

# PRICES (CONSUMER PROTECTION BODIES)

1985 - 1988

UNIVERSITY	1	2	3
	Proportion of first-time entering undergraduates with A or B or C or D aggregates:	Weighted average success rate of first-time entering undergraduates	Difference between 1 and 2
	§	§	§
STELLENBOSCH	86	76	10
WITWATERSRAND	80	71	9
NATAL	75	66	9
UCT	87	79	8
PRETORIA	81	75	6
UDM	47	42	5
UWC	42	42	0
POTCHEFSTROOM	75	75	0
MEDUNSA	54	56	- 2
RHODES	60	66	- 6
RAU	58	67	- 9
OFS	60	70	-10
PE	58	68	-10
ZULULAND	44	73	-29
NORTH	12	61	-49
VISTA	N/A	48	N/A
RESIDENTIAL	61	65	- 4
UNISA	13	35	-22
ALL UNIVERSITIES	49	60	-11

COMPARISON OF MATRIC AGGREGATE SYMBOLS AND SUCCESS RATES OF FIRST-TIME ENTERING UNDERGRADUATES AT UNIVERSITIES IN THE RSA FOR 1985

TABLE D

# Bumper Christmas Shopping Spree

By Sven Forsman

Prospects of a recession and savings by government to cut consumer spending failed to top shoppers going on a huge shopping spree over the Christmas period.

Dion Stores and Pick n' Pay reported sales to be 30 percent up on last year, while advance figures for Checkers show turnover to be ahead of the inflation rate.

Game said sales were four percent higher than the increase last year, while Tony Factor's stores noted a 20 to 25 increase in sales.

A spokesman for Dions estimated turnover at R60 million for December, while Johannesburg Game sales manager Mr.

Stars 2/11/89

Charl Greyling said the Christmas spending spree was worth between R200 000 and R300 000 to the store.

"We had a double Christmas this year — one in August when the introduction of tougher hire purchase restrictions was announced and the other in December. And it is all thanks to the Minister of Finance, Mr. Barond du Plessis," the Dions spokesman said.

## Restrictions

"The introduction of tougher hire purchase restrictions led to a frenzied purchasing of video recorders and television sets in August." Although sales of these items

over Christmas did not come near the August figures, we still achieved budget. But, sales of other items increased by as much as 65 percent — here I'm thinking of electrical smalls and hardware."

Mr Gerald Dembo, marketing and sales director of Tony Factor, said there was a "panic rush" on small black-and-white TV sets, with more than 1 500 sold in less than two weeks.

"Most noticeable has been the swing to quality items, particularly in furniture and clothing," he said.

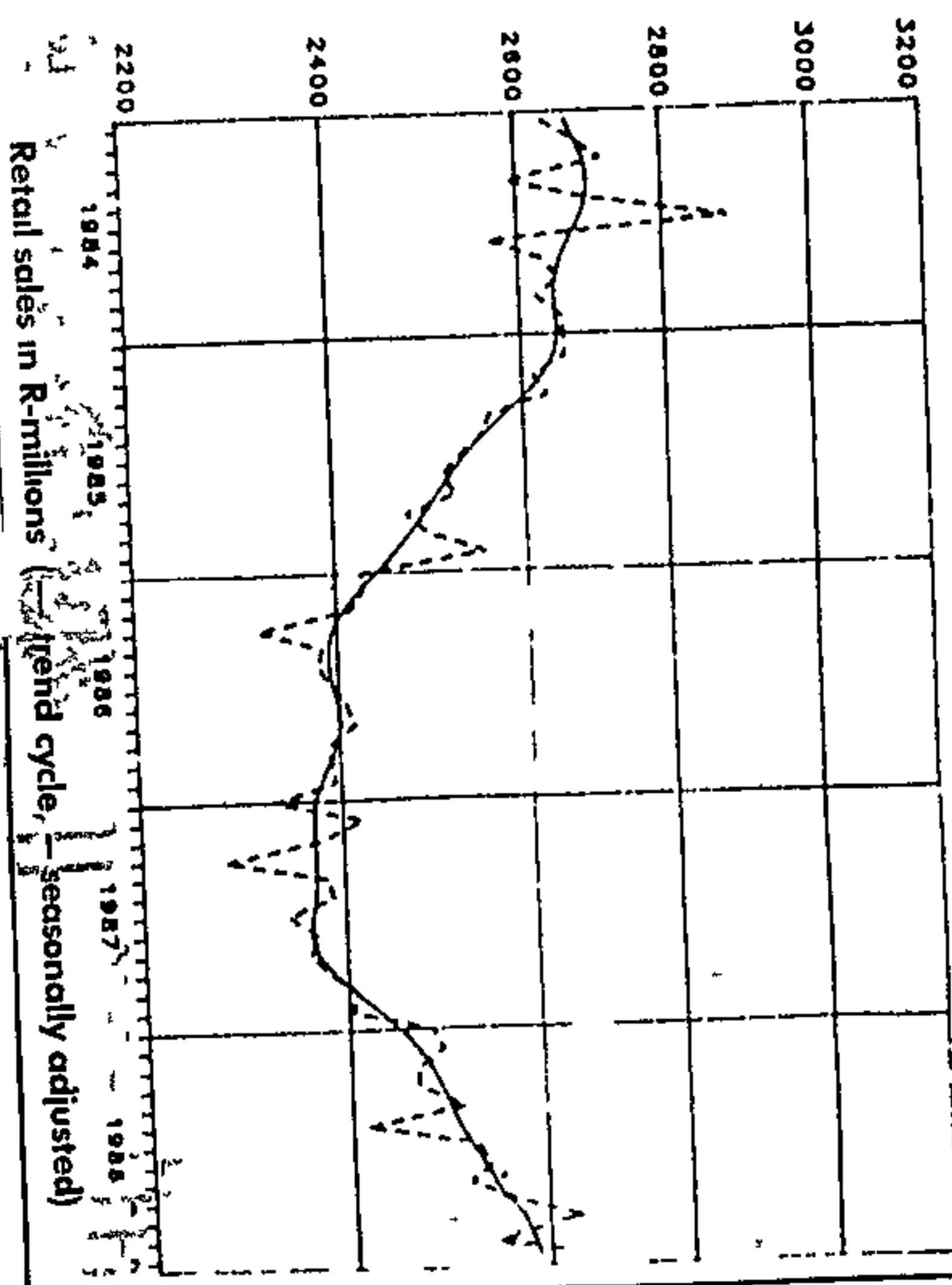
Advance figures from store owners indicate that sales could outstrip the Central Statistical Services' (CSS) forecast. The CSS expect retail trade

sales for December to be about R6.3 billion

The total sales for the Christmas season (November and December) show an increase of 19.6 percent compared with the same period in 1987, and a seasonally adjusted increase of 0.8 percent compared with September and October.

Total retail trade sales for the year reflect an increase of 21.9 percent at current prices and an increase of 6.5 percent at constant 1985 prices compared with 1987.

The general feeling among store owners for this year is that although they don't expect to improve on last year, there will still be real growth.



# Weil's pledge is still going begging

By GWEN GILL

A R500 000 pledge by Checkers managing director Clive Weil to help get a national consumer movement off the ground is still going begging.

Mr Weil offered the money, to be paid out over three years, on November 21 last year on condition that existing consumer associations got together to form a coalition.

But so far no attempt has been made by the large consumer groups to meet and discuss the offer. The Housewives League has already said no to participation.

Mr Weil said he was disappointed by the response. "Although there have been vague noises of slight interest, nothing constructive has occurred."

## Approaches

"There have been approaches from organisations which feel they should be given all the money to run the movement their way."

"We made this pledge with good intentions because we believe such an organisation is essential in South Africa."

"We only hope other companies will come along and add to our offer. A really effective consumer movement needs a lot of cash to keep it up and running, in-

cluding money for research and administration."

Mr Weil also hinted the R2,5-million in Government funds for the Consumer Council could be added to the kitty.

Housewives League chairman Lyn Morris said she was "not going to touch the idea".

She said, "It doesn't make sense to take money from business to put business right. If Checkers used the money to improve its service, there'd be no need for such an organisation."

"Anyway, do I want to be joined together with a whole crowd of civil servants?"

"My objection to working with other groups is, whether you agree or not, you have to go along with what the majority is thinking."

## Objection

Council spokesman Paul Roos said the offer was "a laudable and fantastic gesture. But frankly it's a bit on the low side. It costs a lot of money to run such a group efficiently."

"I wish other organisations would come up with similar offers. Such donations would be tax-deductible."

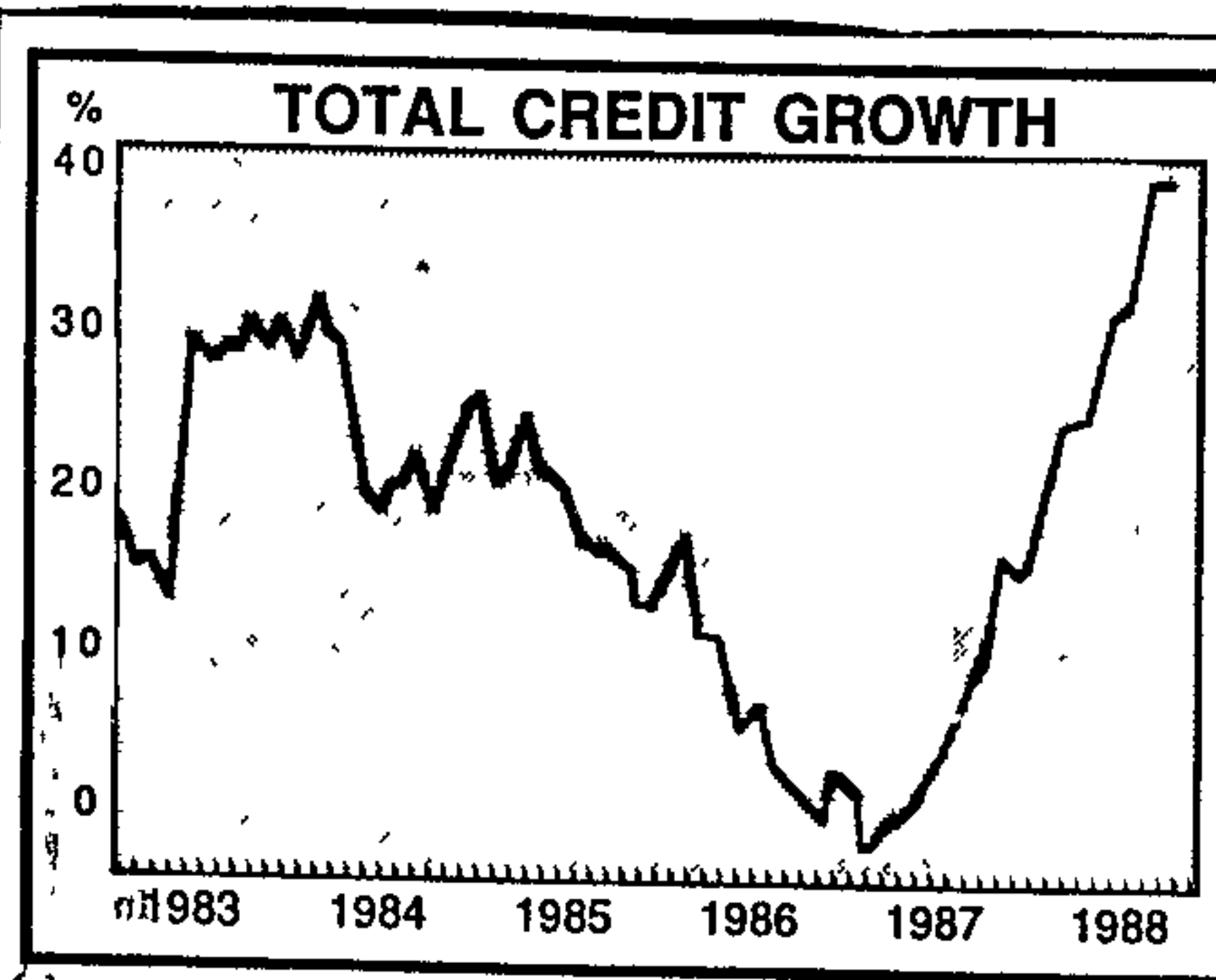
The Consumer Union has suggested it is in a position to run the coalition. CU president Lillibeth Moolman said, "We're a privately funded federation of 26 consumer-oriented organisations, ranging from the Vroue-federasie to the National Council of Women."

She said the CU had discussed Mr Weil's offer and written to him saying it was confident it could handle such an association.

CLIVE WEIL

Poor response





# Consumers still on a spending spree despite restrictions

By Sven Forssman

Credit is still too cheap and the consumer too confident, Southern Life economist Mike Daly says in his latest *Economic Comment*.

Mr Daly says the consumer has not co-operated with the Government in its attempt to reduce the unaffordable rate of expenditure growth.

"A series of policy measures was announced last year, but the consumer has been determined not to co-operate for a number of reasons.

"In the first place, employment levels have generally been rising in the upswing that began in the third quarter of 1986.

"As skills shortages have begun to emerge in most sectors, remuneration per worker has been rising at ever higher rates over the past year and at an increasing premium to the inflation rate.

### Disposable income

"Overall personal disposable income growth has similarly outpaced the (falling) inflation rate over the past two years. Clearly spending power has been building up.

"Secondly, the perception of political instability has lessened, given the conditions on reporting imposed by the state of emergency, and the replacement cycle for durable consumer goods and fixed plant and equipment, both of which were replenished in bulk four years ago, has arrived once again.

"Finally, in the absence of a commitment by the Government to permit the severe tightening of credit conditions in the economy that the Reserve Bank knows is necessary, and/or to raise taxes, there is just no serious constraint on the consumer, no compelling reason to raise savings at the expense of consumption, particularly when the expectation of higher GST, import surcharges,

inflation and possible physical unavailability exists to some extent in the minds of consumers."

Mr Daly says there is little in the growth trend of retail and wholesale sales that suggests that a near-term cutback in the propensity of consumers to spend.

Graphs in general show that real retail sales growth has maintained a level that humbles that of the 1983/84 mini-boom.

Wholesale sales are strong and available evidence regarding the informal sector is that it is growing strongly.

Mr Daly says narrow monetary aggregates indicate that credit is still too cheap and the consumer too confident.

"Manufacturers, too, are producing at high capacity levels and are confident of buoyant sales conditions for most of this year.

"Many would like to stock up on production inputs and finished goods, and to increase their investment in machinery and equipment.

"This will require, in addition to internally generated funds, some recourse to the banks for finance, underpinning credit demand."

### Inflation rate

Mr Daly says December's surprisingly low inflation rate of 12.5 percent will be the beginning of a new upward cycle, lasting at least until the third quarter of this year, whereafter it could ease somewhat.

He says the petrol price rise of was a major cost-raising factor.

Others still to come include mortgage rates, the effect of the differentiated import surcharges, higher general borrowing rates and expected administered price increases on public services that were kept very low early last year.

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20  
246



# Report into red meat pricing incomplete

SAV 11/2/59 By Sally Sealey

Consumer Council president Mr Jan Cronje said the body accepted the Grove Committee report into red meat pricing, but questioned the fact that all aspects forwarded by the Consumer Council were not investigated (246)

The Grove Committee found that the sharp increase in red-meat prices was not because of the Meat Board's controversial auction system

They found no irregularities in the selling method and price arrangements

Mr Cronje said that before the report was commissioned, organisations were asked to voice their concerns about the red-meat pricing process

Mr Cronje pointed to three aspects which were not covered by the report.

- The red-meat price forming process on the wholesale and retail level
- Re-inspection fees
- The role of agents in the price forming process during auctions

Mrs Jean Tatham of the Housewives' League said they would only be able to issue a full statement once the report was made public

"What we can say is that according to the Meat Board's rules and regulations, auctions function efficiently, but according to consumers the rules and regulations should be changed"

# FINANCE IS FLEXIBLE

B104 24/2/89 (246)  
GREATER flexibility in vehicle finance has been introduced by WesBank through a new finance plan for companies, businessmen and employees on allowance schemes.

Called WheelRent 2000, the scheme applies to passenger and light delivery vehicles up to the age of two years. Heavy vehicles have not been considered at this stage.

WesBank senior GM Neville Nightingale says people who receive company car allowances and are eligible to claim tax concessions rank among those who will benefit most.

The scheme provides several conversion options and claims to combine the best of lease, rental and hire purchase.

At the same time it includes the option of taking ownership or returning the vehicle at the end of the lease or rental period.

A unique facility is that payment can be designed to suit a customer's needs by being set for a period of time at a fixed instalment or payment — regardless of the frequency and extent of fluctuations up or down, in interest rates.

The first monthly payment is the first cash outlay. And GST is only paid on the monthly rental as opposed to the full vehicle price.

"This is handy for when VAT is introduced the customer is able to re-assess his position."

# Brace yourself for the squeeze

Star 24/2/89

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Household budgets, already stretched by last year's cost-of-living increases, will be strained even further by another increase in the prime lending rate, which is expected any day now.

This follows the announcement by the Reserve Bank that monetary policy is being tightened even further by an increase of 1,5 percent in the Bank Rate.

Mortgage rates and all other interest rates affecting borrowers are expected to increase from 18 to 19 percent, paving the way for higher hire purchase rates and most other borrowing rates linked to prime

In addition, the new 8,7 percent increase in transport fares has resulted in an increase in the petrol price from April

Some estate agents and property economists expect mortgage rates to go as high as 20 percent before the end of June, causing a slowdown in property sales and lower prices.

## Repayments rocket

Mortgage rates will have increased by 3 percent in only five months, which means that a monthly repayment of R695 on a R50 000 bond over 20 years paid last October (at 16 percent) will cost R810,34 a month (at 19 percent)

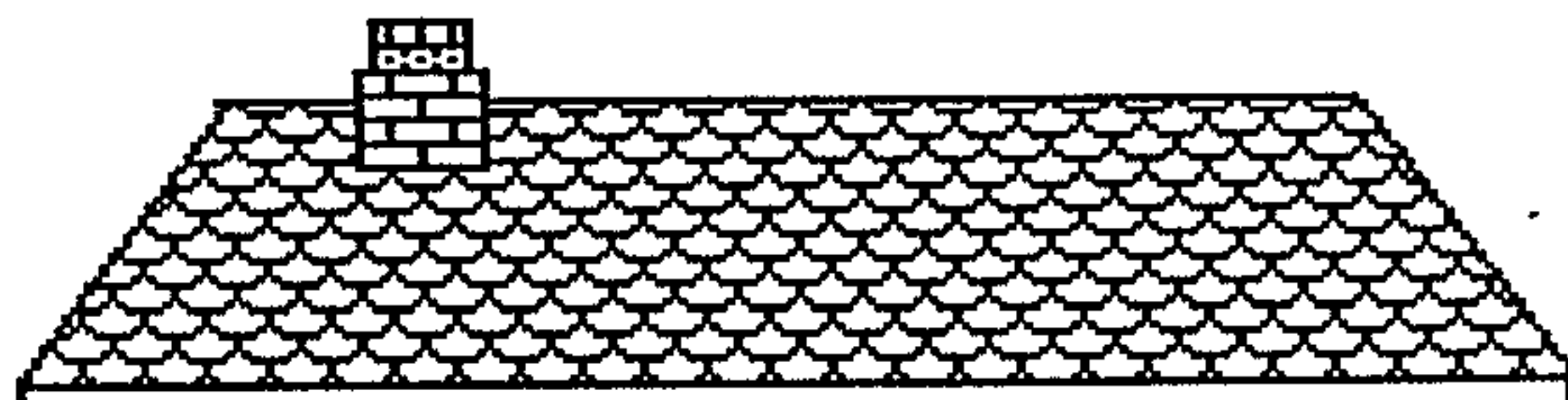
A R75 000 bond taken over 20 years at 19 percent will cost R1 215,51 a month and a bond for R100 000 will cost R1 620,68 a month. A monthly repayment of R2 025,85 will be made on a R125 000 bond and a R2 431,02 monthly repayment on a R150 000 bond

Economists have predicted that, as a result of the new prime rate, the maximum hire purchase rate will be raised from 28 to 29 percent. This is in the wake of the 4 percent increase in Usury Act ceilings last November

At the current maximum hire pur-

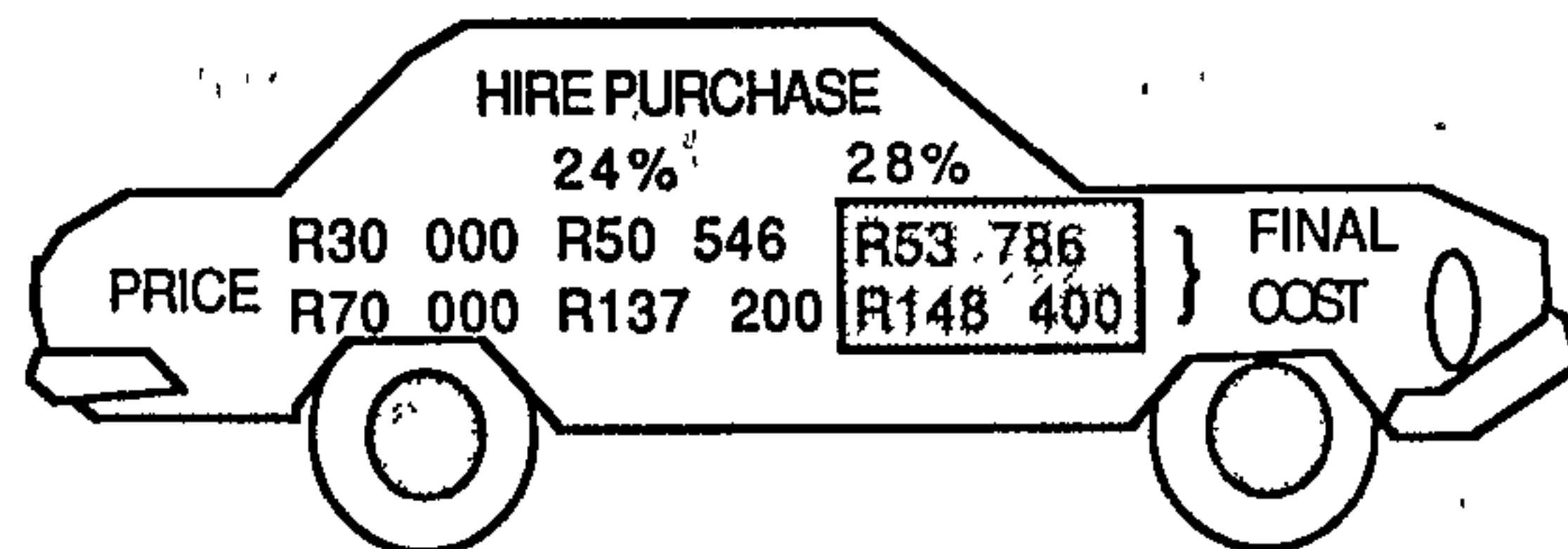
The predicted increases in prime rate and Bank Rate will have far-reaching effects throughout the South African economy, and strained household budgets will feel the brunt of them, reports HELEN GRANGE.

## How increases will hit your pocket



BOND	16%	17%	18%	19%
R50 000	R695	R734	R772	R810
R75 000	R1 043	R1 100	R1 158	R1 215
R100 000	R1 391	R1 467	R1 543	R1 620
R125 000	R1 737	R1 834	R1 929	R2 025

The interest rate for bonds is expected to reach 19 percent.



HIRE PURCHASE		24%	28%	FINAL COST
PRICE	R30 000	R50 546	R53 786	}
	R70 000	R137 200	R148 400	

The maximum interest for car hire purchase will reach 28 percent.

chase rate of 28 percent, buying a car on HP can also prove to be a very costly exercise in the long run

Mr Mike Carstens, general manager in charge of marketing at Nedfin, gave the following figures

A R30 000 car at 28 percent paid over four years can eventually cost R53 786, compared with a final cost of R50 546,88 at the old maximum rate of 24 percent

A R70 000 purchase at a 28 percent HP rate paid over four years could eventually amount to R148 400

Only 18 months ago, the maximum rate under the Usury Act was 22 percent

Mr Carstens stressed however that these figures correlated with the maximum lending rate and that lower rates could be negotiated with financial institutions in most cases



Star 25/2/87

# Little hope seen in effectiveness of higher rates

ECONOMISTS doubt that higher interest rates will cool credit and consumer demand and expect that more measures will be needed to achieve a slowdown in growth.

Over the past few years the authorities have relied on monetary measures in general, and interest rates in particular, to curb or stimulate demand.

Economists contend, however, that unless rates reach the debilitating level of 1984, used on their own they are not effective.

This week's increase in Bank

rate and the subsequent one percentage point rise in prime lending rate to 19 percent illustrates the point.

Since the beginning of last year prime has risen by 6.5 percentage points and while a certain time has to be allowed for the increases to take effect, the results have been dismal, judging from the latest economic statistics.

- The broad money supply measure, M3, rose by an annual 28.5 percent in January.
- Total bank receivables grew by 30 percent to R188 billion from

## SVEN LUNSCHE

December 1987 to December 1988

- Total expected retail sales for February at R3,95 billion are 16.9 percent higher than in February last year.

Nedbank economist Edward Osborn highlights the reasons for these increases against the background of the restrictive measures.

He contends, firstly, that interest rates have little effect on government expenditure, which is once again set to exceed budgeted

levels.

Secondly, high growth rates can be partially attributed to investment spending by companies, "which is often financed either through own resources, equity cash or the amortisation of bank loans," Mr Osborn says.

"Higher interest rates may curb the level of inventories, but this cycle has already reached its peak and was set to decline anyway," he says.

Consumer spending is also relatively insensitive to interest rate changes, which Sanlam economist

Johan Louw ascribes to the fact that higher rates on home loans are neutralised to a large degree by the common practice of extending the repayment period.

Furthermore, says Mr Louw, interest rate rises have a relatively minor effect on current HP agreements and, given the sustained high inflation rate, strengthen the attitude of "buy now — the price will be up tomorrow."

There has been a decline in HP sales of furniture and cars, but spending on durables has to a large extent originated in the

corporate sector — in the case of cars it is estimated at 70 percent of all purchases last year — which is less susceptible to interest rate increases.

Given these factors, it is not surprising that more economists are calling for a change in strategy.

"The interest mechanism alone is not sufficient and should be supported by appropriate fiscal measures," says Volkskas' Adam Jacobs.

"Sharp rises in interest rates have an extremely detrimental

effect on small businesses in particular and large fluctuations in rates and the uncertainty they cause hamper our export efforts," he says.

Ironically, interest rate "bluntness" could lead to a further increase in prime over the next few months because this week's rise might not be sufficient to trim spending to required levels.

"The authorities see interest rates as the only means available, but unfortunately it is not very effective," says Mr Osborn.

Police investigating purchase of minibuses

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# HP contraventions worth R48m alleged

5/10/87 2/3/89

JOHANNESBURG Commercial Branch detectives are investigating large-scale contraventions of the Hire Purchase Act in which HP agreements of about R48m were obtained for the purchase of hundreds of minibuses, a police spokesman said yesterday.

John Vorster Square Commercial Branch chief Col Kerneels Taljaard said investigations had revealed the alleged scam was masterminded by the MD of a Bedfordview company who recruited hundreds of people to negotiate HP agreements for a fee.

The wanted man had gone missing two weeks ago

Taljaard said the man would accept R10 000 deposits from buyers not able to obtain finance through usual channels

He said the man would ask mem-

DANIEL SIMON

bers of the public to negotiate the HP agreements for a fee

"In one case a woman purchased five minibuses in her name by signing five different HP agreements with five different finance houses. The suspect allegedly paid her R200 for each agreement"

"She was told that she would receive R49 000 over a four-year period," Taljaard said.

### Arrears

"The suspect would receive R450 a week from each minibus purchaser. He would pay off the finance houses and the fee owed to the person who negotiated the HP agreements"

Taljaard said the scheme snagged in December when the suspect allegedly defaulted on repayments and

told the woman to pay the arrears.

"The woman went to the Rand Supreme Court and asked for the return of the minibuses

"The judge referred the case to the Attorney General who in turn referred it to the Commercial Branch for investigation"

Taljaard said after this the man formed a close corporation and transferred all his company's funds to the new company

Police obtained search warrants and searched the suspect's property on February 27.

"From the documents seized police found 800 minibuses at a cost of about R60 000 each were involved"

Taljaard said police were investigating the possibility of fraud being perpetrated on the finance houses — including double discounting — theft of company funds and contraventions of HP agreements

ave discussed the problem.

early 1920s?

## Plea for action over soaring medical costs

Medical Reporter

The Housewives League has called on Minister of Health Dr Willie van Niekerk to take immediate action against escalating medical costs.

League past president Mrs Joy Hurwitz said last week in a statement that members of the public were far from happy about the increased medical costs at a time of high inflation and lower living standards.

"Our concern is so great that the league has organised a petition to the Minister of National Health and Population Development appealing to him to act. This petition has been drawn up to give expression to the great dissatisfaction of South Africans regarding the enormous increases in this field."

Mrs Hurwitz said the public could not control this aspect of their lives, as illness could strike at any time without warning. "When it does, our immediate concern is: can we foot the bill?"

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end tender  
system for  
medicines

Star 1/13/89  
246

By Tom Younghusband,  
Medical Reporter

The abolition of the State tender system of purchasing medicines would save the consumer as much as 80 percent on the price of drugs, Mr Gary Kohn, president of the South African Association of Retail Pharmacists (Saarp) said yesterday

Addressing the 39th annual general meeting of the the association, Mr Kohn asked how it was possible that medicine sold by manufacturers to wholesalers was 40 times more expensive than that sold to the State.

#### COMMISSION

The wholesaler then put on his markup as did the pharmacist. By the time it reached the consumer, the price was hugely inflated

Mr Kohn asked what possible justification there might be for this price difference and said he hoped the De Villiers Commission report on drug prices, which was scheduled to come out next month, would come up with a solution

He pointed out that a report compiled by the University of Pretoria showed that the community pharmacist did not make excessive profits

# Car prices set to soar by 48 pct over two years

By Sven Lunsche

Prime Car Leasing (PCL) expects the price of cars to soar by 48 percent over the next two years.

In a report released yesterday the group says that it was generally accepted that motor vehicle prices would rise at the rate of between four and five percent per quarter in the short to medium term.

"The average price of vehicles at full maintenance leasing systems is currently about R30.000. Before long, we could see this average rise to R50.000," PCL writes

The group says that behind this forecast was the pressure of local inflation and a weak currency

"Add to this the fact that manufacturers are faced with the need for massive investment for import replacement on vital components and the scene is firmly set for increases of this magnitude"

The expected rises come on top of soaring car prices over the last four years

Says PCL "Aside from a brief respite during 1987 when vehicle manufacturers managed, by virtue of a marginally stable rand, to keep price increases at a level close to that of the annual inflation rate, prices of new vehicles have stormed ahead at an alarming pace over the past four years, often at the expense of sales."

"Vehicle prices have risen far more rapidly than those of other commodities, despite the fact that two major source countries had minimal inflation," PCL says.

Underlining this point the report states that four years ago a VW Citi Golf cost R7.995. At present the Citi Golf's asking price is R18.210 — nearly 2,3 times as much

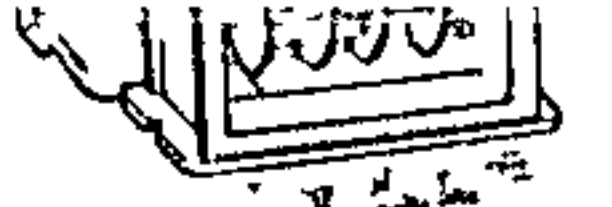
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# PO increases slated by CP, PFP, consumers

Post Office tariff increases announced yesterday have been criticised by opposition parties and consumer groups.

The Conservative Party's spokesman on posts and telecommunications, Mr SP van Vuuren, said the increases were the "umpteenth price rises" to hit consumers in recent weeks and contributed to inflation.

PFP spokesman for posts and telecommunications, Mr Jan van Gend, said: "Although the increases are modest, I cannot accept there was any need.

"Government departments should not be building up reserves or strengthening their capital base at the expense of the consumer in these times of high inflation."

National Black Consumer Union spokesman, Mr Eldridge Matebula, said the organisation was "flabbergasted" by the increases in view of the number of recent price rises of many basic commodities which were now beyond the reach of the ordinary black person

Mrs Lynn Morris, president of the Housewives' League, said an attempt to negotiate a concession on telephone rentals and metered calls for pensioners was unsuccessful

"We also tried to have the metering unit increased from three minutes to five minutes, but we were told that the average telephone call lasts only three minutes."

