plc in Britain to withdraw from this country. Ball's unsuccessful attempts to dissuade his British shareholders by demonstrating that the bank in SA could be used to further the interests of blacks made him a sitting duck for rightwing politicians.

Ball's contact with the ANC has been minimal. He was not among those who visited Lusaka and drew Botha's wrath. Nowhere has he voiced support either for the ANC's objects or its methods. But he did openly engage in discussions with ANC leaders in Britain, himself supplying government with tapes of the discussion.

In some quarters it has been argued, probably with more mischief than logic, that as the bank, which is suffering, is greater than the man, Ball should be censured or dismissed. That, in our view, would not be in the longer-term interests of shareholders.

First, Ball has done a great deal to overcome the problems left by his predecessor, whose conduct in no way parallels Ball's. Technologically he has moved the bank forward substantially. There is, moreover, no obvious candidate of similar stature and ability capable of stepping into his shoes.

This is the second leadership crisis into which the bank has been plunged in recent years. The morale of its considerable staff would not be enhanced by another change.

If there be any argument for censuring Ball, it must await the bank's ensuing annual financial statements. That is the proper measure of the conduct of a CE.

Second, in view of the changing nature of the relationship between business and government, the longer-term interests of shareholders of what is to become First National Bank will better be served by the shorter-term cost of standing up to the intimidation of the State President.

Nowhere is there a better example of that changing relationship than banking. Ten years ago any growth



Ball, Jimmy McKenzie (rt) ... in the firing sights

in bank lending could take place only with the permission of Pretoria. It was controlled by a quantitative ceiling, any movement of which was determined by official command, and not competitive market forces.

The result was that to increase lending, and in turn profits, bankers had to go cap in hand to Pretoria and plead a special case. The skills of bank profitability were tantamount to the skills of successful advocacy. Implicit in that relationship was acquiescence to Pretoria. If you wanted to make money, you didn't cross government.

Two things have changed since then. The bank lending ceiling has been scrapped and profitability rightly restored largely to determination by competitive forces. And a new generation of CE has emerged, no longer inhibited by having to plead in Pretoria. Ball is of that generation.

Of course, this is true not only of banking. It prevails to some extent in other industries. But significantly the new CEs in those industries that require protection, or depend heavily on government contracts, are still wary of taking government to task. Their inclination is still toward special pleading behind closed doors.

We believe that if this economy is deregulated, decontrolled and competition is er-



**President Botha ...  
electoral smears**

couraged, there will be a rising tide of criticism from young businessmen less inhibited than their predecessors as their profits bump against the vestiges of apartheid. That is inevitable, despite the unpleasantness of any intimidation that Botha may yet decide to

bring to bear.

As head of state, his power to do so is considerable, especially if the clandestine endeavours of the security police be used. Businessmen, like politicians and journalists, can never be sure now that their telephones are not being tapped and that the most confidential of transactions will not be open to the abuse of parliamentary privilege for political purposes.

The lesson in the Ball affair for businessmen — who rightly perceive it their duty to continue to point out the conflict between apartheid and free enterprise, and that discussion with opposing forces is not capitulation — is that conflict with Pretoria must be treated with the utmost circumspection.

Ball has learned the hard way that it is unwise to shoot at politicians from the hip. But confrontation there must be while the Group Areas Act remains on the statute books and until government acknowledges that its constitutional reform is inadequate and, in any event, off the rails.

Until those matters are adequately dealt with, and no matter how many troops are maintained on the borders or in the townships, business will have to operate in a community in which there is a rising tide of violence. ■

## ESCOM'S CORPORATE STRATEGY

# Going for the glow

Escom, SA's biggest corporate institution, is sitting pretty. With assets of over R34 billion, it has been dramatically and successfully restructured over the last two years. And, according to chairman John Maree, tighter financial controls, improved decision-making and clearer customer focus have been the major benefits. "We still have a long way to go," he notes. "But I feel that the first lap is successfully behind us."

Maree, who took the reins in May 1985, with the formation of the Electricity Council, says that August that year was an auspicious month in the life of Escom. That was when the debt standstill was imposed — forcing, in his words, "a major rethink of the corporation's funding strategy. We had planned on borrowing R1 400m overseas last year. But suddenly this money was no longer available to us. So we were faced with a situation of having to balance our books without placing too much strain on the limited local financial markets and pushing up interest rates."

In the event, Escom was able to revise its budgets, and cuts of R1 000m were made in operating expenditure with a similar amount in capital expenditure for the years 1986 to 1989 (see graph). This target was achieved last year. Staff cuts of 8 000 will account for savings of around R160m alone over the next couple of years. In addition, a planned R150m will be trimmed off the stores bill over two years. "Given the fact that the

**John Maree's successes in other fields have been matched at Escom. In the face of the cut-off of credit lines, the electricity corporation has tightened its belt and planned soundly.**

holding costs on these stores work out at R50m a year, that adds up to significant savings," says Maree.

In broad terms, he adds that the aim has been to run Escom like a business: "We have had to turn what was a bureaucracy into a



**Escom's Maree ... dynamic tactics**

meritocracy. Another priority has been to decentralise the organisation. There is no doubt that the man in the front line generally makes a better decision than someone sitting in head office. But that in turn means, on the one hand, you have to have the right staff at the front line, and management information systems must work properly."

Maree believes that people perform differently according to how they are structured and led, and on the level of internal communication within an organisation. "This brings into play the concepts of reward, promotion and motivation. The days when people at Escom received increases simply on the basis of number of years' service are gone. That no longer forms part of our thinking. Performance is the criterion now."

He adds: "What matters is giving the organisation clear direction and getting the priorities right. In this regard we've put together numerous task forces to handle specific problems, and the result is a leaner but more efficient organisation."

This performance should provide a sound basis for further business orientation in the years ahead.

Escom at the moment has something of an overcapacity problem, with huge new 3 600 MW to 4 000 MW thermal power stations still coming on stream or being built. According to Maree: "We originally anticipated that the growth in the demand for electricity would run at around 8% as it did



(58)

*Some from  
1/17/87*

## **Talks on finance**

THE National African Business Development Organisation is to be officially launched at the Lynnville Hall, Witbank, tomorrow at 3pm, a spokesman for the organisation, Mr Bongani Cibi, said.

Mr Cibi said they are expecting people from Middelburg, Belfast, Ogies and surrounding areas. Among the aims of the new organisation are to assist aspiring businessmen financially, offer advice and give lessons on business. Noted business lecturer, Mr Phil Khumalo, will be the guest speaker.

# Thefts by servants excluded from cover

By MAGGIE ROWLEY

THEFTS initiated by domestic workers will be excluded from cover by Santam, the country's largest short-term insurer, in a major clampdown on policy holders.

Mr Jack McLachlan, deputy general manager, said today there had been an increasing number of thefts initiated by domestic workers, particularly in the Pretoria, Witwatersand, Vereeniging area, in the past 12 months and the company had been forced to introduce new restrictions.

All new policy holders in this high risk area were automatically being excluded full cover for such thefts and long-standing policies were being reassessed.

Policies were being written with restrictive clauses limiting the amount an insured person could claim in such instances to between R200 and R500.

## ASSESSED ON MERIT

The incidence of thefts initiated by domestics was not as alarming in the Western Cape and as a result policy holders were not automatically excluded cover. Each case was assessed on merit, he said.

"If a policy holder claims for a theft initiated by a domestic worker we will access the claims history of that person, and if necessary, we will introduce a restrictive clause in their policy."

Mr McLachlan said the move was to encourage policy holders to take better precautions when employing house help.

"You find some people employ servants straight off the street without bothering about references.

"They go off to work giving employees the run of the house, putting temptation in their way. They then come back and find the domestic worker and half their possessions gone."

In the latest issue of Focus, Santam's newsletter for brokers and agents, Mr Piet Bester, senior manager (underwriting), said rough criticism levelled against the insurance industry for insisting on the installation of anti-theft devices or for cancelling some policies was completely unjustified.

Each branch kept statistics of burglaries and thefts in its region and could pinpoint the risk potential of its area and even indicate which the worst and best streets were, he said.

"When it becomes clear that an above average number of claims are coming from a given area, steps are taken to correct the position.

"As far as burglaries are concerned the urban areas are the worst and incidence of burglary is greater in those suburbs which adjoin black areas in which unemployment is high."

He said the entire country had been ranked according to risk and Johannesburg fell into Risk Area 0 — the worst of all.

Next, in Risk Area 1, were places such as Krugersdorp and other Reef towns, while Pretoria was in Risk Area 2. Cape Town, Durban and Port Elizabeth fell into Risk Area 3, Bloemfontein in Risk Area 5 while towns such as De Doorns and Kleinmond, were nearer the bottom of the list but still ranking in Area 7.

Other clampdowns introduced by Santam include:

- All houses in Johannesburg and Pretoria must be burglar-barred before an insurance policy will be issued.

- Identification marks such as registration number or chassis number on all windows of insured cars in Johannesburg. In addition, all new policy-holders in Johannesburg have to have anti-theft devices in their cars.

Mr Bester said the company had also put a reverse no-claim bonus system into operation with premiums being loaded with the first claim.

The company then looked at the cause of the claim. For example, was the teenage son the driver at the time of the accidents, giving rise to three successive claims? If so, that particular driver would be excluded from policy cover.

Next would come larger excesses and if claims still continued at an unacceptably high rate, the company would cancel the policy, he said.

# UBS chief attacks the insurers

By DEREK TOMMEY  
Finance Editor

MR PIET Badenhorst, chief executive of the United Building Society, has launched a sharp attack on the life insurance industry.

The life offices were the biggest threat to the building societies, he said this week.

They were no longer just assurers but had expanded into becoming deposit takers, without having to abide by the restrictions applicable to other deposit-receiving institutions.

He also accused them of receiving more favourable tax treatment.

"Every product they offer enjoys some benefit under the Tax Act," he said.

## PAY TRIBUTE

The attack came at a dinner in Johannesburg on Monday to pay tribute to the United Building Society.

Present were the cream of Johannesburg's financial community, including Mr Donald Gordon, deputy chairman of the United and chairman of Liberty Life.

Life office officials have denied that their companies have been encroaching unfairly on building society and bank territory.

But building society officials have good reasons for being concerned by the comparatively slow increase in the flow of funds to their societies in recent years, and the figures suggest that the life insurance industry has been gaining at their expense.

In 1970 the building societies received R1,070 for every R1 in premium income that went to the life offices. In 1985 they received only 34c for every R1 going to the life



Mr Piet Badenhorst

offices, and last year the position was probably much worse.

While the assets of the life assurance industry soared by R18-billion in the 12 months ended December, those of the building societies rose in the nine months ended September by only R2,7-billion.

This low rate of increase in building society deposits has serious consequences both for the house-buyers and the building societies.

Building society officials said this week that if the inflow of funds did not improve it was almost certain that mortgage rates would have to be increased which could reduce the demand for new mortgages and restrict the growth of the building societies.

This would not be welcome by the building societies now they are profit-oriented and have on will have share market listings.

Building society officials blame part of their problem on inflation which has meant they have been able to offer only negative returns on most

of their investments in recent years.

But at the same time they feel their competitive position against the life offices has been weakened by the favourable tax treatment accorded certain policies.

For example, no tax is paid on the proceeds of a single premium endowment policy as long as it is in force for more than 10 years.

This means that all the income accruing to the policy during its 10 years duration is paid out untaxed to the investor together with his capital.

The building societies have nothing like this to offer.

The maximum rate of interest they are allowed to pay on the only tax-free investment they have is 7,5 percent, which is about half that currently being paid by the insurance companies on endowment policies.

Moreover, investors can only put R20 000 in these building society tax-free investments, while the amount they can invest in an endowment policy is unlimited.

## WITHDRAWN MILLIONS

It is known that a great many investors, both big and small are frightened by the current high inflation rate and have withdrawn tens of millions of rands of savings from building societies and invested the money in single premium tax-free 10-year endowment policies.

However, some observers believe that part of the answer to the building societies' problem is not to seek to limit the life insurance industry's tax concessions.

Instead, it is argued, they should try to get the same concessions so they could offer similar products.

# TOP OF THE TREE TRIMMERS

BUSINESS FAMILY FINANCE PROPERTY MOTORING RACING FASHION TRAVEL ENTERTAINMENT LEISURE

## Financiers adopt wait-and-see attitude over SA

Mr. Tavis 18/9/5/87

BUSINESS in South Africa should not hold its breath for the reaction of overseas markets to the electorate's shift to the right, but the verdict will be crucial.

Initial indications are that the economy has some breathing space.

Foreign commercial reaction will not be rushed, and it may not be too harsh. Prospects of enhanced stability, if only in the short term, hold the key.

Local businessmen and economists believe overseas bankers and investors will wait to see whether meaningful reform will be carried out — and, in particular, if the Group Areas Act is abolished.

Leon Campher, director of managed assets at Syfrets, has already conducted a snap telephone survey of London businessmen. He is relaxed: "I think the result of this election will not have an immediate major impact on the economy one way or another."

"The popular press in Britain and the US have been negative, but businessmen want stability."

"And if stability in the short term is what you want, the National Party will give it."

**After the election, what does the future hold for business?  
Finance Editor AUDREY D'ANGELO asked the experts.**

Campher sees the situation as fluid. It was significant that some of the successful National Party candidates interviewed after the election emphasized they had been elected with a mandate for reform.

The Nats were now much more broadly based than before and it might emerge that many of the younger MPs had ideas of reform differing from those of the older generation. Campher maintains the much of the new crop shares the opinions of the independents, but have been financially unable to stand as independent candidates.

Pointing out that the swing to the right might have been exaggerated, Campher says: "The Conservative Party has fewer seats than the PFP had before the election and their gains were all in one part of the country."

"The Wall Street Journal has pointed out that the Conservative Party gained only in specific areas and that the independent candi-

dates made a good showing.

"I think the overseas financial markets will wait to digest what is happening. So far they have barely reacted."

"Everybody is being very cautious and saying: 'Let's analyse what has happened; and what is going to happen'. I think they will sit and watch. The crunch will come on the Group Areas Act because there are firm views on that in the NP on both sides of the spectrum."

Campher expects the election results to strengthen the hands of activists and lead to increased industrial unrest. On the other hand, labour troubles would be ameliorated if the economic upturn continued.

He thinks, however, that it was vital for deregulation of small business to be speeded up because the formal sector cannot provide sufficient jobs.

Kate Jowell, senior lecturer at the UCT Graduate School of Business, also doubts the

election will have any short-term impact on the economy.

"If gold remains in what looks like a long-term bull market, if we can maintain our current account in enough of a surplus to cover our international debt without stifling growth, if we can get control of inflation and ease the burden of fiscal drag on individuals so that they can help to spend us out of recession — these are some of the things we need to sustain a revival."

"In the longer term of course we need external and internal confidence in our stability and the political changes that will get sanctions lifted and foreign investment back."

This, Jowell maintains, would depend on "whether the National Party interprets its mandate to be to accelerate reform and whether that reform goes far enough to get most people on board and pulling together."

"The ending of the Group Areas Act and of separate education would bring major boosts to the economy in the form of housing development and rational use of our human and physical resources."

CAD. 7/10/81 11/5/81

# Boycott of Barclays ends after 17 years

Own Correspondent

LONDON. — Campaigning anti-apartheid groups have ended their 17-year boycott of Barclays Bank, which they initiated because of the bank's links with SA.

Following Barclays sale of its SA banks, the Anti-Apartheid Movement (AAM) and the campaigning group, End Loans to Southern Africa (ELTSA), have announced they are dropping their campaigns.

A spokesman for Barclays said yesterday that they were delighted to hear the news.

He added: "We are delighted our critics have recognized that our disinvestment is real and not cosmetic and expect now to see the boycotts totally removed, particularly among students."

He said he was unable to estimate how much the 17-year-long campaign had cost them.

But as the campaign is withdrawn from one sector, it is directed now with intensity against Shell Petroleum and Standard Chartered Bank.

Today sees the start of a week of action against Shell, which will be taken

up vigorously, particularly in the UK, the Netherlands, Scandinavia, the US, France and Australia.

In London Shell's West End headquarters will be picketed on the eve of the annual general meeting, which takes place on Thursday, and filling stations in 15 to 20 cities in the UK will be picketed as well.

At a conference in Lusaka, organized by the Programme to Combat Racism (PCR) of the World Council of Churches, which ended its meeting on Saturday, a call was made for the extending and strengthening

of the boycotts against Shell and Standard Chartered.

The secretary of ELTSA, the David Haslam, said that the National Westminster Bank would also come under pressure because of its links with SA. Together with Standard Chartered, it will be one of the chief targets for the boycott campaign against banks.

The AAM and ELTSA have concluded their boycott of Barclays, though they are well aware that it retains over £700m in loans, a statement said.

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Interim dividend raised

CAPC-Trans 11/5/87

# Nedbank profits soar by 80%

From HAROLD FRIDJHON

JOHANNESBURG.

— As market prescience had suggested, the Nedbank Group's taxed profit for the half-year ended March 1987 soared spectacularly to R58m, a leap of



80% on the R32,2m earned in the comparable period last year.

Earnings a share, however, rose only modestly to 37,2c from 35,7c because of the 73% increase to 156m in the weighted average number of fully paid shares in issue.

The interim dividend has been raised to 11c a share from 10c with a marginal reduction in cover to 3,4 times.

The provision for bad and doubtful debts was R43,7m against R43,3m at March 1986 and R119,3m when final accounts were drawn at September 1986.

All the subsidiary banks recorded improved performances.

## Rid of incubus

The UAL Merchant Bank more than doubled its contribution to group profits with taxed earnings of R11,1m compared with R5,3m and with newly acquired Finansbank weighing in with a maiden R5m.

The biggest earner was, of course, the commercial bank, now rid of the Triomf incubus. Its profit rose from R21,8m to R32,4m. Nedfin turned a

loss of R2m into a profit of R1m. Syfrets and Nefic showed marginal improvements, with Cape-based Syfrets earning R6,1m and Nefic R3,8m.

An analysis of the figures shows that the group really recovered in the second half of the last financial year from its severe setback and that in the reporting period real growth was minimal.

The group held its ground in what has been a very difficult time for the banking industry.

Advances have grown by only 1,2% in the six months to R9,162 billion while deposits were 2,4% higher at R11,32 billion.

## Tangible sign

Chairman Owen Horwood and CE Piet Liebenberg comment in the published statement that the quality of the earnings has improved and that this improvement is expected to continue in the current six months.

One can infer that the 10% increase in the interim is a tangible sign of this expectation.

On the increased capital the 11c interim dividend has cost R17,2m compared with R9m last year, leaving retained earnings of R43,1m.

Assuming taxed income at the same level for the financial year as a whole, the group should earn at least R116m and a final of 22c a share (20c last year) appears to be feasible. It would involve a distribution of about R51,6m for the year with cover slightly less than in 1986.

(58) 11/5/87  
Campaign  
against  
Barclays  
is over

LONDON — The Anti-Apartheid Movement has formally ended its 17-year campaign against Barclays Bank, claiming that its protests forced the bank to sell its South African assets last year.

AAM's chairman, Mr Bob Hughes, a Labour MP, announced that the campaign was being called off because it had "achieved its objective", but he warned the movement would keep a close watch on Barclays and other British banks in case new links were developed.

The movement's general secretary, Mr Mike Terry, said the AAM had waited to make sure the withdrawal was genuine, that there would be no credit lines available to South Africa and that technical and training cooperation would be minimal.

"They have satisfied our criteria," he said. Barclays said at the time its decision to quit SA was mainly commercial, but admitted that it had lost a number of accounts, mainly among students, as a result of the AAM's activities.

Another factor was the bank's expanding activities in the United States, where there is a strident anti-apartheid campaign. Boosted by what it considers to be its exclusive success, the AAM is now turning its attention to other companies with South African connections.

It has singled out Standard Chartered Bank, the only British bank with substantial South African interests, for a new boycott campaign.

But Standard Chartered is not a high street bank, and its profile is considerably lower than that of Barclays and others. The campaign may therefore be more difficult.

The movement is also stepping up its campaign against the Shell oil company, another priority target, and has announced plans to picket its annual meeting next week.

tion of Terrorism Act on world oil, yesterday...  
trend looked set to continue until...

BUSINESS DAY, Tuesday, May 12 1987

Financial needs of all must be met

# Long-term-target pension system is recommended

58

CAPE TOWN — The joint parliamentary committee on pension benefits has come up with proposals for preparing a new long-term-target pension system.

It has also called for urgent attention to be given to a dispensation which provided for the financial needs of all economically active people.

In its report, the committee has not recommended any detailed prescriptive "answers" or legislative steps to pension-related problems — which have been the subject of several official investigations during the past 25 years.

Instead, it has adopted a more cautious approach, merely outlining a number of basic principles around which it believes a new system should be framed.

The committee recommends that its role should now be taken over by a more broadly-based independent body — established as a matter of urgency — which will comprise pension experts, employee, employer and State representatives.

Its primary task would be to work out details of a suitable pension dispensation; and any working models subsequently formulated should be fully tested for validity and broad acceptability in a scientific research study by a body such as the Human Sciences Research Council (HSRC).

Some of the guiding principles set out by the committee were:

- The State will have an ongoing responsibility to provide for those who have not been able to provide for themselves;
- The principle of self-provision with employer support where applicable should underlie the system;
- Any future system should allow the ultimate objectives to be achieved by various means;

CHRIS CAIRNCROSS

THE decision of the joint parliamentary committee into pension benefits not to be prescriptive in its recommendations for a new pensions system was expected to be greeted with relief by the pensions industry.

Particularly welcome was its refusal to recommend a freezing of pension fund contributions, in that it was feared such a step could damage labour relations.

Initial response from the pensions industry yesterday was that a difficult and sensitive task had been done with great understanding.

- Voluntary and negotiated preservation at sufficiently high level must be encouraged. All preserved amounts should be seen to include a fair share of employer contributions and a fair return on the amount invested, while appropriate tax incentives and disincentives could be provided to all parties involved;
- A dispensation which will provide for satisfactory retirement benefits is proposed as a basis for further discussion.

As well as these principles, the committee recommended the means test should be amended to provide encouragement to the provision for even smaller pensions; and to remove the inconsistencies which exist between the treatment of private means in the form of lump sums and income.

Furthermore, it declared that the favourable tax treatment on lump sums vis-a-vis pensions should be addressed and rectified.

And, in recognising the need for prescribed asset requirements by pension funds, a wider range of investments in that area should be allowed.

Institute

'Stop investment in SA'

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THE Development Bank of SA last year approved 105 of the 200 loan applications it received — a total sum of R602,4m.

In the first three months of this year the bank concluded about 20 loan and back-up agreements for development projects in various home-lands.

On April 28, the bank for the first time signed loan agreements with five black town committees outside the independent states and self-governing territories in Natal.

The Venda Department of Works will receive a R20,54m loan for the upgrading, surfacing and remedial construction of the Sibasa-Wylliespoort road.

Up to R16,2m will be made available to the Venda Department of Water Affairs' Nzhelele regional water scheme for the storage, purification and distribution of water to 27 rural villages and schools.

The Venda Agricultural Corporation will receive two loans totalling R295 600 to sponsor the settlement of small farmers on irrigated plots.

Three loans totalling R1,46m will be made available to the KaNgwane Farmer Support Programme for the provision of production inputs, mechanisation services, credit, marketing, and extension to the KaNgwane Agricultural Development Corporation.

Other loan agreements include the following:

# Development Bank okays loans for more projects

*B/Day 12/5/80*

SOPHIE TEMA

- A grant of R144 150 to the Venda government for the formulation of a development strategy
- Two loans totalling R9,16m for extensions to the University of Venda.
- R70 000 to compile a project plan for an irrigation scheme of about 200ha in the Mulenzhe area in Venda.
- The expansion of Setsing business centre in Phuthuditjaba will receive R27 000 through the QwaQwa Development Corporation as a pre-investment technical assistance loan.
- The KwaZulu Finance and Investment Corporation (KFC) will receive R10m as a back-up guarantee to complement the resources of its subsidiary — the KwaZulu Housing Committee.
- Four loans totalling R8,95m to the KFC for the establishment of an emergency fund, the financing of training programmes and counselling services.

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# BOND RATES BEGIN TO RISE

Arbuis 12/5/87

By TOM HOOD  
Business Editor

ONE of the big three building societies, the Perm, has raised its home loan rates and others are likely to follow.

New borrowers pay the new rate of 14,5 percent from today and thousands with existing bonds will pay the extra 0,5 percent from June 15.

Bond rates are under pressure because societies face a revenue crunch. Investors are putting their cash into the rocketing stock exchange.

The Natal Building Society has already announced a bond rate rise of 0,5 percent from June, bringing it into line with most other societies. The increase follows a rise in rates paid to savers.

The spectacular performance of the Johannesburg Stock Exchange this year made many people, especially pensioners, reconsider their investment in building societies.

A million rands a week is reported to be pouring into one unit trust alone, most of this cash from small investors.

## All-time peak

With election uncertainties over, the JSE industrial share index soared to an all-time peak of 1894 points today, a gain of 12.

One Cape company, Waltons Stationery, today announced a 44 percent rise in dividend payouts for the past financial year. Another local company, Faircape Homes, listed a week ago when its shares were sold for 60c, saw them almost double in price to 115c yesterday.

Mortgage funds have also been eroded by life assurance companies offering investments which keep pace with inflation.

But a mini housing boom has produced a big demand for bonds.

The number of applications for home loans continues to rise, said a spokesman for the NBS today.

## Market rate

One of the smaller societies, the Eastern Province, says the soaring demand is beginning to exceed available funds.

The largest society, the United, says home-buyers must be prepared to pay a market rate for loans.

The United granted loans totalling R240-million in February, up 40 percent on February last year.

In a statement today, the Perm said when rates were reduced to 14 percent it was expected that the cost of funds would fall, "however, persistently high rates of inflation have mitigated against longer-term savings and the funding cost has not reduced as expected".

A rise in investment rates was not contemplated at the moment, said Mr Peter von Broembsen, marketing manager, today.

Mr Chris Ball, managing director of First National Bank, which is not adjusting its 12,5 percent rate, said today the building societies had misread the deposit market in the past and their borrowers were now paying the penalty.

## Giant travel indaba

DURBAN. — A travel indaba, one of the world's biggest and most important tourism industry get-togethers, will be held at the Durban exhibition centre next week. — Sapa.

*CAN Times 12/18/87*

# SA makes R240m payment to IMF

Own Correspondent *SR*

JOHANNESBURG. — SA last week made a SDR100m (R240m) payment to the IMF, its third last repayment of quarterly tranches on a SDR795m credit facility incurred in November 1982.

The balance outstanding with the IMF is now SDR200m and will be repaid in equal amounts of SDR100m in August and November.

A central bank spokesman said that at this stage SA did not need to extend its facility with the IMF.

“On paper we are a member of the World Bank and the IMF but in practice renewing the IMF loan might be lot less simple should we decide to use it,” he said.

SA's previous payment for SDR100m (R240m) was made at the end of February 1987.

The exchange rate of the rand to the SDR is set each year by the IMF's annual adjustment meeting. At the current market rate the SDR is worth \$1,31 and against the rand it is SDR0,6496.

In 1982, the IMF granted SA credit for SDR1bn, of this amount SDR795m was drawn. SA used SDR159 in terms of the IMF's normal standby facility and SDR636 under its compensatory financing facility.

# Societies under fire for increase in mortgage rate

By Frank Jeans

The Perm and Natal building societies are increasing their bond rates by 0.5 percent from June. But other major building societies — the Allied and United — are not immediately following suit.

The decision by NBS and the Perm to raise their bond rates has drawn strong criticism from Mr Chris Ball, managing director of First National Bank. First National, which has a home loan rate of 12.5 percent, will not make any adjustment.

"The lending rates of the building societies reflect the extent to which they have misread the deposit market in the past and their borrowing customers are now paying the penalty of that action," Mr Ball said.

The increase by NBS and the Perm reverses the round of bond-rate cuts started last year, with the major banks Standard and Barclays coming down to 12.5 percent.

The NBS, which had taken the lead among the societies by reducing its rate to 13.5 percent — and the Perm, have been under pressure on investment rates and it is believed the United and the Allied must also move on their mortgage rates.

A Perm spokesman says: "We have always maintained a responsible attitude to the level of mortgage interest rates."

"When rates were recently reduced to 14 percent it was expected that the cost of funds

would decline to facilitate that reduction.

"However, persistently high inflation has mitigated against longer term savings and the funding cost has not reduced as expected."

The Perm is raising its bond rate by 0.5 percent to 14.5 percent.

The NBS adjustment to 14 percent now brings its rate into line with that of most other societies.

A spokesman said: "Regrettably, since our decision was taken to reduce our rate to 13.5 percent, there has been an increase in investment rates and this has necessitated a small adjustment in the mortgage rate."

Mr Geoff Bowker, senior general manager of the Allied said: "Allied has no announcement to make in regard to its bond rate."

The United's general manager, Mr Martin Keyser, said: "We are not putting up our bond rate and we have no plans to do so in the immediate future."

Expanding on his criticism, First National Bank MD Mr Ball said: "On the deposit side, we compete fully with the societies for funds except in those areas where the law gives them an unwarranted and out of date preference to issue tax exempt investments, which simply distort the market."

"The sooner this anomaly is removed the better. Interest rates have settled and are likely to continue their current levels."

Banks

are

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12/5/87

on new

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JOHANNESBURG —  
None of the banks active in the home-loan market intend making an announcement on their mortgage bond rates, according to a radio report.

The SABC says the SA Perm yesterday announced an increase of half a percent to 14,5% on existing bond rates with effect from June 15.

Saambou, the UBS and the Allied are not moving on their rates for the moment, while the Natal Building Society is expected to make an announcement next week.

Mr Hendrik Sloet, managing director of Saambou said the adjustment in the mortgage rates last year was too steep and he had no doubt that rates would go up during the course of the year.

He said it remained to be seen whether there would be a gradual rise or whether a bigger increase of between 1% and 1,5% would be made towards the end of the year. — Sapa

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## AAM lays off Barclays after sell-out

DD

LONDON.— The Anti-Apartheid Movement (AAM) has formally ended its 17-year campaign against Barclays Bank, claiming that its protests forced the bank to sell its South African assets last year.

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The AAM's chairman, Labour MP Mr Bob Hughes, announced that the campaign was being called off because it had "achieved its objective," but he warned the movement would keep a close watch on Barclays and other British banks.

The movement's general secretary, Mr Mike Terry, said the AAM had waited to make sure the withdrawal was genuine, that there would be no credit lines available to its corresponding bank in South Africa and that technical co-operation would be minimal.

A spokesman for Barclays said: "We are delighted that our critics have recognised that our disinvestment from South Africa is real and not cosmetic, and expect to see the boycott totally removed, particularly among students."

Barclays owned 39 per cent of Barclays National Bank in South Africa, and late last year sold its share to Anglo American and De Beers for £82 million.

It said its decision was mainly commercial, but admitted that it had lost a number of commercial accounts, mainly among students, as a result of the AAM's activities.

Another factor was the bank's expanding activities in the United States, where there is a strident anti-apartheid campaign.

Boosted by what it considers to be its exclusive success, the AAM is now turning its attention to other companies with South African connections.

It has singled out Standard Chartered Bank, the only British bank with substantial South African interests. — Sapa

## Societies unlikely<sup>DD</sup> to up home rates?

**Dispatch Correspondent**  
JOHANNESBURG—Major building societies and banks are unlikely to immediately follow the lead by the South African Perm which announced this week that it would increase its home loan rate by 0,5 per cent to 14,5 per cent from June 15.

There is, however, a growing feeling that interest rates could be bottoming out.

It seems unlikely that the Allied would raise its home loan rate ahead of its listing on the Johannesburg Stock Exchange on June 10. The UBS has as yet made no move to follow the Perm's example.

The managing director of Allied, Mr Alan Tindall, says the society

had no immediate plans to raise the rate of interest on mortgage loans.

He said the mortgage rates will be higher by the end of the year.

The Natal Building Society (NBS) said yesterday that its decision to increase its mortgage lending rate by half a percentage point to 14 per cent from June 1, was taken a month ago,

A senior NBS spokesman, Mr Trevor Olivier said he was concerned at suggestions that the NBS move had been a recent decision. Rather, it was prompted by pressures to fall into line with other building societies, none of which had extended mortgage rates of 13,5 per cent to existing borrowers, but only to new borrowers.

# General rise in home loan rates unlikely

*CARL-Trans 13/5/87*

*58*

Own Correspondent

JOHANNESBURG. — Major building societies and banks are unlikely immediately to follow the lead of the SA Perm, which announced on Monday that it would increase its home loan rate by 0,5% to 14,5% from June 15.

There is, however, a growing feeling that interest rates could be bottoming out.

It seems unlikely that the Allied would raise its home loan rate ahead of its listing on the Johannesburg Stock Exchange on June 10.

Also, the United Building Society has not yet made any move to follow the Perm's example.



378  
A/B/D

## Saambou has exceptionally good year

PRELIMINARY figures for the year to end-March indicate that Saambou National Building Society had an exceptionally good year.

MD and vice-chairman H A Sloet said the activities of the society "were directed towards consolidation and to prepare the society for quotation on the stock exchange".

Consequently the emphasis was "not placed on growth but rather on the improvement of the profit position."

"Despite this, total assets of the society have grown by R278m to R2,21bn."

That is an increase of 14,34% compared to 12,6% the previous financial year.

The percentage growth in net profit after tax was higher than the percentage growth in assets — namely 14,75 percentage points, or R12,7m.

Provision was made for possible losses "due to the present uncertain economic position".

Total reserves and unappropriated surpluses leapt by 25,2%, or R75,9m, which brought the reserves/liabilities ratio to 3,5% — an increase of 49,6%.

Sloet said: "This particular increase is singular and was made possible by transferring undeclared dividends of subsidiary companies to the society."

"These undeclared PF profits were built up over the years in subsidiary companies due to a conservative policy regarding the declaration of dividends."

"Adequate unappropriated surpluses were retained in these subsidiary companies to enable them to maintain their good achievements."

# Perm's rate hike unlikely to be copied

13/5/87 (28)  
HELENA PATTEN

MAJOR building societies and banks are unlikely to follow immediately the lead of the SA Perm, which announced on Monday that it would increase its home loan rate by 0.5% to 14.5% from June 15.

There is, however, growing feeling that interest rates could be bottoming out.

It seems unlikely that the Allied would raise its home loan rate ahead of its listing on the JSE on June 10. Also, UBS has as yet made no move to follow the Perm's example.

Allied's MD Alan Tindall said yesterday that the society had no immediate plans to raise the rate of interest on mortgage loans.

"Mortgage rates will be higher by the end of this year, but the extent of the rise will depend on how private consumer spending recovers," he said.

The Natal Building Society (NBS) said yesterday that its decision to increase its mortgage lending rate by half a percentage point to 14% from June 1, had been taken a month ago.

NBS assistant GM, loans, Trevor Olivier said he was concerned at suggestions that the NBS move had been a recent decision. Rather, it was prompted by pressures to fall into line with other building societies, none of which had extended mortgage rates of 13.5% to existing borrowers, but only new borrowers.

The decision to grant loans at 13.5% to existing borrowers had cost the NBS R1m a month, he said.

Govt used  
me as a  
whipping  
boy — Ball

FIRST Bank MD Chris Ball yesterday accused government of using him as a "whipping boy" to score political points ahead of last week's election.

Ball told the international Dow-Jones news service that the row over funding of "Unban the ANC" advertisements was intended to give businessmen the message that President P W Botha would have the only say in deciding on those political bodies with which SA will negotiate.

"We have been given the message that Botha isn't interested in political solutions in SA involving a group like the UDF. I believe the warning which Botha has given through this incident has been recognised by South African businessmen, as indicated by the limited extent to which they have participated in debates during the election period," said Ball.

"It's easy for Botha to smear paint on people for his own ends and to create the impression that people like myself are involved in political power plays, but this isn't the case. The UDF doesn't discuss its political strategies with me — we discuss economic issues. It is necessary to talk to the UDF, if, as it seems, the organisation represents the urban black opinion-maker."

## Boland Bank order appeal

BLOEMFONTEIN. — Judgment was reserved by the Appeal Court here in the appeal by Boland Bank against the refusal of the Cape Supreme Court to grant it a declaratory order as to the ownership of certain of its shares.

The respondents were Picfoods Ltd, New Bernica Ltd, Volkskas Group Ltd, Volkskas Pension Fund, Rembrandt Group Ltd, Financial Securities Ltd and New Bernica Securities Ltd.

The bank had sought the order to ascertain the beneficial holder of 654 500 shares registered in the name of Picfoods Ltd. The order was refused by Justice Vivier in November 1985. — Sapa

## Investec boosts net earnings 61%

JOHANNESBURG. — Investec (Investec Bank Metboard Ltd) has increased its earnings after tax and transfer to reserves for the year ended March 1987, by 60,9% to R7m (R4,35m). Earnings per share were increased by 21,7% to 42c (34,5c).

A final dividend payable on June 25 has been declared, making a total for the year of 18c (15,2c).

Total assets have been increased by 91,8% to R423 632 000 (R220 855 000) and shareholders' funds are up 112% to R53 229 000 (R25 199 000). Funds under administration have grown to R1,12 billion, 447% up on R774m last year.

"All operating divisions performed exceptionally well and these excellent results are a reflection of the benefits from the merger of Investec Bank and Metboard", says CE Ian Kantor.

"Investec has been restructured, and management are confident that Investec will achieve net after-tax income of R10m next year.

"The past period has seen the finalization of the merger between Investec and Metboard, the listing of the holding company Investec Bank Metboard Ltd and a substantial equity issue coinciding with that listing."

## Fund to pay 3,06c a unit

JOHANNESBURG. — An income distribution of 3,06c a unit is to be paid by the Hill Samuel Gilt Fund for the quarter to end March, the fund has announced.

The distribution is payable to unit holders registered at the close of business on March 31.

The market value of the fund at end-March was R56,3m (R60,8m at the end of the previous quarter).

The overall yield — income plus capital appreciation — for the 12 months to end-March was 24,84%.

"The income distribution of 3,06c a unit for the March quarter makes an annual total of 13,71c," say the fund managers. — Sapa

Business is a process whereby resources are converted into products and services and supplied to a market that either needs or desires them.

Broadly speaking there are three resources required in business: labour, material and money. It is the acquisition of finance which is often the major stumbling block to most who seek to either start up or expand business.

This leads to frustration. People say: "The banks advertise, there is endless talk of encouraging small business but when I ask for financial help, I do not get it."

What people seeking finance need to understand is how bankers think. Firstly, bankers are not gamblers. The money they have available to lend is not theirs. It belongs to the shareholders and depositors of the bank.

So no matter how anxious banks and other financial institutions are to lend money (this is after all how they make their money), they exercise caution in parting with it.

But once they have made loans they consider themselves

# Understanding bankers' minds

**EACH week on Wednesdays, the *Sowetan* will feature an article on Business. This week our correspondent at the Centre for Developing Business, part of the Wits Business School, discusses how bankers consider applications for finance. The Centre is not itself a money-lending institution but does offer advice to aspirant and established entrepreneurs.**

more than money-lenders. They would like to think of themselves as being in partnership with the borrower.

After all, having put their money at risk they have a vested interest in the business and are as keen as the owner in seeing it succeed.

## Profit

This can mean a great deal to businessmen. Bank managers are constantly exposed to a wide variety of businesses. This means that they can be a valuable source of information and advice.

Owners should maintain ongoing contact with their bankers keeping them informed about their business progress and asking about financial matters that might concern them. In

granting loans the banker considers a wide variety of things.

Major consideration is given to the person seeking the loan. Does he have a good credit record? Does he have the skill and necessary experience to manage his business successfully?

Banks make profits from the interest they earn from borrowers. Banks stay in business because borrowers repay their loans. It is from this viewpoint that bankers assess loan applications.

## Security

They wish to see that the business will be profitable enough to pay the interest on the loan in the short term and in the longer term profitable enough to repay the loan itself.

The successful loan application is, there-

fore, one that clearly demonstrates that the applicant knows every detail of the business he wishes to start. It should also show details of the way the money will be spent, how profits will be made and when the money will be repaid. Without this information being presented in writing in an acceptable format, a loan will not even be considered.

Being cautious people by nature, bankers do like to reduce their risk by taking whatever security they can. They are, however, aware that security is the least important of the factors to be considered. In fact, a person who has the best security to offer will not necessarily obtain finance if his business plan is not considered viable.

The secret is therefore to carry out research and investigations into your proposed venture and to present this information together with the calculations that show you understand how the finances of the business will operate.

**BUSINESS**

# Growth is shaky says Volkskas

DD  
58  
14/4/82

JOHANNESBURG — In its latest Economic Spotlight, Volkskas forecasts economic growth of 2,2%, an average inflation rate of 16% and a minimal increase in job opportunities for 1987.

As a result, monetary and fiscal policy will have to remain growth oriented and this, says Volkskas, could mean a sideways movement for interest rates over the next three months.

Growth in economic activity has improved from its low base but is still on shaky ground, according to provisional economic indicators.

For example, the strong rise in car sales

for March was offset by declining retail sales adjusted for inflation in March and April. The bank also notes that the recent up trend for wholesale goods did not continue into March.

Also, preliminary statistics indicate a levelling off of manufacturing production.

Although bank credit demand has remained slack, as was seen by the slow increase in broadly defined M3 money supply, more rapid monetary growth in March could indicate a slight revival of bank credit.

Volkskas is concerned about an unacceptably high inflation rate. Fac-

tors it believes can reduce inflationary pressure without stifling demand are:

- There has been no excessive increase in average wage and salary bills although civil servants are likely to receive "reasonable" increases in the coming budget;

- The weighted average value of the rand has firmed in recent months meaning that reduced imported goods prices could still filter through the economy; and,

- Improved utilisation of production capacity could lessen unit production costs.— DDC

# Ball denies accuracy of agency's news report

Business Day Reporter

FIRST BANK MD Chris Ball yesterday denied the accuracy of a report by the international news agency AP-Dow Jones which quoted him as saying government had used him as a pre-election "whipping boy".

He also complained that headlines on the report in Business Day were "misleading and confrontational".

AP-Dow Jones bureau chief in SA, Andrew Torchia, said: "We stand by our story".

The AP-Dow Jones report arose from an interview with Ball concerning his reaction to the Munnik Commission. The report was circulated internationally late on Tuesday night and a condensed version was published by Business Day.

The AP-Dow Jones report said in part: "It's easy for Mr (P W) Botha to smear paint on people for his own ends and to create the impression that people like myself are involved in political power plays, but this isn't the case."

It also said: "I don't like the things I have learnt from this incident and I used to sleep better before I knew of some of the underhand techniques used by government, in particular."

Business Day's Page 3 headline was "Ball hammers government for low blows". An accompanying report on Page 1 carried the headline: "Ball bounces back into political spotlight".

Ball yesterday responded by saying: "The comment in the Press today referring to me is inaccurate and does not

● To Page 2



## Ball unhappy with Business Day headlines

reflect my views. The headlines of Business Day, in particular, are misleading and confrontational.

"I and the bank wish the matter of the Munnik Commission to be forgotten as soon as possible and we want to continue with our non-political tradition. The bank will make no further comments to the Press on the commission and we consider the matter closed."

The statement did not specify what

Ball regarded as inaccurate in the AP-Dow Jones report. The editing changes in Business Day's version were very slight. Some paragraphs were omitted and, for the sake of brevity, the verb "accused" replaced "he said that". The changes made no material difference to the meaning of the AP-Dow Jones report.

(SS)



● From Page 1

14/5/87  
BIDAY

AP 7/10/75 14/5/77

# Ball: ANC advert affair is 'closed'

JOHANNESBURG — First National Bank of Southern Africa Ltd's managing director, Mr Chris Ball, said here yesterday that he considers to be closed the affair arising from the Munnik inquiry into his involvement in funding an advertisement supporting the African National Congress.

"I and the bank wish the matter of the Munnik Commission of Inquiry to be forgotten as soon as possible and we want to continue with our non-political tradition," Mr Ball said in a statement released after a report quoted him as saying he had been used as a "whipping boy" by the government to gain political mileage ahead of last week's whites-only election.

## 'Smear people for his own ends'

Mr Ball described the report as "inaccurate" and said it did not reflect his views.

"It's easy to for Mr Botha to smear paint on people for his own ends and to the create the impression that people like myself are involved in political power plays, but this isn't the case," he said.

"The United Democratic Front doesn't discuss its political strategies with me. We discuss economic issues.

"It is necessary to talk to the UDF if, as it seems, the organization represents the urban black opinion-maker," Mr Ball said. — Sapa-Reuter



58  
Sometu  
14/5/17

# Ball slams 'inaccurate' Press reports

MR CHRIS Ball, managing director of the First National Bank group of Southern Africa, yesterday said comment in the Press concerning his

alleged reaction to the Munnik Commission's inquiry into his involvement in the funding of an advertisement calling for the unbanning of the

African National Congress was inaccurate and did not reflect his views. He was reacting to a report on the front page of *Business Day* in which

he was quoted as saying that the Government used him as a "whipping boy" to score political points ahead of last week's general election.

"The headlines of *Business Day*, in particular, are misleading and confrontational," he said in a statement yesterday.

"The bank will make no further comments to the Press on the commission and we consider the matter closed." — Sapa.

578  
Sowetan 14/5/87

# 4 gunmen grab pension money

HUNDREDS of pensioners were left penniless in KwaThema, Springs, on Tuesday when robbers grabbed about R20 000 which was to be paid out to them.

The incident happened at the Civic Centre pay point in front of scores of people who were waiting in a queue to get their pay.

Eye witnesses said four gun-toting robbers burst into the hall where

## By LANGA SKOSANA

officials of the Department of Home Affairs were sorting out the money and pay vouchers of the pensioners.

Two shots were fired which sent scores of elderly people running for cover in offices and toilets.

One of the Home Affairs clerks, Mr

Jacob Tladi, who was standing at the counter next to the money ran away when the second shot rang next to him.

## Man shot

A man who had come to collect pension for a relative was hit and fell down.

The robbers took about R20 000 which was on the counter and fled

leaving behind about R110 000 tucked under the counter, Mr Tladi said.

Frightened pensioners received minor injuries from the stampede and were also treated on the spot for shock by bystanders.

The East Rand Murder and Robbery Squad is investigating the incident. The pensioners who were stranded were paid out yesterday.

NEDBANK

# Piet's curtain-raiser

FM 15/5/87

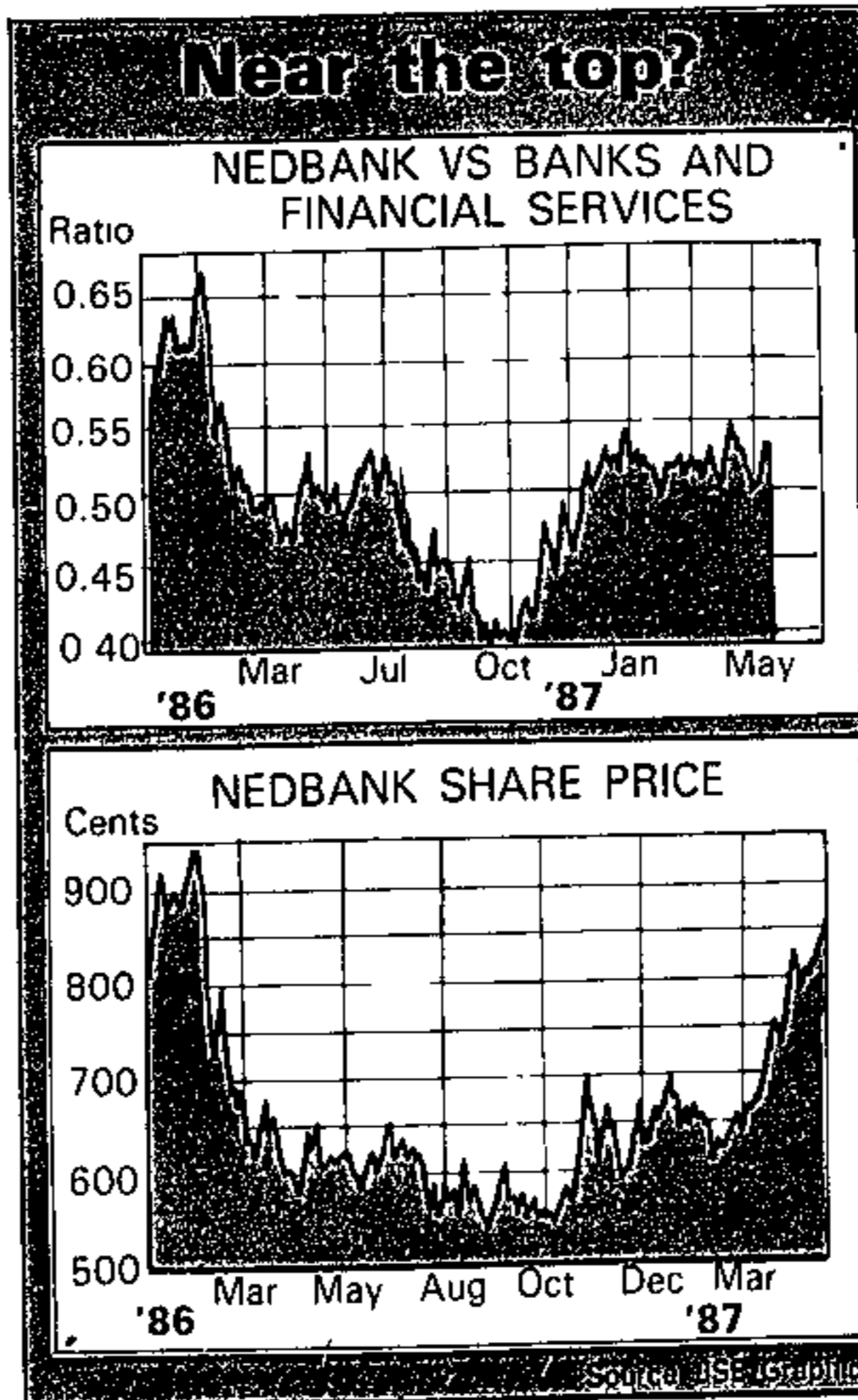
Nedbank's new CE, Piet Liebenberg, who avoided public comment from the time of his appointment in November, has finally left the wings and entered centre stage. Investors have certainly given the man a vote of confidence, pushing the share price up from 670c to 850c since his appointment, but most analysts still feel that they know virtually nothing about him.

"It's time Liebenberg emerged from his shell and made an impact on the group," says one banking analyst. Another suggests that he was appointed because of his conservative attitude, and took time to assess what was happening in the group before making his debut in public.

His first press interviews coincided with an announcement of interim results — and reactions to the figures differ. At best, the response is muted. Some analysts say the group has done well to record any increase in bottom line earnings after the large dilution (the weighted average number of shares increased 73%). Even so, most think the results are disappointing, having forecast increases in earnings a share of 10%-15% for the year, against the interim 4% advance. If these forecasts are to be met, a sharp acceleration will be needed in the second half.

And that, at last, is when the influence of Liebenberg should be felt. For the performance of the past six months he takes no credit. "I personally made no contribution to the interim results," he says.

His influence will not be direct. "I am in a holding company which has operating companies, each with its own CE, and all of them are performing extremely well," he says.



"I have two main functions — people and planning, co-ordination and control from the group point of view."

Chairman Gerry Muller, who took over the CE position as a bridging operation, is now in a non-executive position.

Liebenberg talks of the need for discipline and obviously has a disciplined mind, with his thoughts assembled and expressed in point form. He has most facts at his fingertips, and insists that CEs of the individual

companies answer questions relating to those companies. His style, he emphasises, is to concentrate on team work and he considers the team more important than any individual.

The team concept extends to shareholders and the board, which he considers "a team at a high level." He has always enjoyed reporting what he has done, thus he claims there was no adjustment from running an independent merchant bank to an organisation with a large controlling shareholder.

With Liebenberg remaining in the wings, a number of rumours have circulated about developments since the Finanskorp/Nedbank merger. One of these concerned the reaction of CEs in the group, but here Liebenberg does not see any problem. He states that he is no threat to anyone in terms of a line function. He argues that his function is one which can help them to perform better.

He believes past problems were caused partly by the fact that the CE of the commercial bank Nedbank was traditionally also group CE. Liebenberg considers it difficult, if not impossible, to be both. It is also difficult to gain the confidence and trust of other CEs in the group, who are almost competitors in some spheres.

"That was a development phase the group went through," says Liebenberg. "The board has decided to split the functions." He therefore sees himself with no vested interest in any particular division, but working for the entire group.

Liebenberg's style clearly contrasts with that of former group CE Rob Abrahamsen. He views himself as a team man and wants a

balanced portfolio giving higher quality of earnings. Abrahamsen was an individualist who placed much more emphasis on dealing activities in financial markets. Problems arose because of lack of disclosure to the board, he says, but emphasises that there is full disclosure to the board now.

Rumours have also been flying about discontent in Finansbank and UAL. Liebenberg points out that only one senior executive has left because of the merger. Only one Finansbank executive, former joint-MD Leon Porter, was appointed to a senior position in Nedbank Group. The computer and credit sections have been rationalised and activities of the Finansbank forex division were shrunk. "But I remain chairman of Finansbank," says Liebenberg, who is not overlooking Finansbank employees.

Both UAL and Finansbank executives were reported to be far from happy with the idea of a merger — "my idea," says Liebenberg — but he says that an analysis of their activities concluded there was little overlap.

"UAL is successful in the investment advisory service and in the top end of the private corporate sector. Finansbank also concentrates on the Afrikaans section and the government and parastatals." They will thus remain separate entities.

Liebenberg says he has found the transition from chairman of Finansbank to Nedbank group CE quite easy. "The quality and type of people are the same and the number of people any manager can handle is limited," he says. "I am not suddenly directly responsible for 11 000 people."

He sees the difference between his previous position and his present situation as being the broader margin for planning and greater scope for himself and his colleagues to let their imagination flourish. The second difference is in co-ordinating "high quality management, who are CEs in their own right."

It is, he says, the individual companies' management which has introduced controls which will prevent the bank from lending excessively large amounts to any one client, as happened in the case of Triomf and large positions will not be taken in the gilts and foreign exchange markets.

What can Liebenberg really achieve? It does come over clearly that he is in control and keeps his fingers on the pulse. But he will not be drawn on changes to be made. He suggests that there will be little in the way of structural changes ("the group is comprehensive enough for our target markets").

In co-ordination and controls, though, he has definite plans. He has introduced more group planning and regular weekly meetings of CEs, and has met everyone from managerial level up. He claims staff morale is high.

Reports from abroad suggest he has made a good impression there, yet this section of the group's business has virtually collapsed since the debt standstill. According to Nedbank CE Anton van der Merwe-Vance, "we have the dollars, but we can only lend to South Africans and there is little local de-

mand for dollar financing."

Plans so far are to look for more clients of the same type as existing clients. There is no intention to expand the branch network into outlying areas and clients will thus tend to be mainly corporate clients in urban areas. There is also no present intention to link up with a building society or other financial services organisation.

On the question of capital, Liebenberg and Van der Merwe-Vance insist that more will not be needed unless there is a sharp upturn in demand for funds. In that event, says Liebenberg, they will look at every other alternative to issuing more shares.

There is no question that Liebenberg has presence, but in the end he will be judged by the bottom line. A realistic verdict on that will have to wait another six months. For now, almost all analysts consider the share fully priced at its present 850c and fairly priced in relation to Stanbic and Barclays. A further rise is thought to be dependent on an improvement in the banking sector as a whole.

Pat Kenney

Anti-apartheid axeman strikes again

Golden slice for NBS shareholders

W/M/6

(58) B/Day 15/5/87

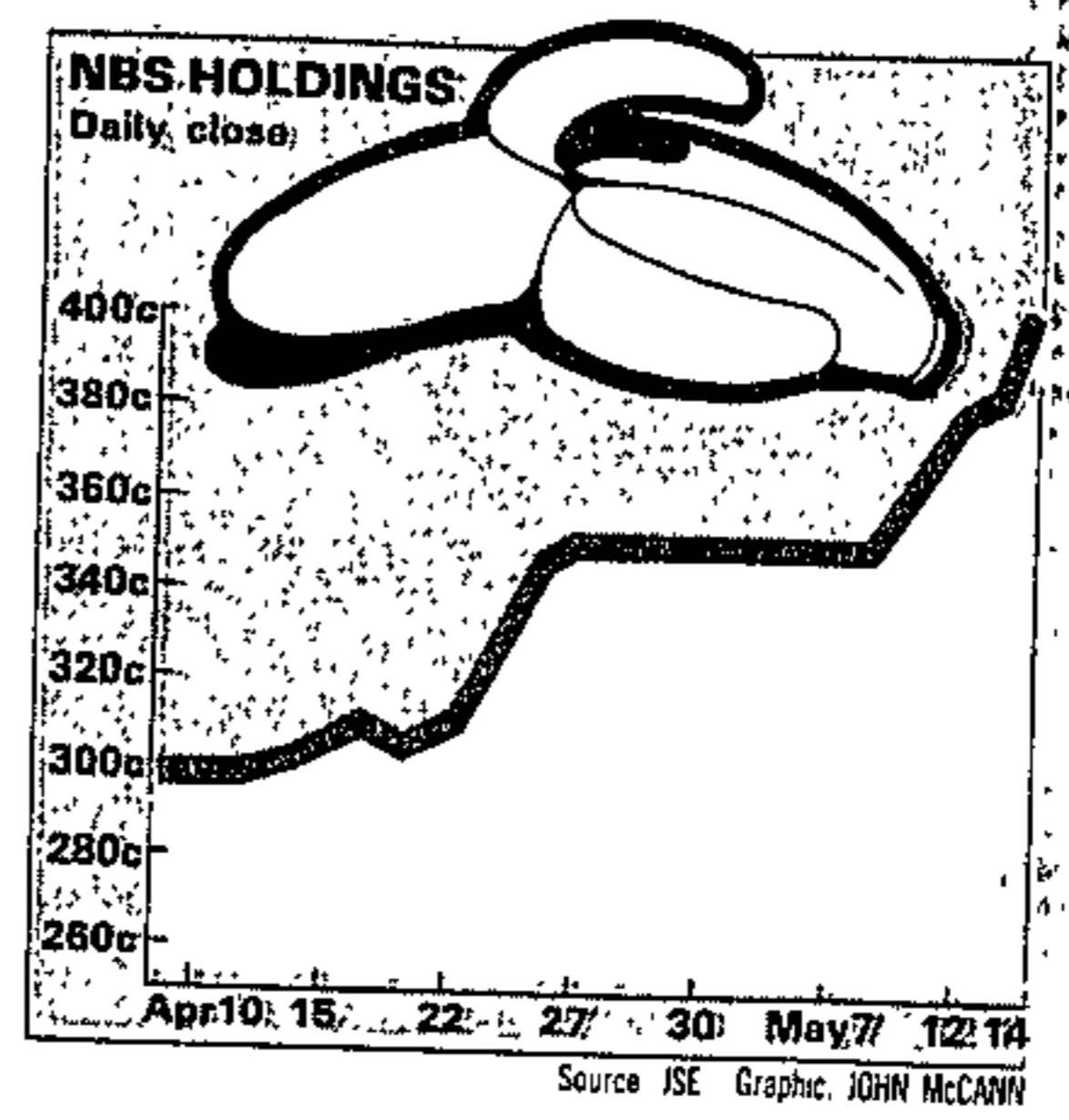
DAVID COHEN

RECENTLY listed NBS Holdings (NBS) yesterday unpeeled pro forma results for the year to March slightly ahead of forecast with pro forma earnings a share up 3% to 36,4c from 35,4c, reflecting a 53% hike on the previous year (23,8c).

The group also announced the acquisition of a 30% slice in de-mutualised Norwich Union Life Insurance for a cash sum of R17,3m. The deal, first mooted in September 1986, was effective from January 1 this year.

Said MD John Bennett: "The acquisition will have no immediate effect on net asset value or earnings a share. However, the acquisition is considered strategic in the development of the group. Norwich Union already owns 10% of NBS, making it the largest shareholder in the group."

At yesterday's share price of 400c, preferential shareholders have doubled their investment and most non-qualifying shareholders reaped capital gains of 33,3% in the month since NBS reached



the main board. At current prices, the share is trading at a 5% discount to its pro forma net asset value a share of 420c.

The group increased total assets 22% to R2 856m from R2 334m and boosted deposits R491m (24%) to R2 505m. Ben-

To Page 2

(58) B/Day 15/5/87

NBS pro forma results ahead of forecast

nett said NBS increased its share of the home loan market to 9,5% from 9,1% by gaining 11,4% (R391m) of the building society movement's increase in loan balances during the year.

Looking ahead, Bennett said: "Although margins have been under pressure in recent months, this should be offset by a continuing high rate of asset growth coupled with increased contributions from diversified activities."

"We are budgeting for an increase in

earnings over last year's pro forma results and believe the 17c dividend a share forecast for the year to March 1988 will be achieved."

The basis for preparation of pro forma group results, marking NBS's last year as a mutual, assume the conversion of NBS and the issue of shares of NBS Holdings had taken place on March 31 1987.

From Page 1

R52 000 outlay could net ...

# R24m jackpot for Broker Group chiefs

19/1/87  
B/Dau

GERALD PROSALENDIS  
Financial Editor

TWO Broker Group directors stand to acquire shares worth R24,5m in their own companies for an initial outlay of R52 000.

Directors Stephen Courtney and Archie de Jongh will end up with a 60% controlling interest in the Broker Investment Company once it has acquired two associate companies, The Brokers Securities Group (Brosec) and The Broker Venture Capital (Brovent).

This deal forms the background to the row which erupted on the JSE this week. Details of the row came into the open when Brokers circulated a three-page letter disclosing, among other things, that Stuart Pegg had walked out of a shareholders' meeting after addressing the directors and saying "you are misleading the public".

## INSIDE THE BROKER GROUP: Page 7

However, Courtney said yesterday the company would restructure the proposed takeover of Brosec and Brovent to allow a more favourable allocation of shares to the public.

He said the new proposal would be subject to the approval of the JSE.

"We are going to increase the number of shares available to the public but do



• DE JONGH



• COURTNEY

not want to dilute the directors' holding below the magical 50% level.

"A final circular, submitted to the JSE, will propose that the number of shares available to the public be enhanced."

When asked why he and De Jongh had not raised capital through the listed BIC company by way of a rights issue instead of through subscription in Brovent and Brosec, he said: "That would have diluted our shareholding to a minority position in the company."

Eyebrows have been raised by the delay in the release of BIC's preliminary results, promised before April 30.

Courtney said: "The delay has been caused by the Sammel matter, the need to circulate the letter to shareholders and the drawing up of yet another prospectus."

The "Sammel matter" refers to the row between Courtney and De Jongh and veteran lawyer Horace Sammel.

## Money to finance growth needed

# Borrow overseas, Stals urges SA

Cape Times 15/5/87

JOHANNESBURG. — SA exporters and importers have been urged by the Director General of Finance, Chris Stals, to help obtain more foreign currency for the country by borrowing overseas.

He explained at the annual congress of the Federated Hotel, Liquor and Catering Association yesterday that this would lessen the need to maintain a large surplus on the balance of account and free more money to finance growth in this country.

Stals said short-term trade finance had not been placed under any restrictions in terms of the second interim debt arrangements and there were many opportunities open to SA importers and exporters to finance or partly finance their foreign trade with or through foreign banks.

### R2 billion

"In the past two years a substantial part of this type of finance was switched to SA banks partly for economic reasons and partly because of the adverse perceptions of the SA situation abroad."

He said SA exporters directly or indirectly held more than R2 billion in short-term claims on foreign buyers. This was partly financed by SA banks.

There was therefore an immediate potential to switch this financing back to foreign banks, providing an injection of R2 billion in foreign exchange for SA.

"The road back to the longer term financial and capital markets of the

world will be an arduous one. But also in this case the road has not been completely blocked.

"Potential borrowers should continue to remain in contact with these markets and should make use of possible opportunities to raise new loans not directly linked to trade sanctions," Stals said.

### Reduced growth

He thought the surplus on the balance of payments account should continue to be large enough to cover SA's capital redemption commitments for the next three years.

These repayments however absorbed part of the country's savings and therefore reduced its potential economic growth rate.

"We should not be complacent about the situation and should continue to make all efforts to raise new foreign financing facilities."

Turning to the broader economic picture, Stals said the recovery phase had been sluggish. The rate of economic expansion had been mild and at times erratic.

"The total gross domestic expenditure in real terms changed course in each of the seven quarters from the second quarter of 1985 to the end of 1986.

"This inconsistency complicates forecasting and planning in a world that is already characterized by increasing volatility in important economic variables such as interest and exchange rates." — Sapa-Reuter

# The 'loan arranger'

By STAN MHLONGO

THE SA Permanent Building Society has become the biggest loan-giver to blacks wanting to build their own homes, and in March alone the bank made loans totaling R51,8-million.

At a Press conference at its Crown Mines' branch, the Perm's managing director, Bob Tucker, said his society had committed itself to non-racialism and "to providing the joy of owning a home to many underprivileged blacks".

"Remember that it is the building societies who created housing for whites in the towns and our commitment is not only to some two million elite. Instead, we are committed to serving 30 million South African people," explained Tucker.

17/5/87  
MB  
C/M  
He said that, from April 1, 1986 to March 31, 1987, the Perm had granted a total of 11 000 loans to a value of R323-million to black people. "A record which few banks in SA have matched," said Tucker.

Tucker said his society's commitment to non-racialism had left the Perm open to some vigorous backlash attacks by certain forces, "the aim being to destroy what we are trying to achieve".

"Because of the high rate of inflation, people have been disinclined to invest for longer terms unless they are offered a high rate of interest. This has affected the cost of funds to the Perm, causing us to increase the bond rate by half a percent," concluded Tucker.



Cam talks 18/5/7 (58)

## False account of debt talks — church claim

NEW YORK. — The US Presbyterian Church said at the weekend the South African government gave a false account of recent debt talks with foreign banks in an effort to win support ahead of the election.

Church spokesman Mr William Somplatsky-Jarman said Pretoria had wrongly stated in March that no demands for political reform were made in the talks.

"We got in touch with the banks and found out that this was not the case," Mr Somplatsky-Jarman said.

He quoted the Manufacturers Hanover and Morgan Guaranty banks as saying they had pressed for reforms at the London talks, which concerned the rescheduling of South Africa's short term foreign debt.

Mr Somplatsky-Jarman said Pretoria had portrayed the talks earlier this year as a vote of confidence in South Africa, and this "worked to (the State President, Mr P W) Botha's advantage in the recent parliamentary elections".

He quoted Manufacturers Hanover as saying in a letter to the church that the bank had in fact told South African officials they would not "regain normal access to the credit markets" until apartheid was reversed.

"We are pleased that Morgan and Manufacturers Hanover pressed political issues during the talks, just as we had asked. We are even more pleased that both saw the need to publicly set the record straight," Mr Somplatsky-Jarman said.

In February last year South Africa and 29 creditor banks reached an agreement under which Pretoria would reschedule \$14 billion in debt and lift a moratorium on debt repayments.

Mr Somplatsky-Jarman said that under the new accord, South Africa would repay 13% of its short term debt over three years. The church, which holds shares in both banks, had pressed for tougher conditions, he said. — Sapa-Reuter

# Your money is safe

(85)

Donethun  
19/5/87

ABOUT 40 000 policy-holders, mostly blacks, who may have lost money because of the pull-out by a major overseas life assurance company, can now sigh with relief.

The African Life Assurance Company yesterday announced that it will take over Sentry Assurance of South Africa. Sentry has pulled out of South Africa.

In a statement, African Life said it has also agreed to absorb 14 of Sentry's local administrative staff.

Sentry's holding company, Sentry Corporation of the United States, is pulling out as part of its worldwide rationalisation plan to enable it to concentrate on its home markets, the statement said.

The statement said the Australian and Hong Kong offices of the company were among those that will be closed.

"The South African company will receive an undisclosed administration fee for the policies," the statement said.

# PERM'S FEAR OVER LOANS

THE managing director of the SA Perm has expressed a fear that there were forces which wanted to destroy the building society's loan grants to black people.

Mr Bob Tucker said the forces were powerful and were against anyone committed to granting loans.

They were mobilised against the Perm and tried to force the society into a narrow list market where it can make big profits.

He was addressing a Press conference at the Perm's headquarters in Johannesburg last week.

The conference was called in the wake of strong criticism after the Perm and the Natal Building Societies earlier in the week announced that they are to increase their bond rates by 0,5 percent to 14,5 percent from June 15.

By NKOPANE MAKOBANE

"It is absolutely crazy to emotionalise the bond rate increase. The level to which the rates have been raised is a responsible one aimed at ensuring stability.

It is well known the Perm is committed to serving all South African communities on a totally non-racial basis. It is now unquestionably "the people's building society", he said.

## Breakdown

He gave the following breakdown of statistics on the loans which the Perm grants to blacks. During March month this year, the Perm granted 95 loans to a total value of R2,5 million to blacks each working day of the month. (1 900 loans totalling R51,8 million for the month).

For the year April 1, 1986 to March 31, this year, it granted a total of 11 000 loans to the value of R323 million (Africans), 3 900 loans to the total value of R122 million (Indians) and 5 000 loans to the value of R133 million (coloureds).

This, he said, represents a huge proportion of the total loans granted by all financial institutions. He pointed out that the Perm is not looking for a monopoly. He said that other financial institutions should be encouraged into this market and not out.

Mr Tucker also said it was very significant that the Perm's average loan for all borrowers was R42 000 whereas its average loan to black people was R29 000 — indicating that it is really lending at the levels at which home ownership needs to be supported.

19/5/87

# Boost for Saswitch users

THE connecting of 290 Volkskas and 380 UBS Automatic Teller Machines (ATMs) to the Saswitch network recently means the network now offers more than 2 000 accessible machines to cardholders.

The UBS link-up was officially usable by the public from Sunday, while Volkskas' ATMs have been part of Saswitch for a while.

A statement issued by Saswitch said Standard Bank, the Post Office and Eastern Province Building Society were expected to link into the system soon,

*Bill Day 20/8/87*  
HELENA PATTEN

which would bring to 15 the number of financial institutions taking part.

Bruce Pollock at Saswitch said yesterday the additional link-ups were expected by the beginning of September. The computers were already linked at test-level and eight or nine weeks of testing would follow before the connection could be certified, after which there would be a public announcement.

# New unit to aid black businessmen

THE African Bank has announced the formation of a new division to provide advice to black businessmen.

The division, called the Business Advisory Unit, will lend money to businessmen and provide workshops for their training.

Bank MD and CEO Gaby Magomola said the division aimed to bridge the gap

SOPHIE TEMA

between the black entrepreneur and the banker. 2015/87

Unsophisticated black businessmen, he said, who were now aware of practised financial procedures, were not properly catered for. They could be misinformed by bank managers.

CAPE TOWN 21/5/87

# Barclays closed Munnik's account for default — MP

By ANTHONY JOHNSON  
Political Correspondent

HOUSE OF ASSEMBLY. — The Judge President of the Cape, Mr Justice George Munnik, had on more than one occasion had his account "unilaterally" closed by Barclays Bank "for reasons relating to overdrawn accounts and debt defaults".

For this and a number of other reasons the commissioner appointed by President P W Botha to investigate the funding of ANC advertisements "had no right to sit on this inquiry at all", PFP MP Mr Dave Dalling said last night.

Speaking during a censure debate, the PFP justice and media spokesman said amid a chorus of interjections from government benches that the judge should have recused himself from the commission into the "Ball affair" from the outset.

Mr Dalling said the end result of the Munnik Commission "presented a travesty of justice initiated by the State President ..."

At this point the Speaker, Mr Louis le Grange, refused to allow Mr Dalling to continue with his speech. At various stages in Mr Dalling's address Mr Le Grange called him to order, saying he would not allow Parliament to be used to "smear" the President or the Judge President.

Mr Dalling opened his speech by saying he was "both shocked and saddened" that a "political dispute" between Mr Botha and an opponent had been used to deprecate the tradition

whereby "the judiciary is independent of the executive, and not subject to it".

Mr Justice Munnik should have recused himself from the commission into the financing of pro-ANC advertisements and "not have adjudicated on the matter at all".

Mr Dalling said that "from the very outset it was obvious that this was not a judicial issue involving criminal or civil liability of any sort.

"The appointment of a commission was meant to the advantageous resolution of a political dispute, at the time of an election, involving the head of the National Party and one who disagreed with that party.

"Secondly, this was an almost personal dispute between the Hon State President and the head of a major bank in our country. The commissioner concerned is well-known — and he would not dispute this — to be a longstanding personal friend of ... President Botha.

"It is my submission that he should not have been party to judging their quarrel.

"Thirdly, the dispute was essentially one which may possibly have affected the electoral fortunes of the National Party, certainly within the business community ... the commissioner is undeniably a strong supporter of the governing party."

Finally, Mr Justice Munnik, following the defaults of "thousands of

To page 2

From page 1

rands", had had an "unhappy parting" with Barclays Bank and as a result "had no right to sit on the enquiry at all".

Mr Dalling said the judge's report was "interlaced with unsolicited, gratuitous insults as to Mr Ball's prudence as a banker, as to the inflated view the commissioner took of his own banking expertise and finally to Mr Ball's personal integrity.

"It is a report that will add no lustre to the annals of justice in South Africa," he said.

"All that has arisen is that a political dispute has arisen, and the State President, armed with transcripts of secret-taped telephone conversations, resolved to use the judiciary to win his point — it's a disgrace."

The Speaker once again told Mr Dalling that he was "not prepared to allow you to proceed on these lines" when he said the commission — which did not allow for the calling of witnesses, cross-examination, the right of appeal or review — was "the ideal forum to suit

the ends of the State President".

After Mr Dalling had been prevented from completing his speech, the Minister of Justice, Mr Kobie Coetsee, described his speech as "scandalous" and accused the opposition MP of indulging in "sewer politics".

Mr Coetsee said the commission had nothing to do with a dispute with Barclays Bank. Mr Dalling, he said, had done more to damage the integrity and independence of the judiciary than anyone before.

Mr Le Grange is to consider the appointment of a parliamentary select committee to investigate an alleged breach of privilege by Mr Dalling (PFP Sandton), Sapa reports.

Mr Coetsee asked for the appointment of the committee last night.

Mr Le Grange said he would consider the request this morning after studying Mr Dalling's Hansard and would give his ruling during the course of the day.

Attempts to contact Mr Justice Munnik and Mr P W Botha for comment were unsuccessful.

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THERE is no doubt that there is the fairytale element of a rags to riches story about a man who started as a R5-a-week labourer to become the chief executive of a bank. For Thono Gaby Magomola, the new manager of African Bank, this story is true.

Like most township youngsters Gaby looked on with great respect as his friends collected degrees, something that he today calls the turning point in his life.

"I became inspired and told myself that I was also going to get a degree one day," he says.

He spent 10 years as a labourer earning R5 (£2,10) a week, working for a Johannesburg firm after he was expelled from school for playing truant.

"I always wanted to be an accountant so I studied by candlelight every night after-work. I then did a Bachelor of Commerce degree through the University of

# A MAN YOU CAN BANK ON

South Africa (Unisa)."

After working for two international banks, his aim is to put the image of the African Bank in its proper perspective and to erase the stigma left by the foreign exchange scandal last year.

Born at Venterspost Gold Mine near Randfontein 42 years ago, he obtained his primary education at Munsieville where he was taught by people such as present Archbishop of the Anglican Church, the Right Reverend Desmond Tutu, and the editor of *Drum* magazine, Mr Stanley Motjuwadi.

He proceeded to Madibane High School for matriculation. He was expelled for what he termed "playing truant" with some of his friends.

"Life was tough then, and one had to be content with earning £2,10 per week. I struggled to readjust myself until I was inspired to study," he says.

BY JOSHUA RABOROKO

After studying for a degree, he had a "burning desire" to go overseas. In 1975 he was offered a scholarship for post graduate studies in America.

He obtained a masters degree in Business Administration and was granted employment by an automobile company.

He later joined Citibank. "While in the US I had a lot of white subordinates, and feared that the apartheid laws would hamper my work in South Africa," he says.

He studied for a year at a university in Athens, Greece. But, he says, five years later he was offered a position by Citibank in South Africa.

He says there are several challenges which black managers have to face in South Africa. They have to be accepted in their positions by white subordinates and the rest of the workforce see them as the extension of white management.

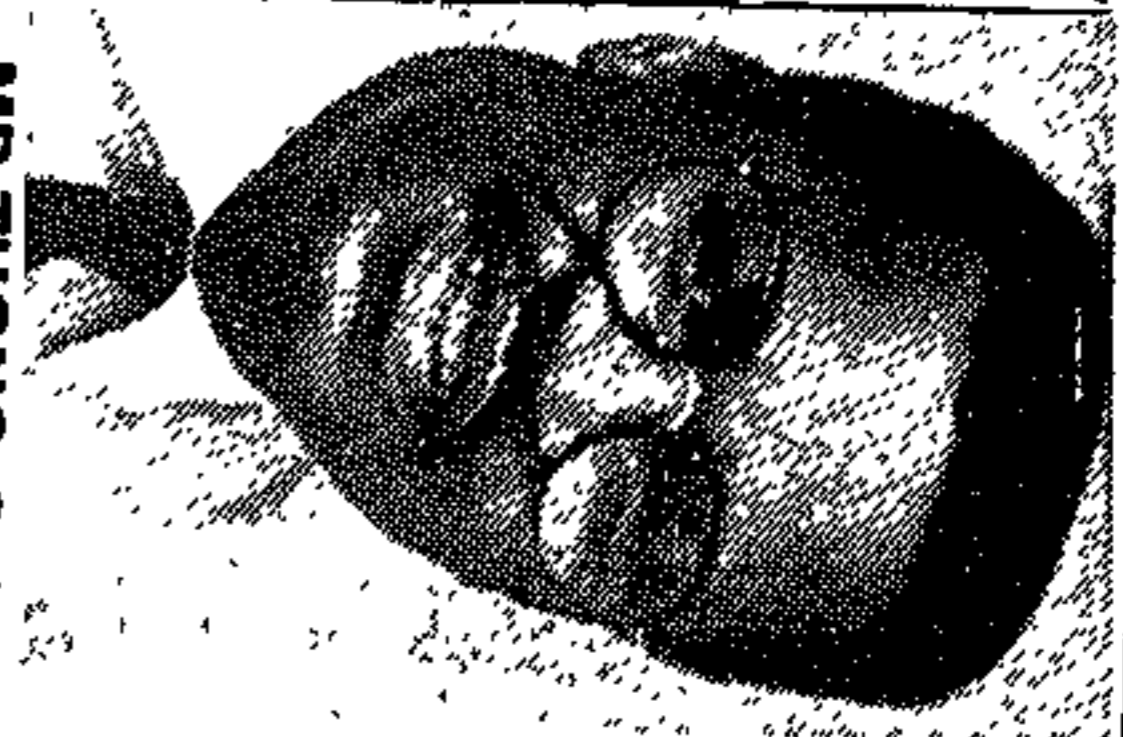
He says they also have to play a role in the upliftment of their own people's standard and in the fight against apartheid structures.

Two years after working for Citibank, Mr Magomola resigned from the bank and joined Barclays National Bank. He joined the African Bank in April this year.

"Our clients have increased despite the reports about the bank's alleged involvement in illegal foreign exchange dealings," he says.

Mr Magomola, who is married and has two children, says it is his fundamental right to stay anywhere he wishes in the country as long as it was nonconfrontational.

He left Diepkloof, Soweto, to stay in



MR THONO Gaby Magomola.

Wendywood, Sandton, because he perceived the move as progressive and a basic human right.

He loves reading non-fiction books and occasionally plays golf. He believes that the Government should get rid of all forms of discrimination on the basis of colour, creed, religion, sex and culture.

9716 Tunks 22/5/87

# Santam Insurance lifts profits

Financial Editor ~~SB~~ R291,4m.

CAPE TOWN-based Santam Insurance has done so well in the six months to March — with after-tax profits up 175% to R13m (R4,7m) — that it will pay a maiden interim dividend of 6c a share.

MD Cornelius "Oosty" Oosthuizen explained yesterday that it had abandoned its policy of paying only one annual dividend because "the confidence with which the future is viewed has convinced the board that it can maintain the payment of two dividends every year".

The pre-tax underwriting profit was R8,9m compared with an underwriting loss of R4,3m in the same period a year ago.

Investment income rose to R12,6m (R10,7m) before tax, and earnings to 18,6c (6,8c) a share.

Gross premium income was 31% higher at R323,6m (R246,4m) and net premium income 29% higher at

Oosthuizen said the underwriting profit represented a return of only 2,8% on gross premium income.

But the company was budgeting for a record year to September 30, with gross premium income expected to be above R700m.

Profits in the second half were expected to be as high as in the first, provided there were no major natural disasters.

Oosthuizen said that because of the stability now being enjoyed, Santam Insurance did not increase premiums in April or May, as some other short-term insurers had done.

Although premium increases were due to be announced in October, he expected these to be below the inflation rate.

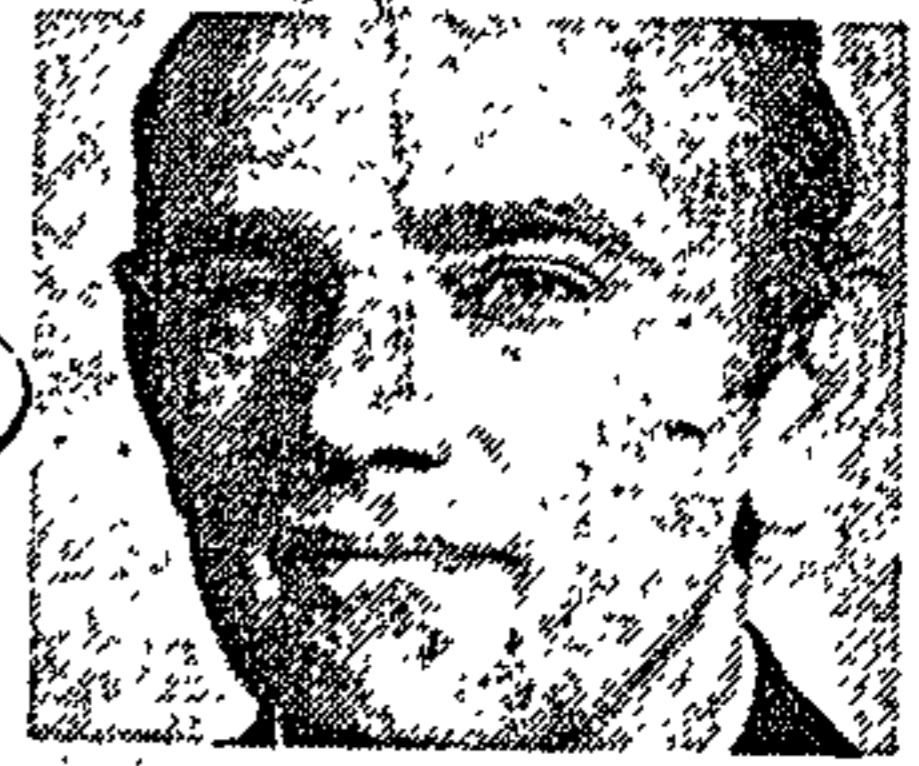
Oosthuizen said the improved profits were due mainly to a sharp reduction in management expenses, which had totalled only 10,09% of gross premium, compared with 11,94% in 1986.



# Vote to probe alleged breach

Cape Times  
22/5/87

~~50/87~~ ~~58~~ 58



Mr Dave Dalling

By ANTHONY JOHNSON  
Political Correspondent

THE House of Assembly yesterday voted to appoint a select committee to investigate an alleged breach of parliamentary privilege by PFP frontbencher Mr Dave Dalling over remarks about Mr Justice George Munnik.

Mr Dalling — who could be suspended from Parliament if the committee finds against him — told the House on Wednesday night that Mr Justice Munnik should have recused himself from the one-man commission of inquiry into the Chris Ball affair concerning the funding of ANC advertisements.

The PFP spokesman on justice and the media said the judge should not have presided over the inquiry because his Barclays Bank account had been unilaterally closed for reasons relating to overdrawn accounts and debt defaults, and because of his personal friendship with President P W Botha and support for the National Party.

Experts in parliamentary procedure last night expressed concern at the appointment of a committee to look into an alleged breach of privilege on the grounds that the action raised three questions:

□ Does Parliament exist to protect people outside of the House?

□ If so, why was a select committee not appointed to investigate remarks by President P W Botha in the House concerning Barclays MD Mr Chris Ball?

□ Do Mr Dalling's remarks actually reflect on Mr Justice Munnik in his position as a judge or as a commissioner?

The Speaker of Parliament, Mr Louis le Grange, yesterday ruled after a debate on whether a motion by the Minister of Justice, Mr Kobie Coetsee, was in order, that there was a prima facie case for an investigation.

After several objections from the PFP, the Speaker eventually allowed Mr Coetsee to put the motion, which calls for the appointment of a select commit-

tee on alleged breach of privilege by Mr Dalling "in that he reflected on Mr Justice Munnik in his judicial capacity and on his honour and personal conduct".

The House divided on the motion, which was upheld, with the PFP, the CP and the NRP voting against the NP majority.

No comment was forthcoming on the affair yesterday from President Botha's office, Mr Justice Munnik, or First National Bank (formerly Barclays Bank).

Mr Justice Munnik was approached for comment on Mr Dalling's disclosure, but the Cape Times was told by his secretary that he would not comment on the matter — pending the outcome of events at Parliament regarding the matter.

□ A recent statement from the Institute of Directors in support of Mr Chris Ball had been issued by "an overzealous political character within the institute" and was not an official document, Mr Laurie Poorter said yesterday.

soon. — The Star's Foreign News Service.

## Statement on Ball was 'unofficial'

PRESIDENT'S COUNCIL — A recent statement from the Institute of Directors in support of Mr Chris Ball had been issued by "an over-zealous political character within the institute" and was not an official document, Mr Laurie Poorter said yesterday.

Speaking in the debate on the council's report on job creation, he said the implementation of the report would rely strongly on the co-operation of the private sector.

A report in The Star of May 5 had "implicated" him and other directors in the statement that the institute and 1 500 members took the stand that "Ball is right and the Government is wrong" on the issue of the funding of ANC advertisements.

This "negative statement" was "a torpedo in the side of South Africa". — Sapa.

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SAPA

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# Comeback that makes you think, doesn't it?

Capl Timb 23/5/87 58



*Nedbank's interim results represent more than just a healthier balance sheet. JANE ARBOIS reports on a remarkable recovery from its debt standstill, its involvement with Triomf, other faulty investments, and the rumour mill.*

NEDBANK'S share price shed more than half its value during the first half of last year — reaction to disastrous events that were brought out into the open.

Today it is back up by 300c from the low of 545c.

The stock market and some individual account holders who panicked and withdrew their money, took a lot of convincing that the bank is as substantial as once believed.

But strong action by its new top team helped push the share price up, the account holders have returned, and last week it reported an 80% increase in profits over the comparable period last year.

The next six months should set the seal on its recovery and the chairman of both the group and the commercial bank Nedbank, Professor Owen Horwood, is quietly but firmly confident.

Problems centred mainly on the commercial bank but the group also consists of the UAL merchant bank, Syfrets, Nedfin, Nefic, and Finansbank.

Horwood comments: "The message of the past 15 months has got through."

"We're also looking forward to another good half year. Although the demand for credit is not as strong as it was, the underlying conditions do look encouraging."

It's clear that he's in good heart, not only because the past is now well and truly behind Nedbank but also because he believes they are on the right road ahead. One of the main reasons for his confidence is that despite being hit hard by the moratorium — of all the South African banks, Nedbank had the most international business — it is currently running its overseas business "at a profit" and when the time is right, should see a further strengthening, he says.

Apart from the foreign debt standstill, a central factor in Nedbank's knock in the market was Louis Luyt's failing

fertilizer company, Triomf, and the bank's connection to it in the form of massive loans — bad loans, it turned out.

Former Old Mutual MD Frans Davin who was brought back from retirement to sort out Triomf (Potchefstroom), tells Top of the Times that he knew little of what to expect except that there were "problems" — an understatement.

The first thing that hit him was the price war in the fertilizer industry, so cut-throat that discounts to prices below cost were being offered.

"I tried to stop the war, not by any agreements but by talking. I had a fair amount of success but the effect took time to materialise, mainly because lengthy contracts had been signed."

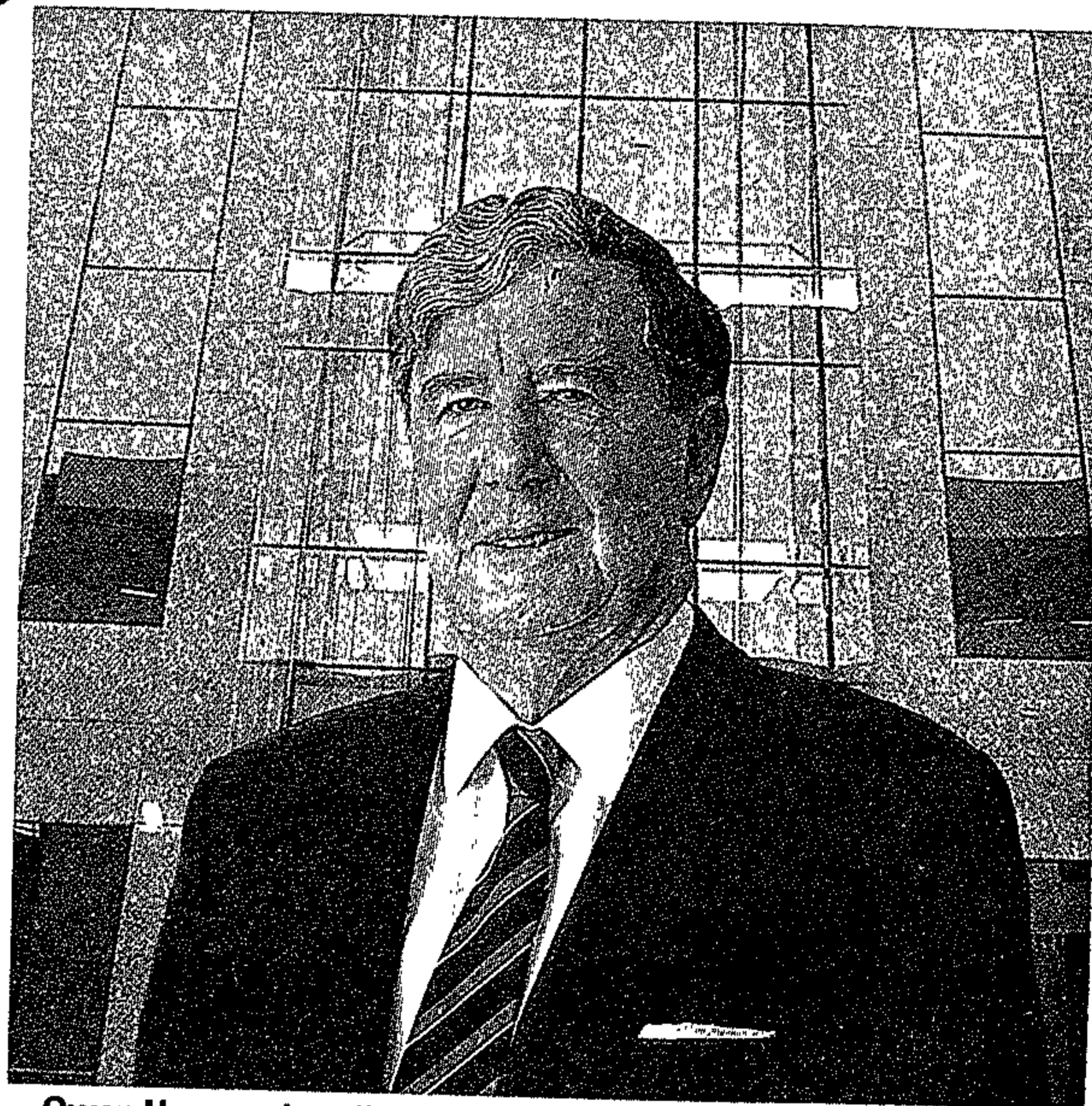
Other reasons for the troubles at Triomf were, in his opinion, the break-up of the marriage between it and AECl and loss of rationalisation benefits, the drought in the main maize-producing areas, and the depreciation of the rand which substantially increased the cost of imported raw materials such as sulphur.

Towards the end of December last year, things were looking promising and sales were on a par with his budget. Then the bottom fell out — the company lost major contracts with long-standing customers amounting to 25% of its total turnover and disconsolate sales staff left in droves for competitors.

"I also realised that sales expected for the first few months of 1987 would be very low because most of the co-operatives were carrying forward substantial stocks."

Even with the best will in the world, the chances of turning Triomf around became remote. Meanwhile, the Richards Bay subsidiary had been placed in provisional liquidation (and was eventually sold).

Davin ruled out merging with another company in favour of selling out



Owen Horwood... "the message of the past 15 months has got through".

completely and eventually a R95 m deal on assets — "a realistic price" — and another R20 m for debtors was done with AECl.

As far as he is concerned, Triomf has been "put to bed". Certainly, there is relief in the 37% increase in the profits of commercial bank Nedbank and the provision of R250 m to cover bad debts for Triomf is thought to be adequate.

Davin concludes: "Triomf took a tremendous amount of Nedbank management's time, apart from costs. Now they can concentrate on their business."

And this is exactly what they are doing, says Horwood, the former Minister of Finance who is seen and applauded as chief architect of the recovery.

An important decision was to opt for fuller disclosure, Horwood says, as well as "a strong and prudent line on bad and doubtful debts". On the subject of the debt problem, Horwood considers that

the "slate has been cleared very substantially and that is a good position to be in".

In his opinion, other positive factors are:

- the fact that Nedbank is in the forefront of computerisation with no reason for large capital expenditure to update equipment;

- staffing — low in comparison with other banks — and expenses have been trimmed;

- the fact that the quality of its management has been raised and they are "achieving the targets we set which are quite high".

Horwood also paid tribute to Nedbank's "loyal clientele", in particular the Old Mutual for "their substantial assistance" when they took up the rights issue they underwrote, thus providing the funds for the bad debt provisions.

# Doubts raised on banks' secrecy

23/5/87

Star



INGA MOLZEN

After unrest broke out in Alexandra last year and two policemen were killed, about 100 police families were moved to tented camps at Diepkloof power station and garages at Alexandra police station.

This was stated in the Rand Supreme Court yesterday by Lieutenant Gert Zeelie, who was stationed at Alexandra last year. He was giving evidence in the trial in which eight youths, aged between 17 and 21, are accused of treason.

Mr Ashwell Zwane, Mr Vusi Ngwenya, Mr Andrew Mafuta, Mr David Mafuta, Mr Arthur Vilakazi, Mr Albert Sebola, Mr Piet Mogano and a minor have pleaded not guilty to treason, with two alternative charges of sedition and subversion.

As Alexandra Youth Congress Members (Ayc) members they allegedly operated people's courts between January and July last year.

Lieutenant Zeelie said a detective constable of the Alexandra police branch was attacked, chased and burnt by youths last February 15. He died later.

Two days later a detective sergeant, living at 13th Avenue in the township, was killed at his home.

Youths joined funeral processions and raised their fists and shouted "Amandla". Coffins were wrapped in ANC or hammer-and-sickle flags, the lieutenant said.

Mr T Beckerling, for the defence, submitted that where "the police did not play a part in funerals", most of the burials were peaceful.

Lieutenant Zeelie said it was impossible for police to act against youths joining the funeral procession — which passed along "small streets and through the veld to the cemetery".

CAPE TOWN — Minister of Finance Mr Barend du Plessis last night said he viewed in a serious light indications of a penetration of the banking system's confidentiality.

He was referring to a statement made in Parliament this week by Mr David Dalling, MP for Sandton, who said Mr Justice George Munnik's bank account had in the past been closed more than once by Barclays Bank because of debt problems.

Mr Dalling said he did not receive the information from the bank but from an enterprising journalist who conducted an intensive investigation on this matter.

He said Mr Justice Munnik should have recused himself from the Commission of Inquiry investigating Barclays Bank (now First National Bank) chief ex-

## Poorter wrong, says institute

The Institute of Directors yesterday contradicted a statement by Mr Laurie Poorter in the President's Council on Thursday in which he said a statement issued by the institute was not an official document.

Mr Poorter said the statement on the findings of the Munnik Commission about Mr Chris Ball had been issued by an "over-zealous political character" and was not an official document.

Mr Poorter said on Thursday he "was not even consulted".

The Institute's chairman, Mr Eric Henderson, said in a statement yesterday: "The Institute of Directors' Press release issued on April 14 was an official document cleared by the executive of the institute prior to release and subsequently approved by the council of the institute."

The initial Press release from the institute read: "The 1 500-strong Institute of Directors, one of whose major objectives is to provide the individual director a voice in his own right ... was totally supportive of the views expressed by Mr Mervyn King and Mr Peter Wrighton in their letter to First National Bank showing the bank that Mr Ball was held in the highest esteem by his peers despite the findings of the Munnik Commission."

"It appears to the Institute that Mr Ball acted within his rights as a banker in granting the overdraft facility, given the authority."

"The Institute of Directors upholds the principle of free speech and, accepting that there is a distinct overlap between business and politics, particularly in South Africa, believes strongly that it would be highly detrimental to the South African economy if directors were obliged to ascertain the political affiliations of other business people prior to conducting any legal business with them." — Sapa.

## DAVID BRAUN Political Correspondent

ective Mr Chris Ball's role in the financing of ANC advertisements.

Mr du Plessis said in a statement the incident of Mr Dalling's allegations about the judge's bank account inevitably raised grave doubts as to the quality of the protection of confidential information relating to individual clients of South African banks.

He said: "This identification of Mr Dalling's source of information creates the perception that it is possible to penetrate confidential records of South African banks, raising issues of principle."

"Apart from the reflection this casts on banking integrity in South Africa, the possible abuse of such information, or a leaked information, is obvious."

"South Africa has an open economy with extensive trade links involving many local and international banks and financial institutions."

"We furthermore operate in a hostile international environment with continuing threats of increased sanctions and boycotts."

"This fact clearly necessitates the exercise, by South African banks, of an even greater degree of confidentiality in handling their clients' affairs."

"The perception that our banking system's confidentiality can be penetrated even and particularly by journalists, can therefore easily create serious doubt within the entire banking world concerning our banks' ability to protect confidential information."

Mr du Plessis said he assumed the Association of Clearing Banks viewed the implications in as serious a light as he did. He looked forward to receiving the response and learning of any action contemplated.

Mr du Plessis said that as operation control over banks and banking institutions was recently transferred to the Reserve Bank, he had consulted the Governor, who had fully endorsed his concern over the implications.

Mr Dalling was unavailable for comment last night.

The House of Assembly this week agreed to appoint a Select Committee to investigate a possible breach of Parliamentary privilege by Mr Dalling regarding his allegations about Mr Justice Munnik.

First National Bank senior general manager Mr Jimmy McKenzie said last night the bank had always stressed to branch managers the utmost importance of retaining client confidentiality.

"We have always regarded confidentiality as paramount, and the integrity of the bank with regards to its clients' information is uppermost in our minds."

He said the allegations by the Minister of Finance that a breach of confidentiality had occurred were being investigated but he was not in a position to comment further.

## Rugby on the box

TV1

"Sport '87" today at 2.00:

Ten-Pin Bowling: Anchor Life National Cup Tournament in Northcliff, Johannesburg (2.04).

Motor Racing: Yellow Pages National Championships at Kyalami (2.25, 5.02).

Wrestling: Manny de Ferro v Kojak Labuschagne at the Portuguese Hall, Johannesburg (2.47).

Horseshooting: The R100 000 Smirnoff Plate over 1 200 m at Scottsville, Maritzburg (3.01).

Rugby: Transvaal v N Transvaal (3.27, 4.12).  
M-Net

Tomorrow at 4.00:

Soccer: Live transmission England v Scotland  
TV2 and TV3

Tomorrow afternoon at 1.00

Soccer: International games (1.01)

Badminton: (2.08)

Rugby: SARU v Lowveld (2.50)

Soccer: Arsenal v Chelsea (3.31)

Golden Club Competition (5.15)

Special live broadcast: (4.34). Possibly boxing  
TV4

"Circle of Sport" at 10.50 tomorrow:

Comrades Preview.

Motorbike Racing: The Spanish 250 cc and 500 cc

Grand Prix.

Motocross: Zululand Endurance Race.

Table Tennis: England v China test match.

(S) 5 MAR 23/1987

# United beats forecast with net earnings of R105-m

United Building Society Holdings, the first society to be listed has earned net attributable profits of R105 million for the year to end-March, exceeding the forecast figure by R10 million.

The results are especially commendable in the light of the fall in mortgage rates shortly after the December listing which has put a squeeze on profit margins.

Standard Bank dropped its rate to 12,5 percent and UBS responded with a rate of 13,5 percent while the other societies are still on 14 percent.

A dividend of 13c a share will be paid, equalling the forecast.

However, one factor that is disappointing for a leading financial institution is that the forecast in earnings per share of 51c was not met and came to 49,2c.

The reason for this is that the pro forma earnings figure was calculated assuming the conversion to equity had occurred at the beginning of the financial year.

It is misleading since conversion occurred in December, which is more than half way through the financial year and

## GARETH COSTA

shareholders could have been informed that the earnings would not be met. Even some analysts were not aware of this anomaly.

Another factor aggravating the earnings figure is a one million increase to 214 million in the number of shares on which the earnings are calculated.

Total income for the year reached R1,5 billion, with income from advances of R1,2 million and pre-tax income reaching R210 million.

Total assets now stand at R9,8 billion, with a net asset value per share of 449c, while reserves, including retained income, amount to R445 million.

Chief executive, Piet Badenhorst said yesterday that the forecasts for 1988 had not changed. The UBS was continuing to strive for a good class of business and was being prudent in taking on new business in the present economic climate.

While there is pressure on margins due to the low level of mortgage rates, Mr Badenhorst says that strict control of costs and drives for efficiency corrected this.

# Big bank defectors go it alone

24/5/87  
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S11

THE chief executive of Mercabank, the head of investments of Rembrandt and a Senbank general manager have left their jobs to set up a R30-million listed financial services group.

The company, which will offer a full range of merchant-banking and corporate-finance services, will operate through listed company, Duros.

Like Columbia, it will enter investment banking. To this end, it has acquired 40% of Arwa, one of only two stocking manufacturers in SA, and 36% of Drivetech, the listed bearings group. Arwa will also be listed.

The three defector-entrepreneurs are Reg Sherrell, managing director of Mercabank; Murray Louw, investment manager at Rembrandt; and Charles Turner, general manager of Senbank. They are old friends who worked together at Senbank 10 years ago.

They are supported by heavyweight non-executive partner-directors, including Christo Wiese, chairman of Pepkor; Johan Claasen, formerly a top man at Volkskas and now chairman of Ellis-Park Stadium and Arwa; corpor-

By David Carte

ate lawyers Gerald Rubinstein and Mervyn Key; former merchant banker and chairman of Davgra David McCay; and Lawrie Macintosh a CA. No shareholder will have more than 12,5% of the equity.

Mr Sherrell, mastermind of the company, will be chairman and chief executive.

Today's announcement ends weeks of speculation about what was happening to Duros, whose share price has fluctuated wildly.

Mr Sherrell and Mr Turner will take several executives of either Senbank or Mercabank with them.

They say Sanlam, Senbank and Mercabank have accepted their departure in good grace.

Mr Turner says: "It is hard to stay and accept a salary when you know what kind of fee income you are generating and when that money is directly proportional to the skill, effort and initiative you put in. You can't help wanting a share of the action."

Senbank corporate finance chief Alec Melrose who stays behind says: "I wish them well. We train people to

think as entrepreneurs and accept that we must lose some. Our old boys club contains some illustrious personalities and although we will compete I'm sure we'll do good business with these guys."

Mr Sherrell claims Mercabank handled more new listings on the Johannesburg Stock Exchange's Development Capital Market this year than any other merchant bank and that Senbank has been tops in main board listings.

Since leaving Senbank about nine years ago, Mr Louw has run Rembrandt's international investment portfolio. He has lived in Switzerland, London and New York and has excellent international financial contacts.

The top three have been involved in several giant mergers and listings, including the rationalisation of the SA liquor industry through the formation of Cape Wine, reorganisation of the Tradegro group and restructuring of the industrial fastening industry. They brought Punch Line, Danech, Southgo and many other companies to the stock market.

□ To Page 3

□ From Page 1

## Defectors

Mr Sherrell says: "We will do well in a buoyant stock market and in continuing to serve big clients we have known for years. Dozens of companies are waiting to

come to market. Many newly listed companies are looking for acquisitions. We are also well positioned to help with management buy-outs.

"When the market runs out of steam, as it must eventually, there will be a rationalisation phase. We will then do well with mergers and take-overs."

S11  
24/5/87

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# Banking world's \$1 000-bn headache

LONDON. — No matter how banks change the way they keep their books, the crisis over the \$1 000 billion owed by the Third World will not go away, economists say.

Even Citicorp, the biggest US bank, which set aside \$3 billion last week from its profits against possible bad debts, acknowledged that some Third World loans might never be repaid.

European bankers, who have been doing the same thing but less dramatically than Citicorp, say making provisions of that sort does not mean the debt does not have to be repaid.

Third World debtors, desperate for cash to pay for imports and prevent economic collapse, are still pressing for their creditors to ease their repayment demands.

Bankers and Western government officials fear a worldwide recession would follow any serious default of Third World debt. And wiping the slate clean on Third World debt also frightens many economists.

The way the debt crisis is solved, if a solution is found, will affect how well Zambian copper miners or Sudanese herdsmen eat and whether their children are likely to have a better life.

The answer could mean riots, or tanks, in the streets of Third World capitals. Some futurologists say it might even cause bread queues in the streets of industrial countries.

Economists say that in the debate over

what to do, actions such as Citicorp's may boost banks' bargaining position, showing they are tough enough to accept losses if blackmailed for too many concessions.

The director of studies at London's Trade Policy Research Centre, Martin Wolf, said: "I can't see any other long-term solution to the debt crisis but partial default, when the banks are (financially) prepared for it, and without actually calling it that."

Banks remain willing to reschedule debt, especially since the interest rates paid can be as much as one percentage point above other loans they make. But they demand economic reform, and often harsh austerity measures, to keep those payments coming. — Sapa-Reuter

# Insurers losing out on claims

ALMOST all insurers are losing money on household and vehicle insurance, says SA Insurance Association CE Rodney Schneeberger.

He says the industry is investigating ways to change the situation, especially as car thefts showed no decline in the first few months of this year compared with the same period last year.

Claims for commercial and industrial losses through theft and property damage rose to R30m last year compared with R28m in 1985 and R18m in 1984, while claims on

**NORMAN SHEPHERD**

fire losses in this category fell by R6m compared with 1985.

Claims for losses through natural disasters such as hailstorms and cyclones dipped to R33m last year from R61m the year before and R107m in 1984.

The SA Special Risks Insurance Association put last year's claims for riot damage at R15m, but estimates there are R50m in claims outstanding. This compares with the R66m claimed in 1985 and R33m for 1984.



# Council pulls out of bank

Post Reporter

AS a result of supplying the funds for an ANC advert by Barclays Bank and the ensuing allegations against managing director Mr Chris Ball, the Divisional Council of Camdeboo is to withdraw its account from First National Bank.

The Cradock Divisional Council recently withheld its account from the bank for similar reasons.

The Camdeboo council rotates its account of more than R2 million between various banks on a five-yearly basis and was in its third year of the present five-year period with First National.

It comprises the areas of Graaff-Reinet, Jansenville, Aberdeen, Pearston and Murrumburg.

(58) 6705 2/18/87

85  
25/1/85  
OR

**JOHANNESBURG** — Almost all insurers are losing money on household and vehicle insurance, the South African Insurance Association's chief executive, Mr Rodney Schneeberger, said.

He added the industry was investigating ways to turn the situation around, especially as car thefts showed no decline in the first few months of this year compared with the same period last year.

Claims for commercial and industrial losses through theft and property damage rose to R30 million last year, compared with R28 million

## Insurers losing out?

in 1985 and R18 million in 1984, while claims on fire losses in this category fell by R6 million compared with 1985.

Claims for losses through natural disasters such as hailstorms and cyclones dipped to R33 million last year, from R61 million the year before and R107 mil-

lion in 1984.

The South African Special Risks Insurance Association put last year's claims for riot damage at R15 million but estimates there are R50 million in claims outstanding.

Mr Schneeberger said the insurance industry was on a firmer footing after ridding itself of a vague "assets all-risk" policy, which brought about considerable losses in the early 1980s, but that insurance of personal lines is undermining the industry's stability and profitability. — DDC

copy this 26/5/87

# Millions transfer starts cartel probe

Own Correspondent

JOHANNESBURG. — The transfer of one of the largest corporate insurance portfolios in South Africa, running into millions of rands, from an insurer who had held the business for many years, to another insurer, has led to an investigation into the existence of an insurance cartel.

In an interview with a spokesman for SARIMA (the South African Risk and Insurance Management Association), he indicated that its members had become increasingly dissatisfied with what appears to have been a cartel-type arrangement between most short-term insurers over the past two or three years.

SARIMA was formed last year to represent the interests of most of South Africa's largest corporate insurance buyers.

It says the arrangement, loosely known as the "market agreement", has severely curtailed what should be a free market and has secured massive rate increases for its adherents.

The agreement operates by laying down that a "signatory" will only accept business of another party at the same rates and conditions the holding insurer is offering. The agreement holds unless there is a significant difference in the type of risk to be covered, or revised rates offered by the holding insurer are 20%-25% higher than the previous rate.

## Barriers

SARIMA says it was aware of the movement of several other insurance portfolios, also motivated by "the intolerable negotiating positions insurance buyers have been placed in by the agreement."

A SARIMA spokesman said this week that legislative barriers to the entry of new insurance companies worked against an environment of genuine free enterprise if existing registered insurers used their privileged position to enforce rate increases through cartel arrangements.

He said insurers had a duty to allow free competition, given their advantageous position. "In fact, we feel it is in their interests to guard their protected position jealously by avoiding any suspicion of cartel arrangements, let alone any proof."

Those corporations with large insurance portfolios, and often with assets exceeding their insurers, are compelled to spread their business throughout the market, because, in terms of reinsurance treaties, insurers will not underwrite more than a certain amount of risk.

The copying of policy and premium documents to all co-insurers for these large placements ensures adequate policing of the "market agreement" by its members as the rates and terms set by any "new" lead insurer were notified to all co-insurers.

Mr Theo Vels, GM of Mutual & Federal, denied there was "an agreement" between insurers, although he said there was a "loose understanding" that a holding insurer would be consulted when one of its corporate accounts was being taken over.

## Co-operation

He said the lack of market co-operation and undue competitiveness in rating in the past five to seven years had had a detrimental effect on underwriting profits and had led to diminishing reinsurance support. The industry, in acknowledging the need to sort out its books, had accepted the need for greater co-operation among members in rate-setting, in order to get sensible returns for reinsurers.

Mr Brian Wilkinson, GM of SA Eagle, admitted that a "co-operation agreement" existed between the major short-term insurers "to avoid a repeat of the AA Mutual collapse".

Spokesmen for the Competition Board and the Insurance Association could not be reached for comment.

11605-26/5/87

## Talks on big insurance merger deal

Financial Staff 58

CAPE TOWN-based Colonial Mutual, South Africa's second oldest insurance company, is holding merger talks with the industry's giant, Old Mutual.

A merger of the two companies would result in total assets of more than R20-billion.

Colonial Mutual, which was established in Cape Town in 1883 by the Colonial Mutual of Australasia, is the 12th largest life insurer operating in South Africa. Its assets amount to R585-million.

Managing director Mr Doug Cleland today refused to comment on the talks.

Old Mutual has assets of R19½-billion.

Negotiations between the two companies "with a view to the merger of the Colonial Mutual's-South African business with Old Mutual's" were confirmed today by Old Mutual's managing director Mr Mike Levett. A further statement could be expected shortly, he said.

ort

### Closing gold prices

(In \$ an ounce)

LONDON:

Closed

ZURICH:

464,00-467,00

— Reuter

THE SOUTH AFRICAN BULLION  
AND KRUGERRAND EXCHANGE

PH: 25 1788, 25 1946

Upward trend continues *Cont. Trends 26/5/87*

# Barlows lifts earnings 31% *58*

From DAVID COHEN

JOHANNESBURG. — Barlow Rand continued its upward trend with earnings a share for the six months to March rising 28,3c to 120,8c, a 31% increase over the same period last year.

The earnings rise, significantly higher than most market analyst expectations of around 23%, infers healthy contributions from the wholly-owned subsidiaries Middelburg Steel and the Motor Appliances and Tractors division whose results are not public knowledge.

Barlows CE Warren Clewlow confirmed yesterday that "the wholly-owned had turned in much improved performances over last year's interim results".

The interim dividend was lifted by 6c to 30c (24c) and superior earnings boosted dividend cover from 3,8 to four times.

Looking ahead, Clewlow said that although trading activity could be expected to improve, growth for the next six months is unlikely to match the improvement for the half-year to March.

A feature of the results is the "substantial growth" recorded by the group's industrial interests which accounted for 28% (17%) of attributable profit after tax. This offset the declining contributions from international and mining operations. "Mining showed a small decline mainly due to lower coal export receipts," said Clewlow.

A 13% rise in turnover to R8 146m (R7 182m) failed to keep pace with inflation but translated into a disproportionate 31% hike in attributable earnings to R217m (R166m). Clewlow attributed this to "improved margins, lower average borrowings and interest rates and an average tax rate which reduced from 42,6% to 40,2%."

The group trimmed its interest bill by R29m to R125m and achieved the 2,4% lower tax rate.

However, a disturbing aspect is that Barlows — whose turnover last year of R14 623m accounted for 11% of 1986's gross national product — made no real contribution to unemployment statistics, reporting negligible additions to its 232 000 work force.

# Dalling to face probe

From PAGE 1

dened" that a political dispute between Botha and an opponent had been used to depreciate the tradition of judicial independence.

Munnik should have recused himself, he said. "From the very outset, it was clear that this was not a judicial issue involving criminal or civil liability of any sort."

The commission was "meant to achieve the advantageous resolution of a political dispute, at the time of an election, involving the head of the National Party and one who did not agree with the party".

The dispute was one which might "possibly have affected the electoral fortunes of the National Party, certainly within the business community".

The commissioner was "undeniably a strong supporter of the governing party" and "a longstanding personal friend of Mr Botha".

Finally, said Dalling, Munnik, "following defaults of thousands of rands", had had "an unhappy relationship with Barclays Bank" and as a result "had no right to sit on the commission at all".

The Munnik report was "faced with unsolicited, gratuitous insults as to Mr Ball's prudence as a banker, as to the inflated view the commissioner took of his own banking expertise and finally to Mr Ball's personal integrity".

The minister of justice, Kobie Coetsee, said after Dalling sat down that his speech had been scandalous. He accused the PFP of indulging in "gutter politics of the worst sort".

## THE

# WORLDWIDE

THE PAPER FOR A CHANGING SOUTH AFRICA

VOLUME 3, Number 20, FRIDAY MAY 22 to THURSDAY MAY 28, 1987

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INSIDE  
YOUR  
WEEKLY  
MAIL  
TODAY

## MP Dalling meets his own inquiry

DAVID DALLING faces possible suspension from the House of Assembly if a select committee finds he breached parliamentary privilege with his allegations about the Munnik Commission.

Late yesterday the House appointed a select committee to investigate whether the Progressive Federal Party MP overstepped his parliamentary rights with his allegations concerning the past financial relationship between the judge-president of the Western Cape,

By JEAN LE MAY, Cape Town  
Justice Munnik, and Barclays Bank (now First National Bank).

If he is found to have breached parliamentary privilege he could be suspended or ordered to apologise.

On the second day of this week's censure debate Dalling told parliament Munnik had on more than one occasion had his account "unilaterally" closed by the then Barclays Bank "for reasons relating to overdrawn

accounts and debt defaults".

For this and other reasons, Munnik should have recused himself from the special commission appointed by President PW Botha to investigate the funding of advertisements which called for the unbanning of the ANC.