● See Page 6.



Bank's view is questioned

Bylan 8/3/87

# High interest a threat to jobs, says economist

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HIGH real interest rates — as advocated by the Reserve Bank — should be avoided because they lead to unemployment, Senbank chief economist Johann du Pisanie says in the bank's latest economic review.

His criticism of high inflation-adjusted interest rates follows Reserve Bank deputy governor Jan Lombard's assertion earlier this month that SA's central bank should have "as its overriding objective" the maintenance of relatively high and stable real rates of interest.

Lombard said this was necessary because capital had increasingly become a scarce factor of production, particularly in relation to the availability of manpower.

Du Pisanie says, however, the percentage increase in total non-agricultural job opportunities peaked in 1974 when the real prime rate reached its lowest — negative — point.

"The conventional wisdom that negative real interest rates destroy job opportunities is based on the argument that such interest rates encourage excessive use of capital goods at the expense of labour," he says.

This argument rests on the assumption that interest represents the price of capital goods and that capital goods and labour are substitutes for each other

SYLVIA DU PLESSIS

and not complementary inputs.

Both these assumptions are questionable, says Du Pisanie "Interest is an amount that debtors are prepared to pay in order to bring forward their spending and which creditors are prepared to accept in exchange for postponing their spending"

He says credit is used to finance not only the purchase of capital goods — households often incur debt to finance consumption, while businesses use credit to finance current expenditure, including salaries and wages.

## Discourage

"Thus a rise in interest rates not only discourages the use of capital goods, but employment of workers."

Rising interest rates will discourage employment "all the more" if an employer is already deeply in debt, because retrenchments, rather than price increases or limiting current materials, is the option most are likely to choose.

Du Pisanie says the assumption that capital goods and labour are substitutes for each other is also not always valid.

"With very few exceptions, total job opportunities in the non-agricultural sectors have increased whenever the total capital stock at constant 1985 prices in these sectors has risen."

# Consumers pay 42% retail mark-up on meat

PRETORIA — Consumers last year paid a massive R4,453bn for red meat, based on a retail mark-up of about 42%, marketing consultant Jim Linsell said in Vanderbijlpark yesterday.

Speaking at the SA Feedlot Association congress, he said wholesalers worked on an 8% gross profit basis.

Abattoir revenue amounted to R2,877bn, and when the wholesalers' margin was added, this amounted to R3,136bn.

GEBALD HENLY

The Meat Board's levy last year amounted to R73,04m.

Of the total meat bill paid by consumers, 37% went into marketing coffers, mark-ups, and the levy.

The bush butcher had a highly profitable business because he had no refrigeration, no tiles, no stainless steel equipment, no meat inspectors, no licence fees, and sometimes, no walls, said Linsell.

This was primitive, profitable, but undesirable.

He said free market forces should be allowed to dictate far more in terms of price.

SA Feedlot Association chairman Dirk van Reenen said close attention had to be paid to how privatisation and deregulation would affect the feedlot industry.

The current meat scheme had advantages, but it cost a great deal of money to maintain, Van Reenen said.

# Good deliveries and quality are put before price

8/10/87 9/3/87 SYLVIA DU PLESSIS (246)

LOW prices do not win customers whose primary concerns are consistent product quality, reliable delivery or a variety of service factors.

This is the finding of Business Marketing Intelligence (BMI), a Johannesburg-based Information Transfer Group member, which reviewed more than 40 customer studies done over four years.

BMI strategic resources management unit's Peter Matthews says "Customers are demanding added value, not the cheapest price."

He adds "Price may be the excuse the buyer makes to the rep because he's uncomfortable about spelling out that delivery is poor or the rep doesn't understand his business needs."

## Evaluate

"The rep then feeds back a price-resistance problem to head office and so the myth is perpetuated."

Based on individual interviews with buyers and others influencing company purchases, BMI identified customer needs and evaluated the extent to which these were satisfied in sectors as diverse as chemicals, insurance, steel, plastics and accounting.

In more than 80% of industries consistent product and service quality, coupled with timely delivery, were paramount in buyers' minds.

BMI said when supported by a knowledgeable sales force and efficient communication the competitive advantage was substantial.

"In SA the level of service is invariably less than buyer's expectations. In some cases foreign suppliers are making substantial inroads although they cannot compete on price," says Matthews.

He adds this was because they understood and implemented the concept of total quality excellence.



# GST increase yet 'another blow' consumer bodies

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By Sally Sealey

Consumer bodies and supermarket executives view the 1 per cent increase in general sales tax as yet another blow to the hard-pressed consumer.

"The consumer, and more particularly those in lower income brackets, will be hardest hit and one wonders how long they can keep on absorbing these increases," said the deputy managing director of Checkers, Mr Sergio Martinengo.

Mr Martinengo condemned the increase in State expenditure, saying it was still far too high.

## CONSUMER

He said the consumer could be grateful that excise duty was limited to non-essential items.

The Consumer Council considered the Budget "comparatively mild", but saw another tough financial year ahead because of the relatively few concessions.

Consumer Council director Mr Jan Cronje said "The fact that GST has been increased and income tax has not significantly been reduced is contrary to the proposals of the Margo Commis-

sion."

Mr Gordon Hood, managing director of the OK, said the rise in sales tax was "regrettable". However, he welcomed concessions to pensioners, working women and the lower income groups "as these are the people who are suffering most from the effects of inflation".

Mr Hood said the Minister should give urgent attention to the plight of those whose disposable incomes were seriously affected by a GST increase.

Spokesman for the National Black Consumer Union, Mr Eldridge Matebula, said. "We are flabbergasted at the rise in GST. The Government is insensitive to the needs of the consumers who are already hard hit by unemployment and the high inflation rate."

The president of the Housewives' League, Mrs Lyn Morris, said "The League is not very happy with the 1 per cent increase in GST because it has an effect on everybody."

Mrs Morris welcomed tax rebates for the over 65s, benefits to married women and primary rebates.

# Bad times ahead for strapped consumers

By MELANIE GOSLING

The South African consumer, squeezed from all sides by price hikes, increased GST, rocketing interest rates and fiscal drag, may well feel the only way out of the economic straitjacket is to head for the hills and revert to a system of barter.

The SA Consumer Council says South Africans are facing one of the toughest financial years yet. They predict an inflation rate this year of a minimum of 15 percent — probably higher — which is a 3 percent jump in less than a year.

## LIVING STANDARDS

"It is frightening. Standards of living will drop generally and the consumer will have no option but to tighten his belt," a council spokesman said.

Ten years ago the consumer could work to a budget and be fairly confident that he would be able to stick to it, say economists. Today increases every few months make a mockery of personal budgets.

"People who worked out they could afford to buy a house at a 12,5 percent interest rate a little over a year ago are now faced with a massive increase to 19 percent. Many people simply could not cope and have lost their homes," the spokesman said.

Similarly many people who bought cars at the hire purchase rate of 18 percent 18 months ago had their vehicles repossessed when the HP rates shot up to the current 22 percent, he said.

Housewives League president Mrs Lyn Morris says many people

can no longer afford to own a house.

"This has serious consequences for society. Having a roof over one's head and security of tenure is tremendously important physically and psychologically. Without it a family has no feeling

the Government would

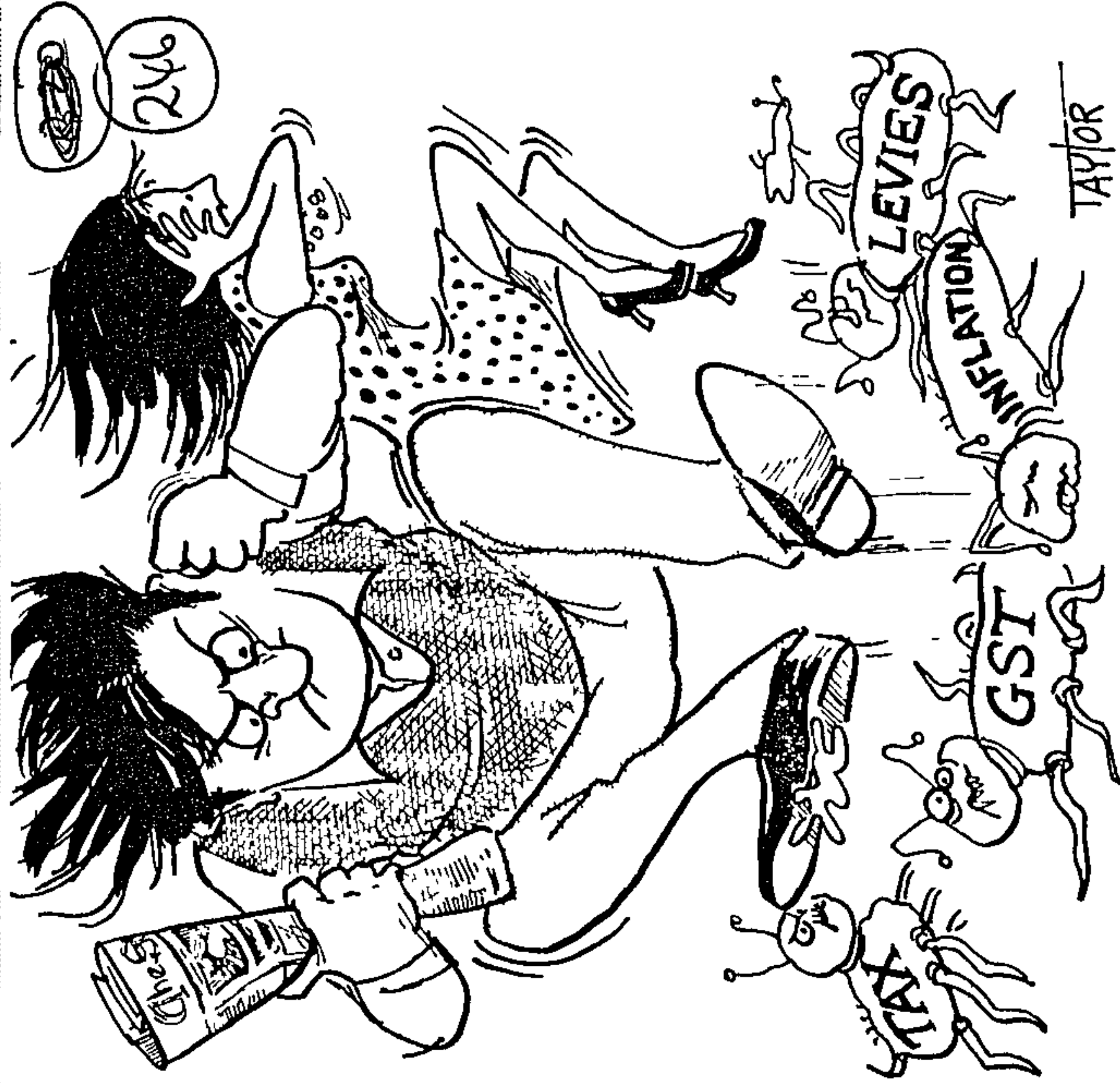
of security," Mrs Morris said.

She points out that the GST increase from 12 to 13 percent means that the consumer will actually be paying 8,5 percent more on goods.

"One had hoped that the Government would

therefore have given the consumer some tax relief but with no move to reduce fiscal drag the consumer has in reality suffered an increase in tax."

The Bureau for Economic Research says the



Government's lack of provision in the Budget to ease fiscal drag by changing the tax structure means that effectively most people are now taking home less money than they did before their salary increases.

The tax on petrol had hit the consumer hard because of the increased cost of filling his tank and the ripple increases he had had to pay for in food and services. In September last year there had been a 15 percent petrol-price hike and a further 11 percent in January this year.

## EASY TAX

"What is worrying is this is such an easy tax for the Minister to increase. He doesn't need parliamentary approval. It is such a devastating increase because immediately petrol goes up, so do just about all goods and services," Mrs Morris said.

Last month provincial hospital prices rose by 150 percent and private hospital fees by 12 percent. These came after increases in doctors' fees and medical aid tariffs last year.

Economists say there are hidden increases in Government spending which many consumers do not see. Professor

Geert de Wet of the department of economics at the University of Pretoria believes these are cause for great concern.

"The Government's current expenditure is budgeted to increase by 17 or 18 percent while capital expenditure will decline. That means the infrastructure is not being expanded," he said.

The Government is therefore spending less on services and goods (like dams, roads, and hospitals) and more on running the country (eg salaries, fuel).

"This is not something that strikes the consumer directly, but it will hit him in the end."

## INTEREST RATES

Professor de Wet said the rocketing interest rates were a direct result of the fact that Government expenditure was not controlled.

Is there likely to be any relief for the consumer or will he continue to be caught in a upward spiral of debt?

The SA Consumer Council says relief is unlikely.

"It is time to be realistic. To increase one's debt now is risky. The economy is unstable. Consumers will have no option but to tighten their belts."





Cases of permanent damage reported

# Anger over delay in skin cream ban

By Toni Younghusband, Medical Reporter

Studies conducted in the PWV area have shown that between 30 and 40 percent of black women using skin lightening creams have permanent skin damage

Dr Marius Barnard, the PFP spokesman on health, said in Cape Town yesterday there was growing bewilderment and anger in medical and pharmaceutical circles at the Minister of Health's apparent reluctance to immediately ban skin lightening agents. Dr Barnard said had the

creams been affecting white women, they would have been banned years ago

Surveys conducted by doctors in Johannesburg and Pretoria estimate that up to 42 percent of women suffer permanent damage

The creams contain a harmful substance called "hydroquinone" which, if used long enough, actually darkens the skin. The skin becomes coarse, with small raised bumps which eventually join together to form larger raised areas. These changes are permanent and irreversible.

In a recent newspaper interview, one manufacturer said all evidence of the damaging effects of skin lighteners was from cases prior to 1983 when the amount of hydroquinone was cut from around five percent to two percent.

However, a Pretoria University dermatologist says in the latest edition of the *British Journal of Dermatology* that 46 percent of women using the low dosage creams show skin damage.

The skin-lightening industry is believed to be worth about R80 million a year.

**Dermatologist**

## Dermatologist

A Johannesburg dermatologist said a study she conducted at the Hillbrow Hospital in the gynaecological outpatients department showed that 28 of 100 women examined had skin damage as a result of these creams.

The doctor, who may not be named, pointed out that the study was done on a random sample of patients.

Dr Nick Hardwick, formerly of the University of Pretoria and now living in London, found in a recent survey that 35 percent of all black people examined at the outpatients department of a Pretoria hospital showed signs of hydroquinone damage.

Of 142 women examined, 60 had damaged skin. Of the men examined, 15 percent showed signs of permanent damage.

Consumer organisations and the medical and pharmaceutical professions have made repeated calls on Dr Wilhe van Niekerk to ban the creams. They were to have been banned on July 1 this year but Dr van Niekerk announced he would grant manufacturers a "three-year phasing-out period".

# How to track the rise and fall of prices

By FRANS ESTERHUYSE, Political Staff

CAPE TOWN — A man with a finger on the pulse of South Africa's fight against inflation has soothing advice for breadwinners and housewives who can't make ends meet: Don't panic — you may be better off than those in the higher income groups

Dr Treurnicht du Toit, head of the Government's Central Statistical Service, says the latest price trends show inflation is biting harder at people living in luxury and is easing its grip on poorer people

There are individual people and groups hit by an inflation rate of more than 30 percent, compared to 13,5 percent for the "average" household.

From his office in Pretoria Dr Du Toit controls the activities of a team of experts who work out the Consumer Price Index (CPI), one of the country's key economic indicators showing changes in the prices of consumer goods and services from month to month and year to year

In an interview, Dr Du Toit made it clear that the official inflation rate was an average figure for the whole country and did not necessarily reflect the individual's experience of inflation and price rises.

This was because the individual's experience of inflation depended on the actual contents of his or her own "basket" of goods and services bought from month to month. This could differ considerably from the official basket for the average household.

In working out price trends, the statisticians also make provision for possible geographic differences in spending preferences, as well as the course of prices. To do this, a CPI is calculated for each of the 12 main urban areas in the country.

These indices do not show whether it is more expensive to live in one city than another, but indicate only the general price changes in each urban area.

Changes in the CPI are calculated on a monthly basis. It represents the changes in prices of goods and services bought by the average urban household. The price changes are recorded during only the first seven days of the month.

To work out the consumer price index, the prices of all the goods and services in the basket are needed. The Central Statistical Service has chosen about 600 different goods and services for this purpose. The prices of these are regularly obtained by means of postal surveys from a representative sample of about 3000 outlets in the 12 urban areas.

Additional information is obtained from municipalities (rates, water and electricity), Posts and Telecommunications, universities and other bodies that provide services to the public.

About a 250 000 prices are collected in this way every year.

All the indices have a value of 100 in the base year (1985) and this enables the user to make simple comparisons of how prices changed.

An index value of, say, 166,8 for January 1989 means goods and services which could be bought for R100 in 1985 — the base year — would have cost R166,80 during January this year. This means a price rise of 66,8 percent since 1985.

The index value of 166,8 for January 1989, when compared, for example, with 164,2 for the previous month, shows that prices increased by 1,6 percent since December.



# Tedelex feels the pinch

8/28/89  
By Ann Crotty

Before launching yet another assault on the consumer, government should look closely at the results of companies such as Tedelex which is reporting for the six months to March - the period when interest rate increases and changes to hire purchase terms was most severe

Tedelex's interim figures show that the group suffered significantly at turnover level and again when it came to paying considerably higher interest costs

The combined impact is shown in earnings that were little changed at 25,33c (23,33c) a share (on an 8 percent increase in shares) Despite this, an interim dividend of 7c (nil) has been declared

Group turnover was up to R203 million (R183 million) - a nominal increase of 10,8 percent Allowing for general inflation of around 13 percent it looks as though there was minimal volume increase In addition, some of the improvement in margins may have been achieved by increasing prices, so Tedelex could have suffered a drop in volume during the review period

## MARGINS IMPROVED

Operating income showed a 20,5 percent advance, reflecting a significant improvement in margins to 10,8 (9,9) percent Management indicates that there was an element of higher prices in this increase but stresses that the major lift came from tighter control over costs

Finance charges were up a massive 43,2 percent to R6 million (R4,2 million) although interest bearing debt was up only 18 per-

cent to R79 million (R66,7 million)

The difference reflects the sharp increase in interest rates between interim 1988 and interim 1989 It is even more severe when consideration is taken of the fact that R30 million of the R79 million is five-year money fixed at 12,5 percent. The 5-year loan was negotiated at the end of calendar 1987

It is significant to note that in financial 1987 Tedelex paid finance charges of R6,5 million for the full year, on interest-bearing debt of R75,9 million

## TAXED INCOME UP

Tax took just R290 000, leaving taxed income of R15,6 million (R13,9 million) and attributable earnings of R15,4 million (R14,1 million) The group currently has an assessed loss of about R100 million.

The balance sheet shows current assets up 20 percent to R266 million and current liabilities up a sharp 40 percent to R53 million which left working capital showing an increase of 16,6 percent - significantly ahead of the increase in turnover.

The directors note that "spending on durables is expected to remain depressed whilst the government's restrictive policies apply, but strict disciplines are being maintained to counter the consequent effects"

Company results due to be released over the next month or so, will indicate whether Tedelex' figures reflect a specific, poor effort to deal with more difficult trading conditions or the severity of government's attempts to cool the economy

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# Housewives' tale of decade proves to be horror story

One of my favourite sources of non-fiction literature is "Rands and Sense" put out by the Housewives' League, even though it often emerges as a horror story.

Proudly announced as "the only fully independent national consumer body in South Africa" these very aware housewives don't mince words about the price of inflation.

They reveal it all in a 10-year price comparison table in the March issue. Pity I haven't the space to list all the items — but here are a breathtaking few, mostly with brand names.

The most shattering is a kilo of salt — 20c in February 1979, 89c in February 1989, an increase of 445 percent,



## Stoep Talk

OLGA HOROWITZ

enough to make food lose its savour

Here we go — over the same period.

Johnsons Baby Oil 300 ml, R1,49 to R6,49, 435 percent, Bakers Cream Crackers 200 g, 32c to R1,39, 434 percent, Jungle Oats 1 kg, 63c, R2 65, 420 percent, Purity Baby Food 125 ml, 19c, 79c, 415 percent, mealie meal 2,5 kg, 49c, R1 89, 385 percent, Hulett's sugar 2,5 kg, 88c, R3,19, 362 percent, Sunlight Soap 500 g, 40c, R1,39, 347 percent, Koo Garden Peas 410 g, 29c, 97c, 334 percent, Illovo Golden Syrup 1 kg, 84c, R2,79, 332 percent, Pitco tea bags (100), R1,49, R3,95, 265 percent, Koo baked beans 420 g, 34c, 82c, 241 percent — and so on Ever upwards

Brand names are given only because if the items were anonymous, other brands might protest that their prices are lower. Perhaps even higher?

Well, here's a No Name cooking oil 750 ml, 81c, R1,79, 221 percent.

"The question is," asks the Housewives' League, "Have our salaries increased to the same extent?"

They must be joking.

Star 13/4/89.

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# Furniture sales badly hit by credit curbs

By Sven Lunsche

Furniture sales seem to have been the hardest hit by measures to curb consumer spending through credit restrictions

While general retail sales continued to show a modest improvement in the first quarter of the year, the Furniture Traders' Association (FTA) yesterday reported a decline in turnover in real terms in January and February.

"Retail sales figures for January showed a 10,9 percent increase over sales in January 1988. Figures for February showed a year-on-year growth of only 8,35 percent, which was well below the annual inflation rate for both months," FTA executive director Frans Jordaan said.

"December's figures showed an 8,5 percent actual increase which, when taking inflation into account is certainly negative growth," he said

The figures are based on a

monthly survey of about 1 500 retailers countrywide

Explaining why furniture sales in particular had been affected, the Econometrix research institute said in a recent bulletin that individuals, rather than the corporate sector, were facing a squeeze on spending power.

"If one allows for a relatively optimistic two percent real growth in personal income over the next 12 months and uses the official assumption of 15 percent inflation, the increases in personal income tax (fiscal drag and fringe benefit tax) and indirect tax (higher GST) will place a significant squeeze on the spending power of individuals," Econometrix said

It estimated that discretionary spending power could decline by as much as 16 percent in real terms over the year, which could result in private individuals spending as much as 18 percent less in

real terms on durable goods than in the 1988/89 fiscal year

The corporate sector's propensity to consume durable goods (notably motor vehicles) was unlikely to be diminished to the same extent as that of private individuals, Econometrix said

The FTA said the squeeze on individual spending power had originated with the increase in interest and bond rates, in general, and tougher HP conditions in particular, with HP sales taking the greatest knock

"Unless there is some form of relaxation and a revitalisation of sales, we could be looking at a repetition of the 1984 situation," Mr Jordaan said.

"And if sales continue to decline, the ripple effect will be felt by furniture manufacturers and by appliance, radio, sound and TV manufacturers and distributors," he said



# Consumers start to curb their spending

SYLVIA DU PLESSIS

GROWTH in real retail sales is tapering off from last year's peak as consumers begin to tighten their belts.

The Central Statistical Service (CSS) said yesterday real retail sales were expected to decrease by 0.1% in April from March (seasonally adjusted).

Real retail sales in the three months to April were 3.6% down on the previous three months, seasonally adjusted.

Rand Merchant Bank economist Rudolf Gouws said signs on the economy had been mixed, but more indications were emerging that consumer spending was starting to ease.

Figures for the demand for credit would confirm this trend, he said.

Real sales increased by 1.4% from April last year, a significantly slower rate of increase than the 4% recorded in January.

Nedbank's Edward Osborn said this was evidence of a tapering off in the rate of growth of private consumption spending.

This rate of increase had been as high as 4.8% last year, but would probably drop to 1.8% this year.

Monthly GST revenue figures illus-

trated this, with the number of receipts peaking in January this year.

Trust Bank economist Nick Barnhardt said higher interest rates, increased petrol prices, the tax burden on individuals and tightened HP terms were among many factors that would see consumer spending taper off this year.

"However, one should bear in mind that in the last few months retailers' expectations regarding prospects of short-term sales have consistently been exceeded," Barnhardt said.

"In other words, the fact that they've been expecting a decline does not necessarily mean there will be one."

While the growth rate of sales was slowing down dramatically, this did not mean that the level of sales would move down sharply over the next few months.

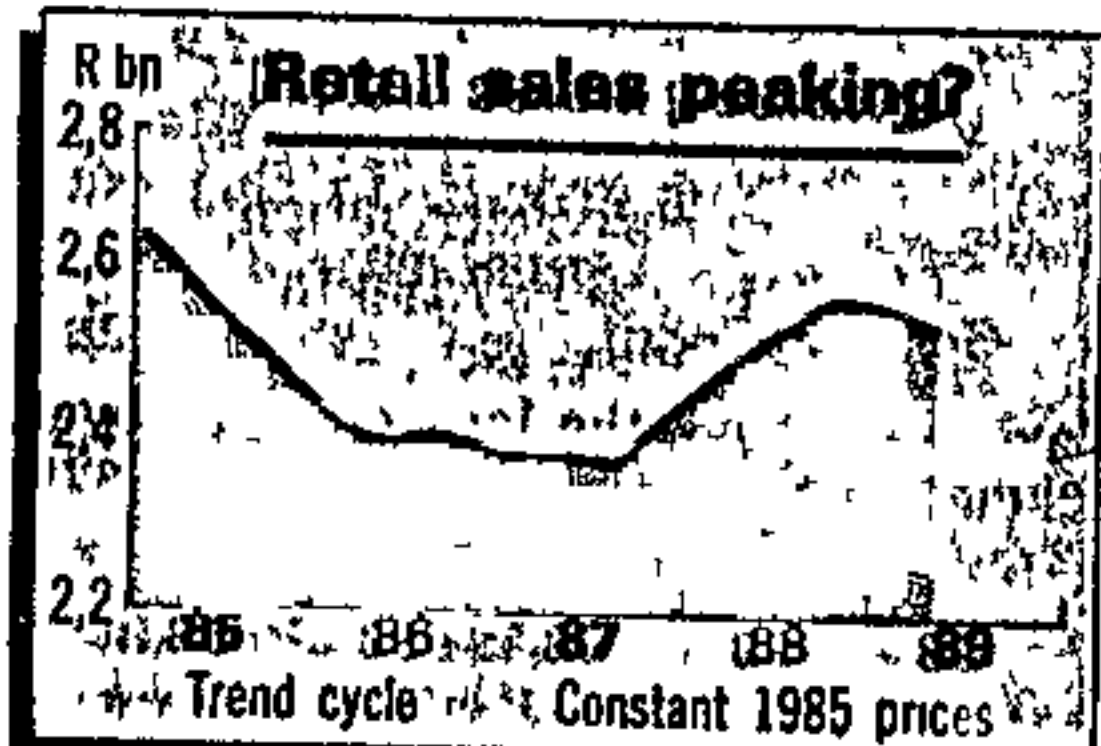
There would be no "drastic recession" in retail sales, as in the 1985-86 downturn.

"The moderate cooling-off phase could only mean a sharp levelling-off in the growth of sales," he said.

The booming informal sector and continued high wage increases in most sectors of the economy could prove to be supportive factors to both retail and wholesale sales, he said.



● GOUWS



Graphic: FIONA KRSCHE Source: CSS



## Increase is widely condemned

# We'll sell bread at old price, say stores

### Staff Reporters

South Africans will dig more deeply into their pockets for a loaf of bread today, but supermarket chains have vowed to maintain existing prices until further notice.

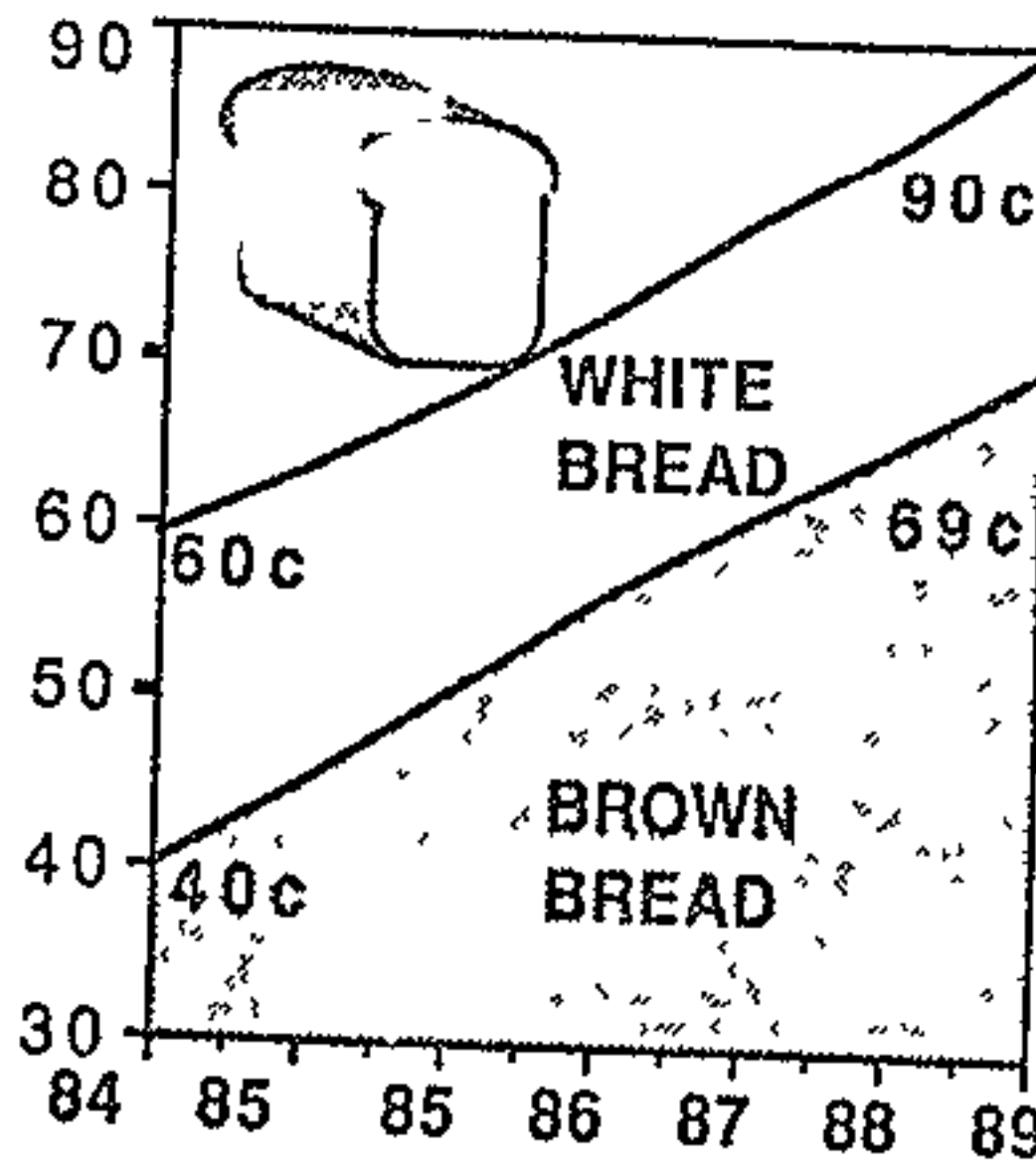
Consumer bodies have condemned the increase, announced last week by Agriculture Minister Mr Greyling Wentzel

Consumers will now pay 5c more for a loaf of white bread and 7c more for a loaf of brown

Mr Wentzel said the Government had made a further R35 million available to subsidise bread this year. Initially R80 million had been provided for, as the Government wanted to phase out bread subsidies. But in view of economic conditions, the amount had been increased to R115 million

Democratic Party spokesman on agriculture Mr Jan van Gend said the increase was a blow to consumers, particularly those who could least afford it and who relied heavily on bread to feed their families

He said the subsidy was clearly not a subsidy on the bread price



but rather a subsidy to the producer to meet production costs. It was also aimed at ensuring farmers received acceptable profits

The OK Bazaars, meanwhile, has refused to raise the price of bread at any of its 165 stores. MD Mr Gordon Hood said any increase in the price of basic foods had a severe impact on consumers, "but the impact on our traditional customers, who are least able to absorb such increases, is particularly harsh"

Checkers said it would be setting aside R350 000 to help alleviate the blow to consumers. Group

MD Mr Clive Weil said his company would be holding the price of bread "for as long as possible"

Pick 'n Pay said it would not consider raising the bread price until the end of June

The Catering, Restaurant and Tearoom Association said it was considering asking its members to refuse to sell bread one day a week in protest

Executive director Mr Frank Swarbreck said he believed the time had arrived where cafes were no longer in a financial position to distribute bread

Housewives League national president Mrs Lynn Morris called the bread price increase "nothing short of catastrophic". It provided a strong argument for retaining the bread subsidy until a suitable welfare package had been worked out for the needy

Consumer Council director Mr Jan Cronje hoped that new subsidies would be considered with the introduction of value-added tax. The consumer, he said, was unable to understand why an increase was necessary when there was a surplus of wheat

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# A gloomy '89 forecast for SA consumers

12/27/89  
B/Dam 26/4/89  
Greta Steyn 246

A SQUEEZE on consumers' disposable incomes will begin this year and become worse next year, Old Mutual economist David Mohr said yesterday.

In a discussion on his latest Economic Monitor, Mohr said the effects of inflation and high taxes would start knocking disposable incomes during 1989.

Salary and wage increases were unlikely to rise much above the peak levels of 1988 (with the exception of the civil service). At the same time, inflation would accelerate, eating at disposable incomes. The effect would be aggravated by fiscal drag and the latest increase in GST.

The erosion of personal disposable incomes would depress private consumption expenditure, starting this year and intensifying next year.

Spending would be further restrained by the consumer's rising debt burden, which should inhibit credit spending.

## Discipline

Nonetheless, consumption spending would still grow in real terms this year — but at a slower rate than the 4.8% recorded last year. Next year could see negative growth.

Even though the forces that would bring about a turn-around were probably already in place, fiscal policy could work against this if government did not stick to its Budget.

"If this restrictive fiscal policy is adhered to, we believe that short-term interest rates have come close to their cyclical peak. However, in the absence of such fiscal discipline, a further significant rise in interest rates cannot be discounted."

Even if another increase did not occur, short-term interest rates were likely to remain at current high levels throughout this year and economic policy could not be relaxed until forex reserves were rebuilt.

# Leaflet spells out rights of the consumer

Staff Reporter

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South African consumers tend to be complacent and seldom remember (or even care?) that they have a right to complain.

But every consumer has the right to safety, to be informed, to choose, to be heard, and to redress. That's according to a leaflet titled "Consumer . . . it is your right to complain". The leaflet forms part of a consumer programme by a supermarket chain.

The leaflet is distributed free of charge to allow consumers to familiarise themselves with their rights.

The right of safety means consumers have a right to feel safe in a store. It also means they have a right to peace of mind about the safety of the products they are purchasing.

## OFFERED VALUE

In addition, consumers have a right to be informed on the products they buy.

The consumer has a right to be heard and should have access to a store manager at all times.

The right to redress is another important consumer right. When consumers experience problems with a product, it is their right to get refunds or have those products replaced.

As consumers, people also have the right to expect quality products and services at fair prices.

## CONSUMER COMPLAINTS

Here are some tips on how to handle your own consumer complaints.

- First identify the problem before complaining to a company — make a note of what you have done to solve the problem and then decide on what you think is a fair settlement.
- Gather records and start a file about your complaint. Include copies of sales receipts, repair orders, guarantees, cancelled cheques, and contracts which may back up your complaint and help the company to solve your problem.
- Go back to where you originally made the purchase. Contact the person who sold you the item or performed the service. Keep a record of your efforts and include notes about who you spoke to and what was done about the problem.
- Do not give up — write a letter if verbal complaints are not satisfactory, and try writing to the company's managing director if the store manager cannot help you.
- Remember that all letters should include your name, address, home and business telephone numbers, and account number where relevant. Letters should be brief and to the point and should not be sarcastic, angry or threatening.

For more information or a copy of the leaflet, please contact the Public Relations Department on (011) 28-1028.



# Tougher action to curb domestic spending likely

By Sven Lünsche

The decline in the gold price to three-year lows at the weekend could accelerate further action by the authorities to curb domestic expenditure.

Gold accounts for about 40 percent of South Africa's export earnings and its decline since the beginning of the year has put huge pressure on the country's currency reserves.

Last year, the London gold price averaged about \$437. Taking the weekend's fall to around \$375 into account, the

average for 1989 is now recorded at just above \$380.

If this trend were to be maintained for the remainder of the year, the average price would drop by about \$50, translating into a R2,5 billion loss in foreign currency earnings.

Given this estimated loss, the Reserve Bank is likely to curb domestic spending on imports to ease the other major pressures on the foreign reserves.

● Gold recovered slightly to an opening of \$378,80 in Hong Kong today.



Curb spending or go bust, Barend tells SA

# New squeeze means goodbye to good life

Star 6/5/89

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## Barend urges spending curbs

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● FROM PAGE 1.

Explaining the 10 percent loan levy on companies, Mr du Plessis said this was necessary to "mop up liquidity"

He said companies had been importing equipment and finished products at an alarming rate in anticipation of a spending boom

About 84 percent of imports were capital or intermediary products, and only 16 percent finished goods

Finance Editor Magnus Heystek reports that business spokesmen welcomed yesterday's decision, calling it "brave", ahead of the general election scheduled for September 6

Stockbrokers were virtually unanimous in saying that the steps would have an adverse effect on the Johannesburg Stock Exchange. The loan levy was bound to place the cash-flows of companies under pressure, they said, while a cooling down of total spending was bound to slow down the growth in company profits. This made it more difficult for employees to negotiate above-inflation-rate salary and wage increases

Assocom's chief executive officer, Mr Raymond Parsons, said that it was regretted that it was necessary to introduce yet more monetary and fiscal measures a mere six weeks after the national budget

He said "In evaluating the latest economic package, Assocom recognises that there are constraints facing the South African economy, and that total domestic spending has to be kept within realistic limits

"While accepting that interim remedial measures may be necessary during the course of any fiscal year, short-spanded decisions, as reflected in this package, suggest a lack of coherence in the management of the country's financial affairs. Such action is also very disruptive of business planning and will have a negative impact on business confidence," he said

However, Mr Laurie Korsten, chief executive of Corbank, welcomed the moves, saying they would serve to strengthen the rand exchange rate and might even prevent more capital from leaving the country

The latest steps come hard on the heels of an increase of one percent in General Sales Tax, from 12 to 13 percent, announced in the Budget



is being staged this weekend. And 21st annual Inter-Christian Brotherhoods, Kimberley and Boksburg are in their first XV's. Brother Chriss of different races are artificially

## re from Pik

PETER FABRICIUS  
Political Correspondent

not find a single word in your report mentioning this fact nor condemning

ring to criticism by Dr de Cuellar of o-week verification period of Swapo. Mr Botha pointed out that this was agreed to by the Joint Commission. aid Dr de Cuellar was "implying that should be pardoned for one-sidedly vio- its commitments and that my Govern- is well as the governments of Angola ba should be blamed for taking action re the situation as it should have exist April 1989.

re is a clear tendency on your part and part of the Special Representative to the agreements reached between An- uba and South Africa. he one hand, you overlook the fact that illegally crossed the border carrying quantities of automatic arms, RPG-7s rface-to-air missiles and that Swapo much of this equipment.

attitude on your part is not accept- the South African Government

PETER FABRICIUS  
Political Correspondent

CAPE TOWN — Financial sanctions are slowly squeezing the last drops out of South Africa's good life

This emerged clearly from the austerity package which Minister of Finance Mr Barend du Plessis handed out

In short, his message was "Don't replace that old bakkie — fix it, or the country will go bankrupt"

A senior finance official put it this way "If the consumer keeps on spending we're going one way to a banana republic"

### Blunt message

Mr du Plessis delivered his blunt message to consumers at a briefing after his announcement of tighter hire purchase terms, a one percent increase in the bank rate and a 10 percent loan levy on company tax

In his announcement, he spelt out the implications for the man in the street in more concrete terms "Everyone who can get by for a bit longer with his harvester, planter, motor car, bakkie, refrigerator or any other machine should do so

"And if it breaks, in the national interest the first thought must not be to replace it, but rather to repair it"

Mr du Plessis added that the state of the country's foreign reserves demanded austerity in order to counter the economic onslaught against South Africa

This was an implicit admission that punitive financial sanctions — with the consequent lack of inflowing foreign currency — lay behind the credit squeeze

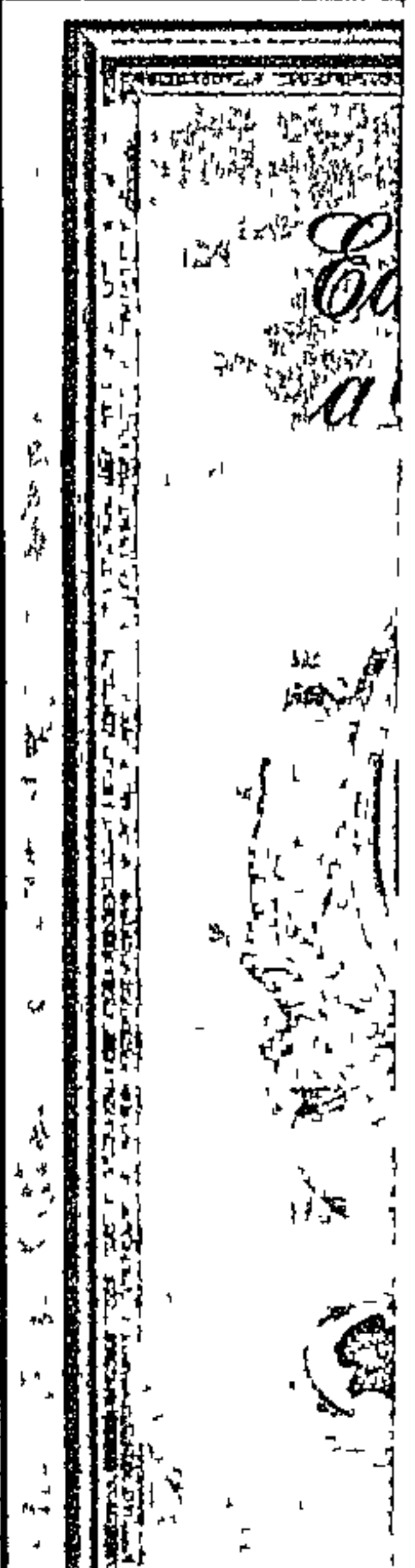
Mr du Plessis confirmed at the briefing that the need to maintain foreign reserves lay behind the squeeze "We must stay solvent. We must sell more than we buy," he said

If South Africa failed to maintain the surplus on the balance of payments which it had kept up for 15 of the last 16 quarters, it would also not be able to meet its debt repayments

And Government sources warned that if the consumer did not stop spending, "the Government would stop 'cutting off his tail bit by bit', as it had been doing, and 'cut off the whole thing'"

This could mean a single rise in interest rates of up to three percent to kill spending.

● TO PAGE 2.



star 6/5/89 (246)

## The new HP deals

A WIDE range of goods will be affected by Mr Barend du Plessis's decision which comes into effect on Monday. However, no changes have been made to HP-transactions on furniture, most of which has a high local content.

The new HP-conditions are as follows (type of product, deposit and repayment period):

Electrical and non-electrical goods for domestic use. 20 percent; 18 months.

Camping equipment (excluding caravans). 20 percent, 18 months.

Jewellery, watches and clocks: 25 percent; 12 months.

Photographic equipment: 25 percent; 12 months.

Television sets: 20 percent; 18 months.

Video machines and cassettes: 30 percent; 12 months.

Electronic TV-games: 30 percent; 12 months.

Motor vehicles. 30 percent; 36 months.

Kombi's, motor cycles and tri-peds: 15 percent; 42 months.

campaign.  
Asked if he suspected right-wing elements to be responsible, Geldenhuys

strongest terms adding he had repeatedly expressed his opposition to violence in party politics"  
Treurnicht said. "The CP has repeat-

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is

## PROCEEDINGS FOR SMALL BUSINESS

PRETORIA — Consumers and small businesses were in for a rough ride following the shock announcement of further restrictions on HP deals, higher interest rates and forced company tax levy, International Trust Corporation CE Paul Edwards said yesterday.

He said a steep increase in bankruptcies and in the number of collapsing small businesses was likely in the months ahead.

He stressed small businesses tended to rely more heavily on bank overdrafts which could be 2% or 3% above the new prime rate of 20%.

They also had lower cash reserves than larger companies and were less able to weather downturns in demand.

Edwards said Finance Minister

GERALD REILLY

Barend du Plessis's "knee-jerk" reaction could lead to overkill. Consumers were being pushed to the limit.

The tremendous increase in bank advances and reduced savings showed they were borrowing heavily to maintain living standards.

Edwards warned existing restrictions were only beginning to bite and that the latest moves could throw the economy into reverse.

SA urgently needed a coherent political and economic strategy.

The alternative was a continual erosion of standards of living with all the adverse socio-political repercussions, Edwards said.

Passon Altron strikes and



# Measures are temporary

By 8/15/89

**CAPE TOWN** — The wide range of restrictions including increased interest rates and tighter HP conditions, were temporary measures which would be relaxed again as soon as possible. Finance Minister Barend du Plessis said on Friday.

The measures could be lifted "within a few months" but this depended on the co-operation of "each and every participant in the economy".

He said continuing strong expansion in domestic expenditure and extension of credit was cause for concern.

The country was living beyond its means. The measures, although painful, were urgently necessary to restore balance to the overheated economy.

- Among the measures were:
  - A one percentage point increase in the bank rate to 17%, but with accompanying government-sponsored relief measures for farmers, small businesses and lower income home owners, who would be hit by the subsequent higher interest rates.
  - A 10% levy on the normal tax payable by all companies starting at R5 000 and repayable after five years.
  - A reduction to 15% in the surcharge on capital goods imports, but a stop to the large number of exemption permits granted except in exceptional cases.
  - A 5%-1% increase from Monday in the minimum deposit for a range of goods bought on hire-purchase, and shortening repayment periods.

## Cause for concern

Du Plessis said although there were indications of a slight deceleration in the economy a number of factors gave cause for concern.

- The bank's credit provision to the private sector which increased to R23bn last year was still increasing at an unacceptable rate, with the result that the broad money supply (M3) figures for March indicated an annual growth rate of nearly 10%.
- Although foreign trade statistics for March were favourable and indications were that the balance of payments would show a surplus of about R1bn in the first quarter of 1989, SA's gold and foreign reserves had not changed much.
- This indicates a further large net outflow of capital in the first three months of this year.
- Interest rates in the most important Western industrial countries were still

**CAPE TOWN** — Details of changes in hire-purchase requirements announced by Minister of Finance Barend du Plessis are:

	EXISTING		NEW	
	Deposit	Term	Deposit	Term
Electrical and non-electrical appliances for domestic use	15%	18	20	18
Camping equipment, including tents, but excluding caravans	15%	18	20	18
Jewellery and parts thereof, including clocks and watches	15%	18	25	12
Photographic and cinematographic cameras enlargers and reducers and projectors including articles, but excluding equipment for cinemas and theatre, microfilm equipment and lithographic process cameras	20	18	25	12
Television receivers and accessories therefor, but excluding communal television aerial systems	15	24	20	18
Video cassette recorders and players and video tape recorders and players	25	12	30	12
Video cassettes and video tapes	25	12	30	12
Electronic television games	25	12	30	12
Motor vehicles, including commercial vehicles but excluding tractors, harvesting machinery, agricultural machinery and implements	30	42	30	36
Mechanically propelled road passenger motor vehicles designed to seat not more than 15 people including motor-cycles and motor tri-cycles	12	48	15	42

□ The new terms and deposit rates come into effect today.

going up, and the differential between this and local interest rates had narrowed with the result that "leads and lags" of foreign payments and receipts were starting again.

□ This year's gold price had so far remained well below the average level of \$437 an ounce of last year.

□ Large seasonal government expenditure at the start of the new financial year had decreased the Treasury balance and placed considerably more liquidity in the private sector.

□ The inflation rate measured by the CPI showed an upward tendency.

Du Plessis said government saw the implementation of further restrictive measures as unavoidable in the light of economic goals for 1989/90.

"This policy package was put together to quickly address the current imbalance caused by a too-rapid increase in total demand," he said.

"The measures are intended to interfere as little as possible, and only temporarily, in the long-term objective of increasing total production."

On the one percentage point increase in Bank Rate, the Minister said government was aware interest rates were al-

did not increase.

For small businesses which would be hard-hit by the increased rates, government would make a maximum of R100m available to corporations like the Industrial Development Corporation and the Small Business Development Corporation to provide assistance. Further details of this would be announced in due course.

Du Plessis said R50m would be made available by government to assist home-owners in lower-income groups whose bonds were not subsidised.

Usury Act rates would not be increased yet, providing a measure of protection to smaller borrowers.

Du Plessis said some taxation adjustments announced in March were beginning to have an effect, and it was therefore deemed not necessary to make any more changes in, for example, GST.

Total overspending in the economy was, however, not only caused by individuals' consumer demand but also by large corporate spending.

Owing to general large liquidity conditions it was decided to institute a compulsory, negotiable loan levy of 10% on normal tax payable by companies.

The amount of the loan levy for each company would be based on normal tax payable for the previous year. If any loan levy was less than R5 000, that company would be exempted. The amount of the levy to be paid would be rounded off downwards to the nearest R100 to facilitate administration.

# Relief for farms and

proportions to enable them to keep their lending rates to small business as low as possible.

The Bank stated that, although previous restrictive measures had already started to take effect, domestic spending, which rose 6% in the first quarter of the year, was still too high.

It also said the increase in the rate of money supply was still excessive.

The Bank stated "The need for a further tightening in monetary policy has been underlined by two recent external developments. The first is the decline in the dollar price of gold to around \$376 an ounce, compared with an average of \$437 in 1988, which naturally has adverse implications for both the balance of payments and economy."

"The second is recent increases in interest rates in Switzerland, Germany and several other European countries, following movements in interest rates."

"The resultant wide real interest rates in industrial countries, of a further depreciation of a new outflow of sh."

The Bank said the excessive rate of increase had led to a depreciation weighted basket of since the beginning of decrease in 1988.

This depreciation the rise in the quarter consumer price index months of 1988 to 14%.

The Bank said "I

## BUDGET VOTE: FINANCE

PRESENTATION ACCORDING TO STANDARD ITEMS	1989/90		1988/89	
	R 000	%	R 000	%
Personnel expenditure	249 107	179 001	249 107	179 001
Administrative expenditure	24 383	18 275	24 383	18 275
Stores and livestock	13 478	8 867	13 478	8 867
Equipment	12 406	11 535	12 406	11 535
Land and buildings	—	—	—	—
Professional and special services	24 987	21 764	24 987	21 764
Transfer payments	484 259	1 050 632	484 259	1 050 632
Miscellaneous expenditure	4 532	3 716	4 532	3 716
Amount to be voted	813 152	1 293 740	813 152	1 293 740
Amounts forming a direct charge on the State Revenue Fund	—	—	—	—
Commitments in the State	—	—	—	—
Debt and loans by community councils	9 831 284	7 459 888	9 831 284	7 459 888
Interest	129 860	133 890	129 860	133 890
Management	2 508 350	998 335	2 508 350	998 335
Cost of raising loans	11 000	10 991	11 000	10 991
Redemption	12 480 314	8 603 104	12 480 314	8 603 104
Less: Discount	2 508 350	998 000	2 508 350	998 000
Total estimated expenditure	9 971 964	7 605 104	9 971 964	7 605 104
	10 785 116	8 898 844	10 785 116	8 898 844

Departmental and miscellaneous receipts R25 056 000  
 1989/90 Officials earning R80 000 and more — 100  
 1988/89 Officials earning R59 200 and more — 90  
 Source: Estimates of Expenditure.

The levy would be payable on or before July 31. Interest on the levy would be paid half-yearly at 16% interest per annum, and this would be taxable.

The levy would be repaid after five years. Certificates issued by the Treasury would be a negotiable document in the finance market. Du Plessis said the income from the loan levy was estimated at R750m. — Sapa



# Economists slam cool-down plans

Business Day Reporters

FINANCE Minister Barend du Plessis's package of measures to cool the economy came under fire from business people and economists at the weekend

Economists criticised the hire purchase clamps at a time when consumer spending was already on the decline.

Standard Bank economist Nico Czipionka said he opposed "tinkering" with HP conditions to manipulate demand. The authorities should use interest rates alone to cool credit spending, he said

The affected areas of consumer demand had already fallen off substantially. If sales in these areas were already weakening, the measures could amount to "overkill", he added

Rand Merchant Bank economist Rudolf Gouws said it was not the government's domain to prescribe the terms of transactions to banks and their clients.

He said he opposed the measures because the economy was "cooling down anyway".

Assocom CE Raymond Parsons said the organisation regretted that a package to cool the economy had become necessary "a mere six weeks after the presentation of the national Budget". The action was disruptive of business planning and would have a negative impact on business confidence.

Tax experts also slammed the package as disruptive, saying the 10% loan levy on all companies had come as another blow to a stable tax environment.

Costa Divaris of Divaris Stein said: "The Budget is no longer the major statement on tax it is supposed to be. It has become a farce"

Price Waterhouse partner Chris Frame criticised the retroactive nature of the

● To Page 2 →

# Economists slam cool-down measures

levy, which is based on last year's tax paid. "This is one of a series of sudden moves which are making tax planning very difficult"

Other tax experts warned companies could face cash flow problems in paying the levy, as they could not have planned for it. It was payable before July 31, and a company running on a tight cash flow might have to borrow to pay it, they said

Retailers and car dealers criticised the HP measures as an unnecessary damper on sales, which were already slowing down

OK MD Gordon Hood said the previous curbs had caused a 50% decline in overall sales of VCR's, a 20% drop in TV sales and the turnover of other audio equipment was

← From Page 1

reduced by 30%-40%. Domestic Appliance Manufacturers of SA chairman Richard Ferrer said higher deposits would cause a larger decline in sales than Damsa's original forecast of a 9% drop

Toyota SA marketing MD Brand Pretorius said the measures were not necessary as demand for new vehicles this year already showed signs of tapering off at an acceptable rate

He said it was a slight over-reaction by government, and would undoubtedly have a negative impact on the private buyer

# New moves put pressure on banks' margins

81047 875784  
BANKS face a tough time of intense pressure on their margins after Reserve Bank Governor Gerhard de Kock's moves to tighten monetary policy on Friday

They will be forced to cut down on credit to both companies and consumers — or face a struggle for survival as their margins are eroded

As lender of last resort, the Bank will make loans expensive for banks needing extra cash. De Kock announced the Bank would raise its interest rates on overnight loans by 1,5 percentage points and that these loans would be available only in exceptional circumstances

(246) (88)  
GRETA STEYN

This takes the cost of overnight loans against liquid BA's to a punitive 20% — and, with the prime overdraft rate also at 20%, it means margins will be wiped out. Even more painful is the cost of overnight loans on non-liquid assets, ranging between 1% and 1,5% above prime

Adding to the squeeze on margins will be De Kock's pledge to drain the market of liquidity through open market operations such as the selling of government stock

Bankers held meetings on Friday

to discuss strategies to curb credit extension. Most banks indicated that marketing of credit would take a back seat. When credit facilities came up for review they would almost certainly not be increased, and in some cases they would be decreased

Consumers would probably have to bear the brunt of the lending squeeze, bankers said. Lending to individuals was a high enough proportion of total lending to make a difference to overall credit figures. Bank figures show lending to individuals amounted to 28% of total bank lending at the end of 1986



# Home-owners' roofs are creaking in

246

544 9/15/89

What is the biggest investment most people ever make, hit hardest of all the increases imposed in the latest austerity measures, and is inescapable? **DAWN BARKHUIZEN** provides the answer

More and more home-owners are defaulting on bond repayments and there has been an increase in the number of homes being repossessed, banks and building societies disclosed yesterday.

And in another development yesterday, consumer organisations appealed to financial institutions for greater leniency towards home-owners and called on the State to stabilise the situation.

This comes as banks and building societies are poised to increase their bond rates in the wake of Friday's package of austerity measures.

The measures announced simultaneously by the Ministry of Finance and the Reserve Bank covered a wide range of cuts, most prominent among them a one percentage point increase in the Bank rate, which is almost inevitably followed by an increase in prime and bond rates.

## Imminent

Most major banks and building societies now charge either 18.75 or 19 percent on their bonds. While building societies are able to raise their rates only from July 1 banks can lift their rates to 19.75 or 20 percent immediately.

And most have indicated that they will do so this week.

Monthly repayments for many home owners soared to levels substantially higher than when the bond rate was quoted at 12.5 percent only 16 months ago.

The SA Consumer Council chairman, Professor Tobie van Rijn yesterday appealed to financial institutions to be as lenient as possible, saying home-owners should not have to lose their houses through circumstances beyond their control.

He also cautioned about undue optimism as there was "absolutely nothing to indicate the situation would improve".

Prices are running away. The situation is dire - the consumer is dramatically over-extended and just cannot afford their bonds any more.

An increase in bond rates hits you far harder than when the price of cigarettes goes up. It is the biggest investment that most people make and an enormous number of people are being hit. The State needs to take immediate action, to stabilise the bond rate and make provision for subsidy.

The Housewife's League president, Mrs Lynne Morris, said that increasing numbers of women were being forced into the workplace, many of them placing month-old babies in creches.