Munnik found that Barclays MD Chris Ball, who authorised an overdraft, had known it would be used to pay for the ANC advertisements.

Amid a chorus of interjections from government benches,

Dalling said the Munnik Commission's report was "a travesty of justice initiated by the state president".

The speaker, Louis Le Grange, at this point refused to allow him to continue. Several times during Dalling's speech the speaker called him to order, saying he would not allow parliament to be used to "smear" the state president and the judge-president.

Earlier in his speech, Dalling said he was "shocked and sad-

● TO PAGE 2

# Old Mutual makes merger move

OLD MUTUAL and Colonial Mutual have entered into negotiations with a view to a merger involving Colonial Mutual's South African business.

An announcement yesterday by Old Mutual MD Mike Levett gave no further details, but said a further statement would be made in due course.

If the present negotiations reach a successful conclusion, Old Mutual will reinforce its position as SA's largest assurer, its assets increasing to about R19,5bn with the addition of Colonial's

26/5/87  
HELENA PATTEN

assets of around R584m.

The net premium income of both companies together would amount to about R2,4bn a year.

Old Mutual's closest competitor is Sanlam, with assets totalling R9,6bn and net premium income of R2,1bn. Sanlam also controls Metropolitan Life with assets of R1,23bn and net premium income of R213m. The two companies are, however, separate entities.

Sarima unhappy over rates

# Insurance 'cartel' under fire

26/5/87  
58  
B Day

THE transfer of one of the largest corporate insurance portfolios in SA, running into millions of rand, from an insurer who had held the business for many years, to another insurer, has led to a Business Day investigation into the existence of an insurance cartel.

A Sarima (South African Risk and Insurance Management Association) spokesman said association members had become increasingly dissatisfied with what appeared to have been a cartel-type arrangement between most short-term insurers during the past three years.

Sarima was formed last year to represent the interests of most of the largest corporate insurance buyers.

It said the arrangement, loosely known as the "market agreement", had severely curtailed what should be a free market and had secured massive rate increases for its adherents.

The agreement operates by laying down that a "signatory" will only accept business of another party at the same rates and conditions the holding insurer is offering. The agreement holds unless

HELENA PATTEN

there is a significant difference in the type of risk to be covered, or revised rates offered by the holding insurer are 20%-25% higher than the previous rate.

Sarima said it was aware of the movement of several other insurance portfolios, also motivated by "the intolerable negotiating positions insurance buyers have been placed in by the agreement".

The Sarima spokesman said legislative barriers to the entry of new insurance companies worked against an environment of genuine free enterprise if existing registered insurers used their privileged position to enforce rate increases through cartel arrangements.

He said insurers had a duty to allow free competition, given their advantageous position. "In fact, we feel it is in their interests to guard their protected position jealously by avoiding any suspicion of cartel arrangements, let alone any proof."

Those corporations with large insurance portfolios, and often with assets

● To Page 2



P.T.O.



*Cape Times 26/5/75*  
**Camdebo closes account**

PORT ELIZABETH. — The Divisional Council of Camdebo has announced it will withdraw its account from First National Bank. Last month, the Cradock Town Council decided to withdraw its account from First National (formerly Barclays) as a result of managing director Mr Chris Ball's involvement in the funding of a newspaper advertisement calling for the unbanning of the ANC. Camdebo council chairman Mr A J Oelofse said the move was in protest against the "bank becoming involved in politics". The account would now be transferred to Volkskas, he said.

# Clerk, tycoon in R9m 'fraud'

Own Correspondent

JOHANNESBURG. — A checking clerk earning R1 000 a month and a Soweto millionaire have allegedly defrauded the Standard Bank out of more than R9 million in a manipulation of computer records.

This emerged in the Rand Supreme Court yesterday when the estates of the clerk, Miss Snowy Tebello Moshoeshoe, and her boyfriend, businessman and soccer club owner Mr Zola Daniel Mohobe, were provisionally sequestered after an urgent application by Standard Bank.

Mr Mohobe, described in a bank affidavit as a fugitive, is known as a big spender in the soccer world. Last year he took wives and players on a world tour which included attending the FA Cup Final in London.

The hearing, in chambers before Mr Justice Van Niekerk, was told that Miss Moshoeshoe had circumvented the bank's computer safeguards and had over a two-year period deposited R9 185 287 into various accounts, the bulk of which were concerns of which Mr Mohobe was the sole proprietor.

Standard Bank inspector Mr Anton Wilson said in the affidavit that irregularities were discovered last Wednesday by the administration manager of the Selby branch.

Miss Moshoeshoe's expertise, said Mr Wilson, was gradually acquired over the period of six years she was employed by the bank as a checking clerk in the inter-branch transaction department.

Miss Moshoeshoe was arrested on Monday. Mr Wilson said she had admitted to having defrauded the bank of about R10 m.

He claimed she had on several occasions fictitiously debited inter-branch transaction accounts and then credited accounts of her choice. After a lapse of a few days, she would reverse the fictitious entry without affecting the balancing of the books.

As this was done within a few days after the irregular entries were passed, the computer did not register any queries as to the absence of response to the outstanding debits.

**IGI profit**  
*CAK 7/10/87 27/5/87*  
**increases**

**by 72%** *58*

Finance Staff

IGI Life Investment Holdings has increased its attributable profit for the year ending March 31 by 72% — a rise to R1,8m from R1 045 000 for the previous period.

This represents earnings per share of 7,2c, compared with 4,2c for the previous year.

A final dividend of 3,5c has been declared, making 5c for the year compared with a previous 4c.

Gross premium rose to R35 336 000 for the year, compared with R23 896 000 for the previous year — a 48% increase. Nett premium income amounted to R30 938 000, compared with R21 340 000 — a 45% increase.

Says chairman S Lewis:

"This has been a wonderful year for the marketing of the group's Ultra and Protector policy ranges. The results also reflect the benefits of our sophisticated on-line computer system.

"The 1988 budget shows further good growth."

CME Links 27/5/87

# Southern earnings up 26,8%

Financial Editor

SOUTHERN LIFE has lifted disclosed earnings for the year to March 31 by 26,8% to R64m (R50,5m) and the final dividend by 31,2% to 16,4c a share.

Total consolidated assets of the group have increased during the year by an impressive 40% and are now worth R7 723m, compared with R3 453m when the new Southern was formed three years ago — an annual compound growth rate of about 31%.

Group premium income has grown by 32% to R858m. New business rose by 66% to R357m.

Investment income rose by 12% to R511m. During the year the market value of the group's investment portfolio rose by R2 011m to R7 139m.

CE Neal Chapman said it was "particularly pleasing" that the company had been able to contain the increase in administration costs to 8%, about half the inflation rate.

He pointed out that this was the second year in succession that the rise had been confined to a single figure.

"As a result, the cost of operating

the company in real terms has decreased by 18% over the two-year period."

Payments to policy-holders had increased by 24% to R474m. Chapman said the performance of Southern Life's investment portfolios contributed significantly to the benefits that accrued to policy-holders and pension fund clients.

He said fewer policies had been surrendered than the previous year. "Nevertheless, the growth in the amount paid to policy-holders in respect of surrenders and to pension fund members who were retrenched by their companies is of continuing concern.

"It is to be hoped that the upswing in the economy will bring about a healthier state of affairs."

Discussing subsidiaries, Chapman said the disclosed earnings of African Life increased by 20% to R648 000 (R540 000). New business written increased by 43% and total assets to R88m (R71m).



Neal Chapman

# R9m fraud alleged at Standard Bank

A CHECKING clerk allegedly defrauded Standard Bank of more than R9m by "ingeniously" manipulating computer records over a two-year period.

This allegation was made in the Rand Supreme Court yesterday when the estates of the clerk, Snowy Moshoeshoe, and her boyfriend Zola Mohobe were provisionally sequestered after an urgent application by Standard Bank.

The hearing was told that Moshoeshoe

JENNY BOBERG

had circumvented the bank's computer safeguards and had, over the two-year period, deposited R9 185 287,06 into various accounts of concerns of which Mohobe was the sole proprietor.

Moshoeshoe, a checking clerk in the inter-branch transaction department of the Johannesburg branch of Standard Bank for six years, is in police custody.

*Day 2/15/81*  
Mohobe's whereabouts are unknown. Bank inspector Anton Wilson said in an affidavit: "Moshoeshoe had engineered what can only be described as an ingenious means to circumvent the safeguards built into the computer programmes."

He said Moshoeshoe fictitiously debited an inter-branch transaction and then

● To Page 2



## Standard Bank may be victim of R9m fraud

credited an account of her choice.

After a few days, she would reverse the fictitious entry without affecting the balancing of the books.

As this was done shortly after the irregular entries were passed, the computer did not register any queries about the lack of response to the outstanding debits.

When the alleged fraud was discov-

ered, the bank immediately stopped the accounts, but found only a R185 287,06 balance.

The affidavit said the bank established no assets possessed by Moshoeshoe other than a bracelet and a diamond ring. Her boyfriend is nowhere to be found,

The order was granted by Mr Justice Van Niekerk.

Staff, policyholders 'secure'

# Old Mutual and Colonial Mutual tie up merger

CAPE TOWN 28/5/87  
58  
470

By AUDREY D'ANGELO  
and CHRIS CAIRNCROSS

OLD MUTUAL and Colonial Mutual (SA) — the two oldest mutual life assurance societies in the country, both based in Cape Town — have agreed to merge.

Old Mutual will take over Colonial Mutual's local assets and liabilities.

Colonial Mutual policy holders will become Old Mutual policy holders and a joint statement issued by both societies yesterday said that "the policies taken over will be dealt with in an equitable manner".

The merger will mean no loss of jobs. Old Mutual, which has about 9 000 employees, has agreed to absorb all 800 working for Colonial Mutual.

Yesterday's statement ends speculation arising from the announcement early this year that Colonial Mutual (SA) was cutting ties with its Australian parent and looking for a local partner.

A spokesman for Old Mutual said meetings were still being held at which "the nuts and bolts are being worked out".

He said one of the reasons for deciding on the merger were the similarity between the two organizations.

"Their markets are very similar to ours and their administration systems are fairly compatible."

The statement issued yesterday said: "No consideration of any kind will pass between the parties."

It pointed out that Old Mutual has the largest asset base in the SA insurance industry and is ranked No. 1 in premium income.

Its total assets were given as

R19 030m in the Financial Mail special survey of top companies this month, which ranked it fourth in the SA giants league behind Escom, Anglo and Stanbic.

Colonial Mutual, which has been operating in SA since 1883, is currently the 12th largest assurer in the country, with total assets in excess of R600m.

Premium income for the 12 months to December 1986 was R80,7m.

The Competition Board (CB) has "reluctantly" given its green light to the proposed takeover by SA Mutual of Colonial Mutual, the CB's chairman Stef Naude announced in a statement released in Cape Town yesterday.

He said this decision was taken in spite of the fact the takeover would constitute a further concentration in SA financial sector, and the life insurance industry in particular — now the subject of a CB investigation.

Naude said that Old Mutual and Colonial Mutual had consulted with the CB over the acquisition, and the latter had found that there were no circumstances which do not justify the deal in the public interest.

Among reasons he gave for taking this decision were that:

□ The interests of existing policy holders with Colonial Mutual must be protected, and a merger with another small life insurer in these circumstances would not ensure a similar degree of protection; and

□ The merger will entail an increase of about 1% in Old Mutual's market share — an increase which the CB believed would not significantly affect competition in the industry.

176 as 28/5/87

## Insurance merger: Competition probe

THE Competition Board is to investigate growing concentration in the finance sector after announcements that the Old Mutual and Colonial Mutual plan to merge.

The board's chairman, Dr S J Naude, said smaller life assurance companies were finding it increasingly difficult to compete effectively.

"Part of the reason for the merger is that Colonial Mutual has various reasons for wanting to sever its links with Australia, where the company was founded in 1873."

The Old Mutual and Colonial Mutual are the oldest mutual life assurance companies in South Africa. Old Mutual has the largest premium income in the country and Colonial Mutual is the 12th largest assurer.

Old Mutual said in its take-over announcement yesterday that Colonial Mutual policy-holders would become Old Mutual policy-holders and Colonial Mutual's assets and liabilities would be taken over.

Old Mutual will accommodate all Colonial Mutual staff. — Sapa.

Report spurs Competition Board

# Short-term insurance cartel probe

28/5/88  
48  
Biday

THE Competition Board has launched a probe into allegations carried in Business Day this week that the short-term insurance industry is operating a cartel.

Earlier this week the SA Risk and Insurance Management Association (Sarima), representing 38 of the largest corporate insurance buyers, said a market agreement was operating in the short-term industry, in terms of which "massive rate increases had been secured for its adherents".

Competition Board chairman Stef Naude said yesterday if evidence were found that collusion on premiums or market-sharing was indeed being practised, it would constitute a serious offence. He said such an offence was punishable by a maximum fine of R100 000, or five years in prison, or both.

The board's move came just days after a government warning of a crack down on companies and industries still operating illegal cartels.

An official said yesterday the board would investigate whether the short-term insurance industry was acting in contravention of a government notice

HELENA PATTEN

published in May last year, which listed five unacceptable business practices:

- Re-sale price maintenance;
- Horizontal price collusion;
- Horizontal collusion on conditions of supply;
- Horizontal collusion on market sharing; and

Collusive tendering.

He said sometimes exemptions, permanent or temporary, were given when certain actions were judged to be in the public interest, or not against the public interest.

Insurance Association chief executive Rodney Schneeberger said yesterday the short-term industry had been granted certain exemptions, including two international agreements, whereby no SA insurer would carry insurance risk for war, civil war or nuclear disaster.

"Insofar as there is any agreement in the market, it would have to be a very loose understanding because the market is ultra-competitive, especially now that profitability has been restored to the fire, commercial and industrial markets."



MD 'autocratic', commission told

# AA Mutual loss of R25m was predicted in '86

28/580  
\$1 Day  
38

IN AN acrimonious meeting between AA Mutual (AAM) MD Warren Plummer and Enos Barnard — one of his general managers — some time during January 1986, Barnard had forecast losses for AAM of about R25m, Percy Grohavaz said yesterday in evidence to the Melamet Commission.

Grohavaz, at present an assistant GM at Mutual & Federal, was GM of AAM's general division at the time of its collapse.

He said Plummer had "torn Barnard's figures apart", accusing him of using inappropriate historical claims ratios and inaccuracies on the reinsurance front.

The commission, sitting at the Rand Supreme Court under chairman Mr Justice Melamet, is investigating the collapse of the short-term insurer last year.

Grohavaz said Plummer was not a man who took kindly to anyone standing up against him. "He was an extreme egotist, an autocratic sort of man, and not at all democratic."

He said AAM had used an "in-

HELENA PATTEN

correct *modus operandi*" to calculate its reserve fund for claims incurred but not reported (IBNRs).

The company had provided for IBNRs by adding 10% of all claims estimates to the outstanding claims reserve, and the books of AAM had been kept open for claims incurred during that year for only seven days after the financial year-end.

If AAM had provided for IBNRs in the standard way, which was to reserve 5%-6% of premium income for this purpose, R20m would have been held in the reserve, as against the R1.5m in fact held.

Grohavaz said the company had operated in this way for 25 years and that run-off surpluses had always proved to be a sufficient reserve for IBNRs. The method had stood the test of time, although he conceded there was no inherent reason why it should have worked.

He said Plummer had spent about half his time in London for many years, and the GMs had "learnt to run the three separate divisions in isolation."

CAPE TOWN — The Competition Board (CB) had reluctantly given the green light to the take-over of Colonial Mutual by Old Mutual, chairman Stef Naude said yesterday.

He said that decision was taken despite the fact the take-over would constitute a further concentration in the financial sector, and the life insurance industry in particular — now the subject of a CB investigation.

Naude said Old Mutual and Colonial Mutual had consulted with the CB over the acquisition, and the latter had found that there were no circumstances which did not justify the deal in the public interest.

The merger was officially announced

# Assurers' merger gets green light

B/Day 58

28/5/87

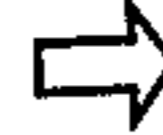
CHRIS CAIRNCROSS and  
HELENA PATTEN

yesterday.

The companies said the transfer was effective from January 1, 1987, and involved the merger of the two oldest mutual life assurance societies in SA.

Colonial Mutual policyholders would become policyholders of Old Mutual and assets and liabilities would be tak-

● To Page 2



# Assurers' merger gets green light

en over by Old Mutual.

The policies taken over would be dealt with in an equitable manner in the interests of the policyholders of both organisations.

Old Mutual would accommodate all the staff of Colonial Mutual in its operations. No consideration of any kind would pass between the parties.

The companies said the merger was a logical move as both parties were mutual societies based in Cape Town and had complementary markets.

With assets in excess of R23bn, Old Mutual had the largest asset base in the insurance industry and was ranked number one in premium income.

Colonial Mutual was established in 1873 in Melbourne, Australia, and had operated in SA since 1883. It was the 12th largest assurer in the country, with total assets in excess of R600m. Its

premium income for the 12 months to December 1986 was R80,7m.

The companies said the transfer was subject to all statutory requirements being complied with prior to the date of sanction by the Supreme Court. Representations had been made to the Competition Board and the Registrar of Financial Institutions.

Naude said Colonial Mutual was a mutual society with origins in Australia, which now wished to sever its connections with SA for various reasons.

At the same time, the CB was also aware of the size of Old Mutual in the insurance industry, as well as its role in the economy as a whole.

Naude said: "It was, therefore, with some reluctance that approval for the transaction was given."

● From Page 1

# R10m fraud: hunt on for soccer booss

58 00 28787

Dispatch Correspondent

**JOHANNESBURG** — As police launched a nationwide search for a high-flying businessman and soccer club owner, Mr Zola "Mausser" Mahobe, his girlfriend appeared in court yesterday in connection with what is believed to be the country's largest computer fraud involving R10.3m.

He is also believed to own a light aircraft and, was the first So-weto businessman to own a game reserve — called Ninja.

Mr Mahobe took all the Sundowns players and their wives or partners to the FA Cup final at Wembley last year, footing the bill himself.

About three months ago he announced that he was ready to splash out R1 million to uplift the standard of soccer in this country.

The court appearance followed Miss Moshoeshoe's arrest this week, soon after she and Mr Mahobe had returned from a visit to Mauritius.

Meanwhile, police alerted stations and border posts in South Africa, to be on the lookout for Mr Mahobe, alleged in court documents to have been the recipient of funds diverted by Miss Moshoeshoe.

It was reported that soccer writers had been wondering how Mr Mahobe could afford to spend millions of rands building up his Mamelodi Sundowns team.

He bought Mamelodi Sundowns Soccer Club for R100 000 in 1985. He later spent R55 000 on a coach for his club and splashed out R300 000 on buying some of the best players in the country.

He was described as being a great socialite — having been seen in shebeens and parties. It is alleged that he also has a R135 000 car, owns race-horses, a computer company, butcheries, and bottle stores.

An article in the latest edition of a South African magazine described him as "the man who came into football as silent as a cat burglar but some of whose high financial signings have made hardened soccer officials sit up in disbelief: while secretly asking: 'Where does he get all that money from?'"

His team's motto is: "The Sky is the Limit".



MR MAHOBE

# SA assurance giants merge

58

DD  
28/5/87

**Dispatch Correspondent**

**CAPE TOWN** — Old Mutual and Colonial Mutual yesterday announced the merger of the South African operations of Colonial Mutual with Old Mutual, taking the total assets of Old Mutual to more than R23 billion.

The transfer, effective from January 1 1987, sees the merger of the two oldest mutual life assurance societies in South Africa.

A joint statement issued in Cape Town said Colonial Mutual policyholders would become policyholders of Old Mutual and the assets and liabilities would be taken over by Old Mutual.

No consideration of any kind would pass between the parties.

With assets in excess of R23 000 million, Old Mutual had the largest asset base in the South African insurance industry and was ranked number one in premium income.

Colonial Mutual was established in 1873 in Melbourne, Australia, and has been operating in South Africa since 1883.

It is currently the 12th largest assurer in the country, with total assets in excess of R600 million. Premium income for the 12 months to December 1986 was R80,7 million.

# Ball bank under fire from the Nat press

Chf. Trk

29/5/82

SR

From GERALD PROSALENDIS  
Financial Editor of Business Day  
JOHANNESBURG. — First National Bank is under fire yet again, with a Nationalist newspaper claiming incorrectly that the bank had suffered a huge drop in its share of the cheque-deposit market.

The report, prominently carried on the front page of Beeld yesterday under the headline "Ball's bank bleeds", was based on an incorrect interpretation of the BA9 quarterly returns submitted by banks to the Reserve Bank.

Questions are now being asked about the unnamed source on which the report was based because the analysis of the BA9s has not yet been officially released by any bank.

Some bankers suspect the misleading information could have been put out by a competitor, although the BA9s are public documents once they have been lodged with the Reserve Bank. The documents are required to be with the Registrar of Banks, Mr Chris de Swardt, 40 days after the close of each quarter.

The Beeld report claimed First National Bank's (formerly Barclays) cheque deposits had dropped by 40.6% to R1 965 million in the quarter to March this year.

As a result, said Beeld, First National's share of this market dropped from 33.8% in the last quarter of last year to just 21.8%. The decline could be directly attributed to the Ball "debacle", it said.

However, if cheque deposits had dropped to the extent published, this would inevitably have been reflected in First National's total deposits, of which cheque deposits are a component. According to the BA9s there has been no real decline in this figure. Total deposits at First National at the end of March were R10,82 billion, marginally lower than December's R10,94 billion.

## Corporate deposits

The so-called drop in cheque deposits of R1,34 billion is directly traceable to a reallocation from cheque accounts of R1,4 billion of managed corporate accounts into the broader category known as demand deposits.

It is understood that this was an internal decision to reclassify certain corporate deposits to reflect more correctly the nature of these accounts.

Adding back the R1,4 billion no longer shown as cheque accounts, First National's share of this market dropped marginally to 32.3% from 33.8%, and can be largely ascribed to improved computer systems which can more closely reconcile related accounts ("set-off") and also seasonal variations, according to figures released by the bank.

Other term deposits, such as fixed and notice deposits, increased slightly to R5,32 billion at the end of March from R5,08 billion at the end of December, while "other demand deposits" at R2,13 billion declined from December's R2,55 billion.

The shortfall in total deposits was the result of an increased "set-off". If this is added back there would in fact have been a growth in the bank's total deposits of R134 million, the bank's figures show.

Beeld said that the latest BA9 figures, which were made available to it on Wednesday night, showed that Trust Bank and Volkskas, in particular, had benefited from this "sensitive loss" by showing the strongest growth rate in their cheque-deposit business. But, the percentages of market share have been distorted by understating First National's figures.

Bankers approached last night deny that they had leaked figures to Beeld. In fact, one bank is understood to have approached First National on Wednesday to question the apparent drop in cheque deposits.

## LIFEGRO

### Growing profits

**Activities:** Life insurer, also offers disability cover, pension fund products, and sells financial services.

**Control:** Lifehold has 50.4%.

**Chairman:** M D Marais; managing director: A W Laubscher.

**Capital structure:** 52m ord of 5c each.

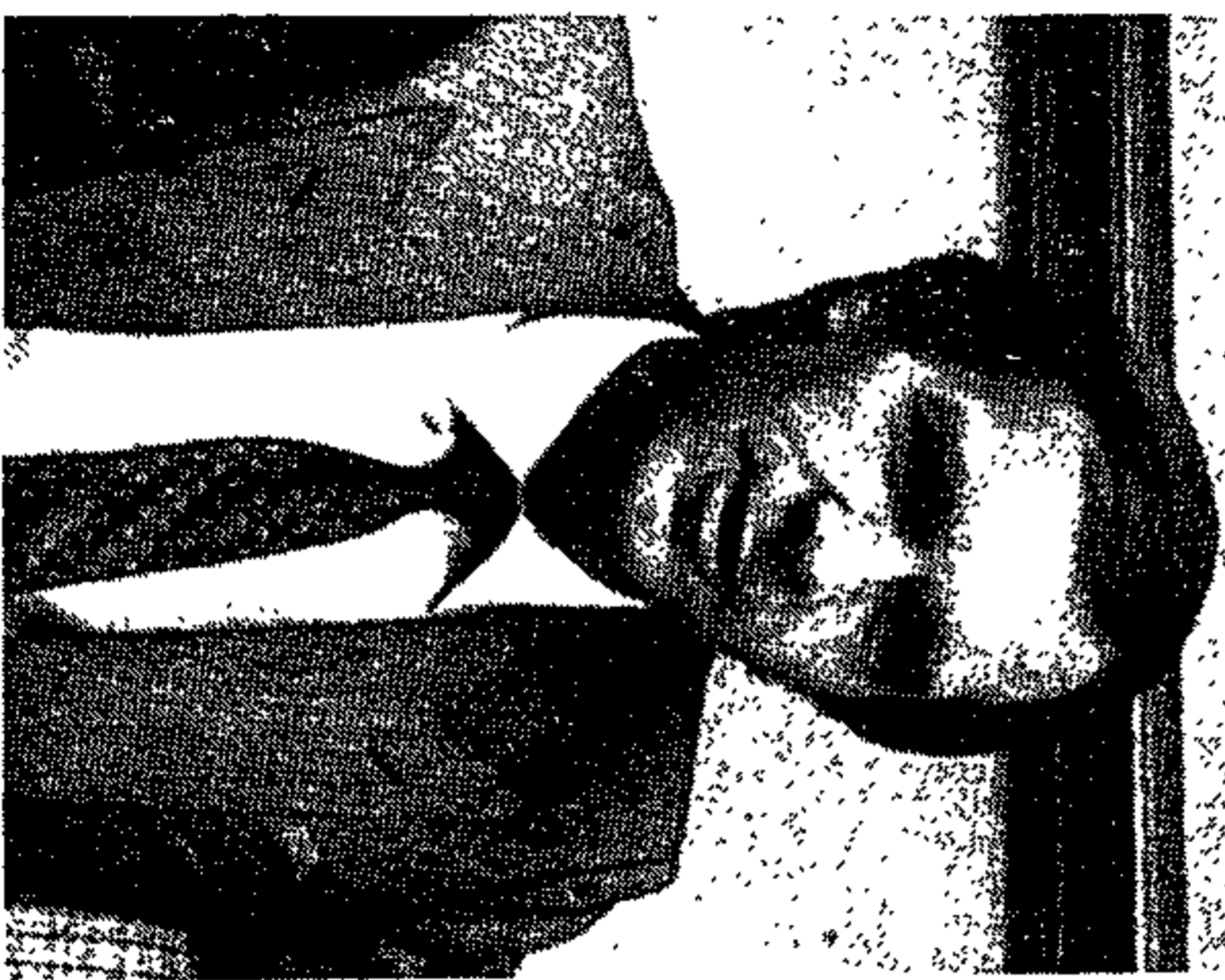
**Market capitalisation:** R249,6m.

**Share market:** Price: 480c. Yields: 3.1% on dividend; 5.0% on earnings; PE ratio, 20.0; cover, 1.6. 12-month high, 480c; low, 310c.

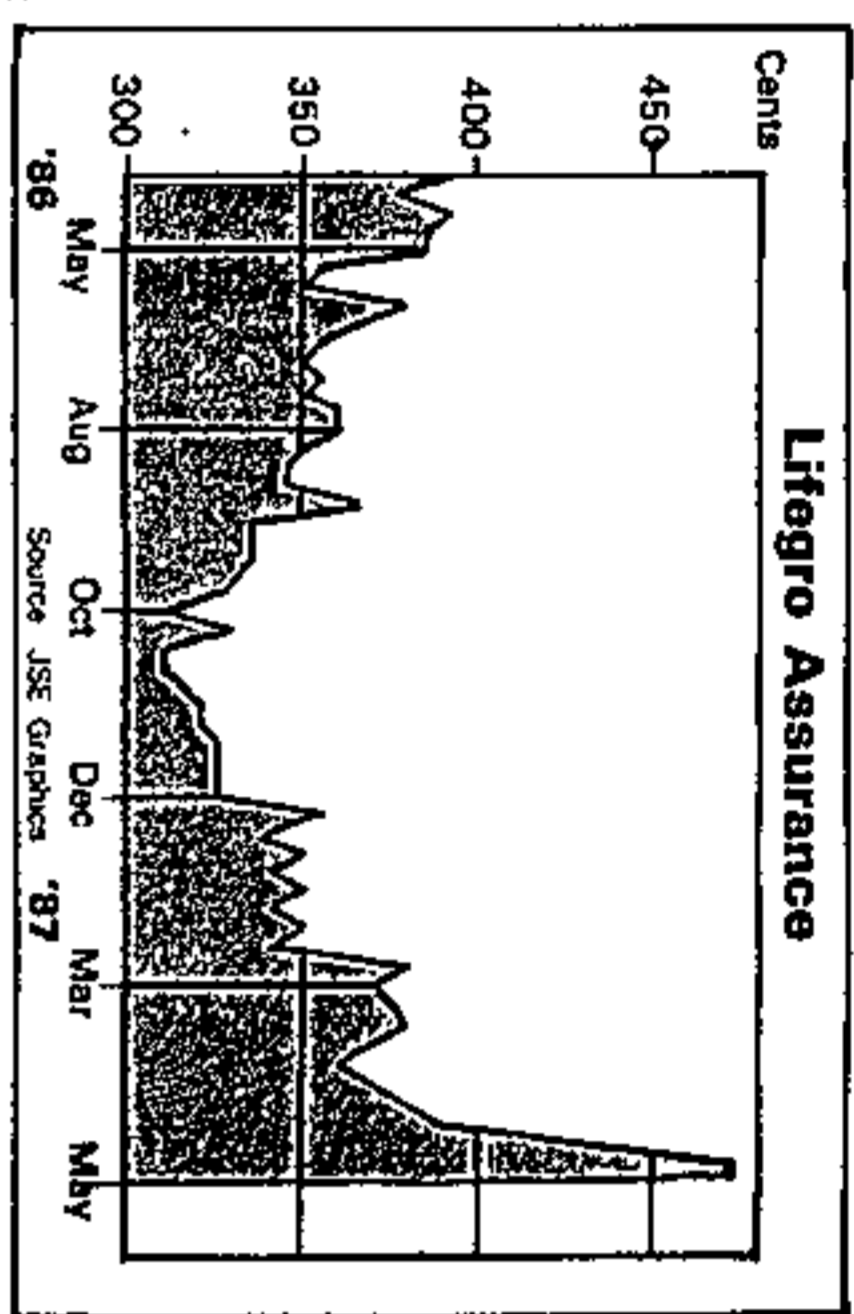
**Trading volume last quarter, 1,4m shares.**

**Financial:** Year to December 31.

	'85	'86
Total Assets (Rm)	1 799	2 748
Total Capital (Rm)	2,0	36,2
Premium Income (Rm)	320	549
Investment Income (Rm)	172	202
Taxed Profit (Rm)	5,9	9,4
Earnings (c)	18,45	23,96
Dividends (c)	11,70	15,00
Net Worth (c)	n/a	100,6



Lifegro's Laubscher . . . new products helping



In keeping with the rest of the life assurance sector, Lifegro has seen a sharp improvement in share price in recent months, notably after the announcement of excellent results. Assessing the performance of a life insurer is difficult, given the latitude the companies have for transfers to and from reserves. On those criteria which are available, Lifegro has done well. EPS rose by 30%, while the expense ratio (management expenses, excluding commissions, as a percentage of premium income received) was reduced from 18,8% to 15,6%. The investment return for policyholders has remained extremely high.

According to a survey by Barclays Bowering, annual investment returns, based on a single payment, have been above the industry mean for investments made for periods of up to five years. For the one-year period, the return is 50%, substantially higher than the industry mean of 38,6%.

The company has been writing a substantial amount of new business. Total single premiums climbed by 173% to R182,7m, and recurring business was up 34% to R242m. According to MD Tony Laubscher, the sharp rise in single premiums, experienced by the entire industry, is due to the high level of liquidity in the economy. Lifegro's emphasis on a better quality of business has pushed up the recurring premiums and also accounts for the low level of lapses.

Net investment income recorded a less spectacular result, rising by only 17%.

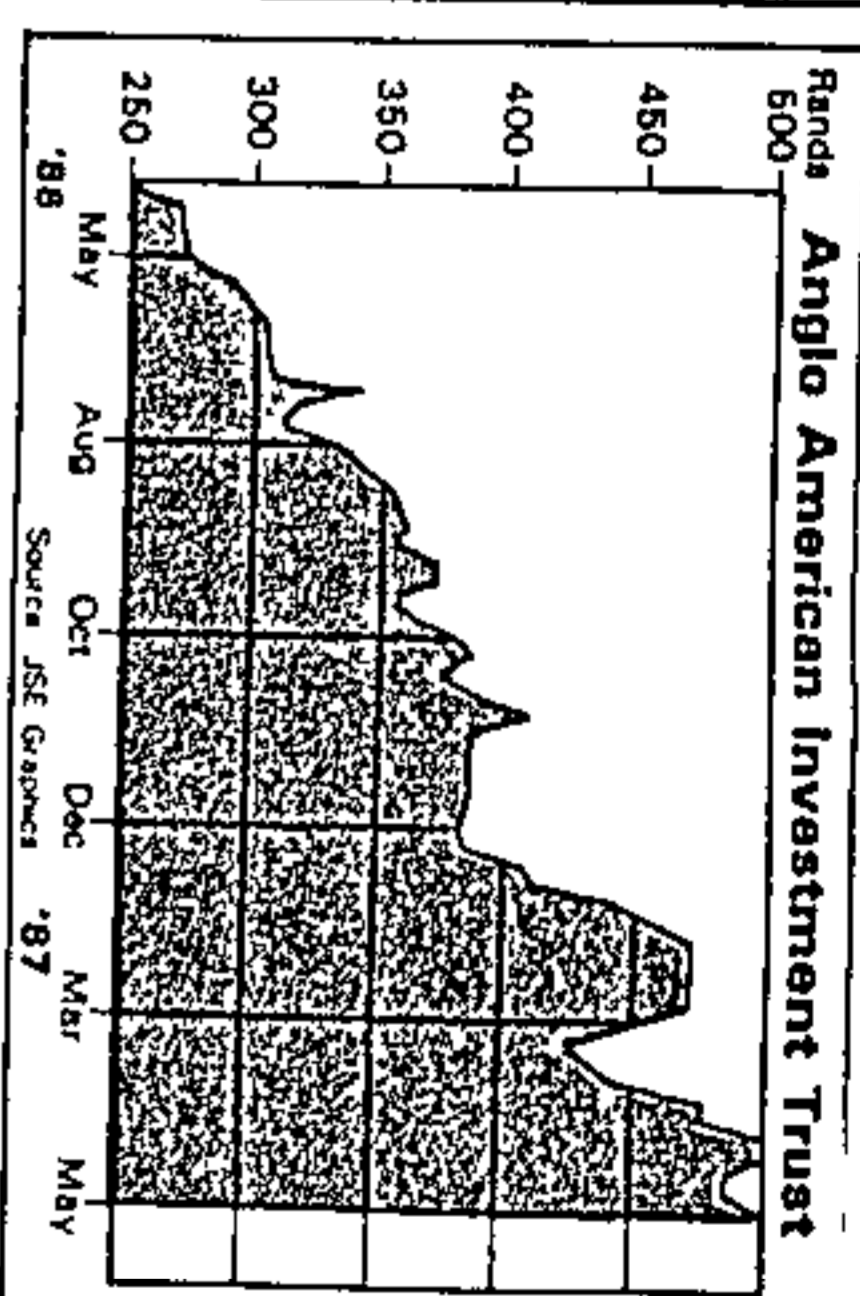
Business is always helped by a new product; Laubscher points to two new products introduced last year, and says that a universal annuity policy will be introduced later

this year.

But the main emphasis will be on consolidation and improving service. Laubscher wants to increase Lifegro's 6,8% market share and "is focusing the whole strategy on becoming a stronger competitor."

This year quality business has continued to be written and should be reflected in the company's results, though Laubscher emphasises that competition is very tough.

Lifegro, listed in March last year, has been given a good rating by the stock market. Its 3,1% dividend yield is only slightly higher than Southern's 2,8%. Further increases in the share price are again likely to be in line with the performance of the sector.



Anamint's results are always influenced strongly by the performance of De Beers, its major investment. Dividends received from the 27,29% interest in De Beers are by far the biggest single element of the company's income.

Still, Anamint's share is more than just an investment in De Beers. An important factor that distinguishes it from the operating group is that Anamint also holds significant investments in other companies involved in the broader De Beers/Central Selling Organisation (CSO) sphere. In particular, there are stakes of 18,47% and 18,5% respectively in The Diamond Purchasing and Trading Company, and The Diamond Trading Company.

Like that of De Beers, the dividends declared by these companies were obviously restrained during the diamond industry's recession, which lasted from about 1982 to early last year.

Total dividends received by Anamint from its Other Investments were cut from R23,1m in 1983 to R20,3m in 1984, when market conditions were particularly tough. After static growth in 1985, both the De Beers dividend and the other income were increased by just over 37% in 1986. But in the year to end-March 1987, the directors apparently decided it was time to start opening up the flow of dividends from the CSO companies. While the De Beers dividend was lifted by an impressive 45%, Anamint's other income was raised by 53%.

The result was that Anamint derived as much as 35,2% of its income from sources other than the De Beers dividend. Apart from the anomalous year of 1983 (37,7%),

this was the highest percentage in at least six years. The implication appears to be that the CSO companies built up reserves during leaner years, but their dividends may grow more closely in line with CSO sales in future. Considering the known health of the industry as a whole, it is possible that Anamint's other income will again rise slightly more sharply than De Beers' dividend this year.

From an asset standpoint, Anamint's 98,2m De Beers shares are currently worth about R400 per Anamint share, based on the De Beers share price of R40,50c. The other investments at directors' valuation are worth a further R28,30 a share. Indeed, the balance sheet net worth figure of just over R418 a share is very much on the conservative side.

All indications are that sales of diamonds at the sights held so far this year by the CSO have remained buoyant. Owing partly to currency considerations, De Beers' share may continue to consolidate, but still looks a sound investment (FM May 8). At R495, Anamint yields 2,4% on dividend against De Beers' yield of 2%, and may well be a better buy at present than De Beers, even allowing for its limited tradeability. Andrew McNally

SAGE

*(S) (230) FIM 29/57*  
**New shape emerging**

**Activities:** Holding company with divisions operating in investment and finance; insurance and financial services; and property and construction.

**Control:** Remgro, Louis Shill and Mines Pension Fund jointly hold control.

**Chairman and managing director:** H L Shill.

**Capital structure:** 21,8m ords of R1 each. Market capitalisation: R392m.

**Share market:** Price: R18. Yields: 2,8% on dividend; 4,8% on earnings; PE ratio, 20,9; cover, 1,7. 12-month high, R19; low, R9. Trading volume last quarter, 132 000 shares.

**Financial:** Year to December 31.

	'83	'84	'85	'86
Total Assets (Rm) ...	414,2	518,9	653,8	1033,8

**Performance:**

	'83	'84	'85	'86
Taxed profit (Rm) ....	15,5	18,0	21,2	20,7
Earnings (c) .....	87,7	92,1	83,7	86,1
Dividends (c) .....	42,0	48,0	48,0	50,0
Net worth (c) .....	406	420	462	421



Sage's Shill . . .

**substantial insurance growth.**

Sage's share price has nearly doubled since early December, reflecting investor interest in recent developments, including the acquisition of National Mutual, 10% of Allied Building Society and now the planned purchase of Northern Trust. The likelihood of the listing of the property and construction interests, as well as Sage Life, has also attracted some investors to the share.

Sage's results have not been the spectacular kind that have drawn investors to other companies, though EPS increased last year after a decline in the 1985 year. Acquisition of the outstanding balance of the equity in Sage Life caused minority interests to fall from R4,9m to R2m; this was the reason for

the rise in attributable profit of 14%. Actual operating performance was not strong and taxed profit declined by 2,6%.

Certain investments continued to create problems. The provision made for the diminution in their value has increased from 1985's R6,5m to R10m. Problem areas are again the interests in associated companies held via subsidiary Union and London Investment Trust. These include Hertz, Sandown Motors, Chemrite and SAK Holdings — all companies that made losses in the recession.

Unisec has proved a very successful investment. It realised R57m and, as predicted last year, some of this has been used to reduce

borrowings, which have fallen to R70,7m from R110,8m last year.

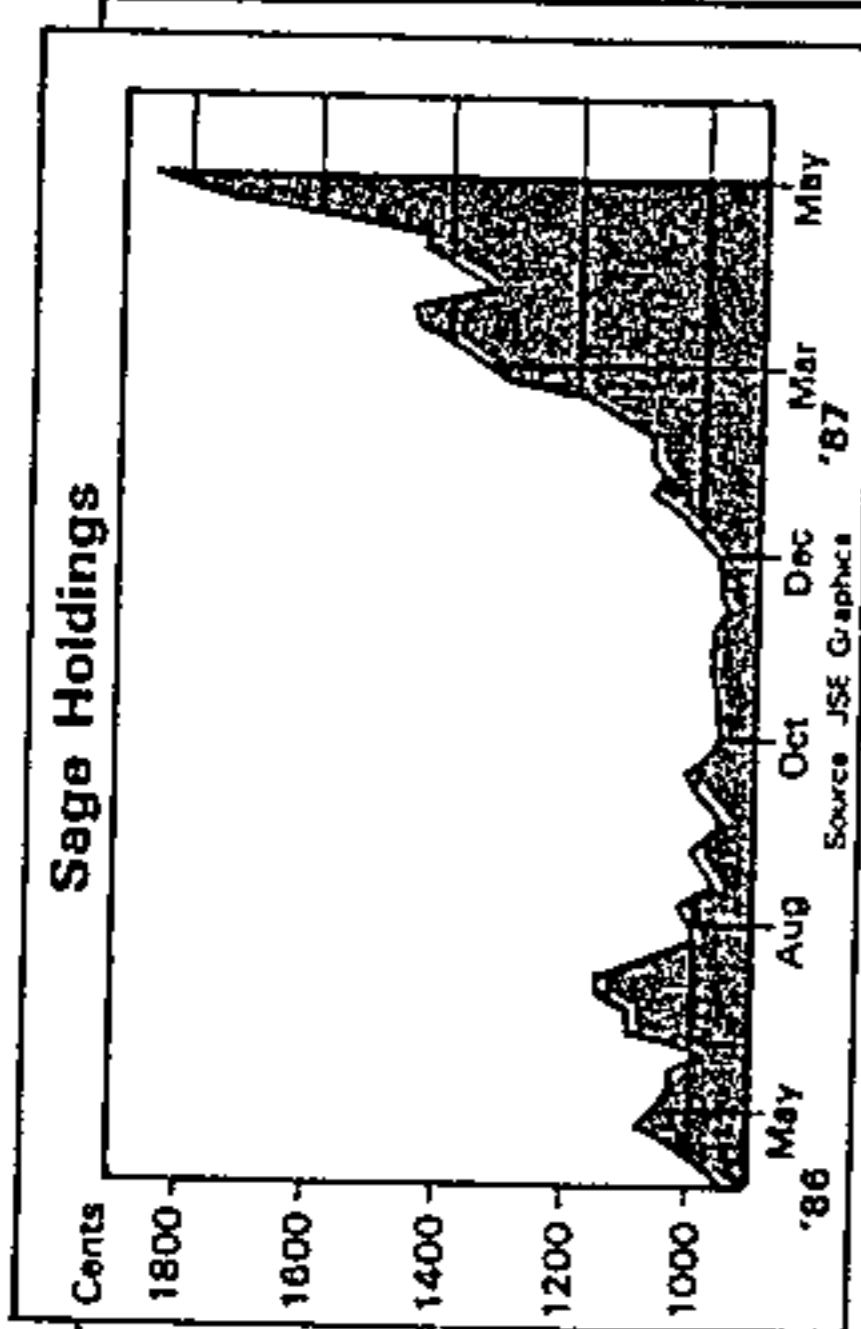
With the National Mutual acquisition, and the expected listing of Sage Life, interest must centre in this area. Normal growth, plus the inclusion of National Mutual, has meant a doubling of the Life company's assets to R798m, and new business premiums have shot up from R25,9m in 1985 to R71,2m in 1986.

Though chairman Louis Shill declines to give any indication of the impact on earnings of the acquisition, he does say that "National Mutual assures us of substantial growth in the area of insurance". Though the departure to the US of former Sage Life MD Ian Solomon, is seen by some as a setback, Shill points out that he has been in insurance most of his life and has himself become executive chairman. "In due course we shall appoint another MD," says Shill, "but this will not be for some time. Because of the importance of Sage Life in the group, we think it best that the group CE also be the CE of the Life company."

Shill also suggests that it is necessary to use top rate people if a company operates

**SAGE'S PROFITS**

	1985		1986	
	R'000	%	R'000	%
Investment and finance .....	9 022	55	7 659	41
Insurance and financial services .	3 538	22	6 440	35
Property and construction .....	3 793	23	4 491	24



abroad. Apart from Solomon, top executives in other divisions have been sent to the US to expand operations there.

It make take some time to see the benefits of these operations in bottom line profits. In the meantime, there is the vaunted upturn in the property market. Efforts were made to move away from the cyclical property sector, but these have been only partly successful (see table). However, a rising property market could again increase this contribution.

Shill does not expect the upturn to have much effect on earnings in the current year. "The profits are only brought to account when the units are occupied. This can take about nine months after sale, so we shall really see the benefit in the first quarter of next year," he says, "but there has certainly been a very significant upturn."

Sage will be able to benefit from future home loans it arranges with the Allied Building Society, in terms of its 10% holding. Again, Shill declines to quantify the effect, but he points out that on a net basis, there should be no immediate benefit. The cross holdings were calculated to equalise the benefit to Allied and Sage. He says, however, that rationalisation benefits are already beginning to be felt.

With all the changes still taking place in Sage, it is difficult for any investor to guess the profitability of the emerging group but there is no doubt that the market has given its stamp of approval. The share, on a 2,8% dividend yield, is well in line with the top-rated life insurers and is better rated than most of the banking sector. It should take some time for the changes to settle down, so the share seems fully priced for now.

Pat Kenney

## Ball bounces back

The use or the absolute privilege of parliament for verbal attacks against individuals that could be actionable if repeated elsewhere was firmly focused on during the censure and no-confidence debates in all three Houses last week.

In the House of Assembly it led to the appointment of a select committee to investigate allegations by the PFP's David Dalling against Cape Judge President Justice George Munnik, who probed Chris Ball's role in the recent ANC advertisement row.

And in the other two houses, repeated scathing personal attacks and allegations amounting to corruption and other acts of dishonesty highlighted the growing tensions in coloured and Indian politics as well.

The assembly's majority resolution to appoint a committee to probe Dalling's remarks raised the question of State President P W Botha's original allegations against Ball in the House in February. It also revived the debate in legal circles over whether judges should be used to head commissions of inquiry.

Dalling's action rocked parliament and dragged Ball back into a row he was clearly hoping would go away.

Amid repeated interjections by National

FINANCIAL MAIL MAY 29 1987

Party (NP) MPs and warnings by Speaker Louis le Grange not to abuse the privilege of Parliament, Dalling said Munnik's "unhappy" banking relationship with Barclays was one of four reasons why he should not have accepted Botha's brief to investigate Ball.

Dalling said his information on Munnik came from "an enterprising journalist" who had investigated the matter and not from Barclays.

This led to Finance Minister Barend du Plessis sending an urgent telex to the chairman of the SA Association of Clearing Banks asking it to explain how a journalist came to have what should have been confidential information concerning Munnik's banking record.

"The perception that our banking system's confidentiality can be penetrated, even and particularly by journalists, can therefore easily create serious doubts within the entire banking world concerning our banks' ability to protect confidential information," he said.

In his allegations against Munnik, Dalling charged that the judge should not have accepted the brief because:

From the outset it was obvious that the matter was not a judicial issue involving criminal or civil liability of any sort. The appointment of a commission was a means to the advantageous resolution of a political and not a judicial dispute, at the time of the election. It involved the head of the NP and one who disagreed with the party. Judicial attention should not have been afforded in such an instance;

It was an almost personal dispute between the state president and the head of a major bank. Munnik was well known to be a long-standing personal friend of one of the disputees and should not have been party to the quarrel;

The dispute was essentially one which may have possibly affected the electoral fortunes of the NP — certainly within the business community — in greater or lesser measure. Munnik was undeniably a strong supporter of the NP and should have avoided sitting on the commission; and

In past years, and on more than one occasion, Barclays had occasion to unilaterally close Munnik's account. The parting between Munnik and Barclays was an unhappy one.

Dalling said: "As a result, I believe he (Munnik) had no right to sit on this inquiry." He said Munnik's report was "interlaced with unsolicited, gratuitous insults as to Mr Ball's prudence as a banker, as to the inflated view he took of his own banking expertise, and finally as to Mr Ball's personal integrity."

The row over the ANC ads involved neither a crime nor a banking irregularity, but centred on a political dispute.

Botha, "armed with transcriptions of secretly tapped telephone conversations," decided to use the judiciary to win his point.

The commission's terms of reference were drafted in such a manner so that the "object"

of Botha's annoyance was on trial, while ensuring that the background to the accusations against Ball were not probed.

Dalling pointed out that a commission could indict people without ever giving them the opportunity to answer. People "on trial" could not call or cross-examine witnesses.

"None of the safeguards which our legal system provides to avoid miscarriages of justice are present. Worst of all, there is no right of appeal, not even of review. Once a finding is made it sticks," he said.

The Munnik Commission was, therefore, an "ideal forum" to "suit the ends" of the president.

Speaking immediately after Dalling, Justice Minister Kobie Coetsee said Dalling was seeking "maximum publicity" for short-term gain without considering the implications of his speech.

He accused Dalling of "sewer politics" and of doing more damage to the judiciary with a single speech than any other action in the past.

The following day Coetsee's motion for the appointment of a select committee was approved by a majority. Both the PFP and the Conservative Party voted against it.

The following day in the House, the Nat NP MP for Parow, Henus Kriel, said the Munnik Commission had found Ball "guilty" of "telling blatant lies."

Kriel charged that the PFP had lost votes in the election because it was associated with people such as Ball.

The Munnik Commission report described key witness Yusuf Surtee as a man "of no financial substance," who had to be kept on a tight rein to prevent his bank accounts getting out of hand. It summarised Surtee's banking history and financial standing, listing evidence of dishonoured cheques of up to R8 000 and threats of legal action over failure to keep to his overdraft limit. ■



Questions over unnamed source

*B. Day*

# Wrong slant put on First Bank figures

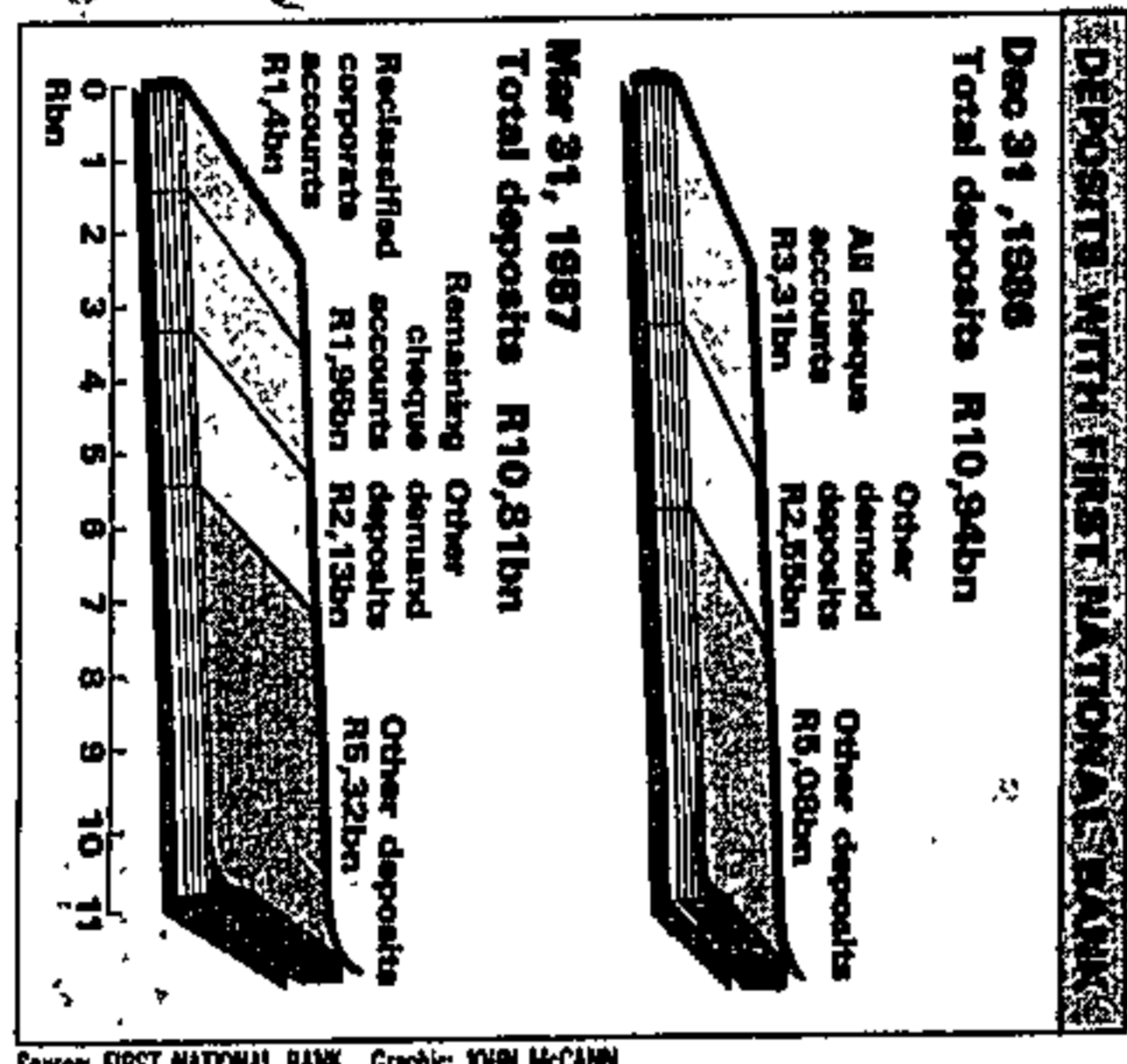
GERALD PROSALENDIS  
Financial Editor

FIRST National Bank is under fire yet again, with a Nationalist newspaper claiming incorrectly that the bank has suffered a massive drop in its share of the cheque-deposit market.

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● To Page 2



## Wrong slant on bank figures

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From Page 1

58

Political Staff

29/5/87

CAPE TOWN — Theft or the irregular use of Government money amounting to R303 680 is reported in the Auditor General's report on the administration of the House of Assembly.

Dealing with the budgetary and auxiliary services of the Assembly administration, the report, which has been tabled in Parliament, gives details of a number of cases:

- R166 694 was fraudulently obtained by an official who forged documents in 83 cases. An amount of R19 482 has since been recovered.

- R111 963, meant for welfare pensions, was irregularly obtained by another official. He was taken into custody but died during detention.

- R10 581 was obtained through 49 receipts issued for the recovery of arrear rent which were not brought to account.

- Two salary warrant vouchers amounting to R2 630 were fraudulently cashed by an unknown person.

The Auditor-General, Dr Joop de Loor, also reported that in addition to these cases a further 11 warrant vouchers totalling R12 081 were cashed irregularly by ten unknown persons and one former official.

In respect of nine cases R7 068 was recovered by the SA Reserve Bank from commercial banks while one case of R998 was still receiving the Treasury's attention.

In another case R4 015 was being recovered by the State Attorney from a former official at R50 a month.

# Newspaper report on bank's position denied

58  
29/4/87  
DA

**Dispatch Correspondent**  
**JOHANNESBURG** — First National Bank is under fire yet again, with a Nationalist newspaper claiming incorrectly that the bank had suffered a massive drop in its share of the cheque deposit market.

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# Bank's tree pruned

31/5/87  
THE new emblem of First National Bank, formerly Barclays, is to be changed to make it easier to incorporate on items like cufflinks and not to eliminate the ANC-linked rabbit which certain critics claimed to see in the tree's image.

Said the bank's chairman, Basil Hersov: "I have never known about rabbits having ANC connections anyway."

It was simply a case of the original tree design being "a little too artistic," he said.

"To streamline the image, we are merely eliminating some of the smaller branches so as to facilitate its reproduction." - Sapa. 

# First National first

**THERE** are liars, damn liars and statistics.

A reclassification of <sup>58</sup> some corporate cheque deposits in banks' statutory returns to the Reserve Banks led to reports this week that First National Bank had suffered a huge withdrawal of cheque accounts in the wake of the Munnik inquiry.

But First National still leads the field.

The reclassification by First National made it appear that the bank's total cheque deposits fell in the March quarter by R1,4-billion to R1,965-billion.

But when the figures are restated to make them comparable with the December figures the bank's deposits increased to R3,376-billion.

This would give it 32,3% of the sector share compared with 33,95% in December, says First National. In second place is Standard Bank with 28,26% and then come Volkskas (17,08%), Nedbank (12,17%) and Trust Bank (10,09%).

First National was also head of the field with total deposits of R10,82-billion, slightly down from the previous quarter.

Big business has adopted a low political profile in recent months and this has placed in question the role the private sector will play in future reform developments.

At one stage, businessmen were making tentative moves towards communication with the ANC and calling for urgent reform. More recently, they have been less vocal.

The present situation is one of inaction by most businessmen, according to Mr Christo Nel, a business consultant and the past leader of Project Free Enterprise.

The shift in the political stance of businessmen appears to have taken place in the last six months.

During the white election campaign, most businessmen were silent on the subject of politics and there were no major calls for change.

As early as November last year, unions interpreted the indaba between business and Government as a sign that the State and the private sector had moved closer.

### Government wrath

There have notable exceptions, but businessmen who have taken more critical positions have had to endure Government wrath. One example is First National Bank managing director Mr Chris Ball, who was personally attacked by the State President.

Last month, the State President called on big business to keep out of politics.

The swing to the right in the white election and the Government's preoccupation with maintaining supremacy through the use of the security forces appears to be militating against greater business pressure for real reform, say some analysts.

On the other side, pressure from trade unions on businessmen is also mounting. Apart from stayaways and strikes which have resulted in more manhours lost so far this year than

# Now what part will business play in the reform process?

SMC 2/6/87

during the whole of 1986, businesses are being subject to political pressure from organised labour.

Concern has been expressed about the silence from businessmen on the growing confrontation between the Government and black trade unions.

The largest black trade union federation, the Congress of SA Trade Unions (Cosatu) has called on businessmen to take a stand on "the State's propaganda campaign to discredit the federation" or risk being subjected to the same treatment.

In the months ahead, will businessmen be more vocal on political issues? Will they tell the Government to keep its hands off the unions? Or are they more likely to remain silent when the expected crackdown on unions and other organisations occurs?

Mr Nel said the Project Free Enterprise study of 1983/84, which examined how free enterprise could be maintained and "sold" to blacks, indicated grave alienation between business and black workers.

"Business support for the tricameral Parliament and its reluctance to take an ongoing stance against the abuses of power through the state of emergency, particularly the detention of children, and its general inaction has led black people to link business and Government more closely.

"This is sad, especially because there are certain distinct developments in the black community acknowledging the potential role of business. Business has tended to stay out



Ball . . . under fire.

of the debate, or when people like Chris Ball have emerged, businessmen have not come out in great support (for him).

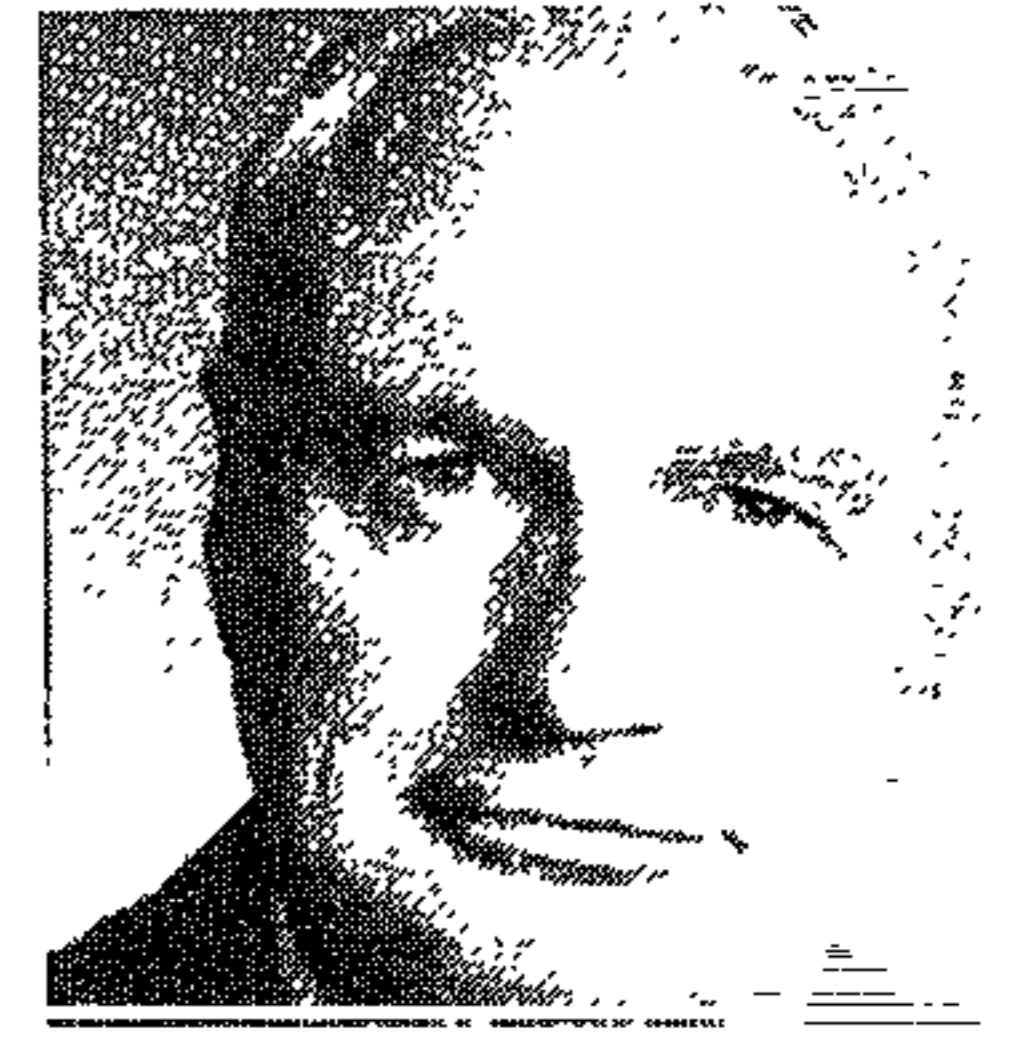
"The lower profile that organised industry and commerce is taking by maintaining general comments as a response is contributing to alienation of blacks.

"Business has a chance of either stating its intent of becoming more relevant in a post-apartheid society by getting involved in current apartheid society in such a way as to move away from the current system."

Dr Duncan Innes, senior lecturer in industrial sociology at the University of the Witwatersrand, is not optimistic about the role big business will play to bring about change.

"The first thing that struck me after the election was how industrial shares on the Johannesburg Stock Exchange shot up. This is a measure

In the conservative post-election climate, the Government has taken a tough line on trade unions and has also made it clear to businessmen that they should keep out of politics. Political Reporter Colleen Ryan reviews the situation.



Groom . . . inactivity denied.

of business confidence. Businessmen appeared to feel that the election results were good for the country," said Dr Innes.

"Whether they are going to call for more reform is doubtful. What businessmen have been saying lately has more to do with the economy than reform. With the Budget coming up, they are asking for the economy to be stimulated and for the Government to allow it to grow. To the extent that the Government does this, there will probably be fewer de-

should play a constructive role mediating between black groups and the Government.

Businessmen should ensure that a discrimination was removed in their own organisations. They should promote affordable home ownership, encourage development of the informal sector, encourage education, initiatives and promote communication between blacks and whites in the workplace.

"We have found that going on various critical issues and starting

### 'The business community must do more to make the free enterprise system accessible to blacks.'

mands from businessmen for reform."

Dr Innes said that while the Government was increasingly threatening to act against black trade unions, employers, with a few exceptions, have been silent.

"Some people with good industrial relations are worried about what these actions will do to the economy in the long term, but the majority think that if the Government can smash the trade unions, it is to their advantage."

Dr Innes said this was likely to result in long-term damage to industrial relations. "If workers are not allowed to organise, then there is little future for the free enterprise system."

Mr Harold Groom, president of the Association of Chambers of Commerce of South Africa, said it was not true that the business community was in a state of "inactivity".

He said he had made a number of speeches countrywide calling on the business community to become more involved in the reform process. Asso-com believed that:

- The business community had to do more to make the free enterprise system accessible to blacks.

- The reform process should be accelerated and the private sector

a public debate in the media is more productive," said Mr Groom.

"We (Asso-com) are talking to our own constituency, made up of 24 member companies. We are saying that business has got to play a role. Our approach is totally economic. For the Government to negotiate successful political dispensation will lead to a free, democratic society, the constitution must be based on the free enterprise system. Blacks have got to be given greater participation in the system. The only way this can happen is for all discriminatory measures to be removed.

"Business has a tremendous role to play. Reform will cost money and we have to have an economy that is moving. If decisions have been made in the past that deny people access to the economy, then they have got to be addressed.

"We have learnt our lesson. After Sharpeville in the 1960s we did not talk to the public and the Prime Minister refused to talk to us. We lost leverage.

"It is difficult for people under pressure to understand that. That is why we have to keep cool heads. It is no use creating a lot of noise."

Mr Groom said more results were produced from direct talks between Government and business than through a public medium like a newspaper.

Shareholders  
back Allied

JOHANNESBURG. — In an overwhelming vote of confidence, 93,3% of the Allied Building Society's shareholders have taken up their rights to shares in the Allied Group Ltd.

In a press release today, Allied said the group would be listed on the Johannesburg Stock Exchange on Wednesday, June 10.

A total of more than 68 000 shareholders took up 271m shares out of the total of 290m which were offered at R1 each; R156m (58%) was subscribed with new money and the balance came from existing accounts with the Allied Building Society.

The offer was underwritten by Sage Holdings Ltd which would procure the balance at 175c a share. — Sapa

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# First National still the leader in all categories

## Finance Staff

First National Bank has clearly maintained its leadership in commercial banking, according to the latest BA 9 returns.

All banks must make these statistical returns to the Registrar of Banking each quarter, disclosing their full financial state.

The latest BA 9 returns, those for the quarter ended March 1987, show that First National, with total deposits of R10,82 billion (compared with R10,938 billion for the December quarter), had 29,9 percent of the market.

Standard Bank followed with total deposits of R9,578 billion, and a 26,5-percent share. Then came Volkskas with a 16,2-percent share, Trust Bank 14,1 percent, and Nedbank in fifth place at 13,3 percent.

The total market showed a 2-percent growth with the March figures growing by R722 million to R36,182 billion.

First National also led the field in the advances to clients. Total advances for the March quarter were R7,418 billion, a marginal increase on the December figure of R7,396 billion.

The bank enjoyed a 27,3-percent share of this market which includes loans and advances to customers, suspensive

sale and leasing transactions. Standard Bank had a 26,4-percent share, Volkskas 17,5 percent, Trust Bank 15,0 percent, and Nedbank 13,8 percent.

Because of the re-classification of the cheque deposits of large corporate customers, the bank's total cheque deposits showed a reduction of R1,4 billion to R1,965 billion, but when the figures are re-stated to make them comparable with December, total cheque deposits actually rose to R3,376 billion.

On this basis, First National would still have been the clear market leader in this category, with a 32,5-percent share (compared with 33,95 percent in December). Standard Bank occupied second place with 28,26 percent, Volkskas 17,08 percent, Nedbank 12,17 percent, and Trust Bank bringing up the rear with a 10,09-percent share.

First National's total liabilities to the public (including paid-up capital and reserves) reduced from R16,321 billion to

R15,496 billion. This apparent decline is accounted for by a drop in foreign finance caused by the appreciation in the value of the rand against foreign currencies. This accounted for R225 million.

A further R253-million reduction flowed from an enhancement in the bank's computer systems, enabling First National to consolidate, on a more accurate basis, the accounts of clients operating through several branches.



A SUPREME Court application by the former African Bank managing director, Mr Moses Maubane, for the unfreezing of nearly R2 million in his personal account at several banks, has been indefinitely postponed.

Mr Maubane died recently.

Although the matter between Mr Maubane and the Reserve Bank, which is the respondent, was on the roll in the Pretoria Supreme Court yesterday, the application was not heard after the two parties negotiated to settle the matter out of court.

A spokesman for Mr Maubane's lawyers — Lepule, Mboweni and Partners — yesterday told the *Sowetan* that they held lengthy discussions with senior Reserve Bank officials and an out-of-court settlement could not be ruled out.

### Millions of rands

Mr Maubane, who died last month at his Atteridgeville home after a short illness, was managing director of the African Bank at the time it was allegedly implicated last year in the contravention of foreign exchange regulations totalling millions of rands.

He and other senior officials of the bank were later charged and are due to appear in the Rand Supreme Court in August.

His assets totalling almost R2 million were later paid into blocked accounts following an order by the Reserve Bank. His assets included:

- Fixed deposits totalling R500 000 and

# A bid to unlock Maubane fortune

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subscription shares worth R5 050 with the United Building Society;

- Fixed deposits totalling R700 000, an 11-month deposit of R200 000, an 88-day deposit of R400 000 and R23 372 at the Nedbank;

- A 32-day deposit of R100 000 and a Plus Plan account totalling R46 050 with the Standard Bank; and

- An unspecified R4 998 with the Trust Bank.

In his affidavit produced in court in April this year, Mr Maubane submitted that he was an innocent person in the alleged illegal transactions.

He added that the monthly allowance for living expenses which the Reserve Bank allowed him was only adequate for basic costs which "I have to justify in writing every month, which is arbitrary, embarrassing and humiliating and completely unjustified in the circumstances."

## Savings bond for senior citizens will yield 15%

By PATRICK CULL  
Political Correspondent

SB CP  
3/6/87

CAPE TOWN — A new Senior Citizen Savings Bond available to people of 60 years of age and over and carrying an interest rate of 15% a year is to be introduced by the Government.

At the same time, the interest rate on National Defence Bonds currently at 14% is to be dropped to 12%.

This applies to new investors immediately and to current investors from July 15.

Delivering his Budget speech, Mr Barend du Plessis said the decision to introduce the new savings bond for senior citizens had been taken in the light of the deep concern felt by the Government for the plight of senior citizens for whom interest was the only source of income.

He said the interest on the new bonds would be paid quarterly and would be taxable, but would enjoy the general tax concession in terms of which the first R1 000 of interest income per taxpayer was exempt from tax.

Investment in the new bonds, Mr Du Plessis said, could be made in multiples of R100 with a minimum of R500 and a maximum of R200 000 a person.

The investment, he added, could be withdrawn at any time after 12 months from the date of the deposit.

The Minister said the aim of the bonds was to provide senior citizens with a safe form of protection against falls in market rates to exceptionally low levels.

The bonds would be available at post offices, commercial banks, stock brokers and from the Treasury from July 1.

Business Report

# Anglos posts record earnings

JOHANNESBURG. — Anglo American Corporation (Anglos) has declared a final dividend of 162,5c for the year ended March 31 which, with the interim dividend of 62,5c (50c), makes a total distribution for the year of 225c (180c), an increase of 25%.

The equity accounted earnings were a record R1 501m, 26% higher than last year's R1 193m.

Attributable earnings, which exclude the retained earnings of associated companies, rose by 28% to R1 029m, also a record.

Increased dividend payments by the gold, diamond, industrial, platinum and ferro-alloy companies contributed to the 25% increase in investment income to R943m.

Net trading income declined by 5% to R423m, reflecting principally the

lower earnings of the subsidiary, Amcoal.

Net income before taxation was R1 541m (R1 300m), and the taxation charge was little changed at R319m (R322m), leaving net income after tax of R1 222m (R978m).

Outside shareholders' interests in the earnings of subsidiary companies and dividends on the preferred shares and stock absorbed R193m (R172m).

The share of associated companies' retained earnings increased to R472m (R387m).

The market and directors' valuation of listed and unlisted investments at March 31, 1987, was R25 858m, compared with R17 179m the previous year. The net asset value per share, after providing for the dividend, increased by 49% to 10 532c (7 071c). — Sapa

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State plan to aid aged causes waves

# Grammy bonds' rock buildings societies

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By Gareth Costa

The announcement by the Government yesterday that it is introducing "granny bonds" carrying 15 percent interest has raised the anger of building societies, which fear the consequences for home-owners.

The societies may be forced to increase interest rates on deposits to protect their critical supply of long-term funding from flowing into the Government savings scheme.

This in turn, will put pressure on them to increase the mortgage rate to maintain their profit margins — already under pressure with the banks' foray into the home-loan market, which has resulted in cut-throat competition.

The SA Perm's senior general manager, Mr Brian Kemney, says the new scheme has created a serious distortion in the market.

"The consequences will be severe. It is obvious the Perm will have to protect its considerable share of the over-60s market by finding some way to meet this competition, probably at the expense of profit margins and mortgage rates."

## Inflation ravages

The Government's move took managers completely by surprise, and most feel peeved that they were not consulted and given the opportunity to make a plan themselves within the free market for protecting senior citizens' money from the ravages of inflation.

Many of the building societies have been making concerted efforts in gaining a larger share of this lucrative sector of the market by offering a 0.5 percent premium interest rate to pensioners.

But the building society rates are about 10 to 11 percent — still way short of the 15 percent to be offered by the Government.

The Government's luring 15 percent interest rate is sure to ease the flow of funds into building society coffers. Another cause for concern is the investment maximum of R200 000, which is high.

See Pages 4, 13, 7M—10M.



Delighted senior citizens celebrate the introduction of "grannybonds" by the Government yesterday. Many senior citizens live off their savings and the bonds are designed to

(58) SMC 4/6/87

## Bond plan upsets societies

By Frank Jeans

The big budget surprise has been the Minister's decision to introduce senior citizens savings bonds at an interest rate of 15 percent.

And while the move is designed at easing the burden of older people whose investment return is the only major source of income, the building societies are far from happy.

One leading society source says they are in the situation of competing directly with the Government.

Dr Hans Falkena, the United Building Society economist, says: "The latest situation is unrelated to market forces and it will be very difficult to operate in such a market.

"While we understand the plight of the pensioner, it is the way the Minister has done it which concerns us.

"It is an elegant gesture from the Treasury's point of view, but how can the building societies meet the challenge?"

It should be appreciated, however, that the senior savings bond is fully taxable while the indefinite period shares of the building societies, are partly taxable which, on an after-tax basis, is taking most of the advantage of the new concession, depending of course on the individual's income bracket.

Working, for instance, on at 25 percent tax rate for the individual, the advantage will be about 2 percent between a building society indefinite period and the new senior savings bond.

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# Bank ex-employees could lose millions

Pretoria Bureau

Former African Bank employees are likely to lose millions of rands in cash and properties to the Reserve Bank after a special Government Gazette announcement that strict exchange control regulations were to be invoked.

The cash and properties were allegedly gained through irregular transactions.

Four former employees of the African Bank were named in the Gazette. They are Mr Alan Young, of Florida Park; his wife, Mrs Judy Rona Young; Mr Henry Alexander Harper, of Fairland; and Mr Arthur Edward Ferreira, of Glenvista, Johannesburg.

The Reserve Bank action follows alleged acts of fraud and contraventions of the exchange control regulations whereby financial rands were bought but allegedly paid for with commercial rands.

Mr Young, Mr Harper and Mr Ferreira are to face charges in the Rand Supreme Court on August 17.

The former managing director of African Bank, Mr Moses Mokane, was also to be charged but died recently.

## Terror charges against Tyawana withdrawn

FORMER Allied savings card holder and SA Allied Workers Union organiser, Mr Christopher Tyawana, pleaded guilty in the Worcester Regional Court this week to charges on possession of an explosive detonator, three bullets and two banned publications.

Earlier charges of terrorism and furthering the aims of the ANC were withdrawn after a brief appearance on Tuesday.

Mr Tyawana has been in detention

since his arrest at a Cape Town branch of the Allied Building Society on August 27 last year.

The charges arose from a raid on the Zweletemba family hostels

Tyawana, 25, admitted to possessing the items, but claimed that they belonged to others. He claimed that he had been using the borrowed documents for research purposes.

Judgment and sentence in the trial are expected this week.

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(58) ~~TRIP~~

# Swoop on forex fraud suspects

PRETORIA. — The Reserve Bank invoked for the first time last night a newly promulgated exchange-control regulation to seize several million rand and properties allegedly accrued through irregular transactions by former senior African Bank employees.

The bank gave notice in a special edition of the Government Gazette that the monies and properties, allegedly gained through irregular foreign-exchange transactions, were to be forfeited to the State.

The former employees named in the Gazette are Mr Alan Young, Mr Henry Alexander Harper, Mr Arthur Edward Ferreira and Mr Young's wife, Mrs Judy Rona Young.

Monies accredited to two close corporations are also to be forfeited. The notices are of imme-

diately effect and the monies and proceeds from the auctioning of the properties are to be deposited into the State Revenue Fund.

The bank's action follows alleged acts of fraud and contraventions of the exchange-control regulations, whereby financial rands were bought but allegedly paid for with commercial rands.

Mr Young, Mr Harper and Mr Ferreira are to face charges in the Rand Supreme Court on August 17 in a trial that may last six to eight weeks.

The Trust Bank of Africa Ltd lost its authority to operate as a foreign-exchange dealer in the wake of the affair.

Its former managing director, Mr Moses Mobane, was also to be charged but died recently. The Reserve Bank may take similar action against his estate.

According to last night's gazette, the following sums of money — deposited in accounts at the Commissioner St, Johannesburg,

branch of the African Bank — and properties are to be forfeited to the State:

□ R377 762,07 plus interest, accredited to Mr Young, 36, and a lot held by him in Florida Park;

□ R409 897,36 plus interest, accredited to Mr Harper, 43, two lots held by him in Westdene and Fairlands, and two half-shares registered in his and his wife Rita's names — in two Sections of Bronze Paradise at Leisure Bay;

□ R2 176 271,98 plus interest, accredited to Mr Ferreira, 40, and two lots, at Glenvista Ext 5, and Gerdview;

□ Two half-shares held by Mrs Young in the same two sections of Bronze Paradise as held by Mr and Mrs Harper;

□ R1 005 565,09 plus interest, accredited to Afsek close corporation; and

□ R5 814 410,16 plus interest, accredited to Young and Harper Investments close corporation. — Sapa



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## African Bank 'fraud': State to seize millions

The Argus Correspondent

JOHANNESBURG. — Some former African Bank employees are to forfeit properties and a total of nearly R10-million in cash to the Reserve Bank after a special Government Gazette announcement that strict exchange control regulations were to be invoked.

The cash and properties were allegedly gained through irregular transactions by former employees.

Four former African Bank employees, Mr Alan Young, 36, of Florida Park, his wife Mrs Judy Rona Young, Mr Henry Alexander Harper, 43, of Fairland and Mr Arthur Edward Ferreira, 40, of Glenvista, Johannesburg, are named in the Gazette.

The cash and the proceeds from auctioning of properties will be deposited in the State revenue fund.

The Reserve Bank action follows alleged acts of fraud and contraventions of the exchange control regulations, whereby financial rands were bought but payment allegedly made with commercial rands.

Mr Young, Mr Harper and Mr Ferreira are to face charges in the Rand Supreme Court on August 17 in a trial which may last six to eight weeks.

Former managing director of African Bank Mr Moses Mobane was also going to be charged but he has died.

According to the Gazette, nearly R10-million is deposited in accounts at the Commissioner St, Johannesburg, branch of the African Bank, and the properties are in Westdene, Fairland, Florida Park, Leisure Bay, Glenvista and Gerdview.

Govt warns if shift too large . . .

# 'Granny bonds' rate may drop

*CMA Times 5/6/82*

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By JANE ARBOUS

IF there is a significant shift of money to the new "granny bonds", the tap will be switched off and the special 15% interest rate dropped, the CE of policy in the Department of Finance, Gerhard Croeser, said yesterday.

Croeser was responding to persistent questioning by Perm Building Society MD Bob Tucker at the annual Old Mutual/Nedbank Budget Forum for clarity on the savings scheme for people over 60 which was announced in the Budget.

Tucker told the Business Report afterwards that he expected the government to drop the rate after taking in between R300m and R400m and that "they could easily fill this quota within two to three months".

## Market consequences

He said: "If the terms of these bonds are the same as the old Defence Bonds, the rate will drop on existing and new bonds."

In the symposium, Tucker said a great deal of money was at stake with important market consequences.

The building society movement alone had between R8 and R9 billion of "granny money" which on the same one-year fixed deposit as the new bonds, was earning 10,5% interest.

Not only would building society rates have to go up but so would mortgage bond rates and this would contradict the stimulatory effect of the Budget package.

"If the government did not intend to provoke competition, then the only other possibility was that it would 'close off the tap' after getting in a certain amount of money, which makes it seem they are not sincere about the plight of the over-60s".

Tucker also queried the fact that in terms of the new scheme, someone

over 60 who had R200 000 in savings was more deserving of the 15% rate than for instance, a 34-year-old widow with children to support.

He also pointed out that there would be a significant amount of "round-tripping" — where people would withdraw huge amounts of money from banks and building societies, deposit it in the new bonds at the higher rate, and withdraw it again when other rates rose.

Croeser said it was not the government's intention to compete with the building societies and referred to the drop in the Defence Bond rate to 12% as an indication of this.

It was also not the government's idea to draw in a lot of money to the "granny bonds", and although it was difficult to predict the impact, he said he did not share Tucker's fear that people would move across in droves.

Although he expected general interest rates to rise and off-set a significant move to the new bonds, if this did not happen, there would be a cut-off point and the 15% rate would be lowered.

□ Meanwhile, the introduction of the "granny bonds" from July 1 has caused a storm in the rest of the savings market who warn of the inflationary effects should they lose money to the bonds.

## Wrong way

Alan Benn, chairman of the participation bond company in the J H Isaacs group, warned: "The government cannot expect these lending institutions to lie down and die."

"They will fight back with the only tools that are available to them, and that is to increase substantially the interest rates for investors and borrowers."

"In my view it is the wrong way to solve the problem."

# Man, 25, released after arrest at building society

WORCESTER — The Zwelethemba Youth Congress member who was detained after trying to draw money from an Allied Building Society autoteller, walked out of the regional court here yesterday a free man.

After spending almost 10 months in detention under Section 29 of the Internal Security Act, Christopher Tyawana, 25, was found not guilty on charges of terrorism, of being a member of the African National Congress and of futhering the aims of the ANC.

However, the magistrate, Mr J. C van Wyk, found Tyawana guilty of being in possession of three bullets, an electronic detonator and ANC publications.

Tyawana was sentenced to a fine of R500 or 6 months with a further six months, conditionally suspended for five years.

For possessing the

publications he received a sentence of 18 months, suspended for five years.

After being released, Tyawana and his mother, Mrs Edith Vanga, asked the Allied Building Society to pay the fine.

The manager of the Worcester branch, Mr V. Ellis, said that he was not in a position to assist Mr Tyawana, but that the matter had been referred to the Head Office. An Allied spokesman, Mr David Waugh, said the society would not pay the fine.

Allied paid Mrs Vanga R350 monthly, after her son, employed by the South African Allied Workers Union, walked into the building society on August 27, last year, after his card had malfunctioned.

In a series of newspaper advertisements Allied called on the government to release or charge him. — DDC

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Cape Times  
5/6/87



**FREED ...** Mr Christopher Tyawana who was detained after his automatic teller machine card malfunctioned in August last year, pays his first visit to the building society after walking out of the Worcester Regional Court a free man yesterday. Picture: MIKE HUTCHINGS

## Tyawana fined for bullets, freed on ANC charges

By CLARE HARPER

MR CHRISTOPHER TYAWANA, 25, who was detained after trying to draw money from a city Allied Building Society autoteller, walked out of the Worcester Regional Court after paying a R500 fine yesterday.

The Zwelethemba Youth Congress member had spent almost 10 months in detention under Section 29 of the Internal Security Act.

The magistrate, Mr J C van Wyk, found Mr Tyawana guilty of being in possession of three bullets and an electronic detonator, and of being in possession of ANC publications for which he was fined R500, or six months, together with a further six months conditionally suspended for five years.

For possessing the publications he received a sentence of 18 months suspended for five years.

Mr Tyawana was found not guilty on charges of terrorism, of being a member of the African National Congress or of furthering the aims of the ANC.

Mr Anton Beldhuizen instructed by Essa Moosa and Associates represented Mr Tyawana and the prosecutor was Mr B Rorich

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□ AFTER leaving court, Mr Tyawana and his mother, Mrs Edith Vanga went into the local Allied Building Society, and asked them to pay the R500 fine

The manager of the Worcester branch, Mr V Ellis, said yesterday that he was not in a position to help Mr Tyawana, but the matter had been referred to head office.

Allied spokesman Mr David Waugh said last night that the building society would not be paying the fine and they "were not prepared to discuss the matter further".

Allied have been paying Mrs Vanga R350 a month, after her son, employed by the South African Allied Workers Union, was kept talking in the building society on August 27 last year when his card malfunctioned until security policemen arrived.

Allied apologized to Mr Tyawana and called on the government to release or charge him in a series of newspaper advertisements.

BARCLAYS BANK

# Should Beeld bleed?

FM 5/6/87

There are not many governments — if indeed there are any — that would see the public interest served by undermining for political reasons the financial integrity of their country's largest bank.

Yet the onslaught on Barclays Bank, which is changing its name to First National, begun by the State President himself, and continued last week in the most irresponsible manner by the Nationalist newspaper *Beeld*, is difficult to see in any other light.

The preservation of confidence in banks is acknowledged in law as a matter of considerable public interest. For this reason, unlike other enterprises, banks are given the legal right to hold hidden reserves and the central bank has a duty to act as lender of last resort.

The latest salvo against First National and MD Chris Ball was fired by *Beeld* of May 28. Under the page one headline "*Ball se bank bloei . . .*" (Ball's bank bleeds . . .) the newspaper reported that "deposits declined by 40% after the debacle."

By using incorrectly statistics on cheque deposits at the end of March 1987 — compared with end-December deposits — recorded in the regular BA9 returns submitted quarterly to the Reserve Bank, it implied that the bank was losing business because of its financing of a controversial advertisement, the subject of the Munnik inquiry.

Nowhere has it been shown that this banking transaction was in any way financially deficient. Indeed the loan has been repaid. Nor has it been stated that the advertisement contravened the emergency regulations.

So it stands to reason that the purpose of the inquiry and of *Beeld's* incorrect story was to use political inference to the detri-

ment of the bank.

Unfortunately for *Beeld*, this sensational report was based on what can most kindly be described as a misunderstanding of a technical change in the manner of rendering the BA9 returns.

According to a press release by First National shortly after the report in *Beeld*, the apparent fall in cheque deposits was caused by the "reclassification of the cheque deposits of large corporate customers. When the figures are restated to make them compatible with December, total cheque deposits actually rose to R3 376m." (see next story).

There are several important issues thrown up by *Beeld's* reporting of First National's banking affairs. The first concerns Section 40 of the Stock Exchanges Control Act, No 1 of 1985. The section, *inter alia*, makes it a criminal offence for any person, by means of "the spreading of false reports" to "attempt to influence the prices of securities on a licensed stock exchange."

That the report on First National's cheque deposits was false is evident enough. Whether a report on a decline in cheque deposits was intended to influence the share price is a matter on which *Beeld* should now be held to account.

Arguably, *Beeld's* report was made with a different intention — to exert some political influence on the white electorate. But individuals can be held to intend the reasonably anticipated results of their actions even if they go beyond a stated purpose.

In the circumstances, it seems to the *FM* that there is a *prima facie* case of a contravention of Section 40 to be examined by the

commercial branch of the SAP.

Secondly, there is the possibility that First National might be able to bring a civil claim for damages against the publishers of *Beeld* under the doctrine of injurious falsehood. And such a claim for damages might succeed even if it were possible to prove merely that *Beeld* was negligent in publishing its report, which it clearly was, rather than operating with intent.

It is true that on the day following the original page one report, *Beeld* published a report on page 2 putting the record straight on the issue of cheque deposits. Whether this lame form of retraction sufficed to put right the harm done could be a matter for some debate in itself. There has been no apology.

In our view, too, the report was in flagrant contravention of the Code of Conduct of the SA Media Council. Paragraph 2.4 (under the general heading of "reporting of news") says that "where there is reason to doubt the correctness of news and it is practicable to verify the correctness thereof, it shall be verified."

Any experienced editor ought to have been put on his guard by an apparently exaggerated statistical movement like the decline in deposits apparently thrown up by the BA9 figures. All that was required of *Beeld* to honour the requirements of paragraph 2.4 was to telephone or telex First National before rushing into print.

Lastly, there is a political issue. Both government and its media allies have always been quick enough to accuse the English press, and the *FM* in particular, of economic sabotage whenever its criticism hurt the governing party enough. But what action could

## BUILDING SOCIETIES' PROFIT PICTURES

Newly-listed UBS Holdings (UBS) has announced after-tax profits of R105,4m in the year ending March 31, 1987. This is an increase of 40% over "consolidated" earnings in the previous year, when the group was still a mutual building society.

Its rival, the Perm, which opted to remain a mutual, has reported a profit decline of 19% to R26,5m. This is the second consecutive year in which the Perm's profits have declined.

The results, however, are not directly comparable because of differences in philosophy between the two organisations.

Says Perm senior GM Jopie van Honshooten: "The Perm has been successful in ways not measurable or apparent in a

comparison of immediate results. One has to ask what a building society should be doing: in this context it is significant that the Perm has increased the number of bonds granted by 79% to 69 939."

A comparable figure is not yet available from UBS.

Like profits, reserves are also not directly comparable. UBS's wholly owned subsidiary, United Building Society, has share capital and reserves of R654,1m and a ratio of share capital and reserves to "defined liabilities" of 7,5%. The Perm, which has not benefited by an injection of capital, has reserves of R211m. Its reserve ratio stands at 3,2%, compared to 3,3% last year.

Asset growth in the two has been similar — UBS has increased by 18,1% to R9,8 billion and the Perm by 18% to R6,6 billion.

The Perm's balances outstanding on mortgage advances have increased by 22,5% to R5,4 billion.

Perm chairman Alistair Macmillan points out: "A notable achievement was the elimination of the deficit between book and market value of the gilt portfolio, which now has a surplus of R7,8 million.

The balance sheet has been further strengthened, as properties in possession are now written down to net realisable value."

carry the moral burden of economic sabotage more blatantly than yet another attack on First National?

Clearly, the vendetta — for such it deserves to be called — against Ball and First National — has paid electoral dividends, and doubtless continues to have short-term party political attractions. But the harm to business confidence is substantial.

□ The editor of Beeld was sent a copy of the story but declined to comment.

## BANK RETURNS

### Figuring it out

Statistics are notoriously deceptive — and dangerously malleable. Just how much confusion can be caused by the interpretation of statistical returns submitted each quarter to the Registrar of Banks is evident from a newspaper report last week of a 40% drop in cheque deposits of First National (formerly Barclays) in the first quarter.

The drop, however, is largely a statistical anomaly caused by new accounting procedures which reflect the transfer of money in cheque accounts to overnight call. This facility raises corporate clients' interest return.

Consequently, the R1 343m drop in cheque accounts is offset by the increase in non-current short-term deposits by R983m to R5 542m. The total drop in short-term deposits, from R7 962m to R7 609m, is only about 4,4%. Total deposits of First National's commercial bank dropped from R10 938 billion in the December quarter to R10 820 billion — little more than 1%.

This figure, too, has a technical element. Recent consolidation of accounts held by any one client in various branches means the bank can set off deposits against overdrafts. In other words, for Banks Act reporting purposes, these assets and liabilities effectively neutralise each other.

Says Banks Registrar Chris de Swardt: "The new bank regulations permit this set-off within a single legal entity. The major banks are all introducing this procedure."

It is the reduction in assets which is significant. It automatically reduces the amount of capital the bank must hold to meet solvency requirements. Money freed from its prudential role can then be deployed productively.

Further complicating interpretation of first-quarter figures is the inclusion of money raised offshore, previously not shown in BA9s.

For the record, First National claims its commercial bank maintained its leading share of the deposit market: 29,9%, with 16,2%, Trust 14,1% and Nedbank 13,3%. These figures are not disputed by other banks.

However, Standard's GM group marketing, John Holloway, points out: "Banks collate these figures differently. They are not a true reflection of market penetration." ■

## COLONIAL MUTUAL

### Sold on Old

Despite some reluctance on the part of the Competition Board (CB), the merger between Old Mutual and Colonial Mutual is to go ahead.

This follows a series of disinvestments by foreign-based companies, including National Mutual and Sentry Assurance (FM May 15 and 29). No doubt this is causing concern to the authorities, not only because of the further severing of international ties, but also because of the concentration of economic power that inevitably follows.

Says CB chairman Stef Naudé: "Yes, we approved the merger with some reluctance. We did this for several reasons. Colonial wanted to terminate its connections with SA." He says that a merger with another mutual seemed appropriate. "This merger increases Old Mutual's market share in the life sector by just 1%, so will not significantly affect competition."

Last November the board was instructed to look at the financial sector generally, its concentration of power and the policy implications of such concentration. It is noteworthy this investigation includes "barriers to entry." It could be argued that barriers are far more effective in promoting concentration than any number of mergers in a protected environment.

Effective January 1, 1987, the merger of Colonial and Old Mutual means Sanlam is the only other mutual now operating. Significantly, they are the largest assurers. This must tell those who argue that "the mutual route is best" something about the value to both shareholders and policyholders of the proprietary office.

Mike Levett, MD of Old Mutual, said in a joint statement last week that Colonial's clients will become policyholders of Old Mutual. The assets and liabilities will also be accepted.

"The policies taken over will be dealt with in an equitable manner in the interests of policyholders of both organisations. We will accommodate all the staff of Colonial. No consideration of any kind will pass."

With only R80,7m premium income in 1986, the absorption of Colonial into Old Mutual, with an annual premium flow around R2,4 billion, will be felt as much as a fly on a rhinoceros.

Combined assets as at January 1 are about R19,6 billion, although Levett now puts his asset base "in excess of R23 billion." ■

## SATS BUDGET

### Sad trends

Last week's SA Transport Services (Sats) and Post Office (Sapo) budgets were certainly in line with government's determination to move towards cost-related charges,

and away from cross-subsidisation. But the manner in which this is being achieved is questionable.

Both budgets produced tariff hikes, reduced capital expenditure and higher total expenditure. For both it seems the answer is the same: the fewer the customers, the higher the price must be, which in turn will reduce the number of customers still further.

In line with flawed government philosophy, capex is being cut and current spending increased.

While Sats's capex for 1987-88 is estimated at R750m, 28% less than last year (R1,04 billion) and 47% below 1985-86 (R1,42 billion), current spending is being pushed up by another R1 billion, to R10,2 billion (R9,16 billion).

The difference between income and expenditure after tariff increases is expected to yield a deficit of R40m (FM May 29).

For all this Sats requires an average 10% rail tariff hike effective July 1. The price of petrol in the interior and some rural areas could be pushed up by higher pipeline and rail tanker charges. Road transport tariffs and fares for goods and passengers will go up by an average 13,9%; marine service charges by an average 15,3%; and other harbour charges by around 15%.

Capex cuts by Sats, Sapo and Escom over the past three years total R1,8 billion (see table).

For Sapo, capex is down to R1,62 billion for 1987-88 from R1,68 billion in 1986-87 and R1,45 billion the previous year. This comes on top of Escom's sharp capex reduction (to R3,5 billion in 1987 from R3,8 billion in 1986, already down from 1985's R4,75 billion).

These cuts have already had serious repercussions throughout the economy, especially as the private sector is also avoiding capital commitments.

Anglo economist Jim Buys emphasises it is not reductions per se that are problematic but the timing and mix of cuts "at this stage of the economic cycle."

In terms of boosting the economy, reduced capex will probably not be offset by current expenditure increases, though part of the expansion of consumption spending resulting from salary increases should filter through to the broader economy. The 12,5% salary increase is worth about R346m to Sats. "While current expenditure will boost activity short-term, capex is essential for long-term growth," notes Buys.

Transport Affairs Minister Eli Louw says

## CAPEX SLOWDOWN

(R billion)

Fiscal year	Sats	Post Office	Escom*	Total
85/86	1,45	1,45	4,75	7,65
86/87	1,04	1,68	3,77	6,51
87/88	0,75	1,62	3,5	5,87

\*Escom's financial year ends on Dec 31. For comparison purposes we assume its financial year corresponds with Sats and the Post Office.

WARREN Plummer, former MD of AA Mutual (AAM), made changes to the statements of AAM's monthly underwriting results which were "not justified", the Melamet Commission was told yesterday.

The commission, chaired by Mr Justice Melamet at the Rand Supreme Court, is investigating the collapse of AAM last year.

Cedric Ostermeyer, who was AAM's accountant, gave evidence. He is currently employed by the liquidators.

He said Plummer had altered October 1985's underwriting results to reduce losses of R11,5m to R7,9m. This was done by reducing inward reinsurance claims of R8m by R2,4m, by increasing the release on the special schemes reserve by R600 000, and by reducing fire claims by R500 000. None of these reductions was justified, he said.

Plummer had also instructed changes to be made to the January 1986 results amounting to close on R5m, Ostermeyer said.

He also spoke of a telex from AA Mutual International's auditor, dated May 23, 1985, which asked one of the auditors of the AAM whether his client was good for an outstanding claim of R8,8m.

He said there had also been reinsurance claims from Shand Morahan, US brokers, amounting to R1m in April

# AAM loss

## 'altered'

*B Day*  
*(SB) 5/16/87*

HELENA PATTEN

1984. Plummer had asked him to delay paying this until May 1984, the next financial year. There had been no reason to delay other than to avoid affecting profitability by R1m, he said.

The next year there had also been a claim from Shand Morahan amounting to R1,3m. Payment had apparently also been delayed — until May 1985.

Malcolm Nightingale, who was assistant GM (Controls) of AAM and who is also currently employed by the liquidators, said in evidence that results of the overseas reinsurance portfolio had continued to deteriorate after June 1985, because of bad acceptances in earlier years and the continued adverse sterling/dollar/rand exchange rate.

Enos Barnard, who was GM (Services) at AAM, said in evidence that investigations made into the reinsurance business of AAM had brought little reaction until February 1986. Thereafter, claims had come through very rapidly and had amounted to R14m-R15m.

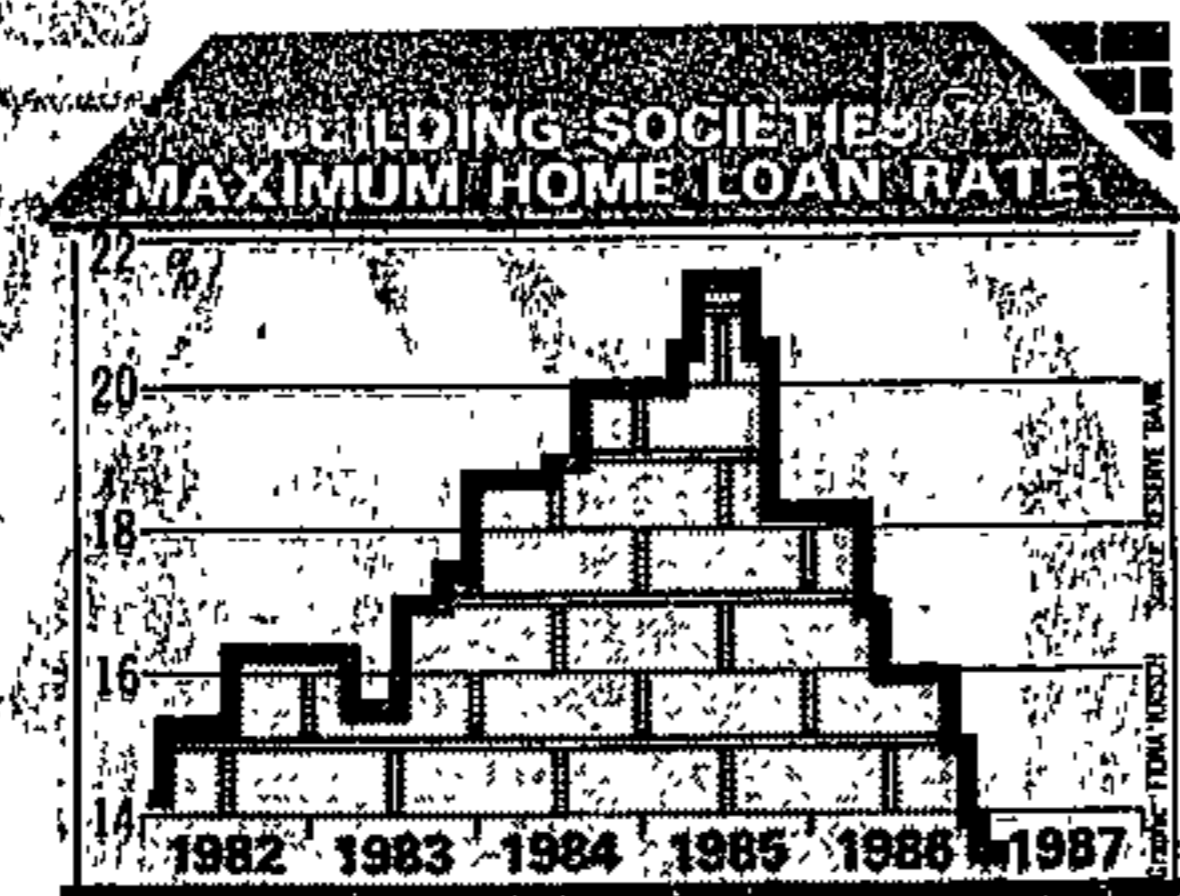
## Building societies up in arms

# Govt rethink on 15% bonds is on cards

GOVERNMENT would reconsider its "granny bond" scheme if it caused a massive outflow of funds from banking institutions, Deputy Finance Minister Kent Durr and Finance Director-General Chris Stals said yesterday.

And Gerhard Croeser, chief executive of policy in the Department of Finance, said government would drop the special 15% interest rates if there was a significant shift of money to the bonds.

That follows angry criticism from bank and building society chiefs that the "granny bonds" would force up interest rates, including the mortgage rate, by diverting "hundreds of millions of rand" from financial institutions to the Treasury.



HELOISE HENNING

Other institutional spokesmen said the scheme would also divert funds from participation bonds, and that it would drive up inflation.

All three government officials said the intention of the "granny bond" scheme was not to divert funds from the institutions. Nor did they believe there would be a flood of funds out of the institutions.

Durr said government's aim was to protect senior citizens living on a fixed income under the present low interest rates and high inflation.

He said: "We've got an open door policy. We do not want to harm anyone. If the effects are debilitating, we'll look at it again."

"If we were to give the facility of issuing bonds to the building societies, we would have had to deal even-handedly and allowed banks to do the same."

Stals said it would not be appropriate for building societies to remain committed to a 15% interest rate.

He said: "We have restricted it to people over 60 and investing not more than R200 000 at a fixed rate of 15%. This is not appropriate money for building societies to handle. What will happen if the

● To Page 2

## Bonds: govt rethink possible

interest rates come down? They would be committed to that rate."

Croeser's comments came in response to persistent questioning by Perm Building Society MD Bob Tucker at the annual Old Mutual/Nedbank budget forum held in Cape Town.

Building society chiefs said yesterday a large portion of their stable funding came from investors over 60. The bonds were a real threat to them.

Tucker said the building society movement alone had between R8bn-R9bn of "granny money", which was earning only 10,5% interest.

Not only would building society rates have to go up, but so would mortgage bond rates and that would contradict the stimulatory effect of the Budget package.

Syfrets group marketing manager Andre du Plessis said investments in par-

ticipation mortgage bonds would particularly suffer, because the nature of the investors were similar. In both cases they relied on fixed investment to generate a high income.

Du Plessis said: "It could be the impact won't turn the whole interest rate pattern around, but it will put upward pressure on long-term investment."

Alan Benn, chairman of the participation bond company in the JH Isaacs group, said the "granny bonds" would be inflationary with the inevitable rise in interest rates of building societies and bridging finance companies.

But, speaking in favour of the "granny bond" was Metboard's portfolio manager Kevin Cockcroft, who regarded them as providing a "golden opportunity" because no other instrument provided such a high return.

● From Page 1



# AAM loss

## 'altered' <sup>B/Day</sup> <sub>(SB) 5/16/87</sub>

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U:11... DED

# Insurers on the mend



Bill Rutherford is MD of Commercial Union. He was recently appointed president of the SA Insurance Association.

**FM:** Short-term insurers have struggled through two very difficult years. Can you say that the industry is at last on the mend?

**Rutherford:** Yes, certainly most insurers did very much better for their reinsurers last year than previously. Indeed, I would be surprised if many turned in a loss at all last year on fire business.

At the beginning of 1985, reinsurers began introducing stringent measures to curb future losses. In particular, they reduced commissions to insurance companies to penal levels, forcing them at the same time to accept more risk for their own account. Following this, insurance companies announced fantastic increases in insurance premiums. They also reduced the scope of insurance covers and required consumers to take on larger excesses.

In spite of these corrective measures, your company posted underwriting losses of over R2,5m for both years 1985 and 1986. How do you account for this?

In 1985 we had several large fire losses, while natural catastrophes played a significant part in the underwriting results.

The following year, however, natural catastrophes were insignificant — which is why reinsurers did well. But most insurers suffered tremendously from the smaller types of business where reinsurance was small — so the losses were largely carried by the direct underwriters themselves.

Here, of course, the major areas of loss were personal lines — including household, all risks and private motor car — plus crimes classes including fidelity, goods in transit and insurance of money.

Losses on personal lines were horrific. Something had to be done, which meant higher premiums, though this hit the man in the street quite a bit.

Of course, premiums reflect claims. If claims go up so must premiums. To lessen the blow, clients are urged to improve protections to reduce losses, and thereby premium increases.

**And the future, what about the next 12 months?**

I would be very disappointed if we did not improve our underwriting position. We think the premium increases, as they work through the system, should bring us closer to break-even, or even an underwriting profit in 1987 — barring catastrophes.

We have had some pretty bad results coming through on reinsurance inwards which relate to risks taken on 12-18 months ago. It takes time for claims to work through the international sausage machine; 1985 results are not likely to be good. We hope results will turn out better for 1986.

**Given reinsurers must be feeling a lot happier now, do you think competition may return to our shores? Could we even see premiums coming down in the next few years?**

Indications are that the overseas reinsurance market is softening slightly. But surely companies' memories can't be so short that they will forget the dire straits they were all in a few years ago? No, I think it would be super optimistic to think that rates will come down. But I certainly hope there won't be anything like the dramatic increases in rates that have taken place over the last two years. **Higher retentions for the reasons we've al-**

ready discussed, also higher premiums being charged by the market, inflation, then the absorption of AA Mutual business, all these factors must have put pressure on insurers' solvency margins, or free reserves?

Undoubtedly.

**How has this affected you?**

Over the past five years, on our accounting basis, our solvency ratio (free reserves as a percentage of net premium income) has dropped from 64% to 48%.

**This is a general trend, pointing to the inadequate capital base of the industry as a whole. Is your parent in the UK, for example, considering further investment here?**

We have no immediate needs for more capital. We would regard a solvency ratio of around 50% as adequate for the time being. What we must do, if we're to accept more risk, is build up a better and bigger financial base, either from shareholders or from profits. The industry is not that attractive to shareholders at the moment, so you have to use the latter method.

**Finally, what do you see as the priorities for the SA Insurance Association.**

The association is the forum and voice, if you like, for the industry in SA. The main thing that will concern us is the Insurance Act, which is being completely redrafted. We expect it will be referred to us.

The registrar is expanding the classes of business on which we report from six to 22. This will require a great deal more analysis.

The association has been working with the Financial Institutions Office on the method of reporting and analysis of results.

There are also things like statistical sub-committees. We're working to find some basis for computerising statistics market-wide. This will obviously assist underwriting and should go some way to establishing stability and solvency in the market. ■

panies worthy of being brought into the New Bernica stable, and later listed. "We have taken a decision to move away from venture capital situations or smaller unquoted companies," he says. "Instead, we will invest only in larger entities which are either listed or suitable for listing, and in which New Bernica could play an important role in expanding the business."

Few could argue with the quality of New Bernica's existing portfolio. And already there are rumours of another deal Witkin might be close to clinching. *Neville Glaser*

## ALLIED

### Opening day

When the new Allied Group is listed on June 10, the share price will depend on supply created by small investors, eager to reap a staggering profit, and demand from large institutions taking a longer view on what may well be a blue chip investment.

The listing of UBS Holdings in December and NBS Holdings in April did not quite live up to expectations, though both opened at a healthy premium to the offer price. However, Allied's offer price, determined before the deal with Sage, is relatively low. The share may yield an even better premium than the other two.

One potential buyer may be financial and property conglomerate Sage Holdings, which is underwriting the issue at R1,75 a share.

In terms of a recent agreement on an exchange of shares between the two groups,

Sage is to acquire 10% of Allied. However, Allied's offer, at R1 a share, allowed all members with R1 000 or more in any category of shares on September 20 1986 to convert about 15% of their holdings to equity. Of the 90 000 members eligible when the share register closed on March 31, more than 68 000 had followed their rights, taking up 271m shares out of a total of 290m.

Precisely how many shares Sage will need to make up the shortfall is uncertain. "We invited certain institutions to partially participate in the issue," said Sage director, Rowan Hutchison. "The degree of participation invited was based on a carefully considered judgment of our own requirements, taking into account both the UBS and NBS experience and general market expectations. The net result has left us just about where we want to be."

So the other participants will be getting their slice of the remaining 6,66%. On the other hand, the extent to which Sage qualified as an eligible shareholder is not known, so it's difficult to determine its buying activity.

Investor interest in new listings is, of course, high, while building societies are regarded as quality investments. Furthermore, the recent deal with Sage has enhanced Allied's image.

"They are now a fully fledged financial institution and are gearing themselves to the corporate sector," said a market observer. "They have relatively young, highly qualified and innovative management."

In the year to end-March, Allied Building Society, which is to become a subsidiary of the Allied Group, reported taxed profits of

R34,1m, up by 14,9% on the previous year. Mortgage advances grew by 25,1% and total assets by 26,9%. *Ethel Hazelhurst*

5/6/87 F/14

SA 6/6/87

# Govt 'Granny bonds': the storm continues

**MAGNUS HEYSTEK**  
**FINANCE EDITOR**

The controversy surrounding the so called "granny bonds" continued to rage in financial circles yesterday with government and private sector spokesmen in a war of words about the effect these bonds, which offer depositors aged 60 years and over significantly higher interest rates than those offered by building societies, banks and other deposit-taking institutions.

Mr Bob Tucker, managing director of the SA Perm, described the move as a "disaster" for the building society movement and said that to protect their interests, deposit rates, and consequently mortgage rates, would have to rise by at least two percentage points.

Dr A M Pretorius, director-general of Finance, however, said yesterday that the building societies were "overreacting", while other business leaders felt that the building societies were looking for reasons to increase their mortgage rates.

"While some switching of funds from banks and building societies can be expected, the government does not expect to draw more than R300 million from pensioners under this scheme," he said at a post-Budget seminar jointly hosted by Assocom and the Economic Society of SA yesterday.

"Defence Bonds have been in existence for years now offering substantially higher rates than deposit rates offered elsewhere in the market, but that did not result in a flood of money from depositors," he said.



MR BOB TUCKER

Defence Bonds are still paying 14 percent, fully taxable, but this rate will drop to 12 percent from July 1, a measure announced in this week's Budget speech.

This compares with the top-rate of 12,5 percent presently being paid by building societies

Economists were also questioning statements made by building society spokesmen that deposits up to R10 billion can be placed in jeopardy by "granny bonds".

They pointed to the fact that the total assets under control of the building society movement amounts to roughly R25 billion. To say now that R10 billion of deposits is in danger of being switched to "granny bonds" is patently absurd, they claim.

In Cape Town Dr Gerhard Croeser, head of financial planning at the Department of Finance, indicated that the interest rate to be paid on "granny bonds" could be dropped if it in fact resulted in a flood of money.

He also indicated that the Government expects no more than between R300 and R400 million to be invested in these instruments.

The controversy, however, highlights the dire need for investors, and especially aged people who rely on their investments for income, to receive real rates of return after tax.

Even at 15 percent, investors are still seeing their wealth eroded with inflation at levels above 16 percent. The matter is obviously far worse for investors at building societies who are, at present deposit rate levels, earning a negative rate of return of more than 8 percent, after taxation is taken into consideration.

Although the Government from time to time warns that the present interest rate structure cannot last indefinitely, a sudden turnaround in interest rate levels is contrary to government economic policy who wants a higher growth rate at virtually any cost, as this week's Budget clearly illustrated.

If the introduction of "granny bonds" contributes to higher mortgage and other interest rates, there is no doubt that this scheme will immediately be abandoned or severely curtailed.

# Council gives bank ultimatum

By NEIL HOOPER

THE Benoni city council has called on the First National Bank publicly to reject its managing director's action in making money available for the "Unban the ANC" advertisements.

The council has given the bank until June 19 to reject "publicly" and "strongly" the action of Mr Chris Ball, who the Munnik commission found knew that the money he advanced would be used to finance the advertisements.

Mr Ball approved an overdraft of R100 000 to Mr Yusef Surtee, who made this money available for the advertisements.

The council has made the demand in a letter after a resolution had been passed at a meeting on May 26. Four of the 14 councillors voted against the decision and one abstained.

The councillor who proposed the resolution, Dr Phil

Erasmus, who represents Ward 8, said the original resolution included a statement by the council that it would remove its account if its demands were not satisfied.

Dr Erasmus said the council had decided to delete this part of the resolution, and it would now decide what action to take at the first council meeting after June 19.

Dr Erasmus said the council's annual budget was about R130-million, and that it was conceivable that the business lost by the bank if the account were closed could be about R150-million a year.

● Senior general manager of the bank Mr Jimmy McKenzie confirmed that the bank and the council had been associated for some time.

"We will be looking at the situation, and cannot comment further at this stage," he said.

# Benoni warned of boycott if it leaves First National

Own Correspondent

JOHANNESBURG — Benoni town councillor Mr Aubrey Ritz has sounded a warning that the town may be subjected to a black consumer boycott if it were to withdraw its municipal funds from First National Bank.

Mr Ritz said yesterday that he had received an anonymous telephone threat from a "black male" who said: "If you guys withdraw from First National Bank, we'll boycott you."

The National Party-dominated town council resolved to call on the bank to express before June 19 its "strongest disapproval" of managing director Mr Chris Ball's actions in lending R100 000 for an "unban the ANC" advertisement in several newspapers.

The second part of the motion, to withdraw funds from the bank if it failed to censure Mr Ball, was withdrawn because it was considered improper to threaten the

bank, the proposer, Dr PDC Erasmus, said yesterday.

However, should the bank fail to satisfy the council, withdrawal is likely to be discussed again.

Dr Erasmus said a black consumer boycott was "not relevant" to the issue. "We have learned a lot about boycotts ... and we know how to deal with them. It is clear the boycotters burn their own fingers."

Mr Ritz and two other councillors opposed the motion on the grounds that local government should not concern itself with political matters or punitive actions.

Dr Erasmus said he had expressed himself in the "national interest" and his motion did not necessarily reflect the view of any political party.

If councillors were not satisfied with the bank's explanation, the council would put its

bank account out to tender.

The acting town clerk, Mr Chris Boshoff, said the council would probably meet the bank soon for discussions.

The council's budget for this year is about R150 million. The banking account has been held by FNB, formerly Barclays Bank, for about 80 years.

The senior general manager of the bank, Mr Jimmy McKenzie, said the assurance by the office of the State President that no further statements would be issued following the Munnik Commission's findings had been kept.

However, other NP institutions had continued to come out against the bank.