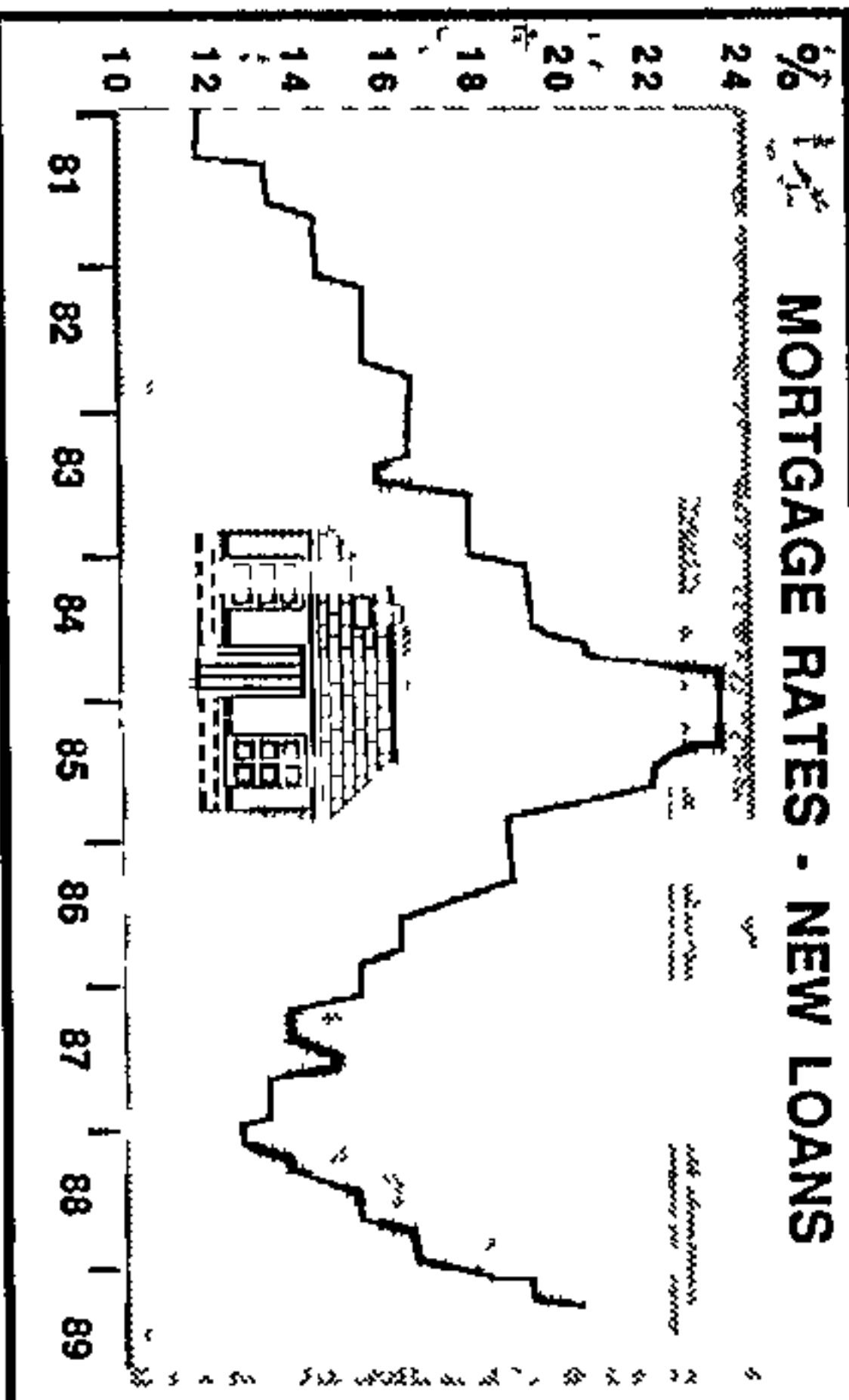
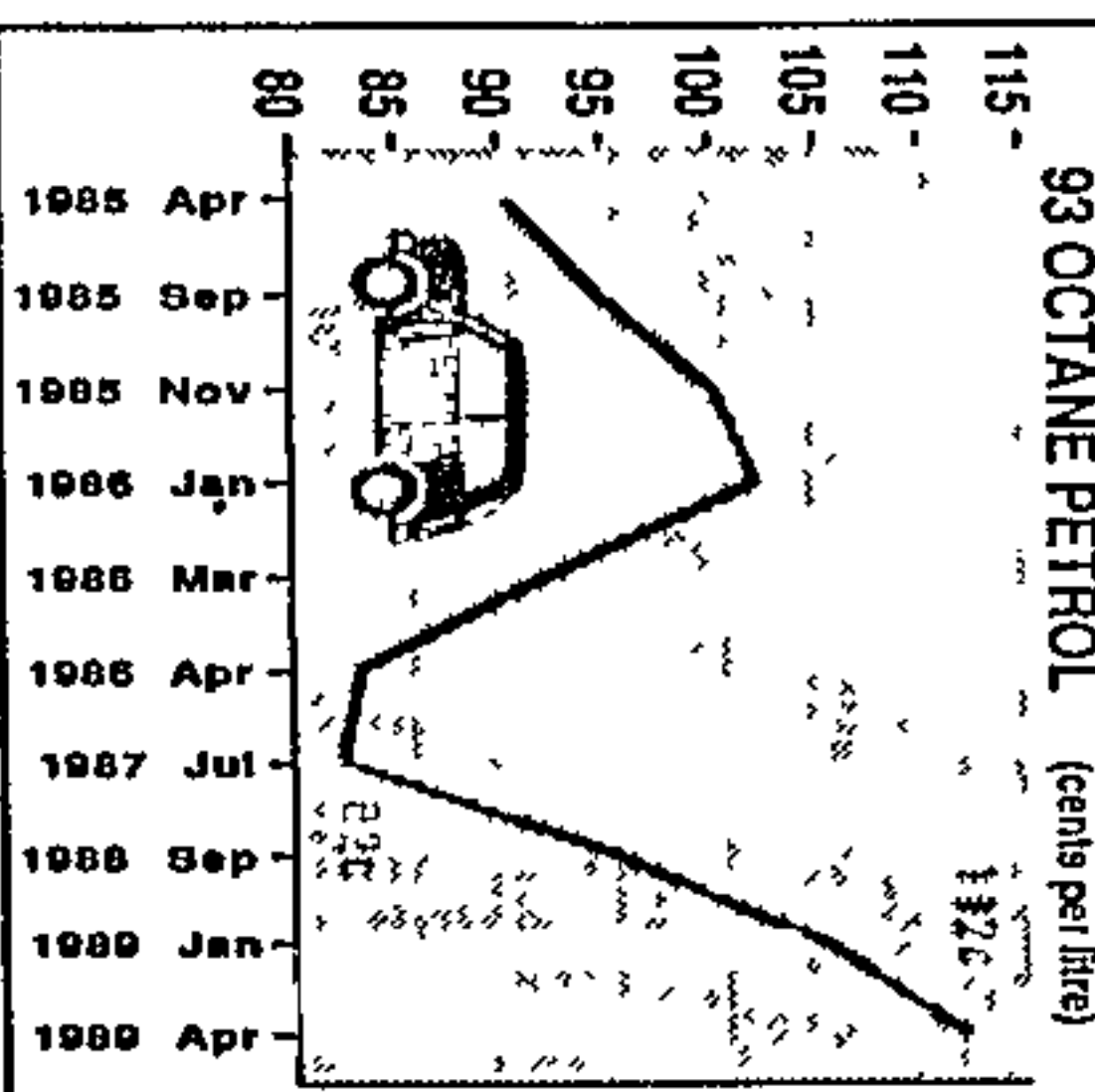
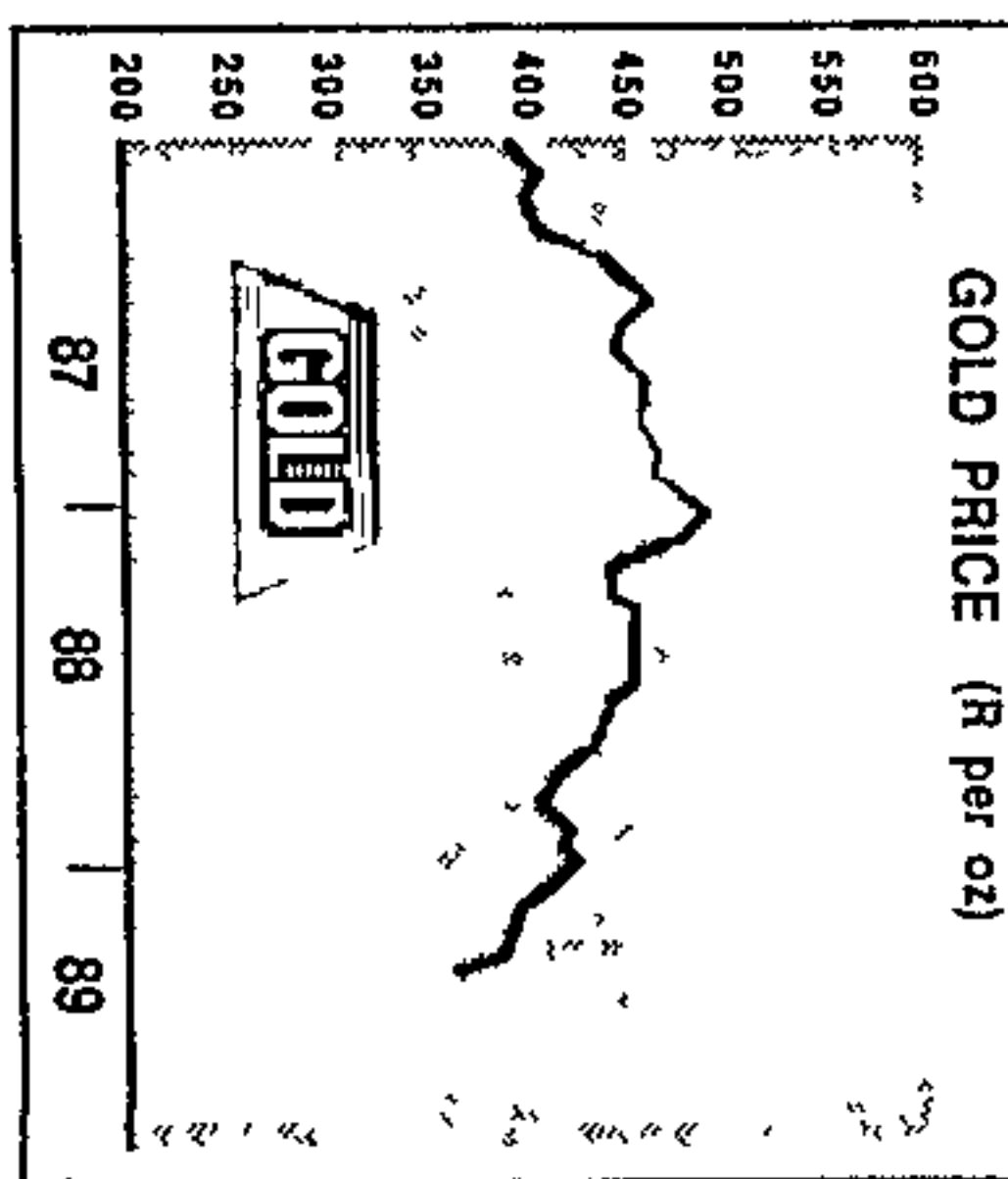
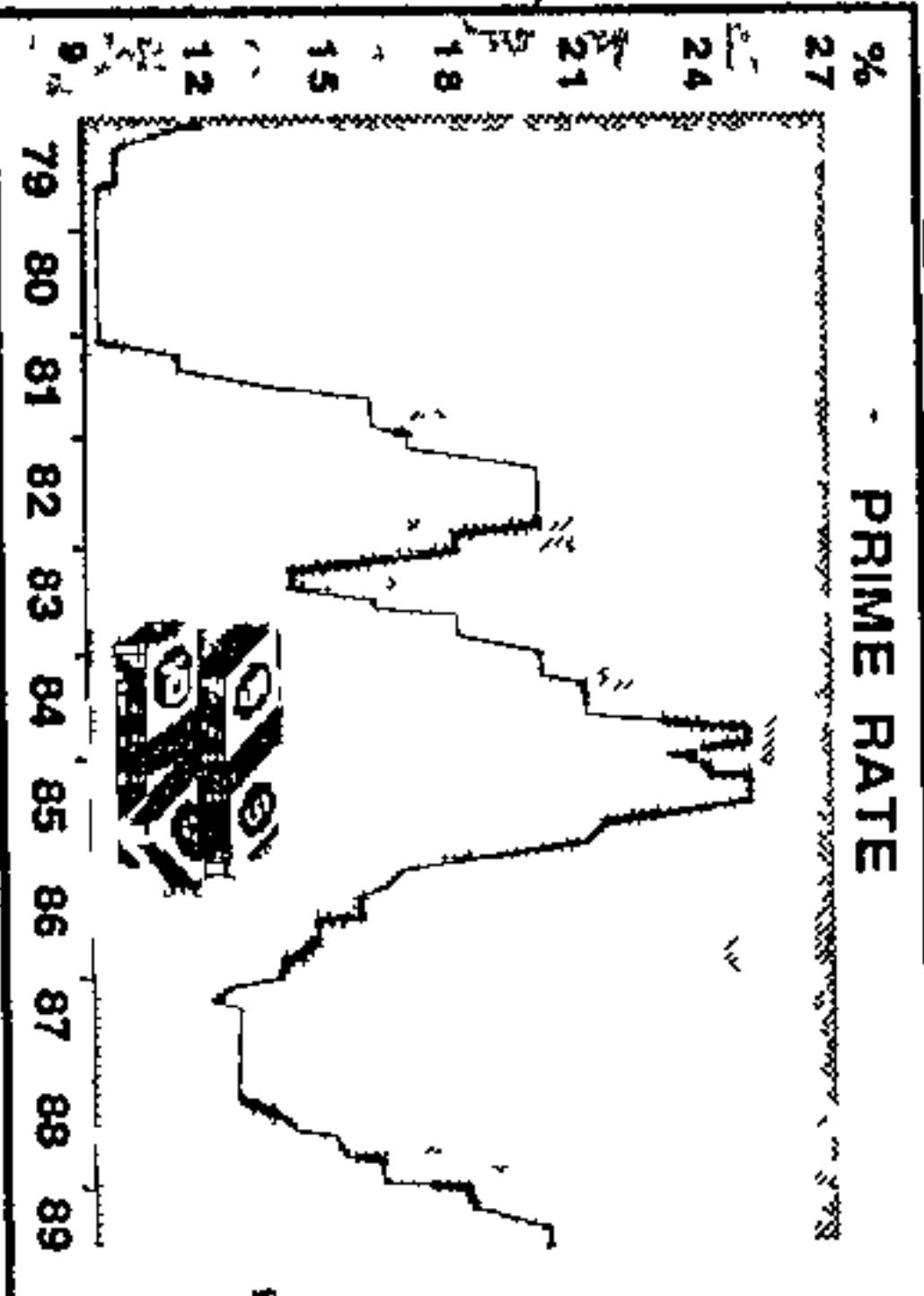
"The problem started when banks began offering outrageously high bonds, encouraging people to live way beyond their means," she said.

Now they're grabbing business with one hand and waving two fingers in the air with the other.

She said the increased rates would push inflation up further leaving us right in the cauldron come July.

Allied Group spokesman Mr Fritz Rieseberg said the number of people falling behind in bond repayments was up noticeably on that of last year and the trend followed for repossession.

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meet.

Another man interviewed by The Star faces losing his house as his bond repayments have rocketed by about 60 percent over the past year.

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He estimated that initial payments of R940 a month in May last year (now up to R1 430) would rise to about R1 600.

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The middle class man is taking a huge beating.

**Consumer reels on all fronts**

The graphs tell the story of woes experienced by the consumer since the beginning of last year.

The higher Bank Rate, set by the Reserve Bank, led to a wide range of increases in other interest rates, as indicated by the steadily rising prime and bond rates.

The accompanying chart shows how monthly repayments have soared since January last year, when the bond rate was still quoted at 12.5 percent.

Added to this range of credit restrictions have been higher deposits and shorter repayment periods on hire-purchase financing.

Over the same time price surges on most items have rocked the consumer.

**Petrol**

The recent petrol price increases had a ripple effect on many producer and consumer goods and already economists are speculating on a further rise in the petrol price.

Other basic food stuffs also experienced regular price hikes. Eggs, maize, bread and dairy products were all recently in the news on the back of further price increases.

Beyond this official desire to curb consumer expenditure is the country's lack of foreign exchange reserves, which force the government to cut back on imports whenever possible.

The situation has been exacerbated by the falling gold price. Gold accounts for about 45 percent of South Africa's export earnings, and its recent decline to three year lows of around \$375 was the major signal for the government to start putting the lid on expenditure once again.



# Is this not overkill, Mr du Plessis?

other factors which have an adverse influence on the consumer price index (CPI), it is regrettable that they will suffer the most.

The latest increase in interest rates and the rise in HP deposit rates (to a minimum of 20 percent of the purchase price) have come as a major blow to the country's domestic appliance industry.

Mr Richard Ferrer, chairman of the Domestic Appliance Manufacturers Association of SA, said domestic appliance sales could drop by as much as 15 percent this year.

"At the end of last year we forecast a downturn on major appliances of about 9 percent," he said.

"We had anticipated a cooling off in any event, but we did not anticipate further restrictive measures. HP deposits will now be set at 20 percent, and we believe this move will result in a market decline greater than our forecast because consumers will battle to raise the cash for a deposit.

"The domestic appliance industry is surprised that the Minister of Finance included major appliances in the latest round of increases because our industry has a relatively high local content. We can only

assume he took the recent measures because of foreign exchange problems, but a decline in sales of major appliances won't help our country's Forex problem.

The new motor vehicle industry will not be hard hit by rising interest and HP deposit rates.

Mr Nico Vermeulen, chief executive of the National Association of Automobile Manufacturers of SA (Naamsa), said it is inevitable there would be some decline in the demand for new motor vehicles as a result of the tighter HP restrictions. But, he added, the industry did not anticipate a dramatic fall off because demand, as measured by orders on hand (which have not been fully satisfied), continued at a high level.

Of course the increase won't help the new motor

vehicle industry, but Naamsa had already anticipated a modest downswing in new vehicles sales, particularly in the second half of the year as the economy tends to cool down," Mr Vermeulen said.

"These latest measures will merely hasten our anticipated downswing, but we do not believe the adverse effect will be dramatic. We were expecting new vehicle sales in 1989 to be between five and

Are the measures announced by Mr Barend du Plessis likely to kill the goose that lays the golden egg? A top businessman interviewed by SUE OLSWANG warns as much

10 percent lower than 1988 in any case, and we don't believe the latest measures will affect these forecasts.

Supermarket executives are among those who have deplored the measures.

Mr Gordon Hood, managing director of the OK, said his company's traditional customers relied on HP for the purchase of "big ticket" items.

"When interest rates or deposit percentages rise, they are unable to purchase items which may be necessary, and this places what can also be termed as essential purchases beyond their reach.

"Obviously, it also makes such purchases very much more expensive, and as these are people whose real disposable income has been most affected by inflation increased import duties, and all

Mr Hood said the entire industry was sensitive to such increases. He said this was revealed by the severe decline in the sales of VCR's (down by 50 percent), television (down by 20 percent) and other audio equipment (down by 30 to 40 percent) experienced by the entire industry after the increases in import surcharges and duties in August last year.

Mr Raymond Ackertman, executive chairman of Pick n Pay, said he believed Mr Barend du Plessis had done enough to cool the economy before these present announcements.

I understand that Mr du Plessis is trying to curb spending because of our balance of payments problem, but I say he shouldn't kill the goose who lays the golden egg.

"The solution lies in other areas, such as reduced personal taxes, and not in an overkill situation

of course the increase won't help the new motor

# Home-owners' roofs are crashing in

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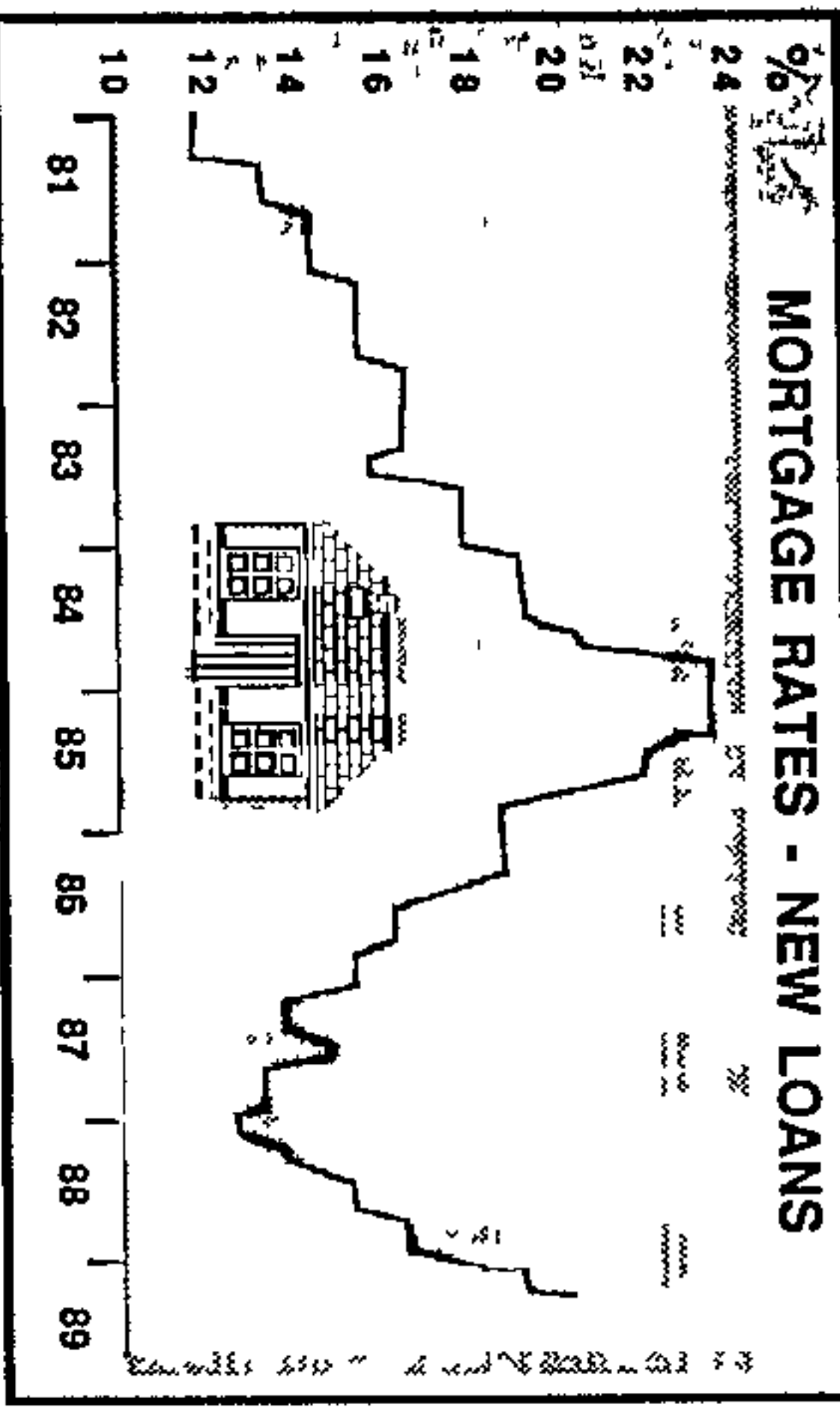
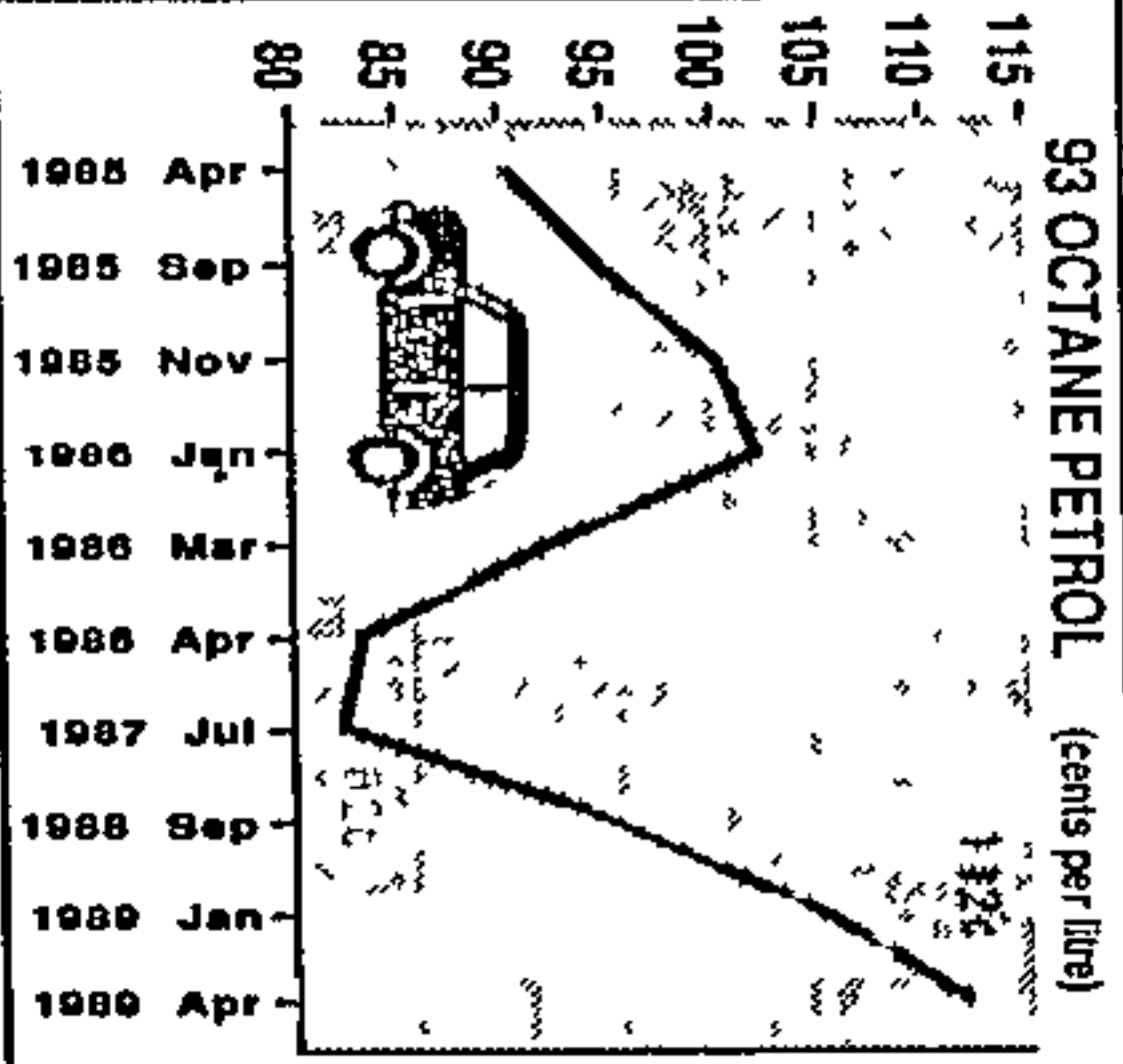
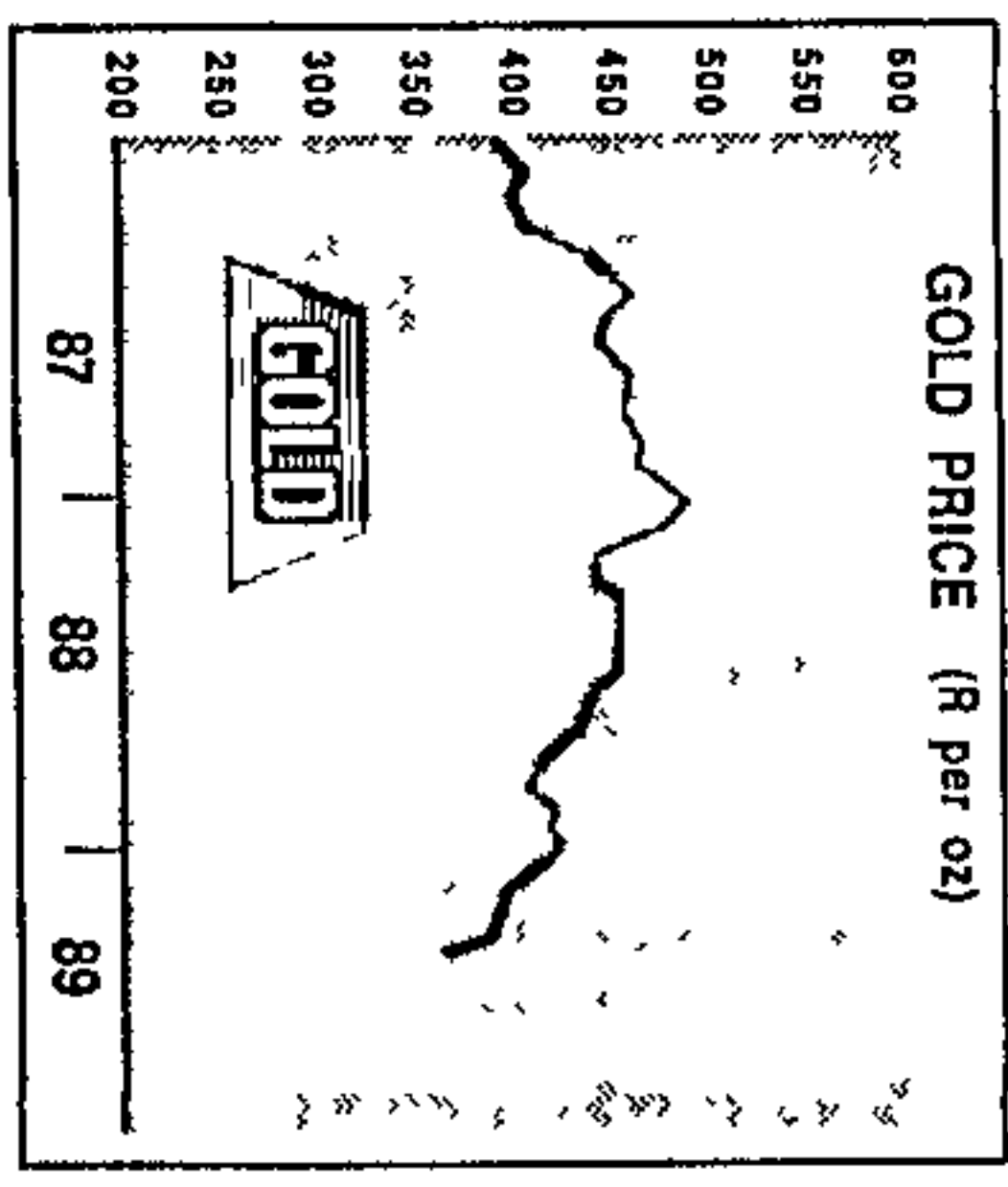
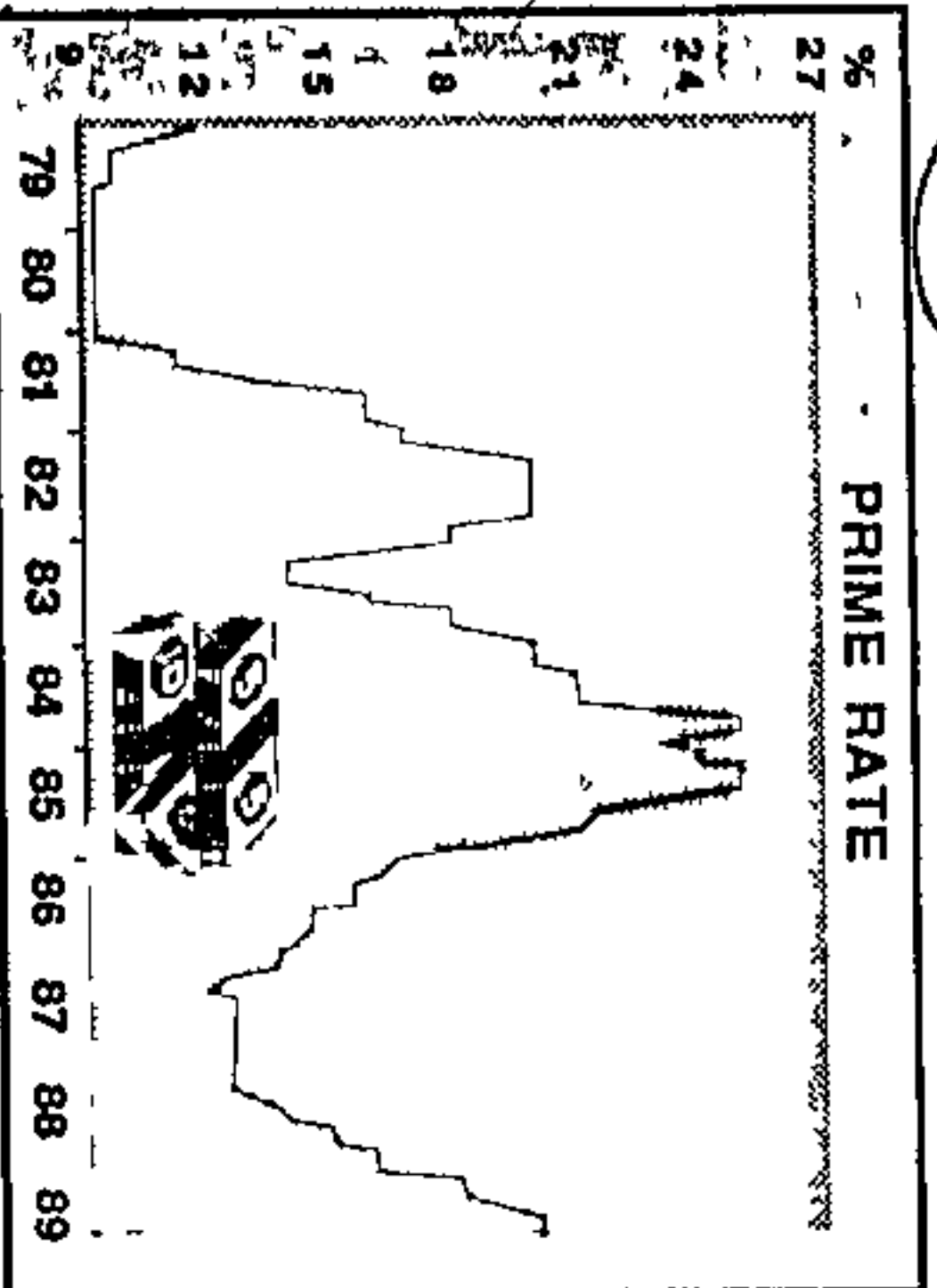
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# Finance scheme for the big-ticket deals

31 Day 10/5/87.

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TANIA LEVY

AN APPARENT loophole in HP regulations is allowing National Panasonic to offer easy credit to buyers of TVs, audio and video equipment.

The finance scheme — offered through Barlows finance group Barbrook Investments to retailers — allows consumers to buy big-ticket items with a smaller deposit and longer repayment periods than those now mandatory for HP deals.

OK Bazaars furniture and appliance marketing director Arthur Solomon says National Panasonic offered the scheme to his chain before government an-

nounced its austerity measures in Parliament on Friday.

He added it had been incorporated into the OK's annual National Panasonic promotion.

The Barbrook scheme demands a 12% deposit and 24-month repayment period as opposed to the 20%-30% deposit and 12-18 months repayment period stipulated in new HP regulations.

Solomon says the scheme allows immediate transfer of ownership to the cus-

tomers. In HP deals ownership does not change hands until later.

"The scheme operates on the lines of a credit card deal," he says.

National Panasonic MD Terry Millar could not be contacted for comment last night.

Beares and Russells are believed to have run similar schemes in 1984.

Retailers said last night Beares was again running similar financing packages on National Panasonic products. Attempts to confirm this with Beares directors were unsuccessful.

The outstanding 26 percent of earnings P/E of 14 times and a sector average of

# Curbs hit Amrel results

Start 11/5/89  
By Sven Lünsche

The restrictions on consumer expenditure hit SAB Breweries diversified retail group during the financial year to end-March 1989, with attributable earnings rising by a modest five percent to R22,2 million (R21,2 million).

The effect of measures like hire-purchase restrictions, import surcharges and generally higher interest rates were felt down the line.

Turnover increased only nine percent to R759,7 million (R694,3 million), while income before tax rose by two percent to R37,5 million (R36,9 million). Income after tax was seven percent higher at R20,4 million (R18,8 million).

Amrel's earnings at 241c a share were four percent ahead of last year, and in line with its policy of paying out a three-times covered dividend, the group has declared a maintained final dividend of 52c a share, making 81c (77c) for the year.

In light of the lower furniture sales and the fact that Amrel had to absorb a significant increase in the group interest rate, managing director Stan

Berger said he was satisfied with the group's increase in profits.

He added, however, that the contribution from the furniture division had declined from 63 to 61 percent in the wake of the curbs, particularly the hire-purchase restrictions. The division contributed 59 percent to earnings.

The footwear and apparel division took advantage of the increased demand for semi-durable goods and its contribution to turnover and profitability compensated for the lower volumes in the furniture division.

The division contributed 34 percent to turnover and 31 percent to earnings, while the respective figures for the services division were 5 and 10 percent.

However, following last week's announcement of further monetary and credit restrictions, Mr Berger expects 1990 to be a difficult year.

"In light of the further dampening action taken by the authorities on consumer spending, it will be very difficult to match earnings in the coming year," he concluded.

Poor results from I.D. 1

# 'Change the rules'

Sowetan 11/5/87

**SOWETAN  
REPORTER**

NATIONAL African Federated Chamber of Commerce president, Mr Sam Motsuenyane, has called on firms to find new ways of assessing the credit worthiness of black customers.

More emphasis should be placed on the efficiency of the entrepreneur and the viability and

growth potential of the enterprise to be funded, he called.

"Lack of capital to fund business development is without doubt one of the foremost problems confronting the black business community at the present time," Motsuenyane said.

"The vast majority of black entrepreneurs grappled with peculiar problems which make it inordinately difficult for them to acquire the necessary assistance from financial institutions," he continued.

There was a growing need for communication links to be established between black traders and the funding organisations.

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## **Risks**

Black businessmen were often regarded as high risk when they applied for loans from financial institutions, he said.

The reason for the attitude was that the majority of black businesses, especially in the informal sector, did not keep records and books of account in the precise manner in which banks and financial institutions expected them to do.



## Afcol's growth slows as curbs begin to bite

The measures taken by the authorities to dampen growth in consumer credit purchases moderated demand for furniture in the second half of the financial year, and Afcol's turnover as a result slowed to 13 percent from the 22 percent recorded in the first half.

The figures released for the financial year ended March, show that turnover for the year increased by 11 percent to R567,1 million (R510,2 million), while operating profit improved by 12 percent to R48,2 million (R43,1 million)

Attributable profit was accordingly 19 percent higher at R41,5 million

(R35,0 million). This translates into earnings per share of 170,0 cents (144,8 cents), an increase of 17 percent.

In accordance with the group's policy of paying a twice covered dividend, an unchanged final dividend of 40,0 cents has been declared giving a total of 85,0 cents (72,5 cents)

Current forecasts of low growth in private consumption expenditure and of interest rates remaining high, means that turnover will be blunted in the coming year, the directors say. However, they have set a target of attempting to achieve earnings per share to approximate those of the present year.— Sapa.

PERSONAL FINANCE

# We'd laugh if it wasn't so painful

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IF it wasn't so serious it would be very funny, if not downright ironic, they way the economy is being managed at present.

Finance Minister Barend du Plessis warns that South Africa runs the danger of becoming a "banana republic" if con-

sumers do not stop spending and the banks do not stop granting credit.

He could have fooled many people who have long held the view that we already display several symptoms of a "banana republic". These include a declining curren-

Money Matters

Magnus Heystek



cy, a high inflation rate, a high level of public and private corruption and a general distrust of people in authority.