"We have dealt directly with clients who have made known to us any problem they had with dealing with the bank. We have chosen not to communicate with them through the media and it has proven successful," he said.

# Volkscas lifts <sup>CAPE TIMES</sup> final <sup>8/6/87</sup> dividend <sup>(580) (289)</sup> to 44c

JOHANNESBURG. —  
Volkscas Group has  
upped its final divi-  
dend by 8c to 44c, mak-  
ing total distribution  
for the year 9c higher  
at 66c, after what the  
directors term a "satis-  
factory" increase in  
profits despite tight  
business conditions in  
the year ended March  
31.

Group net operating in-  
come after tax and out-  
side shareholders' in-  
terest rose by 14,3% to  
R60,79m (R53,17m) for  
earnings per share of  
199,6c against 174c.

The directors note the  
increase was achieved  
in spite of substantial  
provisions created for  
uncollectable debt at  
all group financial in-  
stitutions.

## Subsidiaries

Volkscas Ltd contribut-  
ed R50m to the group  
profit, with R8 632m  
coming from Volkscas  
Merchant Bank (VMB).  
Last year the group re-  
duced its interest in  
VMB from a wholly  
owned subsidiary to  
an interest of 73,7% in  
the current year.

Owing to extraordinary  
provisions for doubt-  
ful advances, Volkscas  
Industrial Bank  
showed a disclosed  
loss before extraordi-  
nary items of R3,063m  
as against a loss of  
R837 000 the previous  
year.

All the other subsidiar-  
ies in the group per-  
formed satisfactorily,  
the directors said. —  
Sapa

(S)  
(S)  
Sme  
8/6/87

# ANC ads row turns into war of ultimatums

Staff Reporters

The row between the Benoni Town Council and First National Bank over the Ball-ANC advertisement affair is developing into a war of ultimatums.

The Benoni council's threat to close its R150 million-a-year account with the bank has been countered with a telephoned threat of a black consumer boycott.

First National has now moved urgently to resolve the confrontation through direct talks and a Progressive Federal Party spokesman has warned of the dangers inherent in the kind of ultimatum issued by the Benoni council.

Councillor Aubrey Ritz said yesterday he had received an anonymous telephone call from a black man who threatened: "If you guys withdraw from First National Bank, we'll boycott you".

Town clerk Mr Nantes Botha said there were about 150 000 blacks living in Benoni's two townships, Daveyton and Wattville, and the results of a consumer boycott would be serious.

The threat follows the National Party-dominated town council's decision to give the bank until June 19 to express its disapproval of managing director Mr Chris Ball's actions in lending R100 000 for "unban the ANC" advertisements.

The second part of the motion — that funds would be withdrawn if Mr Ball was not censured — was withdrawn because it was not considered proper to threaten the bank, but proposer Dr PDC Erasmus said if the bank failed to satisfy the council, withdrawal would be reconsidered.

First National Bank confirmed today it was seeking a meeting with the council.

"The council has obviously been influenced by incorrect versions of the role of Mr Chris Ball, our managing director, and the bank itself, in the controversy," said Mr Jimmy McKenzie, senior general manager.

The PFP warned in Cape Town today that Benoni Town Council was playing with fire by threatening to withdraw its funds for political reasons.

Mr Harry Schwarz, PFP spokesman on finance, said it was very dangerous to choose where to give one's business purely on the basis of the political views of an individual.



# Benoni faces black boycott threat over bank row

BENONI town councillor Aubrey Ritz has sounded a warning that the town may be subjected to a black consumer boycott if it were to withdraw its municipal funds from First National Bank.

Ritz said yesterday he had received an anonymous telephone threat from a "black male" who said: "If you guys withdraw from First National Bank, we'll boycott you."

The National Party-dominated town council resolved to call on the bank to express before June 19 its "strongest disapproval" of MD Chris Ball's actions in

from higher National Party officials. The bank was perceived not to have acted in the national interest by having dealings with the ANC, he said.

## Benoni might face boycott

B Day

(58)

(PFP)

From Page 1

any political party. "We are talking about national interest. And if it is not in the national interest to be talking with the ANC as long as they refuse to forswear violence, then it is not in the interest of the white men fighting on the border, or their families who live in this town."

The bank's denial of the findings of the Munnik Commission also brought into question the judicial system, he said.

He withdrew the second part of his motion, calling on the town council to withdraw its funds from the bank, after discussion in the council. It was not correct to threaten the bank, he said.

The council was open to discussions with First National and, pending the outcome, further decisions would be taken, said Erasmus.

If councillors were not satisfied with the bank's explanation, the council would put its bank account out to tender.

Acting town clerk Chris Boshoff said the council would probably meet the bank for discussions soon, but no date had yet been set.

The council's budget for this year is about R150m.

The banking account has been held by First National Bank, formerly Barclays Bank, for about 80 years.

First National senior GM Jimmy McKenzie said the assurance by the office of the President that no further statements would be issued following the Munnik Commission's findings had been

kept. However, other NP institutions had continued to come out against the bank. It appeared the bank would continue to have to deal with the issue until the inquiry on the breach of parliamentary privilege by Dave Dalling (PFP Sandton) had been dealt with.

"We have dealt directly with clients who have made known to us any problem they had with dealing with the bank. We have chosen not to communicate with them through the media and it has proven successful," he said.

Reserve Bank Governor Gerhard de Kock said it was policy for the Reserve Bank to remain outside of politics and he had no reason to interfere, or make statements on behalf of First National.

He referred to a previous controversy regarding First National Bank and reiterated that Beeld newspaper had incorrectly interpreted BA9 report figures concerning the bank's current account deposits.

"To this very day we at the Reserve Bank have no reason for concern over FNB. It is basically sound and despite the problems they have had to deal with they are in a particularly strong position. We are happy with the way they are dealing with matters.

"I certainly have not seen any need for a Press statement to say just that," said De Kock.

HELOISE HENNING

B Day 8/6/87

(PFP)

(58)

(PFP)

To Page 2

ARBUS 8/6/87

(58) (B11)

## Threats to bank a big mistake — Schwarz

### Political Staff

THE BENONI Town Council was playing with fire by making threatening noises to withdraw its funds from First National Bank for political reasons, the Progressive Federal Party warned today.

Mr Harry Schwarz, PFP spokesman on finance, said it was very dangerous to choose where to give one's business purely on the basis of the political views of an individual associated with that business.

He was reacting to reports that the Benoni Town Council had resolved to call on First National Bank to express before June 19 its strongest disapproval of managing director Mr Chris Ball's actions in lending R100 000 for an "unban the ANC" advertisement in several newspapers.

A second part of the motion to withdraw funds from the bank if it failed to censure Mr Ball was withdrawn because it was considered improper to threaten the bank.

### CONDEMNED

However, this does not mean that the withdrawal of funds will not be discussed again.

Mr Schwarz said such threats could work both ways.

He had recently condemned a pamphlet put out by anonymous people in Cape Town which called on people to boycott certain institutions for different ideological reasons to those put forward by people who criticised First National Bank.

In the case of First National Bank, Mr Schwarz said, the people responsible for stirring up emotions against the bank included politicians aided and abetted by certain media.

He said that unless this was stopped there would be serious implications for the economy.

● Finance Minister Mr Bar-end du Plessis could not be reached for comment today.

- EH Ralph .....
- RA Forbes .....
- LC Harper .....
- Dr GF Lindeque .....
- PJT Oosthuizen .....
- PM Semark .....
- AJ Ham .....

**Development Bank of Southern Africa**

92. Mr J J WALSH asked the Minister of Finance: As at the latest specified date for which figures are available, what total amount had the Development Bank of Southern Africa (a) invested in and/or (b) granted in loans to each specified development re-

gion where decentralisation concessions or incentives are applicable?  
**THE MINISTER OF FINANCE:**  
 The loan amounts granted by the Development Bank of Southern Africa as well as the total investment value of all projects approved up to 31 January 1987, per development region, are as follows:

Region	Number of loans approved	Loan amount (R)	Estimated total investment value
Region A	1	940 000	1 128 000
B	45	168 622 360	190 205 000
C	19	96 313 940	113 844 000
D	142	564 614 434	809 762 000
E	42	251 935 368	271 040 000
F	9	40 757 850	59 359 000
G	79	231 251 074	323 127 000
H	18	90 515 365	97 485 000
J	2	1 339 000	1 606 000
Total	357	1 446 289 391	1 867 556 000

**Land and Agricultural Bank**

106. Mr R J LORIMER asked the Minister of Finance:

- (1) How many (a) Coloured, (b) Indian and (c) Black farmers (i) applied for loans from and (ii) were granted loans by the Land and Agricultural Bank in each of the latest specified three years for which information is available;
- (2) what was the total value of the loans so (a) applied for and (b) granted in respect of each of the above population groups in each of these years?

**THE MINISTER OF FINANCE:**

Year	1 (a) (i)	1 (b) (i)	1 (c) (i)
1984	17	35	None
1985	9	6	None
1986	7	27	None

Year	1 (a) (ii)	1 (b) (ii)	1 (c) (ii)
1984	15	25	None
1985	6	6	None
1986	1	15	None

Hummond 8/6/87



Year	2 (a) Coloured farmers	2 (a) Indian farmers	2 (a) Black farmers
1984	R379 700	R1 922 034	None
1985	R176 150	R821 600	None
1986	R762 400	R3 405 300	None

Year	2 (b) Coloured farmers	2 (b) Indian farmers	2 (b) Black farmers
1984	R302 900	R1 443 500	None
1985	R119 350	R739 900	None
1986	R7 800	R1 650 300	None

**WEDNESDAY, 9 JUNE 1987**

Indicates translated version.  
 For oral reply:  
**General Affairs:**  
*[Signature]*  
 State President:

**Report on Group Areas Act**

\*1. Dr C P MULDER asked the State President:†

- (1) Whether the President's Council recently referred a report on the Group Areas Act, No 36 of 1966, back to its Committee for Constitutional Affairs; if so, (a) on what date and (b) what progress has since been made in this connection;
  - (2) whether this Committee submitted certain recommendations with regard to the Group Areas Act to the full President's Council earlier this year; if so, on what date;
  - (3) whether the recommendations have been made public; if so, on what date; if not, why not?
- †The MINISTER IN THE STATE PRESIDENT'S OFFICE ENTRUSTED WITH ADMINISTRATION AND BROADCASTING SERVICES (for the State President):
- (1) No. (a) and (b) Fall away. On 4 February 1987, the President's Council confirmed the correctness of the decision of the Steering Committee, namely that the draft report on the Group Areas Act and related legislation be referred back to the Committee for Constitutional Affairs to finalise, within the guidelines of the original request, those matters which the Committee itself recommended should be further investigated.
  - (2) No.
  - (3) Fall away.
- \*2. Mr S S VAN DER MERWE—State President. [Withdrawn.]  
 Ministers:  
 Question standing over from Tuesday, 26 May 1987.
- Pietersburg: escort club**
- \*16. Dr W J SNYMAN asked the Minister of Constitutional Development and Planning:†
- (1) Whether an organization under his control recently (a) received and (b) granted an application for a licence to run an escort club on premises at Pietersburg; if so, (i) what organization, (ii) when in each case, (iii) where are the premises situated and (iv) under what conditions was the licence granted;
  - (2) whether he will furnish the name of the person to whom this licence was granted; if not, why not; if so, what is the name of the person?

HOA

Record R127,6m profit predicted

CAPP TENTS 9/6/87

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# Anglovaal divs up 30%

From PETER STACEY

**JOHANNESBURG.** — Anglovaal has lifted dividends for the year to June by 30%, on a projected 38% improvement in consolidated profits to a record R127,6m (R92,4m).

The declaration of a final ordinary dividend of 390c (330c) boosts distribution for the year to 585c (450c).

The other investment holding companies in the group have also all announced improved earnings and dividends

for the year.

Deputy chairman Clive Menell attributed strong performance by the group to a "generally marked improvement in trading conditions for Anglovaal's industrial companies" and he anticipates "substantially higher" profits for Anglovaal Industries.

The figures also reflect higher gold mining revenue, a result of higher output and an improved rand gold price.

Apart from factors such as firming of the economy and lower interest rates, sustained

good management in the group's companies has played a significant role, Menell said.

The group's controlling company, Anglovaal Holdings — whose main source of revenue is dividend income from its investments in Anglovaal — estimates taxed profits 29% higher at R5,37m (R4,16m), and has lifted its final to 39c (33c) giving a total of 58c (44,5c) for the year.

Middle Witwatersrand, the mining exploration, finance and investment company, reports marginally improved taxed consolidated profits of

R32,97m (R32,52m) and has declared an unchanged final of 100c for a total of 160c.

The improved results mean holders of Anglovaal Limited's 5% participating preference shares will receive a higher final of 200c (170c), bringing the total payment for the year to 302,5c (235c).

The new variable rate loan stock units — linked to the level of ordinary dividend payments — will pay 23,293c a unit for the period February 6 to year end June.

# Quadrupled earnings for Saficon

CAPE TOWN 9/6/87

By AUDREY D'ANGELO  
Financial Editor

SAFICON — the holding company with interests in motor vehicles and building materials — more than quadrupled earnings in the year to March, surpassing its previous record in the boom year of 1982.

With figures adjusted for the two for one share split during the financial year, Saficon lifted earnings to 80,3c (18,3c) a share, comfortably ahead of the 70,4c a share achieved in the 1982 financial year.

The final dividend of 17c a share makes a total of 23c for the year, compared with last year's total of 5,5c a share.

Turnover rose by 38,8% to R586,6m (R422,6m). Net operating profit before tax and interest rose to R25,3m (R12,7m).

The tax bill rose to almost R12m (R6,5m), but net taxed operating profit more than doubled to R13,4m, (R6,1m).

But executive chairman Sidney Borsook says that although the group's results are a record, in terms of after tax returns on investment, he does not consider them adequate when measured against SA's inflation rate.

"Our target after tax return on average net assets is 17,5% and this year Saficon achieved 15,8%, which is a great improvement on the previous year's performance.

## Boumat investment

"However, when this return and the 21,4% return on average ordinary shareholders' equity are compared with SA's official inflation rate of 16,8%, one can see that they are insufficient if the group is to survive and grow."

He says the past year's results were achieved largely because "our vehicle sales moved against the trend. Our new vehicle sales rose by 15% during a period when the vehicle sales market declined by 5,8%.

"Not only that, gross margins improved and our operating costs were even more tightly contained than we expected.

"We also received a much-increased contribution from our 35,3% investment in Boumat."

□ Saficon's holding company, Saker's Finance, lifted earnings for the year to R8,5m (R1,9m), or 88,8c (19,8c) a share. Saker's shares have also been split two-for-one. A final dividend of 18c a share brings the total for the year to 25c (5,5c) a share.

# COUNCIL DENIES THREAT TO BANK

reference  
22/9/90  
(S)

THE Benoni Town Council yesterday denied threatening to withdraw its money from the First National Bank saying it only called on the bank to state its public disapproval of the Ball-ANC advert placed in newspapers earlier this year.

By  
**SELLO  
RABOTHATA**

The confrontation between the council and the bank took another turn yesterday with claims that councillor Aubrey Ritz received an anonymous telephonic threat of a black consumer boycott should the withdrawal go ahead.

The Progressive Federal Party has also warned of the "inherent dangers" in this kind of ultimatum.

The Benoni town secretary, Mr C H Boshoff, yesterday said a councillor, Dr Phil Erasmus, introduced the motion at a council meeting last week in which he called on the bank to state its public disapproval of its chief executive, Mr Chris Ball, for granting funds used to pay for the "unban the ANC" advert.

The bank has been given until June 19 to respond to the council's demand.

Mr Boshoff said the council was not aware of a black consumer boycott threat. He said the council has not received a request for a meeting from the First National Bank.

The council's ultimatum follows findings by the Munnik Commission that Mr Ball authorised funds which were used to pay for the advertisement.

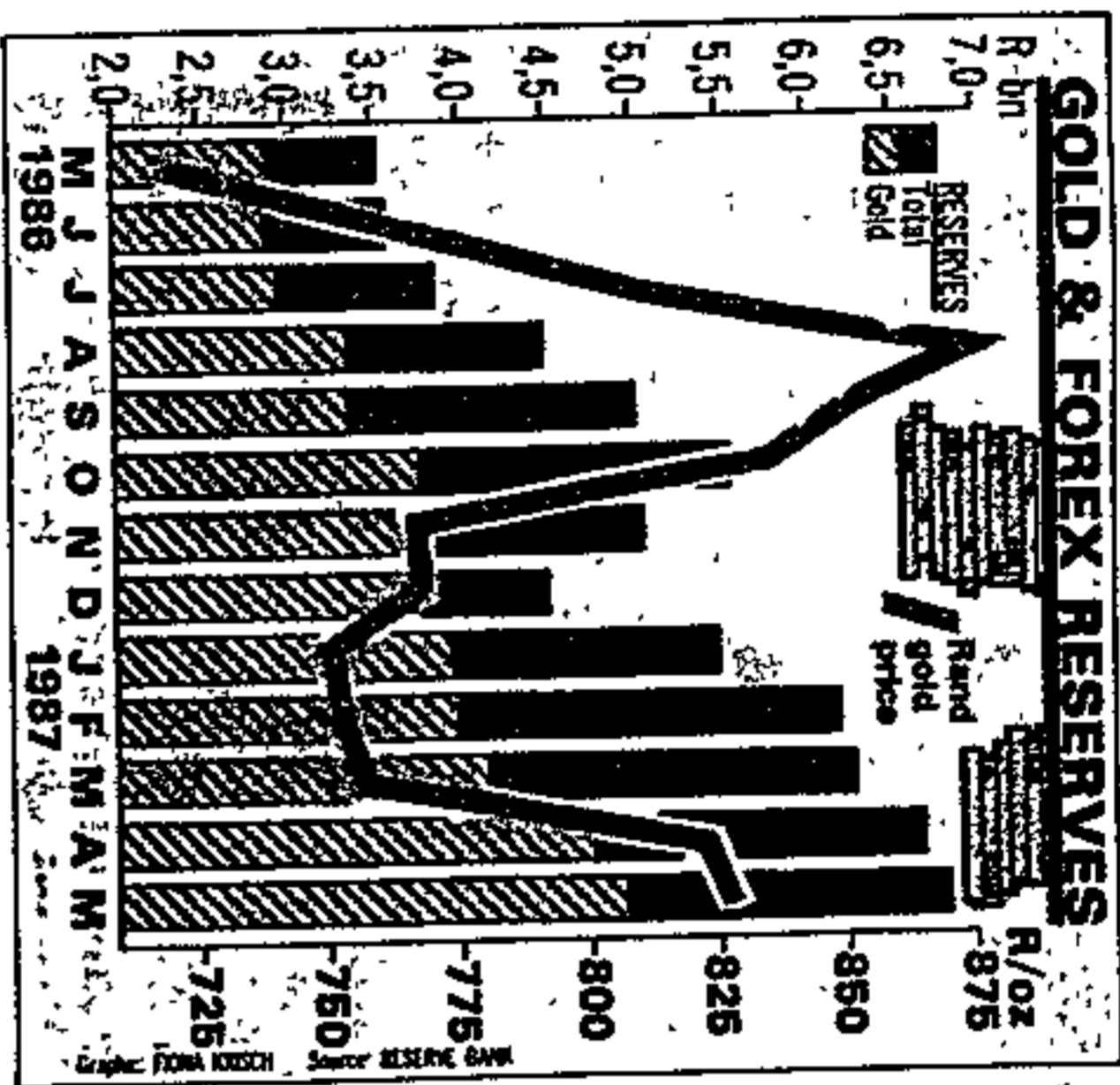
Mr Jimmy McKenzie, a senior general manager at FNB, said the whole matter came to light on Friday.

"Certain councillors raised the issue at a meeting, and others who were not happy with the motion approached the Press. I cannot even see how they could even raise the issue.

"We have since written to the council so that we can put the whole matter into perspective and put the bank's point of view," he said.

# Reserves at record high of R6,8bn

(SP) bDag 9/6/87



TOTAL holdings of the Reserve Bank's gold and foreign exchange reserves hit a high of R6,8bn in May — 2,2% up on April's R5,8bn, the bank's monthly statement shows.

This peak largely results from the holding of bullion valued at R4,97bn, the highest level since November 1980.

Paradoxically, the number of ounces of gold held by the Reserve Bank in May (5,99-million oz) was less than half that held in November 1980 (12,16-million oz) when the value of the gold holdings was at a similar level.

The near-doubling in the rand price of

HELENA PATTEN

gold, from R420,75 per fine ounce in November 1980 to R829,98 last month, is clearly reflected in the halving in the number of ounces held over the same period.

Since a gold swap of 500 000 ounces last April for foreign debt repayment, the total number of ounces held has grown more or less continuously. May's physical gold holdings were the highest since August 1985.

Other Assets, the Bank's holdings of foreign exchange, dropped slightly to

R1,78bn in May from R1,82bn in April, but nevertheless remained at a strong level. Other Assets, in fact, are currently at levels comparable to total gold and foreign exchange reserves during 1978.

The other component, the foreign reserves, Investments, show little change. They are marginally higher at R11,5m. Government is still sitting on a lot of money. Its deposits reached R2,42bn in May from R2,26bn in April. This compares with R631m last May.

Bills discounted at the end of May, at R500m, exactly equalled the market shortage.

Shock at Benoni council attitude

# Drop resolution on First Bank, Tom Boya urges

9/6/87

DIANNA GAMES

BENONI Town Council has been urged by one of the black mayors in its area to rescind its call on First National Bank to censure MD Chris Ball.

Daveyton mayor Tom Boya yesterday expressed shock and dismay at the council's attitude to First National Bank after Ball's granting of an overdraft used to fund an "unban the ANC" advertisement.

The bank has disputed the Munnik Commission's finding that Ball knew the purpose of the R100 000 overdraft.

Boya warned that a black consumer boycott of Benoni business, resulting from blacks' disapproval of the Benoni council's action, could have severe implications for businessmen there, and ultimately the council.

Boya said his organisation, United Municipalities of SA (Umsa), supported the unbanning of political organisations.

He advised the council to rescind its resolution, and added that the question of a black consumer boycott, threatened in an anonymous call to a Benoni councillor, had to be addressed, as boycotts had proved very effective.

About 150 000 people live in Benoni's two townships, Daveyton and Wattville.

The council passed a resolution calling on the bank to express before June 19 its "strongest disapproval" of Ball's granting of the overdraft.

The council is now awaiting the arrival of a First National Bank request, sent yesterday, for a meeting between its staff, including Ball, and the council

to end a situation that could lose First Bank the council's R150m account.

Benoni's deputy town clerk Chris Boshoff said the matter would be discussed at next week's management committee meeting, but if necessary a special meeting could be convened earlier.

First Bank senior GM Jimmy McKenzie said the bank wanted to put the whole affair in perspective and give its point of view. He said the bank had served the Benoni council for many years and should be judged only on its efficiency.

Edenvale town clerk S J Mulder said yesterday that from July 1 the council would, after 35 years with First National Bank, be moving its R33m to Trust Bank. He said this was an economic, not a political, decision.

He said the council had, in September 1985, decided to ask banks for proposals on their various services. After consideration of these, it was decided to move the account to Trust Bank.

The issue of withdrawing the Johannesburg City Council account from First National Bank had not been discussed by the council or its management committee, said management committee chairman Francois Oberholzer. "But disquiet has been expressed by some members of the council," he said.

Of 12 municipalities on the East and West Rand, three, including Benoni, bank with First National Bank, eight with Volkskas and one with Standard Bank.

milk prices, however, had...



Only Benoni involved in First National row

# Reef councils won't follow up threat to bank

## Staff Reporters

The ultimatum issued by the Benoni Town Council to First National Bank over the ANC advertisement issue is unlikely to be followed by other Witwatersrand municipalities because most have accounts with other banks.

Of nine councils on the East Rand, only Edenvale was found to have had an account with the bank. No West Rand towns have major accounts with First National.

The Edenvale Town Council recently withdrew its R30 million account from First National, but said it was a commercial decision, and had nothing to do with the "Chris Ball affair".

The Benoni Town Council has demanded that the bank censure by June 19 the actions of their chief executive, Mr Ball, found by the Munnik

Commission to have had knowledge of the granting of a R100 000 overdraft to fund an "unban the ANC" advertisement. The bank has disputed the Munnik findings.

Volkskas handles the banking of the bulk of East Rand municipalities. Its list of clients includes Alberton, Germiston, Kempton Park, Boksburg, Springs, Nigel and Brakpan. Bedfordview has an account with Standard Bank.

The Kinross Town Council could not change its banker even if it wanted to — "First National is the only bank in town," says the Eastern Transvaal town's treasurer, Mr Edward de Kock. "But anyway, I've got no problem with Chris Ball," he said.

## Consumer boycott

First National Bank has called for a meeting with Benoni Town Council to discuss the issue, but early this week, town secretary Mr Chris Boshoff said he had not received an official request for the meeting.

Benoni councillor Mr Aubrey Ritz said he had received an anonymous telephone call from a black man who threatened: "If you guys withdraw from First National Bank, we'll boycott you".

Daveyton mayor Mr Tom Boya has warned of the implications of a possible consumer boycott. He said a consumer stayaway could bring white shopowners to their knees.

Mr Boya said he supported Mr Ball if he had passed the R100 000 for the campaign knowing what it was to be used for.

58  
Societies <sup>star</sup> attacked over granny bonds 10/6/87

By Janine Simon

The National Council for the Care of the Aged has lashed out at building society reaction to "granny bonds" and accused them of underestimating the investment power of the aged.

Building societies have expressed fears that the bonds — announced in Parliament last week — will induce a massive drop in their investments.

Mr Sid Eckley, director of the council, said building societies had long underestimated the investment power of the aged and had done nothing to reward long-time investors.

"We have repeatedly asked societies to reward with higher interest those who invest all they have, but the most we have won is a half-percent."

Banks had also not responded to the council's appeals to reduce banking charges for the aged, and the finance houses, in the main, also did little to help.

"The sensible alternative would be for building societies to offer competition to the bonds," he said.

Mr Eckley said the council would also ask the Government to change the investment levels for the bonds from a R500 minimum and R200 000 maximum to R100 minimum and R50 000 maximum, as the current rates helped only those pensioners with substantial amounts.

## **Reserve Bank seizes millions held by the African Bank**

58  
11/6/87

PRETORIA — The Reserve Bank last night invoked a new Exchange Control regulation to declare R66 900 000 held by the African Bank forfeited to the State.

The Bank also announced the seizure of additional millions of rands from four former African Bank employees, including the late former MD, Mr Moty Maubane.

The money was allegedly obtained through a massive swindle in which the difference in value between the commercial and financial rands was applied.

Another three men face charges in the Rand Supreme Court on August 17.

In a special edition of the Government Gazette published last night the Reserve Bank ordered

the forfeiture of R1 900 000 accredited to Mr Maubane's estate.

The money is held in a Trust Bank account in Johannesburg.

The forfeitures were declared in terms of regulation 22B of the Exchange Control Regulations.

All the monies are to be deposited into the State Revenue Fund. — Sapa

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11/6/87

EVENING POST

# Request to council by bank

Post Correspondent

JOHANNESBURG — The Benoni Town Council management committee will meet on Tuesday to decide whether or not to grant an interview to the First National Bank.

FNB wrote to the council requesting the meeting to discuss the council's demand to the bank to condemn the actions of its chief executive, Mr Chris Ball, regarding the "un-ban-the-ANC" advertisements.

"The committee will meet and will decide on the next course of action," said the town clerk of Benoni, Mr Nantes Botha.

58 11/6/87

## State seizes millions from African Bank 58

The Reserve Bank last night invoked a new Exchange Control regulation to declare R66,9 million held by the African Bank forfeited to the State.

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All the monies are to be deposited in the State Revenue Fund. — Sapa.

STAR 11/6/87

MANHATTAN

## OTHER PEOPLE

# Nine months and R500 later, the Allied man walks free

An Allied Building Society client was detained for nine months after the branch manager called the security police. Chris Tyawana talks to GAYE DAVIS

CHRISTOPHER TYAWANA, the Worcester man who was detained after trying to deposit money at a Cape Town branch of the Allied Building Society, is considering keeping his money under his mattress.

But first he'd like some "straight talk" from Allied officials. He would like to know whether the building society will pay his R500 fine — he was last week sentenced for possession of three bullets and a detonator — and whether it will compensate him for the nine months he was deprived of his liberty.

Tyawana believes the building society behaved "like the secret police".

Allied has said it "regretted" the incident in which its computer system was "misused".

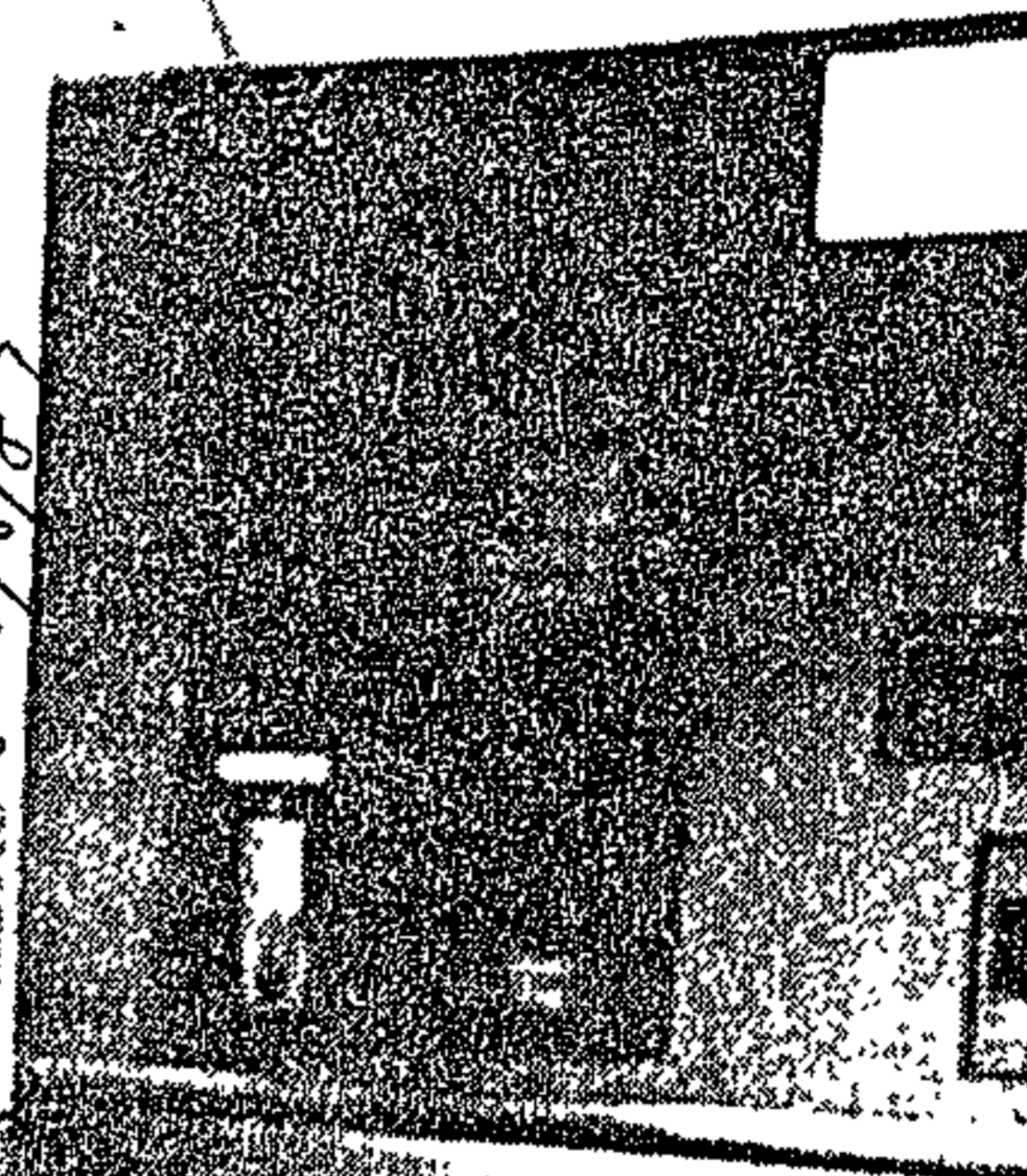
"I am going to take further steps," the 25-year-old founder member of the Zwelethemba Youth Organisation told the *Weekly Mail* this week. "I want to teach them a lesson as they have taught me. I had been in hiding for three months and never even thought that anyone else would do the work of the police, especially in Cape Town, which is not as *verkramp* as Worcester. I went in there with a free heart, not aware I was trapping myself in a snare."

Tyawana's apprehension by security police after he was "kept talking" by Chris Laurie, the building society manager, raised serious moral and ethical questions about the confidentiality of clients' affairs. Allied was plunged into an embarrassing controversy, especially after a group of its shareholders launched a campaign criticising the society's role and calling for redress.

Allied subsequently issued a statement regretting the "unfortunate and unauthorised misuse" of its computer system, giving an assurance it would not happen again. It also paid Tyawana's mother R350 a month while her son, the main breadwinner of the family, was in detention and published newspaper advertisements urging the government to charge or release him.

Giving his version of events for the first time, Tyawana told the *Weekly Mail* what happened when he dropped into the St George's Street branch of Allied to make a R200 deposit on August 24 last year.

Contrary to reports at the time, he did not have a banking card and it was not swallowed by the auto-teller. The teller, who took his bank-book and money, told him there was "a problem" with his account and that he



W/14/12-18/8/87



Christopher Tyawana — looking for some 'straight talk'

Picture: MIKE HUTCHINGS

should wait for the manager, Tyawana said.

"When the manager came, he telephoned the Worcester branch. He then asked me whether the police were looking for me and said I must wait until they come."

Tyawana also challenged a statement by Allied general manager Allan Tindall who said he "was not forcibly detained by any employee of the Allied and was free to leave the premises at any time".

"I asked the manager whether I could go and collect a pair of shoes from a nearby shoemaker but he said I should wait until the police came. He said they were on their way. It was near closing time, there were no more customers and security guards stood at the doors. I knew I couldn't leave," Tyawana said.

When police arrived they "knew exactly who I was", he said. "They told me I was a *klein vissie* (small fish)." That afternoon he was handed over to Worcester security branch members.

For the next six months he was held in solitary confinement in Worcester prison under Section 29 of the Internal Security Act.

"I saw my mother only once during that period," he said.

When his detention was transferred to Section 54 of the same Act, he remained in solitary confinement but was given newspapers and radio and television privileges.

Last week, Worcester magistrate JC

van Wyk found Tyawana not guilty on charges of terrorism, of being an African National Congress member or of furthering its aims. Finding him guilty of being in possession of three bullets and an electronic detonator, Van Wyk fined Tyawana R500 or six months with a further six months conditionally suspended for five years. For possessing ANC publications, Tyawana received an 18-month sentence suspended for five years.

After the case he and his mother, Mrs Edith Vanga, went to Allied's Worcester branch and asked them to pay the fine.

"The officials were a little embarrassed, I think," Tyawana said. "They said they would have to talk to their head office." He also "sorted out" the little matter of his R200 deposit nine months ago, which was never reflected in his bank-book.

Tyawana was being trained as an organiser by the South African Allied Workers's Union at the time of his arrest. He was one of seven Zwelethemba residents elected by the local civic association, who were holding talks with municipal and government officials when the State of Emergency was declared.

The entire civic committee — which until then had been meeting regularly with officials — were either detained or went underground. House-to-house searches became a feature of life in the township as police hunted for those in hiding.

# More than profits <sup>(S)</sup>

FACE TO FACE



Bob Tucker, MD of the SA Perm, has a business philosophy that arouses strong reactions. The Perm recently raised its bond rate to 14,5% and has just published its annual results.

**FM:** One reason suggested why the Perm had to raise its bond rate is that it has a high cost structure because of its philosophy of chasing small business, expensive to administer, while it does not charge for deposit-type services.

**Tucker:** Our cost structure is higher than other societies, depending on how costs are compared.

But the difference is not material. If the ratio of costs to assets managed is the measure, we compare favourably.

It depends on one's objectives. Perhaps a little ahead of its time, but none too early, the Perm has accepted a need for multiple goals. Instead of the single bottom line which obsesses most executives, we give attention to multiple bottom lines — all interconnected.

The higher cost structure is directly related to granting many loans to the full spectrum of homeowners and serving a huge number of depositors and savers.

**So profit is not the bottom line?**

It is one of several components to the bottom line.

We seek an intelligent compromise between communal service in the form of home loans and savings and money transmission facilities, and profitability. It should not be overlooked that we remain the second most profitable society.

We have deliberately compromised short-term profit to render a broad spectrum of services.

Of our 600 000 new clients probably 70% are black. Our average loan is R41 900 compared to the movement's R50 000 average. **Are the Perm's bondholders not in effect subsidising fee-free depositors?**

The increase in bond rate is unrelated to service to depositors and savers. It is a simple case of narrowing margins and resistance to longer-term investments at severely negative

real rates of interest.

With our commitment to the broad spectrum of homeowners we can't rely too heavily on short-term funding. We have a policy of stable and balanced funding and the increase is a responsible move to maintain stability — even if it results in short-term adverse publicity. To suggest that a bond rate 3% below the inflation rate is prejudicial to homeowners is ludicrous. When will someone start taking an interest in the desperate plight of savers?

**How significant is the challenge from banks?**

Banks have entered the home loan market awash with surplus funds. Their commitment to the full spectrum of homeowners must be questioned, especially in regard to smaller building loans and loans to blacks.

Banks also have no statutory bar to raising funds in the short end of the market where, over the past year, rates have been exceptionally low and funds plentiful. This naturally permits a much higher funding margin.

There is no doubt that margins in the high-value market will tighten even further and competition increase.

**Are you compromising on technological development?**

Our client accounting system is up to date but our administrative and procedural systems are perhaps a bit behind. We are rapidly catching up.

**What are the consequences of the trend towards "financial supermarkets" which will cater for all financial needs?**

The success of recent mergers and purchases is still to be felt and will depend on the efficacy of rationalisation. There will be no societies in five years, rather a host of financial intermediaries — some catering for specific areas and others offering the whole gamut of services.

**Where will the Perm be placed?**

We will essentially remain lenders of home finance. The point is where and how we mobilise funds for this. This is where we, like others, will make the necessary ties.

**Does this mean the Perm will go into banking?**

Banking links are in the pipeline for this year. We do not want the complexities of banking so are not looking to buy a bank or establish a subsidiary.

**Does not having the largest proportion of**

**black bondholders make you vulnerable to boycotts?**

Anyone who in this divided and polarised society attempts to bridge the divisions runs the risk of becoming a victim of those very divisions. No doubt the Perm would run a lower risk and be more profitable if it refrained from pioneering home loan finance for blacks. So by being courageous and doing what every thinking person must consider as of fundamental importance, the Perm exposes itself to higher risk, lower profitability and shortsighted criticism by those who regard bottom-line profit as the only criterion of success.

The irony is that I have been labelled a socialist, but the Perm is probably doing more than most to develop and educate vast numbers of people in the benefits and opportunities of a free enterprise system.

**Given this threat and the highly politicised nature of housing why do you not come out in support of organisations such as the UDF and Cosatu?**

The Perm is not in politics, but in business. It is not appropriate for us to take any political stance.

**What are the Perm's links to the SA Housing Trust?**

We are concerned that it carries too heavy a burden of bureaucracy and identification with government paternalism. It could play a vital role in housing development and job creation and we would like to see it doing so. We believe heavier reliance on normal private-sector mechanisms would oil the wheels.

We will certainly assist the trust provided it is consistent with our overall positioning and policy.

**Why not go it alone and build houses?**

There is a critical shortage of land — both raw and developed — for housing development. Wherever we can get land we are, through our development corporation and a housing development company, involved in housing development and stimulation of the black building industry. We would like to do more.

The Perm cannot "go it alone" on housing, which is vital to stability. The need is so great that all financial institutions involved in housing must be committed if the problem is to be eased materially. ■

# AAM reinsurance puzzle (S8)

FORMER AA Mutual (AAM) chairman Philip Sceales said yesterday as far as he was aware, AAM had not written any inwards reinsurance business during his long association with it.

He was giving evidence in Johannesburg to the Melamet Commission which is investigating the circumstances surrounding the AAM collapse.

Losses on inwards reinsurance business have emerged as one of the major reasons for the short-term insurer's collapse last year.

Sceales was associated with AAM from its inception and re-

HELENA PATTEN

signed as chairman in 1981.

He said: "There is no doubt that Warren Plummer (former AAM MD) was and is a very able man as far as short-term insurance is concerned. During his management, the company grew steadily. He was highly respected, but disliked by his colleagues."

He said the company had been built up with no capital at all and was only able to grow by using retained profits. The solvency margin had always been a problem, he

said.

Trevor Franklin, one of the liquidators of AAM, said in evidence the liquidators had recovered a building which AAM had sold to Trust Bank. A sum of R18,3m had been held in a Trust Bank account to secure the option of reversing the deal. He said the sale had been made to try and improve the solvency margin.

The liquidators were of the view that certain preference shares had been incorrectly redeemed by AAM because a proper investigation of the adequacy of the reserves had not been made, he said.

12/6/81



12/6/87



### Funding farmers

While Benoni Town Council threatens to withdraw business from First National Bank (FNB) because of MD Chris Ball's alleged links with the ANC, one can assume that the farming community will not be taking its bad debts elsewhere.

It is ironic that FNB, which is being sharply criticised for granting a loan that paid for an "ANC" advertisement, has played no small part in keeping the stricken agricultural sector going over the past few years. Like Standard and Volkskas, it has been a major source of finance to farmers.

In June 1986 (the latest available figures), the parent bank had granted 30% of commercial bank loans to farmers, with over R1 billion outstanding. Financing arm, Wesbank had 21% of general bank market share with facilities of over R200m.

In addition, there is a "very substantial" credit line from the commercial bank to the Land Bank.

Drought, compounded by inflation and recession, has brought years of failure to farmers. This year could be even worse because many bankruptcies, so far staved off by additional finance, will finally take place.

The moral is not that First National has been acting altruistically or for any other reason than the presumption that profits could be made. It is that banks, traditionally, are politically neutral, lending to all sections of the community.

Ironically, too, Benoni town councillors no doubt disapprove of politically-motivated international sanctions on SA — on the grounds that it will harm the very people it is intended to help. Perhaps they should consider what would happen to the over-extended farming community if FNB called in overdrafts because of lack of resources.

Fortunately, this is unlikely. In terms of total balance sheet size of R23 billion, FNB is the largest in SA. The R150m that Benoni Town Council is threatening to withdraw represents annual turnover — money flowing in and out in the course of daily business. In money terms it will have little impact.

However, there is a principle involved. A threat to remove an account for political reasons has implications for the entire banking system — and for the economy.

Already the threat has provoked a counter-threat of a black consumer boycott. Can SA, under siege from the rest of the world for political reasons, really afford internal economic war? ■

(3)

## Benoni bash

The resolution of the Benoni Town Council calling on First National Bank (FNB) "to distance itself" from MD Chris Ball in regard to the ANC advertisement has had unexpected repercussions.

The Benoni Chamber of Commerce and Industries is in possession of reliable information that local blacks, inter alia, could implement a consumer boycott if the resolution is not rescinded. The chamber is urging the council to reconsider its attitude, while a meeting between the council and FNB is being arranged.

Leo Bröker, president of the chamber, says: "We are business people representing businessmen of the area." The chamber "is worried" about the consequences the council's resolution could have "for the town of Benoni as a whole" as well as for businessmen.

He emphasises that he heads a "non-political" organisation concerning itself with "the business effects" only. And it is strictly from this viewpoint, after receiving strong reactions from blacks, that the chamber will send a letter to the council urging that the resolution be withdrawn.

FNB senior GM Jimmy McKenzie says the bank has written to the council "giving it some information which may help with this problem."

The letter incorporates a request for a meeting "at the first opportunity."

He says that FNB has been "a part of the growth of Benoni for a very long time." The bank should be judged on the quality of the service rendered, its level of efficiency "and the contribution it has made."

As for FNB's possible redress against *Beeld*, McKenzie says the bank is still considering its position.

f1M 12/6/86



## VOLKSKAS' PICKUP

Year to March 31	1986	1987
Operating income (Rm)	53.2	60.8
Net income (Rm) . . . . .	20.5	23.2
Earnings (c) . . . . .	174.0	199.6
Dividend (c) . . . . .	57.0	66.0



**Volkscas' Diedericks . . . no intention to raise funds**

VOLKSKAS

### Late sprint

Volkscas turned in a rather mediocre performance in its interim results, but the second half results surprised analysts — for the year to end-March the dividend was increased for the first time since 1984.

Earnings climbed from 85c in the first half to 191,6c in the second half — a rise of 104% compared with the second half of 1986. This was achieved despite substantial provisions, including those for bad debts. According to GM Hennie Diedericks provisions are larger than those of 1986, but he estimates that bad debts have levelled off since the middle of last year.

Volkscas retains a policy of very limited disclosure, but Diedericks says ample provision has been made for the bank's heavy exposure to the agricultural sector. He sees some help coming from the recently announced relief to farmers in summer rainfall areas.

A question which inevitably arises since the introduction of the new Banks Act, is whether the capital base is adequate. Diedericks says Volkscas's base is more than adequate, and repeats that there is no intention to raise funds — either through the issue of debentures or a rights issue. The transaction with UBS has brought a cash injection, which gives the bank a certain leeway in this area.

Though the performance in the second half would seem to indicate that there must have been an improvement in margins, they are not yet comfortable, according to Diedericks. "Though they are reasonable, they are still under pressure", he says.

The directors tend to be cautious about the outlook for the coming year. Like most other banks, Volkscas is heavily dependent on what happens in the economy, but Diedericks says the bank is well-placed to make the best of any improvement. The benefits of the UBS deal are long-term. "But all things being equal, the bank could maintain the growth pattern as indicated in the latest results," he

says.

In view of this expectation, the share would seem to be underrated on its present dividend yield of 5,1%. Before the dividend hike it was standing at a yield of 4,5%, and could now trade at an even lower yield if it is rerated.

*Pat Kenney*

# Ball gets WCTA support for ANC ad

*CMT - 1/15  
13/6/87*

Staff Reporter

THE Western Cape Traders' Association (WCTA), which represents 2 000 retail traders, gave its unequivocal support to Mr Chris Ball, managing director of First National Bank, for granting an overdraft to a client who assisted the UDF in paying for the ANC advertisements.

In a letter of support to Mr Ball, the WCTA said the bank was one of the main pivots of the "so-called" free-enterprise system and one of its functions was to assist clients by granting them overdraft facilities.

The WCTA said it had a long trading history with Barclays Bank and it found Mr Ball to be a man of dynamic personality in the sphere of bank finance and was proud to be associated with him.

The WCTA also supported Mr Ball's meeting with the ANC in Lusaka as a breakthrough for South African businesses and industrialists.

□ Peninsula members of the WCTA will close their shops on June 16 in remembrance of those who have died in the "struggle for freedom".

Executive member Mr Cassiem Allie said June 16 was observed by "all democratic-loving people of South Africa". The WCTA wanted to commemorate the day by closing their shops.

# Police probe into threat of boycott

W/E ARGUS 13/6/87 (2) 58 2/260

Weekend Argus Foreign Service  
JOHANNESBURG.— Security police are investigating threats of a black consumer boycott over Benoni Town Council's move to close its R150-million-a-year account with First National Bank.

In a second development, the bank, in a full-page advertisement today, declares total opposition to violence, condemns terrorism and revolution, and says it is not the "ANC bank". It calls on the public to spurn these "malicious myths".

The Nationalist-run council has given the bank until Friday to repudiate Mr Ball for granting a R100 000 overdraft to a man acting on behalf of the United Democratic Front. The money was used for advertisements promoting the African National Congress.

It accepts as a fact the finding of the Munnik inquiry that

Mr Ball knew what the money would be used for before authorising the overdraft.

Mr Ball and the bank have rejected the finding outright.

The furore is developing into a major row, with the council being accused by business leaders and industrialists of making political decisions not in the interests of the East Rand town.

Blacks have threatened to impose a consumer boycott if the council cuts its links with First National.

Two security police officers called on veteran councillor Aubrey Ritz, who opposed a motion calling for the closure of the First National account, to ask for a statement on telephone calls he had received.

At least four people anonymously warned Mr Ritz that blacks may boycott white-owned businesses if First National lost the Benoni account.

Mr Ritz, who is opposed to local government involving itself with political issues, was to hand a statement to the police today.

## Retaliate

Daveyton mayor Mr Tom Boya expressed shock at the council's attitude to the bank and warned of the implications of a consumer boycott.

Mr Petrus Masango, chairman of Daveyton's Chamber of Commerce and Industries, warned that blacks were bound to retaliate, though not necessarily through a boycott, if action was taken against Mr Ball.

The Benoni Chamber of Commerce and Industries has also expressed concern over the consequences of action against First National and has asked the council in a letter for a discussion on the issue.

Petitions, believed to be mostly in support of the bank, are being handed in at the council's offices.

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# Bank slams campaign of 'myths and gossip'

Sunday Times Reporter

FIRST National Bank (formerly Barclays) has hit back publicly at what it claims is a malicious campaign of "myths and gossip" in the wake of the Munnik Commission findings.

The bank this weekend took the unusual step of taking out full-page advertisements in national Sunday newspapers distancing itself from the ANC and other political organisations and re-affirming its economic commitment to South Africa.

The public relations counter-attack follows several weeks of negative publicity flowing from the Munnik Commission of Inquiry, appointed by President Botha, which found that First National's MD Mr Chris Ball probably knew that an overdraft he advanced to a businessman was to be used to finance the controversial "unban the ANC"

advertisement earlier this year.

One municipality — Cradock — has since declined to renew its account with the bank, while the Benoni town council has also threatened to withdraw its business.

The bank's controversial new tree logo has also been the target of attack — some claimed the logo, which has since been modified, contained a "rabbit" emblem, said to be associated with the ANC.

## Straightforward

The advertisement, which appears in today's Sunday Times, is signed by Mr Ball himself, along with First National's chairman Mr Basil Hersov.

It calls on "fellow South Africans to reject the myths and gossip".

It adds: "Our position is straightforward and clear. We are professional bankers. We

do not have associations with political interest groups. We do not support the ANC, nor do we support any political organisations or parties."

"We are not the 'ANC bank'. We are totally opposed to violence and therefore condemn terrorism and revolution."

First National, which is now 100 percent South African-owned and managed, further points out in its defence that it is the largest lender to the public, industry and to farmers and that it is the largest acceptor of deposits and savings in South Africa.

## Tradition

It says: "We have had a long and honourable tradition in every corner of our land for 149 years."

"We have been one of the key participants in the economic development of our country. We will continue to play that role with pride and confidence."

The bank also denied that there was any deliberate insertion of shapes in the tree logo.

14/6/87  
State  
seizes  
bank  
money

THE Reserve Bank invoked a new exchange control regulation to declare the R66,9-million held by the African Bank forfeited to the State on Wednesday night.

The bank also announced the seizure of additional millions of rands from four former African Bank employees, including the late former managing director, Monty Maubane.

The money was allegedly obtained through a massive swindle in which the difference in value between the commercial and financial rands was applied.

The Reserve Bank also ordered the forfeiture of R1,9-million accredited to Maubane's estate.

All the monies are to be deposited into the State Revenue Fund. - Sapa.

# Life assurance industry looks to Margo for tax relief

LIFE ASSURANCE industry sources expect the Margo Commission's report to favour changing the present method of determining assurers' taxable income to that used for other companies.

Currently, life offices are taxed at 50% of taxable income, which is defined as 40% of investment income. Other companies are taxed at 50% of income less expenses.

Old Mutual chief actuary Theo Hartwig said he knew the commission had discussed methods of determining taxable income and he believed the commission favoured

HELENA PATTEN

treating life companies in the same way as other companies.

The effect of this would be to favour small, faster-growing life companies, which had higher expenses relative to income than slower-growing companies.

However, Hartwig did not expect the commission to have worked out the details and said it would probably be years before anything was done.

Liberty Life joint-MD Mark Winterton said life offices were taxed at

a higher rate than other companies because no deductions for expenses were allowed and the investment in prescribed assets at less than market rates was in itself a type of taxation. He said many people did not understand the basis on which the industry was taxed.

He said: "If the life industry was put on the same tax basis as other companies, we would pay less. I would be very happy about such a move."

However, Winterton thought the status quo was the most likely post-Margo scenario, because of the

amount of work government would have in other areas.

He hoped the tax rate would be reduced, as the economy needed long-term savings.

Peter du Toit, Lifeagro's senior GM, investments, said the commission would probably restrict life offices in the type of business written, but the industry, being innovative, would develop new products.

He said if life offices were taxed in the ordinary way, it would probably be to their advantage, especially in growing companies.

Southern Life group legal adviser Tony Dave said a change in the definition of taxable income for life offices would not materially affect the amount of tax paid by life companies.

He said it was likely the commission would recommend a capital transfer tax (estate duty and donations tax), a lighter form of estate duty, which would offer an opportunity to life offices, because it would create a need for liquidity in the case where an asset was non-realizable or where there was no desire to realise the asset.



CAPE TIMES 15/6/87

(58) ~~11/11/87~~

# Bank ad refutes ANC tag

JOHANNESBURG. — First National Bank has placed a series of advertisements calling on South Africans to reject the "myths and gossip" about the bank's alleged involvement with the ANC — and the Benoni councillor who proposed that the town withdraw its R150 million a year account from the bank says he is satisfied the bank does not support the organization.

In a full-page advertisement in Sunday

newspapers, signed by chairman Mr Basil Hersov and managing director, Mr Chris Ball, the bank denied having any affiliations with political interest groups.

Benoni councillor Dr Phil Erasmus also said the town's money could now stay with FNB.

"As far as I am concerned, the matter has been nicely resolved and Benoni's R150 million is safe at First National Bank."

The ad also states, among other points, that FNB is proud of being "a bank for all

the people of South Africa".

Regarding the ANC, it says: "We do not support the ANC, nor do we support any political organizations or parties. We are not the 'ANC Bank'. We are totally opposed to violence and revolution and therefore condemn terrorism and revolution."

"We have noted the speculation that the tree of our new logo contains, among other shapes, a rabbit and that the rabbit is the emblem of a political group," the advertisement read.

# First National Bank runs anti-ANC ad

DD 15/6/87

SS

## Dispatch Correspondent

DURBAN — The First National Bank (FNB) has called on South Africans to reject the 'myths' about the bank's alleged involvement with the ANC.

In a full-page advertisement in Sunday newspapers, signed by the chairman, Mr Basil Hersov, and the managing director, Mr Chris Ball, the bank denied having any political affiliations.

"We have noted the speculation that the tree of our new logo contains, among other shapes, a rabbit and that the rabbit is the emblem of a political group," the advertisement read.

"Some have suggested that a rabbit was deliberately inserted.

"There was no deliberate insertion of any shapes in the tree... South Africa's foremost authority on the ANC, Dr Tom Lodge, advises us that there is no association between the rabbit and the ANC.

"We do not support the ANC. We are totally opposed to violence and therefore condemn terrorism and revolution."

The advertisement referred to myths which had been "propagated and spread in the past few months in unwarranted attacks on the bank and its staff".

Councillor Phil Erasmus, who proposed that Benoni remove its R150-million account from FNB, changed his mind yesterday after reading the bank's advertisement.



MR BALL

Mr Erasmus said the advertisement had addressed the full spectrum of concerns, including the bank's logo and had in "no uncertain terms" rejected the ANC and terrorism.

"I can go back to the people of Benoni and as-

sure them of the loyalty of our bank," Mr Erasmus said.

"I intend going to the council and making a suggestion to them that I am satisfied with the assurances given by FNB and I would like to ask that this matter can be taken as settled."

Mr Erasmus said he had sent a letter to the town clerk so the matter could be discussed at a management committee meeting today.

There had been no more communication with the Benoni Town Council, but the FNB had written to it and was waiting to hear what it was going to do.

The senior general manager, Mr Jimmy McKenzie, hoped the council would change its

mind about closing its account with FNB.

"We hope so because we have put it into perspective.

"We are a 100 per cent South African bank and want to grow with South Africa."

The bank did not want to lose "old friends" with whom it had worked together for so long.

"Talking to other people, I have been delighted with the response we have had in deciding to run the advertisement," Mr McKenzie said.

"I have been thrilled with their response to it.

"There is every chance the story will be put to rest and we can get on with our business."

Sowetan 15/6/87

# Row over ANC ad over

58

THE Benoni councillor who proposed that the town withdraw its R150-million a year account from First National Bank (formerly Barclays) because of the ANC advert affair says he is satisfied with an FNB advert asserting the bank does not support the organisation.

Dr Phil Erasmus also said the town's money could now stay with

FNB.

Dr Erasmus was quoted in the Afrikaans Sunday newspaper, *Rapport*, as saying the ad was a satisfactory answer.

The ad which appeared in several Sunday papers said FNB does not support the ANC or any political organisation or party — was signed by FNB managing director Chris Ball and

chairman Basil Hersov.

Dr Erasmus, underlining the importance of Mr Ball's personal involvement in drawing up and signing the ad, told *Rapport*: "There can be no doubt where Mr Ball stands (on the ANC). If anyone else had signed it (the ad), it would not have helped."

Benoni Town Council had demanded FNB repudiate Mr Ball over



MR CHRIS Ball.

the ANC advert affair or it would withdraw the account.

Dr Erasmus also told the paper he would be telephoning Benoni's management committee on Monday to recommend the FNB stand be accepted.

"As far as I am concerned, the matter has been nicely resolved and Benoni's R150-million is safe at First National Bank." — Sapa.

## MAYOR AND TOWN CLERK WARNED

THE mayor of Thokoza on the East Rand, Mr Gerald Lethebe Mamabolo (43), and the town clerk, Mrs Doris Thinane (40), were warned by a Johannesburg magistrate not to contact or communicate with State witnesses while they are out on bail.

Mr Mamabolo and Mrs Thinane appeared before Mr J J P Esterhuizen in the Johannesburg Regional Court

following the disappearance of R1,3 million from the funds of the Thokoza Town Council.

Mr Mamabolo (no fixed address), and Mrs Thinane, whose address was given as Jabulani Flats, Soweto, were not asked to plead, and the case was remanded to August 12.

Mr Mamabolo is out on R1 000 bail, and Mrs Thinane on R500 bail. — Sapa.

# Benoni to reconsider break with First National Bank

Benoni Town Council will decide later this month whether to keep its account with First National Bank or to take its business elsewhere.

This was confirmed today by the town clerk, Mr Nantes Botha, who said a decision was likely to be taken at the council's monthly meeting on June 30.

First National placed advertisements in several newspapers yesterday saying it did not have an affiliation with any political group and that there was no deliberate insertion of any shapes in the tree that forms part of its logo.

And the advertising campaign has won over at least one major critic — Benoni town councillor Dr Phil Erasmus.

"I can go back to the people of Benoni, black and white, and assure them of the loyalty of our bank," he said yesterday after reading the newspaper advertisements. "They have given us the assurances we wanted."

Dr Erasmus was instrumental in having a motion carried by nine votes to two in the Benoni Town Council that the bank be called upon to express its strongest disapproval of managing director Mr

Chris Ball's role in the "Unban the ANC" advertisements, as identified by the Munnik Commission.

A motion that the Benoni town clerk submit a report about the possibility of the town closing its R150 million account with FNB unless the bank expressed its disapproval was withdrawn.

"The advertisement looks very good," Dr Erasmus said. "I'm very encouraged. I feel that they have acceded to the request of the Benoni Town Council. They have gone far beyond that. They have addressed a number of problems. There is their emblem. They definitely and in no uncertain terms reject the ANC and terrorism."

Dr Erasmus said he would draw up a recommendation saying he was satisfied with the answer and that he considered the matter closed.

But Mr Vic Penning, chairman of the Benoni management committee, said yesterday that, as the decision was taken by the full council, the matter was still on the management committee's agenda for its meeting tomorrow.

The committee's recommendation would go to the full council meeting at the end of the month.

Handwritten notes: (5) [scribble] MS 7/8/51

modern and... | withheld until his name is being... | town did SWERVED

Bank denies any ANC links and ...

# Benoni's Erasmus changes mind on FNB business

15/6/87

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SUSAN RUSSELL

COUNCILLOR Phil Erasmus, who proposed that Benoni remove its R150m account from First National Bank (FNB), changed his mind yesterday after reading the bank's advertisement in the Sunday papers denying links with the ANC.

Erasmus said the advertisement had addressed the full spectrum of concerns, including the bank's logo and had in "no uncertain terms" rejected the ANC and terrorism.

"I can go back to the people of Benoni and assure them of the loyalty of our bank," Erasmus said.

"I intend going to the council and making a suggestion to them that I am satisfied with the assurances given by FNB and I would like to ask that this matter can be taken as settled."

Erasmus said he would be sending a letter to the town clerk this morning so the matter could be discussed at a management committee meeting tomorrow.

The advertisement, signed by FNB chairman Basil Hersov and MD Chris Ball, said: "We do not support the ANC, nor do we support any political organisation or parties. We are not the 'ANC bank'. We are totally opposed to violence and, therefore, condemn terrorism and revolution".

FNB senior GM Jimmy McKenzie said the advertisement was placed to end speculation and untruths about the bank and not intended as a response to the Benoni move.

But he hoped it would also help the council make a decision.

"We felt it was necessary in response to appeals from our branch managers in country areas where they have been picking up criticism from members of the public that FNB was the ANC bank," McKenzie said.

"We decided to help them respond to their clients and the public and to put the notice in the newspapers as an official statement from head office."

McKenzie said FNB also felt it necessary to end speculation about the "rabbit" which was said to be visible in the bank's new logo.

"There has been so much nonsense talked about the rabbit and the ANC that we thought we had to look into it."

But FNB, with the help of Dr Tom Lodge, had been unable to establish any authority for the link between the rabbit and the ANC.

"We wished to clarify the situation on the rabbit and its so-called association with the ANC."

"We also strongly deny that we have links with the ANC or any other political organisation."

McKenzie said the time had come to set it right "because we are being unfairly criticised".

There had been no more communication with the Benoni Town Council, but the FNB had written to it and was waiting to hear what it was going to do.

McKenzie hoped the council would change its mind about closing its account with FNB.

"We hope so because we have put it into perspective."

"We are a 100% South African bank and want to grow with SA."

The bank did not want to lose "old friends" with whom it had worked together for so long.

"Talking to other people, I have been delighted with the response we have had in deciding to run the advertisement," McKenzie said.

"I have been thrilled with their response to it."

"There is every chance the story will be put to rest and we can get on with our business."

# Bishop calls on British banks to end aid to SA

The Star Bureau

LONDON — The Bishop of Oxford, the Rt Rev Richard Harries, has criticised British banks for standing by while their credits were "misused" by the South African Government.

Bishop Harries, chairman of End Loans to Southern Africa, sent letters of protest to 12 British banks after Finance Minister Mr Barend du Plessis announced on June 3 that money owed to foreign creditors would be used to finance the Budget.

The bishop called on the banks to give no further assistance to South Africa.

He said the banks' credits were being used to finance a Budget which included massive aid to the military "and thereby gives South Africa the capacity to continue and intensify its aggression in the Front-line states, Namibia and its own townships".



SM 16/6/87

# Bank fraud: playboy's friend in court

**JOHANNESBURG —** The 29-year-old girlfriend of flamboyant businessman and Mamelodi Sundown's soccer club owner, Mr Zola Mahobe, was not asked to plead when charged in the Johannesburg Magistrate's Court today for the theft of R8,5 million.

Miss Snowy Tebello Moshoeshe, of Orlando East, Soweto, who was arrested on May 25 after her boyfriend fled, allegedly stole from her employer, the

retail division of the Southern Transvaal Standard Bank's Regional Division, on 85 occasions over a four-year period.

Judgment on her bail application was expected later today.

Commercial Branch Major Louis Esterhuizen

said the State had a *prima facie* case in respect of the theft of R8,5 million. This was supported by bank documentation.

Initially, reference was made to R10,3 million that had allegedly been stolen.

He said the difference be-

tween R8,5 million and R10,3 million would be "difficult to reconstitute because documentation referring to the initial transactions had been damaged".

Police are following up leads regarding Mr Mahobe's whereabouts. — Sapa

58

SP  
10/6/87

# First Bank buys Citibank

## Finance Staff

First National Bank (FNB) came out fighting with their announcement yesterday that it has bought Citibank South Africa, the local subsidiary of US-based Citicorp, for R130 million in cash. The deal is effective from July 1 and Citibank will change its name to reflect its new ownership.

Citicorp will be paid in financial rands in a dollar-transaction that will be worth only about \$38,25 million at the present rate of exchange.

The deal will not however, sever Citicorp's ties with South Africa entirely, as approximately \$700 million is still owed to the bank by various South African institutions which will now fall into the debt-standstill net.

Citibank has been operating in South Africa since 1959, primarily in the wholesale and corporate banking sector. At yesterday's Press conference Mr Ball, managing director of FNB, said that his bank will use Citibank as a vehicle to increase its penetration in the highly competitive corporate and merchant banking markets.

Spokemen for both FNB and Citicorp denied that the deal was in any way related to the Rev Leon Sullivan's recent call for a total pull-out by US firms in South Africa.

The chairman of Citicorp Mr John Reed, was quoted in New York as saying that "current constraints on Citicorp made it increasingly difficult to meet the needs of its South African clients in the manner they have a right to expect."

Banking analysts were, however,

slightly surprised at the relatively high price paid for Citibank as after-tax profits in the current financial year to December 31 are only expected to be R9 million, rising to R15 million the year after. The deal will contribute to FNB's earnings only in the 1988 financial year.

Senior general manager for FNB, Mr Jimmy McKenzie, was adamant that the deal will have outstanding potential in the medium to long term. "Obviously price was an issue during the negotiations, but we're happy with what we got. In recent years Citibank has been under-performing due to the political factors. We will get the bank back on track," he said this morning.

Analysts are of the opinion that the deal was influenced by the negative publicity surrounding Mr Ball and those ANC advertisements earlier this year.

Another factor which influenced the price of the deal was the acute shortage of experienced bankers with international expertise. All the top employees at Citibank, including the MD Mr David Lawrence, are South Africans and are expected to remain with Citibank in its new guise.

At present, Citibank has 175 employees of whom more than 45 percent are black. Citibank operates mainly from Johannesburg with a branch in Durban but closed its Cape Town branch at the end of 1985.

The local stock market got wind of the pending deal two days ago during which the share price rose by nearly 10 percent to yesterday's close of 2150c. Today's movements will show whether the deal gets shareholder's approval.

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17/6/87



Another big US firm pulls out

# First Bank pays R130m for Citibank

7/16/87

B1 Day

58

HAROLD FRIDJHON

FIRST National Bank is buying Citibank SA from its US parent Citicorp for R130m cash with effect from July 1 1987.

This is another disinvestment move by a major US corporation and follows the announcement of Ford's intention to withdraw from SA.

Citicorp chairman John S Reed said in a statement from New York that "current constraints on Citicorp have made it increasingly difficult to meet the needs of its SA clients".

He added that Citibank's cross-border exposure to SA borrowers would continue to be serviced in accordance with SA's foreign debt settlement agreements.

The US bank will pay dearly for the move as the R130m will be repatriated through the financial rand, realising \$43m.

Negotiations for the buy-out started about four weeks ago when Citicorp made an approach to First National. Subsequent negotiations in London and New York led to the deal being finalised yesterday afternoon.

First National was not buying assets

but profit-earning expertise, MD Chris Ball told yesterday's Press conference.

Citibank's assets totalled about R15m on which forecast taxed profit for the current year to December was about R9m, but Ball expected the 1988 taxed profit would rise to R15m, "having a positive effect on First National's earnings a share".

Ball emphasised that Citibank's profit for the current year would have been negatively affected by constraints on its normal domestic and international business.

Citibank, which will undergo a name change, will not be absorbed into the First National structure. It will remain a separate entity with its present staff, all South Africans, being left intact under MD David M Lawrence.

The bank will continue to operate in its specialist corporate market as well as maintaining its identity and competitive force in the money and forex markets.

Ball said: "We believe that the addi-

● To Page 2

## First Bank buys Citibank SA for R130m

tional skills and expertise that this business unit has in local and international treasury trading, as well as in wholesale banking, will enhance First National's thrust into the corporate market."

To some extent the operations of First National and Citibank overlapped but the volume of Citibank lending was not the material factor Ball said First National was buying management and an enthusiastic staff with special skills for researching and developing new products, supplementing the work done by First National's corporate division.

The acquisition of Citibank would not affect First National's capital requirements under the Banks Act.

First National senior GM Jimmy

McKenzie added Citibank had special relationships with its clients and with a full commitment by First National it would be able to grow and expand.

Although many of its customers were multinationals he did not think that the bank would suffer too severely from further disinvestments from SA.

The Competition Board regards the transaction as acceptable.

Shortly after yesterday's First National board meeting news of the transaction appeared to have reached the JSE, where First National shares gained 100c to 2 150c just before the market closed.

7/16/87

From Page 1

B1 Day

58

17/6/87

# R8<sup>1</sup>/<sub>2</sub>-m bank theft charge: woman clerk refused bail

By Inga Molzen

An application for bail for Miss Tebello "Snowy" Moshoeshoe (29), a R1 100-a-month checking clerk at the Standard Bank who is accused of stealing R8,5 million, was refused by the Johannesburg Magistrate's Court yesterday.

A police Commerical Branch officer said that after another two weeks of investigation, the present allegations could be extended to include the balance of the R10,3 million theft alleged initially.

Major Louis Esterhuizen said documentation on the alleged crime was being examined at present by senior bank officials. Unfortunately, documentation on the earliest of the alleged illegal transactions, dating back to October 22 1984, had been da-

maged.

He added that the police were at present following up information on the whereabouts of Miss Moshoeshoe's alleged accomplice and millionaire boyfriend, Mr Zola Daniel Mahobe.

Miss Moshoeshoe, employed at Standard Bank in its computer department and ledger section for six years "in a position of responsibility and trust", allegedly debited inter-branch transmission accounts and credited the accounts of certain businesses owned by Mr Mahobe.

## Passport affidavit

The charge-sheet refers to 85 occasions between October 1984 and February 13 this year when Miss Moshoeshoe allegedly stole

from the bank's Southern Transvaal regional division.

Miss Moshoeshoe has been in custody at Diepkloof since her arrest on May 25.

An affidavit, in which she promised to attend trial, submit her passport, and abide by any further conditions of bail, was handed to the court.

Prosecutor Mr L van Vuuren said Miss Moshoeshoe was facing serious charges, was unmarried and without fixed assets or children to keep her in South Africa, so she "has nothing to lose by not standing trial".

The court heard that Miss Moshoeshoe, after matriculating in 1977, worked for three years at Klerksdorp Hospital, obtaining her general nursing diploma.

Her father died when she was 10, and until her arrest she lived in Orlando East, Soweto, with her mother.

She said in a statement: "I know the police are looking for one Mahobe in connection with a R10 million fraud. Since my arrest I have not had contact, indirect or direct, with the said Mahobe."

The magistrate, Mr A G A du Toit, said Miss Moshoeshoe had not satisfied the court that the interests of justice would not be prejudiced by the granting of bail. "I would have been surprised if she had said under oath that she would stand trial if granted bail."

R130m paid in cash

# First National buys Citibank

CAP - Times 17/6/87 58

From HAROLD FRIDJHON

JOHANNESBURG. — First National Bank is buying Citibank SA from its US parent Citicorp for R130m cash with effect from July 1 1987.

Following Ford's intention to withdraw from SA this is a further disinvestment move by a major US corporation.

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R130m<sup>17/6/87</sup>

## US bank sellout

JOHANNESBURG

The world's largest bank, America's Citicorp, said yesterday it was selling its South African subsidiary to First National Bank.

The chairman of Citicorp, Mr John Reed, told reporters the bank was being sold for R130 million.

Agreement has been reached for the takeover to take effect on July 1.

Citicorp is one of the largest among scores of foreign companies which have terminated business in South Africa under pressure from anti-apartheid groups.  
— Sapa.

Full report page 13

SB Bldy 17/6/87

# Plummer's integrity was 'never in doubt'

ERIC TURK, former director of AA Mutual (AAM) and retired CE of the Automobile Association, yesterday rejected any suggestion that he had failed to exercise proper control of AAM in his capacity as director.

He was giving evidence before the commission which, under Mr Justice Melamet, is investigating the collapse last year of short-term insurer AAM.

Turk said he did not think directors could go beyond accepting in good faith information made available to them.

At no time had he been aware of the insolvency of AAM or the possibility of such a situation.

"I could see no reason to disbelieve the figures (from monthly schedules) as they were presented,

HELENA PATTEN

and we made decisions on the assumption that these were correct."

He said he had known AAM MD Warren Plummer for 25 years.

There had never been occasion to doubt Plummer's integrity.

Turk said if there had been a drastic increase in the amount of new business written by AAM after Kirsh Industries took control of the company in 1981, this had not been as a result of a policy "to attract new business at any cost", but rather because of expanded connections after the Kirsh takeover.

There was no reason to believe Plummer had allowed the growth in premium income to get out of hand.

Du Plessis defends capex role

# Sanlam controls no 'monopolies'

By JANE ARBOUS

TAKING up the issue of concentration of power and control, Sanlam chairman Fred du Plessis told policyholders last night that not one of the many companies in his group operated as "a single monopoly".

Addressing 450 policyholders at a City function as part of his on-going communications programme launched three years ago, Du Plessis said there was an attitude that "if you're big, you're a monopoly".

This was unfair criticism and the advantages of Sanlam's widespread interests far outweighed the disadvantages, he said.

## Capital investment

Many of the big companies quoted on the stock exchange required extremely high capital investment which virtually no small shareholder could afford. For example, the opening of a new gold mine required between R800m to R2 billion with no returns for at least five years.

Du Plessis pointed to the new production facility in the Eastern Transvaal of one of its companies, Sappi, which earns a great deal in foreign exchange.

Original estimates were that the facility would cost R800m. However, with the importation of all capital

equipment, unforeseen factors such as the dramatic increase in interest rates and the fall in exchange rates caused the cost to almost double.

"If we had not been big, we could not have done it. And the whole project would have been down the drain."

## Training

Questioned on whether Sanlam was doing enough in the area of social responsibility, he said that it was considered a high priority and was being concentrated on education and training — one of the country's most pressing problems.

More money also needed to be spent on housing and security for the elderly, he said.

Du Plessis has addressed 130 meetings attended by almost 35 000 policyholders so far in his campaign. His efforts last year earned him the title of "Communicator of the Year" by the SA Association of Industrial Editors.

He has also invited any policyholders with problems to write to him personally.

So enthusiastic has been the support, Du Plessis said, that where it had taken the company 65 years to achieve an annual premium income of R1 000m, the second R1 000m was added in only three years, making Sanlam the first life insurer to receive more than R2 000m in SA premium income.

GMT Times 19/6/87  
**Bank**  
(58) 20  
**defended**

HOUSE OF ASSEMBLY.  
— The government should put on public record that it had no quarrel with the First National Bank (formerly Barclays), whatever dispute it may have had with the bank's managing director, Mr Chris Ball, Mr Roger Hulley (PFP Constantia) said yesterday in debate on the Budget.

The bank was South Africa's biggest, serving every corner of the country and in every aspect of the economy with distinction, and "we cannot afford our major banking institution to be undermined by petty politics".

"The National Party must call off its dogs, and restrain its more hot-headed supporters from taking this matter any further," Mr Hulley said. — Sapa

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CNN Times 18/6/87 (13/58)

# Demand for home loans increasing

Own Correspondent

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JOHANNESBURG. — The domestic home market is on a recovery track. Demand for home loan funds is on the up and up and the value of residential building plans passed has increased substantially.

The Perm reported an increase of 46% in the value of new bonds issued in the first five months of this year compared to the same period last year. From January to May this year, the building society issued new bonds to the tune of R920,2m.

The Perm's senior GM operations, Hugh MacLachlan, said: "The increase can be ascribed to a pick-up in demand for housing in general, specially in the lower income group."

Similarly, new loans granted by the NBS in the first five months of this year grew by close on 55% compared to the same period last year.

The Allied also reported strong demand, with new home loans until May totalling R866m. Home loans manager Geoff Bowker said there had been no shortage of bond applications in the past 18 months.

Also reporting significant growth in new home loans issued up to May this year compared to the same time last year was Saambou. Senior GM Christie Kuun ascribed the increase of around R53m to heightened demand.

The Standard Bank's GM home loans, Terry Power, said he was

happy with the R390m the bank had issued in new home loans. "The second half of this year will show a significant increase over the first half," he said.

In volume terms, the Standard had issued 5 700 loans.

First National Bank's Jimmy McKenzie says the bank's home loans book has grown from R990m to just on R1,3 billion in four months. About 3 800 new loans had been granted in this period.

Syfrets trust director Brain Button said new residential bonds for this year to date had exceeded the budgeted amount by 50%. He said the trust's growth was significant compared to last year.

## Training for reform





2 BUSINESS DAY, Thursday, June 18 1987

SA management team to take over

# Two banks put up money for Leyland buyout

TWO SA banks are to finance the Leyland (SA) management buyout which is expected to be completed at the end of this month.

Leyland (SA) MD Brian Fuller yesterday would not disclose the identity of the banks but said "very comfortable" credit lines had been offered to relaunch the Anglo-Dutch company's truck and bus operation in SA.

"There are still a few minor loose ends to be tied up before the buyout is scheduled for completion at the end of June," he said.

Fuller also said the local operations of British-owned parts and accessories producer Unipart, an SA subsidiary of Leyland's trading arm, Associated Automotive Distributors, would not be sold off.

The buyout team comprises Fuller, Leyland (SA) chairman Ellis Rhodes-Harrison, deputy chairman and President's Council member Francois Jacobsz, group financial director John Dean, technical director Jean-Jacques

HAMISH McINDOE

Massardo and parts director Mike Elsbury.

It was widely rumoured that another Leyland (SA) management team was pitching to buy Unipart. "We've decided to keep Unipart," said Fuller.

Buyout talks were not affected by the merger in April of Dutch vehicle manufacturer DAF and Leyland's worldwide truck and bus operation, in which Leyland (SA's) former British parent Rover Group holds a 40% stake.

Leyland's decline in the SA market has reportedly been ascribed to Rover's shortage of cash to finance new models.

Latest HCV sales figures show Leyland (SA's) share of the market in the five months to May dropped to 4,8% on 143 units from nearly 7,8% in the same period last year. But its market share of LCV's rose to 8,1% (7,4%).

A name change for Leyland (SA) is being discussed.

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BARCLAYS AND CITIBANK

# Back into the world



The important thing about Barclays' (or First National's) purchase of the local Citibank is that it probably secures lines of international business that had frayed since erstwhile parent Barclays Plc sold out at a knock-down price.

News of the deal could not have come at a better time both for First National and its politically beleaguered MD Chris Ball. Barclays Plc was for many years a champion of this country until it turned sour last year when friendship turned to near hostility. The remarks of its chairman in London on SA debt settlement terms this year bears testimony to that view.

Whatever harm the controversy over the funding of a UDF advertisement might have done to the bank will probably be far exceeded now by the international connections that we guess will be cemented by this deal.

Citibank probably reasons, like so many other international banks, that it can do increasingly profitable business here provided it does not have an actual presence.

### Covert conduit

So our guess is that First National will be the covert conduit through which Citibank in New York does increasing amounts of corporate business here without the constraint of having to deal only with non-government organisations.

So First National gets the international credit lines and Citibank gets into our large State corporations and government departments.

That, of course, is not what the official statement says. It amounts to our guess. And good luck to both.

We would wager, too, that the State President and the Nat press will begin to change their attitude to Chris Ball, if that process has not already begun.

First National paid R130m for Citibank which is expecting an after-tax profit of R9m this year, rising to R15m next year. Established banks are priced at 8-12 times earnings at present.

So the R130m is not far out of line, depending on what credibility can be placed on the earnings forecasts.

The acquisition has brought into the First National fold a management team of about 15 under MD David Lawrence, and a staff of about 175. Asset value of about R500m is



Ball ... reasserting international links

small after both substantial dividend transfers and the constriction its American parenthood placed on its expansion here.

As far as assets go, there will be little impact on First National which has assets of around R20 billion. No wonder Pretoria has no fears of a concentration of banking interests.

However, the deal has catapulted First National into sophisticated financing for large fees.

According to Ball it has provided "a unique set of treasury and corporate finance skills." It has added a second treasury and dealing operation.

An important attraction is the management that Citibank brings. The managers are all South Africans trained in the ways of Citibank's corporate business style.

They will remain in a separate banking unit although the name Citibank will disap-

pear. This lends credence to the view that this is the unit through which international business will flow.

Otherwise it would be difficult to see why it would not be merged with the group's merchant bank.

It is common knowledge that other SA banks were interested in buying Citibank. No doubt for the same reason that Barclays decided to succumb (if that be the right word) to the US bank's desire to withdraw its name from this country and unlock the political constraints on its expansion here.

The local Citibank is probably too small for a management buyout. Marriage with First National holds out obvious attractions for its management team.

*Capo Times 19/6/87*

## Ex-bank employee asks for order 58

PRETORIA. — A former African Bank employee and his wife have brought an urgent application in the Pretoria Supreme Court against the State President, the Minister of Finance, the South African Reserve Bank and its president and vice-president.

The application by Mr Arthur Edward Ferreira, former assistant general manager of the African Bank and his wife, Mrs Emielia Lorraine Ferreira, and Arlo Financial Services is in connection with the planned confiscation by the Reserve Bank of cash and properties which were allegedly gained through "unlawful financial rand transactions".

The applicants asked for a court order to declare the confiscation null and void, alternatively that it should be revised and set aside, that the forfeiture of the money and goods as set out in a special Government Gazette be revised and set aside and that the Reserve Bank pay the legal costs.

The State alleged in papers filed in court that a number of people made a total profit of R100 654 681 in these "unlawful transactions" as a result of which, it is alleged, "foreign currency to the amount of \$119 210 281 unlawfully left the country".

The case was postponed by agreement to June 24.

— Sapa

# Volkskas places R70-m order <sup>(58) SMC</sup> with ISM <sup>19/6/87</sup>

By Stan Kennedy

Having examined the sanctions issue thoroughly, Volkskas, after 10 months' evaluation of computer hardware needed to meet its customers future needs, has placed a R70 million order with Information Services Management (ISM), suppliers of IBM equipment.

Mr Jan du Plessis, general manager, Volkskas Management Services, said the group was satisfied that it had taken the right decision.

"We want to have the reputation of offering our customers a one-stop service. It was natural, therefore, that when we embarked on our evaluation of suppliers we had one criterion uppermost in our minds. It was that whatever technological steps we took, we should remain close to our customers."

He said suppliers were evaluated as commercial enterprises in their own right. They had also to be evaluated in terms of their technological prowess, with consideration given to the products they had to offer and the management resource and skills support they could provide.

# UK bank provides against SA losses

DD 19/6/87

## Dispatch Bureau

LONDON — Britain's biggest bank, National Westminster (NatWest), has made substantial loss provisions against its South African loans.

A NatWest spokesman disclosed that loans to South Africa had been taken into account in the bank's £466 million hike in provision for Third World Debt.

The move raised NatWest's total provision against a £2,8 billion exposure to 35 problem countries from 13,08 per cent to 29,8 per cent.

The spokesman said this did not necessarily mean the provision against the SA loans was as high as 30 per cent.

"We have looked at at our exposure to countries with payment difficulties or rescheduling and made an individual assesment. In some

cases the provision is low, in others much higher than 30 per cent."

He declined to say what the bank's exposure to South Africa was.

Mr Terry Smith, a banking analyst at Barclays, De Zoete and Wedd, estimated that NatWest's exposure to South Africa was in the region of £475 million.

The decision to make a provision against SA loans did not come as a suprise to him.

However this did not mean that other banks like Standard Chartered, with an exposure to South Africa of £766 million, or Barclays (£728 million) would follow.

They would argue that most of their lending was to an associate bank (in the case of Stanchar) or a former associate (in

the case of Barclays) and that the provision was not necessary.

NatWest did not have this kind of relationship with any bank in South Africa.

"But they are all caught equally as much under the moratorium. They all stand just as much chance of getting the whole lot back," he said.

Mr Rod Barrett of Hoare Govett estimated that NatWest's exposure to South Africa was less than £400 million.

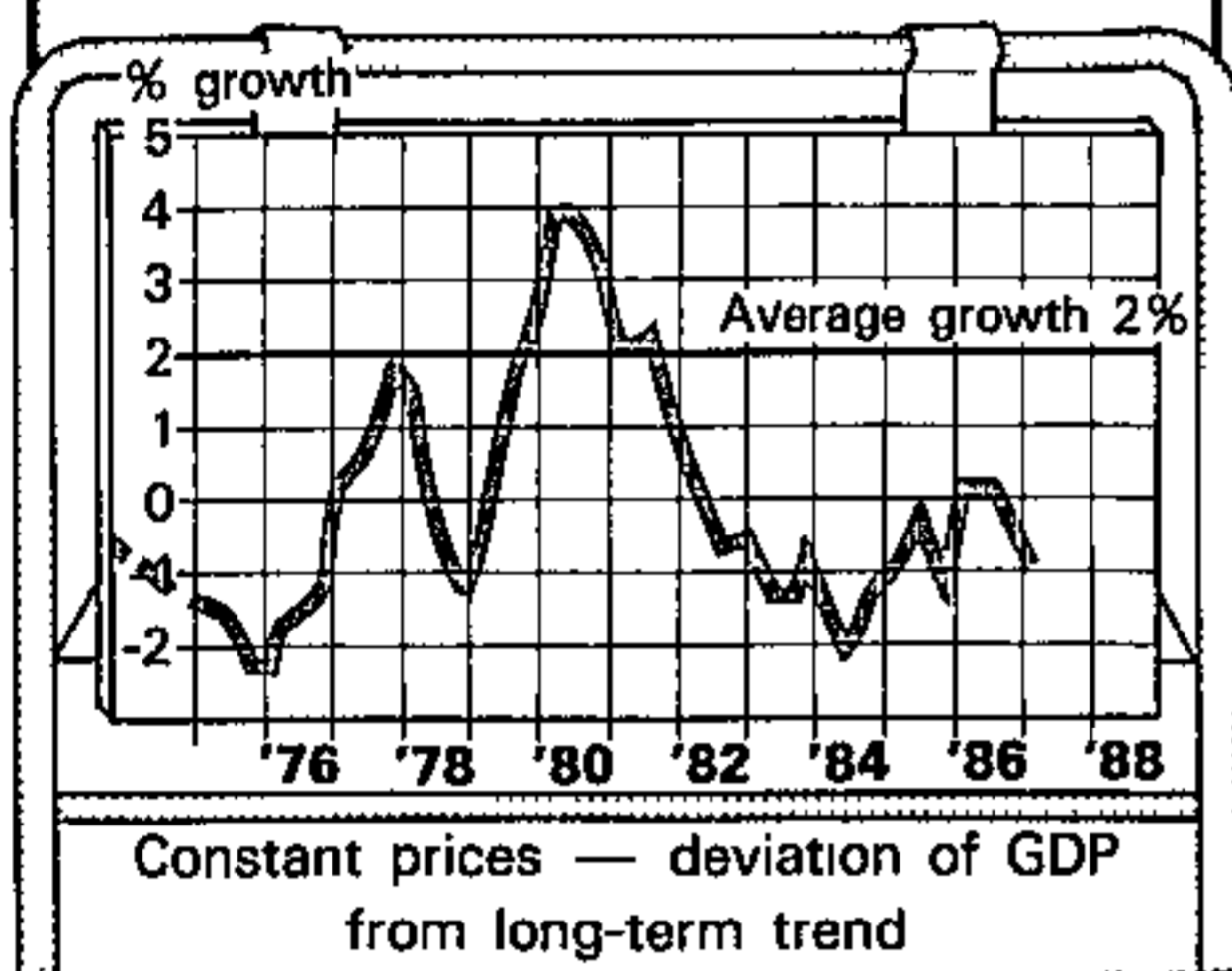
However, he thought it likely the provision against the SA loans would be fairly low.

The result will eventually be a deficit which will force policymakers to cool the economy to reduce imports and restore BoP equilibrium — automatically aborting an upturn.

Apart from the immediate return to recessionary times, there are long-term consequences. "World markets punish obsolescence. So reduced spending on capital goods would reduce the ability of the economy to finance imports in the future by increasing manufactured exports."

Alternatively — and more constructively — the elimination of distortions which encourage over-capitalisation would raise the threshold at which the BoP constraint comes into play.

### Recovery underway



Meanwhile, the picture is moderately bright for the next 18 months. Stimulation is expected from an increase in private fixed investment, a rise in the dollar gold price, and the Budget deficit, which the Review estimates will be higher than the budgeted 4,7% — probably over 5%.

"In addition, contrary to the policy followed in previous years, funding of the deficit will utilise sources that will have the effect of increasing the money supply. Specifically, Treasury will draw on the Central Energy Fund, the Corporation for Public Deposits and will also borrow some of the funds placed with the Public Investment Commissioners in terms of the moratorium on foreign debt." ■

### LIFE ASSURERS



### Interest boost

The life industry put on a record amount of fat last year. While new premium growth was remarkably buoyant at R8,7 billion, no less than R10,7 billion was added to total provisions for future benefits through capital appreciation.

As a result, according to the Life Offices' Association, industry assets leapt 48,9% to R54,5 billion (see graph).

A major reason for massive premium growth was the rapid fall in interest rates. Bank rate, for example, plunged from 21,75% in May 1985 to 9,5% last December. This encouraged a switch from banking and building society deposits in particular toward



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life assurance and retirement provision, which offer a better hedge against inflation.

While the March Reserve Bank *Quarterly Bulletin* shows that personal savings amounted to R1,3 billion in 1986, the inflow to the life and pensions industry totalled R7,2 billion. It is not possible to analyse savings cash flows accurately, since the personal savings figure is a residual item. But there must have been considerable dissaving from other sectors to allow this healthy inflow.

Premium income was up 39,2%, and investment income rose 16,1% to R4,2 billion. Operating expenses and taxation totalled R1,7 billion, up only 13,7%.

Current benefits of R4 billion were paid out, including death and disability claims (R1 billion), maturities (R724m) and annuities (R537m). Group member withdrawals and surrenders totalled R1,3 billion, while

although some downward correction short-term would not be unexpected."

As a postscript it may be interesting to note that, compared to total assets of R54,5 billion, liabilities of the industry in terms of assured lives at December 31, 1986 were around R280 billion. ■

## LLOYD'S OF LONDON

### Back in the black

An £18,4m after-tax deficit for 1985 turned into a £12,8m surplus in 1986 (covering the 1983 underwriting year), according to the recently published accounts of the Corporation of Lloyd's — administrative arm of the 300-year-old insurance market.

But the previous year's loss was attributable to an extra-ordinary payment of £43,5m, in settlement of a dispute with Inland Revenue relating to re-insurance placed with off-shore companies.

So compared to the 1985 operating surplus before tax of £24,3m, 1986's surplus of £15,5m represents a decrease of 36,2%. Operating income rose by only 18,8% to £122,1m, while operating expenditure rose by 30,5% to £98,1m.

An important component of increased revenue was the rise in subscriptions paid by members — though rates remained unchanged.

This indicates an increase in membership and thus market capacity. Also contributing to the 21% increase in capacity was higher premium income limits of 9 000 members.

Income from entrance fees for new members, however, shrank from £8,3m to £7,5m because of a fall in number of new members elected.

Membership rose 8,8% to 31 484. The previous year it rose 11% to 28 944.

Profit was also hit by losses of over £1m by subsidiary companies — "both Lloyd's of London Press and Toplis & Harding suffered from the severe downturn in the worldwide shipping market."

The exemption of Lloyd's from the 1986 Financial Services Act put the market's self-regulatory mechanism under the spotlight. A committee headed by Sir Patrick Neill was appointed to inquire into Lloyd's regulations. Various regulations were implemented by Lloyd's itself.

Among them was a by-law to check overwriting. This is presumably the outcome of litigation threatened early last year by members of syndicate No 895 against managing agent Spicer & White — for overwriting by 250%.

Another by-law restricts the placing of business with companies or through non-Lloyd's brokers related to the managing agents.

This new regulation has arisen out of the practice of creating favoured "baby syndicates" — in which the managing agent had an interest and to which he routed profitable business. ■

## BUILDING SOCIETIES

### Permanent partners?

Now that diversification plans of the three listed building societies are on course, it remains for the Perm and Saambou to announce theirs.

The Perm, SA's second largest society and the only one of the five to remain a mutual, has made it clear its role is primarily the provision of housing finance. Nevertheless, to keep market share, it will have to achieve some of the versatility of its rivals.

Unlike most major societies, it does not provide insurance directly but through a product link with Mutual & Federal and Old Mutual. Possibly a similar arrangement will be made to provide banking services. MD Bob Tucker has told the *FM* (June 12) that "banking links are in the pipeline." However, he made it clear he was considering neither a purchase nor the establishment of a subsidiary.

Most likely arrangement, then, will be a close working relationship. Because of the mutual structure of the Perm, the link cannot be cemented by a share swap.

Who may this working partner be?

#### Mutual connection

Given the Mutual connection, Nedbank, the Perm's banker, seems the obvious choice.

Old Mutual controls Nedbank, while six members of the Perm's board are also on Old Mutual's. Moreover Nedbank chairman, former Finance Minister Owen Horwood, is on the Perm Board, as is Old Mutual chairman Jan van der Horst.

Both Nedbank and the Perm use Unisys (formerly Burroughs) information systems, though the technological snags the Perm is experiencing may be delaying the arrangement. But with no share swap on the cards, there is no need for a deadline on the agreement. Working arrangements can be made piecemeal with the pieces eventually slotting into place.

Another possibility is Standard Bank.

Perm chairman Alistair Macmillan is on the board of Standard Bank Investment Corp (SBIC). And Old Mutual also has an interest in SBIC. There is, however, the complication of SBIC's relationship with the Liberty stable.

Yet another possibility is First National (formerly Barclays), with which the Perm has a product link through Visacard.

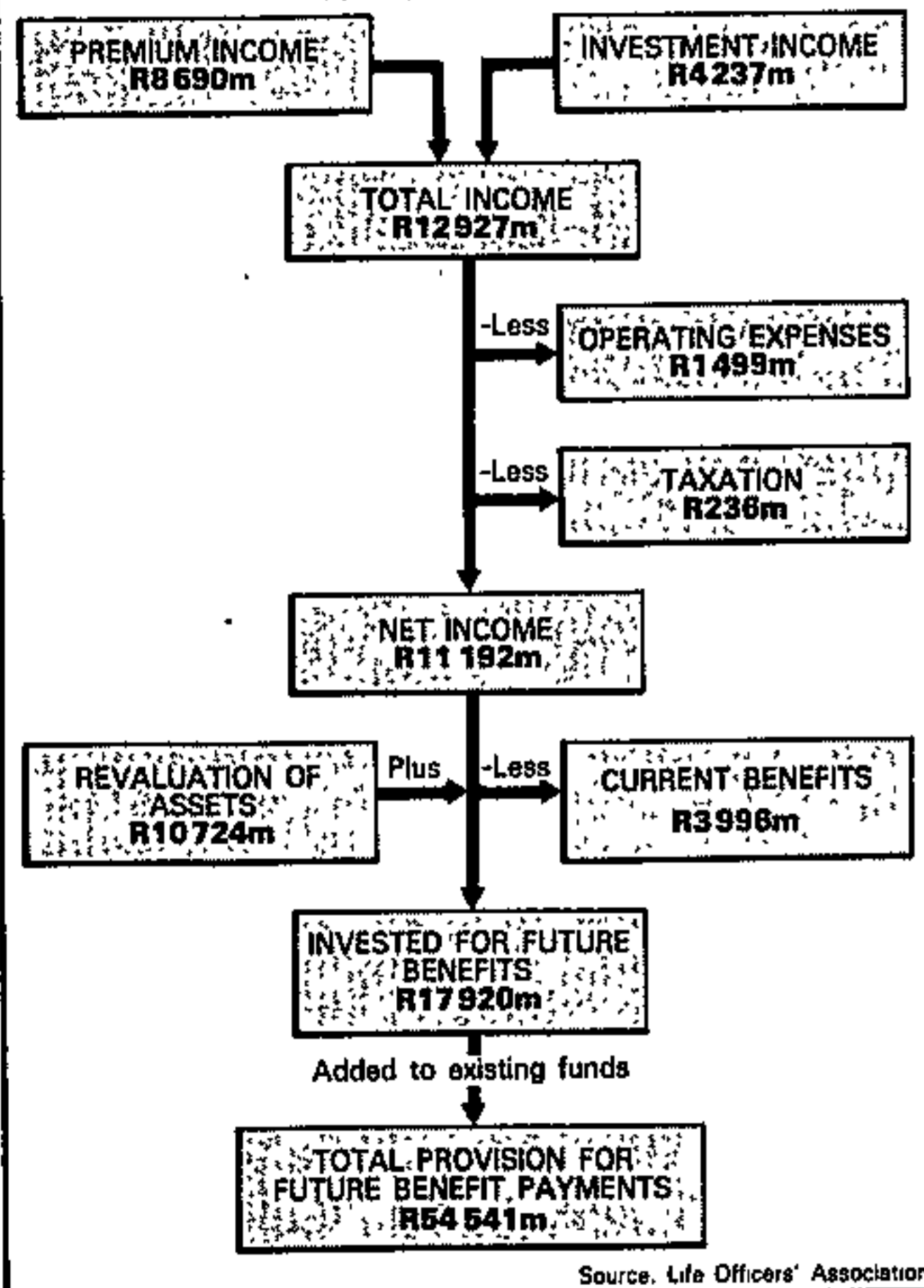
Tucker makes no comment other than to point out the society's links with other organisations. Similarly, a Nedbank spokesman will only say that the bank does business with several societies.

Saambou is expected to announce listing plans after the AGM on July 2. Its relationship with Volkskas (including strong board cross-representation) must have been affected by April's deal between United Building Society Holdings and Volkskas.

So, presumably, Saambou too has plans for a new concordat. ■

### Riding the markets

Cash flow of Life Industry  
Year ended 31:12:86



individual surrenders came to R456m.

The unprecedented revaluation of assets of over R10 billion can be ascribed to the massive rise in the JSE index, and growing pressures to quote market values rather than book. Also, universal life products continue to add to the growing use of market-related business.

Commenting on the investment climate recently, Leon Campher, director and senior portfolio manager of Syfrets, says inflation remains the largest risk for investors. Investors have little choice but to continue to seek refuge in the share market, "where unit trusts particularly have provided excellent investment returns and protection from inflation.

"I expect this trend to continue and believe the well-established upward trend in the JSE will be maintained medium-term,

# Demand for home loans up

THE HOME market is on a recovery track. Demand for home-loan funds is on the up, and the value of residential building plans passed has increased substantially.

The Perm reported an increase of 46% in the value of new bonds issued in the first five months of this year, compared with the same period last year. From January to May this year, the building society issued new bonds to the tune of R920,2m.

Similarly, new loans granted by the NBS in the first five months of this year grew by close on 55% compared with the same period last year.

The Allied also reported strong demand, with new home loans until May totalling R866m.

Saambou also reported significant growth in new home loans issued up to May this year.

Standard Bank GM, home loans, Terry Power said he was happy with the R390m the bank had issued in 5 700 new

GRETA STEYN

Home loans

First National Bank's (FNB) Jimmy McKenzie said the bank's home loans book had grown from R990m to just on R1,3bn in four months. About 3 800 new loans had been granted in that period.

He said there was no need to guarantee the bank's 12,5% bond rate, and FNB intended to remain aggressively competitive in the market.

Syfre's Trust director Brian Button said new residential bonds for this year to date had exceeded the budgeted amount by 50%.

Another indication that the property market is picking up comes from building statistics for the first quarter of 1987. The value of residential building plans passed increased by more than 28% compared with the same period last year. The value of building plans increased by 17,6%.



# BMW owners to get cheaper insurance deal

SB 19/6/87 B/Dee

LUXURY car manufacturers and the insurance industry appear to have clashed over soaring premiums.

The motor industry says the theft of luxury cars is being exaggerated, with insurance companies using overblown statistics to justify high premiums.

Rocking rates have finally prompted at least one luxury car manufacturer to provide its own insurance cover.

The manufacturer, BMW, is to provide comprehensive cover at a substantially lower premium than presently available

DANIEL SIMON

on the market. The scheme is available only to owners of BMW cars, and is a first in the motor industry.

SA Insurance Association chairman Rodney Schneberger says the principle is no different from any other scheme that insures a selected range of products.

"But whether it's financially viable and acceptable to the purchaser is another question. Insurance companies in

general are becoming more selective about the type of risk they take on."

BMW national sales manager Len Ruis says: "Hopefully some insurance companies will wake up and start offering competitive rates."

Another BMW spokesman says since new anti-theft devices became standard on the company's latest models, the company had dropped from number one on the "hit list" to number seven.

He says the insurance scheme will be administered by Price Forbes Federale

Volkswagen (PFW), and be underwritten by Allianz Insurance Ltd.

The deal arose from consultations with various brokers to hammer out a solution to prevailing high premiums.

The spokesman adds that the excess amount would remain the same, thereby offering reasonable premiums at less than half the price to owners.

"The company's idea is to centralise insurance with a view to monitoring and controlling claims costs," he says.

# Tax clerk jailed for fraud and bribery

By Inga Molzen

A Department of Finance tax clerk has been sentenced in the Johannesburg Magistrate's Court to an effective two year's imprisonment for falsifying tax returns which secured a man a R19 485 refund and accepting a bribe of R1 500.

Andre Jacques Marais (27) of Dawn Park, Boksburg, was sentenced to 18 months for bribery and 30 months for fraud. Eighteen months of the fraud sentence was suspended for five years and six months will run concurrently with the bribery sentence.

## FALSIFIED RECORDS

In sentencing Marais on Friday, magistrate Mr H Hoffman said: "It makes me wonder how many people in the service of the State get away with thousands every year without being caught."

The court heard Marais had ensured the income tax returns, including falsified IRP5 forms, for a man and his wife — registered as taxpayers in the Johannesburg area — were accepted by assessors.

Had the offence not been exposed by chance the fictitious details of place of employment,

gross salary and pension contributions of Mr CD Badenhorst and his wife may have been accepted.

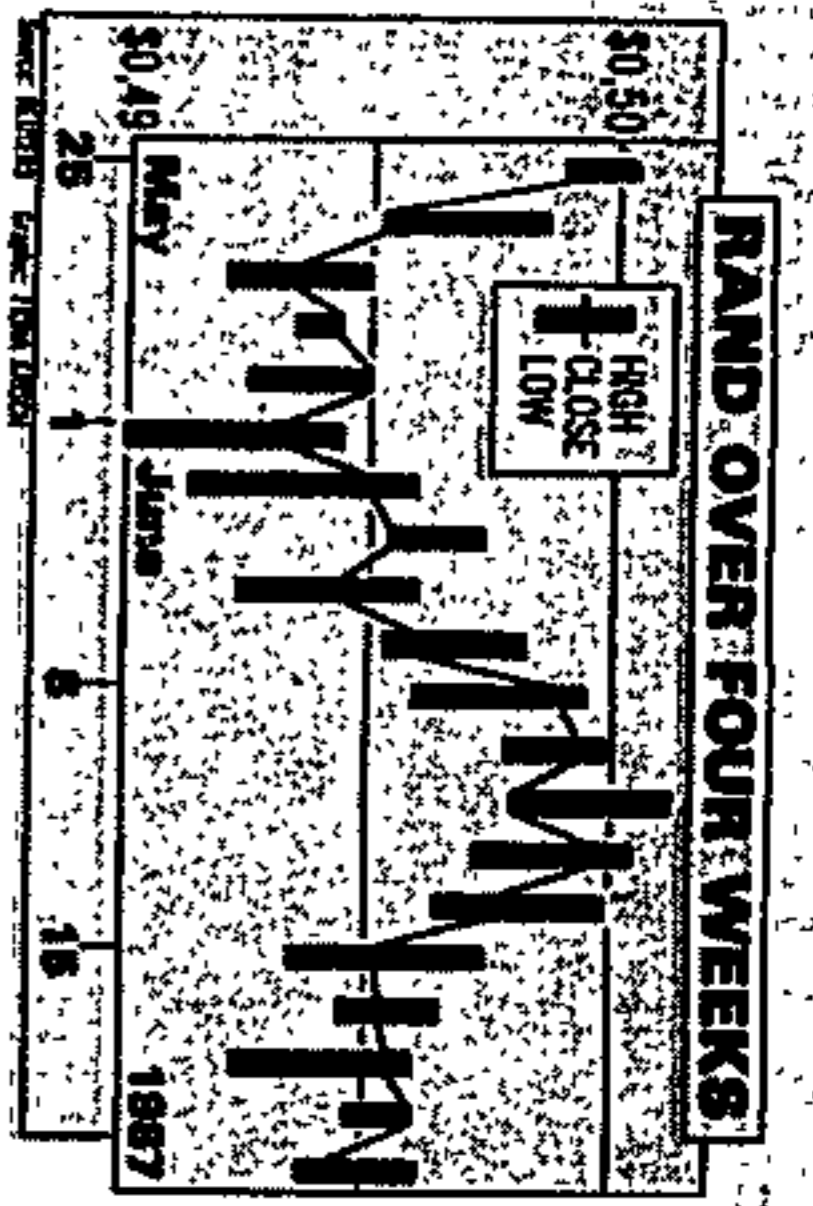
Marais said Mr Badenhorst approached him earlier this year for help with arrears income tax for the tax years ending February 1981, 1986 and 1987. He had been on duty at Receiver of Revenue's inquiries office.

"I understood the position of a man in difficulty and I wanted to help him," said Marais, whose own furniture was attached by a Boksburg court when he could not meet his debts.

Marais said the R1 500 bribe helped him to stop "the bank from taking my house away from under my feet". He had put up the R57 000 house — on which R62 000 was still outstanding on the purchase price — as security for a personal loan which he couldn't repay.

In dire financial straits, Marais said at times he gambled almost his entire salary on the horses. The first payment of the bribe was made at the race-track.

The court heard in mitigation that Marais was a first offender and was willing to testify in any ensuing legal action.



IN spite of some volatility in the value of the US dollar and of the gold price, the Reserve Bank kept the rand hugging the \$0,4950 line for most of the week. The rand's widest movements were last Tuesday when the gold price appeared to be on a downward track. It subsequently hardened.

# Citibank sale to proceed despite staff protest

THE sale of Citibank to First National Bank is to go ahead despite a petition from staff protesting the sale.

Reacting to weekend reports that Citibank staff was angry at not being consulted over sale terms, MD David Lawrence said as far as he was aware the bank would trade as a subsidiary of First National from July 1.

Black and white employees sent a letter to US parent Citicorp protesting the way the disinvestment deal had been handled.

REUTERS reports the letter was signed by most of the bank's 175 staffers, and hinted at possible legal action against Citicorp unless it reviewed the

**MICK COLLINS**  
disinvestment arrangement.

But, Lawrence said the copy of the petition handed to him contained only 60 signatures and reflected well on First National.

He said: "Unless I hear otherwise, we will, as a team, be conducting our corporate thrust as a First National subsidiary from July 1."

First National MD Chris Ball said his bank was essentially buying the skills of Citibank's specialist employees. The staff was told of the sale and agreed to stay on.

*David*  
Citicorp said last Tuesday it would sell, but black employees of the bank, who observed a nationwide call to stay at home on that day, said they learned of the deal from news reports only after it was announced.

Lawrence said the boards of Citibank and First National approved the transaction only on Tuesday afternoon.

Citibank's staff, 40% of whom is black, was reported to be complaining the sale included no provision for allocating a portion of profits to local employees or black community projects.

SA is still facing acute disinvestment problems as the exodus of industrial and commercial giants continues.

Latest to join the retreat was the British conglomerate, Gallaher UK, which said at the weekend it was to sell its heavy industrial pipe section, FIP Africa, to local management.

The move follows a statement from a US company that it received more than 700 letters from black employees asking it not to disinvest from SA. The as yet unidentified company was referred to by the SABCO in a report which said black communities were likely to be most at risk from disinvestment.

Gallaher has in recent months either disposed of, or is in the process of selling off, its interests in G North, Moño Pumps, Prestige and now FIP Africa.

# First National still dominant

HAROLD FRIDJHON

FIRST National Bank is holding its leadership among the banking groups, according to the BA9 returns made to the Reserve Bank for the quarter ended March 1987.

First National is dominant in most categories but the Standard Bank Group is very much in contention. The other three major banks appear to be competing fiercely for their share of a larger market.

In the abstracts of selected figures those for March 1987 are compared with the returns for the first quarter of 1986. Savings: Total savings deposits rose by 4,5% to R11,18bn from R10,69bn, with the banks collecting R6,29bn and increasing their share to 56,2% from 54,8% at the expense of the building societies, whose deposits were barely changed at R4,8bn.

The Stanbic group was leader in this category with R2bn (R1,83bn), giving it an 18,3% share of the total market, up from 17,2% in March 1986. First National followed with R1,67bn (R1,53bn) and a 15% (14,3%) market share. The Bankorp group edged into third place, picking up

● To Page 2



## First National No 1 bank group

7,9% (6,8%) of the market.

It was followed closely by Volkskas, with market share rising from 6,8% to 7,9%. Nedbank fared badly, with savings falling to R730m from R873m and market share dropping to 6,5% from 8,2%.

Cheque deposits: First National, as previously published, changed the method of reporting its corporate deposits, making comparisons between the March 1987 returns and those for March 1986 misleading and meaningless.

Total deposits: In this category First National yielded pride of place to the Stanbic group, which seized a bigger share of a market that has grown by R3,5bn to R71,68bn. Stanbic's share, R12,95bn, rose from 17,8% to 18,1% while First National's dropped to 17,6% of the market from 18,5%, with total deposits of R12,65bn.

The Bankorp group showed the biggest growth and made third place with a 12,2% slice of the market from 10,8% in March 1986. Its deposits grew from R7,35bn to R8,75bn. The net losers were Nedbank (9,5% from 10,6%) and Volkskas (9,6% from 10,2%).

The building societies attracted R21,3bn, 29,8% of the total.

Advances: Bank advances increased from R28,4bn to R34,8bn during the 12 months, the biggest lender being First National with R9,5bn, a 27,3% market share (26,3%). The Stanbic group lent R9,16bn, giving it a 26,3% share of the market, a 2 percentage point improvement. In third place was Volkskas with 14% of the market on lending of R4,85bn (R4,5bn), followed by Nedbank whose lending rose to R4,72bn from R3,95bn. But its market share dropped to 13,6% from 14,1%.

Bankorp also lost market share — 13,5% from 14,1% — although its lending rose by R737m to R4,7bn.

Instalment lending: Since January 1, 1987, the banks' official returns were made net of finance charges. The latest figures, therefore, are not comparable with those of last year. In terms of market share, however, the First National group has maintained its leadership with 31,3% of the market. The Stanbic group followed with 28,1%. Next came Bankorp with 20,7%, Nedbank 9,9% and Volkskas 7,4%.

From Page 1

Bigger challenge for building societies as ...

B/Day

24/6/87 (58) (12)

# Standard Bank widens home loans division

**BUILDING** societies, already battered by mortgage loan competition from banks, will face a greater challenge from Standard Bank later this year.

The bank has embarked on a major expansion of its home loans division to show it is in the home loans business to stay.

It will also start offering building loans for the construction of new homes.

Until now, banks have steered clear of such loans as they involve extra administrative work because of

TERRY MEYER

regular "draws" by builders for work. As part of its expansion campaign, Standard has started to establish regional offices, independent of the branches, which will specialise in home loans. This will be the first time a bank has established specific home loan offices staffed with property experts to advise clients on the spot.

Until now Standard, like other banks, has been using its branch bank network to process loans and refer them to a centralised loan office in

Johannesburg for final approval. This, says deputy GM of Standard Bank's home loans division, Terry Power, has resulted in "less than perfect" service to clients.

Now Standard plans to prove it will offer the full range of services.

Applications from borrowers will still be made through branch managers but these will immediately be referred to the new offices for "significantly" improved service, he says.

● Does it pay to switch your bond from a building society to a bank? See Property, Page 12.

(58) D.O. 24/6/87

# Saswitch has card holders in a spin

**Dispatch Correspondent JOHANNESBURG** — Hundreds of cash card holders throughout the country are falling victim to SASWITCH automatic teller machines, (ATM's), debiting them for money they never received.

Senior officials of the 12 finance houses belonging to SASWITCH, under fire from angry clients, are "moaning like hell" for the system to be speedily improved, one building society executive said yesterday.

The problem is worst at weekends when card holders input their codes and cash requests only to get a print out reading: "Sorry, please try again later" or "Facility unavailable".

A later statement check often reveals that accounts have been debited for an amount the holders never received.

"It's supposed to be a convenience but it's driving me stark raving mad," one client said.

Spokesmen for SASWITCH and member institutions were yesterday adamant that no clients would actually lose money but conceded that delays of between two days and four weeks

in correcting balances existed.

"The audit trails and daily checks of ATMs, which have built-in safety features, rule losses out," SASWITCH spokesman, Mr Bruce Pollock, said. He would only admit to delays of "up to two days" in correcting balances.

However, Mr Leo Bos, national manager for shared ATM services for the Allied Building Society, said he had over 600 outstanding queries, some dating back as much as two weeks.

"If the client doesn't inform his bank or building society of the mistake then this can take up to four weeks to correct," he said.

The problem has forced bank and building society staff to advise clients against using "foreign" SASWITCH machines.

Mr Bos emphasised that interest on incorrectly debited amounts was retrospectively added back on.

Mr Pollock said SASWITCH was presently doubling its computer capacity and hoped to iron out all problems by the month's end.

"The system is overloaded with peak demand over weekends, particularly Saturday mornings after shops close," he said.

The SASWITCH system processes requests to a client's bank or building society via a central computer.

In contrast, the Multi-Net system has only four directly-linked financial institutions as members and has been running smoothly, according to a spokesman for the UBS, which uses both SASWITCH and Multi-Net.

Mr Pollock said there had been a 26 per cent increase in transaction volumes since last month, placing a heavy demand on the SASWITCH computer.

Mr Leo "strongly recommended" that card holders use their "own" cash terminals and urged people to check their cash statements.

"There's a lot of apathy around," he said.

Recently only 40 of 120 people affected had contacted his organisation over incorrect debits.

"One guy has R400 credit outstanding and hasn't contacted us," he said.

## Challenge for societies

# Standard Bank to boost home loans

CAPE TOWN 24/6/87 (58) 188

From TERRY MEYER

JOHANNESBURG. — Building societies, already battered by mortgage loan competition from the banks, are to face an even greater challenge from Standard Bank later this year.

The bank has embarked on a major expansion of its home loans division in a concerted effort to show that it is in the home loans business to stay.

The bank will also start offering building loans for the construction of new homes.

### Home loan offices

Until now banks have generally steered clear of such loans as they involve a great deal of extra administrative work due to regular "draws" by builders for work done.

As part of its expansion campaign Standard has started to establish regional offices, independent of the branches, which will specialize in home loans.

This will be the first time that any bank has established specific home loan offices which are staffed with property experts.

Regional home loan divisions have just been set up in Durban and Cape Town and the Johannesburg central office has been turned into a regional branch. A Pretoria Office is to be opened shortly.

In addition, the bank has:

- Appointed 40 full-time assessors — a first for a bank — to professionally

handle all loan applications.

- Employed sectional title experts in each office to advise and handle applications for townhouse and flat sales;

- Started recruiting a team of sales experts to aggressively market Standard home loans to borrowers and estate agents.

Until now Standard, like the other banks, has been using its branch bank network to process loans and refer them to a centralized loan office in Johannesburg for final approval.

This, says Terry Power deputy GM of Standard Bank's home loans division, has resulted in "less than perfect" service to clients.

Building societies, on the other hand, have been fighting back with the emphasis on a much better and personal service to clients.

### Staying power

They have also put a great deal of effort into wooing estate agents who are very often instrumental in advising clients on where they should borrow their mortgage funds.

Building society strategy in recent times has been to cast doubt on the long-term staying power of banks in the home loans field.

Now Standard Bank plans to prove that it is not only here to stay but will offer the full range of services in an effort to significantly increase its share of the market.

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# 'Donation' for former detainee after fine

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By EDYTH BULBRING

A FORMER Worcester detainee Christopher Tyawana has received a "donation" of R500 from the Allied Building Society after he was fined in the Worcester Magistrate's Court recently.

Tyawana was found guilty of being in possession of three bullets and a detonator by the court on June 11. He was fined R500 or six months with a further six months suspended for five years.

He was sentenced to 18 months imprisonment, suspended for five years, for being in the possession of banned literature.

Tyawana had spent nine months in detention at the Worcester Prison after being detained at a Cape Town branch of Allied. The incident happened in August last year when he deposited R200 at the branch.

He was told by the teller that there was a "problem". Tyawana was asked to wait in the manager's office and told that police wanted to question him. Members of the security police arrived and detained him.

### Pressure by shareholders

Pressure was placed on the Allied by shareholders and an apology was published for its part in his detention.

The Allied also agreed to pay Mrs Edith Vanga, Christopher's mother, R350 a month as compensation. Tyawana was the main breadwinner for the family.

Last Saturday Tyawana accompanied by his mother, visited the Worcester Branch of the Allied to request reimbursement of the R500 fine.

After the R500 was handed over by the branch manager, Tyawana signed an undertaking that no further claims would be made against Allied for the part it played in his detention.

Asked to comment, the group managing director of Allied, Mr A C Tindall, said the confidentiality of client relationships was "sacrosanct" and they were not prepared to comment on the affairs of their clients.

The matter was confirmed by Tyawana's lawyer. At the time of his detention, Tyawana was an organiser for the Zwelethemba Youth Organisation and the vice-secretary of the "Committee of Seven".



Mr Christopher Tyawana and his mother, Mrs Edith Vanga, in Worcester after the Allied settlement this week



(58) B/Day 25/6/87

EVENTS leading up to and following the collapse of AA Mutual overshadowed almost every facet of the Automobile Association's activities during the year, AA president Henry Ritz said yesterday.

He told the association's AGM that AA involvement in the affair was likely to continue for some time, as litigation was still pending and the AA was involved in inquiries.

Substantial legal and other costs had been unavoidable and would continue until the matter was resolved.

That some policyholders laid the blame at the AA's door for their financial loss from the debacle was reflected in membership strength,

# AA Mutual still hangs over AA

DIANNA GAMES

which showed a small decline for the first time in decades, he said.

To counteract the revenue loss, major cutbacks had been taken, and there had been a small increase in membership fees.

Ritz said the AA took part in a closed high-level symposium to

consider retail price maintenance on fuel and elements of the price structure.

The AA was concerned that motorists were being unfairly taxed to cover public expenditure which should be funded by the broad spectrum of taxpayers.

The AA has recommended to a commission of inquiry into litigation in terms of the new Motor Vehicle Accidents Act, 1986, that the determination of liability and the quantum of the award should be separated.

It also recommended intermediate damage payments, as many victims suffered financially while awaiting the award.

Sheehan  
4.30 pm  
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7.30 pm

# Life Insurance pays out R4-bn in benefits

CAM- Times 25/6/87 58

By JANE ARBOUS

ALMOST R4 billion in benefits was paid out last year — more than R15m per working day — to the beneficiaries of life insurance policyholders.

This was a 40% increase over 1985 and a continuation of the accelerated growth of the past 10 years, according to the annual review of the Life Offices' Association of SA (LOA) published yesterday.

However, the review also highlighted the continuing problem of the collapse of people's financial planning represented by individual pension surrenders — an increase of 31% in 1986 totalling R456m.

Although this was substantially lower than the 62% in 1985, the LOA considers the surrenders "still disconcertingly high".

Individual new business, mainly single premium policies, was up 91% over the previous year.

In his foreword to the review, LOA chairman Dorian Wharton-Hood says if the life insurance industry did not provide the enormous benefits it does, countless families would have been destitute.

Referring to the industry's role in the country's economy, he says that the importance of making the savings of the population available for investment in productive areas is now more crucial than ever before.

"It is imperative that people

are encouraged to save as much as possible to facilitate domestic capital formation, vital if we are to alleviate the serious unemployment problem."

The review also shows that the life insurance industry's total investments in order to pay future benefits amounted to more than R54,5 billion at the end of 1986 — an increase of more than 40%.

A noteworthy feature of the figures released is the industry's success in reducing operating expenses as a percentage of the volume of money it handles. This means, in effect, that life insurance is one thing that has become

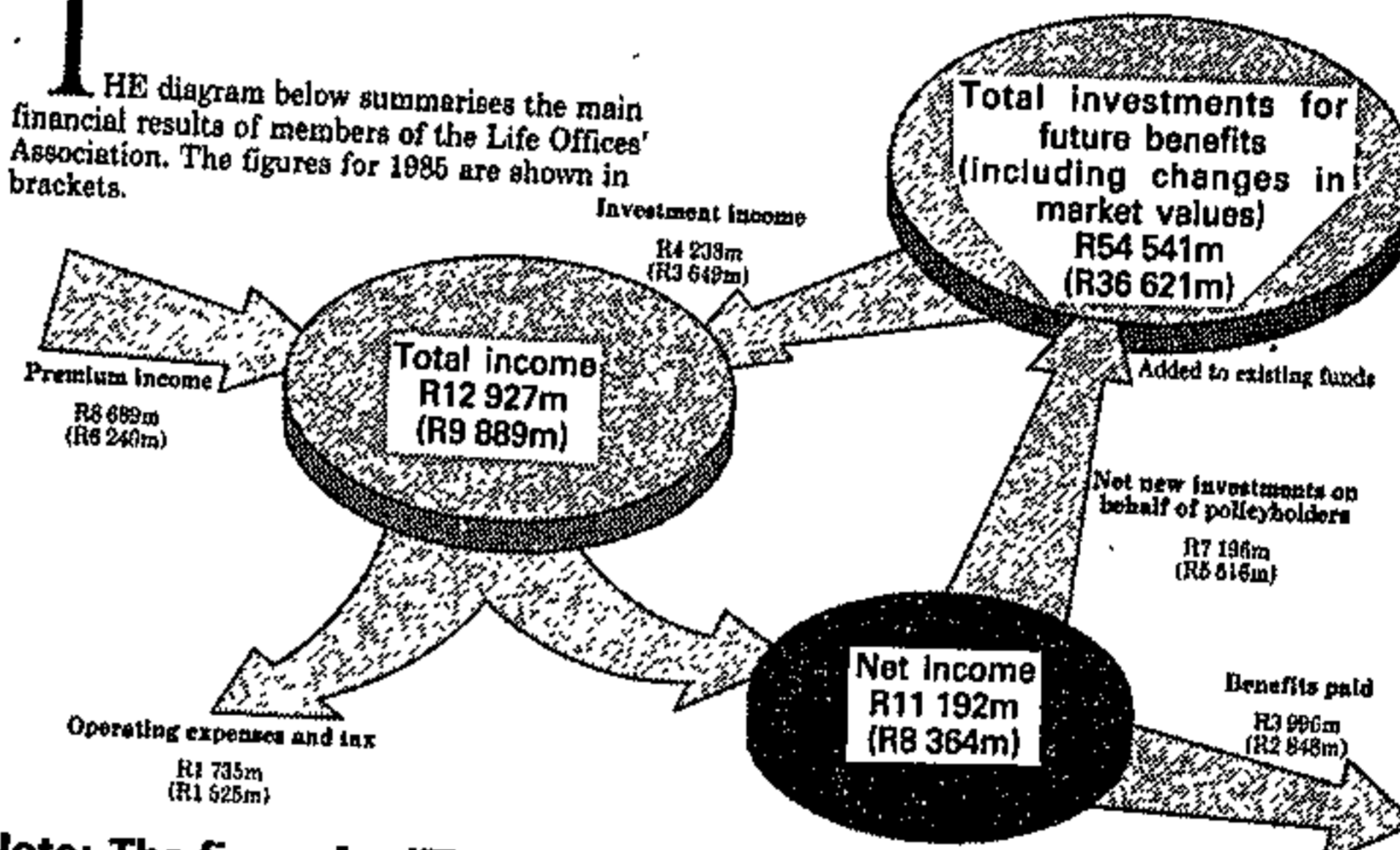
cheaper in recent years.

Wharton-Hood says the LOA now has regular contact with senior officials in the Department of Finance and hopes that a result will be "a more positive attitude to the industry and so doing help create a more favourable climate for the marketing of life insurance products thereby further stimulating long-term contractual savings".

"It is the view of the LOA that this could be achieved by increasing tax incentives to individuals to invest in life insurance and by simplifying the basis of taxation by scrapping the 6th Schedule of the Income Tax Act."

## Summary of life insurance activity in 1986

THE diagram below summarises the main financial results of members of the Life Offices' Association. The figures for 1985 are shown in brackets.



Note: The figure for "Total investments for future benefits" reflects the situation as at December 31, 1986. The growth in these assets can be attributed to the excess of income over outgo, as well as the appreciation in value of assets already held.

All its companies contribute as . . .

# Rembrandt profits soar

From CHERILYN IRETON

**JOHANNESBURG** — Companies within the blue chip Rembrandt group have weighed in with an average 24,5% increase in taxed profits for the year to March.

The Rembrandt Group (Remgro) raised its taxed profits to R347,1m, taking earnings from normal business operations to 106,9c a share from 73,2c the previous year.

Remgro's final dividend of 7c a share gives a total dividend of 12,5c against 10c in the year to March 1986.

Earnings for all companies within the tobacco, liquor and banking empire reflect the recent subdivision of shares.

Meanwhile Rembrandt's Technical Investment Corporation (Tegkor), Rembrandt Controlling Investments (Remb Beh) Technical and Industrial Investments have reported taxed profits of R347,0m (R278,8m).

Tegkor's earnings from normal business operations amounted to 69,45c (47,58c) while the final dividend of 4,54c (3,47c) means a total payout of 8,11c (6,49c) a share.

Remb Beh's earnings from normal business operations rose to 79,11c (54,19c) with the final dividend of 5,18c (3,96c) lifting its total to 9,25c (7,40c).

Tib's earnings topped 73,79c (50,38c) while its total return increased to 8,60c (6,88c) after a final dividend of 4,82c (3,68c).

## And Rothmans weighs in more

From BRIAN ZLOTNICK

**LONDON.** — The more than doubling of Rothmans International's earnings per share to 28,6p from 10p, on a fully diluted basis, is good news for shareholders in the Rembrandt group.

Rothmans Tobacco Holdings, which is under the effective control of the Rupert Foundation Societe Anonyme, which is in turn controlled by the Rembrandt group, has about a third of the equity of Rothmans International.

The stake is currently worth about R750m. The other major shareholder in Rothmans International is Philip Morris, the giant US tobacco group, with slightly less than a third of the equity.

Rothmans International's operating profits soared from £115,9m to £203,5m on a little changed turnover of £1,5 billion in the year to March.

A final dividend of 5,2p (4,5p) has been declared to make a total of 7,7p (6,7p) for the year.

Moreover, the group's — its main business is the manufacture and sale of cigarettes, other tobacco and related products — consolidated balance sheet shows that it finished the year off with net liquid funds of £328,3m against net borrowings of £62,3m in the previous year.

Rationalization benefits of previous years are certainly flowing through strongly. In the 1987 financial year the total rationalization costs fell to £15m from the previous year's £47,4m.

Profits from the group's interests in luxury consumer products again advanced with good results from Dunhill and Cartier boosting overall performance.

BANKING

(S) MM

## No haste at Citibank

26/6/87  
There are no immediate plans to integrate the corporate computing systems of First National Bank and Citibank, but this appears inevitable, although the two currently operate on different computer architectures.

First National GM, information systems division, Mike Jarvis tells the *FM* that it is still too soon to say what will happen. First National itself is in the process of moving on to the IBM standard and implementing the Hogan computerised banking system, while Citibank uses Prime computers.

Jarvis says he will be getting together with his counterpart at Citibank this week to discuss the issues and implications. "There will be no change for the time being," he says. "Apart from anything else, I have my hands full with our own computer development programme and, secondly, it would be unfair to expect Citibank people to change technology now, when they are obviously adjusting to the new environment. We will take it very gently for the time being."

It is envisaged that Citibank will continue to be run as a separate entity for the present, he says. Only when the two organisations have come to know and understand each other will decisions be made about linking them.

"Citibank is predominantly in the wholesale corporate market, whereas we cover the broad banking arena. Any decision related to computers will be based on the two corporate systems and just how they can be operated together, if there is a need to do so. Decisions will be related to business rather than data processing, and we will make any adjustment necessary in order that those decisions can be implemented." ■

# Debt: The Ticker has turned

## A sharp drop in company and private judgments

MICHAEL CHESTER

South Africans have finally turned the tide of debt that has engulfed them for the past two years and which has pushed the number of summonses and court judgments to unprecedented levels.

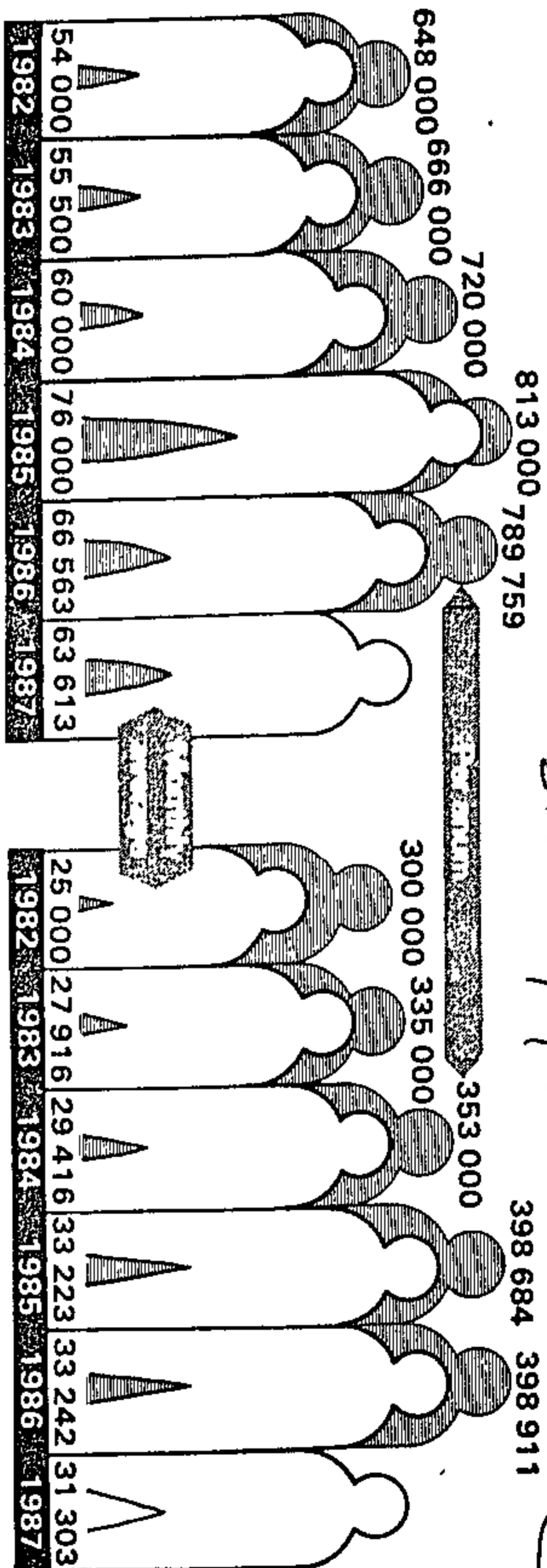
The shrinkage of the debt mountain has been signalled by statistics showing that the number of business liquidations has dropped by as much as 50 percent compared with the peak in 1985 when more than 3 000 companies collapsed in financial ruin.

Less dramatic, but equally significant, indications are that private consumers have also started to struggle back to the surface after wallowing under the waves of debt summonses that hit them at the rate of nearly 77 000 a month in 1985 and more than 66 500 a month last year.

Rescuing hands have been provided by the combination of a mild economic upswing and estimates that salaries and wages in general are now rising fast enough to keep pace with inflation for the first time in six years.

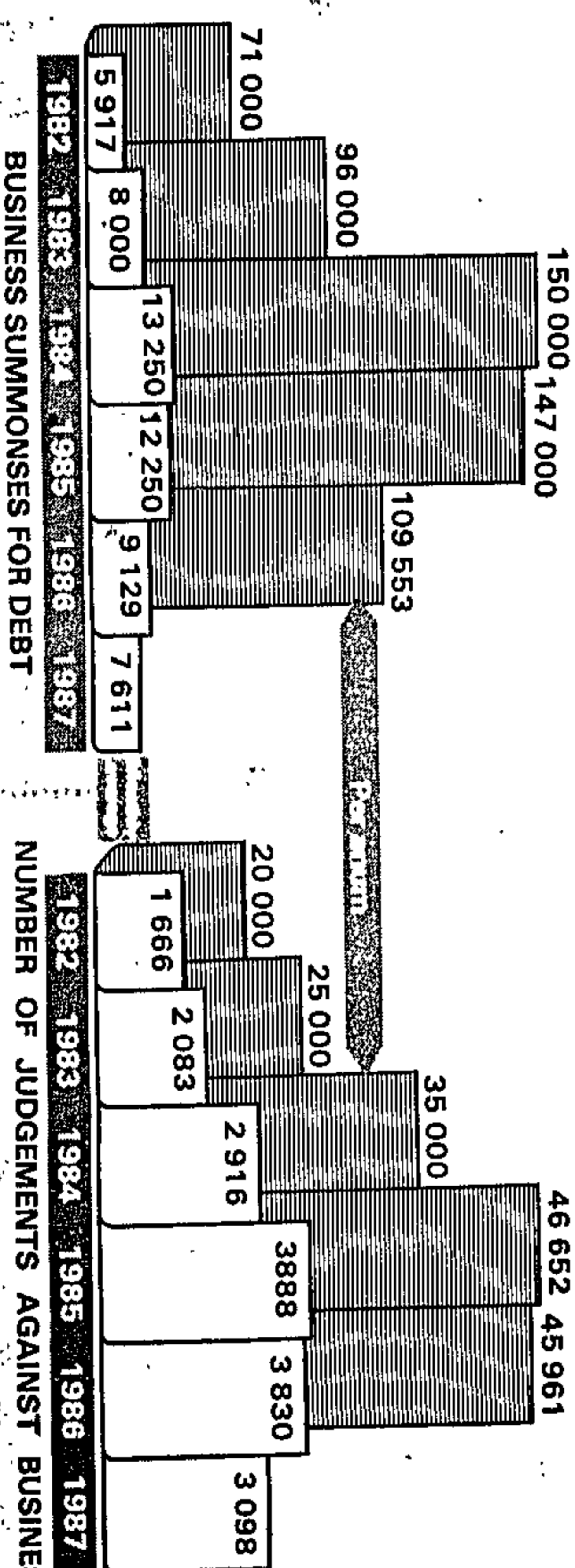
The average monthly rate of liquidations has been slashed from 265 in 1985 and 228 last year down to 132, the lowest since the 1980 gold boom.

It was this gold boom that triggered the wild spending spree and the explosion in buying on credit which caused debt burdens to grow to their heaviest on record.



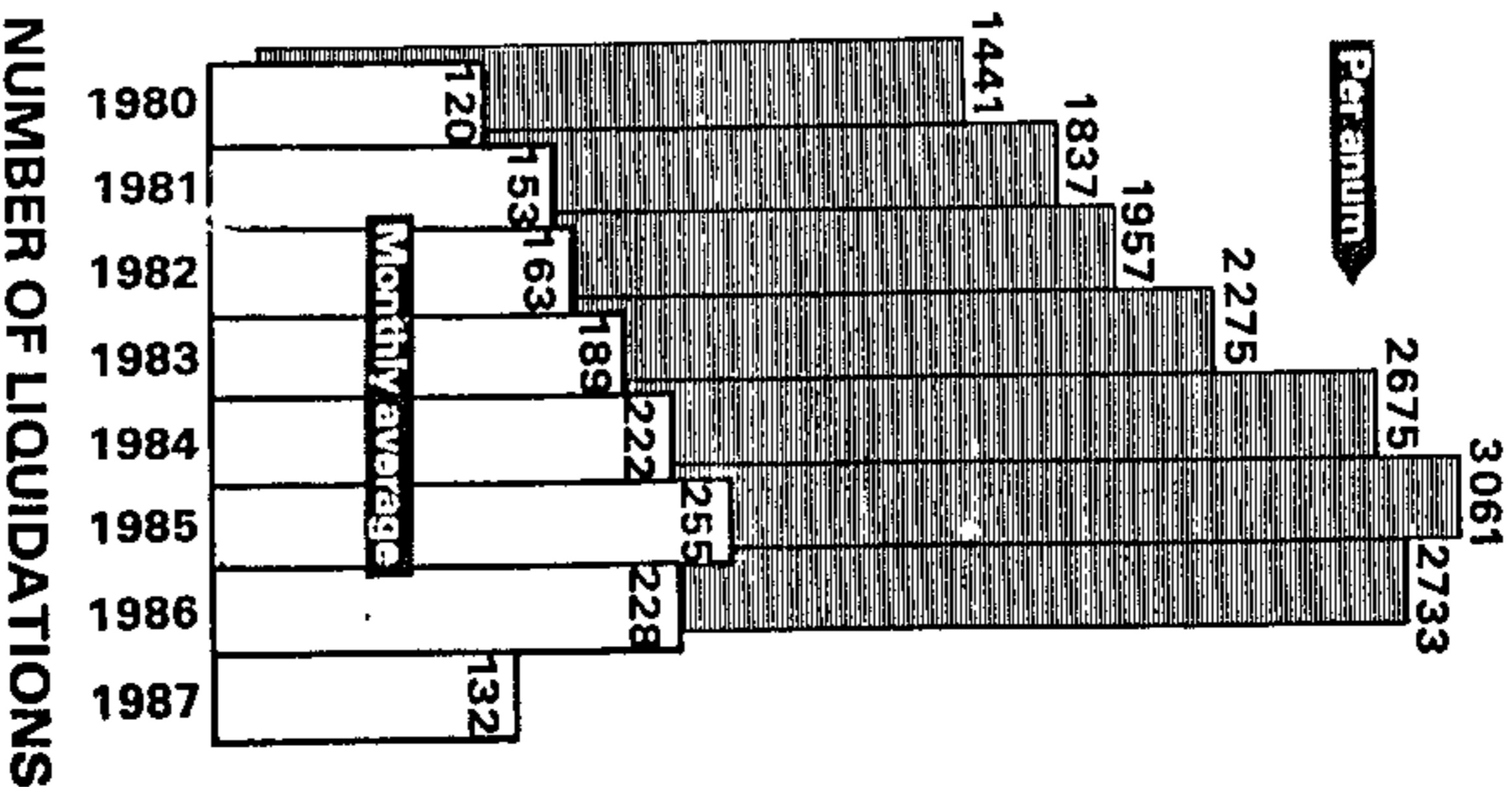
DEBT SUMMONSES ISSUED TO PRIVATE INDIVIDUALS

DEBT JUDGEMENTS ON PRIVATE INDIVIDUALS



BUSINESS SUMMONSES FOR DEBT

NUMBER OF JUDGEMENTS AGAINST BUSINESSES



NUMBER OF LIQUIDATIONS

Graphic: Nicky Taylor  
Star info-pak

The number of private individuals summoned to court to face claims from creditors has fallen from the peak of 76 750 a month touched two years ago to around 63 600. And actual court judgments have declined to 31 300 a month — the lowest since 1984, which turned out to be the real start of the debt drama.

Mr Paul Edwards, managing director of the Information Trust Corporation, which monitors business performance and debt trends, believes the dramatic turnaround in company failures stems from the shake-out of business weaklings in the recession and the emergence of far more talent in business managements.

"Because of the mixture of problems peculiar to South Africa — socio-political headaches, volatile exchange rates, dipping real estate prices — a few years ago, companies have had to develop an entirely new set of management standards," says Mr Edwards. "The results are now coming through in financial performance as well as in other aspects. The companies that have survived are now in far better shape than a few years ago. Consumers have also become attuned to new lessons in the financial management of their family budgets. They have learned that spending sprees on credit terms hold all sorts of dangers."

## New home for Sol!

The home in Morningside, Johannesburg, of Gordon Waddell, former head of JCI — who is turning to Britain — is still on the market.

It is understood that Cape Town agent Mrs P. Golding is handling the sale, but yesterday would not confirm whether hotel magnate Mr Kerzner was planning to buy it.

Star 27/6/87

58

# Sharp

CAPE TOWN (58)  
27/6/87

# increase in DBSA loans

By JANE ARBOUS

THE Development Bank of Southern Africa (DBSA) committed itself to loans totalling R604m in the past financial year — a sharp increase on the previous year's R383m.

According to the bank's annual report released yesterday, although project applications from the bank's participating governments came in at a slower rate than the year before, they were better prepared and increasingly formed part of well-planned development programmes.

The report also noted that actual funds paid out annually by the bank were growing rapidly, moving from R173,7m in 1985/86 to R248,4m in the past year. It is expected that R341m will be paid out in the current year, increasing to R1,1 billion in 1991/92.

In the past year, the bank approved 29 urban development projects.

Loans for 14 transportation projects (mainly roads) were approved for R164,4m, while support for 15 agricultural projects is expected to amount to R51,7m.

Of the total of 611 projects in the pipeline on March 31, no less than 127 were for urban development, involving possible loans by the bank of R428,2m.

Altogether 126 agricultural projects were at various stages of assessment, for which the bank could have to contribute R421,7m towards implementation.

Other development programmes drawing many applications for support, include industrial projects (38 in the

pipeline), human resources (53 projects), small business (49 projects), transportation (71 projects) and water resources (55 projects).

Projects supported by the bank in the special-employment programme launched by the government have resulted in the creation or maintenance of an estimated 24 000 jobs.

Chairman and CE Simon Brand said in his review that accelerated change in the social, political and economic spheres could be expected in the years ahead.

"However, the outcome of this change is uncertain and will remain so for some time. What can be expected is that opportunities for a wider spectrum of the population of Southern Africa will expand. Differences in earnings and in the provision of public goods and services will be reduced."

In his report on the activities of the bank, Brand states that the bank has reached such a level of activity that it has become a significant factor in development in Southern Africa.

"While the bank is continuing to expand its support for development projects in the self-governing territories and the states, which became independent from SA, it is also becoming increasingly active in SA's urban areas as well as in non-participating neighbouring states.

To make provision for expected development trends, general changes and events, a comprehensive strategic plan was drawn up and approved.

# THE METEORIC RISE OF A BANKING STAR



**Gaby Magomola aims to revolutionise the black financial world.**

AMIDST fraud allegations against the African Bank management team, was hardly the perfect time to accept the offer to become the bank's managing director, but that's exactly what Gaby Magomola did.

Gaby is a man who had clawed his way to the top the hard way. As a Randfontein schoolboy playing truant, he'd been expelled from school - so toughness could have been his middle name.

He took his new appointment and the shockwaves of a police investigation in his stride.

"One day, when I am not around any more, people must be able to say about me: 'Here was a man who did not forget his roots, acknowledged them and did the utmost for the community which unwaveringly supported him.' This does not make me more or less patriotic. I think it makes me a better South African."

Gaby returned to his land of birth to serve his community after residing in the United States for seven years.

He had to return, he

said, mainly because his two children, a son and a daughter, became Americanised.

"I had a responsibility towards these children. I wanted them to know how the cultural set-up in South Africa works, the prejudices of which they have only heard.

"I wanted to give them the opportunity to learn the language of their ancestors and to enrich themselves with their national identity."

Tradition is important to him. "Although I favour the sophisticated Western way of life, I still believe the magical wealth of African life is something that cannot be found elsewhere."

This was nevertheless a traumatic adaptation.

The Manhattan skyline greeted him daily in his luxurious Upper East Side apartment in New York, with neighbours like Diana Ross. Now it has become Orlando in Soweto.

"I remember the first day back in Soweto. In Orlando I saw a Mercedes sports car driving with painful care along

the stone covered dust road. It was the most bizarre sight!"

He now lives in Wendywood. He could have returned to New York any time. This was the agreement with Citibank, which sent him back to South Africa.

A training visit to London became the turning point. "I had the opportunity to decide if I should remain permanently in South Africa.

"It was a period of intense self-analysis. Then I decided to stay. That way I could make a contribution to the country and to my people. I was a role model among black people and I thought it would be irresponsible of me to quit. I have never been a quitter."

His decision to stay caused him to look for a larger stage to employ his talents and capabilities.

Citibank was too small and it was an American institution.

He accepted an offer to join Barclays. After he was appointed personal assistant to Chris Ball, he was at the very nerve centre of a giant financial

institution where he gained considerable experience.

However, Citibank has now merged with First National Bank - formerly Barclays - so it's a small world even in banking.

But still, he did not feel "comfortable" with his career. He was a banker who did not really work with his people.

After the African Bank encountered problems he was approached by the bank's board of directors.

This was a period of crisis. Why was he specifically approached?

"It was an appeal to me to stand up and salvage the situation with the abilities I have."

When the African Bank was in crisis, he was inundated with calls from people who wanted to know: "How can you sit back with your arms folded when a fire is raging in your backyard?" This was a moral dilemma.

Now he had to get things done. And he knew exactly how he intended going about it.

He encircled himself with good people, "just as any good leader would do."

"True, some of them were not black, but ability cannot be determined in terms of black, white, long noses or blue eyes. I was looking for quality."

"I rely upon the collective experience of people whom I have appointed to form this bank and to provide leadership."

"It is my aim to consolidate, rationalise and to restore confidence."

"Admittedly, the bank has a tarnished record and we comply to the stereotype of blacks who fail in the business world."

This he said without bitterness. (Ironically enough, the tarnishing was allegedly caused by white members of the previous management team, which he did not mention.)

He realises that he is saddled with a difficult task, but it is a challenge and he is greatly encouraged by the enthusiasm and support which met his appointment.

"I know I say things which create confidence among people. I want people to know who I am, who Gaby is, and this bank offers me the opportunity."

"We have had bad publicity and for a period

of time the morale of the staff was low. But I am fighting back with all the means I have at my disposal."

One notes that Gaby Magomola learnt his lessons well in the United States. He is eloquent and his words are measured.

It is not surprising to learn that the late Martin Luther King had a strong influence in his life.

He is unashamedly capitalist. South Africa is not the ideal example of the free market system, it's rather socialistic, he says.

He possesses two BMW cars, has a St Bernard dog, a beautiful house with a tennis court - and as far as he is concerned, capitalism is the only acceptable system.

But he fully realises that capitalism has become the biggest enemy to a majority of his people "because capitalism did not benefit them to the extent that it has benefited the white man."

"But there are still many black people who have not rejected capitalism and I can only hope that South Africans will give their support to the African Bank, which has the enormous task of assisting black entrepreneurs who wish to strive for better things within the capitalist system."

If this can create a formidable black middle class, it will be a good thing.

His task is to operate the bank profitably. And he believes the bank has an increasing role to play in South Africa after apartheid.

What he would like to see, however, is a modern, lively, pulsating black economic sector.

"I am being criticized in certain circles for being a protagonist of an ethnical apartheid community within apartheid's economic structure."

"I say our community must be assisted to help itself to gain economic power. This is equal to muscle power. And if you have economic muscle you can bargain with those who exercise political power."

"Our people must pull

themselves up by their bootlaces, create structures, establish networks, build muscle power and then we will be taken seriously by those in power. I am talking solely from an economic point of view.

"I feel strongly about the fact that our people must strive to create their own institutions which must be fully controlled by black people - an insurance company, for example. It must be our own, where our own resources can be utilised."

"But in the long term it must be a means to achieve a goal - that of a fully integrated economy."

He is very aware of the Afrikaner's economic history.

"I admire Volkskas, Federale Volksbeleggings and Sanlam. These companies inspire me."

"Our people can learn much from the Afrikaner, whose history is pointedly similar to that of my people in this respect. However, the Afrikaner had the law on his side."

When asked for comment on the Rev Leon Sullivan's appeal to American companies to withdraw completely from South Africa, he answered cautiously.

He would be leaving soon for the United States and will be meeting with Sullivan.

He is going to tell him he does not agree with him, one deduces that from what he says.

He is in a difficult position. Should his people insist that he support sanctions, he will do so. "But very reluctantly."

South Africa's biggest problem is not revolution - it revolves around unemployment and inflation, he says.

"There are still such enormous reservoirs of goodwill between black and white" and he tells the story of the traffic officer who caught him in a speed trap.

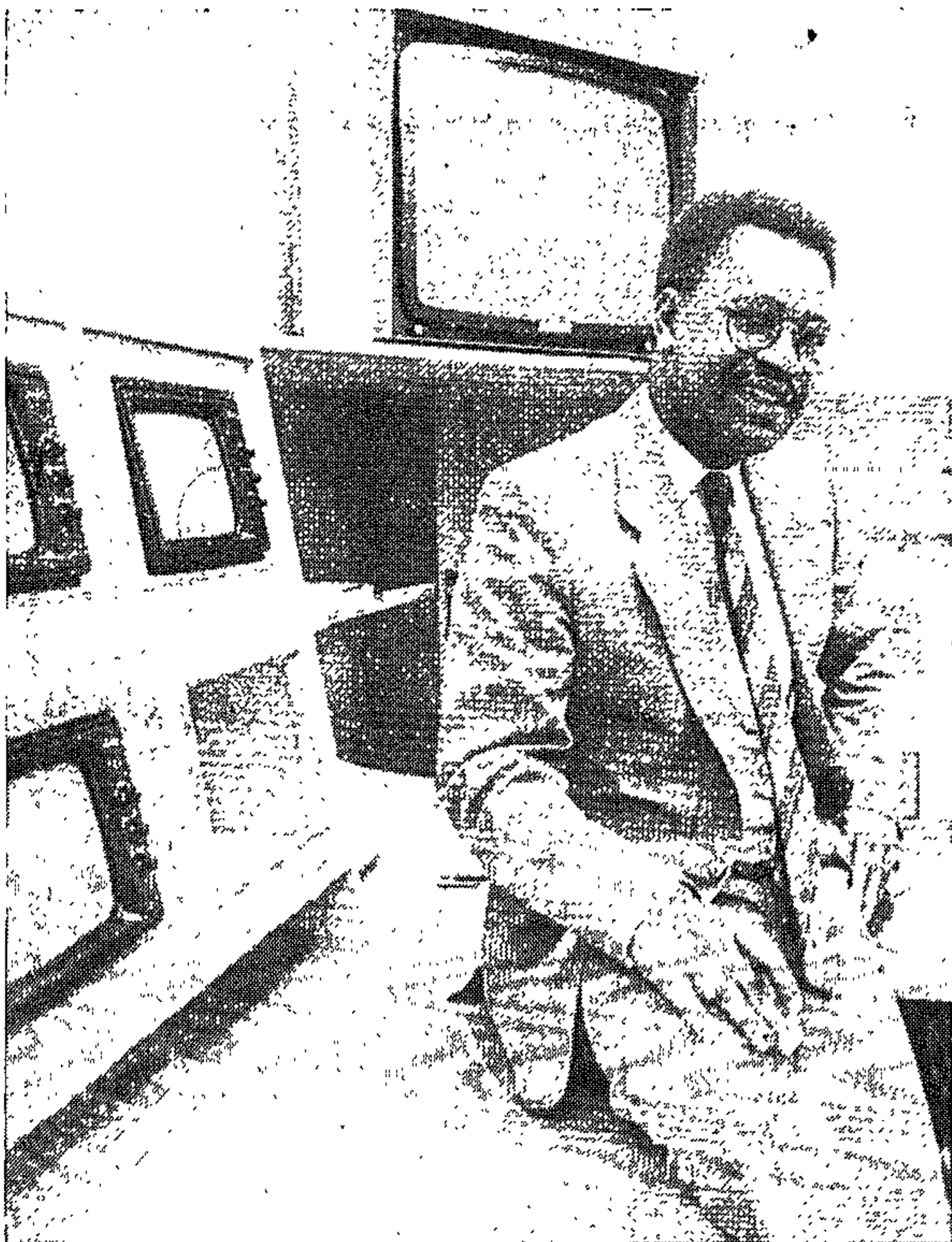
After a careful and courteous introduction - and a stiff fine - the traffic officer invited him to his home "and I am going."

He is comfortable among people and he is very adaptable. This is one of his assets, claims Gaby

He feels equally at home at a glittering banquet for bankers as at a humble dinner with a family in Zola, Soweto.

He does not push his traditions aside, like slaughtering a goat for the ancestors, even though his children tell him "You're weird man!"

He's come a long way and he intends to go much further, he says without hesitation.



Gaby ... and the electronic gadgetry he hopes will see him through.

*"It was an appeal to me to step forward and salvage the situation."*

*"My aim is to restore confidence. Admittedly, the bank has a tarnished record and we comply to the stereotype of blacks who fail in the business world."*

**FIRST** National Bank provides a good example of what companies can do, and have done, to help South Africa's disadvantaged people, not all of whom, contrary to accepted wisdom, are black.

However, by far the major part of First National's social responsibility programme is directed at the upliftment of blacks in an extraordinary variety of fields.

It might seem strange to refer to First National as a South African company in this context. More accurately, one should credit its efforts to its foreign parent, Barclays PLC.

### Brainchild

According to SA management, credit should go to Barclays (South Africa) and now First National. At no point, it says, has Barclays PLC had any involvement in, or made any contribution to, the social responsibility programme. It was, and still is, the brainchild of the SA company. Nor has Barclays PLC put any pressure on the SA organisation to initiate or expand any programme. Barclays PLC was not showing any lack of concern for the underprivileged. It was merely working on the sound principle that one does not whip a winning horse. This horse was winning by several lengths.

A First National spokesman says: "Unlike some signatories to the Sullivan code, who left behind unfinished work, our programme goes on. It is done here and paid for here. At no time was any code forced on us. We have voluntarily conformed with the Sullivan principles."

In fact, unhampered by point-scoring limitations, First National claims to have done a great deal more than adhere to the code. It has lent money to aspiring black entrepreneurs

# First National - the bank that cares for all



where normal banking procedures would count the risk too high. It has poured money into black education, health, adult literacy programmes, child welfare, training and housing, contributing consistently to a plethora of welfare organisations.

### Community

In the past year, R5-million of the bank's money went into such efforts. It started with a £7 000 contribution to education in the year 1939 — long before Mr Sullivan's time. No need to sniff at the £7 000 — adjusted for inflation it comes to nearly R500 000 in today's money.

A bank spokesman, explaining the rationale of the social responsibility programme, says: "We want to be seen by the community as a caring business. We are part of the community. In European countries which can afford expensive social security systems it is acceptable for companies to throw the ball back at the state. But we cannot hold that position here." Commenting on the breadth of the First National programme, he says: "The needs of our society are unusual. There may be arguments for concentrating money more critically on a small number of visible projects. I think the interface between the bank and the public is too broad for that."

The involvement is broad.

First National supports more than 600 projects, ranging from hunger relief to the arts. Education has been singled out as the main target, and takes 55% of the budget. Social services receive 35% and the arts 2% as does conservation.

The policy is to consult the people involved, then stick with a project through thick and thin. For instance, the bank has been involved in the Urban Foundation since the start and in the past five years has donated R2,5-million to it.

### Struggling

First National has devised several banking services with undisguised social leanings. Its small business unit finances struggling enterprises that would not normally qualify for loans and backs up the financial assistance by helping with management problems. Three hundred businesses are helped this way, to the tune of R14-million.

Strong support goes to Operation Hunger, which feeds 650 000 people, 450 000 of whom are children. The bank has also persuaded its employees to contribute to this project.

Money also goes to the African Children's Feeding Scheme, which cares for 11 000 children a day. Funds go to Read Educate and Develop for the provision of books to black schools and for the training of teachers. READ

has supplied libraries to more than 600 black schools.

The bank has given R150 000 for setting up the Barclays Institute of Ophthalmology at Ga-Rankuwa Hospital, one of the most advanced units in the world.

### Teachers

There are also Operation Upgrade for teachers, support for clubs in black townships, for health clinics, the Cerebral Palsy Association, the African Self-help Association, the Association for the Physically Handicapped, the National Cancer Association, St John Ambulance, the Red Cross and many others.

First National has financed two irrigation schemes in Venda and funded a full-length film dealing with abuse of the environment.

The bank is also involved in sports sponsorship and financial rescue operations to save drought-stricken farmers.

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AND ANY  
INFORMATION  
ON  
RECRUITMENT  
ADVERTISING,  
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PHONE ANNA  
WHIELERS AT  
710-2485**



# Sanlam helps small business, the arts, sport and a lot more

SANLAM is the largest contributor to funds for the Small Business Development Corporation.

By Ivan Philip

But apart from that, it takes a socially responsible stance in other areas, not least in its approach to the welfare of its employees.

As a mutual, the organisation also feeds back to its policyholders both profits and investment income — to people of all races and circumstances.

For its employees, Sanlam has "a commitment to provide a pleasant and safe working environment and favourable conditions of service".

There is also a commitment to the full use of talent and equal opportunity for development and advancement. Sanlam believes that human resources and job creation are of vital importance.

## Cheap housing

Beyond its responsibility to its employees, there is a social responsibility programme that extends to the community at large — through the Small Business Development Corporation and the Urban Foundation, community centres, creche, self-help schemes and low-cost housing project.

A major goal is economic development, through large and small enterprises, and contributions go to the SA Free Market Foundation as well as economic and marketing research organisations.

"If business is to prosper and grow," says a spokesman, "it must be in a society where people are doing likewise."

There is emphasis on youth, with concentration on welfare, education, sport and recreation. Financial assistance goes to such organisations as the SA Heart Foundation, the Medical Research Council and the SA National Council for Alcohol and Drug Abuse.

Recognising the need for hunger relief, the company made a substantial donation to the National Council for Child and Family Welfare.

## Sport

Sanlam contributes to more than 20 national welfare organisations, mainly concerned with youth-related activities. In a move to encourage sport, sponsorship goes to amateur athletics meetings, the Trim Gym Association and foreign tours.

Patronage extends strongly to education and Sanlam plans to extend that effort through donations to tertiary educational institutions. The money will go to books and other facilities for libraries.

In cultural fields, there is strong support for theatre and music. Donations go to Cape Town's Baxter Theatre, the Roodepoort International Eisteddfod, the Cape Town Symphony Orchestra and the National Youth Orchestra.

The Sanlam Prize for Youth Literature and the Sanlam Literary Award encourage aspiring writers.

Much has been done to support conservation and the preservation of SA's cultural heritage, including the preservation of historic buildings and the accumulation of works of art which have been exhibited more than 100 times.

## Wild life

Last year, more than 42 000 people visited seven of these exhibitions.

Contributions are made to the Wild Life Society and the SA Nature Foundation.

Sanlam has contributed more than R8-million to the community in these ways.

A spokesman says: "Attractive as it would be to concentrate this budget on a few high-profile projects, we cannot turn our back on many deserving causes that rely on us for support. We try to find some compromise."

## Compromise

However, the basic social function of any business organisation is to help people to earn a living.

Through its subsidiary, Sankorp, more than 400 000 jobs have been created.

Another 20 000 jobs have been created in the past two difficult years. In the end, that is what most people want. Their jobs, says Sanlam, are the source of self-respect.

(58)

SME  
29/6/87

# Societies steeled for granny bond assault

By Magnus Heystek,  
Finance Editor

Building societies are bracing themselves for massive withdrawals of funds by senior citizens when the controversial "granny bonds" come into effect on Wednesday.

Despite repeated calls by building society spokesmen that the scheme announced in the Budget speech on June 3 be altered, the Government has decided to press ahead.

The scheme offers people over the age of 60 a taxable interest rate of 15 percent, redeemable after a year.

This compares with the highest rate of 12,5 percent on offer by building societies.

Society spokesmen have warned that up to R9 billion of deposits would be in jeopardy if the scheme went ahead, thereby putting pressure on interest rates. Should this happen, building societies would have to increase mortgage rates.

Initial interest shown by senior citizens at branch level has been "quite staggering" say building society spokesmen.

So great has been the interest shown that the application forms for the bonds have run out and the Government is allowing photocopies to be made in order to meet the demand.

Already, one financial institution, participation bond company Masterbond Trust, has taken steps to prevent its market being eroded by granny bonds and has announced a similar investment package offering 15 percent for investors over the age of 60. In terms of the scheme, investors will have the option of a fluctuating rate of 14,25 percent, with a floor rate of 11 percent, or a fixed rate of 15 percent for a fixed period of five years.

Economists say the Government will introduce measures to curb the inflow of money into granny bonds if the scheme turns into a flood of withdrawals, because higher interest rates are contrary to present economic policy which is aimed at stimulating consumer demand and growth. Higher interest rates, especially mortgage rates, would mitigate against such a policy.

# 'Granny' bonds putting pressure on interest rates

58  
29/1/82

By Tom Hood

CAPE TOWN — Government's new "granny bonds" scheme has forced some financial institutions to push up the interest rates they pay to investors. Home loan rates are under pressure.

The new bonds, which pay 15 percent to senior citizens and can be redeemed after one year, start on Wednesday. Interest is paid quarterly and is taxable but enjoys the general tax concession through the first R1 000 of interest exempt from tax.

Senior citizens savings bonds can be bought in multiples of R100 with a minimum of R500 and max of R200 000.

Application forms became available at post offices, banks and stockbrokers at the weekend.

Building societies and other institutions have already experienced a serious cash outflow through investors pulling out their savings and switching them into higher-yielding unit trusts which are heavily invested in the booming Johannesburg Stock Exchange.

Participation mortgage bonds, a favourite investment for retired people, are the latest to act to protect their funds.

A part bond company, Masterbond Trust, has decided to

pay over-60 investors 15 percent with the rate fixed for five years. There is also the option of a fluctuating rate of 14,25 percent with a "floor" rate of 11 percent.

Interest will be paid monthly in advance, which means senior citizens can buy their groceries at today's prices, said a director, Mr Bob Goodwin.

Borrowers will not have to pay a higher rate to pay for the scheme, he added. The company would absorb the cost.

Paarl-based Owen Wiggins Trust is raising its rates to 15 percent, with interest paid monthly.

But Syfrets, manager of the country's largest part bond scheme, says it will continue to

pay 12,5 percent.

Building societies have warned that switching of savings into the "Granny" bonds could force them to protect their funds by putting up their deposit rates, which could lead to higher home loan rates.

The Perm, the third largest society, has adjusted its deposit rates but the best offered is 12,5 percent on 24-month deposits.

Managing director Bob Tucker estimates that billions of rands with societies are at risk.

Allied raised its home loan rate for new borrowers by 0,5 percent to 14,5 percent last week.

Businessmen also fear that an upward movement of interest rates could lead to dearer overdraft rates.

## Fedfood turnover up 8pc

Fedfood increased its turnover for the year ended March by eight percent to R973 million, its earnings per share by 13 percent to 103,6c (92,1c) and has maintained its dividend at 32 cents a share.

Income before taxation was up by 14 percent to R47,44 million (R41,61 million), prompting the Chairman, Mr C J F Human, to say the company "strengthened its position in adverse conditions, and succeeded in increasing income attributable to its shareholders".

"Agricultural conditions and the supply of raw materials had an important effect on Fedfood's business during the year," Mr Human said. "In some areas of the country, the drought was broken, while elsewhere conditions deteriorated. The general deterioration of agriculture due to the devastating drought was a gradual process, likewise, one cannot expect a rapid recovery." — Sapa.



## No prosecutions for ANC ad

JOHANNESBURG — Newspapers and people involved in the unbanned-ANC advertisements will not be prosecuted.

This was confirmed by the Attorney-General of the Transvaal, Mr Klaus von Lieres.

Mr Von Lieres said he had examined the ANC advertisement and decided it did not constitute an offence.

"It therefore stands to reason that action cannot be taken against any

person or organisation."

The Munnik commission found that the managing director of the First National Bank, Mr Chris Ball, had knowingly approved a R100 000 overdraft to pay for the advertisement. — Sapa

## Building society will match 'granny bonds'

JOHANNESBURG — The NBS is launching a product to match the government "granny bond" scheme in a bid to protect threatened building society funds, it announced today.

The General manager, operations, Mr Brian Short, said in a Press release an indefinite period

deposit (the NBS 60 Plus) would be offered.

Mr Short said the new deposit would be available only to existing clients over 60 years of age. "We are not looking for new money, just to protect existing funds. We have always said that our over 60 clients are important to us".

He said an outflow of many millions from maturing deposits could produce a valley in the society's cash flow, which could lead to a curtailment in the society's lending programme.

The NBS 60 Plus would not be backed by the usual marketing programme. There would be no

advertising

NBS's product required a minimum deposit of R500 (R100 000 maximum) for a minimum period of 18 months. The current rate would be 14,5%, making an effective 15,5% per annum.

● The government scheme will be available from Thursday. — Sapa

(58) EP 30/6/87

30/6/87 B/Day (58)

# NBS matches granny bonds

THE NBS is launching a product to match the proposed government "granny bond" in a bid to protect threatened building society funds.

General manager operations Brian Short says in a Press release that the indefinite period deposit, to be called the NBS 60 Plus, would be offered only "if and when" the government bonds were issued.

"There is still some doubt whether the government bond will be launched tomorrow. If it is, we will launch the NBS 60 Plus".

Short said the new deposit would be available only to exist-

HELENA PATTEN

ing clients over 60 years of age.

"We are not looking for new money, just to protect existing funds. We have always said that our over-60 clients are important to us."

He said an outflow of many millions from maturing deposits could produce a trough in the society's cash flow — which could lead to a curtailment in its lending programme.

The NBS 60 Plus would not be backed up by the usual marketing programme — there would be no

advertising, and no direct mail.

As with the government granny bond, the interest rate could vary, and would be published on branch interest rate boards from time to time.

NBS's product would require a minimum deposit of R500 (R100 000 maximum) for a minimum period of 18 months.

The current rate would be 14,5%, making an effective 15,5% per annum.

The NBS 60 plus would offer a loan on investment facility — at 3% over the prevailing rate — which the government bond would not do.

'Local business was still viable'

# AAM liquidation wrong witness

(S) 6/10/07  
30/6/07

THE Registrar of Financial Institutions should not have "pulled the plug" on AA Mutual (AAM), which was put into liquidation last year, chartered accountant Charles Stride told the Melamet Commission of Inquiry yesterday.

AAM's local business had been viable and should have been separated from the bad foreign reinsurance business, said Stride, who assisted the commissioners in the Liquidators Enquiry.

The registrar should be given additional powers to act in such cases.

In the UK, the assets of the company would have been hived out to another company, leaving the troubled concern without liabilities. "Our legislation encourages the destruction of companies."

The liquidators' fees should be determined by the creditors, and should have nothing to do with the value of the assets, he said.

He was also strongly critical of the way in which AAM's former GM, services, Enos Barnard had prepared the

HELENA PATTEN

accounts. It was "unadulterated nonsense" that a management team prepared meaningless accounts month-by-month.

He claimed Barnard had not felt it necessary to keep up with modern accounting practices.

Former MD of Commercial Union James Connolly, who is a liquidator for AAM, also gave evidence.

He said distinguishing between the assets of AAM and the umbrella company, the AA Mutual Insurance Association, had caused the liquidators untold problems.

He recommended an amendment be made to the Insurance Act to overcome this kind of problem.

He suggested some of the problems experienced by the registrar in monitoring insurance companies and reviewing the statutory return forms (F247s), could be solved by transferring some control to the SA Insurance Association (SAIA).

ANC

Cap 70/15  
30/6/77

advert: No  
offence,

says AG

JOHANNESBURG. —  
Newspapers and people  
involved in the unban-  
the-ANC advertisements  
will not be prosecuted.

This was confirmed  
yesterday by the Attor-  
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Transvaal, Mr Klaus von  
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Mr Von Lieres said he  
had examined the ANC  
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"It therefore stands to  
reason that if the adver-  
tisement does not consti-  
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cannot be taken against  
any person or organiza-  
tion."

The publication of the  
advertisements led to an  
investigation by the  
Munnik Commission,  
which was appointed by  
the State President, Mr P  
W Botha.

The commission found  
that the managing direc-  
tor of First National  
Bank (formerly Bar-  
clays), Mr Chris Ball, had  
knowingly approved a  
R100 000 overdraft to  
pay for the advertise-  
ment. — Sapa



# FINANCE - GENERAL

1987

JULY → AUGUST. — ~~SEPT.~~ → ~~NOVEMBER~~

~~DECEMBER~~

~~NO. October MISSING~~

CAPE TOWN — Granny bonds — the special Senior Citizens' Saving Bond for over 60s — will be available at post offices from today despite suggestions by some building societies they will not materialise.

This was confirmed yesterday by Finance Minister Barend du Plessis and his chief executive policy Gerhard Croeser.

There had been largescale appeals from the public not to heed the societies' objections to the bonds, which at 15%

# Granny bonds on sale today

1/7/87 B/Day SF

Political Staff

have a much higher interest rate than is generally available, they said.

Responding to reports the Natal Building Society was planning its own form of

● To Page 2

1/7/87  
SF  
B/Day

## Granny bonds go on sale at POs today

granny bonds, Du Plessis said: "The government will welcome it if any of them try to help the over-60s."

Croeser said the department had been inundated with appeals not to back down from the scheme in the face of building societies' complaints the bonds could take away their business.

"If there is too heavy a rush for the bonds, — which we do not expect — the scheme could be revised.

"We could reduce the number of bonds available to each individual from the

current 200 000 or we could lengthen the period of investment," said Croeser.

The scheme was a service to the community, and the government would have no objection if people transferred their money elsewhere if they could get a better return.

The bonds would be available at post offices from tomorrow and from banks in the next few days.

← ● From Page 1

# Granny bonds lift mortgage rates

(58) 1/2/87

JOHANNESBURG — Home-owners and house-buyers have been hit by a new round of increases in mortgage rates as a result of the government's introduction of "granny bonds" today.

The United Building Society announced yesterday its interest rate on domestic home mortgages was rising from 13,5 to 14,5 per cent on new bonds today. The higher rate will affect existing loans from August 1.

Rates on commercial and flat block loans would be raised to 15 per cent on August 1, Mr Martin Keyser, general manager of the UBS, confirmed. Simultaneously, interest rates offered to depositors had been lifted by between 0,5 and 1 per cent.

The UBS, the largest of all the building societies, is following higher rates set recently by the SA Perm and the Allied.

Dr Azar Jammie, director of the Econometrix research unit, said the backlash of higher bond rates was inevitable as building societies were forced to make their own deposit rates more attractive to hold on to customers.

"The government scheme has created a sorry state of affairs for home-owners," he said.

"The government would have been far wiser had it instead offered senior citizens a similar sort of savings package by offering subsidies to building societies to handle the scheme themselves.

"Now the building societies, already in hot competition with the banks in the home loan business, have the government as a competitor," he said.

The granny bonds, announced in the June 3 Budget, offer taxable interest rates of 15 per cent to people over 60.

Building societies, with deposit rates nearer the 12,5 per cent mark, had feared that millions of rands would be transferred out of their deposit accounts unless they retaliated with higher rates of their own.

The new round of higher mortgage rates are intended to maintain margins between deposit and lending rates, according to market sources.

The Minister of Finance, Mr Barend du Plessis, confirmed yesterday the granny bonds would be available at post offices from today in spite of suggestions by some building societies that they would not materialise.

Mr Du Plessis and his chief executive (policy), Mr Gerhard Croeser, said there had been large-scale appeals from the public not to heed the societies' objections to the bonds.

Mr Du Plessis said, in reaction to reports that at least one large building society — the NBS — was considering its own form of granny bonds: "The government will welcome it if any of them try to help the over-60s."

Mr Croeser said the department had been inundated with letters not to back down from the scheme after building societies complained that the government's higher interest rates could take away their business.

"We have had complaints that building societies have been exploiting investors by offering low rates of interest and then lending out the money at much higher rates than they are prepared to pay," he said.

"If there is too heavy a rush for the bonds — which we do not expect — the scheme could be revised."

The general manager, operations, of the NBS, Mr Brian Short, said yesterday the society's new investment would be available only to existing clients over 60 years of age. "We are not looking for new money, just to protect existing funds. We have always said that our over 60 clients are important to us."

He said an outflow of many millions from maturing deposits, could produce a valley in the society's cash flow, which could lead to a curtailment in its lending programme. — Sapa-DDC.

Dispatch  
Correspondent

JOHANNESBURG —  
The South African Reserve Bank disputed suggestions that foreign banks might heed a call by Cape Town's Anglican Archbishop, the Most Reverend Desmond Tutu, to stop loans to South Africa.

At a press conference yesterday, Archbishop Tutu said if foreign banks were to stop recycling loans, this would be a "sharp, quick and short" way of bringing pressure on South Africa to reform.

A reserve bank spokesman said overseas bankers are more concerned about their loans to third world countries than about South Africa.

South Africa has concluded an interim debt agreement which provides for the orderly payment of foreign debt over the next three years, and the country has a strong balance of payments position.

# Reserve Bank — SA not a problem

1/7/87

Foreign bankers have more serious problems to contend with than thinking about South Africa.

He said South Africa is one of only three countries in the world that are reducing their foreign debt, the other two being South Korea and Romania.

The South African Reserve Bank's Governor, Dr Gerhard de Kock, said last week that the repayment of more than R8 billion of foreign debt since 1985 had impressed international bankers, who were more relaxed about South Africa's foreign debt repayments and were, therefore, in favour of doing more business with the country.

## Grannies' debut draws crowds

# Over-60s fork out R25,5m on govt bonds

*2/7/87 B/Day*

THOUSANDS of over-60 investors yesterday flocked to post offices around the country, spending at least R25,5m on government's 15% granny bonds.

A Post Office spokesman said sales may have been much higher, as the figure included only metropolitan areas. The full extent of sales at all 16 000 post offices — the first time the bonds had come on the market — was not yet known.

The Government Printer last week printed an extra 40 000 forms and prospectuses after prospective buyers snapped up the first 40 000 by June 24.

Although all registered banks and agents can sell the bonds and collect an eighth of the income for handling fees, the bulk were sold through the post office.

At post offices in the Johannesburg area more than R6,5m worth of bonds were sold, in Pretoria more than R4m, in Cape Town more than R5m, in Durban more than R8m and in Bloemfontein more than R2m.

Building societies said it was early

HELOISE HENNING

days yet to comment on the effect of those investments on their books.

Six building societies, the NBS, SA Perm, UBS, Allied, Saambou and the Eastern Province Building Society, have sought to retain the investments of their senior citizens by introducing fixed deposit schemes which will ensure clients in the over-60 age group an effective 15% return on their money.

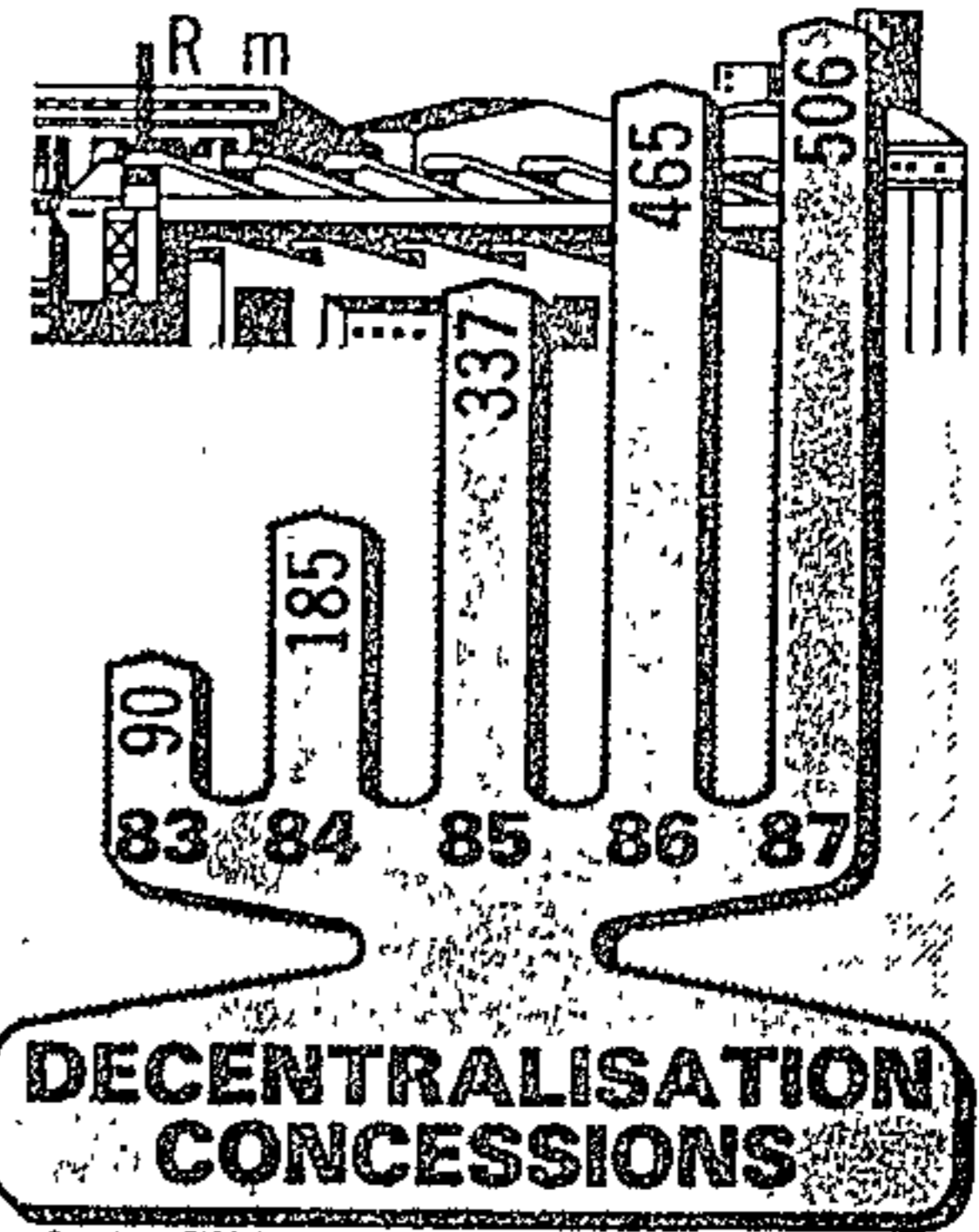
Department of Finance PRO Louis Louw said government had no comment to add other than to say the cash-flow would be monitored closely. He said if the amounts became disproportionate the State would act.

So far, the only limitations were minimum and maximum investments and the age limit of investors.

Louw questioned the often quoted figure given by the media of R300m or R500m cut-off points.

Another spokesman said the inflow of investments in the first week was ex-

● To Page 2 →



## Government's decentralisation policy slated

*2/7/87 B/Day*

KAY TURVEY

GOVERNMENT'S controversial decentralisation policy has been slammed for encouraging unsuitable businessmen and leading to a spate of liquidations of homeland companies.

Bill Cobbett, a visiting Fellow from Warwick University, said yesterday the system was wide open to con government, and many liquidations were deliberate.

"One has to be a blind idiot not to make profits with all the concessions, but it makes good business sense to go bust," said Cobbett, who was in SA recently researching industrial decentralisation.

He said holding companies started op-

● To Page 2 →

## Over-60s fork out R25,5m on govt bonds

*2/7/87 B/Day*

pected to be high but the pace would slacken.

Post Office PRO Ben Rootman said branches were extremely busy, with special staff allocated just to handle bond requests.

In a random survey of Houghton banks, where the post office sold R2,5m in granny bonds, one bank had sold only R140 000.

Deputy SA Perm MD Brian Kemmey said its "defensive product" was designed to keep investors and, while he did not have information on yesterday's activities, he said clients were given the

option of keeping their money in the institution.

UBS MD Mike Terblanche said it was impossible to comment because the branch network had not yet fed back information. He was surprised at the post office's quick summary. However, he said, the matter was not out of control.

The Treasury also said it would only have figures from the Post Office next week on a week's sales. The banks also only fed it information weekly.

← ● From Page 1

## UBS ups mortgage rate

# Societies act on granny bonds threat

11/7/87 B1 Day

MORTGAGE rate hikes are a preemptive move by building societies to combat pressure on their funding by the introduction of government granny bonds today.

Post offices and banks throughout the country have been inundated with enquiries about the new bonds, which offer senior citizens 15% on 12-month deposits.

Building societies were increasing mortgage rates to protect their funding and remain competitive with the government bonds, said Trust Bank economist Ulrich Joubert.

"They are trying to put pressure on government, as granny bonds are additional competition for total funds available for investment," he said. He believed societies' reactions had been premature.

A senior banker said granny bonds were a well-intentioned step by Treasury, but ran contrary to Reserve Bank intentions as the economy was drowning in liquidity with little demand for credit.

Finance Minister Barend du Plessis

KAY TURVEY

budgeted to receive R520m on all Treasury Bonds including the granny bonds. Financial institutions fear this sum will be considerably overrun.

A finance spokesman said last night the reactions to granny bonds would be watched closely and the position re-considered if necessary.

NBS, the SA Perm and Saambou are reported to be offering special rates for the over 60s on new competitive investments to retain their depositors.

The UBS is to raise bond rates to 14,5% effective on new loans today and on existing loans from August 1. The increase brings UBS rates in line with the Allied and the Perm, which lifted rates to 14,5% last month.

A UBS spokesman said the increase followed the upward movement of interest rates on retail fixed deposits and special savings in recent months and was

● To Page 2



## Societies move to counter granny bonds

intended to stop an outflow of funds to banks.

Matching granny bonds was less expensive than raising their total book.

Allied's Alan Tindall described the real villain as inflation, saying there was pressure on deposits. "How long can we live with negative yields?"

They would be watching the market

before any decision was taken on increasing interest rates.

NBS GM loans Trevor Olivier said they would not adjust their mortgage rates from 14% if their newly-implemented NBS 60-Plus was successful.



● From Page 1

5772 11/21/87

SB

## Benoni drops demand over ANC adverts

By Martin Challenor

Benoni Town Council's demand for First National Bank to repudiate its managing director, Mr Chris Ball, publicly for his part in the ANC advertisements affair attracted about 30 letters and telegrams.

Half supported the council and half voiced criticism, Mr Vic Penning, chairman of the management committee, said last night, announcing that the council had dropped its demand.

The council accepted a motion in May calling on the bank to repudiate Mr Ball following the Munnik Commission's finding that he advanced an overdraft for R100 000 to Mr Yusuf Surtee, knowing that the money would be used to finance the advertisements.

Mr Ball has constantly denied that he knew how the money was to be used.

First National published an advertisement nation-wide last month, pointing out that it did not support any political organisation.

This satisfied Dr Chris Erasmus, the Benoni councillor who had tabled the motion. He said at the time that he would not pursue the matter.

The council officially closed the issue at its monthly meeting last night after discussing it in committee, saying the response from the bank was satisfactory.

Argus 1/7/87

# Govt to monitor 'granny bonds' system

By TOS WENTZEL  
Political Correspondent

THE Department of Finance is to monitor the "granny bond" system, which starts today, against the background of building societies' misgivings about a possible outflow of money.

A top official of the department dismissed criticism of the bonds, which will attract a 15 percent-a-year interest rate, but said the position would be monitored.

The Natal Building Society has launched a scheme to match the new bonds in an attempt to protect what it regards as threatened building society funds, while the United, the country's biggest building society, is raising its home loan rate to 14,5 percent from today.

Mr G P Croeser, the chief executive (policy) in the Department of Finance, said they had taken into account a number of factors which could influence the flow of funds.

All major building societies have announced competitive packages to retain investments, but declined today to be drawn on whether there had been any noticeable cash flow.

"It's too early to make any comment," said a spokesman at the UBS's head office in Johannesburg.

Acting regional manager of the SA Perm, Mr A F J Hurford, also said it was "a little bit too early to tell".

However, the Post Office has reported "exceptional interest" countrywide and in the Western Cape in particular.

Mr H G Maritz, of the Post Office's investment services department in Cape Town, said postmasters throughout the region had reported many inquiries and his office had been inundated with telephone calls.

A building society source said there was "a lot of confusion" about the bonds and warned that interest was fully taxable.

There was also a rumour that applicants had to supply their previous year's tax return to prove that the money was theirs and not being channeled from "younger" family or friends looking for a better investment, the source said.

This was discounted by the Post Office, however.

The first R1 000 of any interest income was tax deductible and up to R100 000 of new bonds was estate-duty deductible, the spokesman pointed out.



Picture: HANNES THIART, The Argus

**GRANNY BONDS:** Mrs Clizia Dorghetto, 71, from Gardens, was one of the first to take out the new Treasury senior citizen bonds today. Mrs Martha Liebenberg of the Post Office's investment services department helped Mrs Dorghetto complete an application form.



## Development loans decline

B. D. P. 11/1/87  
HELENA PATTEN

THE NUMBER of applications for loans from the Development Bank of Southern Africa declined in the year ending March 31, 1987, compared with the previous year, says the Bank's latest newsletter.

Two hundred project applications were received in the recent year against 263 the previous year, but they were better prepared, it says.

One hundred and forty-two new projects had been accepted (240 the previous year) bringing the total number of projects in the pipeline to 611, and committing the Bank to R3 881m if all are implemented.

The trend is now towards coherent programmes consisting of co-ordinated regional projects.

# All-clear for Southern's Newlands HQ

## Staff Reporter

SOUTHERN LIFE'S controversial Newlands head office project has been given the seal of approval by the provincial executive.

The Administrator in Executive Committee has unanimously backed the approval of the Cape Town City Council, the provincial chief town and regional planner and the Planning Advisory Board.

"I'm very disappointed," said Mrs M P Morris of Save Our Suburb, which campaigned against the development. She said future expansion of Southern Life in the area was their "main bother".

"We were assured by the Administrator that we would get a hearing before a decision was made. We never got our hearing."

## Felt bitter

Fellow opposition campaigner Mrs Monica Sutherland said she felt bitter.

"Once the building is up and we experience the expected problems, it will be too late for the council to do anything about it, as usual," she said.

Approval of the project, which won an award from the Institute of South African Architects, was subject to several conditions, the provincial executive said.

The decision did not imply approval for any further proposals for extending the Southern Life headquarters.

Other conditions include:

- A four-storey limit as opposed to the seven-storey development permitted in terms of the present general residential zoning. This would be "far less intrusive" than a high-rise residential development.

- A low-rise landscaped parking garage south of the Liesbeeck River on a site owned by the Western Province Rugby Football Union. This is to be used jointly by the WPRFU and Southern Life.

- No increase in the height of Southern Life's new computer centre.

Southern Life will be required to provide staff parking for between 100 and 200 cars on its Great Westerford premises. Public parking facilities will not be adversely affected.

A paved and landscaped parking area will be provided on council land if necessary.

A 400m landscaped walkway will link the parking garage and the head office through an existing subway under Main Road.

The bulk of parking required by Southern Life will be away from the Great Westerford site to minimise traffic impact on the surrounding area, the committee said.

## Killing at garage: Two men arrested

### Crime Reporter

TWO men were arrested early today in connection with the killing of a gardener at a Milnerton garage at the weekend.

Police said a team of detectives led by Detective Flip Spangenberg detained a 53-year-old man at Kalksteentfontein and later went to a house in Mitchell's Plain where a 32-year-old man was arrested.

# UBS puts up its bond rate

CAPE Times 5

1/6/87

58

Financial Editor

THE cost of buying a home has risen for thousands of families with mortgage bonds from some of the major building societies.

Yesterday the biggest — the United Building Society (UBS) — announced that it was raising its interest rate on mortgage bonds from 14% to 14,5% — in line with increases already announced by the Permanent and Allied Building Societies.

This means that repayments on a bond of R50 000 over 30 years will rise from R652 a month to R674.

The higher UBS interest rate will apply to new bonds from today and existing ones from August 1, when the society will raise its bond rate on blocks of flats and commercial properties to 15%.

But at least one major building society has no immediate plans to raise its bond rate.

## Granny bonds

The Natal Building Society (NBS) will hold its rate at 14% for as long as possible, according to its general manager, new loans, Mr Trevor Olivier.

"We will try to hold our rate. But the length of time we can do so depends on the effect of the 'granny bonds' and the cost of funds."

As reported in the Cape Times yesterday, the NBS is trying to prevent an outflow of funds into "granny bonds" by offering existing customers over 60 a new, 60-Plus deposit scheme with a current rate of 14,5% making an effective 15,5% a year.

Higher building society bond rates will widen the gap between the cost of their home loans and those from the banks.

Both the Standard Bank and the First National Bank are moving strongly into the home-loans market, offering a rate of 12,5%. And Syfrets Bank home loans are 13,5%.

The Syfrets Bank home loans rate is permanently 1% above the prime lending rate offered by Nedbank to favoured clients, which is currently 12,5%.

Dr Azar Jammine, director of the Econometric research unit, said the backlash of higher bond rates was inevitable as building societies were forced to make their own deposit rates more attractive to hold on to customers.

"The government scheme has created a sorry state of affairs for home-owners," he said.

"The government would have been far wiser had it instead offered senior citizens a similar sort of savings package by offering subsidies to building societies to handle the scheme themselves.

"Now the building societies, already in hot competition with the banks in the home loan business, have the government as a competitor."

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(58) 78/12/2 78/12/2

# Did not think MD would mislead firm

JOHANNESBURG — A former judge and ex-director of the short term insurer, AA Mutual, Mr Mervyn King, yesterday told the Rand Supreme Court he would never have thought the managing director would mislead the company's board of directors.

Mr King was a director of AAM from August, 1981, to March last year.

He gave evidence before the Commission of Inquiry into the collapse of AAM.

He said Mr Warren Plummer, the managing director, was a leader in the insurance industry and was thought of by it as a capable man of integrity.

Mr King said he would not have thought that the monthly statements put before the directors were changed without justification.

"I would not have thought that Mr Plummer would have misled the board," he said.

Regarding the internal reinsurance of AAM

from abroad, Mr King said he knew about it on a minimal scale.

He believed none of the directors knew of the reinsurance and power of attorney that was discovered after Mr Plummer left the country.

Mr Plummer kept to the rule that healthy insurance was necessary for a healthy insurer, Mr King said.

He found it unthinkable that Mr Plummer could have written out insurance as weak as the reinsurance of AAM.

The insurance was the most important reason for AAM's collapse, he said.

The company would have survived if the reinsurance contracts had not been not undertaken.

# Cost of diesel may push bus fares up

50  
Cue Post  
2/7/87

By MICHEL DESMIDT

THE scrapping of a diesel rebate to bus companies in terms of the restructured fuel price system will add R590 000 to PE Tramway's annual fuel bill.

The move, described by PE Tramway's parent company, City Tramways, as "shocking", may lead to a further hike in bus fares if an urgent appeal to the Government for relief falls on deaf ears.

Bus fares in PE and Uitenhage rose by 17,62% from yesterday, but the increase was not designed

to meet the higher fuel bill and will be inadequate to do so.

The managing director of PE Tramways, Mr Carl Coetzer, said the scrapping of the rebate from Monday translated into an increase of 5,9c a litre.

For the fleet of 400 buses using an estimated 10 million litres a year, this meant an annual increase in the fuel bill of R590 000, he said.

The previous effective price was 63,6c a litre compared with the current 69,5c.

Mr Coetzer said although the scrapping of the rebate was effective

from Monday, he had heard of the "surprise" decision only this morning.

The situation regarding a possible rise in bus fares would be examined closely and "taken into consideration in our thinking and planning", he said.

City Tramways and the Reef-based Putco bus company have made urgent representations to the Department of Transport calling for some form of relief, with a decision on fares pending the outcome of the appeal.

The managing director of City Tramways, Mr Nic Cronje, said the new fuel

price system, in terms of which bus companies no longer qualify for preferential rebate under the new rationalised levy structure, would have "a shocking impact on the bus industry".

The Cape Town-based company estimated the increased cost of diesel to the bus industry to be 6c a litre, a cost which it would not be able to absorb.

Putco puts the rise at 5,64c a litre on the Reef, costing an additional R4 million a year.

Putco recently applied for an average 14% fare

increase for later in the year, based on no further increase in the fuel price.

● The PFP finance spokesman, Mr Harry Schwarz, said after the fuel price reductions were announced this week they were "too small" to bring down other consumer prices.

## Analysts societies don't fear banks

### JOHANNESBURG

With all the major banks offering home-owners 12,5 per cent and most of the building societies now on 14,5 per cent, the difference in monthly repayments on a R50 000 bond is R72.

Financial analysts comment that the societies do not appear to be concerned by the threat of the banks and the man in the street is expected to remain with traditional home loan sources.

The strong demand for home loans has enabled building societies to increase their bond rates to improve profit margins.

Building society sources report that they are receiving a record number of bond applications.

Natal Building Society loans general manager, Mr Trevor Olivier, says that over the period January to May 1987 they experienced a 55 per cent increase in loans over the same period last year due to the low interest rate.

Nevertheless, they add that the bond rate increase must be seen as a response to the controversial granny bonds — with general deposit rate increases in order to retain funding, the societies have been forced to raise rates. — Sapa

As sales at post offices decline . . .

# Banks don't plan counter action on granny bonds

BANKS are not going to take precipitous counter-action to stem the outflow of funds to granny bonds, the sales of which, the Post Office says, dropped sharply yesterday.

Major bankers said they were watching the situation closely and were reluctant to get involved in an upward spiral of interest rates. The smaller banks said they were watching what the bigger banks would do.

In the Johannesburg area, the Post Office reported the sale of bonds fell to 10% of the first day's takings. Cape

HELOISE HENNING

Town, Durban and Port Elizabeth post offices also said the pressure was off.

Those societies that have introduced defensive products said these were not aimed at attracting new money, but to retain existing investors. Raising interest rates to draw new money was uneconomical as their margins were narrow.

Eastern Province Building Society is to announce on Monday a partly tax-free investment scheme for all investors, and not confined only to senior citizens.

The building societies that have taken counter action against granny bonds are the Perm, NBS and Saambou.

Saambou MD Hendrik Sloet said his society was individually counselling clients who had given notice on investments. If there were no other scheme that could match the 15%, they would meet the offer.

NBS MD John Bennett said their 14,5% counter scheme paid interest monthly instead of quarterly, as was being offered by the Treasury.

Standard Bank MD of financial service Dennis Matfield said Standard had lost R2m to granny bonds on the first day. "But we're sitting back. We will not act in a hurry. If the authorities run over the limit without taking action, we will step in."

Trust Bank senior GM Kobus Roetz said the banks were sensitive not to apply pressure on an upward spiral on interest rates.

Volkskas spokesman Jan Snyman said they had experienced an outflow of funds but added the bank could not afford to offer a 15% interest scheme.

□ Banks and registered brokers receive an eighth of a percent, or 0,125%, as a handling fee — and not an eighth as was incorrectly reported yesterday.

□ UBS and Allied do not offer defensive products, as was reported yesterday.

3/7/87 B/Day

# Insurance fraud growing

MORE than a million crimes will be committed this year, and the insurance industry will pay out more than R600m in claims, it emerged at an insurance fraud seminar yesterday.

Crime increased by 500% last year, the Johannesburg Chamber of Commerce (JCC) said, but the SAP yesterday strongly denied the claim.

Fraud contributed little to this increase in percentage terms, rising 20% from 1984 and 11% from 1985, but in a big way in rand terms, as it involved intricate schemes and large amounts.

Insurance fraud increased along with other types of fraud — with inflated claims becoming a major area of cost concern for insurers.

Almost all claims were inflated last year, V Lewis & Co loss adjuster Victor

SF

NORMAN SHEPHERD

Lewis told delegates to the JCC's "Insurance fraud: how much is it costing you?" seminar in Johannesburg.

Almost 80% of fires his company investigated had been set deliberately.

"Blackie" Swart of the International Association of Credit Card Investigators said credit card fraud more than doubled to 624 cases between 1983 and 1986.

More than 40% of the cards had been used at specialist places such as car hire firms and liquor and hardware stores, 25% at petrol stations, 16% at supermarkets, 10% at department stores and 7% at clothing stores.

The panel of speakers concluded fraud was a significant factor in pushing up premiums, thus increasing pressure on the insured public.



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THE VITAL VIEWPOINT

Business Day Reporter

3/7/87 (58)  
Old Mutual tops  
R4bn in <sup>1/2 Day</sup> income

OLD MUTUAL'S South African income had passed the R4bn mark for the first time in one year, MD Mike Levett announced yesterday.

Old Mutual was the first life assurer to reach this milestone for SA business alone, he said.

"Income for Old Mutual's entire business operation — including domestic and foreign premiums — is now in excess of R4,5bn, representing an income of R2,5m for every normal working hour during the past year," Levett said.

During its recent financial year, the market value of Old Mutual's assets ex-

ceeded R25bn for the first time, ranking it as one of the country's foremost business giants. The financial institution's assets have increased by more than R7bn in the last 12 months.

"A recently published survey of SA's financial leaders ranked Old Mutual fourth in asset size, the only life assurer in the top 10. Our ranking has improved from eighth in 1985, and 10th in 1984," he said.

I was asked because many no-

(58) 09 2/7/87

# Good response to govt's 15pc bonds

JOHANNESBURG — Grannies — and grandpas — yesterday stormed Post Offices around the country spending at least R25 million on government's 15 per cent bonds.

A Post Office spokesman said sales may have been much higher as the figure included only metropolitan areas.

At least R25 million changed hands at Post Offices.

The Post Office had not yet been able to account for all 16 000 of its outlets.

The Government

Printer printed an extra 40 000 forms and prospecti after prospective buyers snapped up the first 40 000 by June 24.

Although all registered banks and agents can sell the bonds and collect an eighth of the income for handling fees, the bulk were sold through the Post Office.

Building societies said it was early days yet to comment on the effect of these investments on their books.

Six building societies, the NBS, SA Perm, UBS, Allied, Saambou and the Eastern Province Building Society, have sought to retain the investments of their senior citizens by announcing the introduction of fixed deposit schemes which will ensure clients in the over-60 age group an effective 15 per cent return on their money.

A Department of Finance public relations officer, Mr Louis Louw, said government had no further comment to add but to say the cash-flow would be monitored closely. When the amounts become disproportionate they would intervene. So far the only limitations were minimum and maximum investments and age limit of investors. —DDC

# Big rush for granny bonds

Cape Times 2/7/87

Own Correspondent

JOHANNESBURG. — More than R5 million worth of granny bonds were bought in Cape Town yesterday.

About R25,5 million worth of granny bonds were sold throughout the country yesterday.

The biggest sale was in Durban, where bonds worth more than R8 million were sold. In Johannesburg it was R6,5 million, in Pretoria more than R4 million and in Bloemfontein more than R2 million.

A Post Office spokesman said sales may have been much higher as the figure included only metropolitan areas.

At least R25,5 million changed hands at post offices yesterday, a spokesman said. The Post Office had not yet been able to account for all 16 000 of its outlets.

The Government Printer last week printed an extra 40 000 forms and prospectuses after prospective buyers snapped up the first 40 000 by June 24.

Although all registered banks and agents can sell the bonds and collect an eighth of the income for handling fees, the bulk were sold through post offices.

Building societies said it was early days yet to comment on the effect of these investments on their books.

Six building societies — the NBS, SA Perm, UBS, Allied, Saambou and the Eastern Province Building Society — have sought to retain the investments of their senior citizens by announcing the introduction of fixed-deposit schemes which will ensure clients in the over-60 age group an effective 15% return on their money.

A spokesman for the Department of Finance, Mr Louis Louw, said government had no further comment to add but to say that the cash flow would be monitored closely. When the amounts become disproportionate they would intervene. So far the only limitations were minimum and maximum investments and age limit of investors.

He denied the often-quoted figure given by the press of a R300 million or R500 million cut-off point.

Another department spokesman said the inflow of investments in the first week was expected to be high but the pace would slacken.

# Time for Volkskas to lift the veil of secrecy

VOLKSKAS has had the reputation of being a reluctant reporter to its shareholders and the annual report for the year ended March 31, 1987, faithfully follows precedent.

One has come to accept, with considerable reluctance, that Volkskas does not believe in revealing all. Profits are published as a net figure after tax and after transfers to inner reserves. This leads to a further distortion.

The inner reserves are concealed in the accounts under deposits, the relevant entry in the balance sheet being included under "liabilities" as "cheques, deposits and other accounts including internal reserves".

Major shareholders with board representation know the extent of the bank's exposure and the adequacy of provisions against bad and doubtful debts, but the minorities have to accept on trust that these provisions are adequate. One assumes they are prudent because Volkskas bankers have always been ultra-conservative.

And an examination of the Volkskas company figures — which presumably refer to the bank without the other financial subsidiaries — suggests that in spite of restricted foreign business, the bank

HAROLD FRIDJHON

performed well, otherwise the dividends would not have been raised to 60c a share from 57c.

The disclosed reserves have been strengthened by R36m. Total deposits have risen by 2.9% to R8,23bn — but how much of this increase is attributable to "real" deposits and how much is "transfers to inner reserves"?

Advances rose by 4% to R6,92bn. In the prevailing climate this is reasonable growth unless it flows from accumulated interest owing.

In their reviews, chairman A J Marais discusses the economy while MD P R Morkel merely re-states the numbers but does not amplify them, other than to say total group assets declined as a result of restricted foreign dealings after the debt standstill agreement. Not a word about doubtful debts, nor the exposure to the agricultural sector in which Volkskas has always been sympathetically involved.

And even under the cloak of not-too-full disclosure, Volkskas should follow Stanbic's example and give separate *pro forma* accounts of the several banking and financial subsidiaries.

3/7/87 B/Day

COMPANIES/MINING

58

# Another building society for JSE

SAAMBOU National Building Society (SNBS) is to change its status to a company and will seek a listing on the JSE in November this year.

The plan was announced yesterday by society chairman A J Marais, who told the annual shareholders meeting an extraordinary general meeting will be held later this year to formalise the move.

The building society had recently acquired a controlling interest in a company which had led to the formation of Saambou Estate and Trust Limited.

The founding of this company would enable Saambou to offer clients a comprehensive estate and trust service.

"Despite the fact that building societies mainly handle the financing of new living units, particularly for middle and lower income groups, building societies are allowed recourse to the cheaper short term money market for only 5% of their funds.

"This forces them to obtain considerable sums of money on the more costly longer to medium term market," Marais said.

Banking institutions were thus in a position to give building societies stiff competition, leaving them virtually defenceless.

Despite an unfavourable economic year, SNBS had managed to end the year with a surplus of R12,7m after tax. This represented an increase of 14,75% on last year's figure.

The building society had also achieved net growth of R278m in total assets. This represented growth of 14,34% on the previous year. A profit of R12,7m after tax was attained.

Marais said SNBS granted loans worth R444m to more than 12 766 borrowers. This meant for each R1 of net growth, the society could lend R1,92.

"This performance is all the more gratifying if consideration is given to the fact that the demand for loan funds were relatively poor for the greater part of the financial year.

"Saambou's reserve funds and undistributed surplus increased by a record R25,1m (49,7%) to R75,8m," Marais said.

- Sapa

Insurers reluctant to offer cover

# Accountants fear massive claims

BIDM

3/7/87



JENNY BOBERG

THE accounting profession is at risk of being sued out of existence unless liability for professional negligence is limited, accountants say.

The alarming number and size of claims brought against accounting firms overseas have made insurers reluctant to offer the cover needed.

Partner in Pim Goldby Bev Humphris said the maximum cover offered by the local insurance market to accounting firms is R10m a year — only R5m of which is automatically reinstated in the event of a claim.

"This is pitiful considering the potentially enormous claims which can be brought. An Australian firm is at present appealing against a claim for A\$145m," he said.

Getting more cover through the international market is difficult. The large number and size of claims brought against accounting firms worldwide have driven insurers out of the market, Humphris said.

Goldberg Jaffe Joselowsky partner Phillip Jaffe, said only 50% of

the cover required was available on the overseas market.

"As no insurance market can cope with the potential exposure and the unlimited liability which goes with it, the cover shortage is an international problem."

Adding to the number of claims, and consequent cover shortage, is the "deep pocket syndrome", Jaffe said. Some clients tend to become more enthusiastic about pursuing a claim if they know an insurer will be paying.

In the end, the accounting profession itself becomes threatened, he said.

A committee, on which both Jaffe and Humphris sit, has been set up by the Public Accountants and Auditors Board, in conjunction with the SA Institute of Chartered Accountants to examine the problems in obtaining professional indemnity cover. The committee is to meet with government to study ways in which liability for professional negligence can be limited.

## SAAMBOU

### Upping reserves

Ahead of a listing, Saambou, the smallest of the five major building societies, has increased reserves by 49,7% to R75,8m. This has brought its ratio of reserves to total liabilities to the public up from last year's 2,8% to 3,6% — much closer to the statutory minimum of 4%.

Says MD Hendrik Sloet: "Funds have been accumulating in our subsidiary companies because, for years, we have had a conservative policy on dividend payments."

The four subsidiaries, Saambou Life Assurers, National Insurers, Nasionale Wonnings and Saambou Investments, contributed R11,5m in dividends which were transferred to general reserves, together with R14,8m from Saambou's own unappropriated surplus and deferred taxation credits relating to previous years. An amount of R1,3m remains as an unappropriated surplus.

After-tax profit, at R12,6m, is 14,7% up on last year.

Details of the listing, expected in November, will be announced after this week's AGM. Four of the five directors also on the board of Volkskas are not standing for re-election, including chairman Albert Marais. The joint venture between Volkskas and UBS Holdings, the planned United Bank, as well as any future joint undertakings, may create conflicts of interest.

They will be replaced by: Jan Craford, formerly head of Saambou's auditor, Theron du Toit; Boetie (JJM) van Zyl, a director of Atlas Aircraft and member of the State President's Council; and Evert Groeneweg, an executive director of Barlow Rand.

Diversification plans are in the making. Says Sloet: "We have acquired a controlling interest in SA Boedel & Trust, which has been renamed Saambou Boedel & Trust, to provide estate and trust services." Further diversification is also being considered but Sloet is not prepared to elaborate.

Various charts and diagrams published in the *FM Survey Your Money & Investments* (June 19) were incorrectly attributed to Sage Life, instead of to FPS in the Sage group. The *FM* apologises for this error.



Sloet

There are, however, five vacancies on the board, presumably waiting to be filled by appointees of any other institution with which Saambou may form an alliance or working arrangement. ■

## LIFE ASSURANCE

### War of words

Despite exclusion clauses to the contrary, life assurers say they will continue making ex gratia payments to those injured by urban terrorism and similar related causes — at least "for the time being."

Explains Paul Truyens, GM at Southern Life: "No life company excludes war risks and/or urban terrorism from basic life cover. Where there are exclusion clauses, these are in disability and accident rider benefits."

Such clauses typically exclude cover for injury or sickness resulting from military or hostile action; terrorism, riot, rebellion, insurrection, or civil commotion; kidnapping or hijacking.

"Disability" in life assurance jargon is defined as either inability to perform one's own or similar occupation, or loss of use of a limb or a sense. The cover must not exceed the death cover on the underlying life policy.

### Hazardous activities

Notes Peter de Beyer, development manager of Old Mutual: "If the policyholder is already taking part in hazardous activities at the time of application we might load the premium. On the other hand, if he says he has no intention of taking on anything more risky, he will be covered at normal rates even if, for example, he later joins the forces."

"On the disability and accident side, though specifically excluded, we have paid a number of claims from terrorist-related activities on an ex gratia basis. That tends to be current practice."

He says the situation, however, is far from satisfactory. To what extent are assurers obliged to continue paying in spite of exclusion clauses? If companies want to change practice it would be appropriate to inform all policyholders and intermediaries.

"Many clients ask if they are covered for injury caused by terrorist activities," says De Beyer. "We reply we do not legally have to pay but that we intend to, provided the situation doesn't deteriorate substantially."

Johann Söhnge, senior GM of Sanlam, points out that disability and accident covers are "very low premium benefits." A significant escalation in claims may mean injured clients would be paid out proportionately. "But Sanlam intends to pay victims out in full if possible."

In times of war, bonus rates are usually reduced for all life business. During World War 2, new policies were issued at higher rates. Afterwards policyholders were given the option of either reverting to normal premiums or leaving the higher premium to earn increased bonuses.

Old Mutual says its rates went up around 25% in Zimbabwe in the late Seventies. Sanlam also imposed a "war loading." But, Söhnge explains: "We paid out all claims in full. And after the war we increased payouts in proportion to the loading. In hindsight we needn't have imposed a loading."

For the moment most assurers make no distinction for underwriting purposes between those in military service and civilians. As one military commander has been reported as saying: "They're safer in our camps than on the roads."

It is also revealing to note that SA's term assurance rates are up to 40% higher than, say, the UK. De Beyer says this reflects a mortality differential largely attributable to heart attacks and road accidents.

One way to solve the uncertainty that surrounds disability and accident benefits would be to abolish exclusions. Says Truyens: "These benefits were originally provided by short-term insurers. In adding them to life products, however, life assurers continued the existing exclusions."

"This is anomalous, considering there are no such exclusions on death benefits. If they were abolished rates would have to go up, given the unknown probability of violence escalating."

Meanwhile, at least one life insurer shouldn't have this problem. AA Mutual Life includes urban terrorism in its "Dread Disease" product, though like the market still has exclusion clauses under disability and accident riders.

For the record the industry has, and does apply, certain other exclusions. Suicide or execution of the death sentence within 24 months of inception of a life policy are excluded.

Under disability and accident benefits exclusions are much broader, including injury caused by, or as a result of, fighting (presumably professional), motor racing, alcohol intoxication, poison, drug abuse, radio-activity or nuclear explosion, and failing to obtain the best medical assistance available. Self-inflicted injury is also excluded.

Dick Geary-Cooke, executive director of the Life Offices' Association, says military personnel have additional cover. "The Military Pensions Act provides death and permanent disability cover. Also, a consortium of life assurers provides death and disability cover of R10 000 for a single person and R20 000 for a married person. Government contributes half the premium."

He says the amounts have long been recognised as inadequate. "We've been trying to increase them for years, and are now re-examining the position." ■

## SHORT-TERM INSURANCE

### Mixed fortunes

A wrap-up of 1986 fire and catastrophe losses reveals a mixed bag of fortunes for insurers. Claims on fire, combined (offices

SHORT-TERM INSURERS

# A crisis of management

(S) FIM



Are short-term insurers really the cat that gets all the cream? To policyholders — faced with stiff and rising premiums — it may look that way. But for shareholders, despite bullish results, there's

persistent disquiet over asset management.

Short-term insurers have been in a no-win situation for some time. Three years ago they were castigated for irresponsible underwriting, and for grabbing business at any cost with little concern for the quality of risk. Now it's a different story — but the complaints are as vociferous as ever.

Critics say insurers overreacted to tighter market conditions created by reinsurers; and that insurers are pricing themselves out of the market by hefty rate increases and stricter policy terms. Underwriters certainly seem a lot fatter — so are higher premiums justified? No insured, corporate or individual, has escaped the consequences; but the individual has been hardest hit.

Take what's happened to a typical household's policy. For cover of R50 000 in Johannesburg in 1985 an insured would have paid R537,50 a year. From July 1 1987, for the same cover, adjusted for inflation, he'll pay R1 548 a year — an increase of 188%.

For their part, insurance brokers accuse insurers of being "power mad after the collapse of AA Mutual," and having assumed an imperious, take-it-or-leave-it attitude.

Jan Erasmus, executive chairman of Prestasi Brokers, says that in the past leading insurance companies encouraged claims by advertising irresponsibly to try to gain market share. As business poured in, so insurers and brokers "grossly neglected developing computer systems. The vast portfolios of uncomputerised personal insurance business with which insurance companies were landed in the early Eighties became an administrative and underwriting nightmare."

For 20 years insurance companies were given what amounts to protection against competition, according to Erasmus. In other words, entry into the market was restricted by the authorities. "This resulted in an unacceptable number of insurance companies becoming mismanaged. Among the more serious consequences are spiralling premiums, decreasing service capacity, and loss of faith. The insurance market is shrinking alarmingly due to this short-sighted approach." Some insurers agree with these sentiments — which may show just how bad things are.

**Having relied for too long on cash flow underwriting, short-term insurers have landed in dire financial straits. Individuals, in particular, are paying for this through ever steeper premiums. The industry needs a competitive shake-up.**

Says one: "Short-term companies have been, and still are abysmally poor in using computer systems. Many are living in the past. Service to brokers and clients leaves a lot to be desired. We have a lot of catching up to do, but there's a scarcity of resources." Brian Seach, GM of Aegis, recently told the Insurance Institute conference in Cape Town: "Our long stretch of stable, comfortable years has been unkind to leaders of the short-term insurance industry."

"Management ability has not been up to the standard it should have. The precarious state some short-term insurers find themselves in is not only a result of bad underwriting, but also of poor financial planning."

In other words, short-term insurers mismanaged the affairs of their clients. They got away with it by "cash flow" underwriting. On one hand, reinsurers paid them generous commissions for any policy with a signature on it; on the other, record interest rates earned huge returns on investments.

Then things turned sour. Interest rates plummeted, reinsurers went "cold turkey," while recession-induced claims started rocketing. The accompanying graph shows the underwriting performance and investment returns of eight of the top nine short-term

insurers in terms of assets (see *Top Companies* survey, May 22). They comprise about 67% of the market — and over the past five years only in 1983 could they collectively report an underwriting profit, of R17,1m.

In 1985 reinsurers suddenly put the squeeze on. Losses of the eight that year totalled no less than R63,1m. However, they maintained trading profits (underwriting balances plus investment returns). Indeed, over the five years, their investment income was R499,3m — amply covering the R99,5m lost in underwriting. Denzil Curgenven of Quest Insurance Advisory Service notes: "Individuals are indeed being hit hard. But in the past we paid too little, because of the rate war."

For the five years to 1985, the total underwriting loss accumulated by the entire market amounted to R178,8m. "As a result, the financial strength of the industry has continually drained away, and insurers have had to dig into reserves," Curgenven says. He estimates that the industry still needs a total capital injection of almost R600m.

Right now few are prepared to invest in the existing insurers; instead the industry is hammering the consumer to help build up the rest of the shortfall. But it all takes a long time, alienates the clientele, and creates havoc with cash flows. That's why so many individuals go without insurance these days — vast numbers of motor vehicles, for example, are now uninsured.

It's also the reason why the SA Risk & Insurance Management Association (Sarima) was revitalised last year to help the corporate insured, who was finding the insurance market prohibitively expensive and unsympathetic on innovation.

Sarima promotes understanding of risk management practices and self-insurance. Its very existence puts the insurance industry "on its mettle," says Rob Apps, its chairman. "Cash flow underwriting was a disaster. The industry's methods are fundamentally unscientific. Putting premiums up now doesn't make the risk any better."

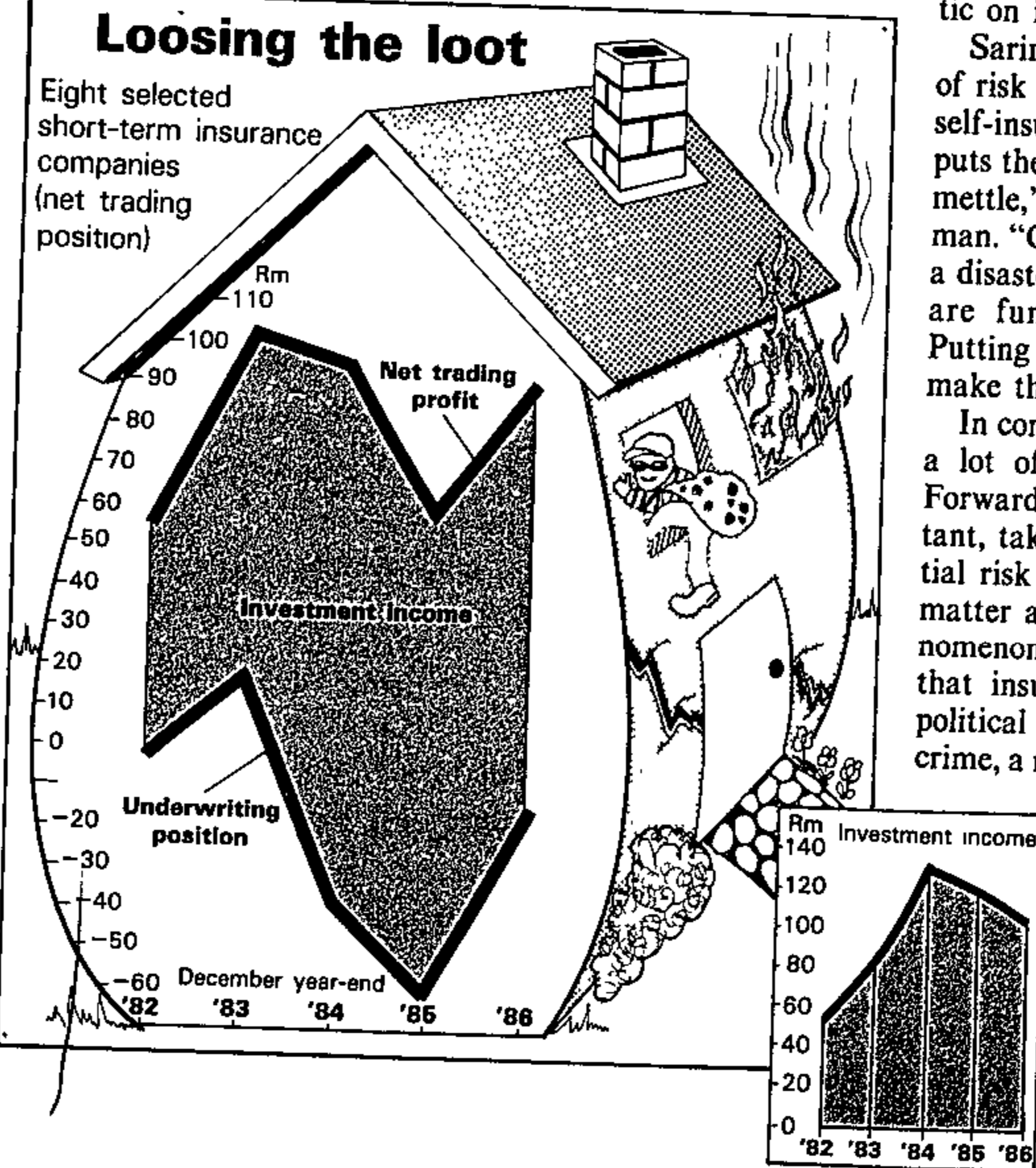
In contrast, big corporations put a lot of effort into loss control. Forward planning is also important, taking into account a potential risk as both a pure insurance matter and a socio-economic phenomenon. It may be unfair to say that insurers failed to anticipate political and social upheaval. But crime, a major cause of loss, should

have been expected. Rising crime rates are a feature of recession and underwriters have lived in recessions

Continued on page 30

## Loosing the loot

Eight selected short-term insurance companies (net trading position)





## HOW THE JSE RATES THE INSURERS

With substantially improved results flowing from short-term insurers, the market has re-rated this sector. But, as prices have already risen sharply, analysts question how much steam is left and just how highly the sector deserves to be rated.

For a short-term insurer, the major criterion of financial strength lies in its financial base (see table). This is calculated by computing free and technical reserves as a percentage of net premium income (NPI). MD of Quest Insurance Advisory Service, Denzil Curgenvan, suggests that an optimum ratio would be in excess of 120% and points out that the high financial base of Mutual and Federal (M & F) enabled that company to strengthen its reserves in 1985, despite an underwriting loss of R22,9m. Because of its strong financial base, investment income exceeded the outflow on the underwriting account.

Quoted companies in general are financially stronger than the rest of the industry, but there are exceptions. Quoted independent South African companies have a very much lower financial base than insurers with overseas parents. Curgenvan suggests that local companies were formed much later than the British subsidiaries, and have not managed to accumulate similar levels of reserves. Locals were hit by a rapidly rising rate of inflation shortly after their formation, compounded by a string of natural disasters which over several years led to high claims.

A low financial base leads to a volatility of profits which provides remarkable recovery situations. Incorporated General Insurances (IGI) enjoyed the highest share price increase in the past year and also had the lowest financial base. Against an average price increase for the sector of 51,8%, IGI climbed 197%.

IGI turned a R14,6m loss from operations in 1985 to a profit of R266 000 in 1986, but interest paid leapt from R2,6m to R5,1m and the company was still making an underwriting loss of R4,3m. EPS actually climbed from 3,7c to 105c, but the dividend was only raised from 3,5c to 12c. This group's first priority, said chairman Michael Lewis, lay in rebuilding the financial base. It will take a very long time, though, to raise it to the level of some other insurers, despite IGI's drastic rationalisation and a stronger focus on its traditional business in motor insurance, where it intends carrying a larger proportion of risk than in the past.

One of IGI's recent problems can be traced to its rapid expansion. Such expansion can hit all insurers, regardless of financial strength, and IGI's rapid growth must have pulled its financial base down from an already low level —

hence the high level of dividend cover.

The second largest price climb (109%) was that achieved by blue chip M & F. Though it also recorded a turnaround thanks to a drop in underwriting losses from R22,9m to R8,9m, NPI declined 1% and the company again relied upon investment income to compensate. Due to its strong financial base, though, M & F succeeded in improving its reserves and increasing investment income. This amounted to 12% of NPI, compared with 3% for IGI.

For the six months to end-December, there was a substantial improvement in M & F's NPI, which rose 60% compared with the second half of 1985. Investment income also climbed sharply (29%) and earnings jumped from 49,6c to 276,7c, but M & F kept dividend cover high and paid out only 40c (31c).

The share price of Protea Assurance (Prosure) exactly doubled between June

unchanged.

With its low financial base, investment income is only 4,6% of NPI, but dividend cover has increased to three times, to improve the financial base. That there is some concern about Sanlam's capital structure can be seen from the rights issue held in October 1985 which doubled the number of shares on issue, but dividends still rose.

The prices of Cusaf and SA Eagle (SAE) both increased 43% in the past year. With SAE, this was more the result of expectations than recorded results. Like Santam, SAE has a dividend cover of 1,6 times, but taxed profit rose only 6,3% compared with Santam's 66,7%, though year-ends differ, and the underwriting loss of SAE escalated from R3m to R5m. The company has a very good financial base, though, and investment income was R24,7 or 6,3% of NPI.

The financial base of Cusaf is lower than that of SAE and, despite the advantage of having a life section, EPS fell from 116c to 112,7c. The underwriting deficit increased 5,8% to R2,7m, while investment income (though high at R12,5m) rose only 1%.

Though Cusaf and SAE turned in sluggish performances, their share prices improved; but that of Guardian, which has increased its financial base substantially in the past year, fell from R16 to R11 in one month in 1986 and has since recovered to only R12,50. Nevertheless, the company reported a 31% rise in EPS and increased the dividend 16%. The price might have fallen because the earlier sale of Guardian's life interests had already caused a considerable run on the share from a low of about 800c, and the interim report pictured a less optimistic situation than that of other short-term insurers. After the first six months, the underwriting loss was up, income from investments had fallen, and NPI showed only a marginal improvement. Another factor that can affect this share is the lack of scrip. Liberty Holdings and Guardian Royal Exchange hold 95,2% between them.

Although Guardian has fallen since its high last year, it is still given the top rating in the sector, with a p:e of 12,5; while IGI, at the other end of the scale, has a p:e of 3,8. The sector has much lower p:es than those of life insurers, which tend to be over 15, but there is a higher risk element in the short end of the market.

There may be a little more to go, but with the turnaround having already taken place in most of these companies, and with the possibility of a natural disaster again wiping out their underwriting profits, the upside seems to be limited.

Pat Kenney

### COMPANY STRENGTH

Quoted Companies	Tech & Free Reserves R000	(R000's)	
		% NPI	*1986 FM est %
Santam .....	287 357	74,4	lower
M & F .....	328 313	134,4	higher
SA Eagle .....	254 040	153,9	same
IGI .....	89 160	64,4	lower
Guardian .....	134 899	108,9	higher
CU .....	152 107	138,2	lower
Protea .....	84 104	166,3	same
Total	1 329 980	109,1	
Remainder ....	602 539	89,4	

\* Financial Base  
Source: Quest

1986 and June 1987. Though 1987 was the seventh consecutive year in which underwriting losses were made, the loss was more than halved from R10,2m to R4,9m and investment income — which declined marginally — was still 8,9% of net premium income and more than double the underwriting loss. The financial base was thus strengthened and the solvency margin is very high.

But Prosure has the advantage of also having a life insurance section, as do IGI and Commercial Union (Cusaf), which provides these companies with a more stable earnings flow. Santam, by contrast, is controlled by the enormous life insurer Sanlam. This is the main reason why, though Santam's financial base is the second lowest of the quoted companies, and its implied risk among the highest, the share price has been strong. There have, however, been changes in its accounting system, which resulted in an apparent fall in the financial base of the company, though the actual situation is

(S) FM 3/7/87



### Aegis's Seach... pinning blame on the managers

Continued from page 28  
many times before.

Just how bad the crime rate has been is clear from Johannesburg, where householders' insurance costs over 300% more than the cheapest area in SA. Arson has also been a major problem, with fires often started by disgruntled employees (see *Economy*).

Piet Badenhorst, deputy registrar of insurance, says: "Insurers are running a much tighter ship. They have clamped down on fraudulent claims as best they can, and more enquiries are being made of new clients." Corrective efforts include calls for better protection in the form of burglar bars, alarm systems and motor vehicle anti-theft devices.

Crime losses aside, should policyholders cover insurers for more difficult reinsurance treaty conditions, and poor management skills? Should the industry use policyholders' money to build up shareholders' capital?

Badenhorst notes: "You don't go into business to build capital up from premiums. Before an insurer is registered for business, part of our consideration is his ability to provide both capital at the start and in the

future to cover such things as new business strain and underwriting losses."

But Keith Nilsson, chief GM of Guardian National, comments: "We see higher premiums and greater excesses as the only way to solve the problem. At the losses we're making, it doesn't matter to us if we lose customers. When we increased contents insurance by 80% in late 1985, we decided if we lost half our clients it would still be worth it. As it turned out, we didn't lose many."

So it's not surprising that, as Seach puts it, "consumers see insurance as a grudge purchase and treat it as a form of tax." Probably 70% of claims involve "some element of cheating." Crime, he says, coupled with inflation, caused the escalation of premiums.

"Insurers were slow to react," so potential premium increases accumulated in the pipeline. When they came through, consumers felt cheated through what they saw as an overreaction, so returned the compliment. If

insurers seem to be creaming it, it's because incompetent industries are more expensive than efficient ones. Increasingly, as Apps points out, "the good guys will spend time and energy trying to reduce risks."

Meanwhile, there's a welcome hint of competition wafting across the seas. Rumours have it that foreign reinsurers are back in town, recognising how profitable local reinsurance business has become. Badenhorst comments: "We've heard there may be a softening of premiums." If so, this will initially affect commercial and industrial business which is heavily reliant on rein-

surance; and it will take time to filter through to the hard-pressed individual.

Of course, for insurers — hitherto something of a protected species — any hint of competition sets off red lights. Another danger, as Peter Moss, deputy CE at Aegis, says, "is that solvency margins have been boosted by paper profits on the JSE. These have enabled us to carry problems in spite of increased retentions." A falling stock market would create a severe squeeze.

Another "danger," according to one insurer, is that brokers may see high underwriting profits as signalling the moment to pounce, and then "start the whole bloody cycle again" — lower premiums, wider covers, fierce competition among insurers. And there will be new entrants.

Badenhorst says: "We have two applicants for short-term licences, one for a specialised risk requiring a capital base of about R5m and one for general underwriting, which will

need upwards of R10m. We have given both favourable replies and are waiting for them to come back to us."

Two years ago, he says, it might have been difficult to convince the registrar to grant a new licence.

The industry was making losses all over, while "some companies were not kosher... but it's a different story now; things are a lot



Quest's Denzil Curgenvan

better."

Essentially, therefore, while there are still some fences ahead, the short-term insurance industry is regaining its strength. This must mean more reasonable premiums soon. ■

## BENEFICIATION

# Don't fence them in

Is it a good thing or not? From any number of quarters, the virtues of beneficiation have been extolled and debated. If we are to lead the way out of recession with exports, SA's storebox of metals, minerals — even, lately, chemicals — would seem to be superbly qualified for processing before export. That's one way to get add-on value in foreign exchange. But there certainly isn't consensus as to how — or even if — it should be tackled.

Perhaps the most ardent proponent of beneficiation is Council for Mineral Technology (Mintek) president Dr Aidan Edwards. He maintains that SA can never aspire to First World status until it makes some headway in beneficiation. As he put it to the *FM* this week: "It is... absurd that we have some 80% of the Western world's chrome reserves,

**Proponents of beneficiation have long argued the case for adding to the value of SA's exports. It isn't a simple process — but in the jewellery sector the time is definitely ripe for cutting out the red tape and getting on with it.**

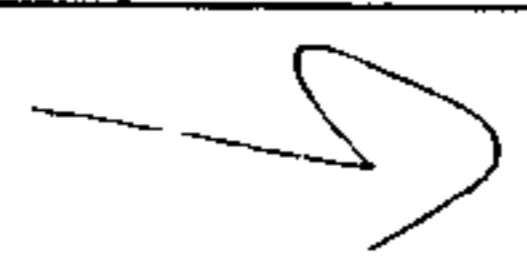
yet produce only 1% of the world's stainless steel. In fact, annual earnings of the aluminium industry in SA, at R1,5 billion, are more than the annual earnings of the chrome industry at R1,3 billion — and we don't even have any reserves of bauxite.

"If we produced just 10% of the world's stainless steel, it would earn the country roughly half the current earnings of gold —

and gold is a diminishing resource."

Edwards adds that with 92% of the West's platinum reserves, 49% of the gold, and 30% of the entire world's gem diamonds, SA should be supporting a thriving jewellery industry. But a combination of strict controls offers little incentive to the local jewellery industry. A jeweller must pay up-front for unwrought gold and uncut diamonds — and there's still the ad valorem tax on finished articles. Compare that with Italy, which absorbs around 250 t of gold a year, much of it from SA, and re-exports at least some of it back in the form of jewellery to SA and many other markets. By the same token, Israel, which has no diamonds of its own, is now a major diamond cutting country.

Edwards tells the *FM* that steps are being taken to examine the constraints on the jew-



INTEREST RATES

# Plot and counter plot

(S) FM

Interest rate pressures seem to be pushing in two directions at once.

On one hand, Standard Bank decides to peg maximum bond rates for a further six months to June 1988 to 12,5%; on the other, Allied, Saambou and United follow SA Perm's lead by upping bond rates by half to one percentage point.

Meanwhile, there's a fight for depositors, as granny bonds become a new competitive force pushing some deposit rates up further.

Why the disparity in rates between banks and building societies? And why do banks want bondholders so much they're prepared to squeeze margins?

The reason lies in the new Building Societies Act, which effectively widens the scope for societies and banks to compete in each other's traditional markets. Banks are able to push down bond rates because of a more flexible funding structure.

In the battle for market share, banks are prepared to burn the candle at both ends, simultaneously raising interest paid to investors and holding down rates charged mortgage bondholders.