In fact, if international credit ratings are anything to go by, South Africa currently ranks as a "high-risk country" as far as investments are concerned, lodged between Ghana and Indonesia, according to *The Economist*

Can you blame foreign investors for not investing in a country with a high inflation rate (whatever it officially might be) and a currency seemingly on a permanent downward trend?

**Spending**

Barely two years ago Mr du Plessis, aided and abetted by the monetary authorities, urged the consumer to take up credit and to start spending in order to get the sluggish economy out of its Rubicon speech-induced nosedive

Even respected and admired Dr Gerhard de Kock, governor of the Reserve Bank, commented on "the reluctance on the part of the consumer to take up credit and start spending"

After several economic stimulatory packages, which included a loosening of monetary policy by means of a gradual reduction in the interest-rate pattern, massive salary increases for civil servants, the repayment of several loan levies and other measures to induce consumers to start spending again, consumers eventually responded. And respond with vigour they did.

Interest rates were reduced to artificially low levels, dropping at the

end of 1987 to a low of 12,5 percent, which was below the inflation rate. Financial institutions embarked on a massive credit-enticement spree. Homeowners were lured into taking up 100 percent bonds on houses (in some cases even more) and buying goods on the never-never while rates were kept down artificially.

**Growth**

In 1988 consumption expenditure increased in real terms by as much as 7 percent while the growth in the money supply during the year was 25 percent, way above the target growth rates set between 14 and 16 percent at the beginning of the year.

During the first quarter of 1989 it was obvious that consumption expenditure was not reacting to the import surcharges announced during August 1988 and several increases in the prime overdraft rate and other important rates since April last year.

According to the latest figures consumption expenditure was still growing at an annualised rate of 6 percent, which was far too high considering the state of the country's level of foreign exchange reserves. This problem was exacerbated by the declining gold price which further exposed the calamitous position South Africa was in.

Barely six weeks after the Budget it was necessary to announce further restrictive measures to protect the country's balance of payments, and more importantly the country's currency exchange rate

**Bonds**

That these announcements were made barely four months before a general election underlines the severity of the situation. Homeowners who

have bonds with building societies will, in the almost certain case of increased bond rates, make their first higher mortgage payment in July, barely weeks before they have to go to the polling booths

Government is now wondering why consumers cannot (or will not) stop spending. But if the price of an imported product, like motor cars, television sets, video recorders or golf clubs, is continually rising at a rate much faster than the inflation rate due to the depreciating currency, why would they postpone purchases until later? Consumers are voting with their hard-earned money

What makes the situation even more ironic is that Government is now calling on consumers to cut down on spending while its record of profligacy in recent years as been appalling

Not once this decade has Government expenditure come even close to the budgeted figure. On average, Government spending has overshoot the budget figures by 5 percent a year during the 80s, with an overshoot of 8,8 percent in 1984/85 — the worst year

Each year the public has had to listen to the litany of excuses why Government was not able to balance its books. Now it is expecting the public to reign in its spending. One wonders if they are going to set an example.

Meanwhile, Mr Average Consumer is going to keep on spending his rapidly eroding money on imported goods until Government steps in once again with more hard-hitting austerity measures until they get the message

And if you do not belong to one of several protected groups like civil servants or farmers, prepare for the worst possible scenario during 1990.



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# HUNDREDS CHEATED

**More taxi  
HP scams  
exposed**

POLICE countrywide are being overwhelmed by hundreds of cases of fraudulent hire purchase deals — involving possibly millions of rand — in which black minibus taxi drivers pay up to R15 000 deposits but get no vehicle. The wave of exploitation by

unscrupulous white operators has resulted in so many complainants streaming to commercial branch offices throughout the country that police have urged victims to report instead at police stations.

A police spokesman said the frauds were a direct result of the

uncovering of a R48 million hire purchase scam, also involving minibuses, earlier this year and in which kickbacks were made to the operators by the buyers. However, the difference this time was that, instead of paying large fees to two parties as in the original scam, black taxi drivers were now not even getting the vehicles for which they had paid deposits, said the spokesman.

He added that private individuals had now apparently learnt about the mechanics of the scam and were now applying it themselves all over the country.

“Countless people are now imitating the scheme and the police now see people are taking deposits from blacks but never deliver the vehicle,” said Witwatersrand police spokesman Lieutenant-Colonel Malherbe

He said deposits between R8 000 and R15 000 were paid.

The scams revolved on the middle-man concept and these received up to R300 per month for 48 months from taxi drivers, he added.



# Austerity measures beginning to work

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Star 19/5/89

By Magnus Heystek  
Finance Editor

With credit demand falling off and every sign that the economy is beginning to cool off, no additional austerity measures are being contemplated at present, says Dr Gerhard de Kock, Governor of the SA Reserve Bank

"But the sharp drop in the gold price, together with the decline in the rand against the US dollar is definitely hurting the country, and we will just have to sit it out", he said in an interview last night

Speaking from Cape Town, where he was busy preparing for a presentation before the Economic Advisory Council, scheduled to take place today, he said that the latest economic data all point to a slow-down in the economy

"It seems to me that consumers in particular have heeded the message and have started to curtail their consumption expenditure. The main bulk of credit is now being taken up by major corporations who cannot overnight rein in their capital expenditure programmes," he said

Dr de Kock said that the drop in the gold price, from an average of \$437 an ounce last year to its present levels, is costing the

country hundreds of millions of rands in foreign exchange.

"We will just have to sweat it out until the dollar starts to weaken again."

The weak performance of the gold price rules out any possibility of monetary policy being relaxed

Every drop of \$50 an ounce in the gold price represents a loss of about \$1 billion in foreign exchange reserves to the country, already under severe pressure to make payments of about \$2 billion to foreign creditor banks in terms of the 1985/86 debt rescheduling agreement

## Forex reserves

Dr de Kock added that the Reserve Bank has sufficient foreign exchange reserves to make the payment and that this factor should not place the rand under further pressure

Commenting on the sharp drop in the rand against the dollar, he said that there was "absolutely nothing" that the Reserve Bank could do to protect the rand against the surging dollar

"Not even massive central bank intervention by major international countries is able to

arrest the rise. In less than one year the US dollar has risen from DM1,70 to DM1,97 and looks set to go higher, despite unchanged economic fundamentals in that country"

Confirmation that the growth in demand for credit from both consumers and the corporate sector has started to show a decline, comes from Nedfin in its analysis of the latest BA 9 returns by banks

The figures show that the rate of increase in instalment and credit sales has declined from 8 percent in the September 1988 quarter to 5,2 percent in the first quarter of this year

Nedfin's managing director Ron Rundle stated that private consumer demand for credit started to taper off during the last quarter of 1988 while corporate demand remained strong

However, this also showed a decline by March and he expected the decline to continue during the next six months.

Mr Rundle pointed out that commitments in the corporate sector tended to be spread over three to six months because of delivery times

He said this trend had been helped during the first quarter by buying in anticipation of higher interest rates, increased

prices and the weaker rand.

Mr Rundle said he expected demand for hard asset financing will decline slowly, except in the field of transport where continued delivery delays are being experienced

Another factor that would keep demand from the transport industry high was the fact that 43 per cent of heavy road vehicles are over 10 years old and replacements are long overdue

## Bank credit

Total credit granted by South Africa's banking industry at March 31 stood at a record R20 billion

Mr Rundle said that during the last year the additional credit granted by banks by way of credit and lease agreements climbed by R4,4 billion. Lease agreements grew by 30,8 per cent during the period and instalment sales by 28,1 per cent

The rise in the rate of credit granted is matched by a decline in the savings rate. This grew by only 0,5 percent in the March quarter and by 12,8 percent during the past year. At the end of the last quarter total savings with the banks stood at R8,4 billion — Sapa

# It's Mr Average who is bearing the burden of the credit squeeze

By CAROL MIDGLEY

The credit squeeze will be responsible for one of South Africa's biggest booms — bankruptcies — as the country's financial cushion wears out

And it is the long-suffering man in the street, rather than companies, who now find themselves with their backs against the wall, claim financial experts.

Debt collecting agencies told The Star that home, car and furniture repossession cases had increased 100 percent in the last three months — and the worst was yet to come

Banks, debt-collecting agencies and creditors must now do everything in their power to alleviate the burden the economy has placed on Mr Average's shoulders, suggest economists and financial consultants, as a heavy-handed approach will only further erode the individual's chance for survival

The squeeze has slowed down both consumer and corporate demand for credit, says Trust Bank economist Mr Nick Barnardt

"The downswing in the economy is likely to be extremely severe in the first half of next year," he said

"Present credit growth of 26 percent will slow to around 17 percent by the end of this year and probably 11 percent by the end of next year.

"Because of what happened in the last recession, companies have now protected themselves in areas such as cash flow and overseas credit and so will not be so

vulnerable

*Star 24/5/89*  
"The emphasis this time is going to be on personal bankruptcies — the ordinary individual — as in the past few years consumer spending has not declined in line with the real financial position"

Mr Barnardt continued "The financial cushion has grown very thin indeed Not only has there been a lower level of savings, but people have been spending their accumulated wealth and buying on credit

## RISE IN BANKRUPTCIES

"By the first half of next year there is likely to be a visible rise in bankruptcies when the problem will be at its most serious and it will be a challenge to banks to do everything possible to stand by their customers during this difficult time

"At the same time, the man in the street must do his utmost to talk to his bank manager if he is in trouble — the door will always be open"

Mr Barnardt added "It is unfortunate that in times when people most need a salary increase, employers are least able to help — it is a typical cyclical pattern — so difficult as it may be, it is up to the individual not to spend more than he can afford"

Other experts suggest Government claims that the average consumer is spending too much on luxuries are false and that most people now need credit simply to live

Johannesburg repossession, debt-collection agent and financial consultant, Mr Jan Kleynhans of Libra Consultants, said he was trying to persuade creditors to solve problems with debtors amicably, rather than just turn them out into the streets

And although the number of calls he had received had increased by more than 100 percent in the last three months, the amounts of money available for collection were much less and many companies preferred to try to deal with the problem themselves in a bid to save commissions

Said Mr Kleynhans "The Government's measures have placed incredible strain on the average person An office clerk, for instance, who is earning R1 500 a month was once able to support a wife and family on that salary — but not today

"Now, everyone is in a fix and in the last six months we have seen the transition from being able to live to not being able to pay the mortgage or accounts

"People are not getting themselves into trouble for luxury items The trend of buying basic items such as food and essential clothing on credit started about 18 months ago — where do you go from there?"

"And what about the small businessman who runs a corner shop or market stall and that is all he has done for 20 years — what kind of job is he going to get if he goes broke?"



Star 27/5/87

# Advert under fire for 'flouting' Govt HP rules

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**CAROL MIDGLEY**

A CONTROVERSIAL advertising campaign by the furniture giant Joshua Doore has been withdrawn after complaints from the Government and furniture traders that it flouted the new hire purchase regulations.

The full-page advertisement which appeared in The Star and other newspapers countrywide this week offered a hi-fi stand for sale at R599,90 with a music centre thrown in free.

This meant the company was effectively offering the music centre on furniture HP terms — 12 percent deposit and 24 months' repayments — instead of on the new terms relating to hi-fi equipment. 25 percent deposit and 12 months' repayments

After the ad had appeared, the Newspaper Press Union was contacted by the Department of Commerce and Industry, the Furniture Traders Association and other media representatives who complained that it was in contravention of the spirit of current Government regulations.

## 'Good deal'

Managing director of Joshua Doore, Mr David Sussman, told Saturday Star: "The new regulations bear no cognisance of the fact that retailers are now stuck with stock ordered prior to the new ruling

"The foreign exchange for those orders has already left the country and I still had an obligation on 1 600 pieces of equipment. So I was left with a choice of either reneging on the deal and losing credibility, or ending up with stock I couldn't sell."

"Nobody is suffering because of this offer. The consumer is getting an incredible deal — sets brought in now would cost them R200 more."

"We checked the legal implications of the advertisement and were told it was acceptable."

Said the executive director of the Furniture Traders Association, Mr Frans Jordaan. "Joshua Doore is a member of our association and we were extremely concerned about the ramifications of the advertisement."

"We seriously believe the Government would retaliate to this kind of marketing. We are happy the company agreed to withdraw the campaign."



pied with the uncertainty and insecurity in the townships, and perhaps the current economic crisis,

available to black local authorities via the National Housing Fund as loans "

in the  
● Picture:

## Rough economic ride ahead

(246) By Lloyd Coutts (246)  
Consumers and small businesses are in for a bumpy ride following the recent shock announcement of further restrictions on hire purchase, higher interest rates and forced company tax levy.

According to Mr Paul Edwards, chairman of Information Trust Corporation, a supplier of credit information, bankruptcies are likely to increase substantially as consumers and small businesses are forced to the wall.

He said these would become apparent only by July or August in recorded statistics. The latest bankruptcy statistics indicated that for the first quarter of 1989, business failures decreased by 15 percent over 1988, while the number of individual sequestrations fell by 25 percent.

Mr Edwards attributed this to the fact that the position of consumers and businesses was strong for most of 1988.

His concern for small businesses stemmed from the fact that they tended to rely more heavily on bank overdrafts, which could be two or three

percentage points above the new prime rate of 20 percent because of their higher risk profile.

They also had lower cash reserves than larger companies which were better equipped to weather downturns in demand caused by a faltering economy.

However, he welcomed the news that small businesses and farmers may be eligible for slightly lower interest rates under a subsidy scheme announced by the Reserve Bank.

Criticising the latest moves by Minister of Finance Mr Barend du Plessis as "knee jerk" and possibly "overkill", Mr Edwards warned that consumers were being pushed to the limit.

"The tremendous increase in bank advances and reduced savings levels indicate that consumers are borrowing heavily in an attempt to maintain their standard of living.

"There is every indication that there will be a repetition of 1984/85, when a record number of bankruptcies occurred due to the severe credit squeeze and sky-high interest rates."

Star 1/6/89

# Chains link-up plan is still on move

CHRIS MOERDYK

PICK 'N PAY chief Mr Raymond Ackerman has shed further light on his plan to bring together the three giant supermarket chains to fight for the consumer

But he has moved to allay manufacturers' fears about the plan by insisting that any joint effort would have nothing to do with bringing pressure to bear on suppliers to lower their prices

Mr Ackerman told Saturday Star yesterday that only those suppliers who were monopolies, or involved in price collusion or cartels, could expect the combined wrath of the supermarket alliance.

"The idea is not to try to collectively negotiate price reductions from suppliers. That is something only individual supermarket chains can do."

● TO PAGE 2.

# Battle to help the consumer

● FROM PAGE 1.

Mr Ackerman confirmed that this week he wrote to other major supermarket chains and consumer organisations suggesting a four-point plan

The primary objectives of joint action by major supermarket chains and consumer bodies would be

- Lobby the Government on anything that affected the interests of consumers.
- Fight against cartels, monopolies and price collusion.
- Send delegations backed with the combined power of all the groups concerned to overseas countries with manufacturing operations in South Africa, to persuade multinationals not to divest
- Co-operate with each other in the interests of the consumer in every way, other than combined attempts to force suppliers to lower prices.

Mr Ackerman added that his plans for joint action would ensure that the supermarkets involved remained highly competitive.

"We shall go on fighting each other tooth and nail on price and market share."

There has been angry reaction to the joint supermarket plan.

In Saturday Star last week, the national vice-chairman of the South African Institute of Marketing Management, Mr Ray Wood, said "It's fine and about time the giant supermarket chains combined efforts to look for ways to cut costs. But they have already taken so much out of the food manufacturer's hides that they should think hard before tightening those screws."

## Shift of profits

"Let's admire the chains for having done a brilliant job of innovation, and in growing their businesses and having negotiated the manufacturer into a hole. But let's ask them to focus on overall productivity, not just a shift of profits"

Checkers managing director Mr Clive Weil said he had not received Mr Ackerman's letter yet, but confirmed that he would welcome any joint venture so long as it did not encroach on any competitive element

"Checkers has for a long time believed that major retail organisations should meet to exchange information that will ultimately benefit the consumer

"I am not talking about getting together to squeeze our suppliers for lower prices, that's something that must be left to the individual retailer

"But we need to look at jointly improving productivity as a means to make our products available to the consumer at the lowest possible price"

Mr Weil said some retailers, including Checkers, had formed a committee within the Association of Chambers of Commerce (Assocom) some time ago, but Pick 'n Pay had not agreed to be part of it. Mr Ackerman's change of heart was most welcome. He reiterated the proviso that joint action should not affect any competitive element

He said he would be happy to join forces with Pick 'n Pay and any other interested retail organisation or consumer group.

Mr Gordon Hood of the OK Bazaars also said he had not received any communication from Mr Ackerman yet.

But he added that the OK was well represented on the retail and distribution committee of Assocom, and already did as much as possible to promote the interests of consumers

"But if anyone approaches me, I would be pleased to join in," said Mr Hood

● See PAGE 3 and PAGE 10.



Star 3/6/89

# Food manufacturers hit lean times

**ALTHOUGH** South Africa's supermarket chains have insisted that they are not banding together to put the squeeze on suppliers as such, consumers might well ask, why not? RAY WOOD, an independent marketing consultant and National Vice-Chairman of the Institute of Marketing Management who was in the food manufacturing business for many years, looks at what the ramifications would be.

IT'S FINE and about time the giant supermarket chains combined to look for ways to cut costs. But, they have already taken so much out of the food manufacturer's hides that they should think hard before tightening those particular screws.

Already the manufacturers pay for most of the chains' advertising. You can judge from the double page spreads in full colour and from the TV ads that a lot of money is already going into adverts that could otherwise be used to reduce costs. To price-compare you need only a

black and white column line! But for chain image, it seems, you need a blockbuster.

Already the chains take discounts and confidential (rebates) from the manufacturers which amount to many millions of rands. A lot of this goes straight into the profits of the chains.

And they operate mainly on manufacturers' credit so their returns on capital are outstanding — while food manufacturers in the main hardly beat the overdraft rate on their return on capital.

But, let's admire the chains for having done a brilliant job of innovation and in growing their businesses and for having negotiated the manufacturers into a hole. But let's ask them to focus on overall productivity now, not just a shift of profits.

## Survival tactics

The penalties of further pressure on manufacturers are going to lead to desperation/survival tactics, none of which are going to be good for a sanctions-beset South Africa. Here are some of the consequences of having our manufacturers with their backs to the wall.

- Takeovers and mergers — which reduce competition. Farmfare chickens is a recent example — now merged with Bokomo and Sacca. Goodbye Farmer Brown. And the biscuit manufacturers — Bakers now own Pyotts — and of course the Baumanns controlled Bakers — now all three under one roof. And the problem is not only South African — look at the multi-nationals — Nestle reaping the takeover of Carnation — what price condensed milk?

- Reduced or no research and development into new and better products. We all know the importance of good nutrition in basic food products in Third World countries. There is little incentive to do good things when you can't make a decent margin. It's hard enough to sell good nutrition anyway — white bread and white mealie meal are two monstrous examples of ignorant consumer preference wreaking its scythe through already malnourished people.

And to the convenience and pleasure foods developments are cut back — and that eats into national productivity and that simplest of pleasures — eating enjoyment. Just think of the huge percentage of women working today — around half the population. Anything that can reduce their slavery to the kitchen must be well reaped in better cared-for children, in better productivity and in leisure en-

joyment. Roll on the day when the microwave is in 90% of homes and manufacturers have catered fully for this potential.

- Reduced or eliminated quality control. In most foods there is a considerable health hazard if formula errors are not caught in time, if hygiene is neglected, if storage and protection are poor. All will be aware of the problems concerning perishable and frozen/chilled foods. But there is a huge unseen danger lurking in most foods.

What we must urge the chains to do is to focus on the wasteful practices and the efficiency opportunities that exist — within the chains themselves, and in co-operation with the manufacturers. To list a few:

- The long delays at receiving doors, where trucks can stand for hours.

- The very wasteful practice of the chains compelling manufacturers to pass credits for all damaged stocks of their products in the store. Chains must absorb this themselves. Only at the receiving doors should they be able to throw damaged goods back at the manufacturer. After that it should be the chains responsibility. If there is no penalty for sloppy handling in-store — who cares about wastage!

- Central warehousing — at present the chains use their own warehouses for cut-price buying — which is a very competitive good thing, so they tend to resist giant central warehousing operations. There's room for a least three so it would be highly competitive.

- Merchandising — most manufacturers are compelled to pay for merchandisers to unpack and price-mark their products for the chains. The logistics of travel and the confusion of management roles makes this an utterly ridiculous system — but again the chains are so powerful that few manufacturers dare say no.

So all you supermarketers by all means get together. We look for great things from the mooted Supermarket Institute. Make it better for South Africa as well as yourselves. And do go for wine, malt and spirit licences. And complete freedom in baking your own bread. But don't monkey with strategic essentials for the sake of cheap publicity.

And don't kill the food manufacturing industry's ability to invest, to develop new and better products, to operate efficient giant distribution centres.

And do go for completely open trading — we can't have the emerging black traders at the end of the whip, where the place they get best prices is their competitors — the supermarket chains!



Star 5/6/89

(246)



'Nothing for higher income bondholders'

# Consumer groups welcome moves

By Kaizer Nyatumba

Consumer groups today welcomed the Government's plan to provide bridging loans to struggling home bond-holders, but expressed unhappiness about the fact that only lower- and middle-income people would benefit from the plan

This follows the confirmation yesterday by the Minister of Public Works and Land Affairs, Dr Dawie de Villiers, that the Government was looking at ways of reducing interest rates for certain home-owners to 17 percent from the current level of up to 20 percent

The plan is meant to soften the impact of soaring interest rates on thousands of people facing the repossession or forced sale of their homes because they cannot keep up monthly payments. It will temporarily peg home loans at 17 percent

## Strict test

Bondholders in need will have to pass a strict means test, and if they are found to be in danger of losing their homes interest on their bonds will be frozen at 17 percent. However, they will have to continue paying 17 percent until they have paid off the emergency cushion, even if the interest rate later falls below that figure

Dr de Villiers warned that a number of problems, including

costs and legalities, could sink the initiative.

Further investigations to determine the viability of the schemes would be undertaken this week, he said

Leading bankers said the scheme would probably apply only to houses with a maximum purchase price of R90 000

The chairman of the South African Consumer Union, Mrs Lilibet Moolman, today cautiously welcomed the move, but said it was unfair that people in the higher-income group would not benefit

The chairman of the Consumer Foundation, Mr Johann Verheem, welcomed the plan "because it is going to assist consumers, although it is unfortunate that the rate of loans increased to such an extent that it is necessary for the Government to subsidise the interest rates"

Home-owners with bonds of R100 000 have seen their repayments rocket by 50 percent from R1 140 to R1 700 a month since January last year

The proposed tough means test before people can be helped was "very important so that only people in desperate need of help could use the plan" to avoid abuse of the scheme, the president of the Housewives' League of South Africa, Mrs Lyn Morris, said today

● The Star's Political Staff reports the aid plan is on hold at least until June 20

Democratic Party sources questioned the Government's commitment to come to the aid of bondholders, asking why action was not taken during the last session of Parliament

A spokesman for Dr de Villiers said today the Minister would be holding formal discussions with banks and building societies on June 20 after which a statement would be issued

● The Star's Pretoria Bureau reports that the latest Government Gazette shows a further 171 owners have lost their homes as a result of repossessions by building societies and other financial institutions

## First time

Many of the affected people in the Transvaal and Natal are blacks and, for the first time, a large number of coloured home-owners in the Mitchell's Plain area of the Cape Peninsula have also lost their homes

The United Building Society repossessed 64 homes, Ned-Perm Bank, of which the SA Permanent Building Society is part, 49, and the Allied Building Society 36

The remaining institutions involved are Saambou Building Society, Natal Building Society, Cape of Good Hope Bank, the Eastern Province Building Society, First National Bank, African Bank and KwaZulu Finance Company

Pienaar may never play again

# Differences threaten unity of organised black business

By Jabulani Sikhakhane

A new attempt to move the black entrepreneur into the mainstream of the economy and protect the interests of the consumer has been launched by 12 business, professional and consumer associations

But Fabcos — the Foundation for African Business and Consumer Services — which was formed last October is already heading for a confrontation with the more established National African Federation of Chambers of Commerce (Nafcoc)

Today, according to its media liaison officer Terry Mphahlele, Fabcos has 12 affiliates with an overall membership of one million

The South African Black Taxi Association (Sabta) and the National Black Consumer Union (NBCU), which alone have 50 000 and 600 000 respectively, were the founders of Fabcos

Mr Mphahlele says Nafcoc had initially been approached to join forces with Fabcos, but negotiations broke down early this year when Nafcoc showed no interest

However, Nafcoc's public affairs manager, Gabriel Mogkoko, says "We have not been able to conclude negotiations with Fabcos because they said some of the things like the structure of the organisation were non-negotiable

"It is regretted that while the

need for unity among blacks remains a matter of paramount importance at this time, certain organisations allow themselves to be fragmented and reduced to small, ineffective units with diminished bargaining power," Mr Mogkoko says

He says that Nafcoc is quite prepared to affiliate members of Fabcos, "but will not as an older and better recognised federation sacrifice its identity and sense of history by joining a new established business body

"Nafcoc has for more than 25 years addressed issues covering the entire spectrum of black socio-political needs, and will continue to do so with increased virility"

However, on a more conciliatory note, Mr Mogkoko says that Nafcoc views with appreciation the willingness of Fabcos to negotiate with Nafcoc in future

In the meantime, Fabcos' plans, says Mr Mphahlele, include an intensified membership drive and the expansion of benefits such as sharing office facilities and discount-buying for its members

The foundation intends computerising the registration of its members to establish a data bank along Sabta lines

"Fabcos has developed a positive image and enjoys overwhelming support in the black community. Planning and execution of its projects will be

done in close consultation with the communities it wishes to serve

"The foundation hopes to cement that relationship by forming what it calls its Black Community Advisory Council

"The council is charged with the responsibility for keeping in touch with the sentiments, current perceptions and aspirations of the black community"

Fabcos hopes to form a Community Service Centre, which will operate under the auspices of the NBCU

The centre will play a supportive role in investigating and monitoring corruption and protecting the interests of the black consumer

Fabcos does not see black business in South Africa operating in isolation

Says Mr Mphahlele "Its philosophy of promoting black business runs parallel with encouraging joint ventures, partnerships and buy-ins. Partnerships between the corporate world and member associations are in the pipeline"

A Corporate Advisory Council will be formed as a forum for the corporate world to support by providing black business with the necessary skills and advice to ensure maximum success

Some corporations have offered their expertise and management skills in developing black business, he says

# State bond help

So we can 6/6/84

CONSUMER groups yesterday welcomed the Government's plan to provide bridging loans to struggling home bondholders, but expressed unhappiness about the fact that only lower and middle income people would benefit from the plan.

This follows the confirmation by the Minister of Public Works and Land Affairs, Dr Dawie de Villiers, that the Government was looking at ways of reducing interest rates for certain home-owners to 17 percent from 20 percent.



# Only fear can stem the spending spree

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IF Mr and Mrs Average did exist, they would probably be amused by "consumer behaviour" attributed to them.

In theory, their confidence builds up quickly when the going gets good. They are prone to lose it at the drop of a hat, taking note of higher interest rates as a signal of governmental displeasure with their spending habits, and cutting back obligingly when required. Such models of good behaviour would be a policymaker's dream.

Unfortunately, reality is different. Except for a privileged few whose incomes easily outstrip their spending and who therefore save consistently, most consumers today maintain an uneasy truce between their income and spending needs.

Credit has always been a means for lower- to middle-income earners to augment their incomes.

Until recently this was not common among blacks because they did not have the earning power to qualify for credit. However, the rise in real black incomes in recent years has propelled this large group into the use of credit.

## NEGATIVE

In spite of easier access to credit, consumers at large appear to find it increasingly difficult to make ends meet. Not so long ago most consumers in established income ranges described their living as comfortable.

Two things changed this relative feeling of comfort and being well-off.

On the negative side, real income a head of population has been under pressure since the 1970s. But an even greater force has been actively eroding our sense of relative prosperity.

Consumers aspire to higher levels of well-being. That can undermine the sense of satisfaction with what they can achieve. In addition, redistribution of income has accentuated the sense of loss for most of us, and the aspiration levels of the fortunate beneficiaries have run ahead of the improvement of their real incomes.

Like never before, the name of the consumer game is maximisation of lifestyle under all circum-



stances, and this process is intensifying.

One of the oldest features is to seek protection — not merely guaranteed employment, but specifically in the pay package.

Features like fringe benefits, particularly subsidised home ownership and cars, are intended to place these luxuries within reach of the privileged consumer, enhance after-tax income, and provide protection against the vagaries of the market.

These last two features in essence imply protection against government policies.

Through tax avoidance, a consumer can legitimately minimise his contribution to society, while subsidised luxuries limit exposure to policies by which the economy is managed, such as higher interest rates and tighter hire purchase conditions.

However, there has also been a trend towards greater effort. The number of married women working continues to increase, as is the incidence of moonlighting. More and more households enjoy two or more incomes.

This is in addition to the communal style of living among many new urbanites, where pooling of income is common in order to boost spending power and lifestyles.

It should come as no surprise that the role of credit has over the years been a major facilitator in lifting consumers to higher lifestyle and aspiration levels.

This has steadily increased the burden of revolving debt which is the ultimate symbol of living beyond one's means.

All these features stress the never-ending race between access to resources and need, the will and

the compulsion of modern individuals to spend and consume. For the average consumer, there is no such thing as voluntarily cutting the cloth to fit the coat.

It may be good advice, but it falls on deaf ears. The consumer is engaged in a survival process in which the goal-posts keep receding.

Income is always under pressure from many sides, while aspirations continue to press forward, enlarging and intensifying the so-called needs of the consumer, without whose fulfilment there is a deepening sense of loss.

## UNABATED

This can lead to an underestimate of the consumer's insistence on staying ahead, whatever the circumstances. The consumer is forever adjusting his spending behaviour. If price increases in one area threaten to reduce real buying power of available income, the composition of purchases changes.

But the total borrowing and spending tends to continue unabated.

Financing cost is not a consideration. Only cash flow and maximisation of lifestyle count.

Saving is a virtually unknown, old-fashioned oddity. Fear is about the only thing that can break the spending binge.

There are two sources of fear that can influence the consumer temporarily. Political unrest, with the possibility of future dislocation and loss, is one. In times of social unrest consumers may tend to stabilise their indebtedness, use durable goods a little longer and make marginal adjustments to their daily spending habits.

Economic unrest has a similar effect on consumers.

Only active intimidation seems capable of causing changes in economic behaviour. It is the ultimate reflection on our daily preoccupations that only fear will make us take note.

Financial insecurity is an unpleasant sensation. By jeopardising access to resources, such as income and credit, it is eventually possible to gain the attention of the consumer.

## MESSAGE

In extreme cases, only the loss of a job or bankruptcy or a firm "no" to a request for credit gets the message across.

For most of us, merely seeing someone we know hit the wall is enough to make us take note. Then we take stock of our own position and spending. However, the feeling of it-could-happen-to-me never lasts long.

We adjust, feel a little more secure, even when surrounded by misery, and revert to character.

In a few instances, high interest rates do cause consumers to get into trouble, although tightening of hire-purchase conditions may put some goods beyond the reach of some consumers. But these measure rarely reverse the general tide.

Rising employment, higher real wages, and an absence of financial failure are not the kind of conditions in which most consumers would be willing to temporarily reduce their spending.

There may be a minor adjustment, but more akin to changing gears than seriously taking note and cutting back.

The combination of government and business spending is the economic flywheel and the true change agent. These determine whether employment and real incomes continue to rise.

A sense of financial insecurity therefore has to start in the business sector, and through declining employment and real incomes communicate itself to the consumer. Only then will the consumer tighten his belt.

Financial insecurity has yet to rear its ugly head to any great extent.

Until it does, happiness is an annual retail sales increase of 25%.

SYLVIA DU PLESSIS

SUBSIDIES for lower-income households should be introduced if food is not exempted from value added tax, OK Ba-zaars chairman Meyer Kahn says in the group's annual report

He adds delay in implementing VAT is also creating difficulties

"It is not possible to plan for the future with any degree of certainty until such time as the exact nature and extent of this taxation becomes known," Kahn says.