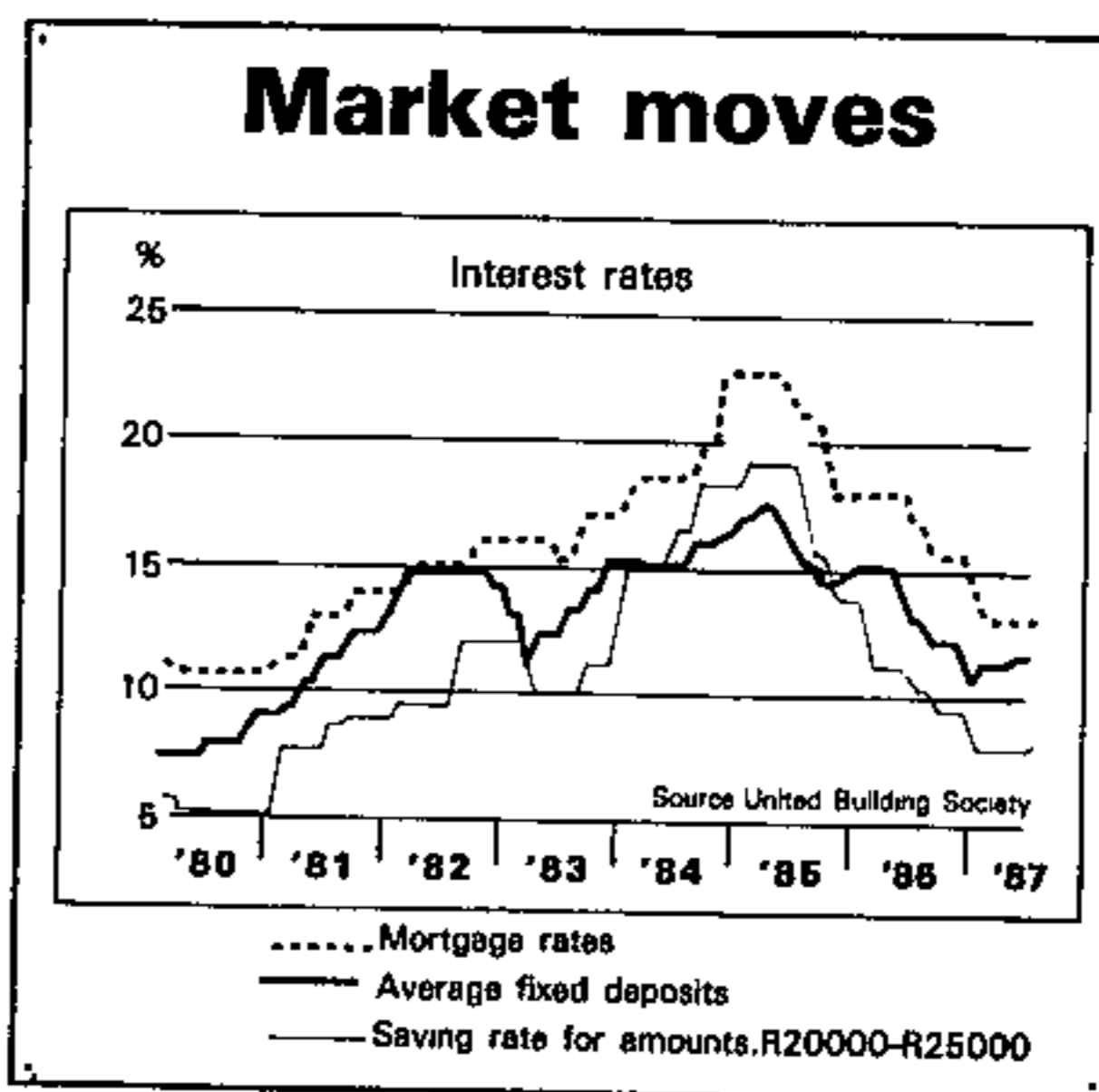
And they have building societies on the

run.

After the general slide in interest rates started in May 1985, a game of move and counter move developed between financial institutions. Then, in December 1986, Standard Bank made a decisive move and dropped rates on mortgage bonds by 2,5 percentage points to 12,5%. Other banks followed, while societies compromised, dropping rates between one and two percentage points.

Now societies are moving rates up again to 14,5%, for new loans from July 1 and existing loans from August 1.

The reason, says Allied MD Alan Tindall, is the distortion created by building societies' restricted access to the money market. They are allowed to take only 5% of liabilities to the public in deposits of under a year, while



most funds are raised in the more expensive medium- to long-term markets.

Banks, on the other hand, can manoeuvre in and out of the market, mopping up cheap money where they find it. So high short-term liquidity is allowing them to maintain and increase their lead over building societies.

As long as short-term interest rates

stay low, they will be able to stay ahead.

As one building society executive points out: "We put surplus cash with banks for about 8%, and they lend it out at 12,5%." Allied, of course, can eventually get into the money market via Allied Bank. But for the moment it is stuck with existing expensive society deposits. These will have to run their course before it can take advantage of cheaper funds.

Nor is this way of funding bonds necessarily considered desirable by all societies. Says United's Alwyn Noeth: "There is an inherent liquidity risk in funding a mortgage book with very short-term money, such as corporate call deposits and other money market instruments. In the event of increased interest rates, institutions may have to increase both savings and bond rates radically."

Of course, whatever the restrictions or lack of them, all financial institutions have to keep in mind term structures of deposits and loan portfolios.

Standard, for example, is already seeing rates move against it. United this week announced increases in deposit rates of between 0,5%-0,75% "to meet moves by banking institutions." First National last month announced a 0,24%-0,72% increase in most rates paid to Bobcard holders, while Volkskas put savings rates up 0,5%-1,25%. These moves follow earlier upward adjustments by Standard and Trust.

Standard's decision on bond rates was presumably a direct reply to publicity campaigns which imply banks are fair-weather friends who will get out of the market when the going gets rough. While the extension does not contradict this argument, it does at least indicate the fair weather will last a little longer.

Certainly Standard couldn't have chosen a better moment to put pressure on building societies. Its announcement came 10 days after the introduction of senior citizen bonds,

## GRANNY BONDS DEBUT

Though building societies have been crying "eina!" ever since Finance Minister Barend du Plessis announced high interest savings bonds for over-60s, no relief is in sight. From this week, money will start to flow into senior citizen savings bonds. Available from July 1, the indefinite period instrument yields 15% interest, and savings may be withdrawn any time after 12 months.

The authorities see the bonds as a replacement of 14% national defence bonds, which now pay only 12%, and believe building societies are over-reacting. There is no indication, so far, that they will modify the scheme, either by putting up the age limit or bringing down the maximum holding of R200 000 an individual. They may, however, call a halt when R300m is taken in.

Applications have been streaming in since Du Plessis announced the bonds in last month's Budget, but their number is difficult to estimate, according to a spokesman for the Department of Finance. Because bonds are available at post offices, commercial banks and stockbrokers, as well as Treasury, it will be several weeks before the authorities have an over-

all picture.

With a return of up to five percentage points higher than comparable building society products, the bonds are expected to divert considerable sums from societies.

There are those who believe the amount at risk is even higher than indicated by figures provided recently by the Association of Building Societies (FM June 12). In the year ending March 31 1987, fixed deposits rose to R10,7 billion from R7,5 billion the previous year. An estimated R800m of this is redeemed monthly. And 50% of the R5,05 billion in savings accounts may be vulnerable — to put well over R3 billion at risk.

Additionally, part of the R7,5 billion subscription and indefinite period shares is also accessible to depositors who wish to reinvest at 15%, but how much is difficult to estimate, as these funds are subject to three months' notice (after an initial 15 months).

Societies estimate that up to 60% of retail deposits are made by over-60s, and suggest that, by "borrowing a granny," other investors will be able to benefit from the high-interest bonds. ■

# Mountains of butter. Lakes of wine. And no agreement

A bout of "Europessimism" pervades the European Community summit in Brussels as members finally face up to a long-running budget crisis. By YOJANA SHARMA

AS ministers of the 12-nation European Community emerge from meeting after meeting no nearer a solution to the commission's interminable budget crises caused by spiralling agricultural spending, an aura of gloom has descended at the prospect that EC leaders will not find a way out.

Leo Tindemanns, Belgian foreign minister and president of the EC's council of ministers for the last six months, told the European parliament in Strasbourg in mid-June that he had no real hopes that the summit would provide any answers.

Meanwhile, there have been reports that if the summit fails to find the \$4-billion (about R8-billion) needed this year to bridge the gap between EC spending and resources, the commission's president, Jacques Delors, and the rest of the 16-man body which draws up the EC's policy proposals will consider resigning.

Few believe that will happen: Delors overused the ploy of threatened resignations when he was France's finance minister. But, whether or not the EC is without a commission after the summit does not change the grim reality of its financial crisis.

In May EC budget commissioner Henning Christophersen announced that the budget had moved into the red and would remain in overall deficit until a solution was found.

There is no mystery over the cause of the crisis. Britain's Chancellor of the Exchequer, Nigel Lawson, said recently: "It is quite clear that the EC's financial difficulties are the result of inadequate control of expenditure in general and agriculture in particular."

In 1985 agriculture spending took up three-quarters of the EC's entire \$35-billion (about R70-billion) budget and subsidies for farmers to produce as much as they like have pushed farm spending up by some 15 percent a year as milk and wine lakes, butter and sugar mountains piled up, requiring even more funds to dispose of them.

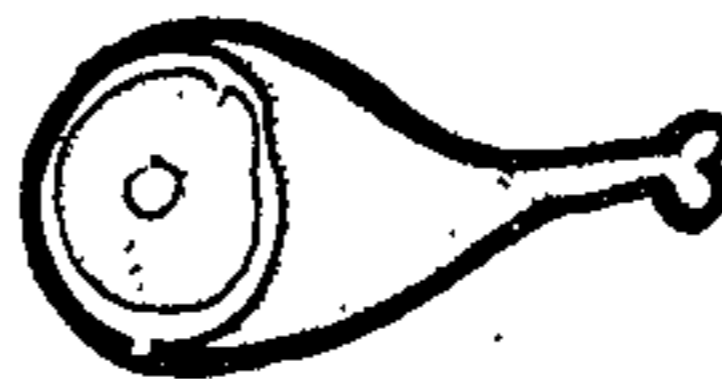
And it is no longer the farmers who benefit most from the EC's money: Half the agriculture budget is spent

## BUTTER



2m. tonnes

## BEEF



668.000 tonnes

## CEREALS



3m. tonnes

on subsidising overpriced food so that it can be sold on the world market, and another 15 percent is spent on storage.

The costs succeeded in concentrating ministerial minds last December to cutting back on milk and beef production. Unless this is followed by action in other sectors, farmers will merely move from beef and dairy production to cereals or sugar — creating bigger mountains elsewhere.

The main obstacle has been West Germany, whose agriculture minister, Ignaz Kiechle insists that price cuts must not mean a cut in incomes for German farmers. Germany also opposes the tax on edible oils and fats proposed by the commission.

The tax would add some \$330 (about R660) a ton to the price of both imported and EC-produced oilseeds and oils and would effectively double the price of soybean oil currently trading at \$370 a ton.

Britain, West Germany and Holland oppose the tax saying it would harm the EC's trade relations — the United States has already threatened to retaliate, raising the spectre of a new trade war.

But none of the member states has so far put forward an alternative proposal for raising the required revenue. Delors says member states are being "incoherent". Their finance ministers call for cuts in budget spending, while agriculture ministers refuse to countenance price cuts to make the necessary savings. Complained a French government representative: "The same countries who talk of budget discipline refuse the oils and fats tax."

The farm price cuts and oils tax are considered drastic measures, but diplomats say the EC cannot afford another year of pushing the mounting problems under the carpet.

Most diplomats believe there is no way out. After so many years of avoiding the issue, they say, the chickens have finally come home to roost. — Gemini News.

3-7/17/87  
SA  
3-7/17/87  
SA

WORLD

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B/Day  
S6A

# EC tries to end budget deadlock

BRUSSELS — EC Budget Ministers met yesterday to try to end months of deadlock over an expected \$7bn deficit this year.

EC Budget Commissioner Henning Christophersen was optimistic before the meeting. He said: "I think we can reach a solution."

But diplomats said the talks could still be difficult even though short-term agreements were reached at a summit of the 12 EC member nations earlier this week.

Despite Britain's refusal to back plans for major reform of the EC's long-term finances, the leaders did manage to reach broad agreement on a range of immediate cash problems.

They outlined a series of measures to close this year's cash gap, including saving more than \$3bn by paying rates for EC farm spending after, instead of before, cash was paid to farmers.

They also agreed to stop paying rates expenses for collecting customs duties on behalf of the EC, to use some

\$600m of cash reserves and to consider cutting any projects not already financed.

This last point could provoke a bitter argument between states unwilling to see cherished projects put at risk.

Diplomats said it could also reopen the split between northern states and their poorer Mediterranean neighbours.

The Mediterranean states will strongly oppose any attempts to cut cash for poorer regions this year after leaders endorsed a commitment to boost spending on these areas in the future.

Diplomats said Ministers were working against a deadline as they had to agree in time for the European Parliament to endorse the package at its next session starting on Monday.

Failure by the Ministers could delay the budget being put into effect until September, hampering efforts to sort out next year's looming budget problems and the debate over long-term community financing. — Sapa-Reuter.

# Banks watch 'grannies' <sup>Cape Times</sup> carefully <sup>3/7/87</sup>

Own Correspondent

JOHANNESBURG. — Banks are not going to take precipitous counter-action to stem the outflow of funds to "granny bonds".

Major bankers said yesterday they were watching the situation closely and were reluctant to get involved in an upward spiral of interest rates.

Building societies which have objected strongly to the special over-60s saving scheme on the grounds that it would pirate business from them are fighting to hold on to business.

Yesterday sales of "granny bonds" in the Johannesburg area dropped to 10% of the first day's takings according to the Post Office. Cape Town, Durban and Port Elizabeth post offices also reported that the pressure was off.

Building societies which have introduced defensive products, SA Perm, NBS and Saambou, said that these were not aimed at attracting new money.

Eastern Province Building Society is to announce a partly tax-free investment scheme open to all investors, not just senior citizens, on Monday.

The managing director of Saambou, Mr Hendrik Sloet, said his society was individually counselling clients who had given notice on investments. The society had received notice for withdrawals amounting to R5m.

The NBS managing director, Mr John Bennett, said he was not terribly worried because the 14,5% counter scheme paid interest monthly instead of the quarterly rate offered by the Treasury.

Standard Bank's managing director of financial service, Mr Dennis Matfield, reported that Standard

had lost R2 million to "granny bonds" on the first day. In the retail market this was a permanent loss.

The Finance Minister, Mr Barend du Plessis, said yesterday the government was not considering any intervention in the sale of "grannies" which have netted more than R25 million.

"However, we have not had a full opportunity to see how much is going into the scheme. We will need at least a month to consider the situation."

The government could curb sales by reducing the R200 000 limit per individual or extend the period of the investment.

□ Banks and registered brokers receive an eighth of a percent, or 0,125% as a handling fee, and not an eighth as was incorrectly reported yesterday.

CAPE TOWN 3/7/87 (S) 300

## Masterbond boosts rates for grannies

CAPE TOWN-based Masterbond Trust, has upped its mortgage participation bond interest rate for investors of 60 years of age and over.

The rate has been raised from 13,75% to 14,25% — giving an effective 15,22%.

In addition, Masterbond Trust is one of the few financial institutions to offer investors a floor rate — currently 11% — on partbonds.

"This means that the investor is guaranteed a minimum return of 11% no matter how much interest rates may drop during the life of the investment," said MD Johann Brits.

"Conversely, we have set no limit on the upper rate which will move in sympathy with the 'granny bonds'," he said.

Brits said that Masterbond had not previously offered the over-60's a specific package as the company had, since inception, paid higher rates than the ruling-average.

"The introduction of the grannybond has changed this and we have thus made the move to ensure our on-going competitiveness right across the board," he said.

Brits emphasized that the company would not be raising the interest charged to borrowers.

**SHORT-TERM INSURANCE**

**Mixed fortunes**

A wrap-up of 1986 fire and catastrophe losses reveals a mixed bag of fortunes for insurers. Claims on fire, combined (offices

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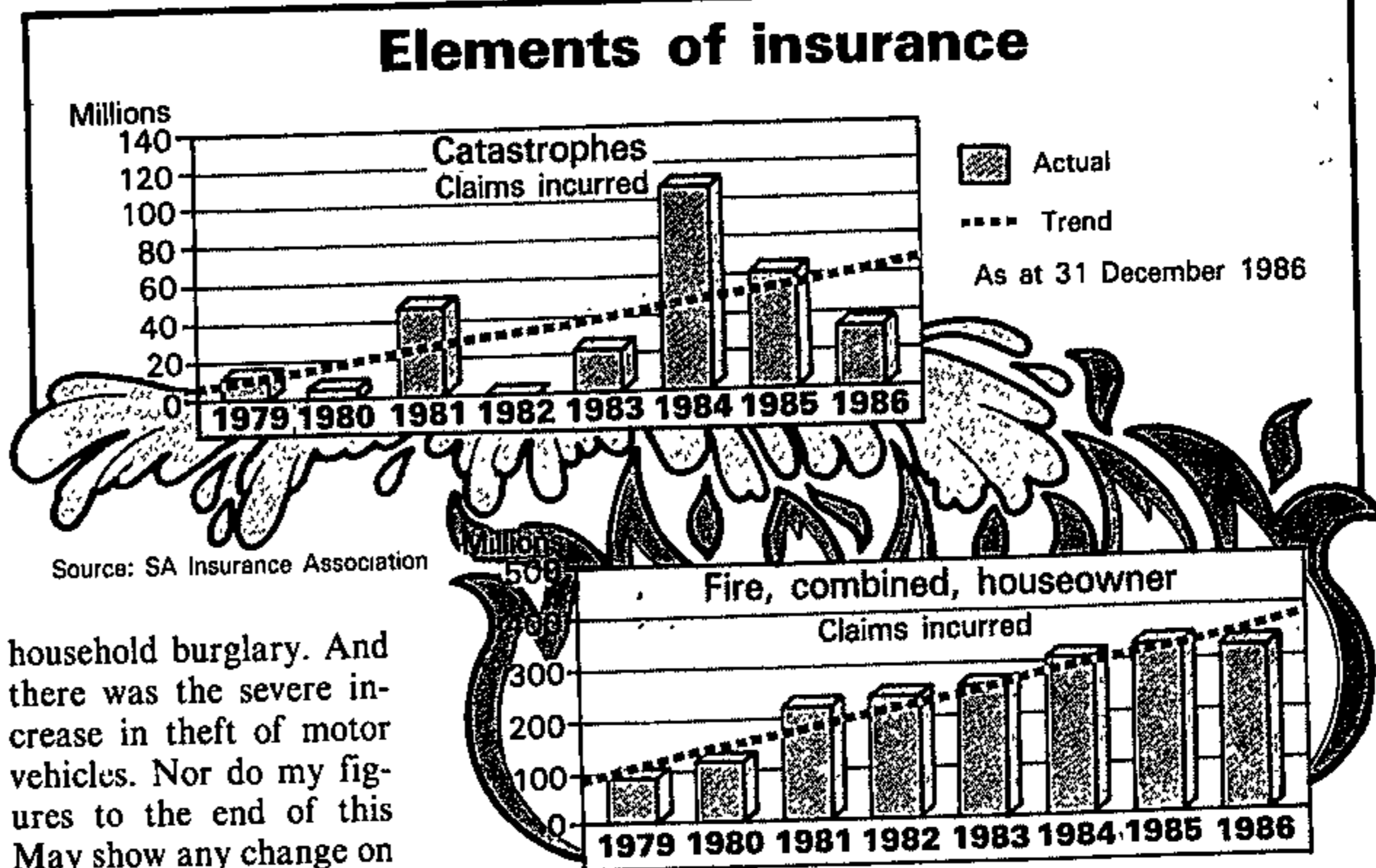
with ground-floor shops) and homeowners' portfolios remained persistently high, while catastrophe losses were almost slashed in half (see graphs), according to statistics from the SA Insurance Association (Saia). After rising 8% to R328,6m in 1985, claims on fire, combined and homeowners' fell by about 2,5% to R319,9m. Considering that inflation hung around 15%, this is a real improvement, although it is offset by the larger retentions of risks by insurance companies.

**Fire losses**

The problem, however, was that "large fire losses" (claims over R250 000 apiece) were boosted by an atrocious last quarter, when 65% of the year's losses occurred (FM February 27). According to the SA Reinsurance Offices' Association losses under this category totalled R164,8m, compared to R143,8m in 1985. These are included in Saia's total fire market figures.

Natural catastrophes (see first graph) shrunk remarkably, down by 43% in 1985 to R62,7m, and a further 47% in 1986 to just R32,7m. Catastrophes include losses from storm, flood, hail, and earthquake. Explosions may be included where a vast industrial complex is involved.

Comments Ken Sagers, MD of Mutual & Federal: "Towards the end of last year, the overall marginal improvement on fire account was more than offset by disastrous crime levels, including fidelity, fraud, and



household burglary. And there was the severe increase in theft of motor vehicles. Nor do my figures to the end of this May show any change on motor theft.

"The bulk of these losses fall into the insurance company's account, rather than the reinsurers."

On the other hand, there were few catastrophes. Says Peter Moss, deputy CE of Aegis: "It was a fairly clean year. And though there was a lot of hail damage at Edenvale, it didn't cost reinsurers anything because they'd pushed up the deductible by well over 100%."

On proportional reinsurance, Moss says retentions were increased considerably. "Less was paid by reinsurers for losses."

Insurers compensated to some extent by charging higher premiums.

Bill Rutherford, MD of Commercial Union, estimates premium increases last year for fire, combined and householders' were in the region of 25%, "plus additional increases with sums insured going up in line with inflation."

Sagers says things "haven't improved as much as some scribes suggest. I would expect some moves into underwriting profit this year, but nothing substantial."



# Dear money — thanks to Granny

MILLIONS of rands flowed into the Government's controversial granny bonds this week — and an even stronger flood of money is expected in September.

This is because large amounts of savings deposits in building societies are subject to three months' notice.

Although most ordinary savers are receiving only 10% or 10,5%, granny bonds, introduced by Finance Minister Barend du Plessis in the Budget, offer over-60s a return of 15%. There is thus a strong incentive for savers to switch.

Mr du Plessis was criticised by building societies this week for tampering with the market and upsetting savings and interest-rate patterns. Critics said he should have given direct relief to the aged.

The fear is that not only over-60s will channel savings into the scheme, but that many savers will use their parents and grandparents to improve their returns by 43% before tax.

To head off a possible outflow, three building societies — Saambou, NBS and the SA Perm — lifted their deposit rates for existing clients over 60 to 15%. UBS and Allied could follow suit.

SA Perm and NBS have put a maximum of R100 000 on these deposits and Saambou has matched the granny bond limit of R200 000. All three offer effective returns of about 15%.

A spokesman for one building society said: "We are not seeking to attract extra funds through this scheme. We wish only to retain our clients over 60."

Most building societies have raised their mortgage rates by half a percentage point to 14,5%. They deny they did so because of granny bonds, but

## Business Times Reporters

they concede that if their cost of funds rises they will have to look again at mortgage rates.

There is a huge gap between the mortgage rates of building societies at 14,5% and banks at 12,5%. Granny bonds weaken the competitive position of the building societies, which depend to some extent on elderly clients.

## Little pain

Standard Bank, which only recently entered the bond market, has undertaken to hold its mortgage rate for existing clients for a year. It can do this at minimal pain to itself because its book at this stage is small. Standard seeks to lend a billion rands in mortgages.

Dennis Matfield, managing director of Standard Financial Services, says the bank has lent R480-million. It has many applications pending.

First National reports that it has lent R600-million in new bonds in the past six months. Its mortgage book is R1,4-billion.

The banks contend they will be able to lend more cheaply than building societies for the foreseeable future because they have readier access to the money market where they pay only 8,8% for funds. They also have cheap

current account and savings deposits.

But building societies argue that when money becomes tight again, their cost of funds will be lower than that of the banks because they will have cheaper long-term money. They also have the advantage of cash flows from existing clients, so it is hard to say which will be the cheaper source of mortgage finance in the long run.

There is concern that granny bonds could turn the tide of interest rates, but economists dismiss the suggestion.

Bank and building-society savings one-year deposits total R24-billion, so potential for switching into granny bonds is huge.

Gerhard Croeser, executive head, policy, Department of Finance, admits his department has no clue how much it will draw.

The department expected a total of R520-million in all bonds before granny bonds were introduced.

Mr Croeser accepts that since defence bonds offer only 12%, most Treasury receipts will come from granny bonds. He rules out a cut in the interest rate if the amounts received become excessive.

Mr du Plessis stands by the scheme. Banking observers say the Treasury is likely to use other options if the flow becomes excessive. The maximum amount for granny bonds could be reduced and the minimum age increased to 65 years.

Hotels

# OM in R18m Midrand deal

*CAP: Tini's 6/7/87 58*

IN AN R18m deal, Old Mutual (OM) has made its largest single land purchase with the acquisition of 220ha surrounding Midrand's Grand Central Airport.

Simultaneous with the transaction, Grand Central Properties (Pty) Ltd, (GCP) which owns about 50ha of commercially zoned ground on which the airport is sited, has entered into an agreement with OM to plan a fully integrated development of the combined 270ha.

OM property investment manager Mike Raggett describes the purchase from Control Corporation (Pty) Ltd as "our investment platform into the future".

"It's well accepted that the Johannesburg-Pretoria corridor is developing rapidly and that Midrand has a vital role to play in this development."

The transactions were negotiated by Errol Friedmann, joint MD of J H Isaacs and Co Ltd. JHI has been appointed by OM and GCP to act as project manager for the planning and site development.

Friedmann said the Midrand Town Council had resolved that the combined 270 ha property should constitute the major portion of the future central area and CBD of Midrand.

"The Midrand Council's resolution follows several years of intensive studies to determine the best location of the town's central area. Consultants to the Midrand Council, after examining four possible localities, recommended that this should be around Grand Central Airport".

THE banks' prime rates could rise by a half to one full percentage point from the current 12,5% unless the Reserve Bank intervenes.

Events in the money market last week, hysteria about granny bonds resulting in building societies raising their deposit rates, and possible bankers' reaction to these higher building society borrowing rates, could give prime an upward nudge.

This would be an unfortunate move at a time when business confidence is fragile and when the public is reluctant to take on hire purchase commitments for cars, furniture and other domestic capital goods.

#### ● Money markets — Page 5

The prime rate is traditionally the rate charged to the banks' most creditworthy customers, but in recent years competition between the banks in the corporate market has sharply reduced charges to major customers. They have facilities that have been as low as 8,5%.

Prime today is largely a benchmark above which interest rates for smaller customers is calculated.

Money market rates, particularly those for wholesale call deposits, have moved up sharply during the past four

# Prime rates

6/7/87 (SF) set to rise

HAROLD FRIDJHON

weeks from 8,5% to a peak of 10,35% last week. Bankers say this could be an aberration, but they do not see the rate dropping back to where it was.

They claim the Reserve Bank has been misreading the signs and that this led to last week's peak rates.

Wholesale call deposits are an important element in bank funding. Of the banks' total book of R37,4bn borrowing, as at March 31, 1987, R19,75bn is in demand deposits, R5,72 in savings and R2,37bn in short-term deposits.

Banks do not reveal how much of the demand deposits is in "wholesale call", but they do indicate "retail" deposits, mostly under R100 000, form a very large and vulnerable chunk of their treasuries.

Building societies depend on fixed deposits for periods of at least 12 months

● To Page 2 →

## Banks may increase prime rates

for R11bn of their total R25bn funds. But they have secured their share of the market by fixing their deposit rates at half a percentage point above the banks' rates for similar period fixed deposits with a "bonus" of half a percent for over-60s.

On Friday, Allied Building society announced that its 12 months fixed deposit rate would go up from 10% to 11,25% plus 0,5% for over-60s.

Bankers say if other societies follow, they will lose deposits and defensively they will have to raise their rates. This would squeeze their already-tight mar-

(SF) ← ● From Page 1 B/Day  
gins and they would have no option but to raise prime rates, with or without Reserve Bank approval.

6/7/87  
Building societies have ostensibly reacted to granny bonds, but if the Treasury was to issue R1bn of these bonds, they would take about 3% of the total deposit funds of both banks and building societies. Banks claim the societies have used the granny bonds red herring as an excuse to increase their deposit rates.

By so doing they are pushing up the cost of money throughout the economy.

Fund up to R1,08bn

# Mutual unit trusts double in JSE boom

58

CAT & Times 7/1/87

THE phenomenal rise of the Johannesburg Stock Exchange (JSE), as investors rushed into equities to save their capital from being eroded by inflation, more than doubled the market value of Old Mutual Unit Trust in the 12 months to June 30.

The unit trust — renamed Old Mutual Investors' Fund on July 1 to distinguish it from the new specialized Old Mutual Mining Fund — grew by 22% in the last quarter alone, to end the financial year at R1 073,8m.

As money flooded in from investors impressed by the fund's outstanding performance, the repurchase price rose from the record level of 1 332,16c per unit at the end of last quarter to 1 465,84c on June 30.

Stuart Fish, assistant GM (marketing) of Old Mutual, warns against any temptation to take a quick profit by selling units at these levels.

"We view unit trusts as a long-term investment," he said yesterday. "They should not be seen as savings accounts or as a home for short-term money in the hope of making a quick capital gain."

He pointed out that the fund returned a performance of 68,1% for the year. Its performance over five years has averaged 40,8% per annum and over 10 years 31,9%.

Portfolio manager Jack Mitchell, assistant GM (investments) Old Mutual

By AUDREY D'ANGELO  
Financial Editor

said yesterday: "The stock market will continue to be pretty strong until interest rates move upwards, and most people do not expect this to happen for some time.

"It will not happen until the economy is recovering strongly."

Discussing whether this was the right time to buy shares or invest in unit trusts, with the market at its present heights, Mitchell pointed out that people who had decided to sell in 1980 because they expected the market to fall "undoubtedly regret it now".

He said there were "a lot of investment corpses lying around" as a result of trying to base an investment policy on market timing.

"If you choose the right equities you have to worry less about market timing.

"The right shares will do at least as well in a bull market, and in a bear market they will come down less."

Commenting on market trends during the quarter, Mitchell said: "The fragile SA economic recovery still seems intact and with easy market conditions dividend growth of some 20% is being generated.

"With the dividend yield on industrial shares below 3%, such growth is necessary."

The 10 largest holdings by Old Mutual Investors' Fund on June 30 were Rembrandt group, Anamint/De Beers, Anglo American Corporation, Sasol, Johannesburg Consolidated Investment Co, Allied Technologies, Safren, Barlows, Driefontein Consolidated and Anglo American Industrial Corporation.

# TAXPAYER NAMES

TS  
8/7/87  
Sowetan

THE Department of Inland Revenue has been rocked by a big racket in which unknown people intercept and cash tax rebate cheques without the knowledge of the intended recipients.

The racket, which dates back several months and is believed to be involving money running into several thousands of rands, has shocked tax experts and angered scores of black tax-payers.

Senior officials at the department's Johannesburg offices are aware of the racket but cannot figure out how the racketeers manage to cash crossed cheques that are written out in taxpayers' names.

An investigation by the *Sowetan* this week revealed that in Soweto taxpayers waited for several months to get their

By SY  
MAKARINGE

rebates, after receiving statements to the effect that they were entitled to refunds.

When they went to the office of the Receiver in Johannesburg, they were shown copies of cashed cheques bearing forged signatures at the back.

The racket is so widespread that more than 75 percent of the black staff at Baragwanath Hospital are believed to have lost their rebates in this manner. A *Sowetan* investigation also found that hundreds of black taxpayers flock to the offices of the Receiver daily to inquire about their cheques.

A Soweto nursing sister, who asked not to be named, said she received an assessment in October last year informing her that R292 was due to her.

● To Page 2

8/7/87

## Tax scandal

● From Page 1

Normally a taxpayer waits for a week or two before he or she gets the cheque.

The nurse said she waited for more than five months for the cheque to arrive. When it did not, she wrote to the Receiver and inquired what was happening.

"I asked someone there whether I was entitled to the money or not. He told me that my cheque had already been cashed. I could not believe it because I never saw that cheque," she said.

She then went to the Receiver's offices where she was shown a copy of her cheque.

"There was a signature at the back of the cheque. The signature was definitely not mine," she added.

The Receiver of Revenue in Johannesburg, Mr Hannes Hattingh, and his assistant, Mr Norman Paterson, told the *Sowetan* yesterday that they were aware of the racket. They said the matter was being investigated.

They both could not pinpoint where the fault lay. They urged taxpayers who lost their rebates in this way to apply for duplicate cheques.

"We are also looking into the possibility of paying the cheques directly into the taxpayers' accounts. We will be doing this partly because of what's happening and partly because we want to simplify things," Mr Paterson added.

## Underwriter forecasts 'anti-selection' policy

# AA Mutual demand Aids test for clients

By Dan Side

A major insurance company, AA Mutual Life, is demanding an Elisa test for Aids on life policies offering benefits in excess of R300 000.

An underwriter for another firm predicted last night that "in time others will follow suit in asking for the Elisa test, but at what level I would not hazard a guess".

In the case of invariably fatal Aids, insurance companies feared "anti-selection" — the industry name for the practice which a person already suffering from a terminal disease obtains life insurance under what amounts to false pretenses.

### FAILING TO DISCLOSE AIDS

The applicant, if he is a diagnosed Aids sufferer, merely fails to disclose he has a deadly illness, and by paying huge premiums for a short time attempts to secure immense benefits for his beneficiaries.

Under the terms of most policies, said the underwriter, his company would be obliged to pay out the beneficiaries of an Aids victim, if the insured person took out the policy in good faith, unaware of

an infection or any other impairment to his health.

However, with Aids rapidly becoming endemic throughout Africa, insurance companies are moving to protect themselves, and their policyholders, from future events that could otherwise bury them under an avalanche of claims.

Mr Dick Geary-Cook, executive director of the Life Officers Association, said from Cape Town yesterday that a series of inter-officer agreements had recently been sent out outlining the types of questions to be asked on proposal forms.

He said specific questions would be asked and these, if answered truthfully, would lead an underwriter to either assume the applicant had Aids, or was liable to contract Aids.

"If there is sufficient suspicion of the presence of Aids," he said, "the applicant could be treated like any other high-risk category — he could either be refused cover, or his premiums could be loaded.

"It would be logical to assume then, that a 30-year-old, single, male homosexual would find it impossible to obtain life insurance."

Last night a major company staged a symposium for their staff, to increase their knowledge of the

Size itself 'not a bad thing'

# Insurance free of monopoly, says De Beer

By AUDREY D'ANGELO  
Financial Editor

THE SA life insurance industry is intensely competitive, and free from monopolistic tendencies, says Southern Life chairman Zach de Beer. And though life assurers hold shares in other companies, they normally avoid dominating them.

De Beer was replying, in the Southern Life annual report issued yesterday, to what he described as "ominous rumblings from government spokesmen and others about increasing concentration in the SA economy, about the undesirable size of certain financial groups and about alleged monopolistic tendencies".

He said the life assurance industry had been one of the chief targets of these comments.

The Southern did not believe size itself to be a bad thing in business.

## Ongoing services

"On the contrary, we believe that world class companies have to be large, and that healthy free enterprise economies need strong companies.

"There has been more than one occasion in SA when a financial institution has been able to assist another in providing ongoing services at a critical time.

"Here as in other countries, this sort of stability is essential to the maintenance of confidence."

Admitting that it was "sometimes possible for large companies to abuse their financial strength", De Beer pointed out that SA had the necessary legislation to guard against that danger, with the Competition Board "very much in place".

Stressing that life assurers competed keenly with each other, De Beer

said: "I find it impossible to conceive of an industry which is further from monopolistic practice."

It was usual for life assurers to be good shareholders but not dominant ones.

"We are marketers of life assurance and pension schemes and managers of money — and these things we do well. "We are not miners, manufacturers, bankers or retailers.

"We invest in companies which do those things well, and we generally stand behind them in times of need.

"If such an industry is not operating in the national interest, I am at a loss to name one that is doing so.

"I believe that much of the criticism of the industry stems from misguided populism rather than from rational observation."

Discussing the economic outlook, De Beer pointed out that the Johannesburg Stock Exchange "has already discounted a great deal of improvement in the real economy".

## National harmony

"If interest rates rise during the year, the JSE moves sideways and property remains sluggish, so it may not be easy for investment managers to perform very successfully."

Discussing the political outlook, De Beer said: "Censorship prevents one from knowing precisely what the situation is, but it is clear that we are as far as ever from the national harmony and unity of purpose we need."

The State President had indicated that he viewed the result of the election as a mandate for reform.

"It is to be devoutly hoped that such reform will remove injustices still contained in the present legislation, and will be sufficiently far-reaching to gain credibility among the majority of South Africans."

Business Report

# Soaring insurance cuts private car ownership

HELENA PATTEN

MONTHLY insurance premiums on private motor vehicles of more than half HP payments on vehicles, are cutting down on private car ownership.

Fewer private individuals are able to afford motor cars said Automobile Association GM (technical services) Fred Bothma yesterday.

Companies were responsible for 70% of new car sales and this would increase unless the price of cars and spare parts came down.

On a car worth R10 000, standard HP instalments to be paid over four years were quoted by a general bank at R267 a month. The instalments on a R20 000 vehicle to be paid off over the same period and subject to the standard 20% deposit and 19% interest charge, were given as R535 a month.

Three hypothetical cases were put to six large motor insurers for quotation, the detailed results of which are shown in the accompanying table.

In the Johannesburg area, insurance premiums are particularly steep be-

cause of the high density of motor cars, the car theft rate and higher potential hail damage.

Insurers quoted rates on a R10 000 1985 VW CitiGolf 1300 driven by a woman of 25 with no claims experience, of between 23% and 40% of the R267 monthly HP instalment for the Johannesburg area. In Cape Town, quotes ranged from 13% to 23% of HP instalments.

On a R10 000 1984 Honda Ballade 130 driven by a 30-year old man who has claimed once in the past year, quotes for the Johannesburg area ranged from 35% to 57% of the HP instalment, compared with a range of between 20% and 31% in Cape Town.

For a 45-year old male driving a R20 000 1985 BMW 316, insurance companies quoted between 21% and 30% of a monthly HP instalment for Johannesburg, and between 11% and 19% for Cape Town.

## What car insurance costs — Monthly Premiums

JOHANNESBURG	SA Eagle	Mutual & Federal	Commercial Union	General Accident	IGI	Santam
1985 CitiGolf 1300 (R10 000)	R88,35	R65,75	R72,00	R62,70	R107,33	R79,92
1984 Honda Ballade 130 (R10 000)	R99,35	R112,79	R103,00	R95,34	R153,33	R93,50
1985 BMW 316 4-door (R20 000)	R159,00	R146,55	R115,00	R149,60	R142,33	R114,92
CAPE TOWN						
CitiGolf — (R10 000)	R54,20	R40,13	R37,00	R34,65	R57,75	R61,92
Honda Ballade — (R10 000)	R60,60	R68,62	R53,00	R52,71	R82,50	R67,92
BMW — (R20 000)	R99,75	R89,81	R59,00	R83,42	R92,75	R96,58



Can't find 9/7/87 (S8)

# Insurer wants Aids test for big policies

JOHANNESBURG. — A major local insurance company, AA Mutual Life, is insisting on a test for Aids on life policies worth more than R300 000.

"It is basically for the protection of our existing policy-holders," said Mr Bruce Howard, assistant general manager, marketing. "If we had to pay out benefits on a string of policies to Aids victims, then the benefits due to other policy-holders would obviously suffer."

AA Mutual Life is the first SA life office to demand a test as a matter, of course. Other life com-

panies are, or intend, asking Aids-related questions on proposal forms, but are not as yet considering making tests mandatory.

A source in one of the big life companies described AA Mutual Life's move to test for the virtually uninsurable disease as "drastic".

Mr Howard said he knew a number of other insurance companies included a question about Aids in forms clients had to fill in, but he did not know if any others demanded tests.

"We also ask the question about Aids in our forms, and we are only insisting on tests for policies involving more than R300 000 — which is a comparatively small number of our clients. The average man in the street is generally looking at a much lower sum."

The decision had been taken on the advice of the company's re-insurers, who had pointed to the growing incidence of Aids world-wide. Many overseas companies now demanded Aids tests on large life policies. — Sapa and Own Correspondent

19/7/87  
SP  
FM

## MERCABANK'S DEATH

It seems Bankorp has finally lost patience with subsidiary Mercabank, whose merchant banking business will be phased out. Santambank and Mercabank will merge and continue as Santambank.

These developments raise a number of questions. Last year Bankorp injected R100m of its R120m rights issue into loss-making Mercabank. With the year-end in June, it seems the latest figures will prove this did not turn the bank around. The announcement says "it is now evident that profitable activities must be significantly extended to use the capital injection fully at an early stage."

One wonders why Mercabank CE Reg Sherrell departed only a few days ago.

Did he know what was coming or has Bankorp decided on the demise of the company because he left?

What will become of Mercabank's remaining assets? Will they gradually be sold? It seems unlikely that they will be given to Santambank only to drain it, and new high capital requirements against investments make it even more difficult to make them profitable.

There is also the question what this means for Bankorp's profits and capital. Further Mercabank losses will have an adverse impact on both. Will Bankorp itself need another capital injection?

Bankorp's annual report will make interesting reading.

Pat Kerney

## AA MUTUAL

### Going but not gone

Another step towards winding up of the affairs of the AA Mutual short-term insurance company will be taken next week with an auction at the group headquarters in Johannesburg.

Included in the sale will be a quantity of computer networking apparatus. Most of the computer equipment owned by the defunct insurance business has already been sold. The remainder is being retained temporarily by the liquidators to assist them in the massive task of closing the group's accounts.

Some of the AA Mutual computer equipment, including printers and terminals

FM (SP) 10/7/87

(the group owned 520 terminals), has been sold by public tender. According to Malcolm Nightingale, former AA Mutual GM and now liaison officer between the liquidators and the insurance company staff, most of the IBM equipment was bought by AA Mutual Life, a separate company.

Among equipment still being used by the liquidators is a Persetel mainframe computer, which is being used to run a small network to the branch offices throughout the country.

"We are running a debtors program on it to establish exactly what our liabilities are, and what is due to us from various sources. We will also use the machine to prepare the final dividend so it looks like staying with us for quite some time."

The machine will be sold once the books are closed, but, Nightingale tells the *FM*: "It is difficult to say when that will be. The whole thing is going slowly but the 12-month time limit for lodging claims has now expired and progress should be made." ■

By THEMBA  
MOLEFE

THE 106 striking workers at the Mutual and Federal insurance company in Johannesburg vowed to continue with the action after talks between their union and management collapsed yesterday.

The workers, who are members of the Insurance Assurance Workers Union of South Africa (Iawusa), downed tools on July 1 in protest against management's refusal to accept the union's bargaining conditions.

### Opinion

The union said the company insisted on bargaining units which would leave out certain members in the event of a recognition agreement being reached.

Iawusa's general secretary, Mr Joe Rakgoadi, said the union would seek union opinion with the hope of taking the matter further.

Mr Rakgoadi said a

# Row over recognition agreement

58

decision on further action would be taken after consultation with the legal unit of the National Council of Trade Unions to which Iawusa is affiliated.

He said the workers yesterday said they would not return to work

until the dispute was resolved.

The striking workers include drivers, clerks, cleaners, the underwriting staff and general labourers. The strike affects the entire black workforce at Mutual and Federal.

Sowetan  
10/7/87

# Nickel joins SA company

*B/Day*  
*10/17/87*  
**MICK COLLINS**

FORMER US Ambassador to SA Herman Nickel has joined a South African economic research company.

In a joint announcement in Johannesburg yesterday, Econometrix MD Brian Nash, and president of Washington-based subsidiary Econometrix US, Darroll Buytenhuys, said as from July, Nickel would be associated with the company as a consultant.

"As international pressures increasingly affect the performance of the economy, we feel Ambassador Nickel's contribution ideally complements our existing analytical services."

Nickel served as the US Ambassador to the SA from 1982 to 1986, and is now director of the Johns Hopkins Foreign Policy Institute Southern African studies project, in Washington.

Nash said Nickel would provide monthly reports and quarterly analyses on developments in US/SA relations.

BUILDING societies and businesses which accepted stolen tax rebate cheques amounting to R233 000 will foot the bill at the Department of Inland Revenue.

Banks are protected by law from refunding "not negotiable" cheques deposited into accounts, as long as they do not make the cash available immediately.

The department's chief director of operations Schalk Albertyn said some of the money had already been received.

"Theft of tax rebate cheques is not a new thing. The issue is being blown up. Only 670 out of 252 000 cheques issued in May and

# Societies to pay for cheque theft

**GRETA STEYN**

June this year have gone astray," Albertyn said.

Building societies said they notified the police immediately once they became aware of fraud. Inland Revenue did not normally contact the police.

Most of the cheques were in favour of black taxpayers.

# 3 suspected ANC members shot dead

THREE suspected ANC members were gunned down in Swaziland yesterday by white men driving an SA-registered car.

The slayings occurred on the road leading from Matsapa airport, about 20km from Mbabane. Swazi police said they had made no arrests.

They interviewed the driver of the car — the sole survivor — who said the weapon used appeared to be an AK-47 rifle.

He told police three whites travelling in a BMW with SA registration plates overtook a taxi at about 3pm and opened fire.

The police spokeswoman confirmed the three dead, two men and a woman were not Swazi nationals. She said she thought they were South Africans and it was thought the whites were South Africans.

# Hall enjoyed Agatha Christie novels

THERESA May Hall had been reading too many Agatha Christie novels, which

**JENNY BOBERG**

made such admissions if they were untrue.

58 9M 10/7/87

INTEREST RATES

# Rising rumours

No one likes to be caught on the wrong side of an interest rate change. So market participants tend to wait, like a flock of migrating birds, for some signal that the time has come to move. In this state of heightened expectation, it is easy enough to mistake a passing swallow for the summer.

Unexpectedly tight conditions in the money market over the past week, together with pressure from granny bonds on retail rates, arouse expectations of a fundamental change in the level of interest rates, which have been low and relatively stable since December. Sentiment, of course, is important in any move. But what of fundamentals?

Says Standard's John Lloyd: "Deposit rates are high and the cost of money has gone up substantially compared to previous months. Money has flowed out of the system and there doesn't seem to be any return flow. Then there's been the problem of building societies adjusting rates upwards, which has forced big commercial banks, who get much funding from the retail market, to do the same. This has had an impact on margins."

A strong build-up of liquidity in coming weeks may retrieve the situation, temporarily, but the retail factor will remain.

Banks and building societies, it seems, are not prepared to let this money go. Though they could fund more cheaply through NCDs, they are reluctant to part with customers. They must look to the future, after all, when liquidity is lower and retail accounts indispensable as a source of funding.

But there are those outside the bank and building society sector who believe institutions have over-reacted to the introduction of 15% State-sponsored senior citizen bonds.

They believe most upward pressure on interest rates is coming from rumours of upward pressure on interest rates. Both the shortage in the money market, they say, and the panic over granny bonds will subside; markets will revert to normal.

What gave rise to the recent unexpected shortage, says Reserve Bank senior Deputy Governor Japie Jacobs, was the delay in

clearance of cheque payments of provisional tax, and the purchase by banks of foreign exchange, ahead of debt repayment scheduled for July 15. Additionally, there was a month-end increase of notes in circulation, aggravated by school holidays which prevented their return to the system.

The delay in cheque clearance had an important psychological impact because it disrupted the normal sequence of events in the money market by creating an artificially low month-end money shortage of R532m including Corporation for Public Deposits (CPD) money, followed by an unexpected drain on resources last week.

Meanwhile banks, having been asked by the Bank to stagger forex

probably not move unless rates in the wholesale market, where funds can still be found for 9,75% or lower, show signs of hardening.

So presumably it will be several weeks before any decision on prime, the rate offered by banks to their best customers, is made. Even if it rises, Bank rate will not necessarily follow immediately. When it was set in December, it moved down half a percentage point while prime moved a whole percentage point over December-January.

So there is a margin of half a percent to play with. Which should be enough for now.

Longer-term, however, there is strengthening potential for interest rates to rise. According to Old Mutual economist Rob Lee, increasing demand not yet reflected in bank credit figures is in the pipeline.

He points out that, because of the existence of the informal sector and disintermediation, economic activity is not fully reflected in bank figures or official figures.

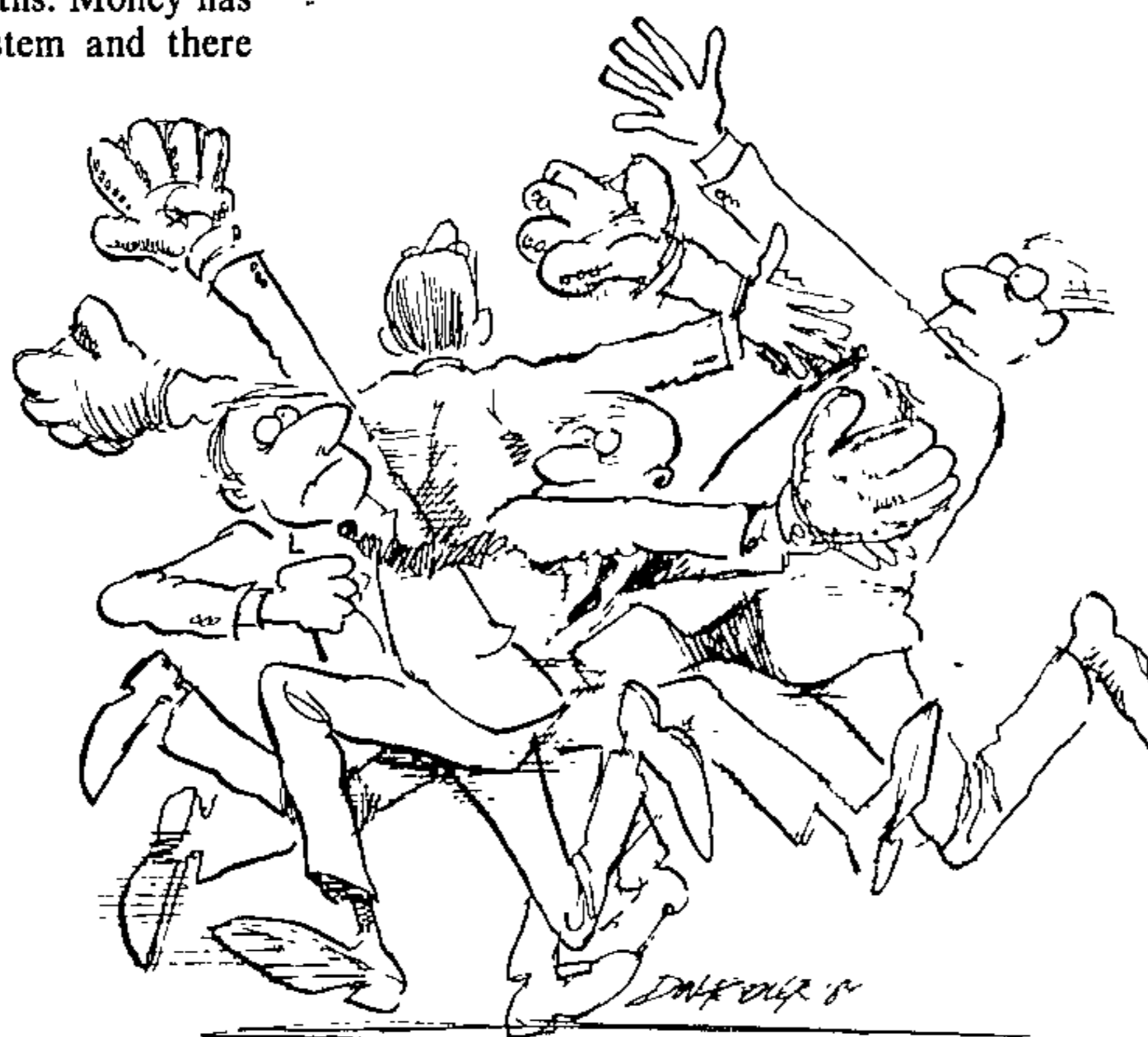
However, nearly all economic indicators are pointing upwards. Combined with the declining surplus on the balance of payments and the increase in capital outflows into debt repayments, money will start becoming scarce by the end of the year.

And rates will adjust accordingly:

□ The shortage at the discount window was down from R486m on July 2 to R440m on Monday. To avoid an even larger shortage, R500m was fed into the system on Monday, via a R200m Corporation for Public Deposits (CPD) tender and subsequent R300m repurchase agreement. The CPD tender drew R570m at an average rate of 9,74%. This compares with R100m tendered on June 30 at 10,01%, attracting R550m. The "repo" drew R605m at 9,39%, down from the average 9,84% on the previous week's R100m repo for which R330m was bid.

The Land Bank tender drew R275m at an average 8,9%, a sharp 19-point increase over the previous week's R100m tender which drew R451m. This was even more than the eight-point increase in average rates on Friday's Treasury Bill tender, which drew R182m at an average 8,72%.

Rates on bankers' acceptances were between 8,8%-9%, while call averaged 9,75%.  
See Leaders



purchases, were removing money from the system.

Jacobs believes the market also over-estimated the amount of money which would flow from government expenditure and customs union payments. "A figure of R1,5 billion was mentioned. But this is the gross figure; you must subtract forex movements, so the net figure is close to zero."

The miscalculation, he believes, led to heightened perceptions of liquidity shortage when the flow failed to materialise. So the situation, says Jacobs, is "transitional." The Bank is not considering any change in policy "at this stage." Jacobs expects normal monthly flows to take care of the shortage.

Banks will probably wait to see if this occurs before moving on prime. They will

## RESERVES

### What goes up . . .

Ending five consecutive monthly rises, the Reserve Bank's gold and foreign reserves have dipped. Both gold and foreign assets are

BUILDING SOCIETIES

# Granny shakes the market



There is a fundamental rule that dealers in big ticket works of art ignore at their peril: never underestimate the financial clout of a granny. It's a pity that Finance Minister Bar-end du Plessis and his *slim Jannies* at the Treasury hadn't learnt that when they slipped granny bonds into the Budget.

Their motives, we accept, were beyond reproach. Government, which is the creator and sustainer of inflation, have milked those on fixed incomes for more than two decades now. They deserve a break.

What is disturbing, however, is the way the Union Buildings went about it. It could have been rank arrogance — exemplified also by the garnishee orders on unpaid black rents and RSC taxes — or simply hamhandedness. Neither is to the credit of the minister or his civil servants.

They clearly did not think of the consequent domino effect, which might not be as easily reversed as they thought a few weeks ago. They are now faced with an economy in which demand is all but flat, there is no new fixed investment, yet the mortgage rate is rising and other rates might follow. That must be the last thing that the central bankers at Church Square want to see happen.

Granny bonds have placed the building societies in an invidious position.

Like a grocer eating his own provisions, some of SA's biggest building societies are now consuming their own resources. In the face of competition from State-sponsored granny bonds, three of the five major societies last week introduced high-interest savings bonds, offering comparable returns to the over-60s. That means they are effectively paying 15% on this type of saving, while charging only 14%-14,5% on home loans.

With possibly 60% of their retail depositors over 60 years of age and eligible to invest up to between R100 000 and R200 000 — at rates four to five percentage points higher than those paid on conventional products — a considerable proportion of building society loans will be funded by these deposits, to produce negative margins.

Ironically, Defence Bonds (now 12%) were on offer for years without disrupting the supply of money for housing loans. But the publicity surrounding the new product has given it far greater competitive potential than its predecessor.

It's not surprising, then, that most building societies upped mortgage bond rates by a half to one percentage point, to 14,5%, in anticipation. This upward pressure will persist as long as the State's granny bonds remain on the market — despite perceptions of liquidity.

**The launch of granny or senior citizen bonds has led to a swift response from building societies caught in a funding trap that the bonds themselves created. Unless Pretoria changes its mind soon, continuous upward pressure on mortgage bond rates, with a domino effect on other interest rates at precisely the wrong time, could result.**

The truth is, of course, that excessive liquidity is to be found only in the money market. And, unlike banks who can dip into that pool at will, building societies can raise only 5% of their funds short-term. The remaining cash has to come from deposits of over a year, which are by no means as plentiful.

Already the societies are competing with the Post Office and insurers, both of whom can offer far more in the way of tax relief, as

retail client base and structural deficiencies which handicap them in the corporate market. Says Perm deputy MD Brian Kemmey: "We could raise funds on NCDs at about 11%. But that is not the point. We don't want to see our clients taking their money and going elsewhere."

So unless the authorities do an about-turn, the societies may have a long hard fight for funding. How long they can continue to fend off the threat is not clear — especially as they are also facing intense competition from the banks on the home loan front.

At least four banks are offering home loans at 12,5%. And as long as they are able to get short-term money at around 9%, they can maintain their lead over building society rates indefinitely.

In more normal times, when booms succeeded slumps, banks and building societies each had their share of good and bad times. When rates dropped, the long-term structure of building society funding put them at a disadvantage, as bonds re-priced within a

month while funds took a year and more to adjust to new interest rate levels. But when rates rose, the building societies had cheaper deposits in the pipeline and it was the banks who were off-balance. Hence Barclays' abrupt retreat from home loans in 1984, when it upped rates for new loans to 25%.

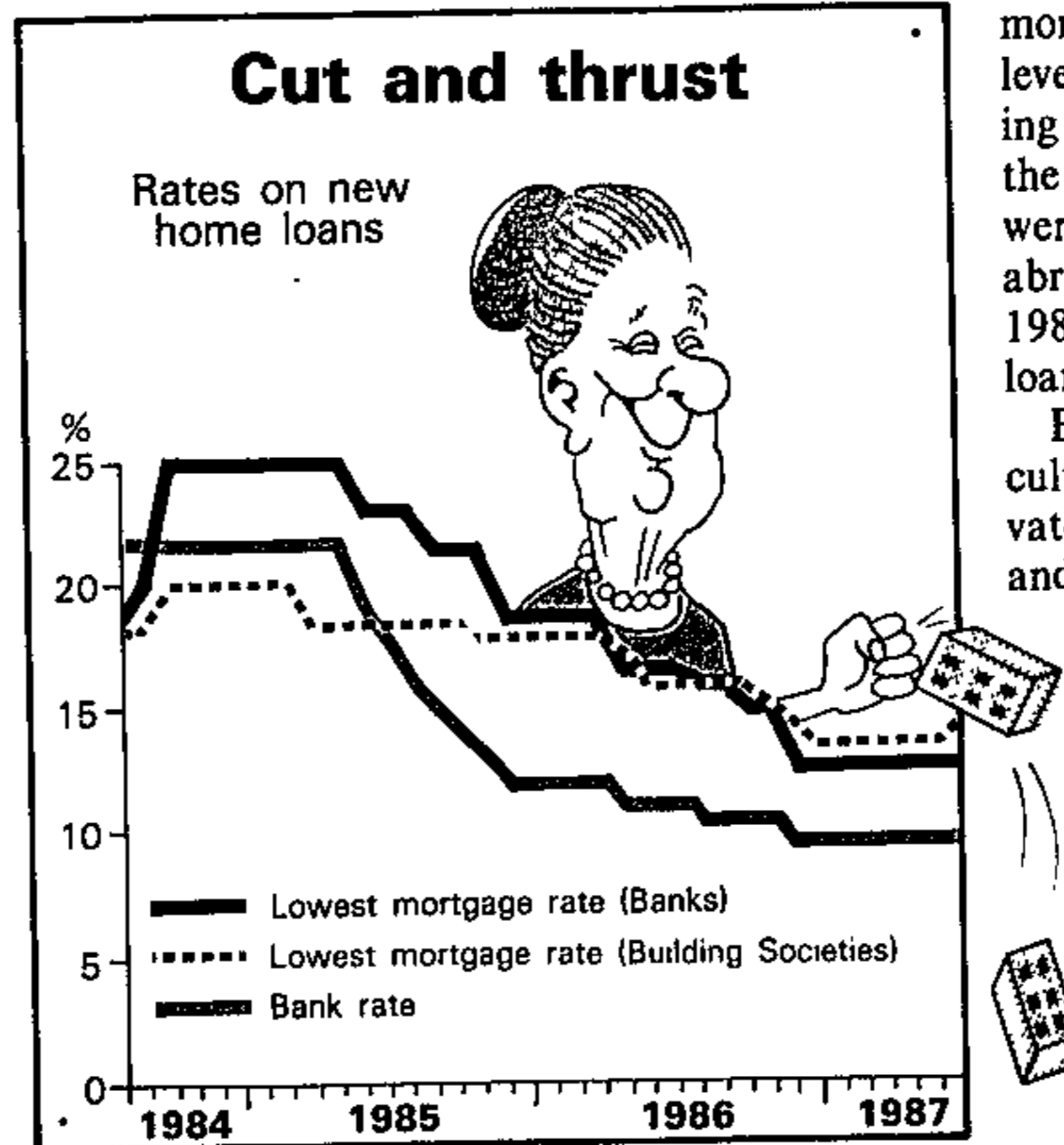
But in the country's present difficult economic circumstances, aggravated by the foreign capital boycott and rising competition among domestic financial institutions, the old causative links have been snapped.

As long as the economy refuses to respond to stimulatory monetary policy, the authorities are not prepared to act to neutralise the 17% rate of inflation. And as long as inflation persists, along with stimulatory monetary policy, savings will continue to produce negative

yields, forcing traditional savings out of building societies.

Perhaps, in the circumstances, the authorities will review restrictions on society funding. Bank and Building Society Registrar Chris de Swardt is due to start examining the Banks Act this month, with a sub-committee of the technical committee on banking legislation, with a view to amending existing legislation. Possibly the agenda will be extended to include amendments to building society legislation.

From the societies' point of view, a priority would be to gain more flexibility on short-term funding, to dilute present costs. According to Allied MD Alan Tindall, there is no strategic danger in this. Though societies



well as the equity market which offers positive returns and capital gains. In the circumstances, they are particularly vulnerable to competition from the State.

But whatever harm the authorities may have done by introducing this variation of inflation-linked savings for the aged, the defensive products have helped box the societies in. Given general expectations that the State's granny bonds would be limited, it may have been wiser to let the rush run its course. By offering their own products, they are siphoning off demand, prolonging the life of the State bond, and expanding its potential for damage.

Their attitude, however, is that retaining clients is a priority — given the shrinking



**Perm's Kemmey ... clients a priority**

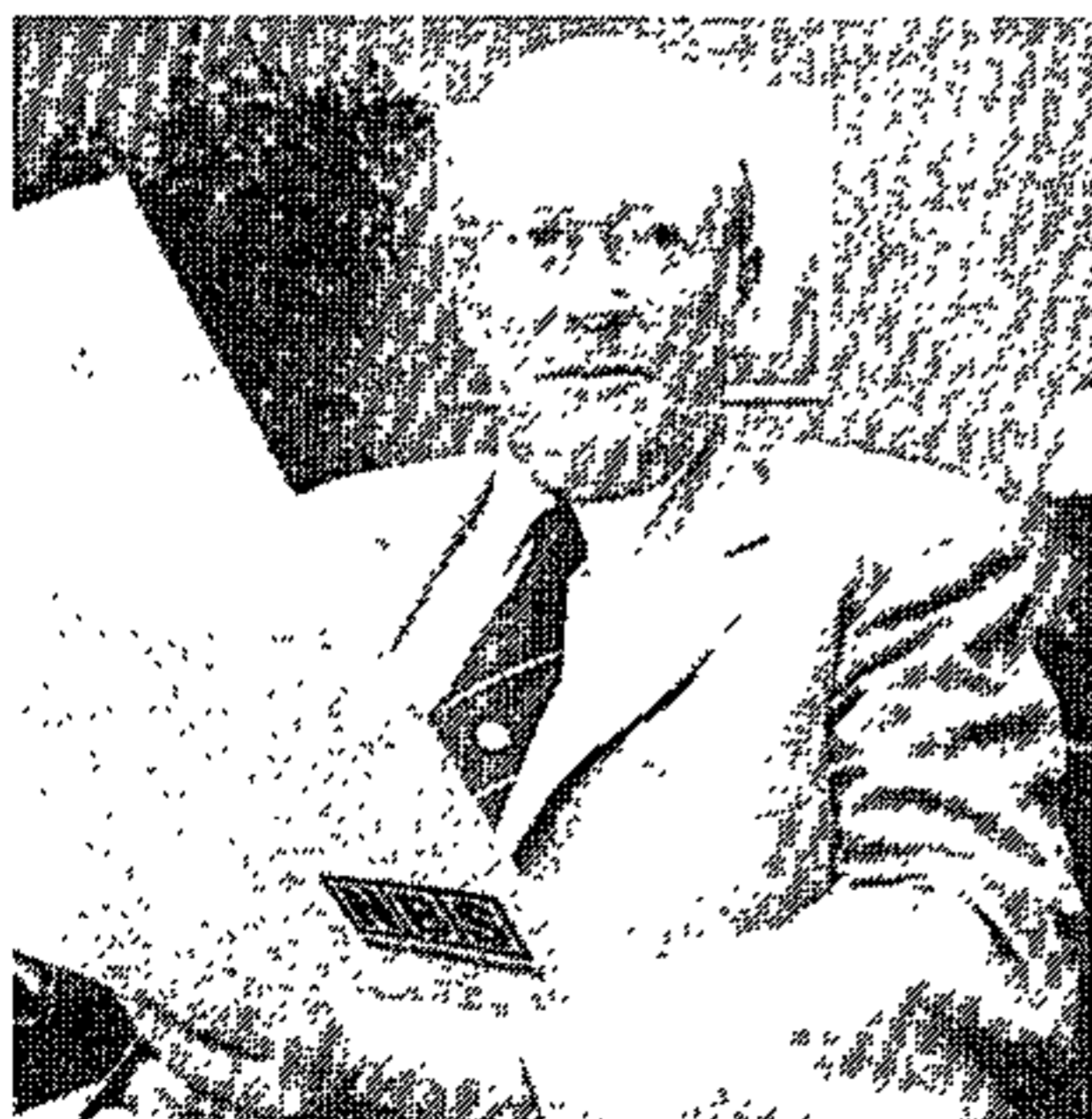
are hampered when interest rates are on their way down because of the time lag inherent in their funding mechanism, there is no similar problem when rates rise, "because we can re-price mortgage bonds within 30 days."

While there can be no argument that long-term loans must be largely funded by long-term deposits, the authorities may feel it more appropriate to relate control to function, rather than institution. At present, bank mortgage bonds are classified simply as advances and attract the same 5% capital coefficient — the reserve required against assets — as any other advance. This means there is little restriction on the inroads they can make into traditional building society territory.

With other sources of income suffering and building societies threatening to invade their domain of consumer finance, it is small wonder they made a pre-emptive strike in the mortgage bond market, lowering interest rates 2,5% to 12,5% in December.

They too have been victims of the recession.

As United Building Society CE Piet Badenhorst points out: "There is almost negligible demand for normal, high-interest bank products. With consumer demand low and



**NBS's Bennett ... house building will suffer**

private fixed investment low, demand for money has been way below normal levels. To compound this, income from foreign exchange deals has dropped to a trickle, while the spate of listings has sent money surging into corporate coffers to fund whatever capital investment there may have been."

So who needs a banker? Potential homeowners do. Both Standard and First National (formerly Barclays) have made it clear that the home loan market is a priority.

Standard's Dennis Matfield says: "We see home loans as core business. If someone has his mortgage bond from you, he's likely to have other business with you." The loan, however, is not conditional on other business except for a current account "to facilitate payment."

Standard, with only a few hundred thousand in home loans in December, has set itself a target of R1 billion by year's end. It has acquired R480m in six months. Given the need to set up infrastructure in the first months, which initially slowed the processing of applications, this puts it within reach of its target.

Since September, when First National relaunched its home loan campaign, its book has grown by R600m to a total of R1,4 billion. And, says, senior GM Jimmy McKenzie, the bank has placed no limit on the amount it is prepared to put into home loans: "We are not going to be in and out of the market. We will remain in it aggressively."

Combined, the banks' mortgage bond books are still a molehill compared to the entire building society mountain of about R23 billion. But this is only the beginning — the banks will have their turn to fend off competition when building society banks really get off the ground. "We have R200m in diversification capital and this will make us a competitor to contend with," says Badenhorst. The fall-out for the consumer is likely to be favourable. He adds: "I haven't the slightest doubt that competition is going to hot up even further, and this will benefit consumers."

But, as the latest episode illustrates, the situation contains a large element of uncertainty.

Another point is raised by Natal Building Society's John Bennett: "A drastic reduction in supply of funds for mortgage lending will have serious repercussions for the house building industry, which is still in a vulnerable position."

A case can be made for providing investments that are indexed for inflation without locking inflation into the financial system, as general indexation tends to do. The British have been quite successful at doing so. But their gilt stocks are a far cry from Barend's granny bonds, which are of limited help and open to abuse. Imagine the yuppies who will be seeking out grannies for rent (and who can blame them?) or the grannies who might put a price on their own financial integrity.

Furthermore it might well be a mistake to believe that those grannies who can afford to buy granny bonds are financially in need.



**UBS's Badenhorst ... competition to hot up**

Consider for a minute — which the Treasury obviously didn't — the pensions being paid by the public service, especially after the fancy buy-back facilities paid for by the taxpayer in recent years.

Simply put, the grannies who are really in need are not going to benefit from these bonds at all. In fact, taxpayers and home owners (many young and struggling) will be subsidising the elderly who are relatively well-to-do.

The worrying outcome is not the amount of granny finance that will flow into the Exchequer, it is the distortions introduced to the market's allocation of resources — the effects of which are far-reaching. That is what is pushing up the mortgage rate prematurely, and which could in turn have an impact on other interest rates.

This is precisely what the De Kock Commission and the Competition Board are trying to avoid by seeking to introduce measures that will increase competition and optimise resource allocation.

When it is all boiled down, the real problem is inflation. And there is little to indicate that Pretoria even recognises this, let alone acknowledging the need to formulate sensible policy to stabilise prices. ■


See Economy



**Allied's Tindall ... no strategic problem**



# Granny bonds 'a ruse to cover public spending'

18645 17/187 (58)   
By TOM HOOD, Business Editor

THE real motive behind the Government's "granny bonds" scheme is not to help hard-up senior citizens but rather to swell the State coffers to cover public spending, claims the managing director of Natal Building Society, Mr John Bennett.

And he warned today that the effect of the bonds would be to raise home loan rates or curtail funds available for mortgages.

Without stipulating a means test to qualify for the purchase of bonds and by putting a limit of R200 000 a person, Finance Minister Barend du Plessis was not addressing the needs of those requiring assistance, he said. It was the affluent who would benefit from the higher interest rates.



Mr John Bennett

"The limit of R200 000 is clearly inconsistent with hardship. Anyone with that level of freely-available capital does not need assistance. I would have thought R100 000 a taxpayer would have met the case adequately."

The real motive was to raise between R300-million and R500-million to cover general public spending, said Mr Bennett.

He questioned what would happen once the target had been achieved and the tap was turned off.

The immediate effect of granny bonds on building societies who were forced to offer a counter investment would be the raising of their mortgage rates. Those societies which did not compete would suffer a loss of funds.

"Either way, the repercussions will be adverse. It is a pity the Minister could not think of a non-disruptive way of helping genuine cases of personal hardship — if that was his main motive — perhaps through an interest subsidy."

The simple test of income such as showing a recent income tax assessment ought to have been made a condition of buying the bonds.

## THE ECONOMY

## Black business ponders upon its own impotence

## BUSINESS IN PROFILE

**African Bank chief Gaby Magomola holds controversial views on banking and the role of the bank in the black community. HILARY JOFFE reports**

THERE were a couple of things which Gaby Magomola, recently appointed chief executive of the African Bank, was reluctant to discuss this week. But what he did give *Weekly Mail* were his controversial views on banking as black nationalist strategy, and on the role of the African Bank in the community.

What Magomola did not discuss — because it is *sub judice* — was the problems in the foreign exchange section of the African Bank's corporate banking division. The bank's foreign exchange trading licence is still under suspension and there are court proceedings investigating alleged foreign exchange contraventions by employees of the bank.

The idea of the African Bank, now 12 years old, was conceived by the National African Federated Chamber of Commerce (Nafcoc), which saw it as imperative to have a black-owned financial institution to stimulate the development of businesses and consumers.

The corporate banking division is a more recent development established to serve large corporations, in part because at the time Sullivan signatory companies were looking for ways to do business with black owned institutions.

What of the future of the bank? I would like to see the bank develop as a South African-owned bank. I would like to move away from ethnicity. It just so happens that we are black-owned and black-managed. You've got a Volkskas and a Sanlam, which are Afrikaner based, and it doesn't make them less South African. They are models which have worked well to serve those communities. We think the African bank represents that model and if carefully nurtured and carefully managed it can promote economic advancement of the community from which it derives. So do you see a parallel with the (early) Afrikaner nationalist strategy of building up a capital base as a way of building the nation?

My view, which doesn't represent the bank's view, is that any nation which is disadvantaged and has a history of economic denial of opportunities should look at itself and create institutions to get itself lifted by its own bootstraps.

The African Bank represents (again in my view) a vital strategy for economic survival and sustenance. Not only is it black owned, it is a community-based organisation. It seeks to draw national resources from the community and to identify the areas where those resources have got to be redistributed, in the form of loans or advances, to generate capital formation and income. It's not our job as a financial institution to determine the equitable distribution of that income. But we will certainly recycle it back into the community.

How will the bank do this?

We're not only a bank that looks after black business. We look after the ordinary person out there who is looking to improve his quality of living. But more importantly we are an institution that's looking very careful-



Gaby Magomola

ly at our black professionals who are coming out of the business schools, medical schools, law schools and who have nothing to offer as collateral.

So we are looking to be more aggressive in that marketplace then we will be making the contribution that's expected of a bank that's community based.

At the same time we operate to satisfy our shareholders and we would like to ensure they get returns on their investments.

What is your view on the legitimacy of black business in the black community?

That makes things more difficult for us as a bank. Because we are community based and we have to be responsive to the vibrations outside our doors.

I think the rejection of a free market economy by some of our people is an indictment on the structure that obtains in this country to deliver equitably to all sections of the community. When you have this sort of a distortion — where the accumulation of wealth is skewed in favour of one section of the population — it becomes easier to understand why the majority of the population start to question the merits of the so-called free enterprise system.

We don't have answers to that very vital question. But perhaps we can look for more innovative ways of delivering more to our people, within our limited resources, to demonstrate that if the free market system was left to its own devices there would be more equity.

How do you think the African Bank is viewed in black communities?

I think the African Bank is viewed as a very important and vital institution. It is the only independently black-owned financial institution in South Africa. And it is a collective effort of a number of black South Africans.

Maybe one of our shortcomings has been that the bank has not reached out the way it ought to have. But we are only 12 years old and we're growing — and now we are reaching out and making our own people aware that it is their own institution.

Is the shortage of black managers a problem for the bank?

We don't have a pool of black banking technocrats, so we are forced to draw from the non-black sector for expertise. We are pragmatic. Whenever we do that, the key thing is the transfer of knowledge. So we will ask them for help. But we will also prepare them to understand they work for a black-owned institution. The cultural value system may be different, and to that they must be able to relate. But on the financial and legislative system there is no compromise: we are going to be judged like other South African banks.

Despite all the talk by white politicians of the need for a black 'buffer middle class', African business is small, weak — and painfully aware of it. HILARY JOFFE reports from the Nafcoc conference this week

TWO questions dominated the 23rd conference of the National African Federation of Chambers of Commerce in Johannesburg this week.

One was how could black business expand and gain more economic muscle. The other was the image and the legitimacy of black business people in their own communities.

The group of people Nafcoc represents is in a way a marginal one, which does not fit quite so comfortably into the business establishment or into the largely working class communities in which they live.

It is also a relatively powerless group. As one speaker argued, black business wields little economic power and what political standing it has is largely a result of ruling class attempts to create a buffer middle class.

Compared, for example, with black workers, who can withdraw their labour in strikes and stayaways Nafcoc members look fairly powerless. Their middle class status marginalises them in the communities in which they live. And their profit orientation makes them suspect among their customers and employees who, for the most part, identify profits and "free enterprise" with inequality and exploitation.

The free market system and free enterprise were much mentioned. But as the conference progressed, participants began to emphasise the need to get away from the "isms (capitalism and socialism) and to look for economic solutions which would best serve black interests. The question which came up most often, in various guises, was that of the role black business people in the struggle for change.

The theme for the conference was "Black Business at the Crossroads: Challenges for the Nineties". And the major challenge, it seemed, was how to balance the potentially conflicting roles of being business and being black in South Africa.

The see-saw was set up from the start of the conference, with the host region's president, W McBain Charles, welcoming delegates with the comment that this was the second Nafcoc conference held under a State of Emergency.

"A priority on the national agenda is freedom. The question of the next decade is how business will relate to freedom and the role it will play towards eradicating poverty and unemployment," he said.

The answer suggested by the first speaker, Stannic managing director Conrad Strauss, was the free market system. "Imperfect though it is, the market system is unmatched in its inherent flexibility and its ability to create wealth," he argued.

"Traditional apartheid and a free market economy are not the same thing at all," he said — the first of many speakers to advance that argument.

There was consensus that the opposition of most black South Africans to capitalism was understandable given the inequities which the system had generated. But the argument put forward by many of the speakers was this perception was based on the political peculiarities on the system — and that business had a duty to change that perception.

But it was the keynote speaker, Reuel Khoza, MD of Co-ordinated Marketing and Management who, with the warning that he would tell "home truths", introduced some self-doubt into the proceedings.

"Black business ... What black business?" he asked. "We have no credible representation in any of the major economic sectors such as mining, agriculture, manufacturing, financial institutions or even retailing". The contribution of black business

## Smoothing the sanctions rift

SEVERE tensions between Nafcoc and its Natal affiliate, the Inyanda Chamber of Commerce, over Nafcoc's policy on sanctions and disinvestment have been resolved.

This was said by Sam Motsuenyane in his presidential address at the Nafcoc conference this week.

Nafcoc resolved at a summit conference in October last year that it would not campaign to oppose disinvestment or sanctions directed against South Africa and the government in particular, Mtsuenyane said.

Delegates to the summit agreed that "in view of the fact sanctions ... have become a fact of life in the South African situation, any discussion on the merits or demerits of sanctions has

to South Africa's gross domestic product was estimated at less than one percent, and if all black owned companies were to be listed on the stock exchange, their collective market capitalisation would probably be less than that of a company like South African Breweries (R4,12-billion), he said.

Not only was black business economically powerless, it was politically problematic, Khoza suggested. "Black business today is a prime example of a state-created middle class ... it could not have come about except at the pleasure of the ruling establishment for purposes inimical to the black national cause," he said.



Nafcoc's Sam Mtsuenyane

"The middle class were to be given a stake in the status quo so as to be a buffer against the 'radical masses'."

He said political and labour movements tended to see black business as co-opted into the system: "We as black business have sipped and have been seen to have sipped too well from the tables of the SBDCs, the Urban Foundations, the homeland decentralisation process, the opening of CBDs, without any visible concomitant advances on the political front."

Khoza argued a primary task for conference participants was to build up their economic role. But he went on to talk in terms of a broader black nationalist project in which they ought to be playing an active role.

Particularly important was to shape choices strategies for economic liberation. But he called also for Nafcoc to seek links with educational, labour and political movements and to make common cause with them.

And while he received a standing ovation for his address, there seemed to be an uncomfortable silence in the debate which followed on the questions of political strategies and political alliances.

The tightrope act which is Nafcoc's politics, particularly in relation to the government, was evident as outgoing president Sam Mtsuenyane described some of the federation's activities during the year.

Nafcoc does play a role as a lobby to the government — on everything from detentions to sorghum beer. It submitted a memorandum to the government after its 1986 conference, calling for the dismantling of apartheid and the repeal of the Land Acts,

become an academic exercise."

But they resolved that "there is a case for selective economic pressure unless all political prisoners are released, all political parties are unbanned, the government enters into dialogue with credible black leaders, and the government commits itself to dismantling apartheid."

"Nafcoc's policy is that it will not take part in any future efforts to encourage new investments in cases where blacks are not meaningfully involved."

"It is a policy of 'conditional investment', Mtsuenyane said in his address.

Once a thorough exposition of the policy was given to the Natal dissidents, "the situation returned to normal," he said.

making proposals on deregulation and privatisation and asking the government to do something about the situation in KwaNdebele, where Nafcoc council members were among the many people in detention.

Four government ministers finally met Nafcoc in June of this year — the meeting does not seem to have offered much joy for the federation.

In response to the proposals on dismantling apartheid, the cabinet ministers (Chris Heunis, Gerrit Viljoen and Barend Du Plessis) offered Nafcoc the proposed National Statutory Council — they refused the privilege.

The delegation told the ministers "there was no way that Nafcoc could participate in the proposed statutory council if the acknowledged leaders are still imprisoned and black political organisations banned", Mtsuenyane explained in his presidential address to the conference. And he explained explicitly the problems for black business in co-operation with the government.

"It is a well known fact that black South Africans have today lost confidence in the present government and that they also are increasingly becoming wary of being co-opted or associated with governmental programmes which are not perceived to enhance progress towards the fulfilment of their genuine economic and political aspirations."

He emphasised the importance for Nafcoc of the image of black business in the eyes of "those communities from which it derives a major part of its support and legitimacy". Black businessmen did not see themselves as part of the affluent white business community but as "part and parcel of the black underprivileged section of the South African community with whom they should never sever connections at any point", he said.

How to act out this role and to be seen to act it out — and at the same time to ensure a future in which business and free enterprise would thrive — was the question at the centre of the conference. But it was not one which was explicit all the time.

There was discussion of licences and taxes, of the proposal to set up a black insurance company, of the problems and prospects of the African Bank and Black Chain and of education programmes and management training. And the conference proceedings were punctuated with a variety of fundraising drives.

"Networking" is a lot of what the conference is about — the cocktail parties, the banquets, the Ladies Afternoon and, at the end, *Nkosi Sikelel'i Afrika* and the Miss Nafcoc Beauty Contest.

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## A Standard record

The largest death claim yet in SA was paid out last Wednesday by Standard General (StanGen). No less than R7 314 959,15 was paid to a trust, administered by Standard Bank, in respect of a 42-year-old farmer who died in a motor accident on May 22.

This was in addition to payments to be made by other life assurers, believed to bring the total forthcoming to the estate to R12,5m.

Says Ron Carter, GM of StanGen: "The claim was admitted within three hours of notification, subject to documentation. This was subsequently received."

The insured was a client of Standard Bank, and the cover, through the insurance

company's "Estate Bond" policies, was primarily to protect the farmer's estate.

"We had two policies," says Carter, "one for R4m, taken out in November 1985 and another for R3m, taken out only in April." By twist of fate, perhaps, StanGen was also in for a group life policy taken out through one of the co-operatives. This made up the balance to R7,3m.

The cover was arranged by Standard Bank Assurance Brokers, and cost a total monthly premium of R6 500. The brokers received the full commissions on the individual policies for the first year, plus the second year's commission on the earlier policy. Commissions amounted to 85% of premium for the first year and 28,3% for the second.

Carter adds: "Reinsurance was arranged within our group internationally." StanGen is the South African member of the multi-billion rand international General Group based in Italy. ■

## Ombudsman reports

The ombudsman for life assurance, former Appeal Judge G P Kotzé, says there was a slight increase in the number of new complaints to him last year. His second annual report, released in Cape Town this week, says 63 new complaints were received, compared to 55 the year before.

The office was established in 1985 by 32 life assurance companies. It tries to resolve disputes between policyholders and assurers.

Though his decisions are not binding on assurers, Kotzé is "gratified" by their "whole-hearted co-operation." In one case a company repudiated a claim for R91 285, but revised its decision at his request.

The ombudsman's services to policyholders are free. Funds for running the office are provided by member companies.

Kotzé is concerned by the apparent misunderstanding how surrender values are determined. He says policyholders often view premium payments as a direct investment and are unaware of the savings lost on surrender. Explanations that initial premium payments cover commission and administration costs come too late and offer "cold comfort."

He believes the image of the life assurance industry would be enhanced if companies and intermediaries follow a set of guidelines when canvassing a policy. This could include an explanation that it is standard practice to deduct commission and costs during the early life of a policy, stress that this is aimed at preventing the surrender of policies and, in principle, is not wrong or reprehensible.

Kotzé says consideration should even be given to written explanations of the implications of surrender, supported by clear examples. He also highlights the need to explain to applicants that all questions in proposal forms — particularly those relating to health — must be answered "with meticulous care." ■

10/7/87 FM.

African Bank will act as local guarantor

# Eximbank loans for SA black business

AN independent US government agency, Export-Import Bank of the US (Eximbank) plans to offer generous loans to SA black-owned businesses which import American goods.

Eximbank, which has not extended credit to SA for more than five years, recently approached the African Bank to act as a guarantor to cover loans of up to 85% on US imports to SA.

The loans will be offered on repayment terms of a year or more, to businesses which are at least 51% black owned.

In terms of the US Comprehensive Anti-Apartheid Act, Eximbank has the mandate to offer loans to SA businesses provided

KAY TURVEY

they are 51% black owned.

Eximbank offers a wide range of support programmes worldwide to facilitate the export and financing of US manufactured goods and services.

African Bank CE and senior GM Gaby Magomola, who was formerly with First National, said yesterday the negotiations were still subject to Reserve Bank approval as the African Bank no longer had a licence to deal in foreign exchange.

However, he did not envisage this would cause problems as foreign exchange transactions could be made through other banks, while they could request-

ed permits to deal in exports.

The dollar denominated loans could pose foreign exchange risks to buyers and required Reserve Bank approval.

Magomola described the negotiations as an important development in the extension of credit lines to SA, in addition to being an encouragement to black businesses to explore the US export business.

The offer recognises the relatively small scale of black business, and loans as low as \$5 000 will be considered.

Magomola, who has extensive American banking connections after spending seven years with Citibank in New York, was approached by Eximbank while on a US business trip recently.

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## Debt debate

The debate that raged about who and what caused SA's debt crisis in 1985 resurfaced last week. Reserve Bank Governor Gerhard de Kock revived the issue in an address to an economic forum arranged by the University of Durban Westville and NBS.

De Kock again emphasised that "SA was never overborrowed. It experienced a liquidity problem because of the withdrawal of short-term bank credit."

He said that the US\$23,7 billion foreign debt was not excessive — interest payments in 1985 amounted to 10,7% of exports, com-

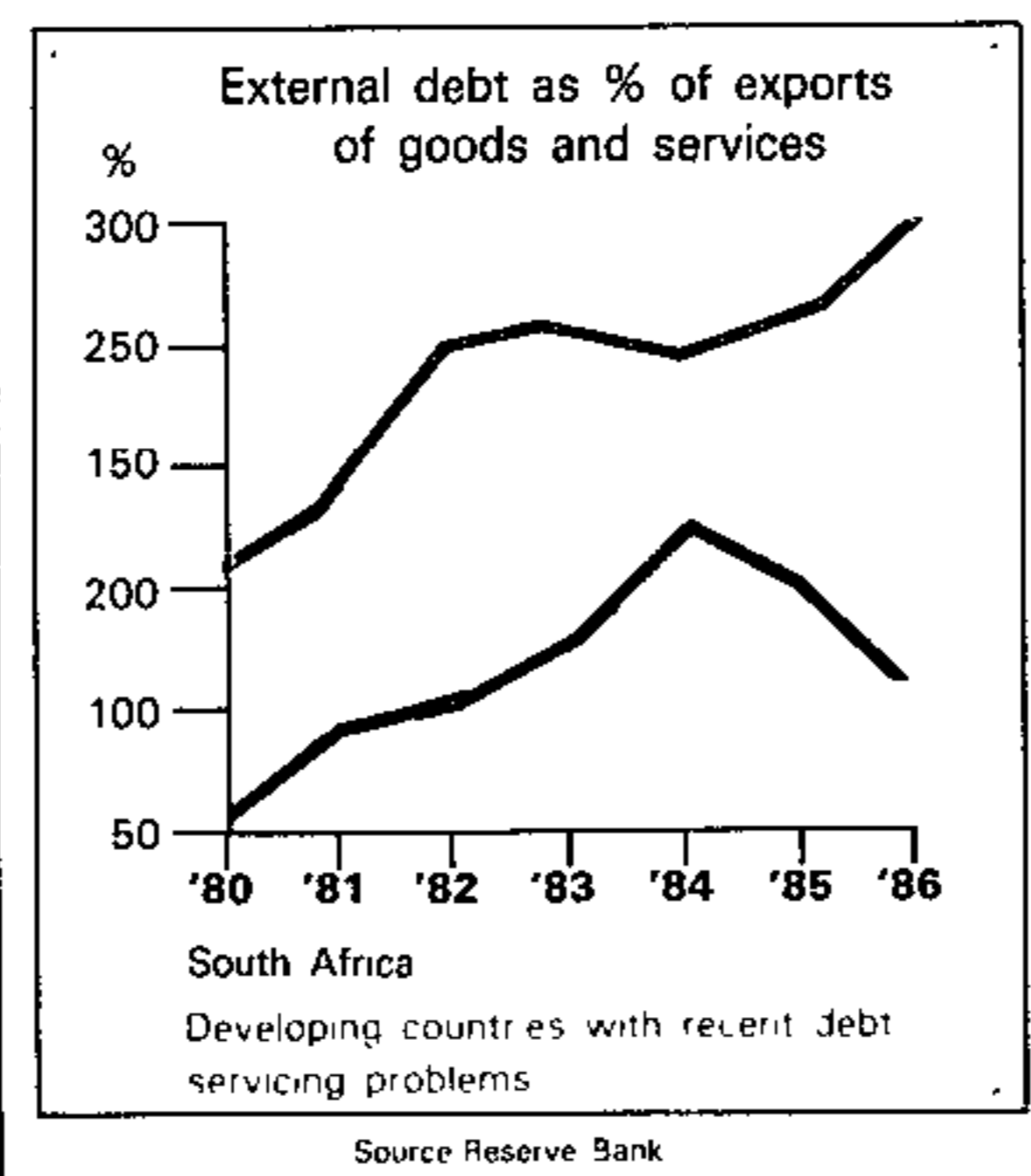
pared to a 26,8% average for developing countries. As a percentage of one year's exports, debt was 171% in 1984, compared with an average of 247% for developing countries.

But Sankorp's Peet Strydom (one of the more vociferous participants in the debate) prefers to look at the historically deteriorating foreign-debt position. As a proportion of GDP, foreign debt grew from 19,7% in 1976 to 27,3% in 1986, peaking at 30,6% in 1985. Private-sector short-term foreign liabilities were 15,7% of total private-sector foreign debt from 1960-1969, 19,8% from 1970-1979, 46,4% in 1984 and 42,6% in 1985. As a proportion of exports, debt deteriorated from 56,8% in 1977 to 80,5% in 1986.

"We should not take pleasure in comparing debt against those countries with the poorest record," Strydom says.

De Kock's views on short-term debt (maturing within a year) have changed. "My view at the time was that in relative terms

### Parting bad company



the short-term portion was too large. In retrospect, however, I doubt whether even that was the case."

Discussing whether it was a mistake to abolish exchange control over non-residents in 1983, De Kock reiterated that this did not cause a "harmful outflow" of capital. He notes the R1,3 billion net outflow of 1983 (in the form of net foreign share sales) turned into a R1,3 billion net inflow in 1984 and the first quarter of 1985.

Credits withdrawn after July 1985 were "always commercial rand transactions (and) would, therefore, have occurred irrespective of whether there was a financial rand system."

Strydom stresses that this ignores the outflow of long-term capital, which was funded by short-term capital.

Strengthening his argument, De Kock adds that the outflow occurred when the current account was in surplus, and the inflow helped finance the deficit. "For more than two years, the abolition of the financial rand therefore had a useful stabilising effect

on the money supply and the economy, and did not put undue pressure on the overall balance of payments or the gold and forex reserves."

Opponents argue that this might be true but were the dual system operating when the crunch came the blow would have been cushioned. "The issue is that the Bank abolished a system that could have provided support," says Strydom.

He recalls that the debate around 1979 was not whether to liberalise markets. "The consensus among private-sector economists was that the forex system should be liberalised *within* the dual exchange rate system. We were not calling for abolition of the financial rand." The Bank went ahead, only to retreat in 1985.

The criticism that most directly involves the Bank is that it encouraged offshore borrowing by quoting favourable forward rates. To this the governor retorts: "The Bank based forward rates on interest-rate differentials between SA and other countries. The only exceptions were on occasions when South African banks were repaying foreign credits too soon. On such occasions the Bank adjusted forward rates temporarily in a manner designed to provide the banks with some marginal incentive to roll over a part of maturing foreign credits."

Strydom says it's precisely such exceptions that enabled banks to take the gap and increase foreign debt. "It might not have been the Bank's intention, but it was the consequence of its policies. These measures left the impression that the Bank encouraged banks to raise short-term borrowings to replace the outflow of long-term capital."

De Kock says that from the second quarter of 1985 the Bank applied an increasingly restrictive policy to bring about a large current-account surplus "with a view, among other things, to reducing short-term foreign debt."

Accepting that unsound banking practices and inadequate banking supervision were a problem, he says: "Corrective action has now been taken."

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**Market movements**

Growth in the banking sector in the first quarter of 1987 occurred mainly in the balance sheets of the Bankorp and Volkskas groups. The increase in both their assets and liabilities consisted chiefly of deposits, according to an analysis by First National of the latest BA9 quarterly returns submitted to the Registrar. Comparisons exclude inter-bank liabilities and assets.

The result, as reflected in market shares of

the five major groups, is: First National, 28,5% of assets (down 0,1 percentage points from the previous quarter); Standard 24,3% (down 1,2); Volkskas 15,5% (up 0,5); Nedbank 13,5% (down 0,2); and Bankorp 18,2% (up 1,0). This must not be confused with "total deposits," where Standard Bank had the lion's share of 18,1% (FM June 26).

Liabilities show a similar picture. First National had 28,51% (down 0,14); Standard 24,32% (down 1,14); Volkskas 15,52% (up 0,54); Nedbank 13,48% (down 0,18); and Trust 8,17% (up 0,92).

The analysis also shows that appreciation of the rand in the first quarter cut the value of loans by the five groups to non-residents by R892m, to R8,37 billion. This 9,6% decline contributed substantially to the decline in total assets of R587m to R63,55 billion. Other decreases came in loans to the public sector (down R376m to R224m), investments (R350m to R4,93 billion), NCDs (R312m to R190m) and Land Bank (R207m to R1,30 billion).

These reductions were offset by rises in other assets: other loans and advances (R595m to R27,02 billion), loans to discount houses (R458m to R609m), Treasury bills (R341m to R371m) and discounted or purchased bills (R243m to R1,93 billion).

On the other side of the balance sheet, foreign finance also shrank by 9,6% to R8,49 billion. (The similarity in the percentage drops of both off-shore assets and liabilities is purely coincidental.)

Other declines were: loans and advances (R746m to R3,13 billion); and other liabilities to the public (R316m to R831m). Increases came in: deposits (R1,2 billion to R45,5 billion) and paid-up capital and reserves (R242m to R3,71 billion).

The increase in the last category is "mainly attributable to the Standard Bank group, where reserves increased by R184m as a result of its profit declaration."

Contingent liabilities, which are off-balance-sheet items, also fell by R421m to R33,12 billion, possibly as a result of lower offshore guarantees.

A comparison of short-, medium- and long-term deposits shows a net movement to short-term funding by all groups. ■

## R135 000 fraud: SAA man guilty

Former South African Airways senior superintendent and advertising manager for the interior, Ignatius Petrus van Tonder (53), was yesterday convicted of defrauding SAA of R135 000 after flight tickets were irregularly issued over a 16-month period.

Van Tonder, of Summerfield Village, pleaded guilty in the Johannesburg Magistrate's Court to 32 counts of fraud committed between November 22 1985 and March 26 this year.

In giving evidence in mitigation of sentence, Van Tonder, who before his suspension had more than 36 years' service with the South African Transport Services, said that he was prepared to cash-in his entire pension contribution of R15 000 to repay the losses suffered by the SAA.

Van Tonder said he had put his R68 000 house, which has a R46 000 bond, up for sale. Employed since July 1 as a sales

representative with a packaging company, he offered to repay the SAA in monthly instalments of R250.

During the commission of the crime, Van Tonder had the authority to issue flight tickets on behalf of SAA and had access to files reflecting exchange agreements entered into between SAA and various companies.

Van Tonder accepted part payment for the tickets — worth between R544 and R7 266 each — which were purportedly issued in terms of these agreements and in exchange for the cost of services performed by these companies for SAA.

Magistrate Mr D S Jacobs heard that further prejudice might have been caused by the fraudulent scheme, allegedly committed with the assistance of another SAA employee, Mr R R Pre-

● To Page 2



# Langa pupils ignore school's closure

C.P.P. 52  
12/7/87

LANGA High School pupils this week ignored the closure of the school and returned to classes.

They were greeted by a high-powered group, including Dr Allan Boesak, president of the World Alliance of Reformed Churches, and University of Cape Town vice-chancellor Dr Stuart Saunders, who said they were there in a show of support for pupils, parents and teachers.

The Department of Education and Training announced last Friday that the school would be closed until its 1 700 pupils - accompanied by their parents - re-register over a six-day period.

Matric pupils were supposed to

register this week, the beginning of the new school term.

The school's Parent-Teacher Student Association, not recognised by the department, decided at the weekend to ignore the closure and urged all pupils to return.

The decision was backed at a meeting of parents, teachers and pupils in the school quadrangle.

A memorandum reiterating the department's decision was read out by the acting-principal, Duke Ngcukana, but it was decided classes would start.

Among those outside the school, as pupils piled through the gates, were Matt Esau, personal assistant to Archbishop Desmond Tutu, Jan van Eck, Progressive Federal Party

MP for Claremont, and representatives of organisations including the Black Sash and the National Education Crisis Committee.

Boesak said the key to the solution of the deadlock at Langa High was firmly in the hands of the department. He warned the department to liaise properly with the community, which included the PTSA.

Van Eck said it was imperative that the department relax its stance and recognise the PTSA.

The regional chairman of the NECC, Moosa Kaprey, said the purpose of the gathering was to show the department the extent of support for the PTSA, an NECC affiliate. - Sapa.

gave interesting  
while security

# Insurers take tougher action over claims

THE escalation in fraudulent and exaggerated claims during the past year has led insurers to take tougher action and bring more culprits before the law.

SA Insurance Association CE Rodney Schneeberger said insurers were increasingly laying charges against offenders, resulting in more court actions. Schneeberger said dubious claims always occurred on a

higher basis in times of economic hardship and more attention was now being paid to the validity of claims received.

More assiduous checking was being undertaken by insurers, who were also looking for greater participation from the insured, who were expected to take greater protective and pre-

ventive measures.

Commercial Union MD Bill Rutherford said there had been a substantial increase in fraudulent and inflated claims, but added numerous claims were exaggerated, as people often believed they were entering a bargaining position when submitting a claim. That abuse was then built into premiums.

Rutherford said: "Insurance is

based on good faith and, sadly, that seems to be disappearing."

He said legal action was taken in blatant cases, although he believed insurers were now keen to set examples and were, therefore, taking more cases to court.

Mutual & Federal GM Bunny Attree confirmed that the incidence of suspect claims had increased during the past 12 months.

B/Oct 13/7/87  
KAY TURVEY

## NBS acquires Hill Samuel retail business

IN A deal involving deposits of R14m, NBS has acquired the Cape Town retail business of Hill Samuel Merchant Bank, the two financial institutions said today.

Hill Samuel's other activities in Cape Town are unaffected by the arrangement, which becomes effective from August 1.

The acquisition, which also involves premises and staff, follows the success

LIZ ROUSE

of a similar take-over by NBS of Hill Samuel's retail operations in Durban and Johannesburg, valued at R55m.

Since the acquisitions two months ago, NBS Investor Centres have been established in these cities, offering an expanded range of investment products and services.

Biday

Cape Times 14/7/87 (SBA)

# Further sanctions against SA blocked

From IAN HOBBS

LONDON. — Britain and Portugal yesterday blocked the issuing of a Declaration of Principles on South Africa by the 12 European Community (EC) countries.

The Anglo-Portuguese action has delayed a threatened rapid intensification of European sanctions, and the calling a major peace conference in the Danish capital of Copenhagen of "all relevant groups" seeking a solution to South Africa's problems.

The blocking action was enforced by British Foreign Secretary Sir Geoffrey Howe at a meeting of the 12 EC Foreign Ministers in Copenhagen.

To the thinly disguised anger of some member countries, notably Denmark, Holland and Ireland, Sir Geoffrey said "the timing is not appropriate" for such a move.

Sir Geoffrey did, however, welcome the meeting in Senegal between Dr Van Zyl Slabbert's group and the ANC as in line with

London's wish to promote dialogue.

While West Germany did not join the sanctions-blocking action, Bonn officials said they would oppose any demands to ban South African coal imports.

Most disappointed was the Danish Foreign Minister Mr Uffe Ellemann-Jensen. He has taken a strong personal interest in Denmark hosting a major all-party conference on South Africa with full EC agreement.

Mr Ellemann-Jensen played a key role in setting up last week's meetings in Senegal, with the Danish Foreign Ministry providing a quarter of the estimated R1m it cost.

With the support of other EC foreign ministries, most notably Holland and West Germany, Mr Ellemann-Jensen sees the Dakar meetings as at least a first step in dialogue which should be followed up by an all-party conference.

He said that despite the British

and Portuguese action; EC countries were still considering holding such a conference.

It is understood that Mr Ellemann-Jensen would seek full representation of all parties from inside South Africa including the government, recognized ethnic and political groups and the ANC, as well as other "liberation movements".

On the punitive pressure of trade sanctions against Pretoria, he said member countries had been instructed to consider how Common Market sanctions could be brought into line with those enforced by other countries.

Behind this lies growing anger among some EC member countries — most notably Holland and Denmark.

They feel that the withdrawal of American companies from South Africa is being more than matched by an increase in Japanese investment, and that Britain is failing to live up to the spirit of the EC moves to penalize Pretoria.

Two people charged with murder for the Western Cape. (The text is mirrored and partially obscured)

*10 Day*

# Granny bonds look sprightly

*HE* **HELOISE HENNING**

*W*  
**THE Treasury last week banked R77m from the sale of granny bonds in the first 10 days of the issue.**

**Treasury director Phillip Nortje said yesterday this figure — the amount banked by Saturday — by no means represented the total takings, because receipts from rural post offices were still coming in.**

**The PO was by far the largest agent in marketing the bonds.**

**Nortje said the Treasury was processing many more deposits and he would not be able to give an accurate total for the first 10 days' income until the end of the week.**

**Finance Minister Barend du Plessis budgeted to raise R520m from all government bonds. Senior citizens were offered inflation-hedging 15% investments and he dropped interest on defence bonds to 12%.**

**Nortje said he could not put a value to the number of defence bonds redeemed since the Budget.**

Cpt. Trunk 16/7/87

# JSE whoops it up as \$ dips, gold firms

Finance Staff

JOHANNESBURG. — A higher than expected US trade deficit bashed the dollar, triggered off upward movement in the gold price and set the JSE alight late yesterday.

Diagonal Street responded with a set of record high indices: The overall index rocketed 40 points to 2508, the mining financial index 65 points to 3397, the diamond index 118 points to 8290 and the industrial index seven points to 2040.

The all gold index soared 55 points to 2267, 49 points off its April peak. Turnover for the day was R125,5m compared with Tuesday's R71,3m.

The gold price — responding to a dollar which dropped to a low of DM1,8240 from an early morning high of DM1,8526 — rapidly gained \$8 in London to trade at \$454. The metal's gains were consolidated when it continued to trade at this level in New York. It closed at \$453,20 in London, and \$453,85 in New York.

The US trade deficit, which widened to \$14,4bn in May from \$13,3bn in April, was a setback for growing hopes of a permanently narrower US trade gap.

Initially, dealers who had bought dollars in the belief that the trade deficit would narrow to about \$11bn scrambled to sell in hectic early trading, reported Reuters.

But disappointment was tempered when analysts reflected that oil imports into the US had risen after a cutback in previous months.

However, oil still presents a threat to the US balance of trade and, more pertinently, to the US dollar through inflationary spinoffs. A further potential danger posed by oil to the brittle US balance of trade position is higher crude oil prices.

Yesterday, North Sea Brent blend, the most widely-traded crude in Europe, traded above \$20 a barrel for delivery in August for the first time since early 1986, Sapa-Reuter reported. This was a reaction to heightened tension in the Gulf.

Higher demand for oil, and a tightening grip on the world market by the Opec cartel, were cited by analysts as other, possibly more enduring, factors behind a rise in the price.

The higher oil price was also cited as a reason for renewed investor interest in gold.

Reuters reported from Zurich that dealers said firmer oil prices, which raised fears of renewed inflation in Western countries, were underpinning demand for gold and should help keep it above \$450.

Silver firmed to \$7,81/83 an ounce from an opening \$7,66/68 and previous \$7,63/65. Platinum showed more modest gains, closing at \$571/575 an ounce compared with Tuesday's \$566/571.

**Guarantee trouble**

The Registrar of Insurance is hot on the heels of life assurers who are "round-tripping" bank borrowers' investments back into financial markets by offering guaranteed investment returns. Some R500m is thought to be involved.

The registrar is rightly concerned over the actuarial soundness of the guarantees since, for one thing, they could encourage assurers to mismatch investments in a bid to meet promised returns.

A related problem is the use by non-tax-paying institutions, especially municipalities, of life assurers to earn higher returns on long-term investments than is available from building societies. Again, some R500m is thought to be involved.

The Life Offices' Association (LOA) rushed out a telex on July 1, asking members to suspend the sale and issue of all policies with guaranteed cash values within the first five years and annuities to non-taxpaying bodies with terms of under five years, "pending the outcome of negotiations with the Financial Institutions Office (FIO)." It adds: "We believe the issue of such policies may be deemed an undesirable practice from July 1 1987 unless we demonstrate self-restraint."

The LOA also asked the FIO two weeks ago for details of an alleged instruction by Minister of Finance Barend du Plessis through provincial administrations to municipalities to cease purchase of annuities from

life companies. So far no reply has been forthcoming.

As an example, a municipality might buy a pure endowment contract as a sinking fund to provide for debt repayments. "I don't see why life offices should be precluded from offering appropriate products, nor why municipalities should be prevented from maximising their returns," says LOA chairman Dorian Wharton-Hood.

However, guaranteed policies under what are apparently termed "Fenton-type Schemes" are a different story. Wharton-Hood expresses great concern at the method of marketing and the premises actuaries must be making.

Several schemes have been devised. One is for a group of individuals to combine to borrow, say, R5m from a bank at 12%. The life office sells the group a policy with guaranteed cash value of, say, 6% after the first year. Some companies offer a cash value after year two as well. This means investors have the option of withdrawing the funds plus profits after year one or two, depending on moves in interest rates.

Wharton-Hood believes policies are sold on the assumption that actual returns will be much higher than the guaranteed return, in line with past profits. Figures of 25%-35% a year are probably being talked about. It is also unlikely that many investors realise the investment profits are fully taxable, since these policies are not "standard" in terms of the Income Tax Act.

Wharton-Hood also suspects that assurers are not charging an appropriate fee for the guarantee. If assurers don't earn enough to meet the guarantee, other policyholders will end up subsidising the deals. In particular, there is a distinct danger of lower stock exchange returns.

The registrar issued a telex on July 10 regarding these policies, "of which the actuarial soundness may be questionable."

To establish the liabilities resulting from the practice, assurers have been requested to provide the FIO before July 31 with details of all policies: without life cover; providing for any guaranteed cash value; with annual premiums exceeding R200 000; and where the original term was less than five years.

Single-premium policies, with premiums in excess of R500 000, must also be detailed, giving the policyholder's name and intermediary involved. ■

17/7/87

# NBS bonds up to 14.5%

Financial Editor

*CPI Times 17/187*

THE Natal Building Society is to raise its mortgage bond rate to 14.5%.

The regional manager of the NBS, Mr Kingsley Loney, blames the increase on competition from "grannybonds" — which offer a 15% interest rate.

The rise, which is immediate for new borrowers and takes effect on existing loans from September 1, brings the NBS into line with other major building societies.

The NBS at first delayed raising its rate. But, to avoid a drain of funds into "grannybonds", it is offering a special 15% rate of interest to senior citizens who already had money invested when the bonds were introduced.

This means that it is paying more for its funds and is passing the cost on to borrowers.

*(58)*



## BUILDING SOCIETIES

### Rite of passage

A change of rules at half-time makes it difficult to evaluate performance. So analysis of the annual reports of the five major building societies for the year ending March 31 is complicated by legislative changes in August which created a new dispensation for the industry.

With some societies converting from mutuals to equity-based organisations, results are no longer always comparable. For those

who changed status, historic comparisons are not always meaningful; for those who didn't, inter-society comparisons are not necessarily valid. Moreover, results of market leader United Building Society are now included in UBS Holdings' (UBS) statements, so performance of the society itself can only be inferred.

What does emerge, however, is that not only does UBS have diversification plans for the group, the building society itself is diversifying. The new legislation allows societies to invest 20% of resources in financial services other than the loans for residential property. It would seem that United is taking advantage of this.

This can be seen from the differential between the 18,5% increase in the society's assets, revealed in the directors' report, and the 14% increase in total advances of the group (see table), compared with the previous year's growth of 22,5%.

The 4,5% difference is accounted for by growth in other investments.

No separate figure is given for the society's deposits. However, deposits for the group increased by only 12,1%, excluding the R270m equity capital invested by the holding company. Slow growth was partly the result of a withdrawal of funds by those who invested only to qualify for a share of the society's equity.

The Perm (which is to stay a mutual), Allied, Natal Building Society (NBS) and Saambou, which had not converted by the end of the financial year, continued to grow along conventional lines.

Perm deposits grew 18,5% to R6,291 billion, while total advances increased 21,4% to R5,524 billion; Allied increased deposits by 26,8% to R5,294 billion and advances by 25,5% to R4,524 billion; NBS increased deposits by 21,5% to R2,505 billion and advances by 21,7% to R2,236 billion; while Saambou showed much lower growth of 12,9% to R2,033 billion in deposits and 10% to R1,697 billion in advances.

Greatest growth in both deposits and advances was thus achieved by Allied, which benefited from about R150m new cash in September, invested by people wishing to qualify to convert traditional shareholdings into equity.

## STARTING A NEW BALLGAME

### Building Societies 1986/87

	UBS	Perm	Rm Allied	NBS	Saambou
Total deposits .....	8 539,0	6 291,1	5 294,1	2 505,3	2 033,0
% growth over last year .....	12,1%	18,5%	26,8%	21,5%	12,9%
Total advances .....	8 100,4	5 525,4	4 524,4	2 236,3	1 697,2
% growth over last year .....	14%	21,4%	25,5%	21,7%	10,0%
Properties in possession .....	63,9	48,1	*21,4	10,5	8,9
% growth over last year .....	149,0%	151,0%	51,7%	138,6%	61,8%
% outstanding mortgage book .....	0,8%	0,8%	0,4%	0,5%	0,5%
Losses on properties .....	n/a	1,7	n/a	—	1,0
% increase over last year .....	—	833%	—	—	8 098,3%
Provisions for losses 1986/87 .....	R12,2	n/a	R12	R3,1	n/a

\* This figure excludes properties repossessed but sold.  
n/a = not available.

# NBS to offer cheaper HP loans

CAH Timis  
18/7/87

*The banks are making inroads into the home loans market. But the building societies are fighting back — and consumers will gain in the process. AUDREY D'ANGELO talked this week to Mr John Bennett, MD of the Natal Building Society (NBS).*

EXPENSIVE hire purchase agreements should soon be a thing of the past. And banks will find themselves competing with at least one building society to offer short-term loans at favourable rates of interest.

Until now, building society loans have had to be secured with a bond on property. But two months ago the NBS secured a banking licence, which means that it can offer clients overdrafts without a bond.

Mr John Bennett says it is planning to offer loans "at slightly below market rates" for purchases like TV sets, furniture and microwave ovens.

It has already granted about 1 200 loans to staff in Natal and will make them available "soon" to the general public, starting in Durban and spreading to other parts of the country.

They should be available in the Western Cape by the end of the year.

The NBS is already active in the participation bonds market. Investments include sectional title offices in a Wale Street building and industrial property in Epping.

Its Waldorf office building in St George's Street, due for completion in April after delays because of a planning objection, will be owned by a subsidiary company and, says Mr Bennett: "fortuitously, I think the market will be about right when it is ready."

"Things are already picking up in the commercial property market and concessions like 'three months rent-free for new tenants' are disappearing.

"Agents tell us that, although small pockets are still to be found, this will be the last A1 office accommodation available in the city to tenants who



John Bennett

want a lot of space and guaranteed parking."

But home loans are still the society's main business. Mr Bennett says the NBS is experiencing "a good steady demand from all races" and has funds available.

An increasing proportion is for housing loans to black people. Although most of this has so far been on the Reef and Port Elizabeth, "there are pockets of acceptable housing in Guguletu and Langa, and Bellandia is building now at Khayelitsha."

Pointing out that it was fortunate for the government that its decision to allow black people to buy 99-year-leasehold properties came at a time when there was no shortage of building society funds, Mr Bennett says the NBS has given preference to black applicants for the past eight or nine years.

"Following a policy of enlightened self-interest, we have never turned down an application from a black purchaser purely because of a shortage of funds."

The NBS is also less strict in the standards of security black applicants have to meet than it is with whites, although it does not take the income of an entire family into account.

Mr Bennett says most loans to white people are currently to first-time home owners moving into new houses costing up to R40 000, plus the cost of the land. These clients qualify for a government subsidy on the interest for the first five years of the bond.

The scheme has been in operation for four years, which means that the first to benefit from it will find their repayments suddenly shooting up by between R160 and R180 a month in a year's time, when the subsidy expires.

"One hopes that their incomes have gone up in the meantime," says Mr

Bennett, "although, of course, their cost of living has too and it is possible that bond rates will be higher by then."

He says that to keep the cost of the structure down to qualify for the subsidy, builders are resorting to various measures, including building homes without cupboards, which can be put in later.

It is now common to buy such a home without a garage and, once transfer has been taken, obtain another bond and have a garage built. He thinks it a pity that the subsidy cannot be granted to second-hand houses, including comparatively new ones repossessed by building societies, which offer very good value to the purchaser "although this would be anathema to the building industry".

Mr Bennett says about 70% of home loans are now to subsidized buyers, including municipal and government employees, who sometimes receive a housing subsidy larger than their entire salary. This can create difficulties for unfortunate employees in the lower grades, if there is a delay in registering transfer and they are charged more than they can afford in occupational interest in the meantime.

From page 15

## NBS to offer cheaper HP loans

To page 17

*CH 5 Times 18/7/87*

# SA attache leaves London for home

From IAN HOBBS *SA*

LONDON. — Colonel Rob Crowther, military attaché at the South African Embassy here, yesterday left for home and is unlikely to be replaced.

Spokesmen at the embassy and the British Foreign Office said he had completed his "normal term of office". They rejected rumours from South Africa that he had been asked to leave Britain.

The embassy has applied to the Foreign Office for Col Crowther to be replaced and an answer is expected next week.

But in terms of an agreement reached with its Common Market partners in September, 1985, Britain is expected to announce that it will not give accreditation to a new military attaché.

Under the Common Market agreement, such posts are not being filled when officers return. The EEC countries — including Britain — have also withdrawn their military staffs from South Africa.

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# AA Life

## bounces

CAP Times 20/7/82  
back 58

JOHANNESBURG. — Despite the collapse of the AA Mutual short-term insurance company last June, the AA Mutual Life (AA Life) has emerged with outstanding results under very trying circumstances, MD Brian Benfield said in Johannesburg.

The collapse of an insurer with the same name as AA Life created overnight "intensely changed marketing circumstances. The staff rose to this ... with admirable fortitude. Management decided not to change the name ... but to stick firmly by it."

Notwithstanding the overnight decline of new business and the accompanying increase in lapses and surrenders, aggravated by a flagging economy and the payment of nearly R24,5m in pension fund monies to departing short-term employees, AA Life managed to report a 12,6% increase in premium receipts to June over the previous financial year and an increase in its total assets under administration of 27,3% to nearly R200m, Benfield said. — Sapa

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## COMPANIES

# AA Life rides out AAM crash

20/7/88 B Day

NOTWITHSTANDING the collapse of the AA Mutual short-term insurance company in June last year, the AA Mutual Life (AA Life) has come through the past 12 months with outstanding results under very trying circumstances.

"We cannot deny that the collapse of the short-term company created the most appalling set of business circumstances for us, but it has served to demonstrate the fine mettle of our people and the inherent strength of our company," says MD Brian Benfield.

The collapse of an insurer with the same name as AA Life created overnight the most intensely changed marketing circumstances. The staff of AA Life rose to this unanticipated challenge with admirable fortitude and resolute courage, he says.

For fear of creating the perception that it was running away or attempting to hide something, management decided not to change the name of their company, as had been suggested by so many.

Instead, he says, they decided to stick firmly by it, and to re-promote the company as an independent entity in its own right.