The regional services councils' levies place an inequitable tax burden on mass-merchandise, labour-intensive retailers who operate on low margins and high turnovers

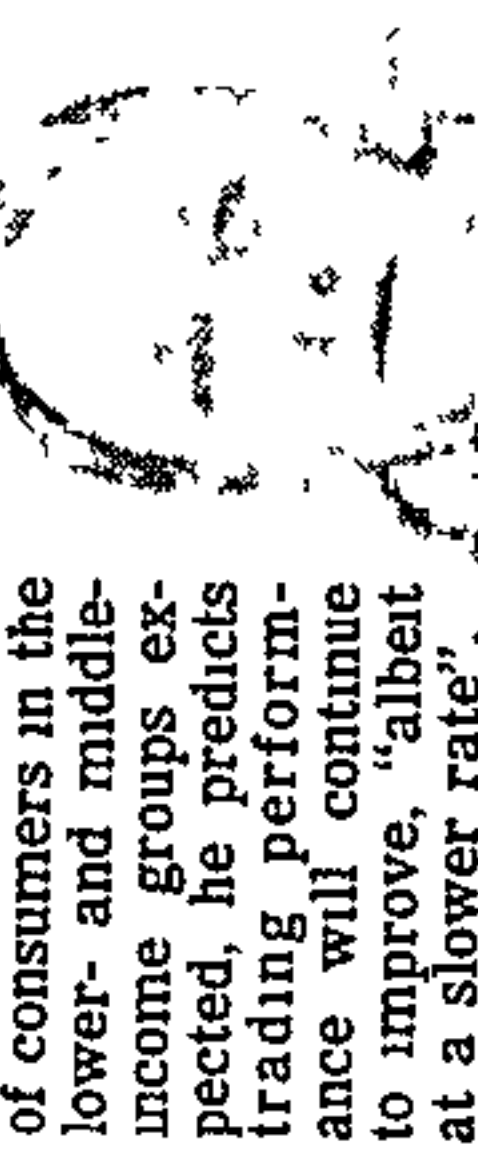
# OK chairman calls for food subsidies

61 Day 1476181 (246)  
"As we feared, there are indications that the current rates applicable to both the turnover and payroll levies may be increased," Kahn says

He adds the March Budget speech contained little good news for the consumer, who is likely to be even worse off in the coming year through the continued impact of fiscal drag and GST hike to 13%.

"It is also disappointing that government was unable to curb its own level of spending during the budget year, even more so since the burden of this excessive expenditure once again fell on the individual taxpayer," he says

While little or no increase in the real disposable income of consumers in the lower- and middle-



income groups expected, he predicts trading performance will continue to improve, "albeit at a slower rate".

"This assumes continued social and industrial stability as well as reasonable restraint in any further fiscal and monetary measures"

●KAHN

MD Gordon Hood says restrictive measures introduced in August to curb HP sales were made "even more repressive" in May

He adds these harsh measures, coupled with increased surcharges on imported goods, as well as the general slowdown in the economy, will hit turnover growth during the current year

"Nevertheless, provided we experience reasonable social and industrial stability and restraint is shown in the introduction of any additional fiscal controls, I expect further improvement in the group's trading performance, although this will, of necessity, be at a reduced rate," Hood says



# Drop in sales of costly items

Star 1976/89  
By Sue Olswang

Sales of "big ticket" items, which many people can only afford through hire purchase agreements, have fallen substantially with the drop in the demand for credit.

Mr Arthur Solomon, the OK's marketing director for furniture and appliances, said yesterday his group's big ticket sales were down, with one category — audio and video — reporting a 30 to 40 percent drop in unit sales from August last year.

"The drop in the demand for credit is largely due to government legislation in terms of restrictions on the Hire Purchase Act," he said.

"It is not only the rise in interest rates which have had an effect on sales, but the change in the amount of the deposit —

from 12 percent to something like 23 percent, depending on the merchandise category — means the consumer is more pressed for cash.

"The consumer, on top of his deposit, must also find cash to pay 13 percent GST on his purchase and he must have sufficient funds to meet the shorter repayment period," said Mr Solomon.

Mr Solomon said the additional HP restrictions introduced last month — increasing the deposit rate on video items from 25 to 30 percent and on major appliances from 15 to 20 percent — were "totally unnecessary" in a country already reeling from the effects of increased import costs, petrol hikes and rising interest rates.

Mr Richard Ferrer, spokesman for the Domestic Appliance

Association of South Africa, said he did not have the latest statistics to show the percentage drop in sales, but his association's own figures "do show a slow-down".

Added Mr Ferrer "In real terms, we think the decline will be about 12 percent over the year. But it is not a disaster situation because last year was good for the industry."

● Reserve Bank Governor Dr Gerhard de Kock recently reported that credit extended by the five major banking groups, after rising by nearly R2 billion in March, fell by more than R1 billion in April.

"Banks all report an easing in demand for personal loans, consumer credit and housing loans though there is still strong demand from the corporate sector," said Dr de Kock.



# Trolley for trolley, Cape Town is the cheapest city

Step 14/16/81

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Own Correspondent

CAPE TOWN — Trolley for trolley, Cape Town consumers still pay the lowest prices for groceries, according to statistics derived from a price survey conducted by the Consumer Council throughout South Africa.

Of the 57 stores, hypermarkets and supermarkets tested in Cape Town, Durban, Bloemfontein, Pretoria and Johannesburg in May, Cape Town consumers paid the least money for a trolley of goods.

The prices of a trolley of 98 products comprising food, cleaning agents and toiletries were tested, and the national average price increased by 1,6 percent from R283,47 in April to R288,01 in May, according to the survey.

Checkers Warehouse in Parow — at R277,94 a trolley — was the cheapest in the country and Pick 'n Pay Supermarket in Bellville was cheaper than Pick 'n Pay Hypermarket in Brackenfell.

Other stores tested in the Peninsula charged the following for a trolley of goods: Pick 'n Pay Supermarket, Bell-

ville (R281,50); OK Bazaars Supermarket, Bellville (R281,65); Pick 'n Pay Hypermarket, Brackenfell (R281,84); Checkers Supermarket, Durbanville (R284,97); Hyperama, Parow (R289,19)

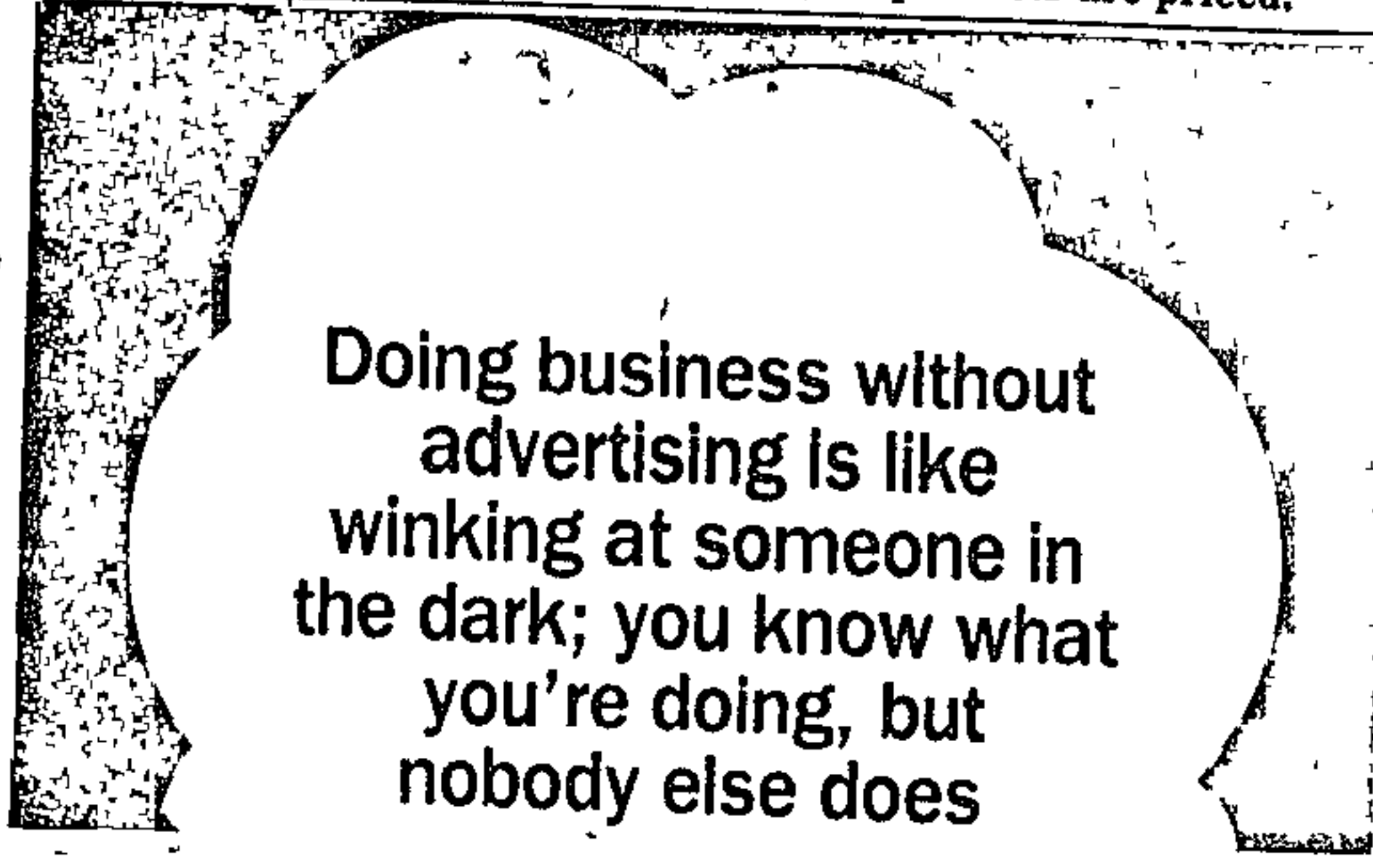
The most expensive trolley, at R300,03, was found at the Pretoria OK.

On average, the price of food at tested Pick 'n Pay Hypermarkets was the cheapest, but the price increase of 1,4 percent from R167,87 to R170,16 (per trolley, food items only) was higher than that of tested Checkers Warehouse branches, where the price of food items per trolley increased by only 0,7 percent from R169,18 to R170,32.

Checkers Supermarkets tested showed the lowest increase in food — only 0,3 percent — but, at R173,93 a trolley, food at Checkers Warehouse is still cheaper.

According to the Council, the price survey "is useful in reflecting price tendencies over a period of time".

The survey's limitations are that only 98 products are priced.



Doing business without advertising is like winking at someone in the dark; you know what you're doing, but nobody else does

# Furniture sales in doldrums

By Kaizer Nyatumba

The furniture industry, which depends heavily on hire purchase agreements for survival, has experienced a marked drop in sales since the Government introduced certain credit restrictions last year, according to the executive director of the Furniture Traders' Association of South Africa (FTA), Mr Frans Jordaan.

Mr Jordaan said the industry was hopeful that some relief would be provided soon

Retail figures for April showed a 7,2 percent increase over the April 1988 sales, while figures for March showed a year-on-year growth of 11,4 percent — well below the annual inflation rate

Sales figures for the furniture

industry are based on a monthly survey of 1 150 members (246)

Mr Jordaan said HP sales were poor because of the Government's insistence on high deposits and shorter repayment periods

"Many of our retailers are being hard-hit by decreased sales and by the fact that finance charge rates are pegged. The prime overdraft rate climbed recently by 2 percent which means the margins are squeezed

"What makes the industry particularly sore is that furniture, appliances, TV and sound equipments have been singled out by the Government as a whipping boy and all sorts of strictures have been placed on deposits and repayment periods," he added

## 87 businesses appear on 246 a 'blacklist'

The South African Co-ordinating Consumer Council has released the names of 87 businesses which are allegedly not responding to enquiries addressed to them by the council on behalf of consumers. *On 20/6/87*

The council announced its intention of doing this in May this year.

"The council has no alternative but to publicise the names of the relevant businesses," a spokesman said this weekend.

The businesses coming under scrutiny range from jewellery to agriculture, from loans to mail orders and motors to publishers. — Sapa



# City firms listed by Consumer Council

Staff Reporter

TWO city companies are among those named by the Consumer Council as having failed to reply to inquiries about their products or services, according to a council statement this week

However, one company claims that correspondence was directed to an old post office box number and the second that it went to the wrong person in the company

More than 80 companies were named as having failed to reply by the council. By far the largest number, 36, fall into the home improvements category, with 15 in the motors category and 10 under mail orders

The council issued a statement this week saying it had no alternative but to publish the names of the busi-

nesses, as a warning to consumers that their goods were alleged to be defective or their service shoddy

The council announced in May that it would publish the names of such companies, but emphasised that revealing them did not necessarily imply that these businesses were exploiting consumers

Mr Derek Bartlett, managing director of Cape company Shieldcoat, said yesterday he had established from the council that correspondence had been sent to a disused post office box

In another instance Mrs Z Davidson, customer services manager of mail order company Home Choice, said yesterday no council correspondence had come to her since March, when she joined the company

# Tighter belts for all as curbs fail

S/Times 30/7/89

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By Ian Smith



DAVE MOHR

of 17,3% compared with 13,5% in the previous five months

The year-on year inflation rate increased from an average 12,4% in the last five months of 1988 to 14,9% in May

But, says Mr Mohr, the overall CPI figure conceals some of the strong inflationary pressures in the economy

If food prices, which increased at a slower rate than other items, are excluded the CPI rose at an annual rate of 20,4% in the first five months of this year

## Depreciation

If the housing and the food index are excluded, the increase is an annualised 23,6% for the five months

At the same time, the depreciation of the rand increased imported inflation

The average value of the rand against a basket of currencies, weighted according to SA's pattern of foreign trade, fell by 11,4% in the past year Imported inflation increased from a year-on year rate of 11% to 17,8% in April

"Overall, inflation is on a strong upward trend and although policy has been tightened since 1988, it is unlikely to exert a positive influence on the inflation rate in the short run," says Mr Mohr

## Namibian hotel for Sun International

S/Times 30/7/89

Business Times Reporter SUN International is moving into Namibia

The hotel, resort and casino chain has bought a majority shareholding in prestige hotel Kalahari Sands in Windhoek, and is spending R6,5-million to make it one of the most luxurious in Southern Africa

Chief executive officer Ian Heron says Sun International has big plans in Namibia

### Opportunities

"We aim to make the Kalahari Sands a hotel that all the people of Namibia can be proud of We look forward to the independence of Namibia in October and the opportunities it will bring

"Sun International is committed to investing and developing in the country We believe that Namibia has tremendous untapped tourist

potential which the group has the knowledge and expertise to help develop"

Mr Heron says the company's policy is to promote the tourist industry in the countries in which it operates Namibia will be no exception, especially because of its considerable natural resources

Namibia is scenically beautiful, with its spectacular coastline and game reserves It has a developed infrastructure and the people are friendly and efficient. He believes that with these attributes, Namibia could become one of Africa's major tourist destinations

"We also envisage Windhoek becoming an important regional capital and we will cater for the needs of the business and diplomatic community who travel there"

The 14-storey Kalahari

Sands stands in the heart of Namibia's capital and has long been a premier hotel. Sun International acquired it by buying a controlling interest in holding company Sands Hotel

The deal became effective on July 1, and Sun International immediately started refurbishing Kalahari Sands

The 181 bedrooms have been upgraded The public areas are being redesigned. There will be a new a la carte restaurant to seat 100 people and a 140-seat coffee shop as well as a new luxury bar

Sun International development director Dene Murphy says that in spite of the large scale of the project, the group is determined to have it completed by the time the elections are held

By October, businessmen, holiday makers, families and children from both Namibia and South Africa will be able to stay in the hotel.

EMERGENCY measures to cool the economy introduced "temporarily" earlier this year look set to remain in force — probably well into 1990

Inflation is rampant, accelerating to 15,7% in June from May's 14,9%, and it is likely to hit 20% before the yearend

There is no prospect that high interest rates can be reduced Some economists argue they must be kept at least at the current level — prime overdraft is 20% — until the middle of next year

## Benchmark

This is the grim picture emerging as South Africa's spending spree continues, the gold price remains depressed and the long-awaited export boom remains stifled

Although spending on consumer durables and houses has been curbed by high interest charges and tougher HP terms, credit granted by banks and building societies jumped by 2,2% in May — more than double the 1% increase benchmark set by the Reserve Bank earlier this year

Fixed investment, which increases the cost of imports, is sensitive to high interest rates, but it will fall only after a time lag because projects given the go-ahead last year are still being completed

## Danger

Standard Bank economist Nico Crytonka expects no fall in private fixed investment until 1990

Old Mutual chief economist David Mohr says the tighter policies to cool the economy will have to remain in force for some time

"Any premature relaxation of policy would increase the danger of the measures merely adding to the price spiral without having the necessary impact on real spending patterns. This is particularly so in a high-inflation economy such as ours

"From both a balance of payments and an inflation point of view the present restrictive policies are therefore likely to remain intact for the rest of this year and even into 1990 in spite of signs that certain sectors of the economy are already cooling down," he says in Economic Monitor

Although there has been a slowdown in the steep decline of the Reserve Bank's gold and foreign currency reserves, they remain low at R2-billion, barely covering imports for six or seven weeks

Mr Mohr says foreign debt repayments of \$1,3-billion are due this year

Although repayment schedules and successes in rolling over some commitments are not known, capital outflows are bound to sustain downward pressure on reserves for the rest of this year

The current account of the balance of payments deteriorated in the first five months of this year The R5,5-billion surplus in the last quarter of last year was reduced to a R2,7-billion surplus by March this year

Preliminary trade statistics for April and May suggest a narrowing in the first two months of the second quarter

"This deterioration in the current account surplus in the first half of 1989 stemmed from poor export performance," says Mr Mohr

## Underlined

In rand terms exports fell by 5,4% in the first five months of the year compared with the same time last year Imports rose by 11,9%

"Given the fall in the gold price and the recent easing in other commodity prices, domestic demand is going to have to be curbed further to improve the current account surplus," says Mr Mohr

Rising inflationary pressures underline the need for the authorities to maintain proper policies

In the first five months of this year the rate of increase in the consumer price index accelerated to an annual rate

## Loan levy loophole for some companies

S/Times 30/7/89

Business Times Reporter

COMPANIES and close corporations may still challenge their liability to pay loan levies — due tomorrow — if they believe they can claim a reduction on normal tax assessments.

Ron Rankine, a partner in chartered accountants Aiken & Peat, says companies must be sure that the tax rate they are objecting to or appealing against was applied and posted by the Receiver of Revenue before July 15

A company must have a "reasonable prospect of succeeding" before the taxman will consider allowing the loan levy to be based on a lower assessment.

Mr Rankine says the possibility of relief came to light in a case where a company

received an assessment which showed the Receiver had "added back" a large sum, which had expensive implications for the company's 10% levy commitment

The basis for the "add back" was open to question But before the Receiver would agree to the levy's being calculated on a reduced amount, he required the company to lodge a formal objection to the assessment.

Companies which believe their assessments warrant an appeal or an objection will have to move fast if they wish to take advantage of paying a levy on a lower rate, says Mr Rankine.

The relief could also be obtained if the Receiver is satisfied that the normal tax for a company's latest assessment is due to an error

There is also the possibility that loan levies could be handled as negotiable financial instruments A register of loan levy certificates will be drawn up by the Treasury each six months.

## Thousands to protest

By Robyn Chalmers

THOUSANDS of trade unionists will meet next month to protest against the Labour Relations Act (LRA)

at the Cosatu national conference this month called for

Second workers' summit to discuss plans for action against the amended LRA.

Cosatu says "We resolve to fight the amendments to the LRA"





# Warning on debt collectors (246)

Staff Reporter

The SA Co-ordinating Consumer Council has warned consumers to watch out for debt collectors who charge unreasonably high fees for debts which they collect on behalf of their principals.

The warning comes after complaints from people who have had unpleasant experiences with bogus debt collectors.

The Magistrates' Court Act No 32 of 1944 prohibits anyone other than an attorney or agent, as defined in the Act, from recovering fees or remuneration for any debt.

"If consumers are approached by debt-collectors to pay anything but the

amount owing plus interest as intended in the Usury Act, they should refuse to pay any such additional amount, even if the debt-collectors threaten to take legal action," the council said.

If a summons is issued, consumers are advised to consult an attorney.

The council warned consumers about advertisements in the press concerning money loans or offering to make arrangements to settle consumers' outstanding accounts or debts.

Consumers usually have to send money to the advertiser. If he cannot make the necessary arrangements he may find himself in an even more unfavourable financial position.



Business Times Reporter

FIRMS taking over vehicles subject to credit agreements are guilty of theft in terms of the Credit Agreements Act, say the police

# HP-deal takeover a crime <sup>246</sup>

The police say advertisements appear in newspapers and magazines offering people who cannot afford monthly payments the chance to dispose of their vehicles

The firms undertake to find buyers to take over the repayment agreements

Firms which take over the agreements and supply vehicles to new owners often fail to pay the financial institutions, which hold the original

buyer responsible for all outstanding debt

Existing hire-purchase contracts cannot be changed without the consent of the financial institution. All people who have responded to these advertisements are requested to advise their financial institution where they bought the vehicle"

S/Tues 23/7/89

By Don Robertson

A PARTIAL alternative to full maintenance leasing has been established by Motor Assist, a member of the Heritage insurance broking group.

Motor Assist is aimed at the small fleet owner, the private motorist or fleets which prefer to buy on hire purchase or for cash.

Because of the increasing cost of vehicles, transport managers have to budget more carefully and avoid unnecessary expenses.

Motor Assist offers a mechanical assessing and technical consultation facility for vehicles, including heavy trucks.

The service includes advice and assistance on vehicle replacement, inspection of mechanical damage before repair to ascertain likely costs, negotiations with dealers for discounts and technical information about repair costs.

The company will also offer to scrutinise repair invoices to prevent overcharging, compile fleet management data, advise on

# Help for those under pressure

management of in-house maintenance workshops, arrange risk and preventative maintenance and assist in driver education.

Motor Assist executive director Paddy Ovens says that because of expected increases in running costs, transport managers do not wish to be burdened with additional problems, such as excessive repair bills, having to pay for unnecessary replacement parts and costs of repeat repairs.

"Our company will relieve them of all these and many other hassles and enable them to apply their working time more productively and profitably."

Contracts are available at R15 a month or R150 a year on private vehicles, R12,50 a month or R130 a year for fleet owners.

## Check which foods are bad for you

(246) (108)  
Star 20/7/89

The Grocery Manufacturers Association is establishing a food intolerance data bank which will feature 10 of the most common substances that adversely affect some people.

The substances and their derivatives include milk, egg, wheat, soya, the anti-oxidants BHA and BHT, MSG (monosodium glutamate), sulphur dioxide, benzoate, glutamate and tartrazine.

Mr Jeremy Hele, executive director of the association, said "The 10 substances are not the only ones that cause problems, but they are generally accepted to be the most common."

He said the bank will contain a list of brands which will be registered as free from one or more of the substances.

The food manufacturers had been asked to submit a list of brands that are free from one or more of the 10 substances to the CSIR which will then computerise the brands and produce 10 booklets.

Mr Hele stressed that these booklets will only be available to the medical profession and members of the Association of Dieticians of South Africa who in turn will make them available to the patient.

By the end of September he hoped to have a list of 2,000 products.



B/Dan 19/7/89.

# Suspicion growing over price structure of fuel

CONSUMER resentment at last week's fuel price increases has been heightened by incomprehension and suspicion, according to oil industry executives.

On the one hand, there is the mystery of the workings of the oil industry "slate", which is no more than a kind of profit and loss account which smoothes the extent to which oil companies recover their entitlement in terms of their (fixed) price agreement with the government

At times they get more, at others they get less than the agreed price, but over a period, during which in-bond landed costs of crude fluctuate due to exchange rate movements, or changes in posted prices charged by producing nations, they will receive their due share

On the other hand, there are the shadowy workings of the taxes and levies imposed by government, which now amount to nearly 40c on a litre of 93 octane petrol (31,9 fuel tax plus 7c for the equalisation fund) Since no real dedicated application is assigned to such money there is deep suspicion that the funds are unwisely spent. Assocom and the Transport Consultative Committee have demanded an inquiry into the high fuel tax

Another feature which offends the sensibilities of consumers is the "failure" of Sasol to live up to chauvinistic

JOHN STEWART

claims made by government at the time additional production facilities were initiated at Secunda. It was claimed that, not only would the additional Sasols protect the country from embargoes, but from steeply rising posted crude oil prices as well.

From this has sprung the belief that Sasol's synfuel production — which allegedly accounts for about half the country's automotive fuel requirement — should cushion the impact of a deteriorating exchange rate or rising Opec prices, or both.

If this were so, domestic synfuel production would have to be subsidised heavily and there would be any

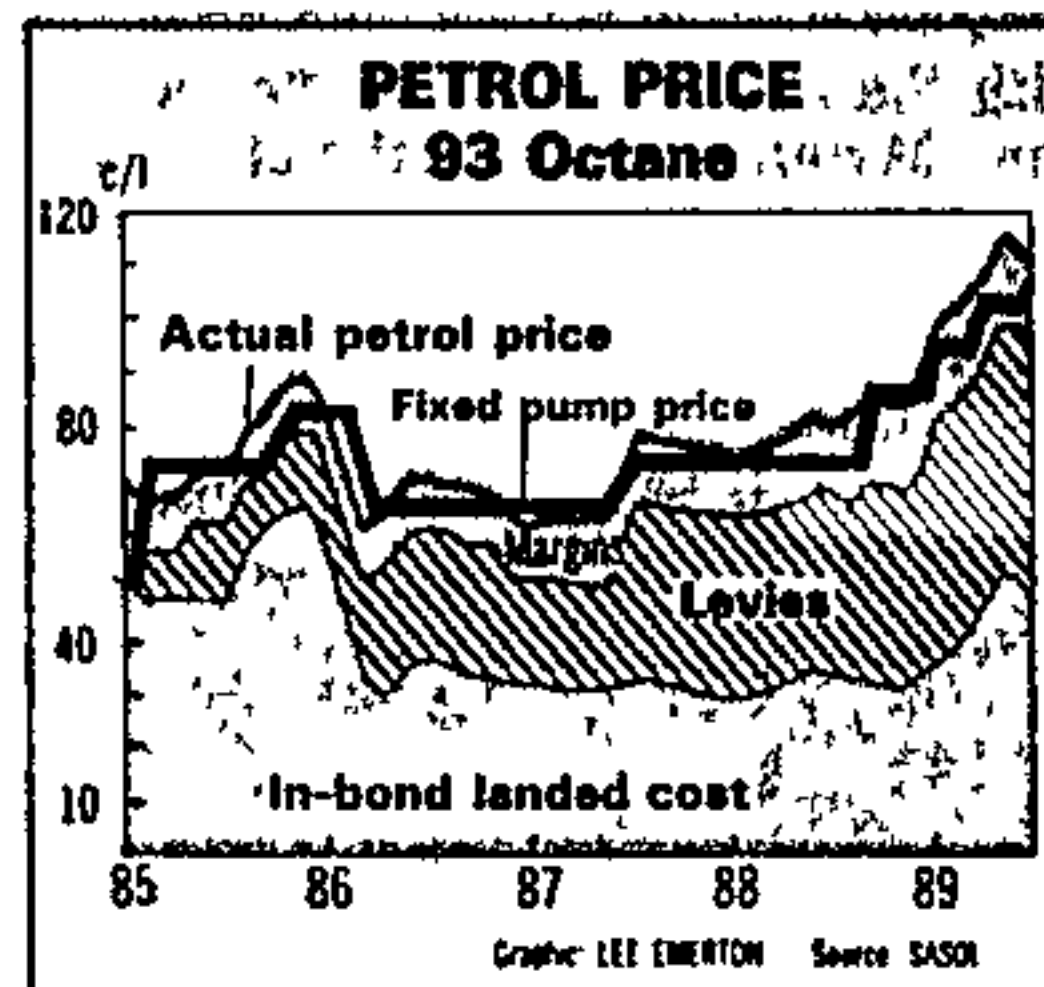
number of investors lining up to establish oil-from-coal facilities (It has been estimated that to replicate Secunda at current prices would require about R30bn, which makes it unlikely that the company will invest in additional synfuel plant this century)

For synfuel plants to be competitive their products have to be sold at a price equal to, not more than, that of an effective alternative

The basis of the local price structure is the "import parity" of 93 octane petrol. To arrive at an in-bond landed cost the following price components are taken into account: the fob value, comprising a four-companies' average of producing a litre of petrol, based on the average costs of Shell, BP and Mobil in Singapore, and that of Caltex in Bahrain, the weighted average of ocean freight to SA ports from Singapore and Bahrain, marine and war risk insurance, ocean loss, and landing charges levied by Sats.

To this notional price are added taxes, levies and the government-approved wholesale profit margin for oil companies. The only segment of the market where oil companies are in open competition is at the service station pump, where they fight for the 8,7c/litre retail margin.

● Comment: Page 10



# Small borrowings in the firing line

246

S/Times 14/7/87

## Lift-off for SA Eagle and Utico

SA EAGLE and Utico shares flew to new heights this week on the back of a £13-billion bid for British American Tobacco (BAT) by Hovlake.

BAT listed interests in SA are 59% of SA Eagle and 63% of Utico. Should the bid succeed, analysts expect the SA parts to be sold off as part of the unbundling (asset stripping).

The combined market value of the two stakes is R250-million. Coupled with the threatened sale of 38% of Gold Fields of SA, there does not look to be much upside for the financial rand.

By Julie Walker

R17 on speculation that it would be sold. The stake is worth more than R300-million.

Cadswep is near the top of Anglovaal Industries' shopping list. Anglovaal owns 16% and has board representation.

Short-term insurer SA Eagle's biggest SA shareholder also has a large stake in Southern Life. Rembrandt shares moved up. It has tobacco interests, which might make Utico attractive. However, it has the first right of refusal on Gold Fields of SA, which could cost a cool R2.7-billion at current market value.

By Udo Rypstra

INDIVIDUALS who have so far escaped the worst effects of the credit clamp through the use of bank overdrafts and credit cards are next in line to feel the squeeze.

Private accounts are coming under closer scrutiny as fears mount that Government moves to cool demand may not be working fast enough.

Bankers are watching credit levels and action is taken when customers overstep the mark or limits are too high.

They are doing so in response to directives by the Reserve Bank.

"We like to help as much as we can," says First National Bank general manager Jimmy McKenzie.

Highest

The new clamps follow the highest private consumption spending for the past five years in the first quarter of this year. Although credit business has been hit by higher deposits and interest rates and shorter repayment periods, there is little evidence that people are tightening their belts.



JIM MCKENZIE

First-quarter private consumption expenditure was R75.8-billion compared with R74.2-billion in last year's boom.

Additional spending pressure came from black consumers who have been given greater access to credit, says a Central Statistical Service official.

Mr McKenzie and other bankers report that although demand for home loans has fallen, the use of credit cards remains high. However, "people appear to be more careful".

Corporate demand for credit remains strong. Economists expect the weakening in consumer credit demand to last for several

months. Interest rates will remain high for as long as the money shortage lasts.

Mr McKenzie says the shortfall reached an unusually high R3.5-billion halfway through the month. "By the end of this month it will be R4.5-billion and if the pattern is permitted to continue next month, I cannot see interest rates coming down."

Furniture

Trust Bank chief economist Ulrich Joubert expects the Reserve Bank to keep money market rates high for most of the year.

He and FNB chief economist Cees Bruggemans expect corporate demand for credit to remain high because of business investment decisions taken two years ago in the light of low interest rates.

Mr Joubert says: "With the rand low, it still pays to finance exports."

Statistics from the Furniture Traders Association indicate that sales continue to fall. Where growth of 18% would have been acceptable, sales last month were up by only 7.1% on June last year, says FTA executive director Frans Jordaan. This compares with growth of 12.6% in May compared with the same month last year.

Mr Jordaan says "The latest figures are bad and repre-

sent negative growth of 8% or 9%."

Hire-purchase traders are taking a knock because of the higher deposits and shorter repayment requirements. Discussions with the Government to ease the "discriminatory" requirements are continuing, says Mr Jordaan.

"Why pick on a small sector of the market which is responsible for only 8% of retail sales? If the economy must cool down, restrictions must apply across the board."

OK Bazaars has suffered a drop in big-ticket sales, especially in the audio and video department, where Business has dropped by up to 40% since August last year.

Linen

Dion managing director Jannie Els reports a 12% negative growth in the TV and video market. However, appliances are still selling well.

"Last month, we were 35% up on the previous year, but this may now come down."

About 15% of sales are on credit — a fairly static figure.

Edgars boss Vic Hammond says demand for clothing, footwear and household linen rose by 60% among blacks and 28% for whites last year. But now real growth is only

● To Page 2

P.F.D



# Credit

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● From Page 1

7% for the white market and 10% for blacks.

Sales have exceeded projections because inflation is running at 17%.

Sales of new cars have slumped from 300 000 a year in the early 1980s to about 200 000 *S/Times 16/1989*

Information Trust Corporation managing director Paul Edwards says many people and companies have to rely heavily on credit to meet obligations and maintain living standards. The lack of cash is likely to lead to an increase in liquidations and sequestrations.

Central Statistical Service says that from February to April 222 500 summonses were issued for debt and 105 381 judgments granted. The figures indicate an increase of 1.5% and 5.1% respectively over the same time last year.

From March to May 362 companies went to the wall 9% more than in the same time last year. A total of 571 individuals was sequestered 10.4% more than in the three preceding months.



## As the economy slows down <sup>(246)</sup>

THERE has been an earnest welcome for Kreditinform's range of consumer credit information services, and demand is expected to increase as the economy slows down further in months to come

MD Ivor Jones says "The on-line concept has cut the cost of credit information and expedites the credit monitoring process, replacing costly and time consuming telephonic checking" *Blom 12 784*

Where credit applications are concerned, combining an on-line system and Kiss (Kreditinform information sharing system) means clients can process information accurately — and in a standardised format.

"Because all information is on one database, credit managers can check references and see judgments against consumers immediately.

"The Kiss concept allows users to monitor debtors against a vast database with monthly printouts — exception reports —

identifying those falling behind in payments Remedial action can be taken quickly to cut exposure to loss.

"Computer tapes on consumer/debtors current credit accounts are merged against a masterfile before being introduced to the database," he explains

Kiss complements the company's other consumer credit information packages, which comprise:

- KreditScore, a consumer credit-scoring software package to vet credit seekers,
- KreditCheque, which gives retailers and wholesalers up-to-date information on buyers who have issued dishonoured cheques,
- Judgments file — data collected from courts throughout the country on judgments taken out against consumers, and
- The consumer credit collection and tracing system is a collection system to speed up slow payers, collect delinquent accounts efficiently and economically, and to trace debtors

# Furniture trade hit by credit restrictions

GOVERNMENT restrictions on credit which were imposed last August had a detrimental effect on retail trade.

The furniture trade continues to be especially hard-hit.

Figures released by the Furniture Traders' Association (FTA) indicated that retail sales figures for April this year showed a 7,2% increase over sales in April last year, and figures for March 1989 showed a year-on-year growth of only 11,49%, well below the annual inflation rates for both months

The FTA said that because of higher deposits and shorter repayment periods, hire purchase sales continued to do poorly. FTA executive director Frans Jordaan said increased bond instalments meant that the man-in-the-street's buying power was also diminished, and many retailers were thus hard-hit by decreased sales.

## Luxury items

A Pretoria Chamber of Commerce spokesman said there had been a definite decrease in hire purchase sales and an increase in repair work carried out by businesses, as consumers preferred to have repairs done to washing machines, video recorders and other equipment, instead of buying new items.

Pretoria Afrikaanse Sakekamer chairman Japie Jacobs also said that the demand for items bought on hire purchase had decreased, especially in the case of luxury items. There was also a decrease in the demand for bank credit facilities. — Sapa.

# Morkels weathers clamps on credit

**TWO** Government-imposed spending squeezes in five years have taken their toll on consumer durables

Buyers of big-ticket lines in furniture, appliances, TV sets and VCRs have been punished by higher deposits, rising interest rates, shorter HP repayment terms and surcharges on imported goods

But the strategic plan developed by furniture and sports goods retailer Morkels to help it through the hard times seems to be paying off, according to the annual report

## Compound

Turnover in the year to March 31 at R199,3-million — a 27,3% improvement on the previous year — set the seal on compound annual growth in the past five years of 27%. Operating profit of R22-million (28,9% up) gave the group compound annual growth in top-of-the-line earnings of 30%. The 25% increase in taxed profit to R9,4-million last year led to earnings jumping to 23,5c a share from 18,9c in 1988 and just 6,4c in 1987

By Ian Smith

The share price, hit by the poor view of the furniture sector, is languishing about 70c — well off the 1987 listing level of 95c. But the increased dividend, up from 8c to 10c, is some compensation.

## Underpinned

The tables in the report show that the financial advances are underpinned by trading improvement, whatever measure is used

Sales ratios a store have improved every year since 1985 — from R973 000 to slightly more than R2-million last year. Sales an employee have more than doubled — from R81 000 in 1985 to R90 000 in 1986, R115 000 in 1987, R147 000 in 1988 and R164 000 last year. Similarly, sales a square metre rose from R1 600 in 1985 to R4 100 last

The past year started on a bright note, says chairman Neville Organ, with consumer confidence at its highest since 1983. By the end of the first quarter stress in the economy was evident, culminating in moves to curb spending in May and in August

Mr Organ says "The im-

act of these measures on the retail furniture sector, following a brief period of pre-import surcharge buying, was dramatic"

Month-on-month nominal growth declined from 38% in April 1988 to 12% in March this year

"The credit chains were particularly hard hit and research reveals that middle- and upper-income consumers were attracted to the cash chains who, supported by extended bank credit not affected by the new regulations, were reporting post-restriction nominal growth of some 37% compared to the credit chains' real declines in volume."

## Selective

Mr Organ warns about the effects of the dampening measures introduced this year. Although they are more broadly based than previous moves, they "once again selectively impact on the consumer durable industry" in spite of the Government's acknowledgement that the sector demands a relatively small part of imports

"It is to be regretted that despite frequent appeals to the contrary a single industry has once more to carry a bur-

den which should equitably be more widely spread across the economy"

There is also concern that "no action has been taken to curb the consumer's ability to buy on bank credit with no minimum deposit and extended repayment periods"

## Drastic

Mr Organ says similar action in 1984 led to a drastic reduction in the number of suppliers to the trade and to liquidations

"It took four years to recover from those restrictions and a protracted continuation of the current regulations could lead to similar results"

In spite of the difficulties, Morkels lifted sales by 25,6% compared with market growth of 20,5%

The credit restrictions and surcharges appear to have a direct bearing on spending in other sectors, sales of clothing and footwear growing by 26,4%

Mr Organ says this benefited the group's Totalsports chain, which consolidated its move to profitability in the previous year. Sales jumped by 53,2% last year



**'Sales up but  
growth down'  
for furniture**

*B/Ding 6/7/89*  
**CHARLOTTE MATHEWS**

SALES of furniture and appliances in May showed a 12.6% rise over the previous year but taking inflation into account this was negative growth, Furniture Traders' Association (FTA) executive director Frans Jordaan said yesterday.

"Retailers who depend heavily on the traditional type of HP selling are the hardest hit," he said.

Stores selling mostly to black consumers improved on April sales figures, which showed a negative 6.6% drop in turnover against the previous April. In May sales rose 3.6% compared to May 1988.

"But in real terms this is still about 12% negative growth," Jordaan said.

He said the figures showed that the lower-income black and white consumers, who did not have credit card access, were still suffering the most from government's HP restrictions, which the FTA felt should be relaxed to give retailers some relief.

"The high interest and bond rates impact negatively on spending as it is," he said.

## Storm of protest over Putco's fare increase

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THEO RAWANA

THE latest Putco bus fare increase has triggered a storm of protest from black business and consumer organisations.

In announcing the increase, effective this week, the company would not give a percentage, but said the rise would be "in line with the 20% and 22% fare increases effected by the Johannesburg and Pretoria city councils' transport departments".

Consumer Research and Promotion Association executive director Eldridge Mathebula said yesterday commuters should resist the increase. "We find it ridiculous for a company like Putco to raise fares by so much.

"We find it appalling that at a time when inflation is running at 18% and unemployment is so high, Putco should show no sensitivity for commuters.

"Bombarded as they are by price increases from many angles, consumers cannot afford the latest increase and should resist it," Mathebula said.

Nafcoc public affairs manager Gab Mokgoko said: "We said in April the recent and impending petrol price increases would have a ripple effect on prices in general, meaning that the country as a whole, particularly blacks, were facing the 1990s with the burden of high prices.

"This is all because of government's inability to face political realities and their effect on the economy."

Black Consumer Union spokesman N Rampomane said Putco had no reason to be raising fares when it was subsidised by government. "We too are faced with increases in basic foods. About 75% of our pay packets goes to transport costs because of the distance we have to travel to work.

"It is also unfair to load commuters with increases, when Putco buses are not even comfortable and not keeping to schedule," she said.

Putco could not be reached for comment.

**'Public must  
be warned of  
deal risks'** (246)

It was high time people were warned of the risks involved when entering car lease take-over deals, a senior Wesbank official told Star Line.

His statement followed Star Line's recent highlighting of the experiences of two hard-pressed consumers.

After signing deals with two lease take-over companies in Edenvale and Benoni, they were plunged into further debt, lost their vehicles and still owed tens of thousands to their banks.

"The public should come and see a bank official if they have problems," the bank spokesman said. "We have the facilities to accommodate people who are having financial difficulties and are battling to make their monthly lease payments."

He warned that a clause in the Wesbank leasing contract prohibited the signing over of a leased vehicle to a third party.

Lease take-over businesses have mushroomed since the interest rate increases and the austerity measures announced by the Government in May.



# Brown bread incident: Schwarz lambasts Babb

By Esmaré van der Merwe

Mr Harry Schwarz, the Democratic Party's spokesman on finance and consumer affairs, yesterday accused National Party candidate Mr Glenn Babb of pulling a "stunt" by asking his Randburg opponent, DP co-leader Mr Wynand Malan, on television what the price of brown bread was

NP-supporting newspapers this week reported that many voters, who had telephoned them after the televised debate, were shocked that Mr Malan did not know the answer.

Mr Schwarz said the NP and its press were playing a "foolish game" instead of solving the problem of soaring inflation

He added that it was extremely difficult to purchase food at the prices on which the Consumer Price Index was based.

## CHALLENGE MADE

"In fact, one has to shop around substantially, except for controlled items such as brown bread and petrol, in order to find shops at which one can purchase at the prices on which the Consumer Price Index is based.

"The challenge is therefore made to the NP Minister responsible for consumer affairs to accompany me on a shopping expedition in order to see where one can buy at the prices in the index".

In a statement, Mr Babb said he had asked the question to see whether "the DP knows anything about the plight of the ordinary man".

Said Mr Babb "It is now clear that they don't. They have both feet planted firmly in the air, preferring to catch flies off the NP, rather than earnestly getting in touch with ordinary people"

The DP could not attempt to speak for the ordinary man while at the same time pleading ignorance about the cost of a staple food, he said.

(Report by E van der Merwe, 47 Sauer Street, Johannesburg.)

# NO LOANS FOR THE POOR

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FINANCIAL institutions do not give loans to poor people because they believe they would not make a profit, the managing director of Job Creation, Mr I J Hetherington, said yesterday

He was addressing about 200 people at a consumer conference held in Johannesburg to discuss, among other things, the acute shortage of housing in the black townships

The conference, which ends today, will also talk about inflation, monopoly of businesses, transport and health services

The theme of the conference held at the Sandton Holiday Inn is "Consumer Power in a Free Market"

The Black Housewives' League of South Africa and the National Black Consumer Union are some of the organisations that have organised the conference.

Hetherington said. "The problem is not peculiar to South Africa, nor is it a new problem

He said this has resulted in groups of

friends coming together and forming "societies and stokvels" to raise funds

"There are also money lenders known in the townships as mashonisas who turn over hundreds of millions of rands a year," said Hetherington.

He said the formation of organisations like Get-

Up Fund, the National Stokvels Association and Get Ahead Foundation had come to the rescue of the destitute by providing them with unsecured loans from R25 to R3 000

"They have done a good job by investing in black business activities," said Hetherington.

24/12/89  
Johannesburg

# Checkers cheapest, survey shows

Staff Reporter

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A price survey conducted by the SA Co-ordinating Consumer Council has revealed that Checkers supermarkets offered South African consumers the cheapest prices on an average trolley of goods bought during August.

Conducted at the month-end, and favouring those stores with month-end promotions, the survey's national averages showed that Checkers Warehouses were the cheapest among hyperstores with a national average of R440,60 and Checkers supermarkets were the cheapest in that category at R440,08.

Pick 'n Pay Hypermarkets were the next cheapest in the hyper category with a national average of R445,42 and the OK's Hyperama group followed with a national average of R448,62

In the supermarkets, Pick 'n Pay followed Checkers with a national average of R446,35 and the OK came next with a national average of R450,55.

The Consumer Council said the survey had found the national average trolley of goods to be R437,60 in July. This increased to R445,30 in August.

Broken down, the increase showed that Checkers increased its national average trolley of goods by 1,84 percent in August, Pick 'n Pay by 1,01 percent, and the OK by 0,94 percent.

The survey, which included 112 supermarkets and hyperstores, was conducted at stores in the Transvaal (Pretoria, West and East Rand, and Johannesburg); the Free State (Bloemfontein and Welkom) and the Cape Province (Port Elizabeth, East London, the Cape Peninsula, and the south-eastern Cape).



# Consumer institute active in protection on all levels

B10am 13/9/89

THE Consumer Institute for Research and Promotion (CIRP) was born out of a need for a closer communication between black consumers and the corporate world, says CIRP special projects director Mongezi Goozin

The Johannesburg-based institute, which was founded last year and started operating four months ago, seeks to expand the consumer movement and to work with corporate groups in furthering the interests of consumers at national level.

Says Goozin "CIRP co-ordinates the skills and experiences of consumer groups nationally through information networks, national seminars, workshops and an annual national congress.

"It backs up young organisations and initiates research, calling for concerted effort regarding consumer issues such as pharmaceuticals and baby foods. It facilitates the comparative testing of consumer goods and services and advocates the consumer case at

THEO RAWANA

national agencies"

Goozin says consumer awareness is not high enough amongst blacks, and people need to be told of their rights. "These go beyond the borders of this country because companies dump waste in Third World countries and it is the right and duty of consumers to challenge that."

Experience

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CIRC links the activities of large and small grassroots organisations, such as women's organisations, taxi associations, hawkers and spaza shops

It has as executive director Eldridge Mathebula, who has been actively involved in consumerism in the past six years as executive director of the National Black Consumer Union. He has travelled extensively in the US, Europe and Israel amassing experience in the consumer protection field

# Boycotters 'being cheated'

*B Day 28/9/89*  
BLACK consumers yesterday claimed they were being ripped off by Soweto shop and supermarket owners since the start of the trade union-backed consumer boycott of white-owned businesses last Friday. Consumers say the rip-offs have taken the form of price increases of up to 33% per commodity in less than a week of the boycott.

At one of the main supermarkets in the township, a war of words allegedly erupted between an official of the Media Workers Association of South Africa (Mwasa) and the store's floor manager last Saturday over price hikes.

The Mwasa official told Business Day he went to buy groceries at the store last Saturday, a day after the start of the boycott, and found prices had rocketed

*246*  
**SIPHO NGCOBO**

He said meat (beef) had gone up from R7,49 per kilogram to R9,99 while mutton had been upped from R10,50 to R13,50 — increases of 33% and 28,6% respectively.

He said two litres of fresh milk had increased from R2,79 to R3,07 — an increase of about 10%.

He said 2kg of powdered soap that was R6,89 had increased to R7,19 — an increase of about 4%.

"I was forced to give up buying other items, as I could not afford them," he said.

The supermarket owner denied he was exploiting the boycott situation and said he had never looked at the boycott as a

□ To Page 2

# Boycott

*B Day 28/9/89*  
chance to amass profits.  
"I am a black man and a man of the people and I know the suffering of a black man. For those reasons I can never do a thing like that. If there have been any price increases, they have probably been based on prices of suppliers," said the businessman.

A prominent Soweto businessman, Truman Mnguni, said it had become the usual practice of Soweto businessmen to in-

*246* □ From Page 1  
crease their prices whenever there was a consumer boycott.

He said "It is wrong of these people to exploit the consumer boycott situation. These are the types of people who look at short-term business gains rather than long-term ones."

He said the upping of prices only helped to leave a bad impression on one's business.

● See Page 3

## Govt HP curbs dampen Tedelex growth

STRICT hire-purchase curbs and surcharges imposed by the government have limited Tedelex's earnings growth in the year to August

Earnings remained unchanged at 50c a share on a slight increase in the weighted average of shares in issue. However, a dividend of 17c (10c) was declared, up 70% and covered 2,9 (5) times

Turnover grew only 3% to R405,7m (R392m) as a result of the HP curbs and surcharges. However, stringent cost controls and a significant improvement in sales of professional and business products enabled the group to raise margins from 10,1% to 10,4%, say directors

Operating profits improved 6% to R42,3m (R39,7m). But a 29% rise in finance costs to R11,3m (R8m) led to pretax profits falling 2% to R30,9m (R31,7m).

A tax credit of R188 000 brought tax

ZILLA EFRAT

profits to R31m, marginally up on the previous R30,8m. After outside shareholders took their R608 000 (R510 000) stake, the group achieved attributable earnings of R30,5m (R30,3m)

The Empisal TV project, launched in July, is operating above budgeted levels and all launch expenses have been fully absorbed. 6/10/89

Directors say an improvement in consumer durables can only be expected when HP restrictions are lifted

Although margin pressures will be severe and trading conditions difficult, profits are expected to increase in the current financial year, say directors.

Localisation of manufacturing facilities have been extended as planned and these will prove beneficial to the group.



# Beware — Big Brother at credit bureau is watching

WHAT does Big Brother at the credit bureau know about you and to whom does he give this information?

These are questions South Africans may well ask following an article in the US publication *Business Week* which reported that computers hold six billion records about Americans — everything from credit information to personal habits. Almost anyone can get this information.

## Credit file

A *Business Week* journalist, masquerading as a McGraw-Hill Inc editor who might be hiring someone, had no trouble obtaining a credit file on US Vice-President Dan Quayle. While there was nothing juicy in the data, the reporter did ascertain from which stores Quayle made credit purchases, the size of his mortgage and that his credit card number at a Washington bank was 16 digits long.

The reporter found that while the three leading US credit bureaus all guard their information it was easily bought. The credit bureaus in turn sell at least 300 variations of it, broken down by such categories as sex, age and income. In addition, credit bureaus sell their raw data to so-called super-bureaus, a second tier of about 200 credit agencies that generally serve small customers ignored by the Big Three.

But what is the situation in South Africa? In spite of the lack of legislation regulating credit information in this country, it is very different to the US, say leading bureaus.

According to Mr Paul Edwards, chairman of the Information Trust Corporation, which stores information on more than seven million individuals and 450 000 businesses in South Africa, consumers' confidentiality is top priority.

While it is not ITC's policy to supply information relating to salaries they "store" sufficient information to allow the details of the credit seeker to be matched to their credit records.

Access to the information is carefully guarded, he says, and only requests from credit-granting institutions and organisations are permitted on a subscriber basis, he says.

"We deal mostly with banks, building societies and credit-granting companies and process about 4 000 million inquiries a year."

Information compiled on consumers was not used for any purpose other than credit vetting, he said. They were associated with a direct marketing company, Vision, but this company had its own data bank with its own consumer lists, compiled separately.

"The only service we offer to this and other direct marketing companies is to run a check on their lists and erase the names of anyone who has a bad judgment against them. Even when the adverse credit information on someone is supplied to us by the banks, they do not provide us with personal information on people," he said.

Mr Edwards said the service offered by a credit bureau was essential especially when people wanted credit immediately.

"It is no good telling them to come back in three days, and the service we offer allows the potential creditor to get that information in a couple of minutes. While what we carry is public information, our role comes in collating it and making a pool of information available to protect creditors from would-be clients who have a history of bad payment.

"Bad debt and slow payments affect prices and so it is in the interest of not only creditors but all consumers that bad payers are identified."

Mr J Brownrig, regional director of KreditInform, which carries information on three million individuals and 175 000 companies, stressed that they too only provide information to bona fide credit-granting companies on a contract basis.

"We have strict parameters within which we work and we certainly do not provide information on a on-off basis."

"Neither do we carry income information about individuals or bank statements and information on bank financing as many as US credit bureaus do. Banks here do not provide magnetic tapes of their clients' bank records to the credit companies as they do in the US," he said.

However, he said that they did have salary information on about 1 percent of individuals on their lists. But this, he said, was supplied to them by customers who were seeking their service "so as to identify the correct individual." He conceded that there was nothing stopping a computer bureau reselling this information to someone else.

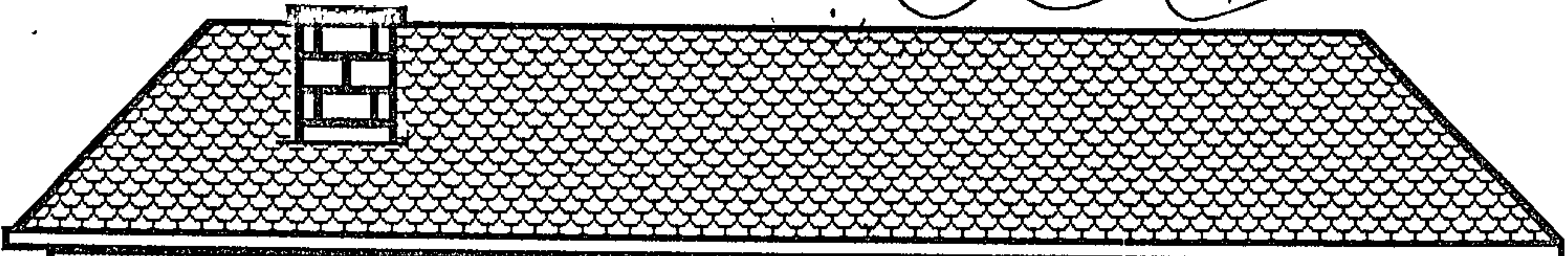
## 'More good than bad'

He said while individuals might raise objections to personal information being made available through credit bureaus, "they should accept the more good than bad is done."

"In one month alone slow paying (either underpaying accounts or late paying) exceeded more than R300 million in South Africa."

"Credit-granting companies have to fight this and the one way of doing so is to ensure that credit is not granted to those with bad paying records," he said.





BOND	12,5%	16%	19%	20%	21%
R50 000	R568	R695	R811	R848	R889
R75 000	R844	R1 043	R1 216	R1 274	R1 334
R100 000	R1140	R1 391	R1 621	R1 697	R1 778
R125 000	R1401	R1 737	R2 027	R2 121	R2 223

# Auctioneers expect good times as rates rise

By Sue Olswang

An official confirmation of an increase in finance charges has not been announced, but it is likely to follow the recently increased Bank Rate, and while consumers brace themselves against a possible increase, auctioneers expect an increase in business

"An increase in interest rates will certainly have an effect on our business because we will see more repossessed vehicles on the market," said a spokesman for a large auctioneering group which specialises in the sale of motor vehicles

## OVERALL PERFORMANCE

"Auctioneering is a strange business," he said "We do best when everyone else is struggling"

However, the National Association of Automobile Manufacturers of SA (Naamsa) does not paint a gloomy picture for automobile manufacturers if there is an increase in finance charges

"The demand for and sales of new motor vehicles are functions of the overall performance of the South African economy," said Naamsa spokesman Mr Nico Vermeulen

"There is no doubt that higher interest rates are intended by the Government to reduce the aggregate level of domestic expenditure and obviously it must have some dampening conse-

quences for new vehicle sales in time to come," Mr Vermeulen said

"There is substantial pent-up replacement demand by the corporate and fleet-car rental sectors, underpinned by the strong earning potential of many companies, and this should cushion the effect of the increase"

Hire purchase sales and the entire domestic appliance industry will be affected by an increase in finance charges, according to OK Bazaars

Mr Arthur Solomon, OK director of furniture and household, said the actual increase will not have a major impact on repayments but "psychologically it won't be a good thing"

Mrs Carolyn Tonkin, a Johannesburg public relations officer who is "fed up with inflation", is calling for support from other consumers who feel the same way

Mrs Tonkin, who said she can no longer afford to pay for her house, eat or smoke cigarettes, has started a petition to protest against the high rate of inflation, the eroding of the rand, high bond and interest rates, and "the general lethargy of the Government"

"Please support us by starting a similar petition if you are also sick to death of ridiculous bond rates and soaring inflation," Mrs Tonkin said

Petitions should be sent to PO Box 10181, Vorna Valley 1686

See Page 17.

Going up ... home bond rates are going up to 21 percent as a result of an increase in the Bank Rate. The graph shows how monthly repayments have risen with increases in interest rates over the past two years. The repayments are calculated for a 20-year bond.

# Timeshare Dynamics under final liquidation

By Cathy Stagg

Timeshare Dynamics was placed under final liquidation in the Rand Supreme Court yesterday.

Leisurelife managing director Ms Sandra Ann Quinn said in papers that when Timeshare could not pay Leisurelife for promotional and marketing services, a new agreement was made, resulting in the formation of a new company, Leisure Industry PR Association (Pty) (Lipra).

Timeshare was not able to pay agreed amounts. Leisurelife was owed R166 939 for promotional services from June to August this year and also has a prospective claim of R3,4 million. Timeshare's debts were estimated to amount to R4,5 million and its investments in various timesharing properties could total R2 million

Mr Justice E Stafford granted the final winding-up order

An urgent application by Standard Bank for the winding-up of World of Leisure Holdings Ltd was postponed until October 24. One of World of Leisure's subsidiary companies was Timeshare Dynamics Ltd.

# Seven miners die in Bop

A runaway ore carrier killed seven platinum mine workers in Bophuthatswana on Monday. They were killed by a load haul dump unit travelling down an incline at Eastern Platinum Mine near Peka.

B/Day 18/10/89

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### HOUSEWIVES SIGN PETITION AGAINST HIGH MEDICAL COSTS

PRETORIA — The Housewives' League of SA recently handed a 54 500 signature petition to National Health and Population Development Minister, Dr Rina Venter, listing concerns about medical costs

The league's president, Lyn Morris, yesterday said the petition expressed growing concern for the ever-increasing cost of medicines and health care in SA.

She said the petition was handed to the Minister at a meeting on October 6.

"It was a fruitful meeting and we feel sure we can look forward to changes on the medical scene"

Morris said the meeting gave the league an opportunity to discuss areas of concern in medical matters with

Venter — including the prohibitive cost of medicines, private hospitals costs and the medical aid issue.

"The petition was mounted nationwide and represented many hours of manning of tables by branch members as well as considerable support shown to the project by members of the public by way of letters and telephone calls — We are still receiving petition forms and letters," Morris said.

The league would be "keeping in touch" with Venter although no date had been set for further meetings.

Venter was very knowledgeable and had a background of professional training in welfare, Morris said. — Sapa.

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### AIDS drug available for SA testing soon

A NEW drug being tested for AIDS treatment in the US is expected to be available for investigational use in SA early next year B/Day 18/10/89

In an announcement at the weekend, the B-M Group said approval for the investigational use of Videx in SA had been sought from the Medicines Control Council (MCC).

The B-M Group is the SA subsidiary of US-based Bristol-Myers Squibb, which an-

TANIA LEVY

nounced the US Food and Drug Administration (FDA) had approved protocols for the clinical use of Videx for AIDS patients who were intolerant to Zidovudine (AZT)

The B-M Group will not be direct distributors of Videx, which will only be available from the medical profession, even after approval by the MCC.



# Repossessions of cars increase

8/10 am  
20/10/89 EDWARD WEST (246)  
VEHICLE repossessions have escalated compared with last year due to the combined affect of increased vehicle prices and government's efforts to curb domestic spending.

1. Bank spokesmen were yesterday reluctant to disclose actual repossession figures due to the competitive nature of the vehicle financing market.  
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But the situation had not yet reached disconcerting levels and the high increase was because of a low level of repossessions during 1988, he said.

Another reason for the high increase put forward by economists was the combined influence of increased vehicle prices and bond rates and decreased levels of disposable income, said Thomson

Santambank Assistant GM Francois du Pisan estimated that group vehicle repossession, escalations had only increased 10% compared with last year. He said 25% of the repossessed vehicles were given back to the client due to a settlement being reached.

# Pick 'n Pay cheapest <sup>246</sup>

PRICES are lower at Pick 'n Pay than at other shops, says a survey commissioned by the Consumer Council. On average, the price of general goods in September rose by 1.45% from August at Checkers and by 1.2% at OK. Pick 'n Pay prices dropped by 0.7% *5/June 22/1984*

# SA is growing to accept concept

S/Times 22/10/89, 246

FULL maintenance leasing (FML) is a relatively new concept in SA, but is growing at a rapid rate as the price of cars, spares and repairs increases.

Avis began FML in America more than 40 years ago and quickly moved into Europe  
In SA, Glenn van Heerden,

group managing director of Avis, was the man behind the introduction in SA

Avis Lease was started as a separate company in 1980 and

now manages about 7 350 cars and light commercial vehicles throughout the country

The company deals only with creditworthy corporate and business fleet owners and professional people who use the vehicles in the process of generating taxable income.

FML is not available to the individual, but is particularly suitable for the small business

According to Grenville Wilson, managing director of Avis Lease, "a client only needs to tell us his requirements and we will analyse his needs, suggest a lease period — from 12 to 48 months — and buy the vehicle or vehicles of his choice, equipped as he chooses."

The car is bought in Avis Lease's name — which ensures a healthy fleet purchase discount — and after delivery to the client, all bills, apart

from petrol, go straight to Avis Lease.

Charges are based on the distance travelled by the client each month and provided he keeps within a small percentage of this, the monthly motoring budget can be accurately calculated.

Should distances be increased or decreased, charges can be altered.

"We look at each client according to his needs and finance charges are either fixed or linked to the prime rate.

All expenses are covered — including tyres — but we do not pay for driver abuse of the vehicle," says Mr Wilson

Mr Wilson emphasises that the major benefit of FML, particularly to the small business, is the fixed budget, although the system is totally flexible according to the clients needs.

## Avis backs black rhino

AVIS LEASE is to sponsor the Black Rhino Pro-Am golf tournament at the Skukuza Golf Club in the Kruger National Park on December 2

Ever concerned about the environment and conservation, Avis Lease is associated with the Rhino and Elephant Foundation in arranging the inter-city golf tournament

The Rhino and Elephant Foundation launched the programme in September aimed at raising R2-million to protect the black rhino

It is hoped that the Government will match rand-for-rand all funds received This could boost the fund to R4-million

The venue will provide a most appropriate site to stage the event to help save one of Africa's most majestic animals

Johannesburg, Pretoria, Bloemfontein, Durban and Cape Town will provide 20 players who will "adopt" a black rhino

The teams will be supported by their mayors

Luxury coaches will provide transport to and from Skukuza where players will be accommodated at the rest camp and a hotel on the border of park

The event has the endorsement of the SA Professional Golfers Association

The professionals involved have agreed to donate their fees back to the fund

In terms of a corporate challenge which has been established, companies and individuals will be asked to "adopt" a rhino for R10 000



The current account sur- sents purchases We can exaggerated and irresponsi- ble

## Down — but far from out

CONSUMERS are surviving the interest-rate crunch.

Lending institutions say that although the cash-strapped public is pressed by the high cost of money, most people are hanging on to their homes, cars and durables.

The big three car financiers — Wesbank, Stannic and Santam — say there has been only a small increase in repossessions.

Stannic general manager, business development, Ron Wynter says some vehicles are returned voluntarily when owners fall on

By Charmain Naidoo

246

hard times *S / Times 22/10/89*  
Santam assistant general manager, loss control, Francois du Pisan estimates a 10% increase in repossessions in the past few months.

"What is damaging is that resales are down. New cars that are repossessed are difficult to sell."

He mentions an offer of R21 500 for a new car with a trade-in value of R28 000

# It's going to be a

**THERE'S never been a better time to buy furniture, appliances, TV and sound equipment than right now.**

It's Furniture Month '89 — from October 16 to November 18 — and more than 1 800 furniture retailers around the country are working hard to make it a bumper event for consumers.

Furniture Month is an annual event organised by the Furniture Traders' Association in co-operation with the Federation of Furniture Manufacturers, the Domestic Appliance Manufacturers' Association of South Africa and the Radio and TV Manufacturers' Association. It is a month during which they want to tell consumers about the long-term benefits of investing in the wonderful variety of household goods available.

Right now, the stores are full of exciting products — comparable to the best in the world — and there are some wonderful pre-Christmas bargains to be had.

This year, the annual Jackpot Competition will be bigger and better.

More than R80 000 worth of prizes are being offered. The first prize is R20 000 worth of furniture, appliances, sound and TV equipment of the winner's choice.

But there's also a serious side to Furniture Month. One of the main aims of the event is to make South Africans more aware of

furniture, appliances, TV and sound equipment and how to buy intelligently to suit their needs.