This decision appears to have been vindicated by the company's excellent financial results in the face of this huge

### Business Day Reporter

challenge and the obvious loyalty of its policyholders, staff and intermediaries.

Notwithstanding the overnight decline of new business and the concomitant increase in lapses and surrenders, aggravated by a poor economic environment and the requirement to pay out nearly R24,5m of pension fund money to the departing short-term employees, AA Life managed to report a 12,6% increase in premium receipts to R43,4m; an 89,5% rise in investment income to almost R35m; and an increase in its total assets under administration of 27,3% to nearly R200m.

Following on the appointment of new management in 1982, AA Mutual Life's assets stood at R50m. At this time it was stated that the intention was to quadruple assets within five years.

In April this year assets amounted to more than R197m. Investment portfolio performance on its pension fund investments has been rated by independent surveys as the second best performing portfolio in SA to December 1986, with a net yield of more than 48%. In addition, its Springbok-linked portfolio produced an outstanding 47,01% return for the financial year to April 1987.

4/6/87 2/7/87 (58)

ECONOMY

# R4 000m rise in inflow of capital

By TOM HOOD, Business Editor

A BRIGHTER overseas image of South Africa helped to achieve a more than R4 000-million improvement in the country's capital account of the balance of payments in the March quarter, according to Sanlam's latest economic survey.

A net capital inflow of R533-million was recorded after the large outflow of more than R3 500 in the fourth quarter of 1986.

The most important reason for the turnaround in the net inflow of foreign long-term capital was the increased loan activity of public corporations.

Against this, however, there were sustained net sales by foreigners of shares quoted on the Johannesburg Stock Exchange.

Shares to the value of almost R1 200-million were sold on a net basis in the past 12 months, says Sanlam.

"The renewed net inflow of short-term capital in the first three months of 1987 is undoubtedly related to the more favourable perception of foreigners of the prospects of the South African economy and the resultant turnaround in the large-scale leads and lags in international payments and receipts."

A large surplus on the current account of the balance of payments and the net inflow of foreign capital in the first three months of this year enabled the Reserve Bank, among other things, to reduce South Africa's reserve-related foreign short-term liabilities by almost R700-million.

About R3 100-million has been repaid to overseas countries in this way in the past 15 months, Sanlam says.

The country could also increase its gross gold and other foreign reserves by about R1 800-million to R7 500-million in this period. This figure exceeds that of April 1986 by R3 600-million and is about equal to two months' worth of goods and services.

Looking at the country's prospects, Sanlam's economists say: "Despite the benefits that the recent slightly expansionary Budget may bring, we doubt at this stage if the real final demand for goods and services will improve sufficiently in the last six months of 1987 for an average economic growth rate of 3 percent to be realised this year."

The continued low level of personal savings in the March quarter — barely higher than the record low of 1,2 percent of personal disposable income in the last six months of 1986 — and the reluctance of individuals to use credit at current low interest rates "do not augur well for an expansion in total effective demand for the rest of the year."

The consumer price index, currently at 17,3 percent for May, the highest inflation rate this year, should start falling from the third quarter, says the survey. The average inflation rate for this year is expected to be about 16,5 percent.

The continued "fairly sturdy performance" of the external value of the rand and the "restrained adjustments" to administered prices such as postal rates, transport costs and the price of electricity should contribute greatly to bringing the inflation rate down to lower levels in the next six to 12 months.

39% holding may be up for grabs.

# Liberty is set to move on Stanbic

LIBERTY Life is the obvious front-runner to pick up London-based Standard Chartered's (Stancha) 39% holding in Standard Bank Investment Corporation (Stanbic), which is probably up for grabs.

The deal could come soon because Stancha is said to be keen to dress up its balance sheet before its half-yearly report-back on August 18 by making adequate provisions against its Third World debt exposure of almost £900m.

HAROLD FRIDJHON  
and BRIAN ZLOTNICK

Liberty Life, in terms of an agreement, has first option on Stancha's £270m (R901m) stake in the SA banking group.

Liberty Life chairman Donald Gordon told Business Day in London last night: "I am aware Standard Chartered are looking into the matter of their shares in Stanbic. I think everyone knows that."

"But we have certainly not been formally offered the shares to date. Before any transaction, they would have to offer the shares to us as we have pre-emptive rights."

It is believed Stancha's merchant banker Hill Samuel (of London) has been sounding out other possible buyers in SA, but obviously any proposal would have to have Liberty's agreement.

Gordon confirmed this to Business Day last night when he said Liberty could hold up to 30%, but it also had the right to approve of where the balance of the shares Stancha sold went — in order to ensure they did not fall into "unfriendly hands" and upset the cordial relationship between Stanbic and Liberty.

The Liberty Life group holds 22.6% of Stanbic's ordinary and preferred ordi-

● To Page 2



## Liberty holds sway in deal

nary shares. In terms of the Banks Act, this could be increased to a maximum of 30%. The Registrar could grant special permission to exceed the maximum level.

There was a precedent for such an action when SA Mutual was permitted to hold more than 30% of the Nedbank Group to enable that bank to overcome its difficulties.

Other major shareholders are SA Mutual Group (17.1%), Goldfields Group (3.4%), Standard Bank Pension Fund (2.1%), Mine Officials Pension Fund (1%), DGI Holdings (Pty) (0.9%), Mine Employees Pension Fund (0.7%), Metal Industries Pension Fund (0.6%) and Southern Life Association (0.6%).

A Stancha spokesman said yesterday, in response to Press comment concerning the future of its shareholding in Stanbic, that the matter had been the subject of periodic review since Stanbic ceased to be a subsidiary in 1985 and that it was currently being re-examined. Unless a further restructuring of the investment

was decided upon, no public comment would be made.

If Stancha was to follow the lead of other banks in making bad debt provisions amounting to 30% against its loans to the Third World, it would have to write off an estimated £270m, excluding any provisions for loans to SA.

Should Stancha, which has shareholders' funds of about £1.3bn, take this course of action, its key banking ratios would be under enormous strain and the sale of its Stanbic shares would certainly help restructure the balance sheet.

The sale of Stanbic's shares would, however, only make a partial contribution towards providing for the bank's Third World debt exposure, because the proceeds of any sale would have to be taken out through the financial rand. The holding in Stanbic is currently worth about £270m. This would be reduced to about £150m through the financial rand.

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02/11/87

➔ ● From Page 1

# Top shares rocket <sup>RGS</sup> on the JSE <sup>22/12/72</sup>

By TOM HOOD,  
Business Editor

58

PRICES of leading gold and industrial shares hit new peaks today on the Johannesburg Stock Exchange, continuing an upsurge which added tens of millions of rands to share values yesterday.

Shares of the country's largest company, Anglo American Corporation, hit R86 to raise Anglo's market value to R20-billion.

Record prices were also posted by De Beers, Randfontein, Loraine, Rustenburg Platinum, Gold Fields, Anglo American Industrial Corporation, Tiger Oats, Punch Line and Murray and Roberts.

The value of shares on the JSE is estimated at almost R260-billion today.

## OVERSEAS BUYING

The boom is fuelled by rising world oil prices, a higher gold price and a softer rand. A lower financial rand is also encouraging overseas buying.

Gold's improvement to almost \$454 an ounce could bring the country's gold mines R30 000 a kilogram for the metal.

● See page 13.



# JSE All Gold Index surges past April high

Finance Staff

JOHANNESBURG. — Rising share prices gathered momentum on Diagonal Street yesterday with the JSE All Gold Index surging 56 points to smash past its April peak of 2 316 and close at a new high of 2 346.

Fuelled by the biggest price rises seen on the market in a single day — the Mining Financial Index rose 42 points to 3 472 and the Industrial Index soared 37 points to 2 106 — the JSE Overall Index shot up 49 points to a record 2 583.

The gold share surge came in the wake of a firmer gold price which was buoyed by an easier dollar and lower overseas stock market prices for most of the day, and by concern over the inflationary effects of higher oil prices.

The strength of the rand gold price, which has risen on the back of a softer rand from R920 to above R940, provided support for gold shares.

Nearly all leading shares covered new territory with De Beers rising to R47,25 and Anglos at R87,50 while M & R, up R1 to R14, and Kersaf, up R2 to R20, featured among industrials.

But gold and the dollar are highly volatile, with a possibility that tension in the Gulf may affect prices.

The dollar rose in London in the afternoon and closed near the day's highs at \$452,25 as a result of re-assuring testimony to Congress by retiring chairman of the Federal Reserve Board, Paul Volcker, and his successor-designate, Alan Greenspan.

In New York, gold closed at \$452,95.

## 'Bullish'

□ Reuter reports that dealers in London considered Greenspan's commitment to existing monetary policies and Volcker's bullish remarks on US growth and trade prospects underpinned already healthy dollar sentiment.

But in New York the dollar was narrowly mixed at midsession as the market digested Volcker and Greenspan's comments.

Volcker told the house banking subcommittee he saw healthy signs — among them progress on the trade deficit — that the US economy was now better poised for growth than at this time last year. Dealers said Greenspan's statement that he would follow Volcker's monetary policies was bullish factor.

□ On Wall St, stocks tumbled in concert with the bond market as rumours circulated that the June Consumer Price Index to be reported today will be larger than expected. Traders said that when the rumour hit the market, a large number of futures related sell programmes were triggered.

"Every programme stock in the world got hit on this one," one trader said, explaining a drop of over 30 points in the Dow industrial average. But the index stabilized at 2465, down 23 points.

AM. Times 23/7/87

# Stronger gold fuels JSE boom

By AUDREY D'ANGELO  
Financial Editor

THE higher gold price fuelled the boom in the Johannesburg Stock Exchange (JSE) yesterday, pushing it up to new levels undreamed-of a year ago.

The All-Gold Index closed at a record 2 362 compared with 2 346 on Tuesday. The Industrial Index soared to a close of 2 118 compared with 2 106 and the Overall Index to 2 596 compared with 2 583.

But, with caution learned from experience, some investors took handsome profits towards the end of the day as they saw the US dollar strengthening. So although the indices closed at new peaks, some shares slipped from the heights they had reached.

## Banks to provide finance for capital exports

# Banks to play a major new export role

23/7/87  
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S

PRIVATE enterprise is to play a major role in the export of capital goods and services by providing finance — formerly the preserve of the Industrial Development Corporation (IDC) — in terms of an agreement signed yesterday.

Bankers regard the move as the privatisation of a function that should never really have been undertaken by the IDC in the first place.

They say it could possibly open the way for SA banks to participate in projects such as the multi-billion rand Lesotho Highlands water project.

Four merchant banks — Standard, UAL, Corporate and First National — and the Trade and Industry Department are party to the agreement.

SA's capital exports amounted to about 3% of total exports, a figure of roughly R1bn a year. The Trade and Industry Department said in a statement the participation of banks could assist capital export growth.

At a Press conference yesterday, the department's acting director general

GRETA STEYN

Frans Scheepers said government had been approached by the banks, which indicated they would be keen to promote exports.

Scheepers said this fitted in with the department's export promotion drive.

He said: "The banks' foreign contacts could mean that their direct participation in the scheme will help exporters win contracts. Exporters of capital goods face intense competition from industrialised countries."

The banks' participation could give exporters a boost when dealing with competition.

In turn, competition between the four private suppliers of credit could lead to reduced interest rates on the credit granted to foreign buyers of South African goods and projects, Scheepers said. "This will obviously enhance the attractiveness of South African tenders for this lucrative foreign business."

However, government would continue

To Page 2

## Capital goods financing opened up

to play a role in the financing of capital exports by supporting and maintaining the export credit interest rates charged by the four merchant banks.

Scheepers said the IDC had provided credit since 1963 because the capital exports had been a very small slice of exports. He said administrative costs would not have made it worth the banks' while.

A condition of the scheme under which the private banks will finance capital exports is that credits granted by the banks will be covered by the Credit

← From Page 1

Guarantee Insurance (CGI) Corporation.

Scheepers said yesterday South African exporters sometimes had to deal with the un-creditworthiness of developing countries. CGI would cover exporters against bad debts.

UAL senior general manager Gavan Ryan said yesterday capital exports should be promoted as export growth in general was "a critical engine for economic growth". He said SA relied too much on exports of primary products.

AM. Times 23/7/84

# Stronger gold fuels JSE boom

By AUDREY D'ANGELO  
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But, with caution learned from experience, some investors took handsome profits towards the end of the day as they saw the US dollar strengthening. So although the indices closed at new peaks, some shares slipped from the heights they had reached.

## Corporate crunch

After much haggling, SA reinsurers have made "claims made" liability insurance compulsory for those using local treaty facilities from June 1 1987. The effect of this will limit their liabilities only to claims made during the currency of a policy, thus cutting off the long tail of subsequent claims that have proved to be inconvenient and costly in other countries, especially America.

Insurers that rely on local facilities have had to fore the line. This will deprive their corporate insureds of the "losses occurring" method of settling liability claims and cause them numerous administrative headaches.

Says Roy Cain, MD of National Employers' General: "To my knowledge, no other

country is converting to a claims made approach on such a blanket basis. Bearing in mind that liability insurance has not been a problem in SA, it is surprising that reinsurers have been so keen to implement the changes here.

"Another problem that will face clients with the establishment of a claims made policy is that in future they could have great difficulty in switching from one insurer to another. Furthermore, it would be the responsibility of the client not only to declare details of all operations being conducted at the time the proposal is completed, but also to declare details of operations which had been discontinued after June 1 1987."

There are several other problems concerning claims made policies, according to brokers (see FM March 20 1987).

Losses occurring policies meet claims that occur during their currency, regardless of when the claim is made, so the insurer is never off the hook. Claims made policies only respond to claims by third parties during the currency of the policy.

The main reason reinsurers are pressing the market into going the claims made route is to overcome problems with "long tail" exposures. The US legal system, in particular, hit insurers hard by supporting claims for gradually operating diseases arising from work, such as asbestosis, pneumoconiosis, or deafness, and product liabilities such as resulted from Thalidomide.

Nevertheless, there is considerable disagreement about the ideal basis for liability insurance. The market is split into three:

First, those going the claims made route, including Commercial Union, Federated, IGI, Mutual & Federal, Santam and Standard General;

Second, those who may still offer losses occurring and will negotiate with clients, including Cigna, General Accident, Guardian National and National Employers' General (NEG), and Specialised Liability Acceptances, which writes for Lloyd's; and

Third, those still to decide or taking an ambiguous position, including Aegis, Allianz, American International, Protea and SA Eagle.

Available reinsurance channels chiefly determine which route an insurer takes. Those with reinsurance facilities abroad, largely London, can operate more flexibly.

Says Don Gallimore, executive director of Priceforbes Federale Volkskas: "We have all along advocated flexibility. We're not averse to claims made policies, and have run them for about eight years for some larger clients with long tail exposures. But they must be in the right shape and form."

Reg Rimmer, assistant GM, Guardian National, also demurs: "We are yet to be convinced that a move to a total claims made system is necessary."

He believes there is sufficient capacity to satisfy needs for losses occurring, despite the stand of local reinsurers. NEG expects most of its liability covers to be on a losses occurring basis.

# Deposit growth doubles

(8) NBS investor centres, established in Cape Town and Durban after the society's takeover of Hill Samuel's retail operations, valued at R55m, have doubled net deposit growth in just six weeks.

(9) NBS southern Transvaal regional manager Terry Bradshaw said yesterday most Hill Samuel clients had been retained, while new business — 90% from notice deposits — had pushed up growth by 100%.

Bradshaw ascribed the success of the notice deposits, which require a R5 000 minimum deposit with a R50 000 ceiling, to their filling a gap in the market be-

*Handwritten signature*  
RAY TURVEY

tween daily call and one-year term.

He said the investing public was looking for ever-wider provisions for more upmarket services.

Designed to provide a specialised portfolio management service for clients with larger-than-average balances, the centres will not carry the NBS corporate identity so they can't be confused with building society branches.

In a deal involving deposits of R14m, NBS acquired Hill Samuel's Cape Town operation last week and the offices are now being converted into a third centre.

## Mystery flows

Just how much money is flowing into State-sponsored senior citizen bonds, yielding 15% interest, is still not certain. Though figures have been bandied about since the bonds came on the market on July 1, no official figure has yet been provided. Department of Finance officials estimate they will not be able to give accurate information for another two months.

It is known that applications worth more than R70m had been made directly to Treasury by last week. Officials are reluctant to update the figure "because everything is incomplete. It will give a distorted picture."

The Post Office (not included in the Treasury figure) is far the biggest vendor and applications are also being routed via other institutions. Meanwhile, building societies have suffered losses.

The biggest, United Building Society, which has no defensive product, says "a substantial amount" has either left or is on its way out. GM marketing Tienie van der Berg adds: "This does not include money we've tendered for and haven't got."

NBS — which has introduced a defensive product — has a different problem. Societies offering their own version of granny bonds are paying the price of an effective 15% — while charging only 14,5% on home loans. Though it has lost virtually nothing to State-

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sponsored bonds, despite the upper limit for a single investor of R100 000, NBS says it is recording a large inflow of funds into the more expensive type of fixed deposit offered the over-60s.

GM operations Brian Short reports: "Within the first six days we had switched R16m. This has since doubled. It's something we have to watch."

Saambou — marketing its own senior citizen fixed deposits with an upper limit of R200 000 — reports a switch of R8m-R9m. It is taking no new money but simply "protecting what we have," says MD Hendrik Sloet.

Brian Kemmey, deputy MD of the Perm, while providing a similar investment, would give no indication of how much money had been switched. He says the Perm, with an upper limit of R100 000 on its own product, has lost only "a small amount" to the State-



**Du Plessis ... bonding  
after the Budget?**

sponsored version.

Alan Tindall, MD of Allied, which has no competitive investment vehicle, did not want to divulge the extent of his society's losses.

Only maturing investments are at risk. Most society funding is for periods of over a year. Tax shelters, moreover, still protect some types of investment. So the problem is not immediate.

Nevertheless no society can afford to lose out on a future market. Competition for funding has been putting pressure on rates since the announcement of granny bonds by Finance Minister Barend du Plessis in June.

What will the impact be on mortgage bonds? Though NBS last week fell into line behind the other four major societies by upping its rate to 14,5%, further increases are unlikely.

With banks offering loans at 12,5%, societies have no room to manoeuvre. ■

# Counting the cost of insurance fraud

Own Correspondent

JOHANNESBURG. — More than a million crimes will be committed and the insurance industry will pay out more than R600 million in claims this year, an insurance fraud seminar heard yesterday.

Fraud rose 20% from 1984 and 11% from 1985, in rand terms.

Insurance fraud increased along with other types of fraud — with inflated claims becoming a major area of cost concern for insurers.

Almost all claims were inflated last year, V Lewis & Co loss adjustor Mr Victor Lewis told delegates to the Johannesburg Chamber of Commerce's "Insurance Fraud: How Much is it Costing You?" seminar here.

He said almost 80% of fires his company investigated were deliberately set, but this did not apply countrywide as "adjustors tend to see only the larger, more complex cases".

Mr Lewis said a 40-year West German study showed graphically how business fires followed insolvency trends.

He said insurers should pay out depreciated, not replacement, values to discourage fraud.

Mr "Blackie" Swart, of the International Association of Credit Card Investigators, said credit-card fraud in South Africa more than doubled to 624 cases between 1983 and 1986.

Fidelity Guards director Mr Jeremy Frere said individuals had to ensure their own security, as police concentrated on national security, maintaining law and order and detecting and preventing crime.

The panel of speakers concluded that fraud was a significant factor in pushing up premiums, increasing pressure on the insured public.

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# Exciting profits underpin shares

By **DEREK TOMMEY**,  
Finance Editor

THE first company results for the six months ended June have fully justified the strong rise in industrial and commercial share prices on the Johannesburg Stock Exchange this year.

The figures show that those investors who have been pushing up share prices knew they were not taking many chances.

However, just as importantly, the figures also help to confirm reports that consumer spending, and particularly black spending, has started to increase. Many manufacturers have been waiting for evidence of this before undertaking new investment.

The most impressive of the June results was that issued by Cadbury Schweppes, the chocolate and soft-drink group. This company reports that its turnover in the six months ended June rose 84 percent to R108,1-million and its taxed profit by 129 percent to R5,8-million. Shareholders are to get a dividend of 25c a share — 40 percent more than last year's 15c a share.

For share market watchers the most pleasing aspect of the Cadbury Schweppes figures is the jump in turnover. Cost cutting exercises and the drop in interest rates have enabled many companies in the past 18 months to show sharply increased profits.

But accountants have been quick to point out that these profit increases are not likely to be repeated unless these companies also increased their sales — and for this to happen the economy had to start expanding.

The big increase in Cadbury Schweppes's turnover shows this is happening, though other companies are still finding it

hard to boost turnover above the inflation rate.

Other excellent profit figures for the six months ended June, issued in the past few days are:

● **General Tyre and Rubber Co:** Earnings rose 69,8 percent to 59,1c a share from a 20,3 percent rise in turnover to R147,4-million. The interim dividend has been raised from 7c to 18c a share.

● **Blue Circle:** A five-fold increase in earnings from 12,3c to 64,0c a share from a 20,5 percent rise in turnover to R176-million.

● **Laser Transport:** Earnings rose 125 percent to 28,9c (12,8c) a share from a 50 percent rise in sales to R43,3-million. The dividend has been doubled from 5c to 10c a share.

And helping to highlight the importance of increasing turnover, AECI reported only a 17,7 percent rise in earnings to 53c a share, from a 14,2 percent rise in turnover to R1,5-billion.

Other good news for investors came from Rustenburg Platinum Holdings, which increased its profit in the year ended June by 58 percent to 293,8c a share, from a 38,5 percent rise in turnover to R2,2-billion. It has increased its dividend from 135c a share to 200c a share.

Such big profit increases are putting a floor under share prices and going a long way towards quashing complaints that the share market is over-heated and heading for a crash.

In fact, an analysis of the current month's trading shows that investors have not been buying industrial shares indiscriminately but have been concentrating on sectors where good results are expected shortly.

These are the motor sector, reflecting the upsurge in car

sales in June, the food sector which appears to be benefiting from increased black spending, and the beverages industry — for the same reason.

Doubts expressed lately by some economists about the strength of the economic recovery do not appear to be shared by the market or by many businessmen.

Mr Denis Kaye, managing director of Laser Transport Holdings, said in an interview this week that there were definite signs that the economy was expanding.

He knew from his company's own experience in the removal business, that firms had started recruiting staff again and were also recruiting artisans from overseas. This suggested they were preparing to expand production.

Mr Kaye added that some of the people who had left South Africa in the past two years were starting to return. However, their numbers were small at present, but he expected them to grow in the coming months. These people usually took about three years to decide where they wanted to live.

Economists and businessmen point to other reasons for expecting a continued improvement in the economy. Among these are:

● The high price of gold, South Africa's major metal.

● The high level of Government spending which is being financed partially by frozen foreign funds;

● The upturn in confidence in the export industries following the re-election of the Tory Party in Britain; and finally

● The pent up demand about the black population for goods after four years of recession and unrest.

w/c AEGS 25/7/87

(58)

# Granny bonds threaten participation mortgage

By Stephen Rogers

THE participation mortgage bond (PMB) market faces a severe threat from granny bonds in September when the three months' notice of withdrawal of funds deposited with PMB companies expires.

Most over-60 investors put their money into five-year fixed deposits during which the funds cannot be removed without permission from the Registrar of Unit Trusts. However, once this time has expired, most of the money is left on three months' notice.

Most PMB companies confirm that notice has been given on many deposits.

New business has also fallen as the companies fight to compete with the higher returns offered on granny bonds.

The PMB industry is estimated to hold about R2.9-billion. With about 70% of these investors estimated to be over 60, the potential outflow is more than R2-billion.

Many investors will still be locked in by September and because of client inertia and ignorance, so the outflow is likely to be much smaller than R2-billion.

But combined with the expected outflow from the building societies, where funds are also on three months' notice, granny bonds could attract far more than the R520-million the Department of Finance expects to receive in all bonds in the current financial year.

The department has received more than R100-million, but the big test of the scheme's popularity will come in September.

To counter the granny-bond threat, at least three PMB companies have increased their investment rates on five-year money. Supreme Bond offers the highest return after raising its rate from 14% to 15%. Metboard has lifted its rate from 12.5% to 13.5% and Masterboard has introduced a special rate of 14.25% variable or 15% fixed to investors aged more than 60 years.

## Matched

But three of the biggest companies in the industry, Syfrets, First National and Standard, have adopted a "wait-and-see" policy and have maintained their investment rates on five-year money at 12.5%.

The managing director of Syfrets Participation Bond Managers, A L Human, says the company will not raise its investment rates in reaction to granny bonds.

Mr Human says: "We believe that rates are pitched at the right level now. Our inflow of funds matches our lending."

However, if the larger PMB companies are forced to raise their investment rates they will have little leeway to recover this extra cost through higher lending rates.

The average lending rate is 13.51%, but Mr Human says that at this level demand is soft. The economic recovery is not as strong as was expected and business confidence is still weak, so an increase in lending rates would curtail investment in commercial and industrial property.

But the wait-and-see approach of the large companies indicates that they believe the switch of funds into granny bonds will be a short-term phenomenon, Government eventually closing the issue when sufficient funds have been received.

# Court orders First Bank to freeze holding

*B. J. BOBERG*  
JENNY BOBERG 27/7/87

FIRST National Bank has been ordered to freeze the R3,7m it had held for a Lichtenstein company, BCB Holdings, which was about to rescue beleaguered property group National Properties (Natprop).

BCB had agreed to pay R3,7m to acquire 63% of Natprop, whose shares are suspended on the JSE.

An urgent Rand Supreme Court application to freeze the money was brought on Friday by the Natprop Syndicate, Johannes Antonie Lombard and Natprop.

First National, Lichtenstein-based BCB Holdings Establishment and two companies based in Panama, C & M Construction and Horizon International, were named as respondents.

The R3,7m is to be frozen pending the outcome of an action the applicants intend bringing to have declared binding the agreement in terms of which BCB was to buy the shares. The agreement was concluded in order to improve the liquidity of Natprop.

The agreement also provided that C & M and Horizon would pay Natprop the proceeds of certain contracts they had with the Ciskei government.

C & M is owed \$6,5m for the construction and maintenance of the Ciskei airport in Bisho, and Horizon is to be paid R2,5m a year for the next three years for managing the airport. In return for these proceeds, Natprop agreed to issue 25-million paid-up Natprop shares to C & M and Horizon.

R6m offer attracts R1,25bn

# Listing frenzy at fever pitch

Own Correspondent

JOHANNESBURG. — JSE listing frenzy reached fever pitch last Friday, when Mercedes Datakor's R6m share offer attracted R1,25bn. The rush of subscriptions for the shares threw money markets into near panic as funds drained from 'share chasers' banks and dammed up in accounts of issuing banks.

The public offer was 205 times oversubscribed — thought to be a record.

Information technology business Mercedes Datakor was offering 3m shares, at 200c each.

Volkskas Merchant Bank — the bankers underwriting the issue — were flooded with subscriptions at a faster rate than they could on-lend the money to restore depleted balances in the rest of the banking system, market sources said.

The smaller banks, and particularly the merchant banks, watching their outflows with increasing concern, became anxious about balancing their books at the end of the day. The merchant banks, unlike the commercial banks, had to have their books in balance by 3.30pm.

In a state of near panic, the af-

fects banks scoured the market for call deposits, sending the call rate shooting upwards from 8,75% to as high as 9,2% in what was, in fact, an artificial situation that led to call money being shifted around the market in a game of musical chairs.

Some banks, in their anxiety to attract funds, offered rates as high as 9,5% for periods extending into early August.

That the market achieved equilibrium was revealed in the Friday settlement shortage — the amount the banking system borrowed from the Reserve Bank. It proved to be a modest R79m, compared with the previous day's R29m.

Mercedes Datakor CE Nicholas Frangos said yesterday he was very pleased with the response to the listing as it was an indication of confidence in the company.

He said he understood the response to the offer was regarded as something of a record on the JSE.

Mercedes Datakor is scheduled for listing on August 11 this year on the Industrial — Electronics, Electrical and Battery sector of the JSE.

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COMPANIES

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# Pennypinchers in R4,4-m rights issue

By TOM HOOD  
Business Editor

PENNYPINCHERS, one of the new Cape listings on the Johannesburg Stock Exchange, is aiming to raise about R4,4-million from its shareholders and use the cash to open new retail outlets.

The hardware and builders' supplies group increased its outlets from 24 to 32 since its listing last November and spent R1,8-million since on buying out 50 percent stakes in Pennypinchers Retreat (Pty), Pennypinchers (Boland) and 45,5 percent of Pennypinchers Boards (Pty) held by three executives.

The cash to be raised will come from a rights issue on the basis of 20 new shares for every 100 held, the offer to close on August 21.

The shares are tightly held, with the directors estimated to be holding 90 percent.

Sanlam also holds a block of shares and has agreed to support the rights offer and increase its shareholding.

The new capital will be used to take advantage of various acquisition opportunities and fund the opening of new outlets, say the directors.

Turnover is now expected to top R65-million this year, well ahead of the forecast of R48-million, rising to more than R100-million next year.

Earnings for the current year will be materially different from those forecast in the pre-listing prospectus and the forecast has been revised to 9,5c a share — more than 60 percent up on the original 5,89c.

Net asset value is expected to be 49,71c a share at December 31, a threefold increase on the previous forecast of 15,01c.

● Shield Trading Corp is set to virtually double the store-opening programme forecast in its recent prospectus. Five new wholly-owned cash and carry operations, part of the group's Success chain, are now set to start trading before the end of this year.

The first Success store in the Western Cape — at Phillipi, Cape Town — is scheduled to open in August.

Shield was listed in the Retail and Wholesale sector of the JSE in early July. Its dominant business is centralised buying on behalf of independent wholesalers and retailers, but it is expanding its network of owned outlets.

NEARLY 200 000 people spent time in jail as awaiting trial prisoners each year — many of them unnecessarily because they were unaware of their rights to bail and legal representation, a legal academic said.

Professor David McQuoid Mason, head of adjectival and clinical law at Natal University, said the figure represented those who were jailed while awaiting court appearances, and who were then not sentenced to prison terms once their trials came up.

Mason said: "The problem experienced by many accused is that when arrested and charged, police do not inform them of their legal rights to bail or representation. They then come before a magistrate, who also does not ask them if they want bail or tell them they are entitled to representation."

Often the lack of communication was because of language barriers between authorities and the predominantly black awaiting trial prisoners.

Mason said: "A large percentage of people cannot afford the high legal costs and are entitled to legal aid, but they are not informed that they can apply for it."

"In one case-observed in a Durban Magistrate's Court, an accused asked a court official how he could get out of jail — the official told the accused to 'shut up and sit down'."

A police spokesman denied the allegations that prisoners were not informed

DANIEL SIMON

of their rights.

In a telexed reply to questions, the spokesman said: "An accused is informed — in serious crimes — of his rights to representation by an attorney, but if there have been instances where the accused have not been informed of their rights, these have been exceptions rather than the rule."

Police could not ascertain how many people were detained in jail awaiting trial. "It would entail checking every case docket at more than 1 000 police stations. This would be counter-productive in terms of manpower and time."

The spokesman said, however, every person arrested and charged was warned of his rights in terms of the "judge's rules" governing arrest.

Those rules were to inform an accused of the allegation. Police then afforded the accused an opportunity of furnishing an explanation or statement which could be used as evidence in court. He was then informed of his rights to representation.

Legal Aid Board assistant director JF Klingenberg said prosecutors and magistrates did refer accused to the board for assistance. Recently judges were also doing so.

Mason said the solution was for the State to move in decriminalising so-called "apartheid offences" and petty offences.

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**Volkscas  
reassures  
clients on  
new bank**

GRETA STEYN

VOLKSKAS has taken action to reassure clients who fear the bank's Afrikaner identity is threatened by its association with the UBS.

The bank has sent clients a letter assuring them Volkscas will retain its "unique character" and that it will not "lose its identity" once it and the UBS have formed the UBS Bank.

The announcement of details of the new bank is expected early in August.

UBS chairman Herc Hefer does not expect "any real resistance" from Volkscas clients to the creation of UBS Bank.

"The two groups will keep their separate identities and separate cultures," says Hefer.

Volkscas Group MD Pieter Morkel yesterday denied reports that clients were worried Volkscas's identity would change when the UBS Bank was formed.

Morkel stressed that Volkscas's association with UBS was not a merger.

## 2 held at ANC man's funeral

POLICE detained two youths for questioning yesterday when about 150 people attended the funeral in Soweto of a senior ANC official Peter Motau.

He was assassinated by unknown gunmen in Swaziland about a fortnight ago.

A crowd of 400 to 500 followed the funeral procession from Dube to Avalon cemetery, where police allowed an estimated 200 people inside.

Most of the mourners were youths who sang ANC songs and raised clenched fists from time to time.

A boy and a girl were detained. When Winnie Mandela — wife of ANC leader Nelson Mandela — tried to intervene, police told her they were being held for questioning. They said the boy had no identity document and the girl was wearing a police-type tracksuit. — Sapa.

28/7/87

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railways, harbours and airways oper-

# The 'Little Man's' Floods Stock Market to Fight Inflation

By DICK USHER, Staff Reporter

SMALL investors are flooding into the stock market as share prices maintain their upward surge.

Brokers said many investors who had not been in the market before were now turning to the boards.

The main reasons for the interest in the market were high inflation and a burst of new companies seeking listings.

"There's a spirit of adventure and the possibility of making some cash in these hard times," said one broker.

"The inflation rate means that in-

terest rates are still largely negative and people are going to the boards to seek a real return on their money," said another.

"They are also after a bit of excitement, a bit of a flutter that gives them better odds and more chance of success than betting on horses."

While the economy is still in the early stages of a revival dealers expect company turnovers and operating margins to keep increasing for at least the rest of the year, which should ensure growth rates stronger than on offer for short-term investments.

They point out that although gold shares may be out of reach of the small man, industrials can offer exciting possibilities, while unit trusts let the small investor with little cash get into the market.

Supporting factors were the surplus in the current account of the balance of payments, a high level of domestic liquidity coupled with the cash-flow from institutions and the inflation rate, which gave savers a negative return.

A further factor underpinning the boom was a shortage of suitable alternative investments.

At present interest rates, money investments were still not attractive enough, while property investment tended to be somewhat illiquid.

● Shareholders' Association chairman Mr Izzy Goldberg has warned that people going into the market should be investors, not speculators. They should also consider the tangible assets and liquidity of companies and whether their projected earnings were realistic.

● See Stocktaking, our new JSE review, page 22.

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CITY/INTERNATIONAL

# Ex-lawyer stole from clients, fined R10 000

## Court Reporter

A FORMER attorney has been fined R10 000 (or two years) in the Cape Town Regional Court for stealing nearly R130 000 from seven clients.

Osman Abduragman Karjieker, 42, of Athlone Street, Athlone, who was struck from the roll in 1980, pleaded guilty to stealing the money between 1978 and 1980.

Magistrate Mr A L Laubscher took all seven counts as one for purposes of sentence and imposed a further four years' imprisonment conditionally suspended for five years.

Karjieker admitted misappropriating trust funds for his own purposes and stealing R5 000 from R L Hendricks, R6 138,42 from Muram Normandy (Pty) Ltd, R59 900 from S H Gaibie, R30 387 from the estate of the late H A Hamid, R10 849,90 from S A Najaar, R7 545,21 from A A Banderker and R9 696,60 from D G Murison.

## Paid back

Karjieker's attorney, Mr A R Wilkinson, told the court his client's estate was sequestrated and some of the stolen money was paid back after he was struck from the roll.

A sum of R101 000 was refunded to people by the Attorneys Fidelity Fund.

In mitigation of sentence, Mr Wilkinson said the offences were committed seven years ago and Karjieker had since rehabilitated himself and was working for an estate agent at a salary of R2 000 a month.

He had two teenage children studying at the University of Cape Town.

Mr Wilkinson read a character reference from Karjieker's former employers, Multibou Development, who testified to his "loyal, honest, dedicated character" and "high integrity and moral and ethical behaviour".

The court heard that Karjieker had applied three times for an estate agent's fidelity fund certificate and had been turned down.

## Wept

Mr Laubscher said: "Society always places a large amount of trust in an attorney and you have harmed the good name of the profession.

"As a former attorney you know that the court favours direct imprisonment for offences of this nature."

Karjieker wept as Mr Laubscher said he had reluctantly decided against direct imprisonment, only because of the long time lapse since the offences were committed.

He could find no excuse for Karjieker's conduct.

Mr Laubscher ordered that the fine be paid in instalments of R500 a month.

Mr J C Gerber of the State Attorney's office prosecuted.



## PENSIONS

# 'Allow employees to be directors of funds'

By MAGGIE ROWLEY

SOUTHERN Life directors have strongly urged employers to allow democratically elected employee representatives to serve on the boards of pension fund trusts and to involve them in the decision-making process.

In their annual report, the directors say the widely divergent perceptions of pension fund benefits, the prospect of laws prohibiting workers from cashing in accumulated assets on withdrawal of service as well as the requirement that 53 percent of pension fund benefits be invested in prescribed Government stock, had created a sense of suspicion about the pension fund industry and continued to aggravate feelings of distrust.

Southern's chief executive officer, Mr Neal Chapman said in an interview today that there was an increasing awareness and interest among trade union members over how their pension fund contributions were being invested.

A Government commission of inquiry was presently studying the role of financial institutions and examining whether or not prescribed Government stocks should rather be on a voluntary basis.

"Black workers would prefer to see their pensions invested in areas where it would assist the black community," he said.

The origins of the growing debate on pensions can be traced to May 1966 when the Cilliers committee of inquiry tabled the concept of preservation of benefits, prohibiting the encashment of accumulated assets on withdrawal of service.

While there could be no argument with the principle, the recommendations failed to take cognisance of the different perceptions of pension fund benefits held by different groups, the directors say.

Since 1966 various State inquiries have been commissioned, culminating in the publication of a draft bill in August 1981 which gave rise to widespread national industrial unrest, mass withdrawals and a general deterioration in labour relations and trust.

The recession had resulted in wide-scale retrenchments, particularly among labour-intensive industries.

"As a result, more attention is being paid to the withdrawal benefits of pension funds provide. One of the perceptions concerning the pension fund is that it is there to provide cash benefits on withdrawal, either to alleviate the hardships that follow redundancy or being fired," they say.

A recent HSRC investigation showed that 53 percent of urban blacks agreed that pension contributions should be paid out during times of unemployment.

"It is hardly surprising, therefore, that these blacks should feel aggrieved at the prospect of the imposition of legislation which prevents them from enjoying, as they perceive it, the fruits of the pension fund and indeed from having the very contributions they have set aside in the past returned to them. Some workers regard preservation as a device introduced by the Government to impound their benefits.

"This together with related issues such as the legislated requirement that 53 percent of pension fund assets be invested in prescribed Government stock, has created a sense of suspicion about the pension fund industry and continues to aggravate the feeling of distrust," the directors say.

They welcomed the "good sense" and the open stance taken on consultation and debate in the report of a parliamentary select committee, under the chairmanship of Mr Kobus Meiring, which investigated pension fund matters.

## WELCOMED ATTITUDE

"This reflects a new and welcomed attitude from the authorities. In this spirit of open debate and honest discussion, we believe that a repetition of the problems that we have had in the past can be avoided or the effects thereof minimised.

"In accordance with this spirit, we would strongly urge employers to allow elected employee representatives, who owe their position to the employees, to serve on the boards of pension fund trusts and to involve these representatives in the decision-making process of the pension fund concerned," they say.

Mr Chapman said that workers also needed to be counselled and educated as to the need to look after their futures through a pension scheme or annuities.

26/7/87

# Bank accused of collusion

THE trial in which Nedbank is alleged to have colluded with insolvent Frikkie Meyer Boulevard Motors (Pty) to the prejudice of creditors resumed yesterday.

Leslie Cohen, liquidator of Frikkie Meyer, has claimed that due to collusion, Nedbank gained, and Frikkie Meyer creditors lost, about R45 000. He has asked for judgment against Nedbank for this amount, plus another R45 000.

It is alleged that on the day Frikkie Meyer was liquidated, a "purported sale" took place between Frikkie Meyer, to whom Nedbank owed R45 000, and JD & BT Motors, who were indebted to

*B Day* JENNY BOBERG

Nedbank.

The purchase price, it is claimed, was determined with reference to JD's indebtedness to Nedbank and without regard to the value of the goods.

As a result of this deal, Frikkie Meyer's account with Nedbank went into overdraft, while JD's credit swelled.

Nedbank allegedly used the sale money to meet JD's indebtedness to it, and altered its books to make it seem it had received the money before Frikkie Meyer was liquidated. The trial continues.

SIMON BRAND

21/7/87 NM

FACE TO  
FACE

# A broader view



Simon Brand is chairman and CE of the Development Bank of Southern Africa (DBSA), which had 611 projects with estimated total investment value of R5,2 billion in its project cycle to the year end March 31, 1987. He also chairs the special working group looking into the Soweto City Council's financial problems.

**FM: How do you see your future developmental role in southern Africa?**

**Brand:** Over the next 10-15 years we foresee a broadening of political representation which will have an impact on areas like education, urban services and the provision of infrastructure. We also expect that opportunities in the private sector will become available to a broader segment of the population.

The DBSA will therefore play an expanding role in the financing of public sector infrastructure and in assisting the private sector through the funding of, for instance, small business development and the provision of guarantees for private sector investment in development.

**Will this change your focus?**

In the past we focused more on infrastructural and basic needs like factory buildings in developing areas. In future, small business funding should become more important, while we also see a growing role as catalyst for private sector developments.

But basic developmental areas like agriculture and technical training will remain a very high priority.

**In your annual report you refer to "support for projects in non-participating neighbouring states." Could you expand?**

Our constituting Articles of Agreement — signed on June 30, 1983 by SA and the TBVC states — allow us to finance development in "the less-developed areas of southern Africa." While we have been very active in the national states we are also looking, on a selective basis, at other projects. The DBSA is involved in the preliminary stages of the Lesotho Highlands Water Project

(LHWP), at the request of the Lesotho government, while a few other projects in neighbouring countries are also in the pipeline. **What is the DBSA's standing vis a vis foreign banks and the World Bank?**

Still quite good, although the debt standstill has blocked the situation. As soon as SA's international banking problems are resolved, I have no doubt that our good track record and essential role as a development organisation will re-open the doors. We still have good contacts with our European banking friends and mutual visits take place on a regular basis. The same applies to the World Bank, with which we are actively involved in the LHWP.

**Your annual report also refers to an increased focus on urban projects.**

Yes, especially in urban infrastructural and business development financing. Last year we advanced some R28m to various development corporations for small business development, while R128m was advanced for integrated urban development in all the regions. We are looking at increased project financing for local authorities in SA, while the new regional services councils are potential clients for the financing of their capital projects.

**Is there any significance in the siting of your new head office at Midrand?**

The new R26m HQ for the DBSA, on a 25 ha site at Midrand, should be completed by October, 1988 and will provide for our projected future staff of some 600. The TBVC governments wanted the HQ to be situated as close as possible to Johannesburg. As banker, my focus is on financing, not politics.

**What is the source of your funding?**

These come from four sources — share capital contributions by member governments, contributions to the bank's development fund, loans raised on local and foreign capital markets and repayment of bank loans. The biggest funding source is the SA Treasury and, to a lesser degree, the TBVC states. This year R250m will go into our development fund, which currently stands at some R920m. We will, in future, also look at the capital market, starting from a small base and then gradually building up.

Stanbic shares are suspended

# Stanchna set for a total withdrawal

YESTERDAY'S suspension of Standard Bank Investment Corporation's (Stanbic) shares is a clear indication the climax of Standard Chartered Bank Plc (Stanchna) total withdrawal from SA is imminent.

Intense negotiations are under way between prospective SA buyers for Stanchna's 39% shareholding in Stanbic, and will be finalised in weeks ahead, possibly next week ahead of a Stanchna shareholders meeting in London.

But, a senior banking source said: "This deal will still take some time. There are a lot of people running around trying to structure it. Negotiations are at an extremely delicate phase."

It is understood that some large insurance companies and mining houses are bidding for a share in what amounts to an extremely attractive investment.

Obviously, Liberty Life will be keen to top up its present holding to 30%, the limit allowed by the Banks Act. It will also work hard to ensure the remaining shares will fall into "friendly hands".

Speculation surrounds the role of the Rembrandt group in the deal. It has recently expanded its holdings in financial service companies such as Sage and Allied and is believed to be increasing its holding in Volkskas which was diluted after the UBS/Volkskas deal. There is also talk of a strong connection between Liberty's Donald Gordon and the Rupert family.

GERALD PROSALENDIS  
Financial Editor

However, the eggdance for the shares, competitive as it may be, is being done in such a way so as not to push up the price.

Standard Merchant Bank said yesterday: "The bank is authorised to announce the listings of the ordinary, preferred ordinary and both classes of preference shares of Stanbic have been suspended on the JSE until the close of business on Tuesday, August 4, 1987. This suspension has been requested by the board of Stanbic which is aware that discussions are taking place concerning the future of Stanchna's 39% shareholding in Stanbic." It is understood it is unlikely Stanchna's share will be sold to foreign buyers. This gives SA companies the opportunity to buy shares in an extremely sound bank at well below market price.

A senior banker said: "Under normal circumstances, SA would not be able to buy into a bank on such favourable terms."

The Reserve Bank has been actively involved in the negotiations which led to the suspension of the shares.

Reserve Bank Governor Gerhard de Kock said: "For some time we have been fully informed but we are not in any position to comment."

Despite exemptions in the past, it is unlikely the monetary authorities will

● To Page 2

Stanchna looks set for total pull-out from SA

● From Page 1

allow any one shareholder to obtain more than a 30% holding in Stanbic in line with the provisions of the Banks Act. A source said: "These exemptions were granted for special reasons. For example, in the case of Nedbank, Old Mutual was forced to underwrite the issue of new shares in difficult times for the bank. It was important Old Mutual stood ready to take up a large proportion of the shares to ensure the issue was a success."

Stanchna, like other disinvesting companies, will be required to take the proceeds from the sale out of the country through the financial rand. The outflow of the funds will not affect the country's reserves or the domestic economy. Nor is it likely to affect SA's trade and other

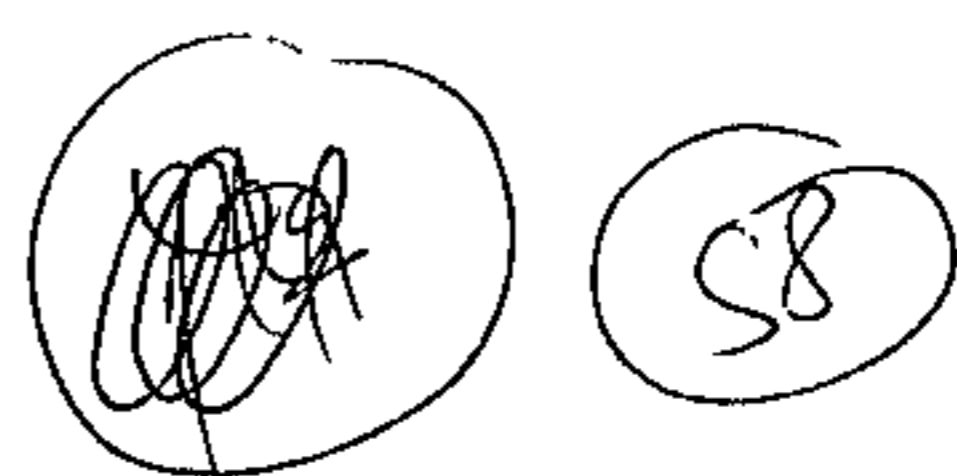
banking credits and existing lines will remain in place much along the lines of what occurred after Barclays Plc's departure.

The speed of the withdrawal of Barclays Plc's funds suggests there is sufficient demand for financial rands.

It is understood the share was suspended because of the proliferation of rumours in recent weeks. Unlike the Barclays disinvestment, which was possibly SA's most well kept financial secret, too many parties were involved in the initial Stanchna negotiations to prevent information about the pending disinvestment to leak out ahead of schedule.

THE JSE BOOM

# Just a pretty face?



The bulls are stampeding down Diagonal Street. A record oversubscription of 205 times was set last Friday when the Mercedes Datsun R6m listing attracted R1,25 billion. In the year to July 20 the overall JSE index increased 59,2% to 2 534.

Yet stats for fixed investment and manufacturing output are dismal. Unemployment and inflation are still intolerably high. Economists do not expect real GDP growth to exceed 3% this year. What's going on?

The answer cannot be found within the confines of traditional economic wisdom. As Reserve Bank Governor Gerhard de Kock says: "Foreign reserves have doubled in the past year. Debt repayments are on schedule. Money supply is well within target. The balance of payments is sound. Inflation is about 15% a year on a quarterly basis, compared to about 26% a year ago."

We are seeing a combination of booming financial markets and a disappointing real economy. Money is chasing paper rather than much-needed fixed investment. And with the growth JSE share prices have shown, why make new real, or fixed, investment?

Perhaps the best explanation for the anomalies is lack of confidence. Businessmen are concerned about trade union trouble. They do not have a clear vision of the political future. The long overdue release of the Margo Commission on tax adds to the uncertainties (see *First Leader*).

Meanwhile, the paper chase continues. Commercial banks cannot find good borrowers. And massive cash flows generated by contractual savings with institutions are locked into SA by strict foreign exchange regulations.

Institutions invest in financial assets and some real assets: money, bonds and gilts, equities and property. Uncertainty discourages investment in productive assets. The eroding influence of inflation makes institutional investment in fixed-interest securities unattractive above the prescribed limits. They have a responsibility to maximise returns for the clients whose funds they administer and cannot be expected to make socially advantageous investments if the returns are inadequate.

The JSE boom in the Sixties highlighted one form of protection against inflation. The tradition has remained. While the overall JSE dividend yield is a paltry 3,2%, investors buy protection in hoped-for capital gains.

Where does this leave the banking sector? In a pretty bad state, given the low level of real investment, lack of quality borrowers,

and low consumer credit demand reflecting sluggish demand for goods and services.

Banks can only stand by and watch the Keynesian liquidity trap being played out. Cash lies around. If it's not used to buy equities, it funds other group companies; buys other short-term assets; or goes into the disintermediated or grey markets. Hardly surprising that banks are prepared to lend to bluechip borrowers at substantially below prime.

### Taking the plunge

De Kock's not too concerned at the credit demand situation. "For 18 months money supply has been rising at a lower rate than we would have liked. Banks are trying to find good customers to take money, but cannot. Money in the hands of the public is not excessive and hardly likely to encourage anyone to go on a spending spree."

Sorely needed is a change in investment patterns. This would come about by a change in confidence or attitude, by a company or group of companies taking the plunge and investing.

One favourable pointer is the amount of cheap cash companies are damming up. With the prime overdraft rate at 12,5% and company tax at 50% the net cost of corporate capital is 6,25% for a profitable company.

On the JSE a company can raise capital through equity at about a 5% dividend yield, twice covered. Listed companies raised R3,3 billion in January-June in listings, rights

issues and additional share issues.

As companies have seized on these opportunities, so the structure of the South African balance sheet has undergone fundamental change. It's impossible to extract averages from some 300 000 trading concerns. But clearly companies have run down debt and inventories.

No company wants to be caught again with a prime overdraft rate like the 25% of early 1985. With scant fixed investment, companies have dammed up cash and now have very low debt:equity ratios. The big advantage for the economy is that when conditions sweeten these companies will have the resources to expand.

This possibility does not bode well for the banking sector. It can hardly claim to have been caught off guard. The phenomenon of money chasing paper has characterised world bourses for years (see *Cover Story*).

The Diagonal Street stampede started in March 1986 with the listing of Lifegro. Between then and Christmas, 64 companies were listed. This year so far more than 53 have joined the JSE boards. And there is no end to the rush. Last Friday alone *Business Day* published four prospectuses.

So it's no surprise when De Kock says: "Normally, I would be worried about the economy overheating in the next six months. But what we're worried about is inadequate growth and the lack of job creation. We somehow need to encourage people to invest in real assets."

The role of the monetary authorities cannot be underestimated. It will remain passive for a while, though De Kock believes that SA, with a fast growing population, general growth possibilities and well-developed infrastructure, needs positive interest rates, in the long term.

SA has problems raising foreign capital. But the Reserve Bank will not be raising interest rates in the foreseeable future given domestic liquidity. ■



**Activities:** SA's fourth largest assurer, created from the merger in 1985 of Southern Life and Anglo American Life.

**Control:** Anglo American has a 40% interest and The National Bank 30%.

**Chairman:** Z J de Beer; chief executive: Neal Chapman.

**Capital structure:** 160m ords of 5c; 4,1m convertible prefs of 5c; 1 special class A share of 5c. Market capitalisation: R1,32billion.

**Share market:** Price: 830c. Yields: 3,1% on dividend; 4,7% on earnings; PE ratio, 21,2; cover, 1,5. 12-month high, 830c; low, 545c. Trading volume last quarter, 1,1m shares.

**Financial:** Year to March 31.

	'84	'85	'86	'87
Debt:			5,5	7,7
Total Assets (Rbl) ...	—	—	649	859
Premium Income (Rm)	528	563	649	859
Investment Income (Rm) ...	263	362	425	488
Taxed Profit (Rm) ...	—	—	50,5	64,0

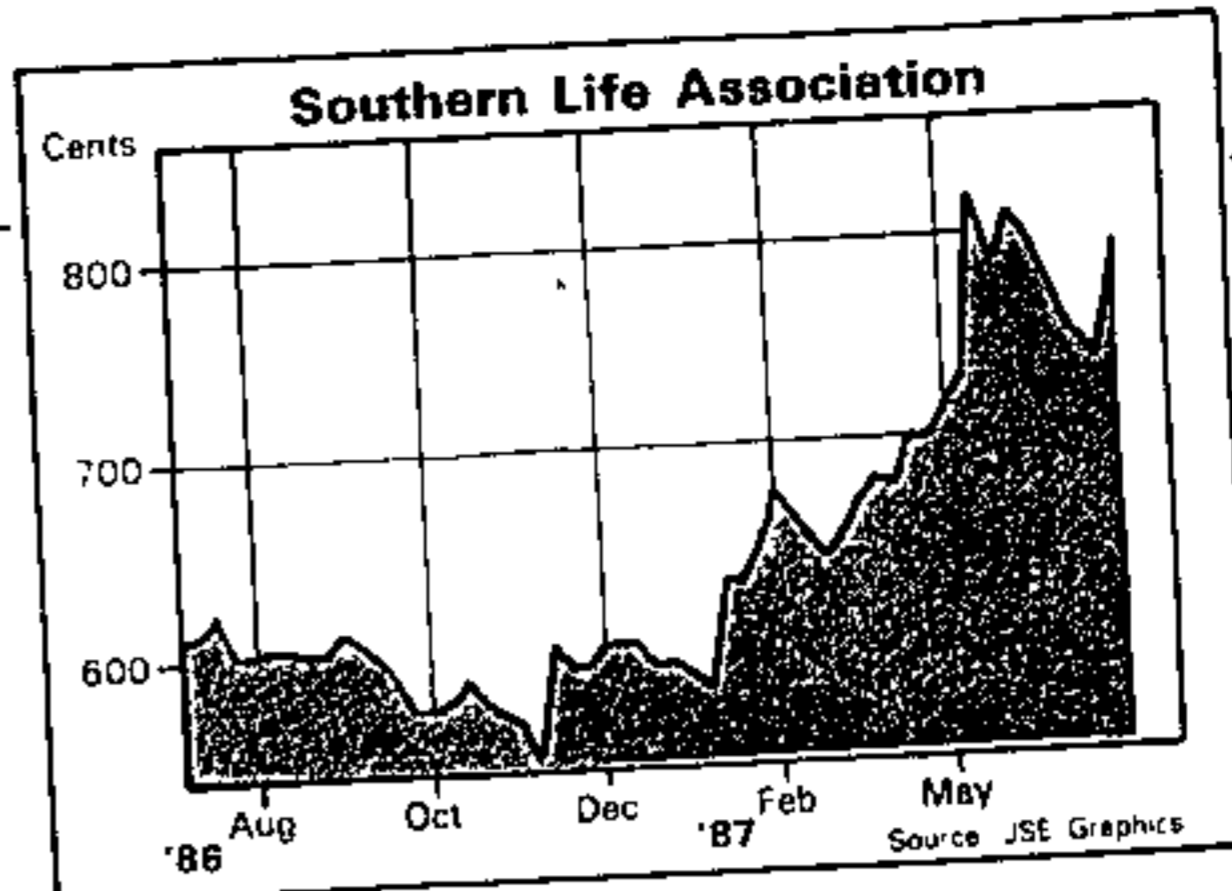
**Performance:**

	'84	'85	'86	'87
Earnings (c) ...	—	—	30,8	39,0
Dividends (c) ...	—	—	20,5	26,0

emerged from a sparkling trading year, characterised by 66% growth in new business, 40% growth in total assets to R7,7 billion, and EPS 27% higher at 39c (30,8c).

That the merger of such vastly different groups must have been difficult, goes without saying. But, as studies in the US have confirmed, while very few of the large mergers actually work, those that do survive often spawn a robust new entity, hardened by adversity. In terms of the fundamental issues that make or break an insurance company, Southern seems to have got its act together under C E Neal Chapman.

The investment division — handling a portfolio worth R7,1 billion — performed well in terms both of inflation and industry



norms. Funds managed for pension clients recorded returns between 35% and 49%, while yields of 30,3% and 30,8% were declared on the linked portfolios of the adaptable taxed and untaxed portfolios respectively.

Book value of total investments grew 39% to R7,1 billion, and the stockmarket component thereof soared to R3,25 billion, equivalent to 45,5% of the portfolio. In 1986 only R2 billion, or 39%, of total investments were in the JSE. Given its relatively heavy exposure to the JSE, Southern was an obvious beneficiary of the bull market that prevailed for most of last year.

Southern increased its investment in First National Bank by R220m last year, for a total stake worth R404m, following a decision by Barclays Bank Plc to divest from SA. This now constitutes the largest single investment, followed by shareholdings in Anglo American (R210m), De Beers (R286m), Rembrandt (R244m) and Gencor (R139m). Virtually all these investments performed well last year.

Total premium income grew 32% to R859m, following a concerted marketing drive to launch the group's new rate book. Both the life and pension divisions performed well, and of R482m life premium income received, R300m was in respect of recurring business.

The pension division, accounting for 50% of Southern's R7,7 billion asset base, is said to be garnering new business at a rapid rate; due partly, it seems, to the controversial policy statement issued last year, calling for grassroots employee representation at pension fund meetings. Although the idea of having union members sitting in on pension meetings and involved in investment strategy has proved controversial in some quarters, Southern's attitude appears to have gone down well across a broad spectrum of industry.

After languishing for some time, Southern shares have risen sharply recently to 830c, where they trade on a high p/e of 20,5 times. It is a rating that reflects the group's confident new image. Among the heavyweight insurers, only Liberty is better rated.

Neville Glaser



**Southern's Chapman ... ready to do more**

SOUTHERN LIFE

**Bedded down**

With its latest set of results, Southern must have dispelled any lingering misgivings about the 1985 merger of the old Southern with Anglo American Life. The group has

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## Due for re-rating?

It was another year of slow but steady progress, belying MD Gert Liebenberg's comment a year ago that "we shall be lucky if we maintain earnings." Chairman Pietman Hugo refers to the expansion of commercial

FINANCIAL MAIL JULY 31 1987

**Activities:** Sixth largest bank group in SA, with 83 offices.

**Control:** No shareholder may own more than 9,9%.

**Chairman:** P B B Hugo; managing director: G Z Liebenberg.

**Capital structure:** 13,5m ords of 25c. Market capitalisation: R69,5m.

**Share market:** Price: 515c. Yields: 7,8% on dividend; 24,1% on earnings; PE ratio, 4,2; cover, 3,1. 12-month high, 580c; low, 450c. Trading volume last quarter, 298 000 shares.

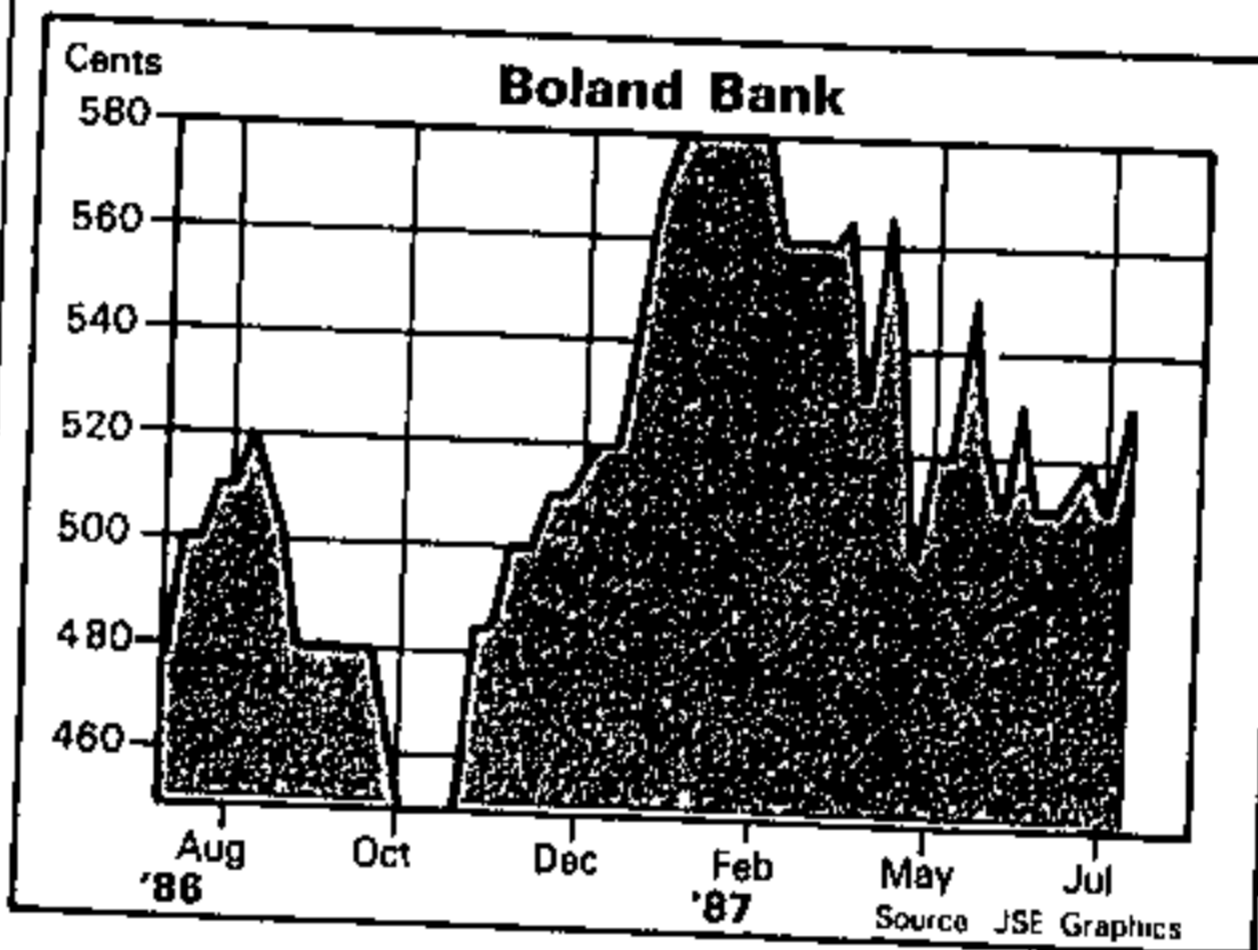
**Financial:** Year to March 31.

	'84	'85	'86	*'87
Debt:				
Total assets (Rm)	904	1 101	1 249	1 478
Total liabilities (Rm)	791	958	1 098	1 308
Mortgage loans (Rm)	137	138	195	280
Acceptances on behalf of clients (Rm)	29	44	51	50

**Performance:**

	'84	'85	'86	'87
Taxed profit (Rm)	7.1	7.4	7.7	8.4
Earnings (c)	106	110	115	124
Dividends (c)	36	37	38	40
Net worth (c)	812	914	1 149	1 096

\* Issued capital until March 31: 6.7m ords.



banking and home mortgage finance services as particularly significant.

Three new branches were opened, in line with the planned rate of expansion of the network. Hugo says that though Boland's roots are rural, future expansion will take place mainly in "growth areas." After a period of concentrating on diversifying the service base, more attention will now be put on setting up more offices.

Since March 31 Boland has held a one-for-one rights issue at R5, raising R33,6m. This will increase disclosed equity capital by more than 50%. The directors say these funds "provided the opportunity to transfer income to internal rather than disclosed reserves," which suggests that real earnings performance may have been stronger than published figures indicate.

Hugo expects "moderate growth in assets" this year; profits should increase accordingly. The dividend should at least be maintained on the increased capital, and be covered about twice by earnings.

This implies disclosed earnings of at least R10,8m this year, which some would consider more than "moderate" growth. However, given that a more generous (or realistic) disclosure policy could be followed, and that the expansion of the equity base will allow substantial volume growth, it could be on.

The major caveats must be continued

slack demand for credit and hotted-up competition as liberated building societies enter the banking market. Moreover, the new areas Boland is perforce penetrating as it expands geographically may not show the same client loyalty as its rural heartland.

A degree of market scepticism is reflected in a market price barely higher than a year ago (a period during which the banks index has risen almost 50%), or for that matter than the rights price. But the yield is comfortably the highest in the sector, and there should be little downside risk. On the other hand, surely the sound record will sometime lead to a positive re-rating of the share.

Michael Coulson

FN.  
21/7/87

## Never is a long time

Anyone who believed the Perm's claim that "We will not be limited" should think again. Though there is no immediate prospect of the building society exchanging its status, it could happen some time. After an intensive advertising campaign focused on its role as a mutual, the society is now making it clear that its options are open.

The first intimation came last week with the appearance of MD Bob Tucker on SATV's weekly financial programme, *Diagonal Street*. He conceded that lack of equity capital for further expansion "is something

## THE PERM WILL NOT BE LIMITED



about which we are very concerned and must keep our eyes open."

However, this does not mean any immediate change is on the cards, and deputy MD Brian Kemmey insists there has been no change of stance.

He says: "We remain convinced we can play our role of serving the full spectrum of savers and home owners most effectively as a mutual. But should circumstances change we would consider the other option. We never said we would *never* convert. No one can suggest that 'unlimited' was understood to mean legal unlimited liability. We have limited legal liability today. It was meant and understood to mean objectives of unlimited service to the full spectrum."

A 1985 Perm ad states: "The Perm will not trade its shares on the stock market." The ad gave the clear impression that while other building societies may go public, that is, be listed on the JSE, the Perm "will not."

Kemmey concedes the perception that the Perm has committed itself to remaining a mutual. "We are trying to correct this impression." He hastens to add: "But that doesn't necessarily mean we will make the change."

What has prompted this move?

Like all building societies, the Perm is under pressure on both borrowing and lending fronts. Events may be moving far more quickly than anyone envisaged when changes in legislation were mooted and the Perm decided to stay a mutual.

In fact, changes occurred even before final legislation passed through parliament last year. Says Tucker: "Between the time the select committee approved the legislation and its being signed by the State President, a significant change was made. In the original draft, a mutual's share capital was not classified as 'liabilities to the public.'

"The decision to allow share capital, up to only 5% of total liabilities, to be excluded from the definition of 'liabilities' substantially altered reserve requirements."

Under the new legislation, societies must have reserves of 4% of total liabilities to the public. By defining share capital, which constitutes possibly a third of a society's total deposits, as liabilities, the authorities imposed an enormous extra cost on expansion.

So the goalposts were moved before the

game even began.

Why did the Perm not call it quits at that stage?

"The weights in the scale had changed," says Tucker, "but we thought — and still think — that, on balance, the mutual route is best for us." But further changes might tip the balance in the opposite direction. "We just don't know what anyone will throw into the scale."

Meanwhile, the question of pushing up the present 3.2% reserve ratio to the required level is an immediate problem which may have focused attention on the benefits of an inflow of equity capital.

Mutual societies have 10 years to get reserve ratios into line with legislative requirements. But they have to present a plan of action to the authorities to establish they are on course. The Registrar is now examining the proposals of all mutual societies. Tucker describes the negotiations as "a highly subjective debate."

Kemmey points out, however, that: "If we went the equity route simply to address our reserve ratio it would be only a temporary solution. If our basic operation were faulty we would soon exhaust resources."

It is, apparently, not the present need to meet the ratio requirement but future growth that is at issue. The reserve ratio is a constraint to expansion of assets. The Perm will be handicapped in the battle for market share if it is constantly looking to its ratio.

As Tucker pointed out on *Diagonal Street*, the lack of an equity capital base can be a disadvantage. "It's a constraint on further growth and that's where the Perm cannot afford to put its head in the sand — and we won't."

A far cry from: "The Perm . . . will not . . . be owned by anyone other than savers and investors." ■



11-14/67  
**UK bank  
doubts  
SA debt**

LONDON — Barclay's Bank has classified its South African debt as doubtful and has included South Africa in a list of 27 countries against which it has increased provision for bad debt.

After making a provision of £570-million against troubled country exposure, Barclay's this week announced a loss of £40-million.

A spokesman said Barclay's total risk exposure to developing countries was £2.3-billion. Of this, £623-million was in respect of South Africa.

The Barclay's move follows a decision by Britain's largest bank, National Westminster, to make provision against its estimated £400-million exposure in South Africa. — DDC

# Bankings breaks new ground in SA

'Wider choice of products to choose from' | 'Competition is a good thing to have' | 'Many finance houses have a minimum limit' | 'Hopefully PE will see these services soon' | 'Conditions and interest rates will differ'

By DENISE BOUTALL

SOUTH AFRICAN consumers will soon have access to a wide range of financial services from building societies, but it could be some time before they are offered in the Eastern Cape.

"The banking and building society businesses have undergone a steady process of deregulation over the last few years.

"The listing of building societies on the stock exchange was probably the most radical departure from the old-style conservative society geared only to lending money to finance their clients' homes.

"They are now also allowed to operate banks and at least three societies have grabbed the opportunity to break into new areas of money lending and financial services.

Banks, in turn, have moved into the home bond market and Standard Bank, which started granting bonds in January, is confident that it will reach its target of granting bonds totalling R1 000 million in its first year.

Overall the changes have been welcomed. Speaking from Johan-

nesburg a senior manager for one of South Africa's major banks said the implication for consumers was a greater choice of financial services.

"They will have a wider range of products to choose from and a choice of different conditions and different interest rates on money borrowed.

"Competition is a good thing. I doubt that it would cause confusion because all the financial institutions will ensure that the public understand the services on offer."

However, although the two sectors are competing for the same market, not all the building society banks will match the big banks' entire range of services.

One area where consumers could score though will be in loan finance for durable goods.

"Many of the finance houses have minimum lim-



its which would exclude the householder just wanting to buy a single household item.

This was an area that NBS Bank Ltd would be concentrating on in the initial period, the bank's

managing director, Mr John Smale, said in an interview from Durban.

The bank has started operating out of its Durban headquarters and would open out of one of the Durban branches next

month.

It would then start operations in the PWV area and Cape Town, and only after that in smaller centres such as Port Elizabeth and Bloemfontein.

"Hopefully that will be in the new year," he said.

One of the issues that caused concern when the line between banks and building started blurring three years ago, when Barclays Bank (now First National) moved into the

home loans market, was that banks were not geared to the specialised home loans market, nor building societies to the highly competitive banking world.

This, it was predicted could lead to a potentially

disruptive poaching of staff.

Mr Smale said NBS Bank had discovered that adequately-trained staff was a problem and would be spending money on training its own staff for

the new business. The Allied Bank, which started operations at the beginning of the year, is also aiming to operate in the small loans market, but in addition is offering services to the corporate market.

Speaking from Johannesburg, Allied Group deputy managing director Mr Ian Fraser said the bank was functioning in the banking hall of the building society's branches and hoped to have a bank desk in every building society branch by the end of the year.

"We hope to be in the Eastern Cape soon."

The bank was concentrating on the personal credit business and offering corporate services at the smaller end of the market.

Details of the UBS bank are expected soon.

The bank has been created with UBS holding 50% of the shares and Volkskas the other 50%.

Speaking from Johannesburg a spokesman said UBS would ultimately offer all services.

"We will be a fully fledged commercial bank."

The services would, however, be phased in, starting with personal loans hire-purchase financing.

Meanwhile the banks that have branched into the mortgage business are happy with their progress. Their current attraction lies in the fact that their interest rates on mortgages are generally 2% lower than building societies' rates.

Not all banks are going the home mortgage way.

"They're staying out either because they don't have the branch network, or because they see themselves as an essentially different kind of institution," said the spokesman.

There seems to be little threat to the banks as yet.

The building societies are aiming their banking services primarily at their existing clients and until their national networks are established, they will have difficulty making a serious dent in banks' client lists.

# Bond shock to ex-employees

By COLIN URQUHART

SOME former employees of the AA Mutual Insurance Company, which went into liquidation last year, have been told to "settle your bond in full or lose your house".

A clerk, who asked not to be named, who worked in the Rink Street, Port Elizabeth, office, was granted a 100% bond, repayable over 25 years at 5% interest at year, to buy a house only a year before the company collapsed.

The employee claimed that when the company went into liquidation he was asked to resign and told he had to make alternative arrangements about his bond.

He said that according to his new earnings he could not afford to repay a bond if the interest rate was as high as 16%, the prevailing bond rate at the time.

When the AA Mutual collapsed he was paying R350 a month and asked the liquidators to advise him where and to whom he should continue paying the R350.

He claims that they said

they would "get back to him" but failed to do so.

On May 23, he received a summons demanding the immediate settlement of the full outstanding amount of R56 000.

Not having the money and unable to sell his house for that price "in these depressed times", he has now sought legal help.

Speaking from Johannesburg, a spokesman for the five liquidators handling AA Mutual Insurance, Mr James Connelly, said that most of the former staff members had found alternative employment with other insurance companies.

Most of them offered similar fringe benefits and had taken over the bonds.

Other former AA Mutual employees secured jobs without the benefits but found they were able to pay the higher interest rates.

"In a few cases we have been forced to foreclose on former employees.

"I can't tell you how many but can assure you it is a very, very few.

"There is nothing we can do about it, our hands are tied."

By Udo Rypstra

**BUILDING** societies and their one-time "sweetheart union" have fallen out over a 15% pay increase demand based on the rising cost of living.

No longer playing a passive role in salary negotiations, the 16 000-member Building Society Officials Association (BSOA), which is mostly white, has declared a dispute with the Building Society Employers Association (BSEA). It is the first dispute in the union's history, and has been referred to Minister of Manpower Pietle du Plessis.

Three conciliation meetings between the parties have failed.

The dispute led to talk of a white-collar strike, but BSOA general secretary Corrie van Vuuren says it was never likely.

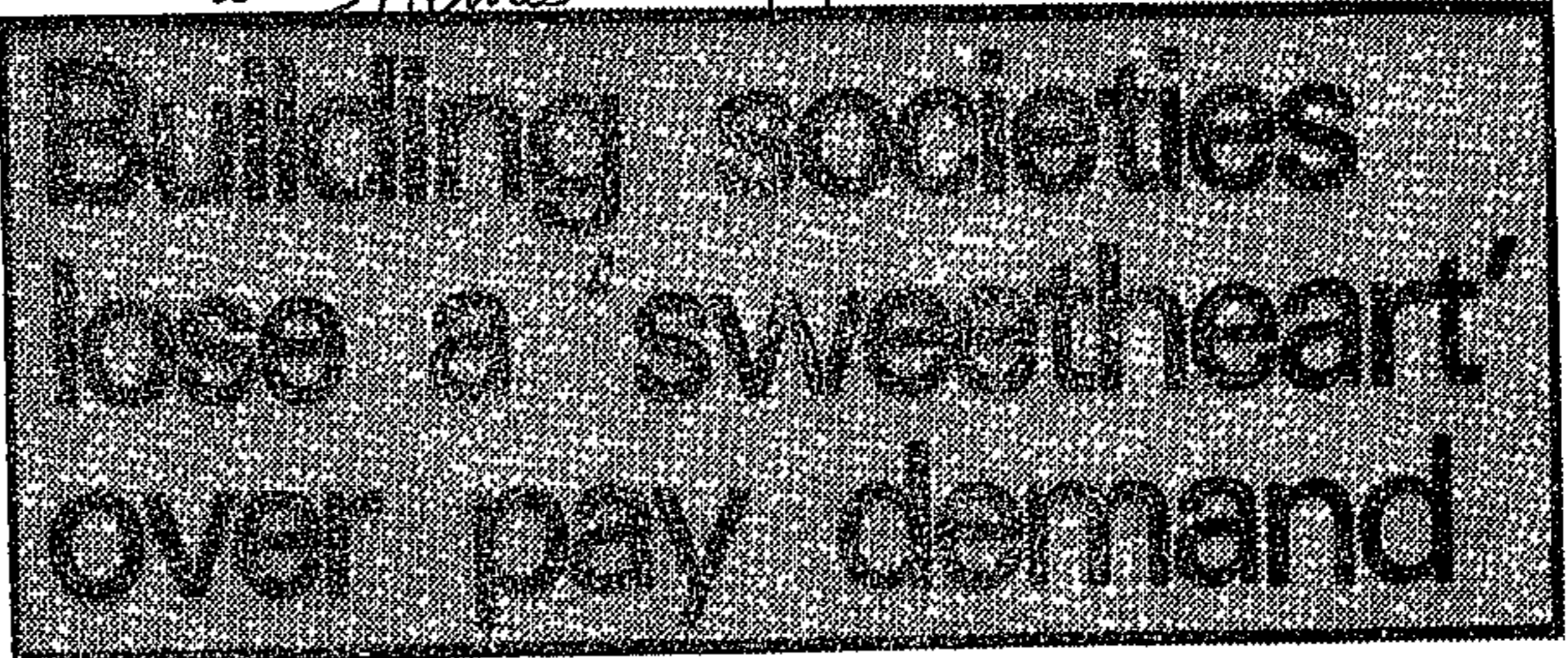
Mr Van Vuuren says: "The union will take its case to the Industrial Council. We have never contemplated a strike."

### Minimum

BSEA vice-chairman Ronnie Phillips says the dispute centres on a demand for a 15% cost-of-living increase. But the BSEA favours an equitable minimum level of salaries — negotiable every year — and distribution of the rest of the salary cake at management's discretion.

Pay increases were previously arranged by individual societies. But for the first time the union has stepped in to negotiate on its members' behalf throughout the industry.

A major reason for the deadlock is the BSEA view that a peaceful settlement is prejudiced by the alleged inexperience of union officials in negotiating salary in-



creases.

The accusation is denied by the BSOA.

Business Times is told that "paternalistic" relations in the building society movement were established with "golden handcuffs", such as cheap housing loans. However, pay packages have moved away from a low base-high perks system to salary and fringe benefits including, in some cases, share incentive schemes and other performance bonuses.

An employer source says: "The system was designed to reward high-flyers while protecting the essential income base of most staff members." But now BSOA has shed its conciliatory image and demanded a direct say in industry-wide pay negotiations.

Mr Phillips says that although employers accept the union's right to act in this manner, they reject a general pay increase. They believe that the COL proposal would make the societies a "medio-

cracy" in which all employees would receive essentially the same pay increases.

### Insurance

It is said that the societies wish to build a "meritocracy" for the benefit of the best workers.

The societies compare themselves with the reward-driven insurance industry, a strong competitor.

The societies also fear that if they do not follow this approach they might lose promising employees.

All societies have granted salary increases of 13% to

14%. Top increases were as high as 20%.

An employer source said: "Relating across-the-board increases to inflation rates is hardly professional. It signifies both an acceptance of inflation as an incurable disease and it ignores the reality of the market."

"We are not prepared to lose key people while overpaying others. A union representing largely skilled and professional people ought to see that difference. Ours has become an intensely competitive industry and it does not offer protected employment."

# Booming UK banks set to expand

LONDON — Results from Britain's banks for the first half of 1987 show business is booming.

Two of them, National Westminster Bank Plc and Barclays Plc, if not others, look poised to expand in the US and elsewhere, despite making provisions for bad Third World debt.

William Vincent of US stockbrokers Salomon Inc says: "In terms of capital and doubtful debt provisions, UK banks have proved themselves to be in the first rank worldwide."

Following a lead set by US banks, the "big four" — NatWest, Barclays, Midland Bank Plc and Lloyds Bank Plc — made debt provisions worth £2,78bn for the first half of the year.

Barclays set aside £570m, turning in a pre-tax loss of £40m after a profit 10 times that sum in the same 1986 period.

Earlier, despite its debt provisions, NatWest showed a £250m profit for the half-year.

Lloyds, however, lost nearly £700m after making its debt provision, while Midland restructured to sell Scottish and Irish banking interests.

"NatWest and Barclays are in better shape largely because of lower Third World debt exposure," Vincent says. "The NatWest and Barclays results were astonishing, compared with the losses reported by US banks."

Both are owed about £2,5bn, according to half-year figures. Lloyds and Midland are owed about £4,3bn and £4bn respectively.

All four big British banks showed profit gains averaging about 50% on operations in Britain, and analysts say that should help them build a

stronger international presence.

NatWest chairman Lord Boardman says he is looking at possible acquisitions in the north-east of the US, but has given no details.

Barclays chairman John Quinton says: "We intend to place more resources abroad and this will be done partly by acquisitions."

Brian Crosley, an analyst with brokers Merrill Lynch, says New York will be the key international battleground for the British banks.

"NatWest is in the strongest position to develop its international operations," says another analyst.

Crosley says British banks, as international competitors, have to be considered in the light of their investment banking business. NatWest has been the most aggressive in that market, he says. — Sapa-Reuter.

One month and R200-m later ...

# Govt has rethink on Granny Bonds

By Magnus Heystek

The Government is seriously re-considering its controversial "granny bonds" investment scheme for senior citizens barely a month after the scheme was launched on July 1 this year.

Senior Treasury spokesmen have confirmed that discussions are now taking place that might lead to a change in the scheme which has attracted more than R200 million in investments thus far. The Government was budgeting for an amount in the vicinity of R500 million.

The highly controversial senior citizens savings scheme, dubbed "granny bonds" by the media, was announced during this year's Budget on June 3. It offers an interest rate of 15 percent payable quarterly, significantly higher than savings rates offered by banks, buildings societies and other financial institutions.

In order to protect their client

bases, building societies and participation bond companies have already been forced to increase savings rates, and consequently mortgage rates, in order to beat off the threat posed by the granny bonds.

Building society spokesmen were especially peeved at not being consulted beforehand by the government. Mr John Bennett, managing director of the Natal Building Society, has attacked the scheme as a thinly disguised effort to mask increased government spending.

Building society spokesmen point out that most savings are subject to a notice period of three months on withdrawal and that the bulk of the expected outflow of money from the financial institutions will occur at the end of September.

Mr Peter van Broembsen, assistant general manager (market-

ing) of the Perm said this morning: "We are providing competitive products to our existing clients in order to match the granny bonds, and will watch with interest any move the Government will make."

"At this stage it is impossible to quantify the effect the granny bonds have had on our society. It stands to reason that the large difference in interest rates on offer by the granny bonds and the building societies must have had a detrimental effect."

Government spokesmen would not be drawn on the most likely changes to the scheme, but Mr Gerhard Croeser, chief director (finance) at the Department of Finance, has indicated that a cut in the interest rate was not one of them.

Possible changes could include a cut-off date for investors or a reduction in the maximum amount investable in granny bonds, at present standing at R200 000.

18/8  
**Stanbic**  
 tells a *B/D*  
**no-grow**  
**story** *SB*

HAROLD FRIDJHON

THE bottom-line numbers in Stanbic's (Standard Bank Investment Corporation) results for the half-year to June 1987 tell a no-grow story.

Attributable profit is almost stagnant at R89,8m (R88,6m at June 1986). Earnings a share are unchanged at 92c. The interim dividends, too, are unchanged at 22c for ordinaries and, of course, 54c for preferred ordinaries. And total assets are only 2,7% higher at R20,6bn.

The official statement accompanying the results says the directors do not expect improved conditions in the banking sector for the rest of 1987 and that profits for the full year are unlikely to differ significantly from those of 1986. At the end of last year, earnings a share were 215c, from which ordinary shareholders received 78c.

MD Conrad Strauss said at a Press conference yesterday the banking group's results were a reflection of the state of the economy. Demand for credit was "unexciting" as customers' inventories remained at a low level because of no re-stocking. And there were no signs

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**BUS**  
 50c (45c + 5c tax)  
 For other prices, see Back



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*SB B/D* 5/8/87  
**No-change story at Stanbic**

of any new investment in capital assets.

The two promising growth areas, however, were home loans, which had reached R530m, and Stannic, which had achieved a greatly improved performance. It was learnt subsequently that home loan advances were running at a rate of R100m a month.

The most encouraging feature of the interim statement was the sharp reduction in the provisions for bad and doubtful debts. The new specific provisions raised had reduced to R42,8m from R80,4m, while the general provision had been cut to R4,6m from R10,2m.

Also encouraging was the 20,3% increase in the R119,6m pre-tax operating profit, but the tax bill rose to R36,4m from R18m — because of a reduction in investment income — and income from

← ● From Page 1 associated companies was marginally lower as a result of the consolidation of Unisec.

The improved operating profit which was achieved despite a 19% increase in costs, flowed from the reduction in interest rates and improved efficiencies.

Total deposits were virtually stagnant at R18,9bn compared with R18,5bn in the previous June and R18,9bn at the end of December. A similar pattern was evident in advances which were R17,5bn in June 1987, R17,2bn at June 1986 and R17,5bn at the end of the last financial year.

The net asset value at 1 426c compared with 1 275c in June 1986 and 1 346c in December.

# Govt thinks again on Granny Bonds

The Argus Correspondent

JOHANNESBURG. — The Government is reconsidering its controversial Granny Bonds investment plan for senior citizens barely a month after the scheme was launched on July 1.

Senior Treasury spokesmen have confirmed that they were holding discussions which might lead to a change in the scheme which has already attracted more than R200-million. The Government was budgeting for about R500-million.

The scheme was announced during this year's Budget on June 3. It offers an interest rate of 15 percent payable quarterly, significantly higher than savings rates offered by banks, buildings societies and other financial institutions.

In order to protect their client bases, building societies and participation bond companies have been forced to increase savings rates, and mortgage rates, in order to beat off the threat posed by the scheme.

Government spokesmen would not be drawn on the most likely changes to the scheme, but Mr Gerhard Croeser, chief director (finance) at the Department of Finance, has indicated that a cut in the interest rate was not one of them.

Possible changes could include a cut-off date for investors or a reduction in the maximum amount investable, at present pegged at R200 000.



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48/8

48

Edited by Terry Meyer

## PROPERTY

**TERRY MEYER**  
**THE REDEVELOPMENT** of Johannesburg's Rosebank area is to be given a significant boost with the construction of a five-storey office and retail block by First National Bank (FNB).

The present bank premises on the prime 2 000m<sup>2</sup> site on the corner of Tyrwitt and Cradock Avenues is to be demolished. It will be replaced by a building that will offer a total of 5 000m<sup>2</sup> of leasable space.

Redevelopment cost of the new building has been estimated at R10m. The existing bank premises, says FNB divisional GM Mike Henderson, is over-crowded and doesn't compare favourably with those of the other financial institutions in the area.

"The present banking hall only occupies a third of the site that we own. In the Fifties the bank granted servitudes

"We are not in the property business and are not looking to create new office space. However, office accommodation is in demand in Rosebank and we believe that there will be no problem in letting it out," he says.

"Retail space in Rosebank, however, is battling in certain of the centres so there are no plans to create any new space in this sector that we can't fully occupy ourselves," says Henderson.

The bank is also looking to build underground parking space and could well create additional parking.

The City Council has demanded that of the six parking bays to be provided for every 100m<sup>2</sup> of leasable space, 4,5 bays should be made available to the public to reduce the shortage of parking in the area.

Henderson says that the bank is still toying with various alternatives relating to the design of the building.

# FNB banks on Rosebank

of the site, as the five-storeys will take us up to full bulk," says Henderson. "The City Council are keen that we maintain the taxi rank, as well as providing a flow-through, so that the new building does not interfere with the council's long-term redevelopment plan for Rosebank," he says.

FNB itself will probably take up all the ground floor retail space and some of the office space, leaving about 2 000m<sup>2</sup> to rent out.

in favour of the municipality for parking as well as a taxi rank, and it is being used for that at present," he says.

The site will be redeveloped so that the new building will tone in with others in the area, and architects Bentel & Abramson — who designed the Standard Bank building opposite — will also be responsible for the new building.

"Even after the new building is complete we will still only occupy about half

# Government rethink on Granny Bonds

Post Correspondent

JOHANNESBURG — The Government is reconsidering its controversial Granny Bonds investment scheme for senior citizens a little more than a month after it was launched on July 1.

A senior Treasury spokesman confirmed today that talks were taking place that might lead to a change in the scheme, which has attracted more than R200 million in investments so far. The Government was budgeting for an amount in the vicinity of R500 million.

The investment offers an interest rate of 15% payable quarterly, significantly higher than savings rates offered by banks, building societies and other financial institutions.

In order to protect their client bases, building societies and participation bond companies have already been

forced to increase savings rates, and consequently mortgage rates in order to beat off the threat posed by granny bonds.

A Government spokesman would not be drawn on the most likely changes to the scheme, but Mr Gerhard Croeser, chief director (finance) at the Department of Finance, indicated that a cut in the interest rate was not one of them.

Possible changes could include a cut-off date for investors or a reduction in the maximum amount investable in granny bonds, at present standing at R200 000.

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(58)

EPOST

5/8/87

# Tutu tells banks not to roll over SA loans

DD 5/18/87

**LONDON — The Archbishop of Cape Town, the Most Reverend Desmond Tutu, called on international banks yesterday to stop rolling over loans to South Africa until certain political conditions had been met.**

At a press conference here, he said: "We believe that economic action on the part of the international community still represents our last chance for a reasonably peaceful end to apartheid."

"It is interesting that the Congress of South African Trade Unions (Cosatu) in its last annual congress representing thousands of black workers still advocated sanctions as the last chance to help end

apartheid," he said.

Archbishop Tutu said the specific political conditions included an end to the state of emergency, the release of detainees and political prisoners, and a willingness to engage in talks about dismantling apartheid with the "real leaders and representatives of the people".

He said that if there could be a dismantling of apartheid without sanctions, "we would be



**ARCHBISHOP TUTU**

among the first to sing hallelujah".

Archbishop Tutu, who is in London to meet with other Anglican Bishops in a preparatory meeting for next year's Lambeth Conference (the 10-yearly meeting of Anglican bishops), said all violence whether committed by the South African Government or

by those wishing to overthrow it was evil.

Archbishop Tutu said he sympathised with those who injured in last week's bomb blast in Johannesburg.

"At the same time it is vital to underline the violence of apartheid and to arouse the world's anger against it."

But, he said, the time had not yet come when it could be said it was right to use violence to overthrow apartheid.

Referring to the recent Dakar talks between a mostly white and Afrikaans-speaking group from South Africa and the African National Congress, the Archbishop said it was always good for people to talk rather than fight.

"But we must not over-

rate the significance of the Dakar encounter."

He said the decision of the National Union of Mineworkers (NUM) to go on strike was an example that even now South Africans were still prepared to use non violent means.

Referring to the Homoine massacre in which 400 people were killed in Mozambique, he said: "If the South African Government supports Renamo then it supports terrorism and must be condemned by Western governments."

As Mozambique's plight stemmed from apartheid, he said, the international community should try to destroy the system before it destroyed Southern Africa. — Sapa

# Standard Bank still uncertain

58  
10/18/87

JOHANNESBURG — The Standard Bank Investment Corporation, whose shares on the Johannesburg Stock Exchange have been suspended for five days in anticipation of a disinvestment announcement by its London-based parent, said yesterday that negotiations had not yet reached finality.

Standard Chartered PLC, which owns a 39 per cent stake in the South African bank, would become the third multinational bank to disinvest from South Africa.

London-based Barclays withdrew last November and Citicorp of New York sold its local interests in June

this year.

Mr Conrad Strauss, managing director of Standard Bank, said yesterday: "We are aware negotiations are going on and have reason to believe that finality has not been reached. I don't know if our shares will be relisted tomorrow or not."

Mr Strauss added that if the transaction under discussion did take place, it would be substantially larger than any previous banking disinvestment.

He was referring to the sale of Barclays Bank PLC's 40,4 per cent stake in Barclays National Bank Ltd, now known as First National Bank. — Sapa-AP

# UBS cuts home bond rates

CAF Times  
6/8/87

By AUDREY D'ANGELO  
Financial Editor

THOUSANDS of families will be better off because the United Building Society (UBS) — the biggest in the country — has decided to cut mortgage bond rates for new borrowers and reverse a previous decision to raise them for existing borrowers.

Although some other building societies said they were unlikely to follow suit, economists predict that competition from the banks and the UBS will force them to do so.

Dr Ockie Stuart, director of the Stellenbosch Graduate School of Business, believes that interest rates in general might come down to stimulate the demand for credit.

He said he would not be surprised to see a further cut in the prime lending rate charged by banks to favoured customers, now 12,5%.

"The pressure on interest rates is downwards," he said. "It was against the trend for building societies to start putting up their lending rates."

"And with banks offering home loans at 12,5% interest, I would think the other building societies will be forced to follow the example of the UBS and bring theirs down too."

The UBS took other building societies by surprise yesterday with an announcement that it had reversed a previous decision to increase bond rates for existing borrowers to 14,5%, and they would remain at 14%.

From today, new bonds will be granted at 12,95%, provided the applicant has "good security".

Those with less security, such as those offering a deposit of less than 20%, will pay more, possibly 13,5%.

The UBS announcement followed a meeting yesterday between building society heads and the authorities, at which the effect of "grannybonds" was discussed.

The introduction in the budget of "grannybonds", offering an interest rate of 15% to senior citizens, forced some building societies to offer a similar rate to existing depositors over 60 to prevent an outflow of funds.

Since then, most of them have put their lending rate up to 14,5% or said they were about to do so, because of the increased cost of funds.

Both Mr Hendrik Sloet, the managing director of Saambou, and Mr Bob Tucker, managing director of the Permanent Building Society, said yesterday further rises were possible unless the government reduced the 15% interest rate on "grannybonds", enabling them to reduce a special rate to over-60's.

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Mr Trevor Olivier, assistant general manager (loans) of the Natal Building Society, said his society was unlikely to reverse a decision to raise bond rates to 14,5 per cent from August 1.

## CAPE TOWN

Thousands of families will be better off because the United Building Society — the biggest in the country — has decided to cut mortgage bond rates for new borrowers and to reverse a previous decision to raise them for existing borrowers.

Although some other building societies said they were unlikely to follow suit, economists predict that competition from the banks and the UBS will force them to do so.

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# Interest rates to follow bond cuts?

10/11/68

(58)

COMPANIES

12/87  
S. J. Day

# CU reverses loss of R2m to make R3,7m surplus

COMMERCIAL UNION (CU), SA's largest composite insurer, reversed an underwriting loss of R2m into a surplus of R3,7m to help boost taxed profit from R2,7m to R8,5m in the six months to June 30.

The interim dividend has been increased by 3c to 18c a share.

MD Bill Rutherford attributed the much better underwriting performance to a virtual absence of major catastrophes and a levelling off in the incidence of car thefts and burglaries.

However, the average costs of claim settlements in those classes of insurance continued to rise.

The 40% rise in premium income is largely due to organic growth stemming from the premium increases introduced in the latter part of last year.

The improved underwriting result and the 30% growth in investment income stemming largely from improved cash flow have significantly enhanced the company's pre-tax profit position.

Rutherford said: "However, due to the uncertain nature of the general insurance business, the half-year results should not be taken as indicative of the

MERVYN HARRIS

likely result of the full financial year.

"In the same vein, the increase in the interim dividend reflects not so much the improved results for the half year but an attempt to achieve a more balanced interim distribution relative to that for the full year."

On CU's life and pensions business, he said: "Premium income is down on last year because we have been less active in the single-premium annuity market.

"In 1986 we wrote a large volume of this business and were able to invest those single premiums at the highly attractive rates prevailing during the first half of last year.

"Our life investment income growth includes a 42% increase in dividends from our share investments and a 21% increase in property rental income.

"On the other hand, interest income has grown by only 3%, reflecting not only the lower interest rates prevailing this year, but also a decrease in the funds available in this area during the first half of this year."

7/8/87 (S) FIM  
 FEDERATED LIFE (S)  
**Punting pensions**  
 Federated recently launched Maverick, a flexible employee benefit package for groups of five or more, that it claims could solve many problems. Three stand-alone packages  
 FINANCIAL MAIL AUGUST 7 1987

1. (S) FIM 7/8/87

plus a fourth linked package offer a choice of retirement funds, risk benefits, deferred compensation and medical aid.

Any combination of packages can be bought with certain provisos:

- Package one: pension, provident or group retirement annuity, or a combination of the three. Minimum five members;
- Package two: deferred compensation;
- Package three: medical aid; and
- Package four: funeral, permanent health insurance, capital disability, group life, or dread disease "health bridge," which can only be bought linked to at least one of the items in package one.

The components have all been separately available. But, says Gerard Ehmke, Federated's senior assistant GM, marketing: "The secret lies in the simplicity with which they have been grouped together and the ease with which a new employee benefits plan can be implemented."

He says there has long been a need for a "simple package to provide the type of security normally found only in larger companies." Maverick has been specially designed for small but developing businesses.

"The Commissioner for Inland Revenue

has been reluctant to approve pension funds for small groups because he did not accept that they were permanent," states Ehmke. "But in view of our minimum requirement of five members, this reservation has changed."

The Registrar of Financial Institutions will also have to approve each fund, however small. It might be thought that the individual nature of the Maverick packaging could push up administrative costs considerably.

But Ehmke does not see a problem. "It is a tailor-made product, but all administrative systems are already in place."

The pension package will be a money purchase type which may be invested in either a guaranteed or a linked fund. Maximum age on entry is 55, and Federated will recommend that withdrawal benefits on resignation be contributions plus 50%.

The package includes the latest forms of cover designed to provide settled working conditions: salary continuation if an employee is off work for more than three months due to illness or injury; early payment of part of the group life assurance cover if an employee suffers specified serious illnesses; and funeral benefits for lower-paid employees, should their spouse or children die. ■



## AWASH IN A SECTORAL EBB

Amid all the excitement of disinvestment negotiations, Standard Bank Investment Corporation (Stanbic) has reported unexciting interim results. This coincides with the fact that the heavily profit-orientated controlling shareholders in parent Standard and Chartered (Stancha) are looking for a buyer (see main article).

Not only has Stanbic merely maintained its EPS and dividend at the same level as at the last interim (92c and 22c respectively), but group MD Conrad Strauss says that profits for the full year are unlikely to differ significantly from those for 1986. Taking into account currency considerations, this does not offer much incentive for Stancha to continue tying up substantial funds in this country.

Strauss particularly emphasises lack of demand for credit, which he says flows from low inventories and a fall in fixed investment. Added to this is pressure on margins, causing the bank to lean increasingly on fee-earning business.

Stannic did well; and tight control on

debt collection, on which the group has concentrated for the past two years, was an important factor in cutting bad and doubtful debt provisions from R90,6m to R47,4m. A major contributor to revenue was home loans. The total value amounts to R530m, an increase of R300m in six months, against a rise in total advances of R375m. The bank is aiming at increasing home loans to R1 billion by year-end.

A thorny problem remains steadily increasing operating expenses, which climbed 19%, exceeding the rate of inflation. After-tax profits were further reduced by the tax charge. It was more than double the figure for the same period in 1986, though the rate was the same as in the second half of last year. Added to a slight fall in income from associated companies, flowing from the sale of some

Unisec shares, these declines offset the 20% rise in operating profit before tax.

The group enjoyed the benefit of some extraordinary items, totalling R9,6m and resulting from disposals of Investec, Unidev and Finansbank shares.

The interim dividend was maintained, as Strauss says the board does not want to reduce cover. Suggestions that an extraordinary dividend might be paid to enable Stancha to receive more for its shareholding do not seem to find much acceptance with management.

"The results reflect the state of the economy," sums up Strauss. As the directors do not expect the full year to show an increase over 1986, and given the current concerns that the economic upturn may be losing momentum, the results will reflect not just on Stanbic, but on the entire banking sector.

There seems little reason for investors to seek exposure to this sector or to increase it if they are already invested.

Pat Kenney

### STANBIC MAINTAINS

Six months to	Jun '86	Dec '86	Jun '87
Pre-Tax Profit (Rm) .....	99,4	167,9	119,6
Attributable (Rm) .....	88,6	120,4	89,8
Earnings (c) .....	92	123	92
Dividends (c) .....	22	56	22

## CASH MANAGEMENT

### Bank squeeze

The Reserve Bank is concerned that banks are using clients' cash balances to effectively reduce liquidity ratios.

A large company with multiple bank accounts is likely to have surpluses in some and

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overdrafts in others. Competent cash managers have been using overnight credit balances to extinguish debits — in preference to earning 8% on the former, while paying 12,5% on the latter.

And banks, eager to get the edge on competitors, do what they can to simplify such arrangements: either by transferring balances from surplus accounts, each day, to those in debit; or by allowing set-off of debit and credit balances without physical transfer of funds.

A by-product of such an arrangement is to

reduce both sides of a bank's balance sheet. As capital requirements are a ratio of assets, the arrangement effectively reduces the capital a bank must keep.

So useful is the procedure that, at one stage, it was extended to groups of companies consisting of more than one legal entity. However, the Bank believes that this blurs banks' true debtor-creditor relationships with clients and also true risk exposures.

Amendments to Banks Act regulations in December limited the practice to the ac-

counts of a single legal entity. Now bankers of large groups, consisting of several entities, have had to go back to the physical transfer of account balances. Some banks streamline the process by offering electronic stop orders.

It seems, though, that not all banks implemented the regulations. Some have neglected to match their records with clients'.

#### New requirements

Banks and Building Societies Registrar Chris de Swardt sent out a circular last month, pointing out that schemes which don't conform to certain requirements will be regarded as "undesirable practices."

Requirements are that:

- Transfers and reversals between accounts must be reflected on individual accounts as well as on group accounts to reflect "true debtor-creditor relationships and legal positions;"
- Balances on clients' books must correspond with client balances in bank accounting systems;
- Transfers must be in the name of a legal entity;
- Transfers must be supported by legal authorisation from clients, at board level; and
- Statutory returns must reflect banks' true debtor-creditor relationships and actual legal positions.

Banks have until August 31 to get cash management schemes approved by the Bank. Meanwhile, companies using these schemes may want to find out whether they comply with the new requirements. ■

# What of Stanbic now?

58 FM 7/8/87

After the disinvestment of Barclays last year, attention was inevitably drawn to Stanbic, which owns the ubiquitous Standard Bank. It is this country's other former imperial bank, until recently controlled by Britain's lame Standard and Chartered (Stancha), which is now selling its remaining 39% stake.

The major difference between Stancha and Barclays is that Barclays, with its wide retail network in the UK, was particularly susceptible to anti-apartheid disinvestment pressure. Stancha is less exposed on this front, although not entirely isolated from it.

For instance, last year it earned £65,8m from growing North American interests, against only £36,8m from SA. Stancha also has aspirations to gain a share of the British highstreet banking market and its strong SA connection could well frustrate this endeavour.

Against this, however, should be balanced Stancha's traditional operations in the Far East, the Middle East and Africa where disinvestment pressures have been negligible.

We guess that the real motivation for Stancha's withdrawal lies in the fact that it has not been a very successful bank in recent years and the white squires who saved it from the Lloyd's bid last year clearly want to swing its emphasis towards Western markets. US and European pickings have become desirable from the perspective of the Far East.

A prelude to this is sound financing, which means making Third World debt provisions similar to those of the other large First World banks. As the new shareholders don't favour a rights issue to do this, disposal of inconvenient South African assets, which are not performing well, would make a substantial contribution (FM, July 24).

Where does this leave Stanbic, SA's second largest bank group? Certainly its management, if somewhat laconic, has displayed in recent years an ability, robustness and far-sightedness that far outstrips Stancha's and makes it pre-eminent in the local

**Stancha's sale of its holding in Standard Bank is not directly due to political disinvestment pressures. The move is aimed at restructuring Stancha's global operations, and leaving SA is a convenient way of achieving this. But for Stanbic the question arises of an avenue for international trading.**

market.

Expectations are that Stanbic will end up being owned largely by Liberty Life and Rembrandt, with Old Mutual (despite its Nedbank stake) also possibly having a share. Exactly to whom and how the shareholding will fall was unknown at the time of going to press. About all that can be said is that it is unlikely to go predominantly to one institution because of the 30% ownership constraint in the Banks Act. Pretoria has agreed to exceptions in the past only when the bank involved was in financial trouble. Stanbic manifestly is not.

The point is that Stanbic can count on having solid institutional shareholders capable of assisting its marketing efforts in the short run and capable of providing additional capital in the longer term. That is the delight of every bank's chief executive.

The downside of Stancha's withdrawal could mean Stanbic is deprived of an adequate international correspondent network essential to the conduct of foreign trade on which the SA economy is heavily dependent.

Chances are that Stancha, subject as it is to less disinvestment pressure than Barclays, will not leave Stanbic quite as naked in this respect as Barclays left First National, prompting the latter's spectacular deal with Citibank. But it is a matter of concern, despite chief executive Conrad Strauss's assurance that Stanbic is better placed in this respect than other South African banks.

Correspondent network aside, it does not appear that Stanbic's withdrawal will have a significant impact upon Stanbic. It has kept its margins relatively sweet by judging interest rate trends correctly during a particularly debilitating recession and funding itself appropriately. It appears to have taken far-sighted decisions on electronic banking that are paying off. It is certainly perceived to be ahead of other banks in this increasingly important area.

One decision it may yet regret is the rupture of its relationship with the United Building Society, also a highly innovative and computerised institution, which began to feel its association with Stanbic was of the nature of a poor relation. So instead it cut loose and bought into Volkskas. This combination may yet prove to be Stanbic's most formidable competitor in the years ahead.

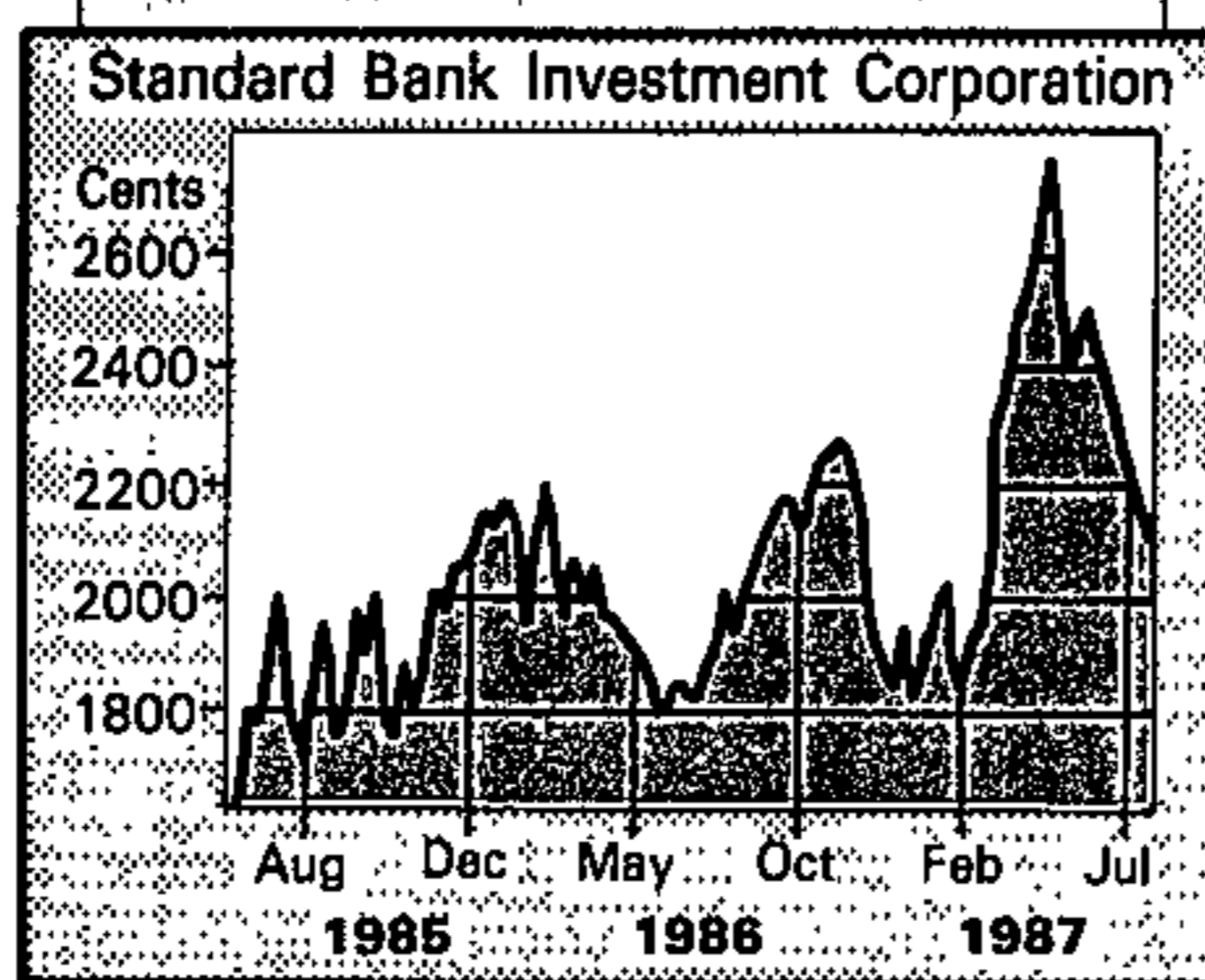
Stanbic has also been very aggressive in recent years in going for market share as First National and Nedbank were preoccupied with their respective problems. This gives Stanbic some considerable advantage. But it may in due course have to face the cost of what insurers would call new business strain.

Its most recent market push, however, into juvenile banking facilities lacked the marketing panache that First National brought to its launch some years ago.

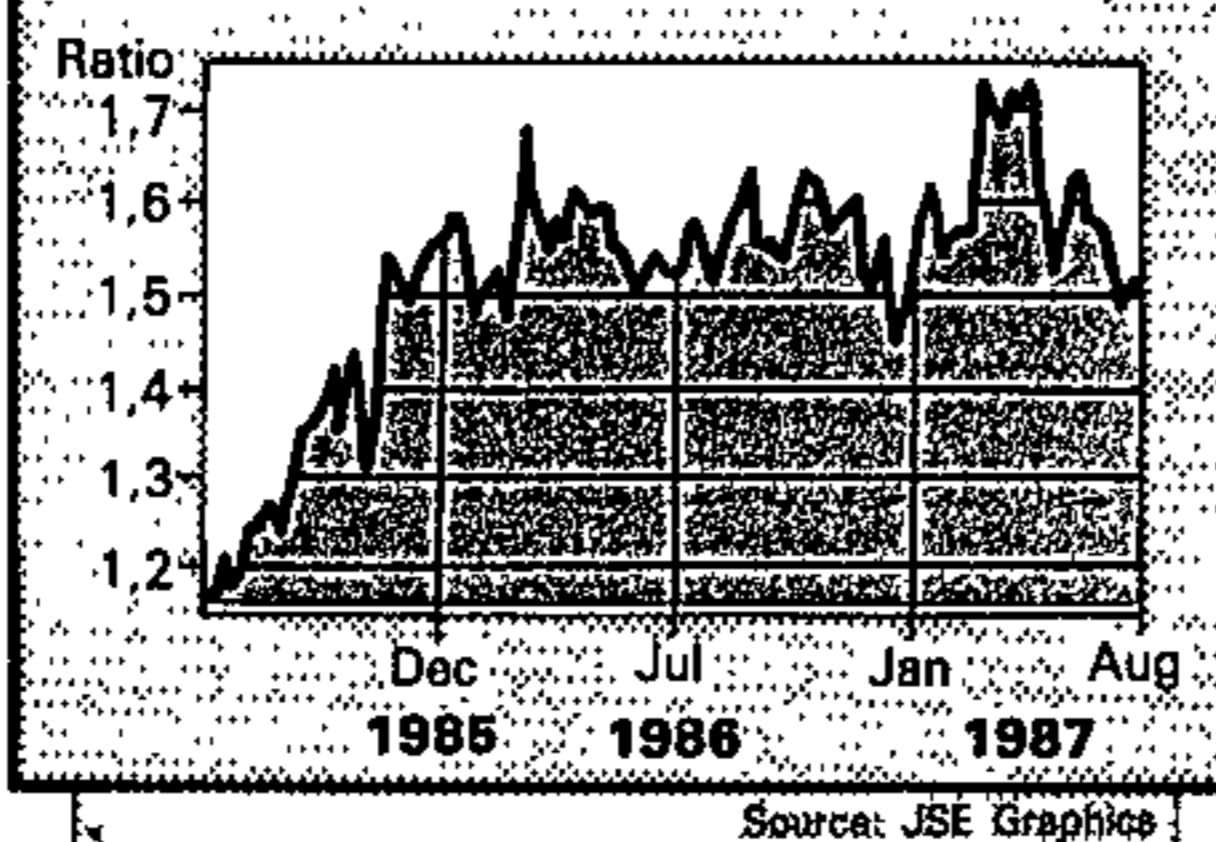
Stanbic's increase in deposit base in the final quarter of last year was ahead of the industry average, with long-term deposits rising. It is thought that this could be to protect the bank, which decided to keep its home loan rate fixed until the end of the year, at a rate 2% below that of the building societies.

The main impact of Stancha's exit could be on the financial rand. As with Barclays, funds from the sale of the British company's

**Stanbic's trend**



**Standard Bank Investment Corporation vs Banks and Financial Services**



P.T.O.

## INSURANCE

### New acts for old

Any revisions to the draft life assurance legislation now being reviewed will be made by an almost entirely new team. The only remaining member of the panel who drafted the Bill published in November is "Oppie" Oppermann of the Financial Institutions Office (FIO).

Other members were Nols Botha, seconded from the Department of Justice (now in private practice), former Financial Institutions Registrar Robert Burton (now secretary of the Treasury), former State Actuary Willem Swanepoel (now MD of Atlantic

& Continental Assurance) and FIO's Willem Heckroodt (now concentrating on the short-term side).

Given the new perspectives of the present team, Registrar Theo van Wyk, State Actuary Piet Robbertse and deputy registrar Piet Badenhorst (brought across from the banks and building societies side of the FIO), as well as input from the industry, the final Bill may be very different from the draft.

Certainly, there is a strong view among life assurers that the existing Act is fundamentally sound. Though much in need of updating, it has provided a comparatively deregulated framework for the industry to grow and thrive. If it is thrown out entirely, valuable precedents established over 44 years will be "difficult to relate to any new Act," says an insurer.

The Life Underwriters' Association of SA recently published its comments. The organisation, which represents life assurance agents and individual brokers, has two major reservations: the basis on which commissions paid to life intermediaries are to be regulated; and the proposed 30-day cooling-off period for clients to reconsider policies.

On the second recommendation, executive director Hennie Oosthuizen perceives an "implied insult to the intermediary in particular and the industry in general."

The Life Offices' Association, on the other hand, favours commission control and accepts a cooling-off period in principle, says executive director Dick Geary-Cooke, "as in the interests of the consumer."

The draft will now be referred back to the legal team, who will revise it and recirculate it for comment. No deadline has been set. Says Robbertse: "We want to do this properly and we don't intend to rush it."

Short-term legislation is also due for review. But the authorities may revert to their original plan of drafting one comprehensive Bill to cover both long- and short-term insurance.

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(58) FIM  
7/8/87



# Standard to sell its R715-m stake in SA

*8/10/79*  
*Star*  
**FINANCE STAFF**

In the largest disinvestment move from the country so far, the London-based international banking group Standard Chartered yesterday announced the sale of its 39 percent stake in its South African subsidiary.

The R715,9 million deal will leave the Standard Bank Investment Corporation (Stanbic) completely in South African hands, with Liberty Life becoming the new major shareholder in the group.

At a Press briefing in Johannesburg yesterday, Stanbic directors also announced that the company's shares, which were suspended in anticipation of the disinvestment move, will be reinstated on Monday.

Standard becomes the third multinational bank to disinvest, following London-based Barclays last November and Citicorp of New York in June.

● See Page 13

**SA not to blame**

Aggressive price cutting by South African coal exporters to retain market share in the face of sanctions, is not to blame for the downward drift in world coal prices. Surplus coal stocks and low oil prices are the culprits.

This is the view of SA's exporters, who claim that far too much criticism is levelled at SA for its "disruptive" pricing policies. The real reason for low world prices — which recently touched \$20/t on the spot market — is the huge overhang of stocks on the world market and the recent oil bear market.

The Australian ambassador to SA, in an address last week to the Institute of International Affairs in Johannesburg, implied that SA's aggressive coal marketing policy in the Far East had caused losses running into several hundred million rand — R550m-R800m has been cited — to the Australian coal industry.

But local suppliers estimate the current world surplus at around 30 Mt — largely as a result of additional coal coming on the market from Colombia, Venezuela, Indonesia and China. China has apparently already exceeded its total 1986 coal exports and is heading for 16 Mt for this year. But firmer trends in crude oil prices and on-going tensions in the Gulf are said to be bullish for coal prices in the medium term.

Gencor marketing manager (exports) Rob Cowley says with the spot price sitting at the \$20-\$21/t mark, few collieries can be mak-

67

ing any money. "But," he says, "mining will continue in the hope that prices will pick up in a year or two's time." Gencor analysts expect prices to firm to around \$26-\$27/t.

**Poised to fall**

Last year total coal exports were in the region of 39 Mt, some 5 Mt down on 1985. The consensus is that exports are poised to fall even further this year to about 35 Mt — or some 10 Mt below their 1985 peak.

Finance manager of the Transvaal Coal Owners' Association (TCOA) Gerald Robinson says TCOA exports will this year probably come down from some 11 Mt to 8 Mt-9Mt. But collieries have to keep on supplying existing customers, even when prices are poor, as they dare not alienate them.

Robinson says it is impossible to make any profits at a price of \$21/t. A price of \$23/t probably represents breakeven point. A further complicating factor is that the Danes will this year chair the EEC's Foreign Ministers' Committee. They were the first to impose coal sanctions against SA and will no doubt lobby other European nations to do the

tween eastern Transvaal coalfields and Richards Bay will decide whether it is worthwhile to pursue a coal export policy. "At the moment export collieries are, at best, on margin and sometimes below it, so any additional costs in the form of higher rail tariffs will put the final nail in the coffin."

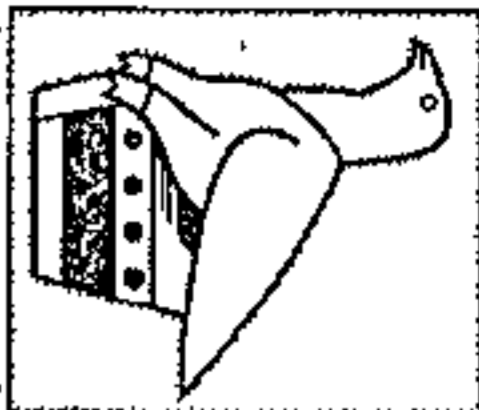
Seeley says a Cabinet committee is looking into this matter but, "Margo-like," it is taking a long time to reach any decision. ■

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(74) FM

FM (74) 7/8/87

# Mugabe succumbs to reason



After 10 days of confusion, rumour and frenzied action by private sector business organisations, Zimbabwe pulled back from the brink last Thursday, to drop the plan to impose trade sanctions on Pretoria. While businessmen in Harare have breathed a collective sigh of relief, the fact is that considerable damage has been done.

The episode began in mid-July when Mugabe returned from his Victoria Falls meeting with Zambian President Kenneth Kaunda at which the two leaders reluctantly agreed that they could not impose arduous sanctions against Pretoria — denying SAA landing rights, and so on.

However, apparently in an effort to Gungu Din his neighbour, Kaunda raised Zambia's diversion of its copper traffic from South African ports, pointedly asking what Zimbabwe was doing. On his return to Harare, Mugabe lost no time in telling his ministers to investigate a trade ban against SA, and later that week private sector business leaders were summoned to be told two different versions of what was intended.

One version held that there would be an immediate ban on all imports and exports, while the second interpretation was that a ban of most trade — though not on transit traffic — would be imposed at the beginning of 1988.

It was clear from the outset that the Cabinet and government officials were deeply divided over the issue and over the next 10 days, at a series of Cabinet meetings, the politicians were warned of the likely repercussions of a trade ban. In 1986, Zimbabwe sold 9.5% of its total exports worth some US\$123m to SA and imported 21% of its total imports valued at \$205m.

Furthermore, while there have been public claims that the port of Beira is handling 40% of Zimbabwe's foreign trade, informed sources put the figure at closer to 25%, warning that if Pretoria retaliated by banning transit traffic then the Zimbabwean economy would be in dire straits.

Clearly Zimbabwe could find another source from which to obtain the imports it is purchasing from SA — but at a substantially higher cost. But that would fall too if Pretoria refused to allow Zimbabwe to import goods from overseas via the South African transport system. This was a major

Zimbabwe's threat of sanctions against SA are far softer — thanks to economic realities — than first appeared. In the longer run, however, political pressures may compel Prime Minister Robert Mugabe to take some action — though, boxed in as he is by transport realities and the constraints of inept economic policies, they are difficult to imagine.

consideration that forced the Cabinet to drop sanctions. It was stressed that the agricultural, mining, transport and manufacturing sectors would all find themselves short of essential inputs resulting in stoppages, retrenchments and large-scale unemployment.

On the export side, it was pointed out that at least a third of the exports of manufacturing industry are sold in SA, and there is simply no viable alternative outlet for most of these products. The balance of payments effects of South African sanctions are conservatively estimated at more than \$200m — which would have had a far-reaching impact on the already fragile Zimbabwe economy.

And so, at the crunch, economic rationality prevailed — this time at any rate. What is less surprising, however, is Mugabe's woeful ignorance of the extent and depth of his own country's economic dependence on SA. For a man who has so much to

say about this country, he is remarkably ill informed.

One consequence of this latest episode of economic sanctity is that Zimbabwean trade and transport dependence on SA will probably shrink a little faster than before. For, faced with another (though temporary) loss of Mugabe's economic reason, the minds of importers and exporters have been focused on the need to hedge their risks by diversifying their markets and their suppliers. The same process is likely to take place without SA too. To that extent, Mugabe's economic brinkmanship may well have some lasting effects in the longer run. The fact is that Zimbabwean sanctions against SA are inevitable — what is at stake is their content and timing. The business community in both countries has got this message loud and clear.

Although he suffered a setback when the Cabinet came out against his sanctions plan, it's unlikely that Mugabe's political stature has been materially damaged. He remains committed to sanctions. There was no division within the Cabinet on the principle — merely on timing.

At the same time, there is little doubt that the Mugabe administration's international reputation has suffered. The suggestion that the sanctions reports were just a figment of the fertile imaginations of the foreign media both in SA and internationally, failed to mask the very deep divisions, the indecision and the confusion that gripped Harare for two weeks last month. It was not a picture of a well-ordered administration that knew where it was going, but of politicians who, having made a policy pronouncement, discovered that it simply could not be successfully implemented.

On the South African side, the cutting edge, such as it might be, of sanctions is the issue of import permits not valid for goods from a short list of taboo, and accordingly embargoed, countries — including SA. Certain background factors help to put the situation into perspective.

According to Safto GM Warren Smith, SA's total exports to Zimbabwe are currently running at about R500m annually, of which 40% reflects the consumer goods component. The remainder of the total comprises raw materials, and intermediate and capital goods — all of which are absolutely vital for the continued functioning of the Zimbabwean economy (see *Economy*).

Smith considers it inconceivable that Zimbabwe would be so suicidal as to interfere with imports of

goods in these categories. So what is at risk is at worst an amount of R200m annually, or around half a percent of total South African exports.

Looking at the broader canvas, there is the basic fact that Mugabe, whatever political-cum-economic calculations may determine his actions, will always favour a strong line against the remaining white-ruled state in southern Africa.

It is his relative poverty and not his will which obliges him to traffic with SA. And this conclusion must remain valid regardless of the precise outcome of the current wrangle. We can be sure that the moment — if ever — that Mugabe feels free to follow his ideological convictions without economic constraints, he will pursue the hardest of hard political lines.

What also concerns Smith, however, is that Zimbabwe is merely one of a number of black states with which SA collectively transacts trade which, in aggregate, is of great value.

And the same degree of anti-South African resentment — expressed in joint public commitments to the cause of sanctions, for example — is in many other cases married to the same sort of economic difficulties as Zimbabwe's. In cases like Zambia, current economic difficulties can be described with-

out exaggeration as outright crisis. But whether in the foreseeable future any of these countries will be sufficiently economically strong to eschew South African trade is extremely doubtful. For the domestic policies they are following can only increase their impoverishment.

Economic difficulties in sub-Saharan Africa are of too profound a structural nature to be ascribed glibly to drought or past exploitation by colonialists and imperialists. The plain fact is that Africa's various brands of authoritarian socialism — financed by foreign aid — have all but ruined the flourishing economies they look over on independence.

Tobaharan governments like that of Zambia's Kaunda have shown themselves to be incapable of making the painful structural adjustments necessary to return to any semblance of prosperity. Zimbabwe appears to be taking a similar route, despite the celebrated pragmatism of Mugabe.

Yet without foreign aid, they have neither the wit nor wherewithal to even feed themselves, let alone provide basic consumer goods.

As that aid diminishes, and as their former imperial rulers are not about to come to their aid if they impose sanctions on SA, their economic plight is bound to become more profound.

The longer they take to apply sensible economic policies — which imply, moreover, a greater degree of democracy — the less likely they are going to be able to afford an alternative to South African trade.

The limit to the cost of not trading with SA is probably Kaunda's own political survival, which hinges more than he would like to acknowledge on his ability to feed and clothe his own people. As Mugabe inherited a larger and more robust economy and has had less time to ruin it, he may take a little longer to face reality.

It is in our interests here for the Nat government to make their facing that reality

as easy for them as possible. That means avoiding retaliation, such as blocking Zimbabwe's trade routes through this country or even threatening to do so.

It needs to be understood in Pretoria too that both comrades Mugabe and Kaunda like to cut a figure at Commonwealth conferences. Enough verbal swaggering and political posturing at these gatherings helps to cloak their own humanitarian shortcomings in righteous indignation.

So Pretoria must accept that, in practice, the bark about anti-South African sanctions must always seem worse than the bite SA, moreover, is strong enough economically and militarily, in a regional context, to be able to afford abstention from inflammatory rhetoric of its own. In the broader context of anti-South African sentiment within the Western world, we can only be the losers from hysteria.

There should also be a continued willingness to maintain low-key technical assistance where it is wanted, once again on the basis of doing good by stealth.

We cannot claim in SA to be on the side of the angels. Manifestly we are not. But patience and the other cheek — better known as maturity — have been shown by businessmen sometimes to have their economic rewards in emergent Africa.

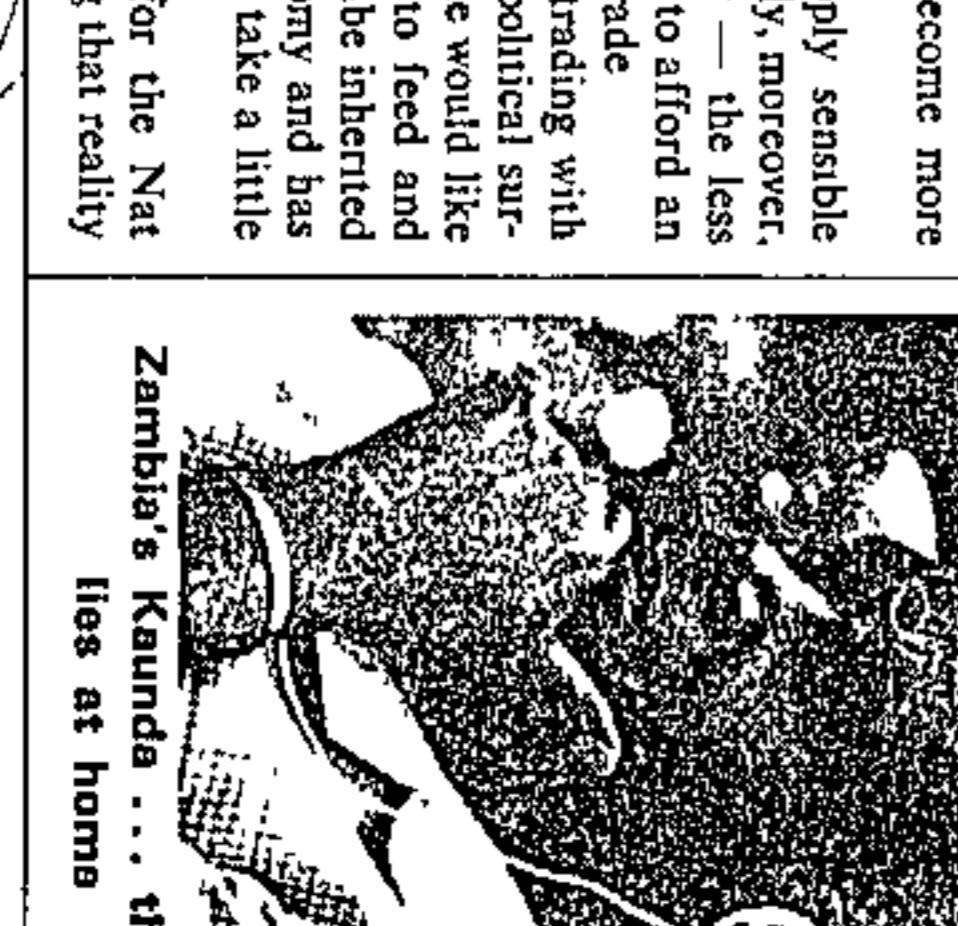
Simply put, Mugabe is becoming increasingly boxed in by the very real economic constraints of his own ideology. He cannot afford to close the drifts the longer he adheres to what he believes to be his principles.

In contrast, SA does have a choice. It can stand prepared to do business as usual and continue to dismantle its racist social policies that give Mugabe so much convenient political sustenance — and inhibit its own economic potential.

Or it can turn its back both on regional diplomacy and foreign trade and seek relief in markets elsewhere.

What it risks if it chooses the latter course is escalating regional instability. What man can rest comfortably while his neighbour starves — even if it be because of his neighbour's own foolishness?

Zambia's Kaunda ... the blame lies at home



FINANCIAL MAIL AUGUST 7 1987

Pay up, or no registration, public is told

# Duty on cars a mistake, says official

8/8/77  
74  
Star

Ill-informed clerks have been demanding "import duties" from people who apply to have registered in South Africa any cars they have bought in Bophuthatswana, Venda, Transkei or Ciskei.

When several members of the public demanded to know why these charges were payable, seeing that all four territories are members of the Southern African

## JUNE BEARZI Star Line

Customs Union, some clerks were adamant: "Pay up, or no registration."

But Star Line has established that the clerks had no right to demand the "duties".

Import, customs and excise fees are not due when goods are

moved between partners in the Southern African Customs Union to which four territories — Botswana, Swaziland, Lesotho and South Africa — belong.

The problem was highlighted this week when a man who had bought a 1974 Toyota in Venda was told by an Inland Revenue clerk that "import duties" should be paid before the car could be registered in Johannesburg.

Mr. Doug Elliot, director of the Department of Customs and Excise in Pretoria, confirmed that his department knew errors had been made because clerks were not aware of the existence of the customs union agreement.

He explained: "We have pointed this out to the various authorities; but we have had great difficulty in getting the message through to the licensing authorities."

Johannesburg's acting chief licensing officer, Mrs C Filmalter, said she was not aware that clerks in her department were giving incorrect information to the public.

She said: "I will put a directive through to the Department of Provincial Administration as there seems to be lack of communication somewhere."

Mr T J Steenekamp, deputy director of law administration at the Department of Provincial Administration, said he was unaware of the problem.

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Pay up, or no registration, public is told

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## TV viewers can take on chess grandmaster

Chess grandmaster Miguel Quinteros takes on all of South Africa in a nationwide television phone-in competition tomorrow morning.

Chess fanatics of all ages are invited to switch on TV3/4 at 11 am tomorrow to watch Quinteros in action. He will supply studio telephone numbers and chess players

can call him and state their moves. Quinteros will counter-move and then select another player. A panel of judges will select the best moves and winners will be awarded chess computers and chess sets.

Miguel hopes this phone-in will encourage children to learn to play chess as he believes this is where a child can develop his or her mind and memory.

Miguel learnt to play chess at the age of six and is now rated among the top in the world.

WEEKEND

*Update*

Michael Jackson's fantasy world



See UPDATE — Page 5

Funeral Notices

## United refutes bond claims

**FINANCE STAFF**

The United Building Society (UBS) yesterday refuted claims that only a few new bondholders will benefit from its 12,95 percent mortgage bond rate.

*The Star* had claimed on Thursday that few people would benefit from the lower rate, as there was a decline in demand for new bonds over the last few months.

A UBS spokesman argued that all new borrowers who satisfy the society's normal requirements would receive the new 12,95 percent rate.

"With our average mortgage lending running to well in excess of R200 million a month for the first five months of this year, it follows that a very significant number of people will benefit from our new rate."

At the same time, existing United borrowers will continue to pay an existing rate of 13,5 percent.

"Since the United has funded more than 300 000 existing homes in South Africa to date, all these homeowners will benefit from our decision to hold these rates," the spokesman said.

# Standard Bank pulls out of South Africa

JOHANNESBURG

Standard Chartered (Stancha), the London-based international banking group, has disinvested completely from Standard Bank Investment Corporation (SBIC) in a R715,9-million deal which leaves its entire 39 per cent stake in SBIC in South African hands, it was announced last night.

A joint announcement by Stancha and SBIC said agreement had been reached between them and Liberty Life Association of Africa, Gold Fields of South Africa, Rembrandt Group and SA Mutual Life Assurance Society on the acquisition of Stancha's stake in SBIC at an effective price of R18,75 per share.

When the arrangements have been completed, Liberty Life's stake will go up from 22,6 to 30 per cent, Old Mutual's from 17,1 to 20, Gold Fields from 3,4 to 10 and Rembrandt from nil to 10 per cent.

The Standard Bank Pension Fund will hold 5 per cent, and the other 25 per cent will be held by the general public.

Proposals are to be submitted to SBIC shareholders in terms of which ordinary and preferred ordinary shareholders can elect either to receive a special dividend of 412,5c per share, or to waive their right to the dividend.

All shareholders will be entitled to participate in a rights offer.

Liberty Life and Gold Fields agreed to underwrite the offer made to all shareholders other than Liberty Life, Gold Fields, Old Mutual and the Standard Bank Pension Fund.

The SBIC directors said they welcomed "the consolidation of the group under a strong and stable South Afri-

can ownership. This will open up a variety of opportunities locally and internationally, offering potential for future growth.

"SBIC looks forward to the continuation of the close relationship with Standard Chartered, which has been developed over more than a century of business activity."

The SBIC's JSE listing will be reinstated on Monday.

Stancha, which is to take the special dividend offered in terms of the agreement but will not exercise its right to buy additional shares, will take out R715,9-million from the deal, plus R8,7-million from the ordinary dividend announced this week, all through the commercial rand channel.

Meanwhile, the group's managing director in London, Mr Michael McWilliam said the decision to write down its Third World debt prompted the sale.

He said the decision was taken in June and July this year after Britain's largest bank, National Westminster, increased its bad debt provision by £466-million.

He said the decision was a purely financial one, and had nothing to do with the political campaign mounted against the bank by the Anti-Apartheid Movement (AAM).

Since Stanbic had become an associate company of Stancha's in 1984, its earnings were not as highly valued as core earnings, he said. Rather than retain a minority stake it was decided to redeploy the capital.

Mr McWilliam said he expected to have all the money out of South Africa by November.

# Granny bond limit lowered to R20 000

Sunday Times Reporter

THE government has slapped a R20 000 ceiling and other limitations on its popular but controversial "granny bonds" scheme — after it had drawn R1-billion within a month.

The original plan, said Minister of Finance Barend Du Plessis, is to be ended immediately and a new scheme, with virtually the same benefits, will be launched.

Mr du Plessis' move follows strenuous objections by building societies and other lending institutions that they were being drained of investment money in favour of the higher yield "granny bonds".

## Conditions

The two additional conditions attached to the new bond scheme are:

- The maximum amount that may be invested in the new series will be R20 000 per individual, compared with a previous limit of R200 000.

This total sum includes any amount invested under the first series.

- Only those who, up to and including yesterday, who have given formal notice of the withdrawal of



**BAREND DU PLESSIS**  
A granny in the ointment

a term investment may invest in the new series.

The notice must be given in writing

"The minimum age of 60, the interest rate of 15 percent and the 12-month term remain unchanged," Mr du Plessis said.

"In view of the growth in the demand for this investment and the exceptionally large sum already received, it had been decided that in the light of under-

takings given the present series of bonds will be terminated.

The new series of bonds will be launched immediately.

According to Mr du Plessis, the projected R520-million the Senior Citizen Savings Bond scheme anticipated attracting had nearly been doubled.

The scheme, introduced in June, allows citizens over 60 to invest their money at 15 percent which is substantially higher than investment schemes offered by the private sector

## Hedge

At the time Mr Du Plessis said the aim was not to draw funds away from financial institutions but to give retired people a hedge against inflation.

Institutions were assured that if significantly more funds were being drawn from the market than were being budgeted for, the conditions of the bonds would be reviewed.

The Minister also said that a measure of protection against abnormal falls in the interest rate — which hit those largely dependant upon interest income for their subsistence — will be investigated further and addressed in the next budget.

9/18/87

# Building societies under the whip

By Stephen Rogers

58  
Time

**THE United Building Society's mortgage-rate reduction could result in other societies bringing the cost of money closer to the 12,5% offered by banks.**

Borrowers who apply for a UBS loan up to 80% of the value of a property will be offered 12,95%, and applicants for a loan over 80% will pay 13,5%. The rate for existing bondholders will be lowered from 14,5% to 14%.

This move reverses the UBS rate increase at the beginning of the month and has been interpreted as the first serious attempt by a building society to stem the flow of business to the banks.

UBS managing director Mike de Blanche declines to be specific about the motives behind the rate decrease, except to say "it will make the UBS more competitive".

With First National writing almost R60-million of new housing business a month and Standard's figure having doubled in recent months, the problem is serious for building societies.

Standard's housing book is now more than R500-million. Its target is R1-billion for the year. In spite of Standard's disappointing profit results, managing director Conrad Strauss says the bank is not losing on 12,5% lending.

First National has R1,5-billion in housing loans.

Although the banks' market share is well

below the R8-billion of UBS, if the rate differential is maintained the position could change.

It is uncertain how much new business the UBS will attract. Building societies can lend up to 90% of a property's value. Most of them say loan applications are closer to 90% than 80%.

So most new business may be written at 13,5%. Even if a new borrower qualifies for 12,95%, it is still higher than the banks' rate and is not guaranteed for any period of time — unlike Standard's.

Some analysts believe that the new rates are merely a marketing ploy and will soon be revised. However, Mr de Blanche stresses that the new structure is not a temporary measure and will be maintained "as long as market conditions permit".

The other societies are waiting.

But they are worried by recent developments and the building society movement is now under threat on two flanks. The banks are eating away at their market share and granny bonds are threatening to erode their deposit base.

It is believed that the Department of Finance has reassured the societies that it will revise granny bonds. It is likely that the age limit will be raised and the maximum amount reduced.

STimes 9/8/87

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By DAVID CARTE

**SOUTH AFRICAN** business, led by Liberty chairman Donald Gordon, registered another victory over the City of London in Standard Chartered Bank's R517-million disinvestment this week.

In withdrawing from SA after more than 100 years, Standard Chartered (Stancha), like Barclays before it, is taking home relative peanuts.

The South African buyers, Liberty, Old Mutual, Rembrandt and Gold Fields of SA, are acquiring 38 percent of South Africa's biggest and most profitable bank and one of the bluest chips on the Stock Exchange — cheaply.

Standard Chartered was one of the biggest remaining foreign investors and employers in SA. Standard Bank Investment Corp (SBIC) employs 2 3000 in SA.

"I am saddened by their withdrawal," said Mr Gordon. "It was the severance of an old and very important business link. We increased Liberty's stake to 30 percent with some reluctance.

"But they could not have expected a better price. After all, they were placing a lot of paper in a relatively small South African financial market. We told them if they wanted to leave they

# By pulling out of SA, bank nets 'peanuts'

couldn't leave in glory."

Mr Gordon thinks Stancha's withdrawal was as unwise as those of Barclays PLC and Guardian Royal Exchange (GRE), which pulled out of Liberty in 1978.

"We paid R1.25c a share for GRE's Libhold shares. Now they are worth R37 a share. The annual dividend today is twice the price GRE took for their shares."

Stancha is repatriating 155-million pounds sterling — about seven times the

contribution of SBIC to its taxed profit. The SA buyers are paying R18.75 a share, compared to the price of R26 a share six weeks ago before the market got wind of the deal.

The price being paid is a discount of 28 percent on the pre-deal price. It is about 8.7 times earnings. The average banking share on the JSE is valued at 10 times earnings. Stanbic has recently enjoyed the highest rating and has traded at 12 times earnings.

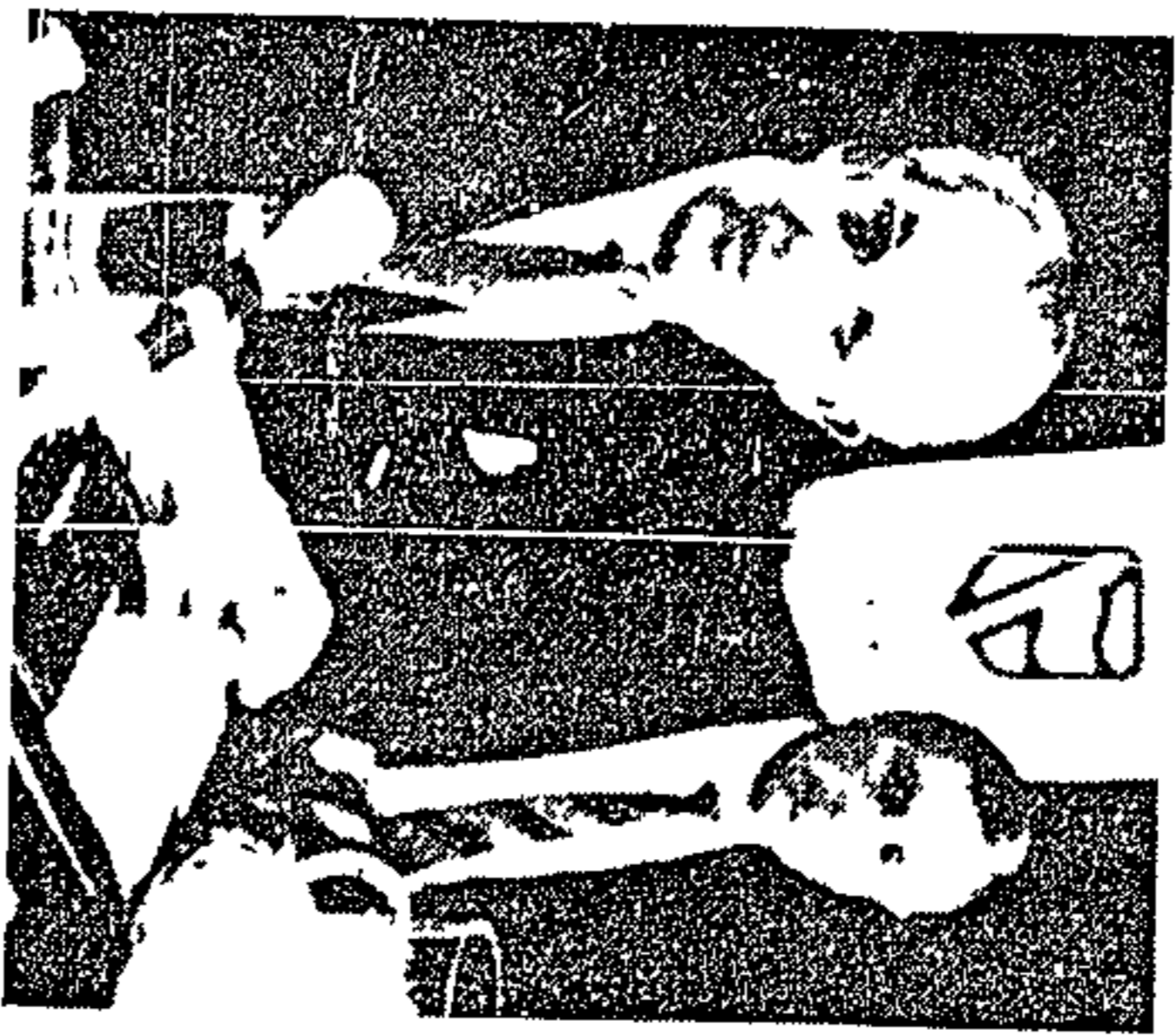
While it is probably disappointed at the terms of the withdrawal, Stancha is obliged to continue being friendly to its old subsidiary.

It has \$1-billion of debt owing to it in the SA debt standstill net. Stanbic keeps its banking links with Stancha for the foreseeable future.

Standard Bank of SA is not even obliged to change its name.

"When a child leaves home," said Stanbic managing director Conrad Strauss, "it does not have the effrontery to ask its parents to change their name."

Over more than a century, Standard Bank of SA has been the jewel in Stancha's international crown. Retention of the name will be reassuring for Stan-



Henri de Villiers, chairman, Standard Bank Investment Corp, discloses sale

dard's staff and customers. Mr Gordon has ensured that Liberty comes out of the deal better than anyone.

Before the transaction, Liberty had 22.1 percent and its arch rival, Old Mutual, 17.1 percent.

Until 1983, Old Mutual had the biggest stake in SBIC after Stancha but then

Stancha let Liberty take up its rights in a rights issue and Liberty became the biggest SA holder.

Had Stancha's 38 percent been distributed between existing shareholders on a pro-rata basis, Liberty's stake would have risen to 31 percent and Old Mutual's to 24 percent.

Stancha has done far better in this withdrawal than Barclays PLC, which repatriated only 87-million pounds sterling.

That is partly because Stancha's advisors, Corporate Merchant Bank (Corbank) and Hill Samuel UK, were able to persuade the Reserve Bank to permit SBIC to pay a special dividend of R4.125 a share worth R157.5-million to Stancha.

Dividends are remitted through the commercial rand, which is worth 59 percent more than the financial rand.

This week SBIC announced results which disappointed the stock market. Its earnings level pegged, when most analysts expected a rise, prompting suggestions that earnings were conservatively stated to keep the severance price low.

"That's an impertinent suggestion," said Dr Strauss.

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Many pensioners likely to feel cheated

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# Bank chief predicts granny bond row

By Michael Chester

10/8/87

58  
[scribble]

The Government may run into new troubles with pensioners as a result of the sudden announcement of the withdrawal of the granny bond scheme, according to a leading banker.

Mr Jimmy McKenzie, senior general manager of First National Bank, today forecast numerous battles between the Department of Finance and thousands of senior citizens who had planned to invest in the granny bonds but had not yet acted — and may now be locked out of the benefits of the scheme.

The warning came after the weekend announcement by Finance Minister Mr Barend du Plessis that the original senior citizen bonds, first outlined in the June Budget, had been scrapped because they had pulled in more than twice the R500 million target and now threatened to affect the financial services sector adversely.

"True, the Minister has undertaken to issue virtually identical 15 percent bonds to senior citizens over 60 although with limits cut from R200 000 to R20 000," said Mr McKenzie.

"But he added the important proviso that the new series will be available only to those who can produce evidence of formal notice of the withdrawal of fixed deposits to switch into granny bonds — and that is where there may be hassles.

"There will be lots of pensioners who will argue that actual formal notice may not have been given — but they had every intention of applying for granny bonds.

## 'Extremely difficult issue'

"The production of proof may often turn out to be an extremely difficult issue. Will the Department of Finance say they are lying?"

"In any event, many pensioners will argue that they have been robbed of a fair deal by being told they are too late to enjoy the better deal promised by the Government.

"For the financial sector, there are other important new issues. The end of the granny bond scheme is bound to sound the trumpets for a resumed bond war between the banks and building societies over home mortgage rates.

"The bond wars have been in a relative lull while the big issue has been who has been losing most to the granny bond scheme, and how to plan counter moves to defend deposits.

"Now we can expect them to break out in earnest again."

The Association of Building Societies formally welcomed the Government's decision "as a fair and reasonable measure".

Mr Hendrik Sloet, past president, said the outflow of cash for granny bonds had disrupted interest rates and would have led to increases in bond rates.

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# Granny Bonds: Home loan rise averted

McGus 10/8/87  
58

## Business Editor

THE scrapping of Granny Bonds has staved off an increase in home loan rates, according to building societies.

The high-yielding bonds paid at least two percent more than the best rate the societies could offer without raising mortgage rates.

However, the bonds syphoned off more than R300-million in a few weeks, reports the Association of Building Societies.

This outflow forced societies to offer competitive rates to the over-60s in an effort to retain funds, placing them in a revenue crunch.

If bond rates had risen to finance higher deposit rates, it would have meant home owners subsidising the elderly.

The Argus Correspondent in Johannesburg reports that the Government's change of heart was sparked by a stampede by elderly people into the scheme with investments of more than R500-million in barely more than a month.

The Minister of Finance, Mr Barend du Plessis, announced this weekend the present series of bonds was being stopped.

## NEW SERIES

A new series of Senior Citizen Savings Bonds is being introduced — but only for those who have already given formal notice of withdrawing a term investment — and they must supply written evidence to prove it.

The maximum that may be invested in the new series by an individual will be R20 000 and total investment, including any amount invested in the first series, may not exceed R200 000.

The Granny Bonds were launched on July 1 for people aged 60 and over, at an annual interest of 15 percent, a minimum of R500 and a maximum of R200 000 for 12 months.

Mr Roger Hulley, one of the Progressive Federal Party's spokesmen on economic af-

(Turn to Page 3, col 2)

# Loan rate rise averted

McGus 10/8/87

(Continued from page 1)  
fairs, said the decision to scrap the scheme was one more example of Government interference in free market forces exploding in its face.

It was amazing that the Minister of Finance had not foreseen the consequences of meddling in the investment marketplace.

Mr Casper Uys, Conservative Party spokesman on finance also said the Government's handling of granny bonds was "highly unsatisfactory"

The new arrangement was "extremely unfair" to those who had not had time to invest before it was changed.

## BATTLES FORECAST

In Johannesburg, Mr Jimmy McKenzie, senior general manager of First National Bank, today forecast battles between the Department of Finance and thousands of senior citizens.

"There will be lots of pensioners who will argue that actual formal notice may not have been given, but they had had every intention of applying for granny bonds," he said.

"The production of proof may often turn out to be an extremely difficult issue. Is the department going to say they are lying?"

The Association of Building Societies said the decision was "as a fair and reasonable measure". Mr Hendrik Sloet, past president, said the outflow of cash had disrupted interest rates.

The National Council for the Aged's director, Mr Sid Eckley, said he was "shocked, dismayed and angry" and said the Government should encourage the private sector to reinstitute the high-yield bonds in a form which encouraged saving and gave protection against inflation.

"To start such a scheme without consulting other financial institutions and then stop within a few months shows insensitivity to the plight of the aged and an underestimation of their investment power."



12/18/87

# Stancha's SA move explained

LONDON — The decision to write down its Third World debt prompted Standard Chartered Bank's (Stancha) decision to sell its 39% stake in Stanbic, group managing director Michael McWilliam said.

He said the decision was taken as recently as June and July this year after Britain's largest bank, National Westminster, increased its bad debt provision by £466m.

The decision was purely financial, and had nothing to do with the political campaign mounted against the bank by the Anti-Apartheid Movement (AAM).

McWilliam said: "The main point is that we are coming up to a major decision on our lesser developed country (LDC) debt provision which will have a substantial impact on our shareholder funds."

## MIKE ROBERTSON

Since Stanbic became an associate company of Stancha's in 1984 its earnings were not as highly valued as core earnings. Rather than retain a minority stake it was decided to redeploy the capital.

"This was a financially driven decision that was very much connected to the increase in cross-border provisions."

Although Stancha had to absorb a £40m book loss on the sale of its stake, McWilliam regarded it as a tightly priced deal.

He said: "Because of the financial rand system we were always going to have to take

a book loss. But that's not really a measure of whether we achieved a satisfactory price or not. It's more sensible to look at the deal in rand terms.

"The pre-suspension Stanbic share price was R21. We received R19 a share, a discount of 9.7%. That's a tightly priced deal, considering they still have to have a major rights issue."

McWilliam said he expected to have all the money out of SA by November.

AAM spokesman Stuart Bell said the Stan-cha decision to sell was welcome, but was too little too late. The organisation now regarded Shell as its number one target.

THE run on granny bonds has cost building societies more than R300m, president of the SA Association of Building Societies Mike de Blanche said yesterday.

Reacting to government's announcement at the weekend that the high-yield over-60s savings bond would be scrapped, De Blanche said the scheme would be a "dead letter" by October.

He made clear it was never government's intention to disrupt interest rate patterns in the private sector.

"But the huge demand for granny bonds had to be timeously stopped or there would have been serious implications in the market. Government did the correct thing," De Blanche said.

# Clamp on

# 'grannies'

10/8/87 B/D Day (SB)

HAMISH McINDOE and CHRIS CAIRNCROSS

This was echoed by SA Perm deputy GM Brian Kemmey, who said the bonds had been a disruptive feature in the market since they were launched in June.

Finance Minister Barend du Plessis announced at the weekend the R200 000 investment ceiling for the bond is lowered to R20 000 a person.

The second-series Senior Citizen Savings Bond applies only to pensioners who have already given notice of a term of investment. "And it will take about two months for this to be worked out of the system," De Blanche said.

The scheme has drawn more than R1bn — double the projected revenue. Granny bonds pay 15% interest after

● To Page 2 ➔



## Govt clamp on granny bonds

only a year, which is about 4% more than the building societies' competitive offers.

Du Plessis said at the weekend the "unexpected" high demand for the bonds had aroused concern continuance of the scheme could have an adverse effect on the financial services sector.

Applications for the bond issue had already exceeded the year-end target of R520m by some R500m.

And, it appears many more people have also given notice to withdraw further term investments from financial institutions in order to reinvest them in granny bonds.

Du Plessis said in view of the growth in demand for this investment, and the

exceptionally large sum already received, it had been decided to terminate the present series of bonds.

The 15% interest rate and 12 month term also remains unchanged, but two new conditions have been introduced. These are:

☐ Only those who from Saturday had given formal notice of withdrawal of a term investment may invest in the new series; and

☐ The maximum amount that may be invested will be R20 000 per individual, with the combined total involved under both the old and new series being R200 000.

From Page 1

10/8/87 (SB) B/D Day

CME TIMES 10/18/87  
580 800

# Granny Bonds confusion

From JON BEVERLEY

DURBAN. — Confusion reigned last night among building societies over the reported axing of 15% Granny Bonds with one major society declining to comment until it had seen an official statement.

At stake is a higher income for people over 60 who face inflation running at 17%, the continuation of the building societies' higher rates set to compete with Granny Bonds and an easing of the pressure on mortgage bond rates to rise.

The Granny Bonds were proposed in the June Budget without any prior consultation with institutions such as building societies and came under heavy fire.

The R200 000 investment ceiling for the bonds has been lowered to R20 000 a person, says Sapa.

Mr John Russel, managing director of the Provincial Building Society, said last night that the likely effect was that competitive investments offered by the building societies would fall away.

'But we will honour those investments people have made at the higher rate,' he said.

From now elderly people were only likely to get the extra 0,5% on their investments, he said.

The reported move would ease the pressure on the mortgage

bond rate which was set to rise if the flow of investments from building societies was not staunch.

Building societies were told last week that the Granny Bonds had attracted no more than about R400-million — but this figure was doubtful as it was believed that many applications were being processed.

According to Sapa the Minister of Finance, Mr Barend du Plessis, said the Granny Bonds had attracted about R1 000-million — almost double the amount in the Budget.

From now on there would be a new series of bonds available only to those people over 60 who had written notice that they had withdrawn investments to place them in Granny Bonds. They would not be able to invest more than R20 000.

The 15% interest rate (which is about 4% more than the building societies') and minimum period of a year would remain.

Meanwhile the president of the SA Association of Building Societies, Mike de Blanche, said yesterday that the run on Granny Bonds had cost building societies more than R300-million.

He said that it had never been government's intention to disrupt interest rate patterns in the private sector.

"But the huge demand for

Granny Bonds had to be timeously stopped or there would have been serious implications in the market. Government did the correct thing," De Blanche said.

This was echoed by SA Perm deputy GM Brian Kemmey, who said the bonds had been a disruptive feature in the market since they were launched six weeks ago.

Sapa reported Du Plessis said: "It was anticipated that R520-million would be attracted in the present financial year, but after the bonds had been launched last month, some R500-million more than budgeted had already been received."

He said many people had already given notice to withdraw term investments from other financial institutions to invest them in the new bonds and the government "felt it had an obligation to those who had already given notice to withdraw their investments."

□ The Association of Building Societies has welcomed the government's decision to terminate senior citizen bonds as a fair and reasonable measure, SABC Radio news reports.

The association's past president, Mr Hendrik Sloet, of Saambou, said the outflow of money from building societies was such that it would have disrupted the pattern of interest rates.

s a cloth-wrapped pole to clean the ear of Abraham Lincoln's Lincoln Memorial last week.

Picture: REUTER

gations that workers at ... to go underground by security guards. He confirmed an NUM claim that Buffelsfontein □ 'The'

# R1,5m cheque fraud under investigation

*Cape Times 10/8/87*

Staff Reporters

PENINSULA police are investigating an alleged check fraud which they believe could involve up to R1,5 million.

The investigation began early last week when East Cape Murder and Robbery Squad detectives hunting a suspect in Cape Town made an arrest in Guguletu. During the raid on the house, detectives came across two Unemployment Insurance Fund (UIF) cheques issued by the Receiver of Revenue.

It is believed the two cheques could be part of a series of UIF cheques — already under investigation locally — which are believed to have been stolen from the Guguletu post office.

A man is expected to appear in the Athlone Magistrate's Court in connection with the thefts, which he had allegedly fraudulently cashed in Athlone.

Further arrests are expected this week. Police said yesterday there were indications that the investigation would spread to other post offices in the Peninsula.

The Post Master of Cape Town, Mr J J L Fourie, said he had not heard about the theft of cheques.

"I can't recollect that the Receiver has posted cheques in bulk recently, the last time this happened was when the loan levy cheques were sent out shortly after the mini-budget but before the election," he said. "I have never heard of theft on such a large scale from the post office."

He said that as the cheques had been from the Receiver of Revenue they would be made out to individual members of the public, making it difficult for the thieves to cash.

# Granny bond cuts help others

*Cape Times 10/8/87*

Financial Editor

THE government's decision to scrap "granny-bonds", announced at the weekend, has saved thousands of families from facing a sizeable increase in their living costs.

To stop the outflow of funds into "granny-bonds" where they would earn interest of 15%, most of the building societies were forced to offer a comparable rate to existing depositors over the age of 60.

That meant the building societies' funds were costing them more and they would have had to pass the increase on to borrowers by raising their mortgage bond rates if the "granny-bond" scheme had continued much longer.

Two building society managing directors said last week they would have to put up bond rates if the "granny bonds" continued to offer 15%.

□ Full report, page 4

# Suspended students seek court interdict

*Cape Times 10/8/87*

By CHRIS BATEMAN and PETER DENNEHY

TWO "moderate" students who were suspended from the University of Cape Town last week are to apply today to the Supreme Court for an urgent interdict to allow them to return to lectures.

The chairman and deputy chairman of the Moderate Students Movement (MSM), Mr Lance Terry and Mr Rafi Peer, were suspended last week for the remainder of this year for disregarding an instruction by the principal, Dr Stuart Saunders, to postpone a meeting.

Mr Peer said last night that Dr Saunders had told him when he was suspended that he had the right to appeal to the university authorities.

"The purpose of the Supreme Court interdict is to allow us to return to lectures before we are too badly affected," he said.

He is a third-year Commerce student, while Mr Terry is a final year LLB student.

Asked whether he would also appeal to the university, Mr Peer replied that his lawyers would "consider the steps to be taken, pending the outcome of the application, and advise us accordingly".

Dr Saunders had instructed the MSM to postpone its meeting on campus at which Eastern Cape ex-mayor Mr Tom Linda was scheduled to speak.

Yet the meeting went ahead until it was disrupted and Mr Linda had to flee. At the time he said he was assaulted with broomsticks.

The car in which Mr Linda was driven away, which belonged to Mr Peer, was seriously damaged, and the briefcase Mr Linda left behind when he fled was burned.

Give the Royal... and...

# Granny bond axing causes confusion

Dispatch Correspondent

**CAPE TOWN —** Confusion reigned last night among building societies over the axing of 15 per cent Granny Bonds with one major society declining to comment until it had seen an official statement.

The move is set to affect the income of people over 60, who face inflation running at 17 per cent, the continuation of the building societies higher rates set to compete with Granny Bonds — and ease the pressure on mortgage bond rates.

The Granny Bonds were proposed in the June Budget, without any prior consultation with institutions such as building societies, and came under heavy fire.

The managing director of the Provincial Building Society, Mr John Russel, said last night that the likely effect was that competitive investments offered by the building societies would fall away.

"But we will honour those investments people have made at the higher rate."

From now on, elderly people were only likely to get the extra 0,5 per cent on their investments, he said.

Mr Russel said the move would ease the pressure on the mortgage bond rate — which was set to rise if the flow of investments from building societies was not staunch.

Building societies were told last week that the Granny Bonds had attracted no more than about R400-million — but this figure was doubtful, as it was believed that many applications were being processed, he said.

Sapa reports that the Minister of Finance, Mr Barend du Plessis, said the bonds had attracted about R1 000-million — almost double the amount in the Budget.

From now on there would be a new series of bonds available only to those people over 60 who had written notice that they had withdrawn investments to place them in Granny Bonds.

They would not be able to invest more than R20 000.

For these people, the 15 per cent interest rate (which is about 4 per cent more than the building societies) and minimum period of a year would remain.

Sapa reports that Mr du Plessis said that many people had already given notice to withdraw term investments from other financial institutions to invest them in the new bonds and the government "felt it had an obli-

gation to those who had already given notice to withdraw their investments".

The government was concerned that a continuation of the new bonds might "adversely affect financial institutions".

Meanwhile, the president of the South African Association of Building Societies, Mr Mike de Blanche, said yesterday that the run on Granny Bonds had cost building societies more than R300-million.

"The huge demand for Granny Bonds had to be timeously stopped or there would have been serious implications in the market," he said.

"The government did the correct thing."

A member of the Progressive Federal Party's parliamentary finance group, Mr Ken Andrew, said: "The decision to end Granny Bonds was typical of the government's ad hoc way of running finances on a stop-start basis."

Mr Andrew said the massive demand for Granny Bonds illustrated the plight of many retired people who depended on fixed investments in the face of rising inflation.

Handwritten notes and signatures at the bottom right of the page, including a date stamp "19/8/87" and several initials.

58  
Cape Times, Tuesday, August 11, 1987 9

# Granny bonds: Reconsider, urges SANCA

Staff Reporter

THE government's scrapping of Granny Bonds betrayed a lack of understanding of the struggle for survival of the aged, the South African National Council for the Aged said yesterday.

The council called on the government to reconsider its decision and introduce a new scheme.

The government announced at the weekend that the bonds, introduced in the June budget, had been scrapped.

The bonds offered inflation-hedging 15% investments to people over the age of 60.

Elderly people have reportedly invested more than R500 million in the scheme since it was introduced about a month ago.

In a statement issued yesterday, Mr Syd Eckley, SANCA's director, said the announcement the bonds had been scrapped was greeted by the council and "all senior citizens with surprise and disappointment".

## 'Great expectations'

"Great expectations were raised with the aged that this saving scheme would help persons who are dependent on interest-related income in their struggle against inflation, rising living costs and declining interest rates," he said.

The council suggested that a new granny bond scheme allow all senior citizens with an annual taxable income of less than R15 000 to invest to a maximum amount of R50 000.

"It is important that the government clearly demonstrates that the retaining of the independence of our senior citizens is a matter of national priority. South Africa cannot afford that more and more elderly persons are allowed to be impoverished and to become dependent on government aid," Mr Eckley said.

# End of granny bonds signals new house finance war

By Michael Chester

The exit of granny bonds from the financial markets is likely to fasten fresh attention on the battle royal between banks and building societies to hold on to traditional customers and attract new ones.

Now that the banks and building societies have been relieved of the task of manning the defences on their cash deposits — as more than R1 billion poured into the new senior citizen 15 percent bonds before the Government called a halt to the scheme — competition will be more severe than ever.

"There are big new battles shaping up and everybody is preparing for them," says Mr Mike Steinfeldt, head of money market operations at First National Bank.

The tussle will be under the microscope by

old-age pensioners in particular as many of them face battles of their own trying to keep interest on their savings at least somewhere close to an inflation rate now running at around 17 percent.

## Special schemes

Both the SA Perm and the Natal Building Society yesterday announced the automatic withdrawal of the special schemes they devised to offer older customers interest rates to match the granny bonds.

"They were defensive mechanisms and they worked well," says Mr William Wolke, of the NBS. "But customers were warned that our special deals would last only as long as the Government's bonds."

"Now we go back to normal, with deposit rates for the over-60s pitched at 0,5 percent above usual rates to demonstrate our sympathy with their dilemma."

The emergence — and quick demise — of the Government bonds carrying interest rates of 15 percent has also renewed controversy among the younger generation.

Often their main concentration is on home loan interest rates.

Mr Jimmy McKenzie, senior general manager of First National Bank, said the banks, running their own home loan schemes at interest rates of 12,5 percent, were looking forward to a fresh outbreak of bond wars.

"None of the building societies has managed to come

Bank Value	500-1 000	5 000-10 000	10 000-15 000	15 000-20 000	20 000-23 999	24 000-25 000	25 000-40 000	40 000-50 000
First National	5,13	6,08	7,49	7,72	8,65	8,65	8,88	8,88
Nedbank	4,4	5,84	7,25	7,72	8,41	8,41	8,87	8,87
New Republic	5	6,5	7,5	8	9	9	9	9
Standard #	5	6	7,25	7,5	8,5	8,5	9,15-9,25	9,25
Trust	4,5	4,5-5	7,5	8	9,15	9,15	8,5	8,75
Volkscas	5	6	7,25	7,5	8,5	8,5	8,75	8,75

BANKS	Months	
	12	24
First National	10,5	12
Nedbank	10	12
New Republic	10,75	12
Santam	10,5	12
Standard	10,5	12
Trust	10	12
Volkscas	10	12

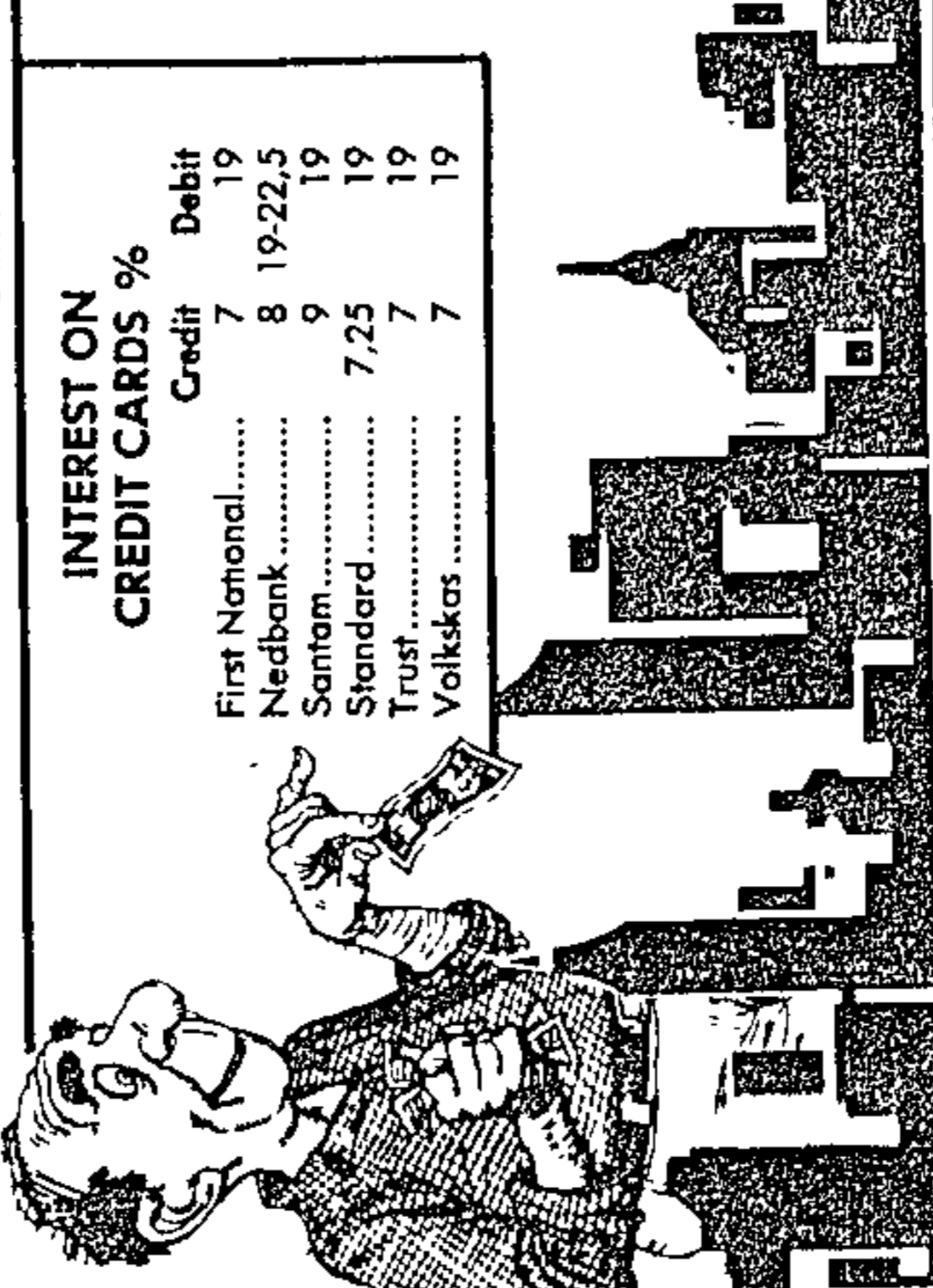
SOCIETIES	Months	
	12	24
Allied	10,75	12,25
EP	10,75	12,25
Natal	11,5	11,5
Provincial	10,5	12
Saambou	10,5	12
SA Perm	10,5	12,1
Trustbou	10,75	12,25
United	10,75	13

BANKS	Credit %		Debit %	
	7	8	19	19-22,5
First National	7	8	19	19
Nedbank	7	8	19	19
Santam	7	8	19	19
Standard	7	8	19	19
Trust	7	8	19	19
Volkscas	7	8	19	19

BANKS	%
First National	12,5
Standard	12,5
Trust	12,5
Volkscas	12,5

SOCIETIES	%
Allied	14,5
EP	14,5
Natal	14,5
Provincial	14,5
Saambou	14,5
SA Perm	14,5
Syffrets	13,5
Trustbou	13,5
United	12,95-13,5



IES	24	36
	12,25	12,25
	12,25	12,25
	11,5	12,25
	12	12,5
	12	12
	12,1	12,35
	12,25	12,25
	13	13

BONDS %	
MKS	
	12,5
	12,5
	12,5
	12,5
SOCIETIES	
	14,5
	14,5
	14,5
	14,5
	14,5
	14,5
	13,5
	13,5
	12,95-13,5

# house finance war

By Michael Chester

The exit of granny bonds from the financial markets is likely to fasten fresh attention on the battle royal between banks and building societies to hold on to traditional customers and attract new ones.

Now that the banks and building societies have been relieved of the task of manning the defences on their cash deposits — as more than R1 billion poured into the new senior citizen 15 percent bonds before the Government called a halt to the scheme — competition will be more severe than ever.

"There are big new battles shaping up and everybody is preparing for them," says Mr Mike Steinfeldt, head of money market operations at First National Bank.

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old-age pensioners in particular as many of them face battles of their own trying to keep interest on their savings at least somewhere close to an inflation rate now running at around 17 percent.

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The emergence — and quick demise — of the Government bonds carrying interest rates of 15 percent has also renewed controversy among the younger generation.

Often their main concentration is on home loan interest rates.

Mr Jimmy McKenzie, senior general manager of First National Bank, said the banks, running their own home loan schemes at interest rates of 12,5 percent, were looking forward to a fresh outbreak of bond wars.

"None of the building societies has managed to come down to our rates. From our point of view, competition is fine."

An executive at SA Perm said the building societies looked forward to more intense competition, too.

"At present, the banks seem to have an edge in the market with bond rates at 12,5 percent," he said. "But how long will it last? How long will they remain in the home-loan business if the going gets rough?"

"The banks at the moment can offer low mortgage rates because the money markets are awash with liquidity and they need to find new avenues to lend out cash.

"What happens when conditions in the money market return to normal?"

Mr Steinfeldt replies: "The banks will give the building societies a tough time. Our home loan business is here to stay.

"The societies complain we have an unfair advantage because of our access to short-term cash sources. The banks argue that the societies have the advantage of non-taxable schemes.

"Let battle commence."

The accompanying graphs provide a guideline to the state of interest rate levels before the clash is renewed.



UBS and Volkskas join forces

58

# Battle in the offing as new bank is born

12/8/87 B/Duy

UBS Holdings and the Volkskas Group yesterday announced the establishment of the United Bank — a move that will dramatically sharpen competition in the financial services industry.

The new bank, in which UBS and Volkskas each have a 50% share, will open its doors on August 17 with share capital of R60m.

Bank chairman Piet Badenhorst, who is also CE of UBS Holdings, said it would evolve into a fully fledged commercial bank, with a balance sheet in the order of R900m to R1bn in the short term. It will operate from 72 branches of the UBS.

MD of the new bank is Nallie Bosman, former GM at Volkskas's regional head office in Natal. Others on the board are Mike de Blanche (MD of UBS), Pieter Morkel (MD of Volkskas) and Danie Cronje (executive chairman of Volkskas Merchant Bank).

United Bank will kick off by offering two products: personal loans (up to around R20 000, but obviously depending

GERALD PROSALENDIS  
Financial Editor

on the customer), and short-term fixed deposits.

Badenhorst said both products would be pitched at competitive market related rates and would be followed within two to three years by the full spectrum of retail banking services, including cheque accounts, electronic funds transmission, treasury and international services, personal financial planning and trustee services.

Taking in short-term deposits could be considered a strategic move, particularly for UBS. The society might be able to use these to fund its home loan business and therefore offer lower rates. Societies are constrained by the Building Societies Act to fund their book at the more expensive long end of the market.

Also, by offering personal loans, the UBS will for the first time begin nibbling at banks' traditional business — possibly

● To Page 2 →

## Banking battle is looming

following the example of the banks, which have made significant forays into the home loan market.

In the same way that banks are able to offer competitive home loan rates because of the relatively small size of home loan portfolios to their total book, so the United will be in a position to compete with the rates banks charge in order to gain market share in the initial stages.

The United Bank announcement followed the UBS's aggressive move into the home loan market last week when it lowered the mortgage rate on new bonds to 12,95% from 13,5%, rather than raising it to 14,5% as previously intended. Existing bonds will be held at the present 13,5%.

Banks in the home loan market are offering mortgages at 12,5%, while most building societies offer bonds at 14,5%.

Since May last year, with the re-entry of Barclays into home loans — it had been burned badly when short-term rates moved up smartly to 25% in 1984 — competition between banks and building societies has intensified.

This has been aided by the implementation of certain recommendations of the

De Kock commission which saw the deregulation of financial services benefiting the consumer and assisting the authorities in the conduct of monetary policy.

For more than a year, with demand for credit remaining stagnant, banks have been under pressure to find new avenues for business. Based on a view that short-term rates were likely to remain soft, housing finance looked a reasonable alternative to more traditional types of bank business.

It was late last year, just weeks ahead of UBS's listing on the JSE, that Standard Bank moved aggressively into the home loan market. The bank's re-entry into this market, after it had run down its mortgage portfolio for a time of flirtation between the two institutions, saw it guarantee to hold its rate for new loans at 12,5% for at least a year. This was later extended to June 1988. At the time some felt Standard's move was calculated to weaken the UBS share price once it came to market.

← ● From Page 1

# Share boom goes on and on . . .

11645 12/19/67 58  
Business Editor

THE share market continues on the boil, with investors pouring more cash into the Johannesburg Stock Exchange and into unit trusts.

Mining house Johannesburg Consolidated Investments, the most expensive share, added R4 yesterday to reach R900, its highest price.

Diamond share De Beers reached R52,25 a share, also a new peak.

Others to hit new highs included Barlows, Frame, Sear-del, TML, Pepkor and Fair Cape.

Sparkling company reports with sharply higher profits or recoveries from losses a year ago are bolstering the share boom.

Mr Sol Kerzner's go-go leisure group Kersaf Investments disclosed today that Sun City earned profits of R122-million (up R40-million) in the 12 months to June 30.

● Cape bus operator Tollgate Holdings plans to dip into its reserves and give shareholders a R5,5-million "bonus" by the free issue of 5,5-million new shares.

This will be in addition to normal dividends.

● See page 9.

# United could provoke an interest rate war

12/8/87 Star (S)

Magnus Heystek  
Finance Editor

The battle between banks and building societies is expected to hot up from next Monday when South Africa's newest bank, called the United Bank, opens its doors for business.

This new entrant into the banking fray can even lead to lower interest rates offered to borrowers as other banks try to maintain market share.

United Bank will be operating from the 72 United Building Society branches countrywide using the existing UBS and Volkskas systems and infrastructure.

Initially, United Bank will be offering two products — namely personal loans and short-term fixed deposits but some corporate business will also be handled.

"The new bank hopes to offer the full range of commercial services such as cheque accounts, electronic fund transmissions, treasury and international services and personal financial planning," Mr. Piet Badenhorst, Chief Executive of the



ER Bosman, MD

United Building Society said yesterday.

The bank will focus its initial marketing effort on selected United clients, who will be invited to make use of the new facilities at their disposal. With a present client base of over 300 000 bondholders and more than two million depositors this represents quite a considerable client base. To maintain existing clients, competing banks will have to offer alternative or even superior products.

With an initial share capital of R60 million, United Bank will



CA Scholtz, GM.

over time evolve into a fully fledged commercial bank with the short-term potential for a balance sheet of the order of R1 billion worth of potential business.

The new bank's cost effectiveness will be enhanced by the fact that virtually all the infrastructure required to function is already in place. "We are fortunate to have a sophisticated and extensive systems capability which will ensure that we will be fully operational from day one," said Mr. Badenhorst.

One contentious point is



AC van Vliet, GM.

whether the new bank will compete directly with existing clients of Volkskas. Answering this question Mr. Badenhorst said: "Volkskas has a long established and extremely loyal client base to whom we will not address ourselves. Instead we will focus our attention on our own established United clientele and then broaden our scope to other segments of the market that are more compatible with the intended positioning of United Bank.

The United Bank will be jointly owned by the United Building Society and Volkskas Bank. This follows the recent tie-up between the two with United acquiring 30 percent of Volkskas and the latter getting 10 percent in the UBS.

The first managing director of the United Bank will be Mr Nallie Bosman, a career banker with Volkskas, who until recently was general manager at Volkskas's regional head office in Durban.

Mr Piet Badenhorst has been appointed chairman of the new bank. Others on the board are Mr Mike de Blanche, managing director of the UBS, Dr Pieter Morkel, managing director of Volkskas Group and Dr Danie Cronje, executive chairman of Volkskas Merchant Bank.

Two general managers have already been appointed. They are Mr Arie van Vliet and Mr Neels Scholtz.

# Rand worth half its 1981 value — Schwarz

**HOUSE OF ASSEMBLY.**—The rand today had exactly half the purchasing power it did in 1981, Mr Harry Schwarz (PFP Yeoville) said in debate on the Economic Affairs and Technology vote.

He added that the 1950 rand was equal in purchasing power to only 9c of the 1987 rand.

The government's attitude to the consumer was demonstrated by the fact that the word consumer was "not in the title of this minister".

Hardly any funds were being voted for the protection of the consumer, and although laws existed to guard their interests, they were not implemented.

The Granny Bonds scheme had been bungled and old people were now being left to fend for themselves while inflation ran rampant.

Referring to proposed participation by the Industrial Development Corporation (IDC) in the Mossel bay gas project,

he asked whether it was the IDC's function to hold shares in companies that had no need for assistance and were functioning perfectly well, or whether its role was to encourage the development of new companies.

It also had to be asked where the capital would come from for its shareholding in the project.

The minister, Mr Danie Steyn, had criticized proposals for nationalization of the coun-

try's industries at a time when a fellow minister in the cabinet, the Rev Allan Hendrickse, believed the gold mines should be nationalized.

The PFP opposed nationalization.

Ownership of the means of production should take place through shareholding.

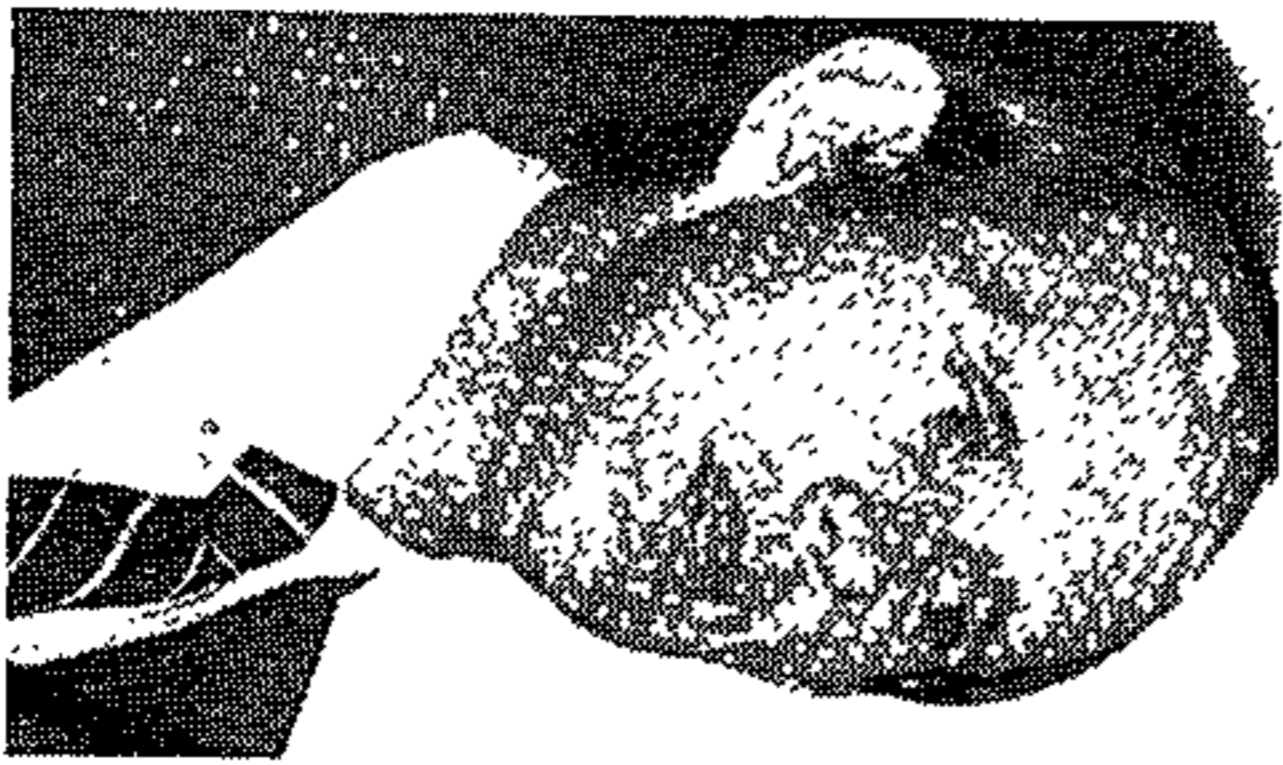
The government put every conceivable obstacle in the way of share incentive schemes for employees.

The small man was not being encouraged here, as he was in other countries, to share in ownership.

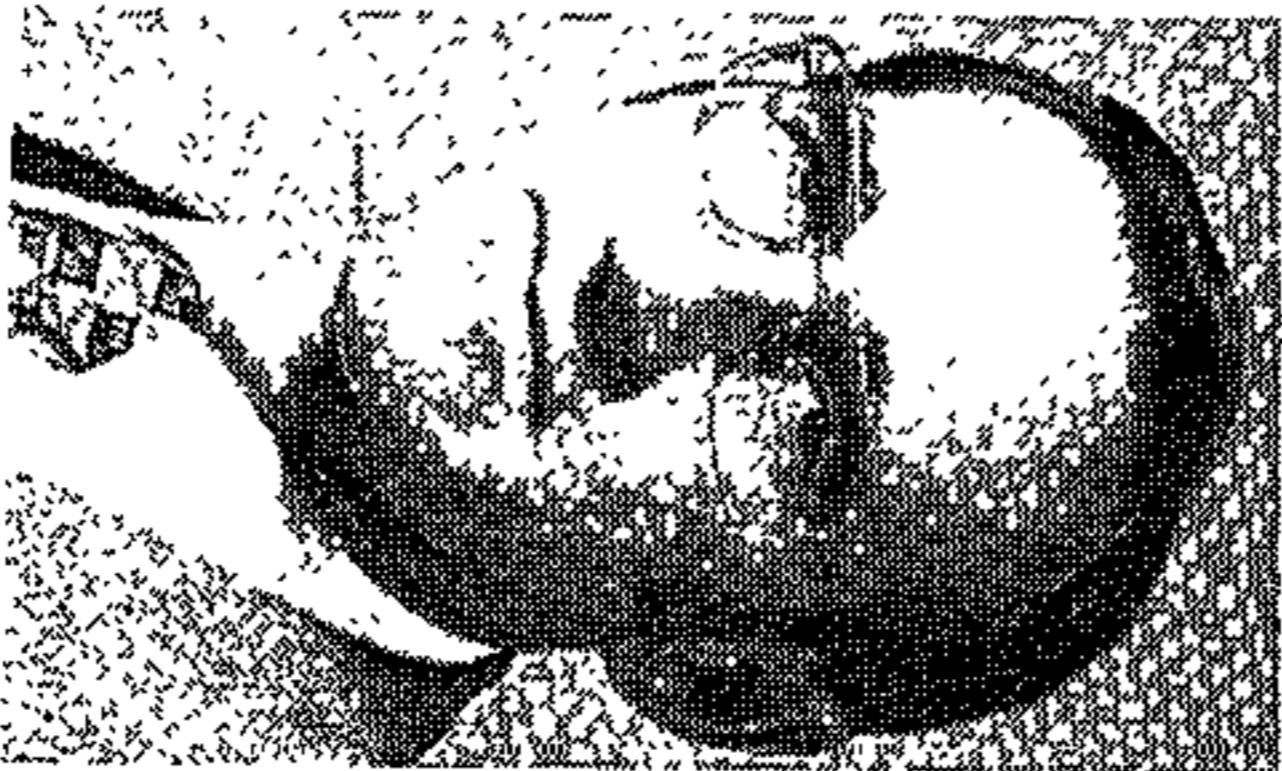
If there was one country in the world where this was needed, it was South Africa.

Earlier Mr Piet Mathee (NP Umbilo) said the possibility of a free trade zone in Durban, based on the Taiwanese concept, should be investigated.

It would help the city to attract international exhibitions and conferences. — Sapa



Ken Andrew



Piet Clase



Harry Schwarz

UBS, Volkskas 50% share each

# United Bank to be launched

CAPC Times 12/8/87 (58)

*The UBS Western Cape regional manager, Sid Booysen, said yesterday that United Bank's banking services would be provided at every branch of the building society from Monday. "The staff have all been trained to provide them and we are linked on the computer system."*

From GERALD PROSALENDIS

JOHANNESBURG — UBS Holdings and the Volkskas Group yesterday announced the launch of the United Bank in a move that will dramatically sharpen competition in the financial services industry.

The new bank, in which UBS and Volkskas each have a 50% share, will open its doors on August 17 with a share capital of R60m. Chairman of the bank, Piet Badenhorst, also CE of UBS Holdings, said it would evolve into a fully-fledged commercial bank, with a balance sheet in the order of R900m to R1 billion in the short term. It will operate from 72 branches of the UBS.

The MD of the new bank is Nallie Bosman, former GM at Volkskas's regional head office in Natal. Others on the board are Mike de Blanche (MD of UBS), Pieter Morkel (MD of Volkskas) and Danie Cronje (executive chairman of Volkskas Merchant Bank).

## Two products

United Bank will kick off offering two products: Personal loans (up to about R20 000 but obviously depending on the customer); and short-term fixed deposits.

Badenhorst said both products would be pitched at competitive market related rates and would be followed within two to three years by the full spectrum of retail banking services, including cheque accounts, electronic funds transmission, treasury and international services, personal financial planning and trustee services.

Taking in short-term deposits may be considered a strategic move, particularly for UBS. The society may be able to use these to fund its home loan business and therefore offer lower rates. Societies are constrained by the Building Societies Act to fund their books at the more expensive long-end of the market.

Also, by offering personal loans, the UBS will for the first time begin nibbling at banks' traditional business, possibly following the example of banks which have made significant forays into the home loan market.

In the same way that banks are able to offer competitive home loan rates because of the relatively small size of their home loan portfolios to their total book, so the United will be in a position easily to compete with the rates banks charge for personal loans in order to gain market share in the initial stages.

The United Bank announcement follows the UBS's aggressive move into the home loan market last week by lowering the mortgage rate on new bonds to 12,95% from 13,5%, rather than raising it to 14,5% as previously intended. Existing bonds will be held at the present 13,5%.

Banks in the home loan market are offering mortgages at 12,5%, while most building societies offer bonds at 14,5%.

## Intensified competition

Since May last year, with the re-entry of the First National Bank of SA into home loans — it had been burned badly when short-term rates moved up smartly to 25% in 1984 — competition between banks and building societies has intensified. This has been aided by the implementation of certain recommendations of the De Kock Commission which saw the deregulation of financial services benefiting the consumer and assisting the authorities in the conduct of monetary policy.

For more than a year, with demand for credit remaining stagnant, banks have been under pressure to find new avenues for business. Based on a view that short-term rates were likely to remain soft, housing finance looked a reasonable alternative to more traditional types of bank business.

It was late last year, just weeks ahead of UBS's listing on the Johannesburg Stock Exchange, that Standard Bank moved aggressively into the home loan market. The bank's re-entry into this market — it had run down its mortgage portfolio for a time of flirtation between the two institutions — saw it guarantee to hold its rate for new loans at 12,5% for at least a year. This was later extended to June 1988. At the time some felt Standard's move was calculated to weaken the UBS share price once it came to market.

CAPC Times 12/8/87

# Rembrandt tipped for Stanbic

Weekly Mail Reporter

LIBERTY LIFE and the Rembrandt Group are being tipped as buyers in what is likely to be the biggest banking disinvestment move so far, British bank Standard Chartered's sale of its 38,9 percent stake in Standard Bank Investment Corporation of South Africa.

Trading in Stanbic's shares was suspended a week ago in anticipation of the disinvestment announcement. By Tuesday this week, negotiations were still under way, and the shares have now been suspended again until stock exchange trading closes today.

Stanbic managing director Conrad Strauss told a press conference that if the transaction takes place, it will be substantially larger than any previous banking disinvestment.

The move would make Standard Chartered the third foreign parent bank to sell its South African holdings.

Britain's Barclays plc sold its 40,4 percent stake in Barclays South Africa, now First National Bank, last year for R527-million. The sale gave Anglo American Corporation and its associates, Southern Life and De Beers, ownership of more than half of First National. Earlier this year First National paid American parent Citicorp R130-million for its South African banking arm Citibank SA.

In the wake of Barclays' disinvestment last year, Stanbic's Strauss told *Weekly Mail* that Standard Chartered was likely to reduce its shareholding in the South African banking group to about 25 percent.

But now it seems likely that the British bank is considering pulling out altogether. The move has probably been prompted by its situation in the London finance world, rather than any sudden pressures on the South African front. In response to pressure from rival Lloyd's Bank it may choose to buy another London bank. Disinvesting would provide some cash and, by removing the taint of a South African connexion, might assist it in raising further capital.

Liberty Life is the second biggest shareholder in Stanbic, with a 22,8 percent stake and is almost certainly one bidder for Standard Chartered's stake. But in terms of the Banks Act a life assurance company such as Liberty is not allowed to own more than 30 percent of a bank.

The mystery then is who else will buy in. Liberty is likely to be looking for a friendly partner.

Speculation is that the Rembrandt Group may be in line for the remaining chunk of Stanbic.

The tobacco multinational recently bought 10 percent of Gold Fields of SA from British-based Consolidated Goldfields. Gold Fields is already a significant shareholder in Stanbic and may be bidding to enlarge its stake. And Rembrandt has been moving into the field of finance, acquiring interests in companies such as Sage and Allied and building close ties with Volkskas.

If it sells, Standard Chartered will probably take the money out in financial rands, presently at 30 US cents.

— Own Correspondent and Sapa.

# War and strike talk drive up gold

Weekly Mail Reporter

JUST a couple of weeks ago economists were predicting that the gold price would hover between \$440 and \$460 for a while. But this week gold shot over the \$470 mark, reaching \$475 before dropping back somewhat.

The crystal ball gazers are now confidently predicting that the gold price will reach \$500 before the end of this year.

This week's increase was largely a result of the escalating war in the Gulf, although talk of a South African mines strike also had something to do with it.

Gold is seen by investors as a "safe haven" for their money in times of political uncertainty in the world — and particularly when the uncertainty involves oil as it does in the Gulf. The prices of other precious metals such as silver and platinum have also been rising.

The gold price in rand terms is now around R980 an ounce and this increases the appeal of gold shares — as reflected in the leaps of the gold index of the Johannesburg Stock Exchange this week.

The soaring gold price may lead people to believe that the South African economy is taking off, but this, says one economist, could be a misconception.

An unusual feature of this week's events in the financial markets was that the dollar also rose against other currencies — although usually gold and the dollar are inversely related. But, it seemed, investors were also seeing dollars as a "safe haven": The dollar's rise certainly did not reflect any improvements in the American economy.

The dollar was soon restored to its previous levels.

773/8/87



w/Map

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W/Map 7-13/87

# PENSIONERS OFF GRANNY BONDS



**LARGE** numbers of senior citizens are cancelling notices of withdrawal from participation bond schemes after the scrapping of granny bonds, bankers said yesterday.

This is despite the fact they are still eligible for government's 15% bonds if they gave notice before Saturday.

Investment experts say older people have lost confidence in government's scheme and feel it is safer to keep their money where it is.

Stanbond senior manager Angus Mathieson said his division began receiving phone calls on Monday from people who wished to cancel their withdrawal notices.

GRETA STEYN

Metboard senior bonds manager Andrew Joubert said people had acted swiftly to cancel notices after the announcement granny bonds are to be scrapped.

"Many were just in time. We had already started processing withdrawal notices to pay out money," Joubert said.

Bond managers said they hoped to see investment in participation bonds return to normal, as the inflow had been far below average in recent months.

Part bonds are regarded as favoured investments by older people.

13/8/87

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## **Bank investigates <sup>Sowetan</sup> alleged racial slur**

THE Trust Bank Limited is to investigate claims that a white employee used racial slurs and discriminated against black clients at its Randfontein branch.

The bank's senior general manager, Mr Kobus Roets, yesterday said the claims were not in line with the bank's policy of non-discrimination in terms of race, sex, language and religion.

The claims were made in a letter to the *Sowetan* by a reader who alleged that he was insulted by a white teller.

The reader also claimed that he was angered by the fact that the teller was willing to help white customers, but was unhappy with black clients.

Mr Roets apologised for the inconvenience the client might have suffered when being served at the bank.

He said that he will investigate the claims immediately and will rectify the matter as soon as possible.



(58)

## Sell out terms

Standard and Chartered's (Stancha) sale of its Standard Bank Investment Corporation (Stanbic) shares has been completed, in a complicated deal, which must leave minority shareholders wondering how to react. Individuals should take the shares, not the cash offer.

After completion of the deal, the new major shareholdings will consist of Liberty (30%); Old Mutual (20%); Gold Fields

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(10%); Rembrandt (10%); and Standard Bank Pension Fund (5%) The remaining 25% will be held by the general public and executives. Apart from the Standard Pension Fund, all of these already hold significant stakes, so are simply receiving additional shares

According to the announcement, Stancha is forfeiting 22% of its shareholding and selling the balance for R18,75 a share. Included in the price is a special dividend of R4,125 a share. It thus receives a total of R715,9m in two forms: R558,4m in finrands, being payment for the sale of the shares, and R157,5m in commercial rands, which is the special dividend. As Stancha is a company, this dividend is not taxable in its hands.

The shares Stancha forfeits are being placed in a rights offer, firstly with the new major shareholders, up to their final shareholding, with the remaining shares offered to other shareholders in a ratio of 15 for 100 at R18,75 a share. All ordinary and preferred ordinary shareholders may either accept the offer of these shares, or they may elect to take the special dividend. If they take the dividend, they also have to forfeit 22% of their shareholding in favour of the institutions holding the major stakes.

At the current price of R21,50, if a shareholder owns 100 shares, these are worth R2 150 if he keeps the shares. If he takes the dividend, he would end up with R413 cash (less tax for individuals) and shares worth R1 677, a total of R2 090. Standard Merchant Bank's Mark Barnes says that, based on the transaction price of R18,75, there is no difference between the two options, ignoring the tax effect. However, it is clear from the figures that, when the market price stands above R18,75, the best option is to take the shares. And the individual cannot ignore the tax effect.

If Stancha is the only shareholder to take the special dividend, it will still cost Stanbic R157m. However, Stanbic will recoup this amount by selling to the institutions the shares forfeited by Stancha. Stanbic MD Conrad Strauss says there will be no change in shareholders' funds.

Reserves will be reduced by payment of the dividend. Sale of the forfeited shares, which should total exactly the same amount as the dividend, will in turn increase the share premium. However, reserves are a bank's buffer, built up (in Stanbic's case) by a high dividend cover over a number of years, which the share premium is not. Barnes points out that total shareholders' funds and the number of shares on issue do not change.

The real price Stancha is receiving for its shares is R21,34. If all the funds had been sent through the finrand market and there had been no special dividend, Stancha would have had to receive this price for its shareholding to buy the same amount of pounds sterling.

No special dispensations were needed for the deal. Legally and in terms of exchange control, a company can declare as a dividend and remit out of the country, earnings re-

tained since January 1 1984. Many other disinvesting companies have taken this route in the past and others must be planning to do so. Disinvesting companies are not just pulling out — they are taking their earnings of the past two and a half years with them.

Pat Kenney

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announced in April, is a major consequence of the market-orientated approach of the De Kock Commission, implemented since the late Seventies.

UBS started by allying with Volkskas, preferring the comfort of buying infrastructure, systems and expertise. In today's electronic banking world and with the shortage in top-class local management these are vital considerations.

United Bank is their maiden joint venture: UBS has 51% and Volkskas 49%.

Further details confirm the extent to which the bank falls under United's umbrella. It retains United's name, will operate from the 72 UBS branches, the main marketing strategy will be mailing UBS's strong client network, UBS Holdings CE Piet Badenhorst is chairman, and the head office is in United Towers.

Also on the board, from Volkskas comes MD Nallie Bosman, a former GM at Volkskas' regional head office in Durban (see *People*), Pieter Morkel (Group MD) and Danie Cronje, chairman of Volkskas Merchant Bank. UBS MD Mike de Blanche is the fifth member. Four others will be appointed (2 each from UBS and Volkskas), while the two GMs are ex-Barclays product development chief Neels Scholtz and ex-Nedbank treasurer Arie van Vliet.

Under them will be an assistant GM (credit department); corporate, manpower and financial managers; and two secretaries. Three managers are from Volkskas, one from Barclays. There are eight regional managers.

Though it has been made clear that UBS and Volkskas will remain competitors, Badenhorst says the bank will "not compete directly with Volkskas commercial bank." Indeed, an advantage of the tie-up to Volkskas is access to the English-speaking market.

Bosman does not see United's dominance as a problem. He says "the (shareholding) agreement takes care of Volkskas," and adds that Volkskas is providing much banking expertise and systems.

The share capital of R60m provides for a potential balance sheet of R900m-R1 billion.

Initially, the bank will confine itself to personal loans and short-term fixed deposits. Next year it will move into HP and leasing finance and cheque accounts before eventually providing the full spectrum of retail banking services including electronic funds transmissions, treasury and international services, personal financial planning, trustee services and some corporate business.

Bosman sees the bank as "more a retail than a corporate bank." He does not disclose when it will provide all these facilities or projected growth figures.

He says the first two products "will be pitched competitively, in the middle of the range." He hopes to attract clients who already have a core account at UBS and want to handle all their affairs under one roof.

This approach differs from Allied Bank, which opened four divisions (the fifth, an international division, opens next month).

United Bank seems to have a greater "spiritual" link to UBS than in Allied's case. It's "a bank within a society," he says. ■

BANKING

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## The United effort

The importance of United Bank, which starts business on August 17, goes beyond the simple fact that SA now has 47 banks. Following Allied as the second society to go into banking, United Building Society's (UBS) bank,

AM 14/8/87



## ELECTRONIC BANKING

### Cheque use grows

Contrary to predictions made in the Seventies that cheques would be an early casualty of electronic banking, use of cheques is still growing. Currently, an estimated 60 to 70 billion cheques are issued annually. What's more, the numbers of cheques issued is growing at an annual rate of 4%-5%.

According to Unisys program manager Joseph Brown, who is visiting SA from Detroit, SA follows this general trend while Australia and Switzerland, which took steps at an early stage to discourage the use of cheques, are notable exceptions to it. Few cheques are issued in Switzerland and their use is declining in Australia.

Instead of cheques disappearing, he says, technology continues to be developed instead to achieve greater efficiency in cheque handling.

Brown's visit to SA was to launch the next



**Brown of Unisys . . .  
SA following world trend**

generation of Unisys document processing systems, the "intelligent" DP1800 cheque processor.

"Although there are some countries where there is no growth in the use of cheques, and others such as Australia where it is declining, we don't see any overall flattening out of that growth rate until the mid-Nineties," he says. "Even if cheque payments decline after that, volume will still be greater at the turn of the century than it is today. So we will still have cheque processing for a long time to come."

A major recent contributor to the growth of the number of cheques issued in the US has been the break up of AT & T into regional companies, he says.

"It is estimated that this has increased by 3% the volume of cheques passing through the automated clearing bureaus (ACBs) — which incidentally handle 1m cheques a night — because many people are having to pay several telephone bills instead of one." ■

**Better base**

The big news from Volkskas this year was the deal with United Building Society (UBS). The performance by the banking group made less exciting reading, even though EPS exceeded the previous high of 1984.

One of the advantages of the UBS deal is that it brought an injection of R146m cash. For Volkskas, this means there will be no need for a rights issue in the foreseeable future. It was previously thought that Volkskas would need to raise additional capital to meet the new capital coefficients introduced in January this year.

Another benefit is in the area of compu-

*Handwritten:* PM 14/8/87 119

**Activities:** Services include commercial banking; corporate and industrial financing; merchant banking; life and short-term insurance; estate and trust services; property development.

**Control:** Rembrandt controls 27,9%; Lifegro owns 6,9%; and Mutual 5,8%.

**Chairman:** A J Marais; managing director: P R Morkel.

**Capital structure:** 29,7m ords of R1 each. Market capitalisation: R460,4m.

**Share market:** Price: 1550c. Yields: 4,3% on dividend; 12,9% on earnings; PE ratio, 7,8; cover, 3,0. 12-month high, 1825c; low, 1025c. Trading volume last quarter, 2,3m shares.

**Financial:** Year to March 31.

	'84	'85	'86	'87
Total				
Advances (Rm) ..	4 019	7 751	8 048	7 639
Total Assets (Rm)	7 985	11 497	13 324	13 137
Attributable				
Profit (Rm) .....	59 043	52 948	53 175	60 790
Earnings (c) .....	193,8	173,3	174,0	199,6
Dividends (c) .....	57,0	57,0	57,0	66,0

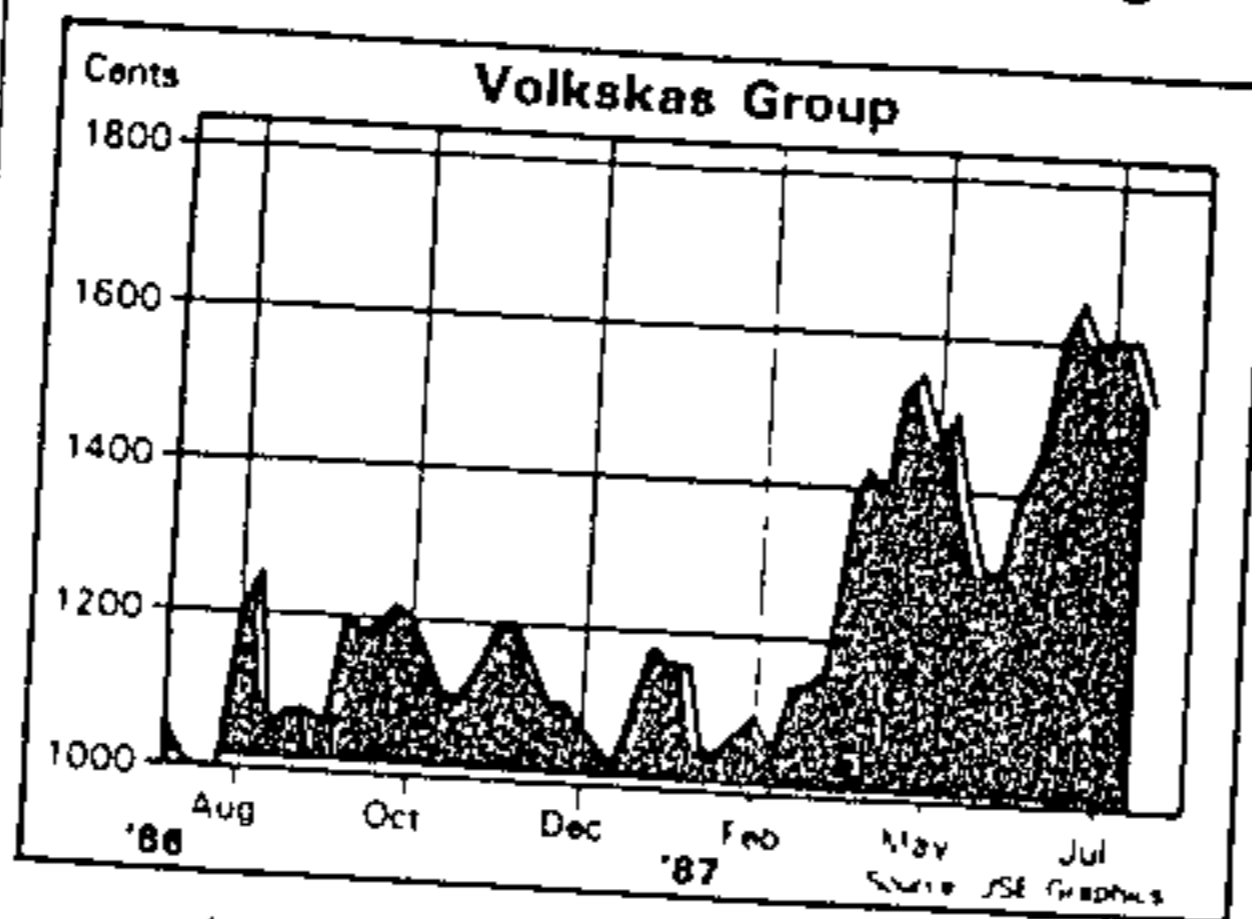
terisation. Group MD Pieter Morkel says that computer centres and software will be rationalised. "There has been quite a change in the commercial banking scene worldwide," he says. "It is now a capital-intensive industry where significant economies of scale can be achieved. The combined UBS/Volkskas group is as big as First National. There are still another two years before Volkskas' computerisation programme is complete. To a large extent our computer system is on a par with that of any of the other banks."

The new bank, to be established by UBS and Volkskas, and which will open on August 17, is expected to help Volkskas make inroads into some of the markets in which it traditionally has not been strong. Morkel expects this bank to grow fast.

As far as the group results are concerned, Morkel says that improvement has been seen in the bad debt position (the bank is not on full disclosure so figures are not available). He is confident that "sufficient provisions have been made for losses and we have a new credit department looking after recoveries."

Volkskas's margins, like those of other banks, have been hurt by the necessity to provide for losses, though there has been some improvement compared with six to 12 months ago. In the wholesale area, Morkel notes that competition for deposits is also affecting margins.

Assets and advances fell because foreign exchange volumes dropped following the



debt standstill and sanctions, but the dealing room has succeeded in maintaining and expanding its international business ties, says Morkel.

The recent sale of Volkskas's interests in Bonuskor and Transvaal Sugar has turned the group into a pure financial services group, according to Morkel, and a "handy" capital profit was achieved in the process.

Since the dividend announcement on June 10, the share price has climbed from R13,75 to the present R15,50. The price has thus adjusted for the increased dividend, with the yield falling only marginally from 4,5% to 4,3%. Though the association with UBS should lead to long-term benefits, Morkel points to the uncertainties created by current economic conditions, especially in the agricultural sector.

There seems little reason to expect a re-rating in the short term and the quantity of banking scrip available following the Barclays and Standard disinvestments will probably affect the entire sector adversely.

Pat Kenney

# Transatlantic profits up 171%

Can Times 14/8/87

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From MIKE ROBERTSON

LONDON. — The net profits of Donald Gordon's Transatlantic Holdings soared by 171% in the first six months of this year.

Transatlantic, the property and insurance company in which Liberty Holdings has a 48% stake, increased profits attributable to shareholders from £3.8m (about R11.5m) in the first half of 1986 to £10.3m (about R31m) in the comparable period.

Net operating income was up 143% on the same period in 1986 while pre-tax profits on ordinary activities were up by 103%.

The total assets of the company jumped from £696m as at the end of December 1986, to £852m at the end of June, before revaluation of investment properties.

## Good progress

Gordon said in his chairman's statement that the company had made good progress towards its objective of building a significant business embracing life insurance, real estate, investment and other financial services.

He announced an interim ordinary dividend of 3% a share (2.5% in 1986).

Gordon said the main reason for the increase in shareholder funds from

£560m at the end of 1986 to £603m at June 30 was the strong asset growth of the company's investment in Sun Life, where the market value increased by £40m to £182m.

Referring to the acrimonious exchanges which surrounded an unsuccessful bid by Transatlantic to get representation on the Sun Life board, Gordon said he was disappointed by the manner in which Sun Life resisted a reasonable proposal.

## Impasse

"In spite of the continuing intractable stance of the Sun Life board, Transatlantic will continue to strive for an acceptable solution to the present impasse in the relationship between the two companies," he said.

He said that while arrangements were being made for Transatlantic to go for a listing on the Luxembourg Stock Exchange before the end of 1987, it still remained an important objective of the company to obtain a listing on the London Stock Exchange.

Transatlantic earlier delayed going for a LSE listing because of the exchange's reluctance to grant a listing to a company whose principal business consists of holding large shareholdings in other listed companies.

**T**HE decision by Barclays Bank to pull out of SA last November after 17 years of mounting pressure from students and other campaigners was heralded in Britain as a supreme achievement for the anti-apartheid movement.

Of all the foreign-owned companies in SA, Barclays National Bank (Barnat) was one of the largest and by far the most visible. The familiar blue eagle logo in nearly all the country's shopping and commercial centres testified to its dominant share of an over-banked market.

Thus the consequences of the withdrawal should provide some indications of the efficacy of disinvestment as a way of hastening political and economic change in SA — at a time when Standard Chartered is negotiating the sale of its 40% stake on its South African subsidiary Stanbic.

The Barclays withdrawal has certainly done nothing to end the political controversies surrounding the bank. During this year's election campaign, President P W Botha attacked Barnat's MD Chris Ball for alleged sympathy for the banned African National Congress.

**M**any believe that the attack highlighted the bank's greater vulnerability to pressure from the right since it lost the protection of its British parent.

The withdrawal has to be judged against the claims, made by anti-apartheid and black political groups, that foreign disinvestment will deprive South Africans of access to international business, managerial and professional skills; end the steady transfer to South African companies of essential technology; deny them the marketing advantages of links with foreign parents; undermine investor confidence and erode company profitability; and lead to an outflow of capital from the country.

On the face of it, at least, the Barclay's withdrawal has failed to fulfil any of these expectations.

When Barclays announced that it was selling its 40% stake in Barnat to the Anglo American Corporation, Barnat's management in Johannesburg put on a brave face.

But behind the scenes many felt they had been betrayed by the British parent which, they said, had previously assured them there would be no withdrawal. In fact, a detailed plan of withdrawal had been developed by head office in 1981.

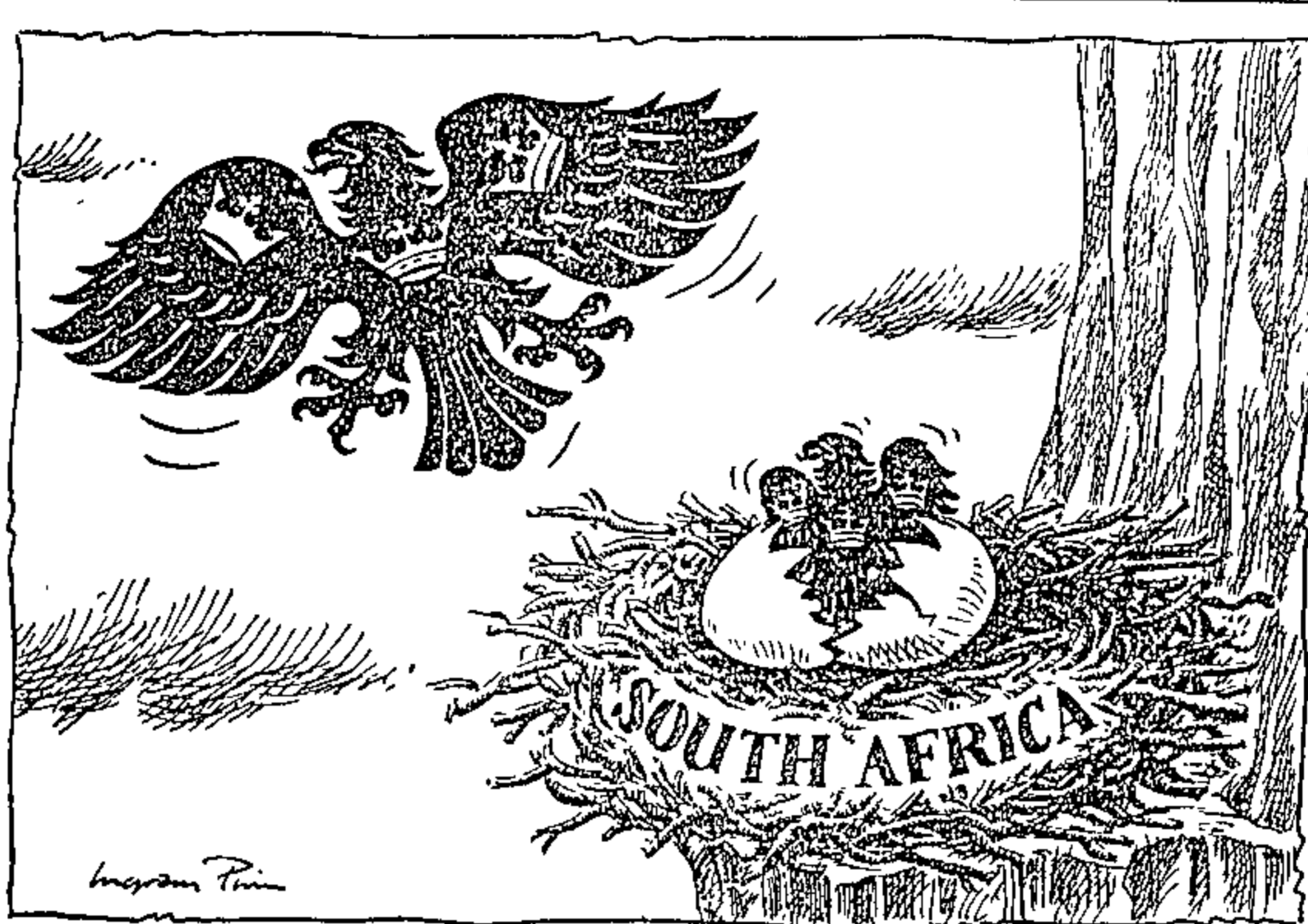
According to Michael Henderson, who is now head of Barnat's property services: "It was an emotional wrench more than anything else. Individuals get comfort from being part of a big banking group. But when it came to actual management, they generally left us alone. We didn't think there was much that 'PLC' could teach us."

**P**LC has played an important role in training Barnat managers and giving them international banking and financial experience.

Ball spent a period in London and Eddy Cade, Barnat's finance and treasury manager, is a former PLC employee. PLC continues to train employees, particularly at more junior levels. Barnat senior managers emphasise the continuing closeness of their relationship with London. According to Jimmy McKenzie, senior GM: "The personal bonds remain. We still send people to London and call on them whenever we go there."

Henderson says he has relied extensively on PLC's advice in restructuring his property organisation over the last nine months.

"We have the same access and they continue to ship out data to us. I have my opposite number in London on automatic dial."



# Barclays — a fledgling fending well for itself

CLIVE WOLMAN of the Financial Times in London

But the interchange of ideas and information, at least on high street banking, is becoming less important. Terry Smith, banking analyst at Barclays de Zoete Wedd, says "Five years ago, there were a lot of similarities between the South African and UK retail markets. From looking at one, you could tell how things would go in the other. But the UK system has changed enormously since then."

And so has the South African market, not least because of the increasing sophistication of black customers.

Over the long-term, the personal ties which allow SA to keep in touch with new developments in banking and business management generally will weaken. But this penalty of disinvestment is unlikely to bite until the next century.

The transfer-of-technology argument in favour of disinvestment is similarly dubious. Stockbroking analysts believe that, far from benefiting from its foreign ownership, Barnat's computer systems suffered as a result of its British links, and reliance on ICL equipment.

The consequence, they say, have been to place Barnat at a competitive disadvantage in its automated cash machine network and its payments and cost-control systems from which it is only now starting to recover.

The technological leader in the banking sector has been the United Building Society, which has no foreign ownership links.

One senior Barnat employee says the bank chose ICL, a British company, because of the British background of its managers and Barclays' group-wide policy on computer systems.

However, nearly all SA's scarce computer programmers and analysts were IBM-oriented. "The trouble was that the people here who believed in ICL would not



□ BALL ... high-profile role

change their minds until it was too late. We should have made a decision to write off the ICL equipment." The lack of decisiveness in SA mirrored that in London, where Barclays has had similar computer difficulties.

In contrast, Barnat's chief rival, Stanbic, has absorbed computer technology much more effectively, by acting independently of Standard Chartered, within the group's loose federal structure.

In Stanbic's case, the transfer of technology has, if anything, been the other way, with Standard's London managers visiting SA to seek advice.

Sanctions to stop South African imports of high technology would, bankers believe, be hardly any more effective than disinvestment. Licensing agreements it routed through third parties can easily evade government controls, particularly when only small but vital high-tech components have to be shipped. One economist estimates that the additional costs to SA of evading a worldwide high-tech trade ban would be equivalent to a 2% to 3% fall in the gold price.

As far as the marketing of its retail banking services is concerned, Barnat has suffered little from the disinvestment. According to one management consultant specialising in South African financial companies:

"In the last two or three years there were several disadvantages to being perceived as foreign and non-South African bank, Barnat could use disinvestment to say 'Now we are a patriotic South African institution'."

Barnat's corporate clients no longer have the advantages of its membership of an international fund-raising, trade credit and branch network. The correspondent banking relationships that Barnat has established are rarely a satisfactory substitute for ties of ownership and control.

However, until SA's foreign debt moratorium is lifted, the lack of international banking links will be a limited handicap.

The most substantial change in marketing terms has been the replacement of "Barclays" by a new name — "First National Bank" — and a new logo, featuring a tree in the sunset. Between the tree's branches, some of the bank's Afrikaner critics have discerned the shapes of a map of Africa, a rifle and a rabbit, supposedly a symbol of the ANC.

That Barclays could be suspected of secretly supporting SA's leading black liberation movement demonstrates the gulf between perceptions of the bank in Britain and in SA.

Ball had assumed a high-profile political role by meeting ANC leaders in London and being outspokenly critical of government's apartheid policies.

Matters reached a head in April when he was accused by President Botha of providing a loan to finance a pro-ANC advertisement. Barclays later placed advertise-

ments in the Sunday Press saying that the rabbit was not an ANC symbol.

The consequences was that Barnat suffered a loss of accounts, particularly in the conservative Afrikaner areas of the rural Transvaal. This has been partially offset by a gain in the number of accounts, albeit much smaller ones, in the black townships.

Botha's attack on Ball outraged much of the English business community. But since then, criticism of government policy by businessmen has been muted to the point of inaudibility, which was probably Botha's aim.

Adverse political consequences for the white anti-apartheid forces and the black trade unions, who officially support disinvestment, could have resulted from the method by which Barclays disinvested.

The black trade unions officially oppose the sale of shares in South African companies by foreigners either to other foreigners or to their black employees. Implicitly, they also oppose shutting down the operations of these companies and laying off their workforces.

**T**he only alternative method of disinvestment is to sell the companies to white South African owners. But in most cases, the new owners, as well as being given assets at firesale prices, feel less constrained by foreign pressure.

They can dismiss large numbers of black workers, as General Motors has done, and begin supplying government and armed forces. Barclays came up with the least embarrassing solution — selling its stake to the relatively liberal Anglo American Corporation.

Barnat policy is now to increase its proportion of non-white employees to 40% by 1990 and to promote them to senior management positions. Most South African financial institutions officially subscribe to similar policies, only to find them diluted at branch level. However, Barnat's management is thought to have tackled traditional white attitudes more forcefully than many of its competitors.

There is little evidence that company profitability has been harmed or investor and managerial confidence undermined by disinvestment, either by Barclays or by the many other US and European companies which have taken similar action over the last year.

In fact, as a result of all the disinvestment sales of companies to South African buyers and the boom in stock market flotations, the profitability of the corporate finance departments of Barnat and other banks has soared.

**T**he issue of disinvestment by foreign banks is often confused with the withdrawal of foreign loans from SA, which led to the debt moratorium of September 1985.

More than any other sanction, the ending of fresh loans is likely to have a fundamental effect on the South African economy by forcing it to become a large-scale capital exporter, unless it refuses to repay the loans. But because of exchange controls, the selling of equity stakes in South African subsidiaries has no such consequences.

Barclays, for example, had to repatriate the proceeds of its sale of Barnat through the financial rand. This means that it has had to find other foreign investors to purchase the rands from it.

But the sale also ends the outflow of fairly generous dividends from Barnat in SA to a foreign owner. Dividends can be paid at the higher commercial rand rate, which is also used for exports and imports. As a result, the Barclays disinvestment may even have a favourable effect on SA's balance of payments.

STANBIC

(58) 14/8/87

## Sell out terms

Standard and Chartered's (Stancha) sale of its Standard Bank Investment Corporation (Stanbic) shares has been completed, in a complicated deal, which must leave minority shareholders wondering how to react. Individuals should take the shares, not the cash offer.

After completion of the deal, the new major shareholdings will consist of Liberty (30%); Old Mutual (20%); Gold Fields

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KM

(10%); Rembrandt (10%); and Standard Bank Pension Fund (5%). The remaining 25% will be held by the general public and executives. Apart from the Standard Pension Fund, all of these already hold significant stakes, so are simply receiving additional shares.

According to the announcement, Stancha is forfeiting 22% of its shareholding and selling the balance for R18,75 a share. Included in the price is a special dividend of R4,125 a share. It thus receives a total of R715,9m in two forms: R558,4m in finrands, being payment for the sale of the shares, and R157,5m in commercial rands, which is the special dividend. As Stancha is a company, this dividend is not taxable in its hands.

The shares Stancha forfeits are being placed in a rights offer, firstly with the new major shareholders, up to their final shareholding, with the remaining shares offered to other shareholders in a ratio of 15 for 100 at R18,75 a share. All ordinary and preferred ordinary shareholders may either accept the offer of these shares, or they may elect to take the special dividend. If they take the dividend, they also have to forfeit 22% of their shareholding in favour of the institutions holding the major stakes.

At the current price of R21,50, if a shareholder owns 100 shares, these are worth R2 150 if he keeps the shares. If he takes the dividend, he would end up with R413 cash (less tax for individuals) and shares worth R1 677, a total of R2 090. Standard Merchant Bank's Mark Barnes says that, based on the transaction price of R18,75, there is no difference between the two options, ignoring the tax effect. However, it is clear from the figures that, when the market price stands above R18,75, the best option is to take the shares. And the individual cannot ignore the tax effect.

If Stancha is the only shareholder to take the special dividend, it will still cost Stanbic R157m. However, Stanbic will recoup this amount by selling to the institutions the shares forfeited by Stancha. Stanbic MD Conrad Strauss says there will be no change in shareholders' funds.

Reserves will be reduced by payment of the dividend. Sale of the forfeited shares, which should total exactly the same amount as the dividend, will in turn increase the share premium. However, reserves are a bank's buffer, built up (in Stanbic's case) by a high dividend cover over a number of years, which the share premium is not. Barnes points out that total shareholders' funds and the number of shares on issue do not change.

The real price Stancha is receiving for its shares is R21,34. If all the funds had been sent through the finrand market and there had been no special dividend, Stancha would have had to receive this price for its shareholding to buy the same amount of pounds sterling.

No special dispensations were needed for the deal. Legally and in terms of exchange control, a company can declare as a dividend and remit out of the country, earnings re-

tained since January 1 1984. Many other disinvesting companies have taken this route in the past and others must be planning to do so. Disinvesting companies are not just pulling out — they are taking their earnings of the past two and a half years with them.

Pat Kenney

### Nuclear all clear

Despite withdrawal by one major US pool from the South African nuclear insurance market, the Koeberg risk continues to gain foreign support.

Indeed, capacity was increased this year to R945m (up from R900m in 1986) and is now 35% higher than in 1985. Cover provides material damage and third party insurance for the Koeberg nuclear power plant under the "home pool," administered by the SA Insurance Association (Saia).

Explains Saia CE Rodney Schneeberger: "The US has two nuclear pools. One came off the Koeberg risk for what we believe to be political reasons, in February 1987. Despite this, we managed to increase total capacity for the renewal because other foreign pools (British and Continental) increased their acceptance in April."

Because of the weaker rand, overseas reinsurers could give more capacity since the risk

P.T.O.



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**INVESTMENT**

# Granny's loss may be part bonds' gain

From SVEN LÜNSCHE

JOHANNESBURG. — Participation bond companies are bracing themselves for a huge inflow of money, following the Government's decision to scrap the controversial granny bonds.

Participation bond schemes and building societies were particularly hard hit by the granny bonds.

Pensioners generally require a regular, fixed income with their capital entirely protected, and the 15 percent offered by the Government could not be matched by the financial institutions, which had already experienced tight margins, as a result of lower interest rates and soaring operating costs.

**ROSIER FUTURE**

But the recent suspension of any further investment in granny bonds holds a rosier future in store for part bond schemes.

Says Tommy Spence, Transvaal manager of the J H Isaacs Part Bond scheme: "Funds earmarked for investment in granny bonds, including planned withdrawals from building societies where a period of notice had to be given, can now find a new haven in participation bonds."

Several factors favour in-

vestment in participation bonds at this stage:

- While interest rates are comparatively low at the moment, economists generally believe there is a better than 50/50 chance that they will start to harden somewhat in the foreseeable future. In that event, part bond rates will rise, providing higher yields to investors who get in now.

- Even if interest rates soften, which seems unlikely, investors are protected by a floor rate below which their yields cannot drop.

- All investments are protected by legislation under the Participation Bonds Act of 1964.

- Interest is payable quarterly in advance in many instances, so that the effective rate is somewhat higher than the initial rate quoted.

The expected new wave of interest in part bonds has also sparked a new rate war among the major part bond institutions.

Last month Metboard announced a minimum 13,5 percent rate for new investors in their part bonds, guaranteed until the end of November. Interest is payable quarterly in

advance, which gives an effective rate of 14,2 percent a year.

According to Alan Payne, director in charge of the scheme, investors will get the benefit of higher rates, in the event of general rates of interest rising.

However, rates for borrowers of Metboard part bonds will remain unaffected as the company will continue to charge borrowers 13,5 percent at this stage.

Mr Ken Pettit, Cape Town divisional general manager of Syfrets — by far the biggest player in the market — said that unless something drastic happened Syfrets had no intention of increasing its rate of 12,5 percent paid quarterly in advance until at least September 5 and maybe even beyond that.

While Syfrets expected a bigger inflow of funds, it did not expect this to be substantial.

"However, we have had a tremendous number of applications for reinstatement of funds from existing clients who had given three months' notice to withdraw their money to invest in the granny bonds. This we will do," he said.

# Only a few to benefit from UBS's lower rate

By Sven Lünsche

SS  
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Only a few people will benefit from the United Building Society's cut in the mortgage rate on new bonds to 12,95 percent.

Economists said today the demand for new bonds had declined rapidly over the last few years, with individuals' savings at new lows.

"The big benefit to potential buyers only comes if they pass on the lower rates to existing bond holders," an economist at a stockbroking firm said.

6/18/87  
The majority of UBS home loan bondholders were therefore expected to pay the existing rate of 13,5 percent, only a month after they were threatened with a 14,5 percent rate.

Analysts also pointed out that few bond-seekers could comply with the conditions set by the UBS in order to get the cheaper rate.

For example, if a house was valued at R100 000, R20 000 would have to be put in deposits, before the 12,95 percent was granted.

## HIGHER RATE

Bonds with lesser security — those for more than 80 percent of the value of the building — would be granted at a higher rate, possibly 13,5 percent.

Mr Martin Keyser, general manager of the UBS, said the United would maintain its differential mortgage rates because bonds were related to the cost of funding them. It would be too costly to reduce the rate across the board on R8 billion worth of loans granted.

The United accounts for about one in three bonds granted in South Africa and its move takes the cost of new bonds to within striking distance of the banks — which now charge 12,5 percent.

Other building societies are unlikely to match the UBS rate, in view of the way their margins are being squeezed by demands for loans with the banks and the Government's granny bonds.

Most societies will continue charging a top rate of 14,5 percent.

THE trial of the African Bank of South Africa Ltd and three of its officials, alleged to have made a profit of R100 654 681 by unlawfully converting financial rand into commercial rand, was postponed yesterday until February 1 next year.

The postponement was granted by Mr Justice G Gordon after an application in the Rand Supreme Court by counsel for the three officials.

All three and the bank — represented by a director, Samuel Mokgethi Motsuenyane — are charged with 105 counts of fraud and 315 counts of contravening exchange control regulations.

It is alleged that, as a result of the financial rand transactions, foreign currency amounting to \$119 210 281 left the

# African Bank trial postponed

SUSAN RUSSELL

country unlawfully.

The bank; GM (foreign exchange division) Alan Young, 36; GM (money market division) Henry Alexander Harper, 36; and an assistant GM (foreign exchange), Arthur Edward Ferreira, 40, were not asked to plead yesterday.

The MD of the bank, Moty Moses Jacob Maubane, 44, who was also to have stood trial, has died since charges were first brought.

# Building societies likely to recoup granny bond cash

HELENA PATTEN

MONEY destined for investment in "granny bonds" would probably go back to where it came from, building society and stockbroking sources said.

Government's announcement last week which terminated the 15% senior citizen bonds and, for those who had already given notices of withdrawal, reduced the maximum individual investment from R200 000 to R20 000, means the over-60s face new decisions as to what to do with their money.

A broker said he expected the money to return to the building societies, rather than to unit trusts, which offered investment opportunities of a longer-term nature and were not as secure. Pensioners also required a higher income than unit trusts yielded.

Allied's marketing GM William Wolke said it was difficult to say where surplus cash would flow, but people might look to the stock exchange or unit trusts because they were reluctant to invest in anything other than the short end of the market.

NBS MD John Bennett said he imagined money would be left where it was or be considered for alternative options. However, as NBS had been one of the few building societies to defend its existing investments, a negligible amount of money had been directed away from the institution.

A Perm spokesman said it was most likely money would stay where it was in fixed deposits or paid-up shares, since the money had presumably been there before because it was seen to be getting market-related rates of return.

nd cultural sector recorded an increase of only 0,2% at an annual rate in the second slowdown in growth in the second quarter was expected.

# Old Mutual assets top R25bn mark

*R25,87 (58) B10ay*

HELENA PATTEN

OLD MUTUAL yesterday confirmed its position at the top of the asset base pile in the life assurance industry when it announced a 46% increase in total assets to R26bn during its financial year ending June 30, 1987.

Announcing the end of year results, MD Mike Levett said it was the Mutual's "best year ever" and followed excellent results in 1986.

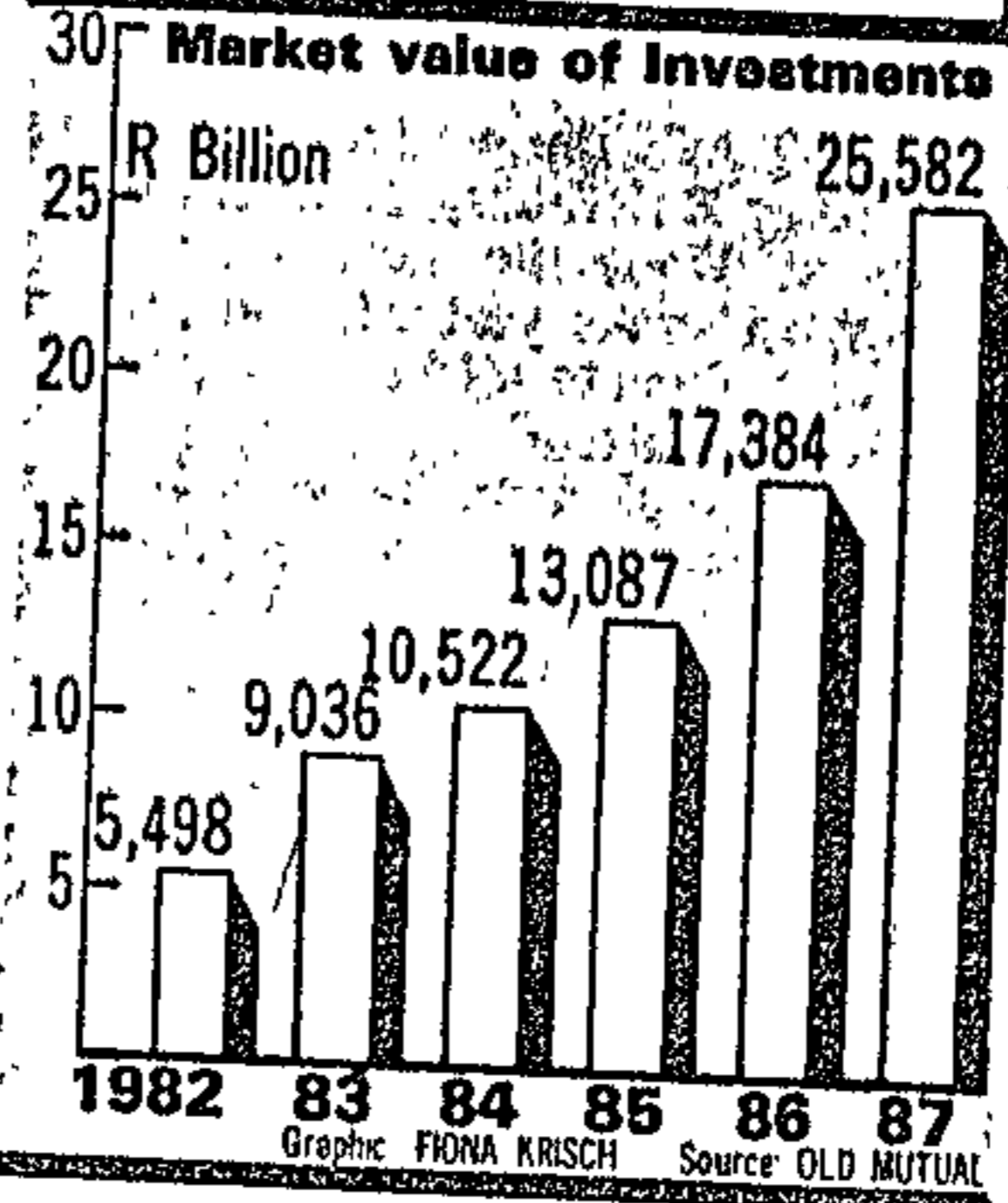
A large injection of new funds had pushed total assets past R25bn for the first time.

The R1bn mark had been passed during the year, in single premiums, individual business recurring premiums and group business recurring premiums, bringing total premiums to more than R3bn.

Individual premium income increased 62% to reach R1,9bn over the past year, while group business had risen sharply from R1,0bn to R1,4bn, an increase of 39%. Levett ascribed the latter to large inflows of new business.

Income from investments grew a modest 9% from R1,3bn to R1,4bn. Levett said the low growth reflected the lower income yields available in the

## OLD MUTUAL



capital and money market.

Total income (premiums plus investment income) rose 36% to R4,8m.

GM (pensions) Gerhard van Niekerk said the spread of investments was roughly 55% in equities, 30% in prescribed assets and 10% in property.

offer by management union's struggle

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# Banks to form firm to further futures

GRETA STEYN

RAND MERCHANT BANK and Investec are forming a company to further the local financial futures market in the hope that other market makers will eventually join them.

Investec executive director David Ladds said yesterday the two merchant banks wanted an open market through wide participation.

"We want more market makers to provide participants with a wide range of choices — which is good for the market," Ladds said.

The new company, which will come into being on September 1, will initially trade in the share futures contracts established by Rand Merchant Bank.

These are based on the JSE Actuaries all-share index, the all-gold index, and the industrial index.

## Other contracts

Investec trading GM Andy Swartz said contracts for gilt futures and Krugerrands would be introduced in the near future.

The two banks aim to develop a market with standardised contracts and uniform credit criteria.

They are in constant contact with the financial authorities to ensure all the necessary controls are in place.

The market caters largely for institutions with the future possibility of the man in the street being able to participate.

Ladds said the new company could consider, on request, offering contracts amounting to one-tenth of the actual contract price to accommodate the small man.

He said the main advantage of a futures contract was that it was a hedge mechanism against future uncertainties.

WEDNESDAY, AUGUST 19, 1987

58 om 7/19/87  
**'Best ever year' for OM**

By **AUDREY D'ANGELO**  
Financial Editor

EVERY working day in the year to June 30, the Old Mutual (OM) paid out R5,5m to members and beneficiaries, its MD Mike Levett, said yesterday.

In a statement issued at a press conference to announce its results for the year, Levett said OM had experienced its best year ever, with total assets increasing by 46% to reach R26 billion and income rising by 36% to R4,8 billion.

Benefits paid to policyholders, beneficiaries and dependants in the year rose by 29% to a record R1,3 billion.

Premium income rose by 51% to R3,3 billion and income from investments to R1,4 billion. This represented an income of about R2,5m for each working hour in the year.

"Individual premium income increased by an impressive 62% to reach a record R1 973m over the past year," the statement continued.

Premiums on new policies rose by 145% to exceed R1 150m. Income from group business rose by 39% from R1 021m to R1 414m.

Clearly preparing to oppose any suggestion

the Margo Report might contain for increased taxation of the life insurance industry, Levett stressed its importance "as a vehicle through which long-term savings are accumulated and channelled into productive and job-creating enterprises".

He said that with personal savings at a low level, life offices must be encouraged in their efforts to mobilize long-term savings and thereby stimulate the economy.

"With overseas sources of capital being closed to us, domestic capital formation will play a vital role in future."

# Old Mutual rides the crest of stock exchange wave

19/8/87 Star (S)

By Ann Crotty

Old Mutual's asset base increased by 47 percent to a R25,7 billion in the year to June.

On the income side, premiums and investments brought in R4,8 billion, which was 36 percent up on the 1986 figure. The comparative figure in 1982 was R1,5 billion.

In the year under review, Old Mutual paid out R1,4 billion to policyholders and beneficiaries. This was up 29% on the previous year. The comparative figure for 1982 was a mere R367 million.

The figures are so enormous that they have to be broken down considerably in order to give them meaning. Management notes that in financial 1987, an average of R5,5 million was paid out each working day to members and beneficiaries. On the income side, Old Mutual received R2,5 million for each working hour in the year.

After expenses and tax, operating income showed an increase of R832 million to R2,9 billion. Approximately R600 million of this was directed towards the stock market.

In terms of market value, at R25,7 billion, Old Mutual has the largest asset base in the industry. This represents an almost fivefold increase on the 1982 figure of R5,5 billion. About 55% of the assets held were in the form of shares with a total market value of R14 billion at year-end.

The figure represents a 67 percent increase over the previous year's R8,4 billion.

In June 1986, Old Mutual held 48 percent of its total assets in shares. The additional exposure reflects management's bullish attitude to the stock market, as well as the shortage of alternative opportunities for sums with which Old Mutual is dealing.

The 67 percent increase in value was a combination of appreciation of the market value of shares held and the R600 million of new income directed to the share market. If the R600 million is stripped out, the increase in the value of Old Mutual's share portfolio is closer to 60 percent, which is still comfortably ahead of the 51 percent surge in the JSE overall index between June 1987 and June 1986.

This outperformance of the overall index must to some extent reflect Old Mutual's policy of going for a relatively higher level of exposure to gold/mining shares and rand hedge shares such as Rembrandt and Barlow Rand.

While R14 billion represents an enormous portfolio by any standards, at June 1987 it represented only 4,7 percent of the total market capitalisation of the JSE, which was R299 billion. In June 1986, Old Mutual held 4,3 percent of the JSE's market capitalisation of R186 billion.

Exposure to prescribed assets such as government and semi-government stocks and cash was just over 30% which, management says, is just at the requirement level. A breakdown of the overall figure shows a 14 percent drop in exposure to government and semi-government stock — down to

R3,7 billion — and a massive increase on the cash side to R4 billion from R1,7 billion.

Old Mutual's property portfolio — again in terms of market value — was up 25 percent to R2,5 billion.

A breakdown of the total income figure of R4,8 billion shows that the bulk — R3,4 billion — came from premiums, with investment income chipping in just R1,4 billion. The income from investment was up just 9% in the year. This, says management, reflects the move to the short end of the gilt and deposit market where interest rates are low.

Total premium income was up 51%, with individual income outperforming group business. MD Mike Levett says: "Individual premium income increased by an impressive 62% to reach a record R1,973 billion over the past year. This is the highest figure ever reported in the local assurance industry and can be attributed largely to the massive inflow of new business. Premiums on new policies issued increased by 145 percent to exceed R1,150 million."

Old Mutual, which has about 1,2 million individual policyholders, estimates that over the past few years 20% of the new individual policyholders have been blacks.

Its managed assets, which are not included on its balance sheet, reflect a 110% increase in market value to R1,8 billion. This sum comprises assets managed on behalf of pension-fund clients and unit trusts, with the latter comprising the majority.



(58) B/Day  
20/8/87

# First Bank introduces interest rate swaps

HAROLD FRIDJHON

INTEREST rate swaps, a financial tool increasingly being used abroad to manage interest rate exposure, is being introduced into SA by First National Bank.

Created about eight years ago, the world interest rate swap market has grown from a \$100m annual turnover to an estimated \$140bn last year, indicating that these swaps are playing a definite role in the management of corporate borrowing programmes.

Basically an interest rate swap is an agreement between two parties to exchange a fixed rate of interest for a floating rate of interest in the same currency. The amounts involved are calculated on a notational amount of capital although at no time is this capital exchanged between the two parties. Only interest payments are involved.

Underlying a swap contract is the principle that one party has a structural interest rate advantage which is not available to the other. At specified periods each pays the other a stipulated amount of interest on the notational capital involved, the fixed rate party paying according to the agreement while the floating rate party to the agreement pays according to a floating rate index.

## Advantages

The swap mechanism works because it is beneficial to both sides; it is presumed that both parties get converse economic advantages.

Interest rate swaps enable corporate financial managers to minimise rates exposure and to adjust risk positions without changing their funding sources. It fixes the cost of a floating rate liability and reduces the cost of fixed rate funding when interest rates are declining. It enables a company to swap out of new or existing fixed rate liabilities to match asset maturities.

With First National Bank as the intermediary principal neither party is at risk because the bank will assume the risk should either party default.

# Call for overhaul of govt pension fund

**Dispatch Correspondent**

**JOHANNESBURG** — Pension fund experts have called for a drastic overhaul of the government pension fund which is facing ruin because of slack financial discipline and over-generous concessions to public servants.

They agree with former Sanlam head, Mr Andreas Wassenaar, that unless the running of the fund is revised the SA taxpayer will increasingly carry the burden of civil service "diamond handshakes".

The general manager of Sanlam and honorary secretary of the Actuarial Society of SA, Mr Desmond Smith, said it was clear financial discipline was lacking.

"Over the past 12 years the government fund has not been subjected to the same financial discipline as private funds because actuarial evaluations were dropped in 1976," he said.

Mr Smith said the society had made repeated calls on government to re-introduce actuarial assessments.

"It does create the concern that to a large extent the structural benefits are being determined by the beneficiaries."

He said it would appear that sufficient assets were not being built up and that payouts were being funded by current contributions. He likened the practice to a company paying dividends out of capital.

When actuarial assessments of the fund were re-introduced in 1986 a R7,6-billion actuarial shortfall was uncovered.

"Enough has been said to raise certain questions, not only in the interests of the tax-paying public, but in the interests and for the security and peace of mind of civil servants themselves," he said.

He welcomed government's intention to limit "buying back" — a scheme under which civil servants buy pensionable years even if they did not work them. Government has not indicated the precise limits it will place on the system.

The former PFP MP for Edenvale, Mr Brian Goodall, said it was not unusual for State pension funds to run into trouble. This arose because they tended to rely too heavily on taxes.

"In SA we seem to have a lack of foresight. You would have thought we would have learned from the lessons of the world."

"But civil servants are an important electoral support group — they command a lot of votes. There has been a continuous attempt to placate them, and to redistribute wealth in favour of the public sector".

HELENA PATTEN

LIBERTY Life Association's asset base has been boosted by a massive 51,5% in the six months to end June 1987, largely owing to the company's merger with Prudential, which was effective from January 1, 1987.

Attributable profits increased 36,7% to R43,6m from R31,9m, raising earnings 23,2% to 250,3c a share from 203,2c in the first six months of last year. The interim dividend has been raised to 180c a share from last year's 150c.

The weighted number of ordinary and preferred shares on which net taxed surplus per share is based, rose 11% to 17 398 000 as a result of the acquisition of Prudential.

The interim report shows Liberty's total assets grew from R7,6bn at December 31, 1986 to R11,6bn at June 30, 1987. The Prudential Assurance Company had R2,4bn in assets at the end of last year, while the joint company grew a further R1,6bn in the first six months of 1987.

Also reflecting the Prudential purchase, life funds jumped 65,8% to R9,1bn at June 30, 1987 from R5,5bn at December 31, 1986.

Net premium income was 37% up at R590,4m, while net income from investments leapt 65,7% to R361m from R217,9m.

New annualised premiums, excluding single premiums and annuity considerations, rose to R82,8m from R77,1m,

# Liblife's profits increase to R43m

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*(58)*  
*2/18/87*

while total new business premium income amounted to R274,9m, reflecting an increase of 15%.

Director Farrell Sher attributed the surge in new business for life companies in general to a return of consumer confidence and the investment products the insurance industry had to offer the man-in-the-street.

□ Holding company, Liberty Holdings, reported earnings a share of 69,6c for the first six months of 1987 — 27% up from the 54,8c in the comparable period last year.

An interim dividend of 38c a share, up from last year's 30,0c, has been declared.

Profit attributable to ordinary shareholders grew 28,3% to R31,7m.

GM 2/18/87

## OLD MUTUAL

### Firing on all six

Enormous growth in equity values is clearly evident in Old Mutual's latest financial report. In the year to June 30, during which it sold over 360 000 new policies, total assets grew by a staggering 46% from R17,9 billion to R26,1 billion. Assets have rocketed tenfold in little under nine years (see graph).

Significantly, the value of its share portfolio shot up by 67%, or R5,7 billion, to R14,1 billion. During the period the all-share index rose by 60%; mining financials went up 65%. Indeed, over half the year's growth reflects revaluation of shares.

Total net new monies for investment rose by 40% to R2,9 billion, or R11,5m per working day. A breakdown of total assets shows that cash and deposits rose R2,4 billion, or 141% to R4,1 billion; public-sector securities fell R614m to R3,7 billion; while debentures rose R120m to R709m. Ignoring minor market fluctuations on these counters, the overall increase was around R1,9 billion.

There's no further breakdown, but it is estimated that of the R1 billion balance, after deducting transactions into property, property unit trusts, and sundry, some R700m new money was invested in equities, revealing that at least R5 billion of the asset growth in equities is unrealised paper profits.

In this light Old Mutual has almost doubled its market valuation fluctuation reserve, or in-built cushion, to R7 billion, with policyholders' reserves standing at R18,6 billion.

Individual new business in SA leapt by 160% to R1,1 billion, a record for any local life assurer.

Commenting, MD Mike Levett says: "We have never had a year like this before, and I think we would be incredibly lucky to enjoy such an exceptional year again."

There was a massive increase in individual single premium business, he adds. "This was the main driving force behind our new business figures, rising from R323m to R855m.

"It is not unique to ourselves. I think you'll find most assurers did very well last year." The success of the industry has largely stemmed from the negative real rates of return on deposits and fixed interest securities, even before tax is taken into account.

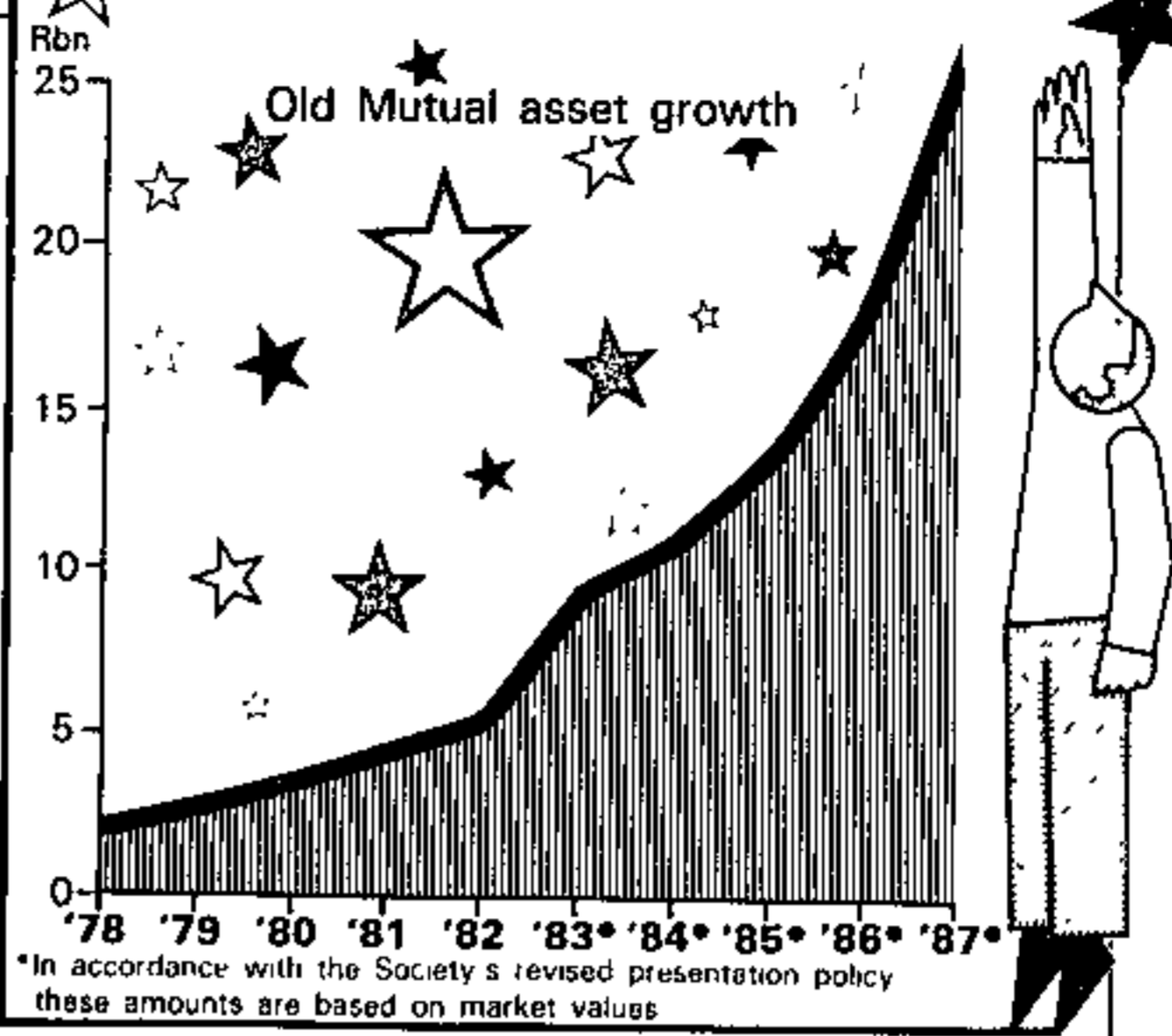
Increasingly, investors have seen the life industry as their only hope of beating inflation. A lot of single premium business arises from transfer of monies previously saved with banks and building societies and in mortgage participation bonds.

Municipalities have invested large single premiums for similar reasons, often using an annuity as the vehicle.

A currency adjustment of R315m was debited to reserves to reflect the improvement in the rand in respect of foreign business, chiefly in Zimbabwe and the UK.

Operating expenses rose by 35% to R461m. Within this, "commissions and incentive commissions went up sharply in line with our new business growth," says Levett.

### Reaching for the stars



The other component, total management expenses, rose just 19%.

Since Levett's appointment in May 1985, expense control has been a focal point. For the following year no increase in office staff was allowed. Over the two years to June 1987, staff numbers rose just 181 to 5 989.

Another important aspect of efficiency is, of course, computer technology. Says Levett: "We spent about R30m last year on new computer hardware equipment."

The agreement, effective January 1 1987, to take over the South African business of Colonial Mutual is still subject to Supreme Court approval, so the accounts have not yet been consolidated. Total assets of Colonial at the end of last year were R584m. ■

opened its doors this week. Both organisations operate on IBM architecture at mainframe. They also use similar application development mechanisms, according to UBS GM Alwyn Burger, who is responsible for the new bank's information systems.

"Before they actively link up, there is obviously some applications programming work to be done by both organisations to get the two applications talking," he tells the FM. "The technical linking will be easy."

However, the bank's needs will largely be met on a "default" basis by UBS computers, says Burger. United Bank will operate from separate counters on building society premises.

"We already have the bricks and mortar infrastructure, the tellers and the keyboards, so our approach is that we are simply providing an additional service to our clients."

Having separate banking counters does not mean separate computers. United Bank applications will be integrated into the UBS systems and the bank charged for the service. "We will use Volkskas applications on a bureau basis where the infrastructure already exists and integration can be easily achieved without inconvenience."

He says a "fair amount" of planning has been done. An information systems co-operation committee with UBS, Volkskas and Lifegro representation has been established to assess existing and future require-

ments and how best to meet those needs. A major thrust is to examine and analyse future requirements and opportunities.

"We have a fairly homogeneous approach," says Burger, "Both UBS and Volkskas operate on IBM architecture at mainframe. They both also use very much the same application development mechanisms; their networks are similar and there is a great deal of commonality between them. We already have electronic link ups through Saswich and Multinet, so in theory link ups to service the bank and any other co-operation between the two organisations should be fairly easy to establish."

From the practical point of view, two studies are being undertaken. One is specifically on the services United Bank wants to provide — the infrastructure is already in place to meet that need and any additional joint investment requirements.

The second deals with possibilities for greater co-operation between UBS and Volkskas in terms of across-the-board services.

Asked whether any additional hardware or software will be needed for the new bank, Burger says: "We will be looking at new hardware, but that is a matter of course, every financial institution does that on an annual basis. We are having an upgrade to our existing 3090 complex delivered in October, which was ordered earlier this year. We are also looking to replace an existing mainframe with either an IBM or a Persetel.

"Some of this hardware is being bought because of the bank and some of it as a result of expanding services from UBS."

UBS has traditionally developed its own software rather than buying packages. But with all the pressure of delivering systems, Burger says he doubts that it can continue meeting all its needs in-house indefinitely and will buy packages when required. ■

BANKING

(58) FM 2/18/81

## United approach

There should be little difficulty in the United Building Society (UBS) and Volkskas computer systems working together to provide services for the new United Bank, which

# Making the markets

58



Japie Jacobs is Senior Deputy Governor of the Reserve Bank

**FM:** Is the confusion that arose in the money market after the new tender system was introduced in April sorted out?

**JACOBS:** We are happy. Our objective is to create a more competitive money market system. Some participants found difficulty in adjusting to the new system but seem to have settled down. There is no reason why the Bank should iron out complete movements. Short-term rates should move in sympathy with liquidity. This is not always the case. **Is the Bank disappointed in the way banks and discount houses took these changes?**

Discount houses are adjusting to the increasing competition and broadening their market from just moving short-term paper. It is preferable for banks to make more use of the discount house facilities for managing liquidity. The increasing use being made of the interbank market to redistribute cash is positive. We seem to gain the impression that banks don't always use the adequate and right type of assets to cater for movements in their own liquidity.

**The big problem seems to be determining the shortage, with final settlement coming only in the morning for the previous day.**

The accuracy of the shortage is not the issue, rather the direction of liquidity movements is. This we can determine fairly accurately.

**What about moving to same-day settlement?**

This would be ideal and needs to be looked into. The problem is that SA is geographically vast with numerous centres with ACB branches.

**What is the advantage of the new short-term Treasury bill in mopping up liquidity, as opposed to repurchase agreements?**

Treasury bills are more competitive as they invite greater participation. Unlike repurchase agreements, these bills are not confined to clearing banks and discount houses.

**Are any further changes in the Bank's money market operations envisaged?**

None is on the cards. But we are always prepared to consider adjustments to promote a more efficient market-orientated money market.

**Money drawn from the market in present liquid conditions earns no interest in Treasury accounts.**

This is a price to be paid for liquidity management. We must provide paper, the alternative is for money to lie idle in the money market which may be contrary to monetary policy objectives.

**It is widely believed that the Bank controls short-term interest rates.**

We have no target rate but in terms of monetary policy we try to keep rates in a band round which they can fluctuate. It is not in the economy's interest to have wildly moving rates.

**Is the Bank concerned about Sats, and even Eskom and Post Office stock, trading at lower yields to Treasury stock?**

This is no concern to us. We welcome their effort in broadening the market. Besides, we have to market vast stock compared to them. If this situation persists without intervention it could signal a change in policy.

**Does the Bank's absence from the long end of the capital market not exacerbate the problem of marketability in this end?**

This is not a popular area for investors and we cannot go against the trend. We must meet market needs. Were we to sell stock in this area we would also incur a debt at substantially higher rates for longer periods. This is costly. More use is being made of foreign funds held with the Public Investment Commissioners to market stock. Emphasis is on debt management in terms of maturity structures and minimising the cost of borrowing.

**Is the committee looking into gilts under your chairmanship investigating the establishment of a two-way market for Treasury stock or any other new marketing strategies?**

There is no chance of the Bank creating a two-way market. This also rules out writing options and futures. The committee will look into the possibility of establishing official marketmakers along the lines of the UK.

**How do you see the financial sector develop-**

**ing?**

While the lines of demarcation are falling it is still some way off before total integration, if ever, is achieved. Eventually all deposit-taking institutions should operate under a single Act.

**What has been the reaction to proposed changes to prescribed asset requirements?**

Generally favourable. The issue is vital for broadening the gilt market and is part of the official market-orientated approach.

**Does this mean that the changes, when they come, will be similar to the proposals?**

We may differentiate between short- and long-term cash deposits.

**Can we expect changes this year?**

No, there are inherent practical problems such as determining the market value of stock not quoted on the JSE.

**How seriously will deposit receiving institutions be affected?**

The issue is not final. Providing a captive market is contrary to the objectives of our market orientated approach.

**Will the net effect be more or less investment in prescribed assets?**

Neutral.

**It appears that SA's options, and more recently futures markets are evolving in an unco-ordinated fashion?**

They are evolving with official blessing. It is important not to prejudge the situation and legislate before they develop further.

**Is SA not falling far behind rapidly developing world options and futures markets?**

We are up to date. Local people regularly go overseas and keep in touch with developments. The tragedy is that we cannot participate in international markets.

**Is the argument that high inflation is predominately a consequence of the low rand not wearing thin now that the rand has stabilised, even firmed against most currencies?**

We are coming to the stage where the rand is no longer the major factor. But the lower rand is still having an impact on prices through stocks, new equipment, and lags. Then, some price rises were partly held back and are only now being phased through, for instance tractor prices. It is also worth noting that the rand's exchange value still protects local producers from foreign competition, making it easier for them to pass on costs.

## Border improvement

Hampered by increasing organised car theft, insurers are closing in with the assistance of the police. A liaison committee between insurers and the authorities has been upgraded, and had its third major mustering last Friday in Johannesburg.

The committee is concerned with three areas of co-operation: computerisation; legal aspects, particularly those dealing with neighbouring states; and methods of crime detection and recovery of stolen vehicles.

Though these meetings foster growing co-operation, recoveries of stolen insured vehicles have continued to decline. As can be seen in the accompanying graphs, the rate of recovery has fallen steadily from 24% in 1982 to this year's paltry 14%.

Worse still, over the same period there was a dramatic increase in the actual incidence of theft. The numbers stolen rocketed 41% in just three years to 1986, to approximately 62 000. On those insured, at an indemnity value of about R11 000 a throw, insurers paid out R170m last year in claims.

Says SA Insurance Association (Saia) CE Rodney Schneeberger: "To the end of May we did not observe any decline in incidence, though things seemed to have peaked. We are, however, cautiously optimistic. Apart from positive co-operation between insurers and police, we have noticed a considerable return by officers to conventional duties arising from the decline in political unrest."

FINANCIAL MAIL AUGUST 21 1987

He adds that "the co-operation of the police has been particularly outstanding as regards recovery of stolen vehicles from neighbouring states, especially Swaziland and Botswana" — a development presumably underlined by the latest exposure of an international car-theft ring.

The reason for the committee was the "unacceptably high level of car theft and other crimes generally, including house burglary." For the present, motor theft is the main consideration.

Crime is a major reason why motor premiums have leapt so alarmingly in the past 18 months; and this in turn is why fewer vehicles are insured. It is clear from the graphs that the number of vehicles insured can be little more than 30% of the total.

But there is one puzzle: why is such a larger proportion of uninsured vehicles recovered? There appear to be four main reasons:

- The police recover many uninsured vehicles belonging to the State, public corporations and public authorities which are generally liveried and therefore more easily identified;

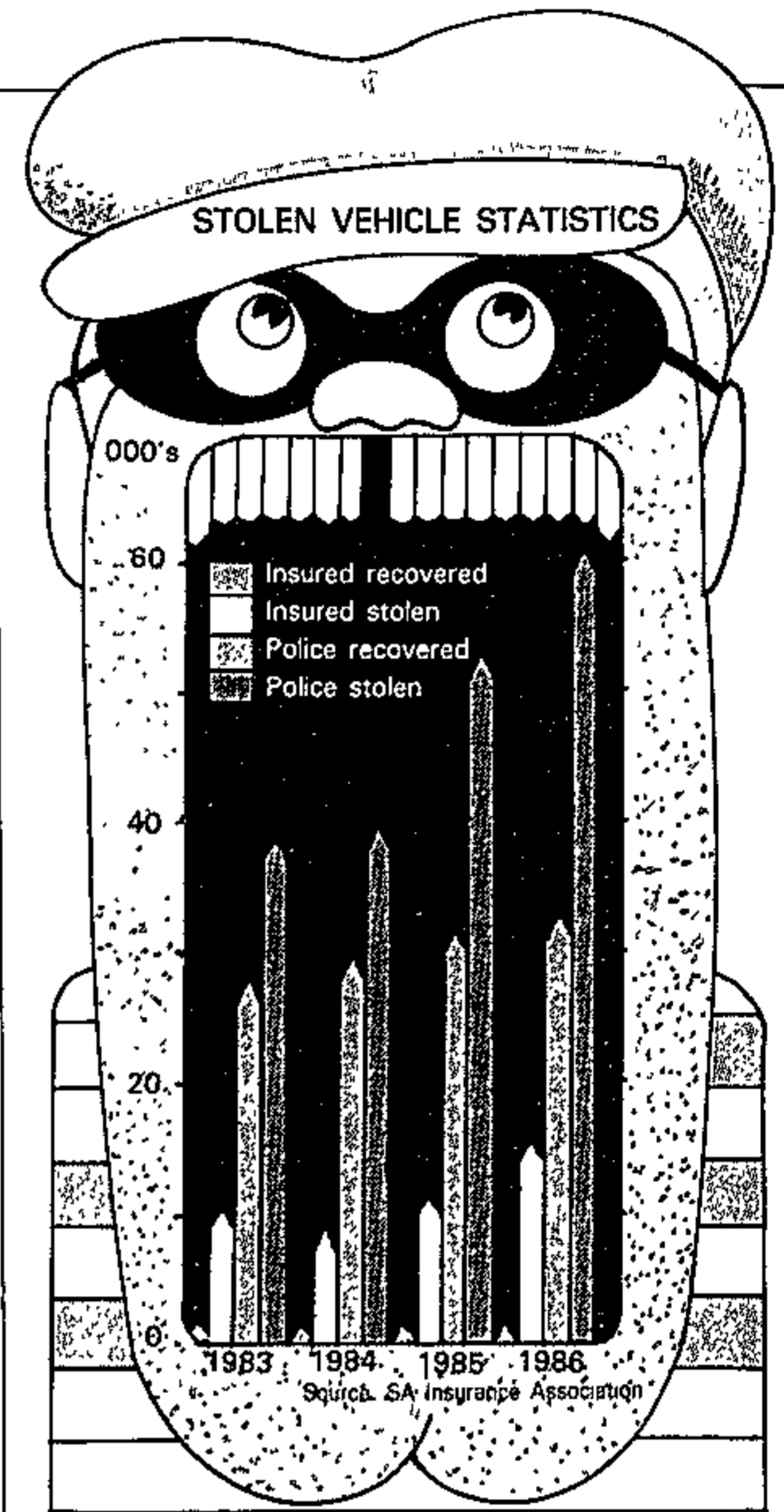
- The computerised scheme for insured vehicles operates only on engine and registration numbers. If an engine is switched, the vehicle may not be identifiable, so is classified as uninsured;

- There must be many insured vehicles recovered which cannot be identified; and
- Insured vehicles tend to be of higher value, more subject to organised crime, and probably more difficult to trace.

Schneeberger adds that some insured vehicles are recovered outside the system, so to speak. An insurance assessor, for example, may visit a police recovery depot and identify an insured motor. There are also returns through the use of outside investigators. Neither is reflected in official statistics.

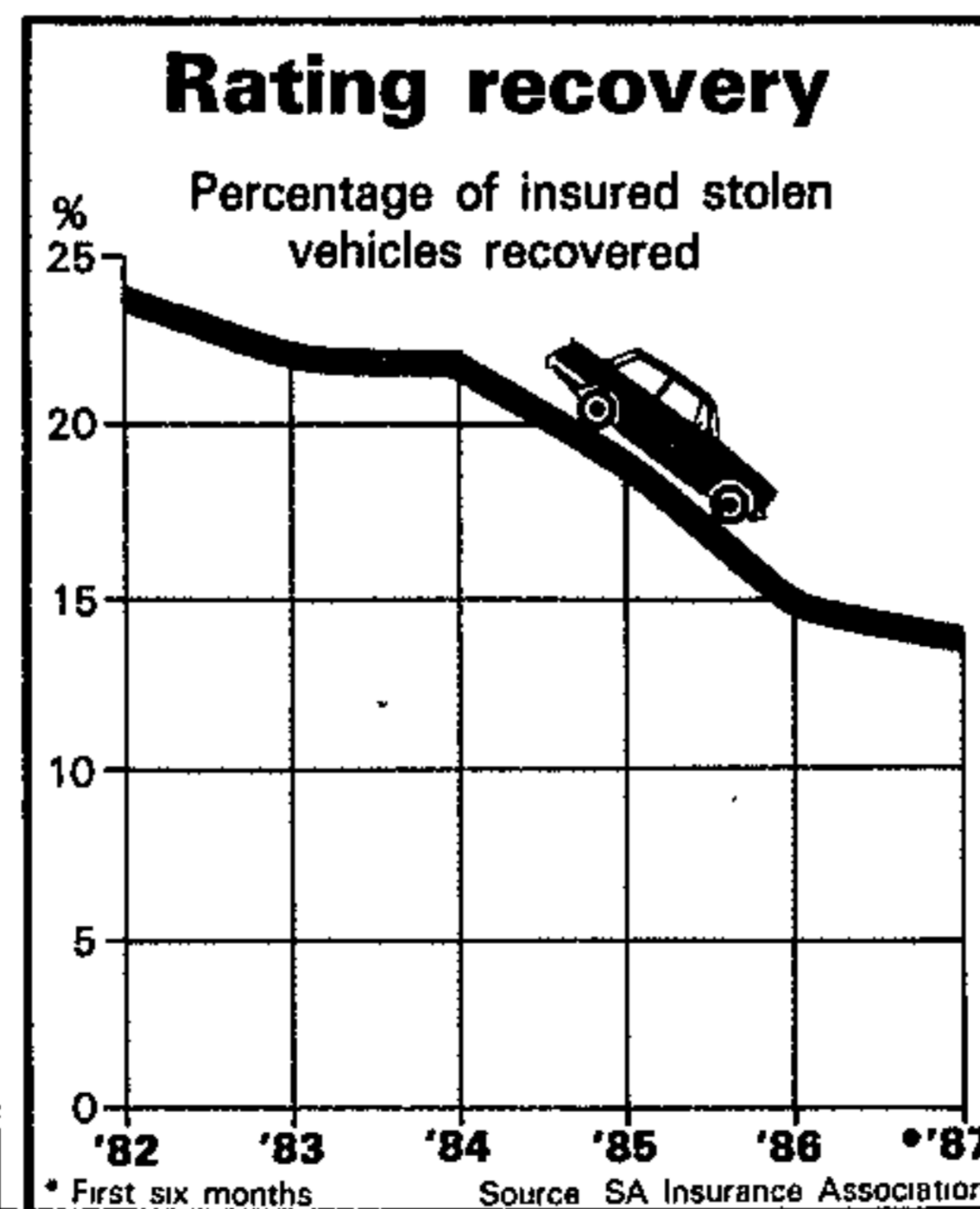
Schneeberger says that recently the police decided to take over direct liaison with homelands police. "Saia used to go through Foreign Affairs; the police are much better placed to perform this function."

Already there have been signs of a breakthrough regarding retrieval of vehicles from



foreign parts.

Saia is to ask for stiffer sentences on car thieves. "This is especially appropriate if you consider the nature of car theft. In many cases it is not stealing because of hunger, it is blatant greed. The problem is particularly serious when you consider that motor cars are often the average citizen's most valuable possession, and only means of transport." ■



## REMINDER

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# Business

8

Cap Times 21/8/87

58

FRIDAY, AUGUST

## Merger boosts Lib Life assets

From HELENA PATTEN

JOHANNESBURG. — Liberty Life Association's asset base has been boosted by a massive 51,5% in the six months to end June 1987, largely owing to the company's merger with Prudential, which was effective from January 1, 1987.

Attributable profits increased 36,7% to R43,6 billion from R31,9 billion, raising earnings 23,2% to 250,3c a share from 203,2c in the first six months of last year.

The interim dividend has been raised to 180c a share from last year's 150c.

The weighted number of ordinary and preferred shares on which net taxed surplus per share is based, rose 11% to 17 398 000 as a result of the acquisition of Prudential.

The life company's unaudited interim report shows Liberty's total assets growing from R7,6 billion at December 31, 1986 to R11,6 billion at June 30, 1987.

The Prudential Assurance Co

### by 51,5%

had R2,4 billion in assets at the end of last year, while the joint company grew a further R1,6 billion in the first six months of 1987.

Farrell Sher, director of Liberty, said yesterday if one included assets of the overseas companies and funds managed such as Guardbank, the group probably controlled funds of around R16 billion.

He said the group was safely capitalized and the spread of investments "nicely balanced."

Also reflecting the Prudential purchase, life funds jumped 65,8% to R9,1 billion at June 30, 1987 from R5,5 billion at December 31, 1986.

The leap in the company's asset base means Liberty is probably gaining ground on Sanlam's number two position in the industry.

Net premium income was 37%

up at R590,4m, while net income from investments leapt 65,7% to R361m from R217,9m.

New annualised premiums, excluding single premiums and annuity considerations, rose to R82,8m from R77,1m, while total new business premium income amounted to R274,9m reflecting an increase of 15%.

Sher attributed the tremendous surge in new business for life companies in general to a return of consumer confidence and the investment products the insurance industry had to offer the man-in-the-street.

□ Holding company, Liberty Holdings, reported earnings a share of 69,6c for the first six months of 1987 — 27% up from the 54,8c in the comparable period last year.

An interim dividend of 38c a share, up from last year's 30,0c, has been declared.

Profit attributable to ordinary shareholders grew 28,3% from R24,7m for the 1986 period to R31,7m.

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# Overhaul called for

(S) 2/18/87

JOHANNESBURG — Pension fund experts have called for a drastic overhaul of the government pension fund which is facing ruin because of slack financial discipline and over-generous concessions to public servants.

They agree with the former Sanlam head, Dr Andreas Wassenaar, that unless the running of the fund is revised the South African taxpayer will increasingly carry the burden of civil service "diamond handshakes".

The Sanlam general manager and honorary secretary of the Actuarial Society of SA, Mr Desmond Smith, said it was clear financial discipline was lacking.

"Over the past 12 years the government fund has not been subjected to the same financial discipline as private funds because actuarial evaluations were dropped in 1976," he said.

He said it appeared that sufficient assets were not being built up and that payouts were being funded by current contributions. He likened the practice to a company paying dividends out of capital.

When actuarial assessments of the fund were reintroduced in 1986 a R7,6bn actuarial shortfall was uncovered.

He welcomed government's intention to limit "buying back" — a scheme under which civil servants buy pensionable years even if they did not work them.

A pensions expert and former PFP MP for Edenvale, Mr Brian Goodall, said it was not unusual for state pension funds to run into trouble. This arose because they tended to rely too heavily on taxes.

"In SA we seem to have a lack of foresight. You would have thought we would have learned from the lessons of the world."

"But civil servants are an important electoral support group — they command a lot of votes. There has been a continuous attempt to placate them, and to redistribute wealth in favour of the public sector."

Old Mutual's general manager of pensions, Mr Gerhard van Niekerk, called on government to make public all details surrounding the fund controversy.

"As long as the fund did not earn a real rate of return on its investments it would make more sense to use a pay-as-you-go scheme," he said.

He said the R7,6bn actuarial shortfall indicated there was insufficient money to fund the benefits.

## Pensions timebomb

PATRICK BULGER looks at Dr Andreas Wassenaar's new book, *En Route to Fairy Land*, in which he criticises public service pensions.

# How rules were changed

JOHANNESBURG — Public service pensions have become the best in the country, thanks to a series of seemingly insignificant regulations printed in the Government Gazette.

The astonishing story of how bureaucrats' pensions have improved to the point of threatening the viability of the Government Service Pension Fund is told by the former Sanlam head, Dr Andreas Wassenaar, in his book *En Route to Fairyland*.

While the fund is governed by an Act of Parliament, "the important rules which control the fund are, however, not embodied in the Acts, but in the regulations approved by the minister and published in the Government Gazette," he notes.

Government has not hesitated to use this provision. In 1965, the State — the SA taxpayer — contributed rand<sup>1</sup> for rand to public servants' pensions. But a 1968 regulation raised the taxpayer's contribution to R2,29 to every rand paid by the public servant; 16 years and seven regulations later, the taxpayer was doling out R2,75 to the employee's single rand.

The Gazette also played a pivotal role in determining which salary level would be used to calculate pensions. A 1965 regulation set this at the average salary over the past seven years. A regulation three years later reduced this to four years, and in 1973 this was further whittled down to three years.

Not content with this, however, a 1981 regulation reduced the three years to the salary on the last working day —



DR WASSENAAR

the highest salary a public servant was likely to earn.

"By agreeing to that small 'final salary' amendment to the regulations, the minister could have committed the SA taxpayer to an amount of about R4bn," Dr Wassenaar calculated.

The controversial "buy-back" system, by which public servants can pay to have included as pensionable service years never worked, arose in the same way.

In 1965, pensionable service constituted "years of continuous service". A 1969 regulation allowed members to buy back to the age of 25; a 1973 regulation allowed buying back to age 18.

A 1980 regulation — "Regulation 16 is hereby amended by the substitution in subregulation (1)(b)(ii) for the expression 18 of the expression 16" — allowed a maximum 48 years' service, regardless of how long the public servant actually worked.

Public servants "can therefore backdate pensionable service to a date when they were still sitting on school benches," he notes.

# Negative growth from big 5 banks

24/8/87 B/O Day (S)

SECOND quarter growth as measured by the total assets, deposits, and advances of the five major banking groups in SA was sluggish, mirroring the overall performance of the economy.

An analysis by First National Bank (FNB) of the BA9 statutory returns made to the Registrar of Banks for the quarter ended June 30 shows the total group assets of FNB, Standard, Volkskas, Nedbank and the Bankorp group increased during the three months by 2,18% to R64,9bn from R63,5bn.

"Total advances of the five groups rose by 2,79% to R40,1bn from R39bn while all deposits at R46,7bn at the end of the June quarter were 2,68% higher than those at March 31, 1987.

"When these figures are annualised and adjusted for inflation they indicate that in effect real growth in the banking industry was negative during the second quarter," FNB says.

Using the asset yardstick, FNB claims

MICK COLLINS

to be the biggest banking group with total assets of R18 494m, followed by Stanbic with R16 189m. Then in order come the Bankorp group with R11 285m, Volkskas with R9 665m and Nedbank with R9 308m.

"The group with the biggest balance-sheet growth during the quarter was Nedbank whose assets increased by 8,65%, Standard's assets were 4,74% higher and FNB's were up by 2,06%. Both Bankorp and Volkskas appeared to have lost ground, with Bankorp showing a reduction of 2,25% and Volkskas 2,04%.

"Although FNB maintained its leadership in attracting the largest amount of deposits — R12 548m — the Stanbic group followed close behind with R11 612m, its deposits increasing by

● To Page 2 →

## Negative real growth from big 5

R620m. Nedbank's deposits also showed impressive growth, R594m to R7 278m. Volkskas's R115m increase to R6 829m was more modest but the Bankorp group showed a net decline of R336m to R8 458m."

In terms of the market, the analysis says, FNB holds the biggest share with 26,85%, slightly down from its March share of 27%. Standard with 24,85% of the market has improved on its 24,15% share in the first quarter.

"The Bankorp group which held 19,32% of the deposit market last March has fallen to a 18,10% share in June, with Nedbank improving its market share to 15,57% from 14,68%. Volkskas lost a little market share, dropping to 14,61% from 14,75%.

"FNB is the biggest lender to SA. The group's advances at the end of June

(S) ← 24/8/87 B/O Day ● From Page 1

amounted to R11 272m, 28,10% of total big bank lending. Standard group advanced R10 647m, 26,54% of the market. Bankorp lending amounted to R7 215m (17,99%), Nedbank R5 547m (13,83%) and Volkskas R5 429m (13,54%)."

Market shares showed little change compared with the March quarter, with Standard and Nedbank marginally higher, FNB unchanged and others lower.

A sign of some revival in the consumer market is the 5% growth in suspense sales in the second quarter to R8 321m from R7 924m, with FNB still dominating the market with a 33,4% share. Standard followed with 24,5% and the Bankorp group with 23,2%. Nedbank's share was 10,9% and Volkskas 7,9%.

# Banking laws in US may be reformed

NEW YORK — A top US banking regulator has proposed the elimination of almost all federal banking laws that restrict the nation's bank holding companies, the New York Times reported yesterday.

It said William Seidman, chairman of the Federal Deposit Insurance Corporation (FDIC), proposed on Saturday that regulation be limited to individual banks and that affiliated companies and parent companies be free to engage in nearly any legal business venture.

Other banking experts and banking associations have also suggested ways to restructure the industry, saying that banks must become more competitive with foreign banks. — Sapa-Reuter.

*8/18/87*

*24/8/87*

(2) whether there have been any further developments in this regard; if so, what developments?

**THE MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY:**

(1) Yes.

(a) Documents dated 2 and 17 April 1987, respectively, which contained particulars of proposed transactions affecting certain newspapers, were submitted to the Competition Board. The documents were submitted for the purpose of consulting with the Competition Board at the request of the parties concerned with a view to obtaining the Board's advice on the likelihood of the existence of circumstances which do not justify the acquisition in the public interest. This procedure is provided for in section 6(1)(d) of the Maintenance and Promotion of Competition Act, 1979, and several consultations took place during April and May 1987. It may be added that such advice is not binding. If the advice is negative, it does not prevent the parties from proceeding with the transaction.

- (b) (i) Particulars of the proposed arrangements are confidential, and in terms of section 17 of the Maintenance and Promotion of Competition Act, 1979, the Board is bound to preserve confidentiality. However, the parties concerned are at liberty to disclose the information.
- (ii) The Competition Board may also not disclose the advice which it conveyed promptly to the parties after each consultation.
- (c) The legal provision concerning confidentiality also applies in this instance.
- (2) In terms of section 10 of the Maintenance and Promotion of Competition

Act, 1979, the Competition Board may on its own initiative and shall, on the directions of the Minister, make an investigation contemplated in that section. To date I have not given such an instruction nor has the Board initiated an investigation affecting the industry concerned.

**Pretoria Portland Cement**

\*10. Mr K D SWANPELOEL asked the Minister of National Health and Population Development:

(1) Whether any tests have been carried out to ascertain the extent of the deposit of cement dust in Capital Park and other surrounding residential areas from a certain cement factory, the name of which has been furnished to the Minister's Department for the purposes of his reply; if so, (a) what is the extent of the deposit, (b) in what residential areas have these tests been carried out and (c) what is the name of the factory;

(2) whether the deposit presents any health hazards to the residents of the residential areas concerned; if so, (a) what is the nature of the health hazards and (b) what steps have been taken and/or are envisaged in this connection?

**THE DEPUTY MINISTER OF NATIONAL HEALTH:**

- (1) Yes.
- (a) The average concentration of suspended dust in air measured in the area was less than 50 micrograms per cubic metre.
- (b) The tests were conducted in Pretoria Gardens.
- (c) Pretoria Portland Cement in Hercules.
- (2) As the results of the measurements proved that the dust concentration in the area was well below the standard of 150 micrograms per cubic metre for city environment, together with the fact that the dust originating from

the cement factory does not contain cement, as is generally believed, but is very similar to ordinary agricultural lime dust, the dust levels in the area are not considered to present any health hazard. Analysis of the dust collected during the sampling period 7 February 1986 to 7 March 1986 also showed that at no stage did the factory contribute more than 10% to the total dust burden in the environment. The rest was from other sources.

(a) Falls away.

(b) No steps are considered since the cement factory in question is equipped with the most sophisticated abatement equipment available and the management is committed to maintaining dust emissions to a minimum.

**Informers: recruitment**

\*11. Mrs H SUZMAN asked the Minister of Law and Order:

- (1) Whether any branch of the South African Police approached and or recruited a certain person, whose name has been furnished to the Police for the purpose of the Minister's reply, in or about 1985 in connection with information on student organisations at the University of Cape Town; if so, (a) when, (b) (i) for what purpose was this person approached and/or recruited and (ii) what is his name and (c) (i) what was the total amount spent in this regard and (ii) over what period was it spent;
- (2) what is the policy of the South African Police regarding the recruitment of students for the purpose of supplying information on fellow-students;
- (3) whether he has been approached by any person regarding this incident; if so, (a) by whom, (b) when and (c) what was the outcome in each case;
- (4) whether he will make a statement on the matter?

**THE MINISTER OF LAW AND ORDER:**

(1) Yes, like all police forces across the

world, the South African Police also use informers to gather information of security interest. I wish to emphasise that such persons are expected to gather information and not to act as agent provocateurs.

The South African Police is not interested in monitoring lawful student activities.

(a) to (c) I wish to refer the hon member to my press statement of 12 August 1987 which I attach for reasons of clarity and which I regard as sufficient.

(2) I refer the hon member to my reply to paragraph 1 and 1(a) to (c) above.

(3) Yes. I regard these discussions as confidential and am not prepared to comment on the matter beforehand.

(4) No. I refer the hon member to my reply to paragraph 1 and 1(a) to (c) above.

**PRESS RELEASE**

**MINISTER OF LAW AND ORDER: MR ADRIAAN VLOK, 12 AUGUST 1987**

**RE: ALLEGED POLICE SPY AT THE UNIVERSITY OF CAPE TOWN**

It would be naive to believe that the South African Police, like all police forces, does not make use of intelligence sources.

In fact, police forces rely heavily on information of all kinds to assist them in the prevention and combating of crime, to curb violence and to obtain information on matters regarding the security of the State.

While it is standard procedure not to divulge the identities of sources or to provide any comment on matters of this nature, I find it in this regard necessary to reveal that Mr Daniel Pretorius is attached to the South African Police.

He was posted at the University of Cape Town for specific reasons. The South African

54 *Handwritten initials and date 25/8/87*

can Police have a statutory obligation to preserve the security of the State and to this end, like its counterparts the world over, indulge in monitoring the actions of revolutionary activists whether on or off campus.

Taking into account several instances that have occurred in the past that necessitated the arrest, trial and conviction of individuals, connected with the University of Cape Town either as students or as lecturers and who has acted as ANC or SACP agents, the police would be failing in its duty if it should exclude the said university from such action.

This was further necessary because the South African Police, as well as parents and the moderate majority of South Africans are concerned about the situation at the particular university.

I have asked the Commissioner of Police to investigate fully why Mr Pretorius has exposed his involvement with the South African Police.

Furthermore, I am quite prepared to discuss the matter with the vice chancellor of the University of Cape Town, Dr Stuart Saunders. I also have a few other matters which I would like to raise with him.  
12-8-87.

ADRIAAN VLOK.

MINISTER OF LAW AND ORDER.

Mr S S VAN DER MERWE: Mr Speaker, arising from the hon the Minister's reply, I would just like to ask him whether it is the policy of his department to recruit people for these purposes while they are still at school and whether it did indeed happen in other cases.

The MINISTER: Mr Speaker, I do not think we could send people to the university to spy who are for instance 60 years old. I will therefore not add to the reply I had given previously.

Mr K M ANDREW: Mr Speaker, arising from the hon the Minister's reply, may I ask whether any steps are being taken in the light of the photographic evidence of the participation of this policeman in certain activities?

The MINISTER: Mr Speaker, for the ben-

efit of the hon member I have explained it in full in my reply and in the Press release about the activities of the Police. I will not add to my reply.

Mr K M ANDREW: Mr Speaker, further arising from the hon the Minister's reply, in view of the photographic evidence may I ask him whether he expects anybody to believe his answer? [Interjections.]

#### Disability rebate

\*12. Mr M J ELLIS asked the Minister of Finance:

(1) Whether he has given any consideration to increasing the maximum disability rebate of R3 000 from the income of severely handicapped persons for tax purposes; if so, with what result; if not, why not;

(2) whether he will consider increasing this rebate in the light of the direct and indirect additional expenses of severely handicapped persons; if not, why not; if so, (a) by what amount and (b) when;

(3) whether he has received any representations for this rebate to be increased; if so, (a) when, (b) from whom and (c) what was his response thereto;

(4) whether he will make a statement on the matter?

The DEPUTY MINISTER OF FINANCE (Mr K D S Durr):

(1) No. No representations have been received in this regard.

(2) I wish to point out that the relief in question is given in the form of a deduction from income and is not a rebate, i.e. a reduction in tax. An increase in the amount of the deduction, or relief in some other form will be considered, together with other personal reliefs, in the light of recommendations contained in the Margo Report.

(3) No.

(4) No.

*Handwritten signature*

25/8/87

#### ANC/SA businessmen: discussions

\*13. Mr T LANGLEY asked the Minister of Foreign Affairs:†

(1) Whether his Department was in contact with a group of South African businessmen and newspaper editors who held discussions with the ANC in the Luangwa Game Park in Lusaka on or about 13 September 1985; if so,

(2) whether his Department was in contact with the said group (a) before and (b) after these discussions; if so, (a) with what purpose, in each case;

(3) whether he gave (a) instructions and/or (b) permission that this group be so contacted;

(4) whether he will make a statement on the matter?

†The MINISTER OF FOREIGN AFFAIRS:

(1) No. The Department of Foreign Affairs was not in contact with the group. The then Deputy Minister of Foreign Affairs, Mr D J L Nel, was informed of the visit by one of the persons involved in the arrangements of the group which would visit Lusaka. Mr Nel informs me that he discouraged them most strongly from talking to the ANC and said that nothing could be achieved by talking to the ANC. Mr Nel also supplied facts to the person concerned about the ANC's violent aims and furnished them with particulars to indicate that the ANC was dominated by the South African Communist Party. This was done to underline that nothing could be achieved from talking with that organisation. Mr Nel's views were repeated in an interview with the BBC which fact was reported in SA.

(2) and (3) Falls away.

(4) No.  
Lusaka: airport

\*14. Mr T LANGLEY asked the Minister of Transport Affairs:†

HOA

(1) Whether the South African Transport Services have received any complaints and/or representations about the landing facilities at the airport in Lusaka, particulars of which have been furnished to the Transport Services for the purposes of the Minister's reply; if so, what is the purport of these complaints and/or representations;

(2) whether the Transport Services have taken or are contemplating any action in this connection, if not, why not; if so, (a) what action and (b) when;

(3) whether he will make a statement on the matter?

†The MINISTER OF TRANSPORT AFFAIRS:

(1) No.

(2) Falls away.

(3) No.

†Mr T LANGLEY: Mr Speaker, arising from the hon the Minister's reply, we are dealing here with transport facilities which could have very serious complications for the South African public flying to Lusaka, and I therefore want to ask the hon the Minister whether he knows absolutely nothing about it, and whether he intends doing something about the matter.

†The MINISTER: Mr Speaker, I have answered the hon member's question exactly. If he requires further information, he must put a new question.

†Mr D J N MALCOMESS: Mr Speaker, further arising out of the hon the Minister's reply and in view of the fact that earlier this week or last week in reply to a question of mine he stated that the ILS and a number of runway approach lights at Lusaka Airport were out of action, I want to ask whether he is prepared to reconsider the fact that SAA's planes are apparently still landing in Lusaka.

The MINISTER: Mr Speaker, we will at all times ensure the complete safety of our aircraft.

Mr K M ANDREW: What about the passengers?

*Handwritten signature*

25/8/87

# De Kock adjusts to a less critical future

GOVERNOR of the Reserve Bank Gerhard de Kock — and his address — were far more relaxed at yesterday's annual meeting than in previous years.

The atmosphere of crisis has ebbed. Not that there is any reason to be complacent. But things are looking up from the Reserve Bank's point of view.

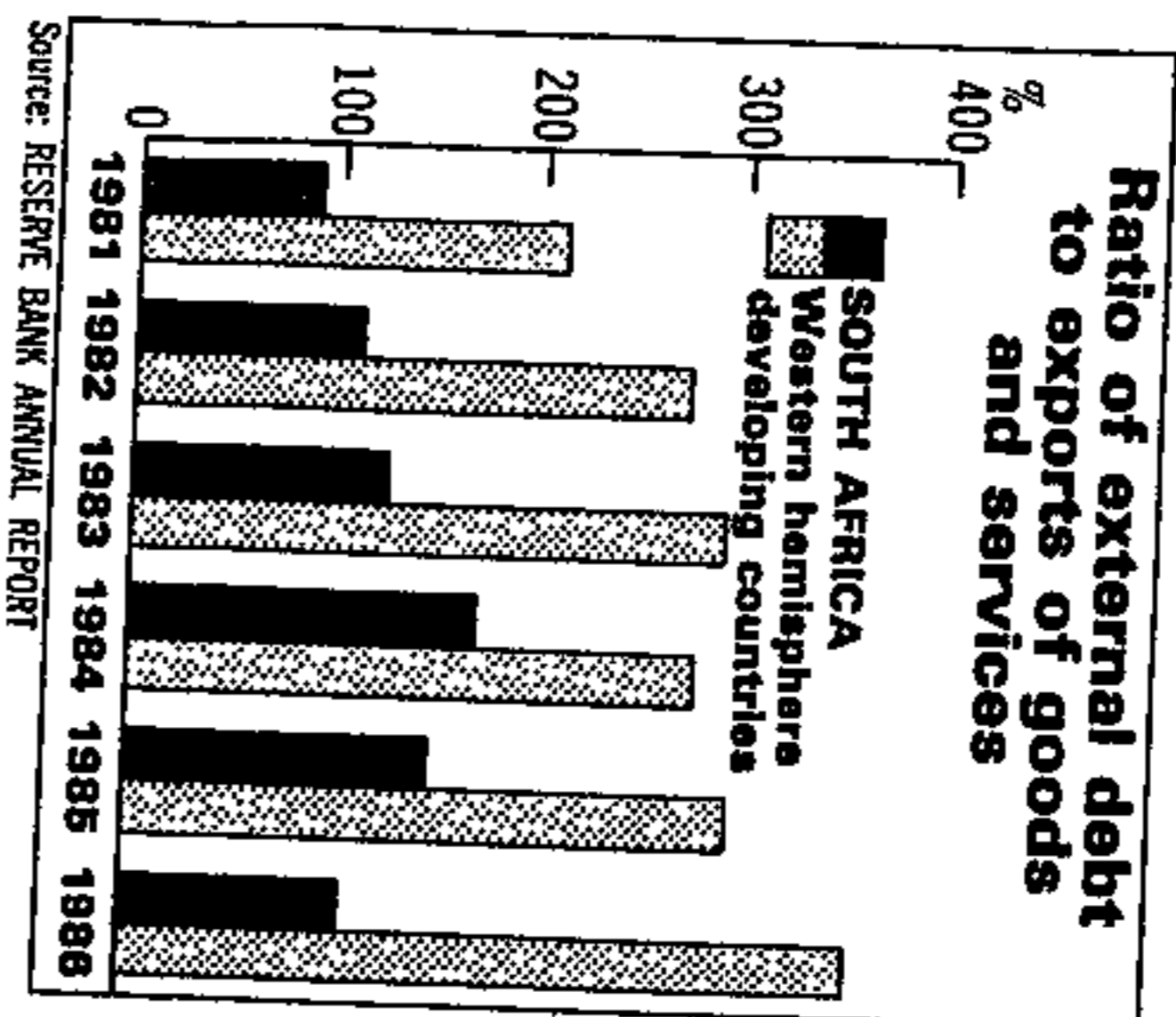
The Governor's two previous annual addresses — one on the day the debt standstill was declared in 1985 and last year's address coming in the thick of the rupture on the capital account — were uncomfortable affairs.

## Completed

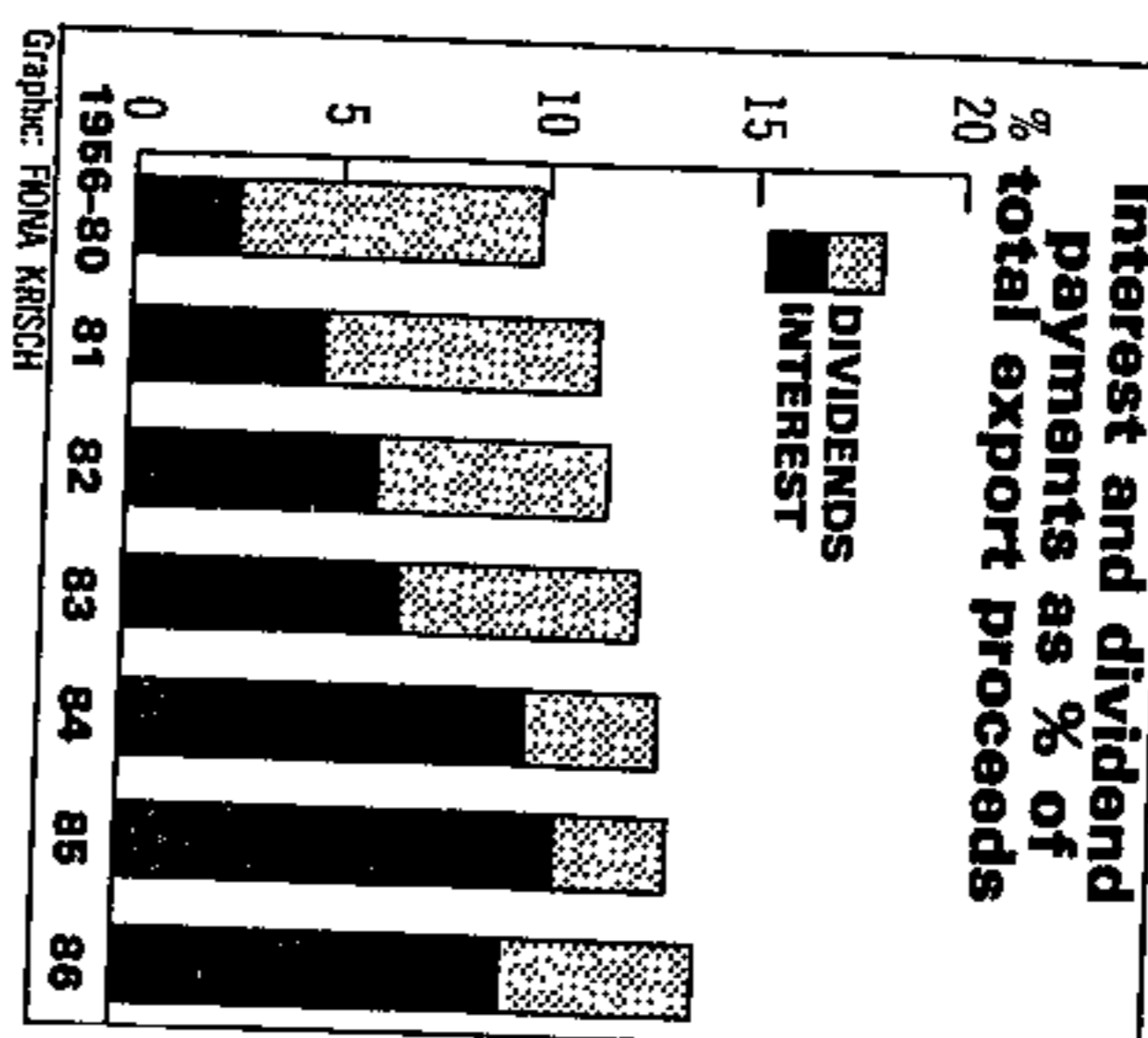
Given the change in SA's external relations in 1984, widespread economic adjustment became inevitable. That adjustment has been completed, albeit with an uneasy combination of higher inflation, lower economic growth, exchange rate depreciation, and lower standards of living.

Economic processes, by their nature, are dynamic and must be allowed to be so.

Perhaps the direct control lobby, which appears to have gone to ground for the present, should contemplate what the outcome of their recommendations would have been



DE KOCK ... South Africa is technically now under-borrowed



## GERALD PROSALENDIS/Financial Editor

had they been implemented. Direct controls, while politically popular in the short-term with their promise of low and stable interest rates and a higher exchange rate,

would have made the eventual adjustment process far more severe and traumatic.

But it was the Reserve Bank's decision in 1984 to choke off rampant

demand in the economy by pushing the prime rate to 25% that enabled the economy to make any adjustment at all. In fact, the International Monetary Fund to this day be-

lieves that the monetary authorities should have pushed rates higher than they did — and earlier. In its view this would have bought a stronger rand and less in-

flation, but at the cost of increased insolvencies and unemployment. Had De Kock chosen not to hike interest rates to 25% he would have been faced with a different alternative — namely, to print more money to keep rates low.

SA, as the Governor pointed out yesterday, is technically now under-borrowed. It was never over-borrowed, he added.

## Radical

However, to argue — as some have — for low interest rates and a stronger rand at the time of tremendous economic dislocation caused by a fundamental shift in SA's relationship with the world would have meant throwing the pricing mechanism overboard and allowing bureaucrats to plan the economy.

What enabled the country to make such a radical economic adjustment — and at the same time to

conclude a reasonable debt agreement — were the very flexible interest and exchange rates that the direct control lobby had sought to curtail.

But this should not detract from the fact that the short-term component of the country's foreign debt had increased sharply in the years prior to the debt standstill.

SA's total foreign interest payments in 1985 amounted to only 10,7% of exports of goods and services, compared with an average of 27,6% for Western Hemisphere developing countries. In 1986, SA's ratio declined to 9,5% and is estimated to be 7,5% in 1987.

In a sense, the anti-apartheid lobby and foreign banks, acted too late to deal the SA economy a critical blow. Had they struck a year earlier — when demand, funded by bank credit, was growing — while the country was running a current account deficit it is unlikely the economy would have survived in its present form.

# Bankers are storing up trouble

BETWEEN them, the countries of South America owe more than US\$450bn (£285bn — about R997bn) in hard currency. In the few minutes it takes to read this article, compound interest will have raised that sum by another £250 000 or so, and the problem of how to pay it back will be that much worse.

Indeed, only a fool — or a bank needing to disguise the truth — would expect what bankers euphemistically describe as less developed countries (LDCs) ever to repay the stupendous sums they have borrowed.

Now Standard Chartered Bank has joined the ranks of those who admit that there is no longer any point in pretending they will see their money back. It has written off £400m of its shareholders' funds, and thus becomes the last big British bank to grasp the nettle.

## Squandered

As the tables show, the result is not a pretty sight. So far, the great adventure to recycle the petro-dollars that flooded into London after the oil price jump in 1973 has cost British banks about £4bn.

The capital thus squandered has been replaced from two sources — the shareholders themselves, by subscribing for new shares, and hapless domestic customers.

Dealing with the public in bank branches may be dull, but it has been wonderfully profitable.

In the early Seventies, while property speculators who had borrowed on the finest of margins were going bust, consumers kept on paying near-usurious rates of

## THE BRITISH LENDERS

	Outstanding debt £m	Write-offs £m
Barclays*	3 168	787
Lloyds	4 294	1 293
Midland	4 328	1 187
NatWest**	3 000	886
Standard Chartered	1 688	515

\* 27 LDC countries plus developed countries (including South Africa)  
\*\* Includes £16m for interest not received from Brazil

**Banks that lent to countries that cannot repay have written off untold millions.**

**But write-offs, says NEIL COLLINS, City Editor of the London Daily Telegraph, are only a temporary answer**

## THE BORROWERS

	Outstanding debt (end 1986)
Brazil	\$49.3bn
Mexico	\$48.9bn
Argentina	\$20.8bn
Venezuela	\$18.5bn
South Africa	\$14.6bn
Philippines	\$9.7bn
Chile	\$8.7bn
Colombia	\$4.3bn
Peru	\$4.3bn

interest. Stripped of the losses from property and lending to foreigners, bank profits would have been embarrassingly high.

Now, thanks to those domestic profits, the banks can write off a slice of the uncollectable Third World debt and still stay solvent.

The actual announcements of the huge "provisions" — write-offs — were greeted with

equanimity by analysts who had long ago stopped believing the banks' own published figures.

In any other business, corporate heads would have rolled. But no director of a clearing bank gets fired. There

made it impossible for the bank to stand back and see others rush in and steal its customers.

Of course, the climate for lending was very different then; the politicians encouraged the banks, and the warnings from journalists were muted.

One voice of protest belonged to the former Labour Minister Lord Lever, who says he told Harold Wilson's government in 1974 that the debtors would default.

But most clung to the illusion, elegantly voiced by Walter Wriston at Citicorp, the big American bank, that "countries don't go bust".

## ROOM TO MOVE

In May, Wriston's successor added \$75bn to Citicorp's Third World debt provisions.

Yet the write-offs are only the end of the beginning of the Third World debt crisis. They provide room to move while the financial world struggles for a solution, but they are still unrealistic.

The bank write-offs total about 30% of the face value of the debt, implying that 70% of the loans will be recovered. They will not be.

Most of the countries cannot afford to pay the interest, let alone the capital. Where such debts change hands, they do so at prices far below 70%. Buyers for Brazilian debt can expect to pay 60 cents on the dollar, while Bolivian debt can be picked up for 15% of its face value.

Borrowing still more only makes things worse. Yet there are solutions — for those radical enough to see them.

The most romantic is in poor Bolivia, which plans to swap a

piece of prime rain forest for its dollar debt.

A Californian foundation has granted \$100 000 to Conservation International, which will be used to buy \$650 000 nominal of Bolivia's debt and effectively put it on ice.

In return, four-million acres of Andean foothills teeming in exotic wildlife will be conserved by the Bolivian government. The forest will be exploited sensibly and will escape slash-and-burn. Bolivia's debt mountain moves a little, and American conservationists feel good.

If it works, it could set a precedent to save the rain forests. It will never wipe out the Third World debt, but it does show an important principle: loans set debtor against creditor, but an equity interest points both sides in the same direction.

The solution must be to replace the debt with equity, as happened the last time South America defaulted on its debts. Some old bonds became investment trusts, some of which survive today with exotic names like River Plate & General.

In the Philippines, they are experimenting with funds that allow investors to buy debt at a discount and swap it for local shares; this pushes up stock prices, allowing local companies to raise money more cheaply and generating the economic growth needed to service the rest of the debt.

So far, the numbers are small. But now the world's big banks have realised they will not be paid in full, their next step is to make a realistic guess of how much they should settle for — and then see how to get it.



## Zola Mahobe's lover sentenced

# SNOWY GETS 10 YEARS

58  
26/8/87

SNOWY Tebello Moshoeshe (30), girlfriend of runaway soccer boss, Zola Mahobe, was jailed for an effective 10 years after being found guilty of 129 counts of fraud by a Johannesburg magistrate yesterday.

By  
ALI  
MPHAKI

A hushed silence filled the courtroom when magistrate Mr T F Veldman passed sentence. This took less than five minutes.

Scores of people who were eager to hear the outcome of the case were disappointed when told that it was all over. They received the sentence with mixed feelings.

Moshoeshe pleaded guilty to 129 counts of fraud amounting to R7,7 million. She originally faced 152 counts but 23 were dropped as the Standard Bank recovered R300 000 of the money she fed into other people's accounts.

She had worked in the special clearance department of the Johannesburg Standard Bank since 1981. The name of her sister, Pinkie Moshoeshe, was among those used to deposit some of the money.

### Deposit

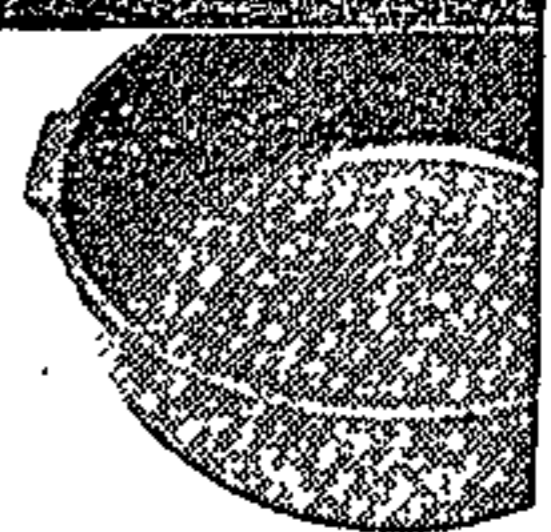
The charge sheet says that the stolen money was deposited into the accounts of Z D Mahobe, M M Moshoeshe, D R Shoba and Snowy's personal account.

A clinical psychologist, Dr J J van Onselen, who gave evidence in mitigation for Snowy, said she gave Mahobe the money with the hope that

• To Page 4

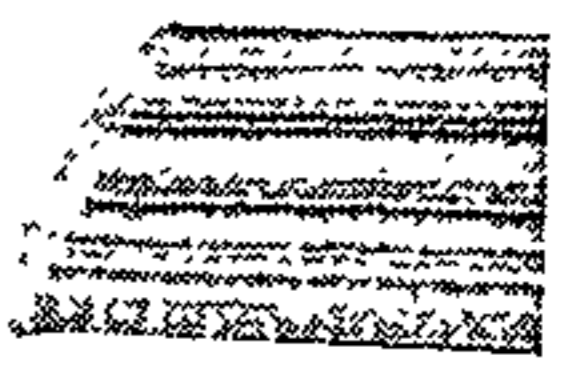


MONTH  
SALE ENDS



LARGE 42cm  
— with har

WAS  
~~299~~



BEAUTIFUL CAR  
(80cm x 5

WAS  
~~599~~

## Snowy

• From Page 1

he would pay it back as he had promised.

She was in matric when she met Zola — who happened to be the first man in her life.

The psychologist said Zola spoilt her by taking her on a holiday overseas where they stayed at top hotels.

## COMPANIES

# Unidev in high trading on JSE

CHERYLYN IRETON

UNIDEV, the Cape-based financial services and investment group, was heavily traded on the JSE yesterday, ahead of the announcement that its interim earnings of R4,8m had surpassed forecasts by 16,3%.

The share topped the volume list with more than one million shares, worth R1,5m, changing hands.

The attributable profit translates into earnings of 6,2c a share, which yield 4,1% on yesterday's closing price of 150c, and put Unidev on a price to earnings ratio of 24,2.

Disclosing that operating income before interest topped R4,2m, the company said the full benefits of the acquisition of Krost Brothers would only flow through in the second half.

"The R4,3m acquisition of Krost Brothers in August will have a material

effect on the net asset value of the group and the rationalisation of Prestige — which was acquired in April — and Krost Brothers will result in a group to be listed on the JSE in November," say the directors.

The company is anticipating earnings of at least 12c for the year.

However, this will be diluted to 11c a share once the 6,7m options for shares in Unidev at 40c a share are taken up.

holders of the options will be entitled to subscribe for the shares during the 21 days ending November 6.

Unidev MD Geoff Grylls says comparative figures have not been presented as they would be misleading in view of the change in nature and direction of Unidev's business.

CMF TMB 28/8/87 230 58

# Rembrandt invests R800m overseas

**Financial Editor**

THE Rembrandt group invested a total of R800m overseas and R52,2m in SA in the financial year to March, chairman Anton Rupert disclosed at the annual meeting yesterday.

He said R289m "was invested in foreign long-term investments, which consisted mainly of additions to existing interests. In addition portfolio investments abroad increased by R311m."

Since March a further R766m had been invested. Of this amount, R628m consisted mainly of an effective interest of 10% in Goldfields of SA and 10% in Standard Bank Investment Corporation.

Explaining the group's policy of "shared partnership", through which it avoids obtaining control of companies not

engaged in its core interests, Rupert said that "large businesses, like governments, may succumb to the lot of the dinosaurs unless they make timely adaptations to changing circumstances."

Mere size alone was no guarantee of survival.

"Mindful of the above, your group has deliberately distributed its interests to the key sectors of the economy.

"We believe in having a sound core — our traditional interests — but also in having other interests with potential."

He said the group owned 100% of its tobacco interests in SA. Its stake in others included: 50% in Metkor, Bonuskor, Transhex, Henkel SA, W & A Gilbey, Medi-Clinic, Rembrandt-KWV-Investments with its 60% interest in CWD,

HL & H Timber Holdings through its interest in Huntcor.

It had 40% of Fralex, 30% of the Volkskas group, Federal Mining, Total, Momentum Life Assurers, Lifehold and Printpak, 20% of Sage Holdings and 10% of Gold Fields of SA, Standard Bank Investment Corporation, Boland Bank and Dorbyl.

At Wednesday's closing prices on the Johannesburg Stock Exchange (JSE), Rupert continued, "the value of our interest in listed shares excluding other interests such as Total, Printpak and the SA tobacco interests exceeded R3 milliard."

Warning against too great a dependence on commodities by SA, Rupert said that "a country must be careful that it

does not end up out of step with significant changes in the world economy."

He explained: "Changes in technology, along with a significant growth in non-manufacturing industries, have enabled developed countries to increase their economic growth without a concomitant increase in the demand for basic metals, minerals and other raw materials.

"A recent study by the International Monetary Fund calculates the decline in the amount of raw materials needed for a given unit of economic output at 1,25% a year, compounded, since 1900."

In view of this, he said, "it is fitting for a country, and a company, to spread its risks and not to depend too heavily and solely on raw materials."

CMF TMB 28/8/87 230 58

# Tradegro shows R89m turnaround

**Own Correspondent**

JOHANNESBURG. — Retail giant Tradegro has shown a turnaround of R89m in attributable profits for the year to June, exceeding the ambitious R70m turnaround target set by CE Mervyn King.

Defying sceptics who said the R4 billion a year group could not swing from profit to loss in just 12 months after sustaining record losses last year, the group now reports an attributable profit of R30,2m.

On a comparative basis the group sustained attributable losses of R58,5m last year.

Earnings per share, also on comparative terms are 16,3c on a fully diluted basis after a loss of 44,6c a share — fully diluted — at June 1988.

Sales kept pace with inflation rising 16% to R4,4 billion out of which a R39m after-tax profit was achieved against a background of strikes, stay-aways and a decrease in purchasing power.

All divisions performed well showing increased profits on larger sales, in particular Checkers and Rusfurn turned huge losses back into the black.

However Coreprop, Tradegro's property company launched earlier this year showed losses of R5,5m against R11m for the previous year. As a result of over gearing the company budgeted to remain in a loss position, although containing the loss.

King said the establishment of Coreprop had indirectly contributed to the group's success by freeing trading companies to concentrate on their core business.

He was confident the successful recapitalization of Coreprop would put it back into profits this year.

The future growth of Tradegro with Frasers now also in its stable was assured, King said, predicting a dramatically improved bottom line performance for the current financial year.

# Copyright for logos

**Own Correspondent**

JOHANNESBURG. — Advertisers could lose money unless they ensure that when they commission logos and other creative work from agencies they are buying the copyright at the same time.

Gillette (SA) deputy MD John Ford says his company learned this lesson the hard way.

In 1986, Gillette employed Knights Advertising and Marketing agency to prepare print, TV and point-of-sale material for Gillette's Numbers Jackpot on M-Net. This year, Gillette changed agencies. The new agency chose to use the same logos created by Knights.

After the appearance of the first ad of the new campaign, Knights contacted the new agency and told them they were infringing the copyright law.

## Your guide to gilts

Name	Yield	Clean price	Cum price
RSA 15% (125) 15.10.1988	9,49 (9,49)	105,74 (105,76)	111,25 (111,22)
RSA 10% (059) 1.11.1991	12,09 (12,08)	93,24 (93,26)	96,47 (96,47)
RSA 13% (124) 15.07.2005	15,02 (14,85)	87,51 (88,45)	89,04 (89,95)
Escom 9 1/4% (158) 1 09 1994	13,65 (13,60)	80,54 (80,73)	80,41 (80,58)
Escom 11% (168) 1.06.2008	14,95 (14,78)	74,85 (75,69)	77,47 (78,28)
SATS 12,5% (06) 1.04 1991	11,88 (11,83)	101,73 (101,88)	106,80 (106,91)

## LIFE ASSURERS

### Life after Margo

Despite a "degree of vagueness in some of the verbiage," life assurers generally seem mildly positive towards the recommendations in the Margo report.

No sweeping changes are suggested. But some principles put forward depend on recommendations outside the ambit of the life industry: this makes it difficult for assurers to assess the full implications.

As Life Offices Association (LOA) chairman Dorian Wharton-Hood puts it: "We find it difficult to discuss in detail until we have had a chance to do our sums as regards both the majority and minority views. And the report is not clear on a number of points, including the treatment of dividends in the hands of life offices and capital gains."

The consensus is that "dividends seem untaxable."

Wharton-Hood supports a broadening of the tax base, as the commission recommends, but is a "little concerned over the proposed reduction in GST given that, down the road, an awful lot of purchasing will be done by people not paying income tax."

Comments another assurer: "Having looked at other countries and the way they tax, the commission has basically come up with the belief that our current method of taxing life assurers — the so-called pragmatic approach — is the best of a bad bunch. This makes sense."

However, there is some fine-tuning in the majority proposals, which amounts to an "improved pragmatic approach" whereby:

- Allowable expenses should be "expenditure actually incurred" on administration, investment and management. Sales expenses and benefits paid should be excluded;
- Life assurers' income for tax purposes should be defined as interest, rent, dividends in full, fees from subsidiaries and such gains on investments as would be taxable as income (see below);
- If tax on dividends in the hands of individuals is abolished then the same should hold for life assurers; and
- Tax rebates on premiums paid should be abolished.

"Gains" mentioned above refer to capital gains. The commission recommends that a statutory definition should *not* be attempted, and they should remain untaxable.

As one assurer notes: "Large institutions could continue to benefit since they usually purchase long-term strategic holdings, so any gains on eventual sale will still be classi-

fied as capital. On the other hand, short-term capital gains will continue to be classified as income. This will mostly affect smaller offices, which tend to trade shares more actively."

There are other problems, too.

Smaller companies still have to maintain a sales force, whose cost will not be deductible.

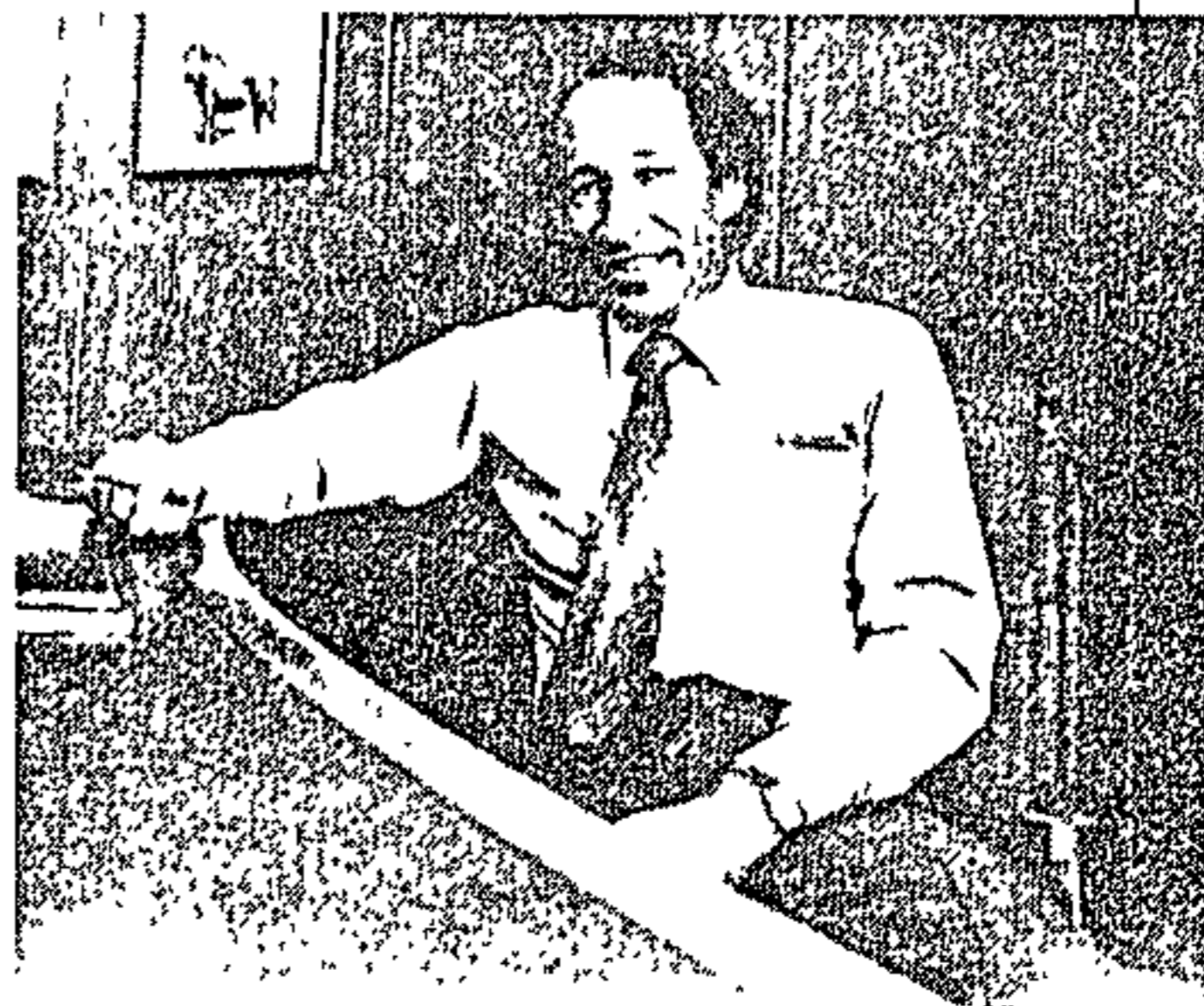
"This favours profitable companies and acting on it may encourage concentration of power," says the report. It adds that it might make it difficult for small, growing companies which are not yet profitable to compete with larger rivals. It recommends further investigation of this aspect.

Arnold Basserbie, MD of Federated Life, says, on the other hand, it also depends on the nature and size of the taxed portfolio (that is, endowment and non-retirement annuity business), whatever size the company.

"For a younger, faster growing portfolio investment income won't be so high relative to tax-deductible expenses, so it could pay proportionally less tax than an older fund."

On quick calculations, and assuming no capital gains tax and no tax on dividends, Basserbie reckons his company would have paid less tax in 1986 on the improved pragmatic approach basis. Under the "trustee approach," suggested by the minority, it would have paid more tax.

It is understood that this approach was in fact preferred in an earlier draft of the report. Here, the assurer is viewed as trustee for the policyholder, and so taxed on his behalf.



**LOA's Wharton-Hood . . .  
concerned over GST proposals**

A tax rate of, say, 30% might be applied to assurers' net investment income as an approximation of policyholders' aggregate tax rates were they to be taxed directly on such income. This would tend to favour higher income earners, and so raises the question, what rate should be chosen?

Basserbie says a number of areas need clarification. "For one thing, what do they mean by sales expenses? And how do they define other expenses?"

Says Wharton-Hood: "Though outside the commission's terms of reference, prescribed asset requirements are a significant impost on our industry and amount to a tax, because we generally earn below-market returns." ■

## TIMBER INSURANCE

### Growing pool grows

Timber insurance business has rocketed this year for the SA Growing Timber Pool. Premium income reached R250 000 in the first six months and could reach R500 000 for the year, an increase of 525% on 1986.

The pool was formed in 1969 to provide local insurance cover for timber growers. It is

1987

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FIM  
28/8/87

administered by the SA Insurance Association (Saia) on behalf of a consortium (now 24 strong) of local insurers and reinsurers.

Before this, though cover was available locally, it was inadequate and erratic, says Saia CE Rodney Schneeberger. Operators had to rely largely on Lloyd's of London, which tended to vary rating and acceptance conditions widely from year to year.

Nevertheless, it is understood there are still about three Lloyd's binders in the local market, and the pool has a relatively small slice of the overall market. (A binder is an authority to a local representative to write business on its behalf.)

"Our business has boomed," says Schneeberger, "largely because Lloyd's increased rates. Also, one company that wrote outside the pool, Allianz, withdrew."

Explains Allianz MD Basil Fussell: "We withdrew because many small plantations, our traditional business, were bought up by larger corporations." Most of the business was run off the books during 1986.

To cater for growth, the pool has increased capacity this year by some 30% to R1,53m on any one loss. In January another two insurers, Atlantic & Continental and Standard General, joined the pool.

Cover is available for forests east of 27° east, mainly gums and pines. So, for example, forests on Table Mountain are not covered. Fires are frequent during the dry season. Despite sophisticated risk management programmes to reduce the risk of forest fires and prevent their spread, insurance remains the vital last stand against financial ruin.

#### A facelift

Members of the pool collect premiums on its behalf from brokers and clients and remit to Saia. "We handle claims and remit the balance of premium back to members quarterly, in proportion to their acceptance of risk," says Schneeberger.

From January 1, the pool has also had a facelift. Acceptance procedures have been revised to speed up the granting of cover; the renewal of cover has been streamlined; rates and excesses were reviewed; and a no-claims discount was introduced.

Gross premium has been erratic over the years. Recently business has picked up.

Since 1969 the pool has, according to Schneeberger, consistently made profits, "except in 1977 when a small loss of R40 000 was chalked up."

Why is a pool needed if business is so profitable? Schneeberger explains: "Few claims are small. It's all or nothing, and the catastrophe element can be potent." ■

by **JULIE WALKER**

# Fedvolk on the road to health

**FEDERALE Volksbeleggings looks to be one of the best buys around.**

The group had something of a negative image which may have contributed to its being overlooked by the market. But by my calculations Fedvolks at 500c is trading at barely 50% of its net asset value.

The group has been refocused into a consumer-oriented supplier, which explains the disposal of its holding in chemical company Sentrachem in the previous financial year. Even though Sentrachem had recovery potential, it was not in line with Fedvolks aims.

There are five listed interests and a host of unlisted businesses in Fedvolks.

## PARTNERS

It owns 40% of the vaunted Interleisure. Although Kersaf has management control, Fedvolks managing director Johan Moolman says the two are "truly partners".

Fedvolks owned 97% of SA Druggists, which is being floated separately. It will retain 68% of the 141-million shares in issue.

The other large listed interest is a 68% holding in Fedfood. Many stockbrokers believe that Fedfood itself is undervalued, and the shares looked firmer this week at 840c bid to 900c offered.

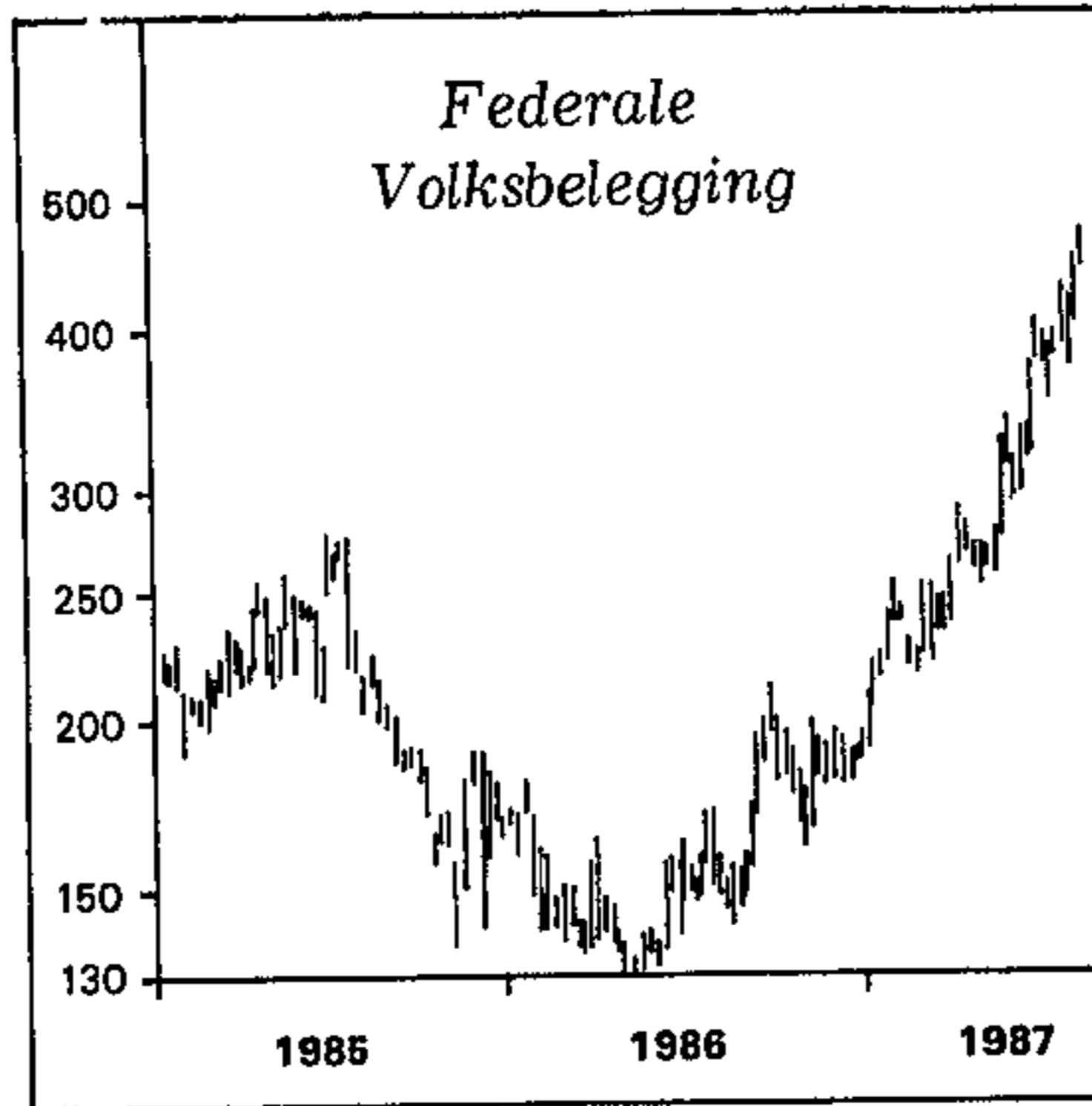
Morkels, which was listed last year, is 75% owned by Fedvolks and tiny Veka is 25% owned.

The outcome of this exercise is to calculate that on *listed assets alone*, the net asset value of Fedvolks is 610c using last week's trading prices of the investments compared with the share price of 440c.

## SURPRISES

Looking at the unlisted assets, there are some bigger surprises.

There are interests in building materials and ceramics, and services such as Kings Parking, Avis car ren-



tal and leasing, catering and insurance broking.

The motor components sector includes 100% of Firestone Tyres, interests in both Gabriel shock absorbers and Raylite batteries, and an 81% stake in Fedmech.

Fedmech assembles and distributes Massey-Ferguson and other agricultural equipment.

Mr Moolman says tractor sales fell from 14 000 units five years ago to only 4 500 last year. Fedmech has the largest market share with 25%. Although Fedmech recorded a R3-million loss last year, Fedvolks expects it to break even this year and possibly make a profit. Its performance depends largely on the weather — if the drought breaks, demand for tractors should rise.

## STALE BULLS

Last, but by no means least, is the 54% interest in Tek Corporation. Tek lost R4-million on turnover of R400-million last year and Mr Moolman believes that recovery potential is enormous.

"Even on a profit margin of 5% Tek should be earning R20-million a year," he says.

Using past earnings figures from each division and placing them on a PE ratio of 10, the net asset value of Fedvolks unlisted assets amounts to a conservative to another 240c.

This gives a total calculated net asset value of 850c. This means that Fedvolks is trading at slightly above half its true worth.

What is more important is that many of the companies in Fedvolks offer recovery potential as they are working off a low or even negative base. The results to March 1987 showed some of that potential — a loss of 8c a share was turned into a profit of 38c, and dividends were restored to 8c.

One stockbroker has recommended purchase of the shares up to 600c. Another comments that there may still be some stale bulls in the market from as far back as 1982. Indeed, there seems to be a large seller in the market at the moment, but perhaps he should think again.

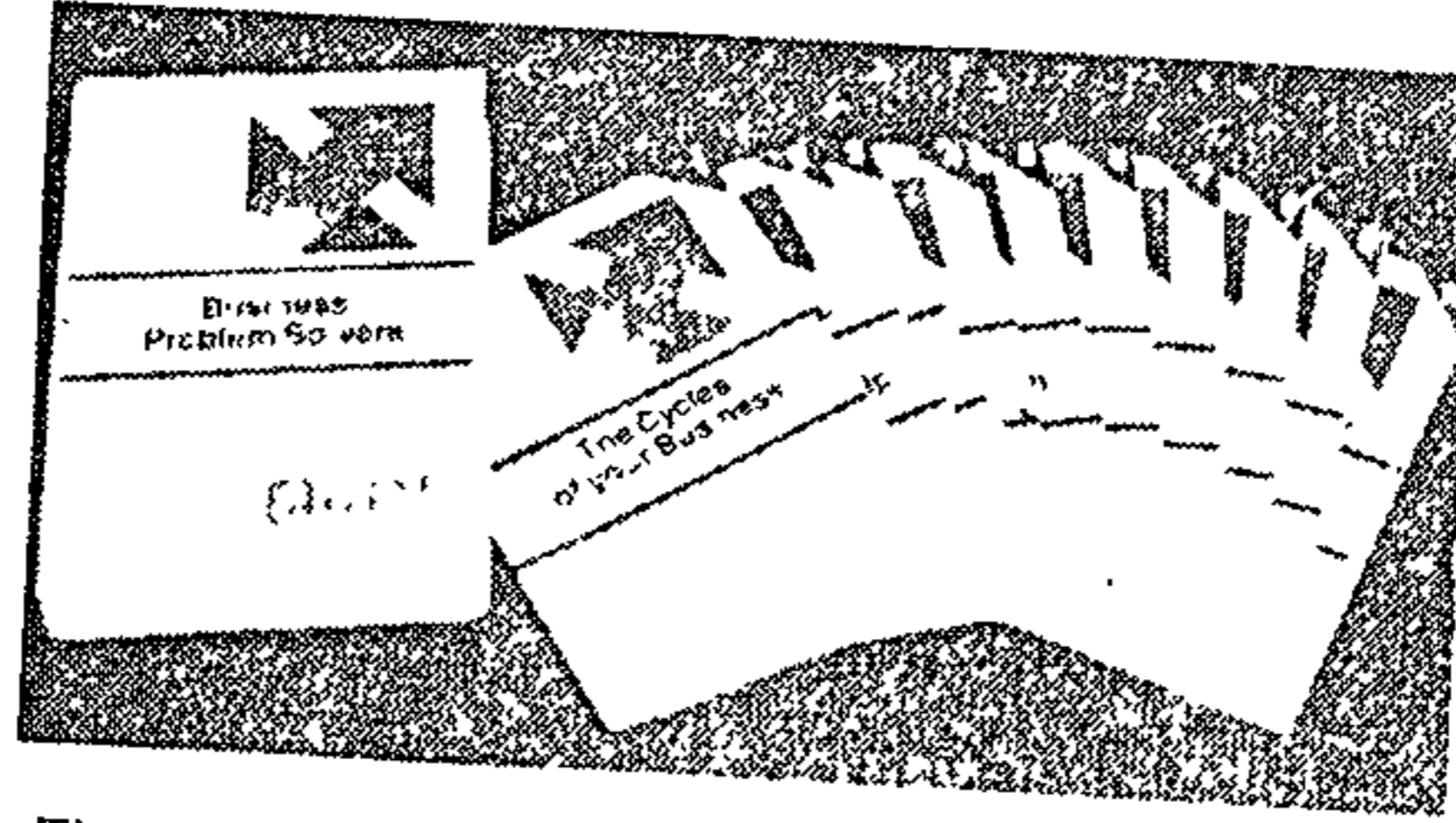
# Standard lends cash and a hand

STANDARD Bank's Small Business Development and Advisory Department (SBDAD) has since its inception in 1981 evolved a total approach to the small business sector.

Senior manager Roy Polkinghorne says: "Our motto is 'we don't just lend money, we also lend a hand'. Providing a wide range of training and support services for the small businessman has become an integral part of our operation."

SBDAD's latest training package is called The Business Problem Solver Series.

Designed specifically for the small business market, Problem Solver is a powerful, easy to understand business tool consisting of a set of 10 booklets filled with nonsense practical advice that can be put to immediate use.



The series was developed after research into the small business market. More than 500 small businessmen in many parts of SA were surveyed and clear trends emerged.

Mr Polkinghorne says: "First, the small businessman feels lonely out there. He is on his own and does not have anyone to talk to. He wants constructive advice to assist him to run his business."

"Second, we identified a major weak link. Although he may be a skilled technical or

marketing person, there are some strengths a small businessman needs to make a success of his venture. Without doubt the weakest link is his lack of financial skills.

"As a result of the survey we started to investigate topics that would be most helpful to the small businessman and came up with the 10 contained in the Problem Solver Series."

## Seminars

The books have been tested at training seminars offered by SBDAD. Training manager Alistair Tite says "the feedback has been tremendous".

Mr Tite, who conducts SBDAD's training programmes for small businessmen countrywide, says the demand for the courses is growing swiftly.

"More than 2 000 small businessmen have attended our courses and the thirst for knowledge is remarkable."

SBDAD offers two financial training programmes. They are not restricted to the bank's customers.

The first is the three-day financial course for retail entrepreneurs.

Mr Tite says: "It focuses mainly on the importance of keeping financial records. We introduce delegates to a record-keeping system developed by ourselves and give them enough stationery for the year. It is a simple colour-coded system requiring no knowledge of budgeting and cash flow, and it addresses that most important topic — how to approach

your bank manager for finance."

The cost a delegate is R90 and includes all course material, lunches, teas, etc.

Then there is the business management workshop (two days, R150 a delegate), designed to meet the needs of the more sophisticated small businessman.

Mr Tite says: "This course is a practical workshop that deals with subjects such as how to read and analyse a balance sheet and ratio analysis. We play a lot of 'what if?' games and cover key areas such as costing, pricing, budgeting, cash flow and break-even analysis."

"We also spend a lot of time showing the small businessman how to gather key financial data, put them together and use them for control. We have developed our own set of cash-flow and budget forms which we supply to delegates."

"Finally, we look at how to manage your bank manager, how to approach him for finance. We find there are a lot of good, viable ideas for small business ventures, but often they never get off the ground because of the way they are presented to prospective financiers. This course shows the entrepreneur how to put a proposal to a banker or financier."

Standard has a team of small business managers who also provide this essential service to small businessmen.

Mr Polkinghorne says: "Our managers are specialists in this area. They know and understand the needs of the small businessman and are there to assist him, tailoring financial packages to meet his needs."

"The success of our small business managers is reflected in our loans portfolio. Since SBDAD was established we have helped almost 90 small businessmen of all races and have lent close on R50-million to this sector."

## Union Wine a star performer

# Picbel group profits soar

*CAV. Times 31/8/87 (58)*

By AUDREY D'ANGELO  
Financial Editor

THE Cape Town-based Picbel group — with interests ranging from refrigerators to wine — has achieved record results for the year to June.

Pre-tax profits soared by 89% to R20m (R10,6m) and attributable earnings by 67% to R8,7m (R5,2m)

At share level, earnings rose to 197,6c (118c) and the dividend to 32c (25c).

Chairman Jan Pickard said the growth was due mainly to the manufacturing division, Picardi Appliances (Picapli) which lifted after-tax profit to R11,8m (R4,3m).

### Star performer

Union Wine was another star performer, lifting after-tax income by 137% to R1,9m (R834 000).

Pickard, who forecast improved earnings for the group in the current year, confirmed that negotiations had been in progress with Sol Kerzner for 50% of Union Wine.

But he said these had broken down "at this stage" because, although he would have liked Kerzner as a partner, he wanted to keep management control.

□ Picardi Investments lifted operating income by 46% to R34,2m (R23,4m), after-tax income by 76% to R17m

(R9,6m), and earnings by 67% to 197,6c (118c) a share. Turnover rose to R333,1m (R258,8m).

The dividend was 28% higher at 32c (25c) a share.

□ Picardi Holdings, the holding company of the operating companies in the group, lifted after-tax profit by 104% to R13,5m (R6,6m). But dividends were reduced by 33% to 60c (90c).

□ Picardi Appliances lifted operating income by 97% to R23m (R11,7m) and earnings by 273% to 98,3c (26,3c) a share. But the dividend was only 4c a share.

### Reserves

Pickard said the low dividend was to build up reserves.

□ Union Wine lifted operating income by 43% to R7,1m (R4,9m) and earnings a share to 13,1c (5,9c).

□ Picardi Properties was the only apparent disappointment in the group with a 7% fall in operating income to R2,3m (R2,4m) and a 24% fall in earnings to 10,1c (13,3c) a share. But the dividend rose by 13% to 4,5c (4c) a share.

MD Peter Day said the fall in profits had been due to changes in the textile division, which was now no longer manufacturing exclusively for Adidas, and "the adjustment is now behind us".



News 31/87 (58)

INVESTMENT

# Remgro profit leaps 46 pc

By TOM HOOD, Business Editor

A SURGE in profits from tobacco and liquor helped the R4 445-million Rembrandt Group to boost its net profit by 46 percent to R558-million (R382-million) in the year to March 31.

As a result of this outstanding performance, shareholders are to get a 25 percent increase in dividend, which is up from 10c to 12,5c a share.

The dividend will put R35,5-million into their pockets — R8,6-million more than they received last year.

Net income from tobacco and liquor soared by 48 percent to R241-million after a 41 percent (R310-million) increase in investments in these fields.

Earnings from mining rose by 32 percent to R96-million — here the group raised its investments by R56-million to R496-million.

Profits from banking, insurance and financial services jumped by 77 percent to R28-million, reflecting an 85 percent hike in investments in these fields.

Dr Anton Rupert's worldwide empire made investments totaling R655-million last year — all but R52-million overseas — and since March has made R138-million of new investments and additions to existing investments.

Capital employed has soared by R693-million to R4 445-million, of which 99 percent is shareholders funds.

Most of the capital (R1 398-million, a drop of R104-million) is tied up in cash resources and portfolio investments and another R1 067-million — up by R310-million or 41 percent) — is employed in tobacco and liquor businesses.

Changes in currency rates added R123-million from normal business operations to reserves — below last year's addition of R453-million, when the rand rate was lower.

The balance sheet discloses reserves of R4 283-million, up almost 20 percent, from R3 577-million a year ago.

Borrowings have been slashed to R5-million from R25-million and bank overdrafts are a mere R200 000 — down from R1,9-million.

● Rembrandt Controlling Investments, which owns 51 percent of Remgro, is paying 9,25c a share dividend, up from 7,40c. Net profit rose to R285-million from R195-million.

● Technical Investment Corporation, which owns about 40,6 percent of Rembrandt Beh, is paying 8,11c a share, up from 6,49c. Net profit of R115-million is up from R79-million.

● Technical and Industrial Investments' dividends rose to 8,6c from 6,88c after a jump in earnings to R97-million from R66-million.

AKus 31/8/87 58

# Standard Chartered set to pull out of SA

The Argus Correspondent  
**JOHANNESBURG.** — Standard Chartered Bank, the London-based international banking group, is set to withdraw its interests in South Africa.

In the wake of yesterday's suspension of Standard Bank Investment Corporation's (Stanbic) shares on the Johannesburg Stock Exchange, analysts are certain Standard Chartered is actively involved in negotiations surrounding the future of its 39% stake in Stanbic.

Standard Chartered is the last of the major international banks to have a financial interest in South Africa, and has been the major target of disinvestment groups in Britain.

In November last year Barclays Plc severed all economic ties with the country.

Last week Standard Chartered played down a report in London's Financial Times that it was actively looking for buyers for its shareholding in Stanbic.

**Listing suspended**

But yesterday the Stanbic directors said they had requested the suspension of the shares' listings as they were "aware that discussions are taking place concerning the future of Standard Chartered's 39% shareholding in Stanbic".

The listings of shares of Stanbic had therefore been suspended.

Liberty Life is believed to be the major contender for the shares. It already has a 22.6% stake in Stanbic, making it the major shareholder in the bank behind Standard Chartered.

Last week Liberty Life chairman Donny Gordon, who was in London, was quoted as saying he had no plans to see anyone at Stanchart over its reported intention to sell its Stanbic stake.

"But when they are ready to talk, we will talk," he said.

He said Liberty Life might be interested in increasing its stake in Stanbic to "protect the relationship with Standard Chartered and keep the shares out of unfriendly hands".

But he pointed out that under the Banks Act his company could not increase its stake beyond 30% without special dispensation by the financial authorities.

# Building society shares show good buying value

(S) Stur 31/8/87

By Dave Canning

The building society sector, whose share prices have fallen following the three huge listings of United, NBS and Allied, may have over-corrected and now could represent good buying value.

This is suggested from an analysis of the 1987 annual reports of six leading building societies.

At the pre-tax level most of the large societies did well — NBS heading the pack with a profit jump of 37,8 percent, followed by United with 33,6 percent, Saambou 31,5 percent and Allied 16,2 percent. Exceptions were Perm, down 21 percent and EP, down 45,96 percent.

However, the many ac-

counting and other changes made ahead of high-profile listings compound comparisons.

More discretionary items like unrealised profits or losses, depreciation, write-offs and donations played a particularly-important part in the bottom lines of 1986/7 results.

This is dramatically illustrated by the switch of EP Building Society from bottom to top of the league at the "adjusted" pre-tax level. It showed the biggest rise (44,8 percent) over 1986 results, followed by Saambou (40,1 percent), NBS (22,8 percent), Allied (22,3 percent), United (18,2 percent) and Perm (0,8 percent).

This shows EP's unadjusted pre-tax results were

dramatically reduced by provisions of R4,68 million. The Perm, similarly, did better than the top line suggested — its figures were reduced by a doubling of depreciation to R18,93 million (R9,1 million) and the making provisions of R6,4 million (R2,4 million) — despite a remarkable trading performance on stocks which turned the previous year's unrealised loss of R5 million to a profit of R7,79 million.

However further comparisons are necessary to see just how well each society performed.

It is relatively easier for a smaller society to perform better than one with a huge asset base like the United — so it is impor-

tant to compare these adjusted profits with average asset size.

On this basis, biggest gain was made by Saambou (23,6 percent) but its adjusted profit to average asset ratio of 1,31 percent is still the lowest and a long way behind that of industry leader, United, which showed 2,3 (2,32) percent. Next was NBS with 1,89 percent, Allied 1,57 percent, Perm 1,29 percent and EP 1,47 percent.

Of particular public interest is the societies' comparative ability to manage the money they draw in. The highest gross margin to average assets (ie: the difference between interest received and interest paid) was achieved by the

NBS at 4,69 percent (marginally down from 1986's 4,72 percent).

Projections for the coming year suggest that margins may be down in the three to 3,5 percent range.

In such circumstances the societies likely to score best are those with a big savings base and efficient use of money.

With savings at nine percent and money lent out at 14 percent, a society with a substantial savings element enjoys a five point margin.

However, against this, the United is lending out new money at 12,95 percent. Others are likely to follow, although some, especially the Perm, are not able to lower rates in view of their cost structure.

(R million) YEAR ENDED	UNITED		PERM		ALLIED		NBS		SAAMBOU		EP	
	1987	1986	1987	1986	1987	1986	1987	1986	1987	1986	1987	1986
Average assets	8 931	7 502	6 090	5 241	4 938	4 148	2 440	2 082	2 079	1 831	441	375
Pre-tax profit	183	144	53	67	64	55	40	29	22	16	2	4
Adjusted pre-tax profit	205	174	79	78	77	63	46	38	27	19	6	4
Gross margins/Av assets (%)	4,39	4,34	3,82	3,82	3,99	3,83	4,69	4,72	3,81	3,25	3,89	3,54
Mgt. expenses/Av assets (%)	2,77	2,65	3,11	2,85	2,87	2,78	3,42	3,44	3,11	2,75	3,27	3,19
Adjusted profit/Av assets (%)	2,30	2,32	1,29	1,49	1,57	1,52	1,89	1,80	1,31	1,06	1,47	1,20