There are products right across the price range — each serving a different purpose.

## Options

The FTA is disseminating a wealth of information about what each offers.

Another aim of Furniture Month is to help consumers buy the goods they want.

During the past year, certain credit restrictions have been imposed, mak-

ing some kinds of buying — for example, hire purchase in respect of certain commodities — more difficult.

During Furniture Month, the payment options are explained to consumers so they can choose the one that suits their budgets.

## Advantages

Furniture Month is also to let consumers know about the advantages of buying from an FTA member store.

Over the years, the furniture retailing industry has worked hard to build up a reputation for fair trading and sound business practices.

FTA stores adhere strictly to a Code of Conduct, which affords a great deal of protection to consumers.

During the past 12 months, hundreds of furniture sales-people have undergone an intensive product training course aimed at giving the cus-

tomers better and more informed service.

Dozens more will complete the course by the end of the year.

## Exciting

So, visit your favourite furniture store to see what's on offer.

It's good to keep in touch with what's new and exciting — and don't forget to fill in a jackpot competition form while you're there — you could be one of the winners!

# really fun

# Furniture!

**There's R80 000 worth of prizes to be won**



Dave Rees, FTA chairman, and executive director Frans Jordaan look forward to a bumper Furniture Month

S Times  
Supplement 2-10/89  
246



# FML takes edge off the increases

S/Times 22/10/89

THE dramatic increase in vehicle prices, maintenance costs and finance charges can be substantially reduced by the use of full maintenance leasing (FML)

FML has proved to be most effective in off-setting cost increases as well as softening the impact of rising prices

Comparisons done by Avis Lease show that the price of a Jetta CLX has increased from R15 716 in 1985 to R33 000 this year — an rise of 110%

## Contrast

In contrast, a similar car taken on FML with Avis Lease in 1985 — with 100 000kmh over 36 months — would have cost R558 a month for the full period

The same car on FML will be R916 a month for the full period of the lease

This represents a 64% over the four year period

Other examples include a Skyline 1,8l which would have cost R11 838 with an FML rental of R543

## Increase

Today the car costs R36 250 and the FML rental would be R1 043

This represents an increase in the price of 207% and an increase in the rental of only 92%

In the case of a Cressida

Examples are:

Product	Retail Price		% Invoice
	3/85	3/89	
Tyres . . . . .	R 84,73	R143,00	69%
Oil Filters	R 7,99	R 15,00	7%
Air Filters . . . .	R 13,64	R 21,20	55%
Brake Pads	R 25,95	R110,00	424%
Labour Rates	R 30,00	R 55,60	85%
	per hour	per hour	
Exhaust Systems .	R396,00	R618,00	56%
Shock Absorbers	R104,00	R176,00	69%

Maintenance costs have shown equally dramatic increases over the same 4-year period.

Further examples are the following

MODEL	1/11/85		7/6/89		Retail Price % Increase	Rental % Increase
	Retail Price	Rental 36/100 000	Retail Price	Rental 36/100 000		
Skyline 1.8 Man	R11 838	R543	R36 250	R1 043	207%	92%
Cressida GLi6 Manual	R17 785	R740	R47 045	R1 305	164%	75%
Hilux 1.8 SWB c/s	R10 495	R429	R22 870	R783	118%	82%
Rekord 2.0 GL	R15 320	R540	R34 115	R1 055	122%	95%

GLi 6, the price has risen by 164%, but FML by 75%

The Rekord 2l GL has risen in price by 122%, but the FML by only 95%.

During this period, the cost of maintenance has risen substantially

Tyres have increased by 69%, oil filters by 87%, brake pads by a massive 424%, labour rates by 85%, exhaust systems by 56% and shock adsorbers by

69%

In terms of FML, the fleet owner pays for the usage of the vehicle or fleet for a fixed period at a fixed rate

Avis Lease holds ownership of the vehicle, but also carries all the risks and responsibilities such as inflation, cost increases, repairs, registration, administration and resale at the end of the contract



# Code of Conduct makes sure that all deals are fair

THE Furniture Traders' Association has done a great deal to upgrade furniture retailing over the years

These days, more than 90 percent of all furniture retailers are members of the association.

All of them subscribe to a Code of Conduct, which keeps the industry "squeaky clean".

The FTA is justifiably proud that its members subscribe to a Code of Conduct that states that.

- Advertising should not be misleading;
- Once an order has been accepted the price of the article should not be increased except in the case of increases in GST or import surcharges over which the dealer has no control;
- Delivery charges be cost related;
- A "cooling-off" period of 72 hours be applied, except in exceptional circumstances;
- Credit be granted with discretion to avoid over-commitment on the part of the consumers;
- Disciplinary steps be taken against members and staff who contravene the code.

Hopefully, this gives an answer to the often asked question: "Does the FTA have 'teeth' when it comes to mediating in the case of a genuine complaint lodged by a consumer?"

## Pressure

The fact that the SA Co-ordinating Consumer Council, newspaper consumer columns and the Legal Advice Bureau refer most of their complaints to the FTA for investigation supports the claim that it is able to bring pressure to bear on its members should the need arise.

The FTA has seldom, if ever, had to resort to such action because its members are for fair and honest trading.

Invariably, unresolved complaints arise from staff members who fail to meet their commitments but, almost without exception, those people have not been acting in accordance with their company's policy.

There is also the "impossible" consumer, who cannot or will not be satisfied.

Fortunately, there are not many of them around.

A Code of Conduct is simply affirmation of ethical trading.

Any trader who chooses to ignore this important philosophy more often than not closes down.

Furniture retailers, like most other retailers, place a very high premium on "repeat" business, and this is only possible with satisfied customers.

There are instances where members of families three and four generations down the line still do their shopping at the same store.

When you consider buying furniture, appliances, TV or sound equipment, make sure that you deal with an FTA member, because credibility is the key to that member's success and your peace of mind.

S/Times 22/10/89

Suppl.

(246)

(246)

# We aim to keep you moving

246

By Don Robertson

5/ Times 29/10/89  
**EVERYBODY** in the motor business wants to help ordinary citizens to buy new cars.

They hope to do so by influencing the Government to lengthen the hire-purchase payback time to five years.

The National Automobile Dealers Association (Nada) and the National Association of Automobile Manufacturers of SA (Naamsa) not only support the proposal by HP house Wesbank, but claim it is necessary to avoid an industrial calamity

Nada chairman Errol Richardson says that unless dealers increase sales, "we will have a disaster".

Naamsa executive director Nico Vermuelen warns that sales are declining

Government regulations lay down that HP debts must be repaid in 42 months.

## Restrictive

Wesbank has written to the Registrar of Financial Institutions and the Department of Trade and Industry asking for 60-month contracts.

No comment could be elicited from the Government this week, but economists say any relaxation of credit restrictions would fly in the face of restrictive monetary and fiscal policies

The counter-argument is that particular industries should not be singled out and that interest rates should be used to control spending

Santambank has joined the clamour for easier finance and has called for more affordable car repayment schemes

## Inflation

Managing director Roland Perold told the Handelsinstituut's motor congress this week that new methods of vehicle finance were necessary to help first-time buyers

He said finance houses should restructure financial packages to include inflation. Monthly instalments could be increased by about 15% a year. Payments in the first year would be low, but would grow with annual salary increases. This would reduce the initial burden on the first-time buyer

He advocated monthly savings pools among groups of car-buyers along "stokvel" lines

A stokvel is a form of cooperative saving. Individuals contribute to a pool, and by rotation are allowed to draw

Corvest will initially have R30-million to help finance buy-outs. It will be prepared to invest in buy-out companies, says Corbank chief executive Laurie Korsten.

The new company already has three or four proposals.

"We believe that disinvestment and corporate restructuring activity will not decline," says Mr Korsten.

"Managements are showing an increasing willingness to take equity risk in order to share more directly in the wealth they are creating."

He says managers can normally fund only a small part of the purchase themselves, and commercial bank loans may not be available or entail too high a level of gearing.

"This is where our money can help."

## Critical

Corvest will be headed by three executives from First National Merchant Bank — Neil Page, Dick Merks and David Rissik — who have had wide experience in MBOs and development capital projects. They will have a minority interest in Corvest.

"We have worked together for four or five years and our combined experience gives us skills in three critical areas — finance, marketing and technical," says Mr Page.

The formation of the company is a logical move for Corbank. Mr Korsten became an MBO pioneer at Volkskas when he played an important

on their South African subsidiaries onerous."

SA groups are also watch-

more realistic. It becomes more of a buyers' market."

● From Page 1

## Car hopes

on the capital built up.

Wesbank managing director Peter Thompson says. "New-car purchases for the ordinary man have become a dream. In 1983, the repayment for an average compact car was R310 a month. Today, it is more than R900. A longer contract would put cars within reach of motorists again."

Mr Thompson says the monthly repayment of a car worth R28 000, after a 15% deposit and GST, is R953 over 42 months. If the contract were extended to 60 months, the repayment would fall to R773 a month.

A car worth R48 000 would require R1 683 a month under the present rules and R1 380 a month over 60 months.

"The quality of vehicles is superb these days and the average life of a car has increased dramatically since 1983. It makes sense to extend repayment to 60 months" (246)

Nada's Mr Richardson says 301 000 new cars were sold in 1981. The forecast for this year is 220 000. The industry would be in trouble if sales fell below 210 000.

Total vehicle sales, including light, medium and heavy trucks, are forecast at 350 000 or 380 000 annually for the next five years.

The present squeeze coincides with plans by the indus-

try to spend R550-million a year between 1990 and 1997 to meet Phase VI of the local content programme.

Mr Richardson says that in 1980 there were 3,3-million vehicles in SA, of which a million (29%) were older than 10 years.

The stock of cars increased to 4,1-million in 1985 and 1,3-million (31%) were more than 10 years old.

In 1989, the car stock was 4,7-million and 1,7-million (36%) were older than 10 years. At current levels, it will take about 12 years to replace the car stock.

Mr Vermuelen says that in the last six months of 1988, new-car sales amounted to 19 720 a month. In the first nine months of this year, average monthly sales fell to 18 867.

Used-car sales have also fallen. In 1988, used-car sales averaged 39 820 a month, but fell to 37 800 a month in the first half of this year. June sales were 37 100.

Corporate and fleet purchases made up about 50% of new-car sales only a few years ago, but today they represent 70%. Small cars made up about 50% of the market in 1980, but now represent 63%. Their share is forecast to rise to 70% next year. Some fleet owners now buy second-hand cars.



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## Govt curbs hit Tedelex profits

STAR 6/10/89  
Finance Staff

No retailing group seems to be more affected by the government's credit spending curbs than Tedelex.

After disappointing interim results the group today reported a rise in turnover of only three percent to R405,7 million and unchanged earnings per share of 50c for the year to end-August. However, the final dividend was raised by 70 percent to 17c a share (10c).

Commenting on the results the directors state that sales were depressed as a result of the strict hire-purchase and

curbs and surcharges imposed last year.

"However, stringent cost controls and a significant improvement in sales of professional and business products enabled the group to raise margins from 10,1 to 10,4 percent and reduce gearing from 43 to 32 percent."

(246)  
The directors forecast a slight improvement in profits in the current financial year, although an improvement in consumer durable expenditure is only expected when hire-purchase restrictions are lifted and there is a positive change in the overall economic climate.

B1D9 17/11/89

## Medical hikes get attention

TANIA LEVY

THE inflation rate for medical costs between September 1988 and September 1989 was 22,3%, according to the Consumer Council. This compared to 14,9% for all items in the period.

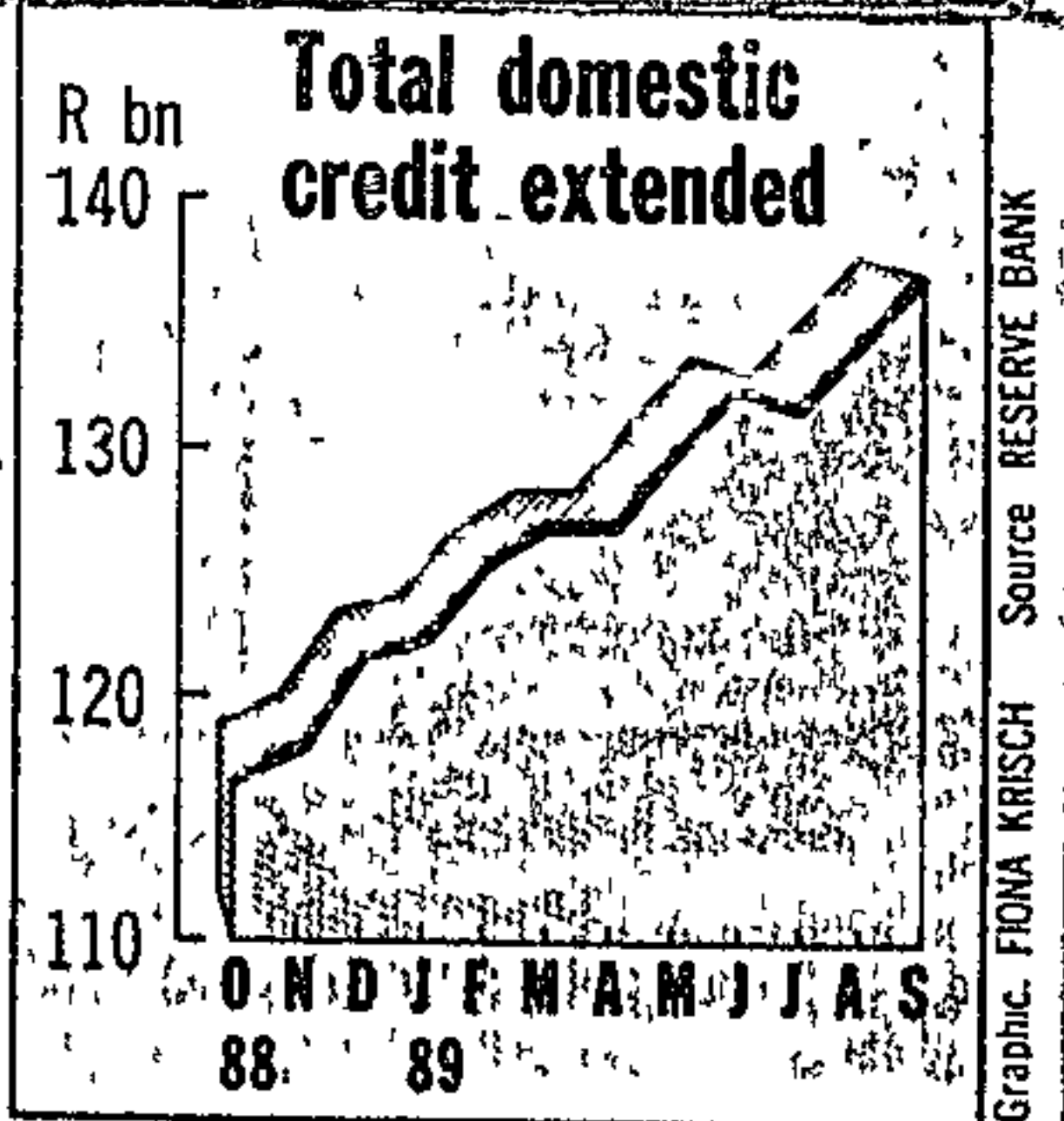
Consumer Council director Jan Cronje said in a statement yesterday the council was considering an investigation into the exceptionally high costs of medicine and medical care.

### Suspected

He said reports of a further 20% increase in medical aid contributions were extremely upsetting.

It was suspected that unreasonably high profit-making aided rising medical costs and that little cost absorption was done by the profession itself.

High costs were simply loaded onto the consumer.



## Durables suffer as credit growth slows

GRETA STEYN (246)

RESERVE Bank figures for overall domestic credit extended by all monetary institutions show that the rate of growth has slowed to 3,5% between the second and third quarters from 5% in the second quarter.

On a longer term view, credit has grown by 17,3% between October 1988 and September this year — a moderate rate of increase when compared with the 41% explosion in bank credit in the corresponding period a year ago.

Standard Bank credit manager Ian Gilbert believes the slow-down is probably not as marked as the Reserve Bank would like to see.

"There is some distress-borrowing from consumers facing debt difficulties and corporate demand has not abated significantly."

Nedfin MD Ron Rundle said: "There is no doubt consumer spending on durables has been hit hard by restrictive policies. This Christmas should see spending on durables below last year's."

However, the slow-down in credit demand has been uneven and some banks report continued strong demand for home loans. The increase in banks' mortgage holdings has averaged R400m for the five months between May and September 1989.

This is not far below the average of R427m for the five months between September 1988 and January this year, before the new round of interest rate increases began.

Standard Bank home loans manager Terry Power said "The past quarter has been the best in a long time. Consumers are becoming increasingly aware of banks

□ To Page 2

## Growth rate slows

B/D by 30/11/89  
as providers of home loans."

The building societies, by contrast, have seen a far more marked slow-down. There was an average R166,4m increase in societies' mortgage holdings in the five months to September 1989 — a sharp drop from the R302m in the September 1988-January 1989

□ From Page 1

period.

The Allied's Geoff Bowker said the banks had emerged as permanent players in the home loans market. He said the demand for mortgage finance had remained "acceptable" in spite of the competition.



# Be sensible when out shopping

By Grace Rapholo (246)

Consumers should choose sensible items they will use on a long-term basis when buying Christmas presents, said the assistant director of the Consumer Council, Mr Carl Thom.

He said consumers should keep the receipts after buying in case they wanted to exchange their merchandise.

And the vice-president of the Housewives' League, Mrs Jean Tatham, said her advice to consumers was not to buy extrava-

gant presents. She begged consumers to stop trying to keep up with the people next door.

She also said that chicken prices tended to rise just before Christmas and housewives could substitute chicken with other kinds of meat.

The executive director of the Consumer Institute for Research and Promotion also warned consumers against excessive spending and to guard against compulsive buying.

Mr Elridge Mathebula said he advised consumers to have a

shopping list and stick to it.

He said traders were trying to attract consumers because they have more money at this time of the year. Durable items such as furniture should not be bought now because there was mass production at the factories which led to faulty merchandise.

Mr Mathebula said consumers should be careful in reading and understanding a contract before signing. Consumers who had problems with their purchases could contact Mr Mathebula at the institute (011) 337-4584

Spent 7/12/59

# Consumer <sup>Star Trek</sup> watchdogs will probe complaints

246 By Louise Burgers

Good news for consumers who have been taken advantage of is that there is a department within the Department of Trade and Industry which will investigate all consumer complaints free of charge and prosecute offenders.

This little publicised department, the inspection services of the Directorate of Internal Trade and Consumer Affairs, operates in most major centres.

The department is there to protect the consumer and people with problems are invited to contact them.

For example, the department will ensure that prices of goods in shops, cafes and supermarkets are clearly visible and consistent with those advertised. In instances where goods are purchased on credit, a copy of the agreement reached has to be made available to the consumer.

Layby agreements are allowed to last only six months, all the particulars of the buyer and the price of the item must be recorded and the agreement must be signed by both parties.

No interest can be charged and the consumer can break the contract during the six months and be refunded 90 per cent of what has already been paid.

PWV and Free State consumers can contact the regional office in Vereeniging at (016) 22-3521 and for the Northern Transvaal, Pretoria at (012) 310-9791. There are also offices in Cape Town, Port Elizabeth and Durban.

# Consumers cut back on the luxury shopping lists

246 B/Dan 21/12/89  
SYLVIA DU PLESSIS

LUXURY items, hard hit by import surcharges and more stringent HP requirements, are not on most consumers' shopping lists this Christmas, retailers said yesterday.

OK marketing director (furniture and appliances) Arthur Solomon said these goods had taken a knock over the two-month festive season.

Sales of hifi's, TVs and microwaves purchased during this period had been only fair compared to 1988, growing 10% in rand terms, he said.

## Prices

This represents a slump of about 5% in real terms.

"VCR sales are down 10% in units, or 20% down in rand terms, because consumers need a 30% deposit and have only 12 months to pay. Also, prices have escalated because of the weak rand and the import surcharge," he said.

"This is unfortunate, but consumers are hard-pushed to find the unrealistic

deposits they have to fork out."

Solomon said it had been a late Christmas generally because consumers were now more dependent on their bonuses.

"But we're hoping for a last minute rush, and expect that Saturday will be our biggest trading day of the year."

He said that small appliances and music software — CD-related in particular — had taken off substantially.

"We did not anticipate a boom Christmas, so our stock levels in the new year will be reasonable, with no major excesses."

Milstan sales director Andre du Toit said VCR turnover had remained steady but TV sales were down over last year due to market saturation.

"There are some 6-million TVs in SA homes already. But what is gratifying is that sales of video cameras — far from saturation — have been extremely buoyant, so I'm not really disappointed," he said.

ed," he said.

He said that he, too, was expecting a last minute rush on all goods and did not anticipate excess levels of these stocks in the new year.

Pick 'n Pay merchandise director Aubrey Zelinsky said that while computer games aimed at children had done exceptionally well, sales of big ticket items were slightly down in real terms over those of last year.

## Oversupply

"Higher interest rates have taken effect at the top end of the market. Also, sales of TVs and microwaves in particular have been quite high over the past eighteen months and there is a slight oversupply in the market."

"But I'm very happy with sales of these items under the circumstances."

The annual Christmas spending spree had started later than usual because schools in the Transvaal had closed a week later this year, he said.



# Trend seen towards buying on credit

CONSUMERS had less money to spend this festive season than last, but continued to buy furniture and white goods on credit, retailers said yesterday.

OK Bazaars Furniture and Appliances MD Arthur Solomon said sales had dropped substantially during November and December but this was in line with expectations.

The higher deposits and shorter repayment periods, in effect since August, were responsible for the slump.

"The consumer has become more choosy, particularly with regard to white goods, and is struggling to find deposits," Solomon said.

OK sales had shown a "Christmas-on-Christmas growth of about 10% in rand terms".

The consumer was not getting into

B/Daw 21/12/89  
FIONA FOURIE

the same credit difficulties as last year, he added.

A spokesman for Affiliated Furniture Companies Ltd (Afcot) said expensive furniture was not selling as well as it had last year but Christmas trends were difficult for manufacturers' to gauge because orders were placed by retailers in September.

Tony Factor, owner and MD of Tony Factor's, reported a "phenomenal growth" in furniture sales of 55% which he attributed to the increasing number of fairly prosperous young people looking for competitively priced furniture.

White goods were up by only 5% in money terms but had shrunk slightly in real terms.

Factor said "People are shopping on

credit, and wisely so because the increase in prices will outstrip finance charges in the next two years.

"We expect a 50% increase in furniture prices during the coming two years."

Amrel MD Stan Berger said the whole furniture trade was doing well. The trade had reached its low point last year and was now on an upward trend.

"Money is short at the moment but the consumer believes inflation makes it cheaper to buy now than to save his money," Berger said.

A Beares spokesman said people were buying on HP rather than paying cash.

He said the higher mortgage rates was responsible for this trend.

# Money supply growth bodes ill for inflation

By Sven Lunsche

In a dramatic reversal of recent trends, money supply, as measured by growth in the broad measure, M3, surged by an annual 24,5 percent in the year to November

The soaring figures could seriously thwart the intensified efforts by the financial authorities to bring inflation under control in the years ahead

Reserve Bank figures released yesterday show that M3 rose by a provisionally estimated 24,55 percent to R143,68 billion.

This follows on increases of 24,7 percent in October, 22,87 percent in September and 25,55 percent in August

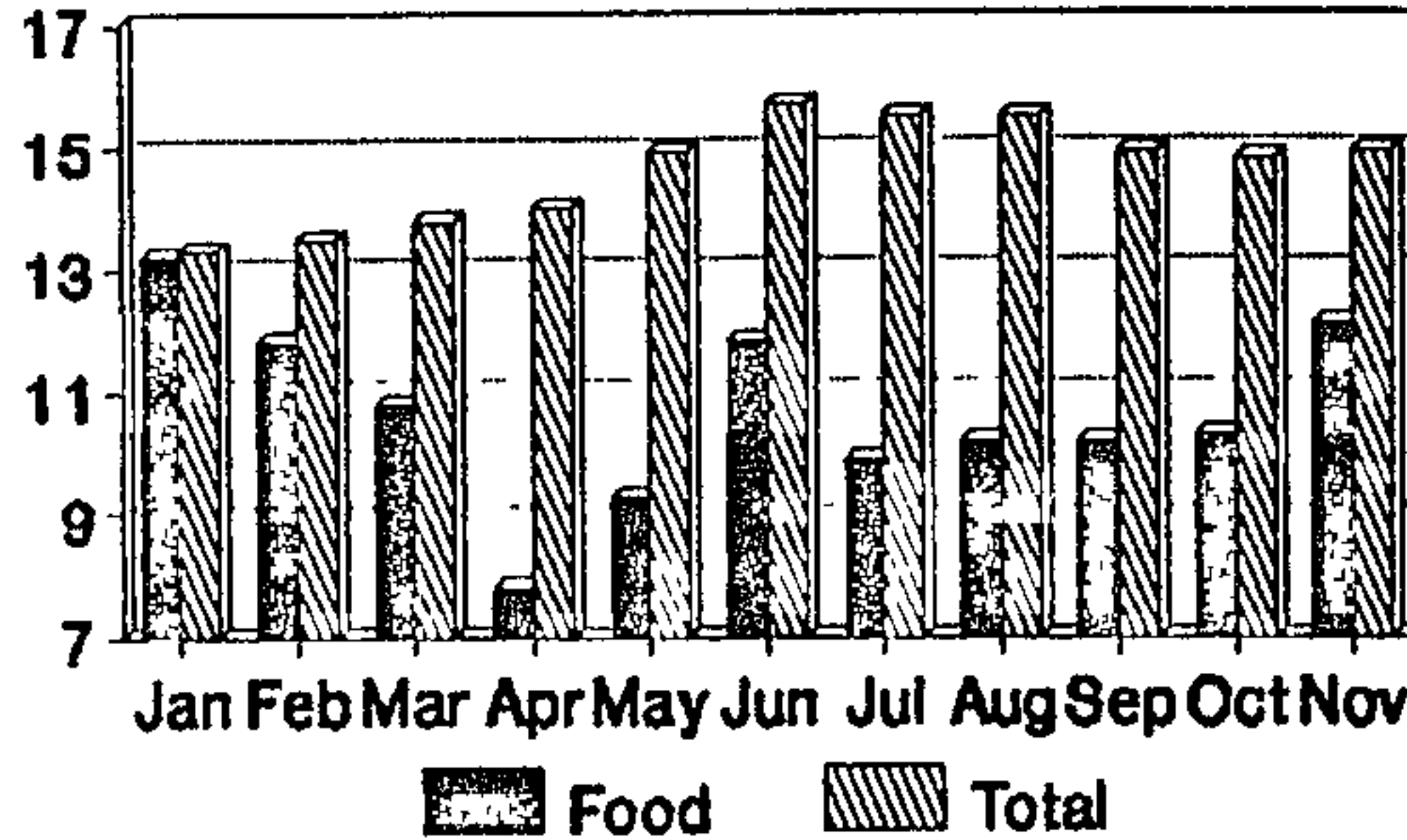
Significantly, the October M3 figure was revised from the initial estimate of R138 billion to R142,07 billion — further evidence that credit extension by financial institutions is still proceeding at a high rate

## Further setback

In what could prove a further setback to the anti-inflation campaign, consumer price index (CPI) figures released yesterday indicate that food prices are once again escalating

However, the lagged effect in the high growth rate of money supply is generally regarded as the most serious impediment to a lower inflation rate

The extent to which money supply is running out of control is seen by the fact that the November M3 figure is 5,5 percent higher than the target set by the



Annual percentage rises in the overall CPI and the CPI for food.

Reserve Bank for the month

It already exceeds the December 1989 R137,7 billion value of the upper boundary of the target range

The main factor underpinning the rise is credit spending

Reserve Bank figures show total domestic credit extension rose from R137,19 billion in September to R140,1 billion in October, with both HP and leasing finance increasing moderately

Other loans and advances by banks rose from R73,97 billion to R77 billion in October

Latest BA9 returns by commercial banks show that credit extension on their balance sheets rose by nine percent from March to September, with Standard and Bankorp showing credit growth of over 15 percent

While economists doubt that the continued surge in money supply will lead to a tighter monetary policy in the form of higher interest rates, they say it

could rule out any easing of monetary measures in the months ahead

The Reserve Bank also announced that M2 money supply in October increased 30,56 percent to R114,215 billion, while the narrowly defined M1 increased 18,15 percent to R47,24 billion. These compared with revised increases for September of 27,44 percent in M2 and 12,84 percent in M1.

A further, albeit less significant trend, which could undermine efforts to bring inflation under control has been the recent rise in food prices

Central Statistical Services figures released yesterday show that inflation in November was running at 14,9 percent, slightly up on October's 14,8 percent

But food prices once again increased at a steeper rate than in previous months

After rising by an annual level of around 10 percent in each of the previous six months,

the year-on-year increase in the CPI for food climbed to 12,1 percent in November

On a monthly basis, food prices increased by 1,7 percent from October to November, contributing 40 percent to the overall one percent monthly rise of the CPI.

Over the four-month period from August to November, food prices rose by an annualised 17,5 percent — well ahead of increases in other sectors

Food prices rose over a wide spectrum, led by the price of grain products, which soared by 5,6 percent in the month

Meat prices rose by one percent, but indications are that they will not increase sharply over the festive season

While food prices could slow down the intensified efforts by the authorities to curb inflation, economists are still optimistic that price increases will be lower next year

## Stricter policies

Against the background of a declining growth rate and stricter fiscal policies, Volkskas' Adam Jacobs expects inflation could decline from 15 percent in early 1990 to about 13,5 percent by the end of the year

Sanlam's Johan Louw concurs with this forecast, arguing that the recent strengthening of the rand will eventually lower producer price inflation for imported goods, which hit a peak of about 20 percent in June, but has tended appreciably lower since then



246  
Spec 3/12/89

# FML heads for R300m in 1990

FULL maintenance leasing sales could exceed R300-million in 1990, says Fleetlease Contracts managing director David Owens.

Mr Owens says there has been a rapid growth in the FML market

"At the beginning of this decade FML was a terminology which occasionally drifted across from abroad.

## Iceberg

"In the mid-1980s FML emerged in SA. The market grew quickly and sales this year came close to the total for the preceding nine years"

He believes that growth so far has been only the tip of

By Robyn Chalmers

the iceberg which will become increasingly visible in the Nineties. By the middle of the decade, annual FML business could exceed R1,2-billion

However, Mr Owens warns fleet owners against a trend developing in FML. He says many owners are considering the leasing of a used vehicle or a secondary lease of a fleet car.

The problems associated with this trend include two- or three-year-old vehicles being offered at higher prices than new ones, higher maintenance costs and demotivation of staff.

"Rising vehicle costs and,

at times, poor availability are factors promoting this trend. Any agreement which allows the depreciation curve to level off more slowly should have financial merit.

"This is particularly so if the vehicle life can be extended to facilitate its sale in the wider but lower-priced five-to-seven-year-old market."

## Protected

Mr Owens warns that the used-vehicle option poses potential problems which have not been considered by some parties offering such a service.

For example, some advertisements offer two-to-three-year-old vehicles for a further lease at higher prices than reputable suppliers can provide a new vehicle.

"The customer must also ensure that he is adequately protected from higher costs of maintenance and the less tangible but vital cost of vehicle downtime because of more frequent repairs"

Mr Owens says companies considering the savings to be had in leasing a used vehicle should obtain comparative prices from a reputable supplier of new cars or trucks.

## Busaf on the move

BUSAF Letaba, the largest manufacturing facility in Gazankulu, has opened a production line to build cabs for Komatsu heavy earthmoving machinery

The line will produce cabs and sheet-metal components mainly for wheel loaders, graders, excavators, dump trucks and bulldozers. It will help Komatsu to increase its local content

Busaf Letaba was the first

factory to move to the Nkawkowa industrial township about 14km from Tzaneen. Since it was opened in 1972, it has supplied more than 4 900 buses to customers from northern Namibia to Zululand and from the Zimbabwean border to Cape Town.

The factory is to deliver its 5 000th bus to Gazankulu Transport in February.



my only regret is I won't have a ring.

an interesting five years.

# Rand limps to the end of the decade

The South African rand bounded into the 1980s on the crest of a gold boom that seemed to promise economic miracles — but limps to the end of the decade on crutches. At home, the buying power of the rand on shopping expeditions has shrunk by more than two-thirds. Even the state mandarins at the Central Statistical Service admit that the R1 coin of 1980 is now worth less than 33c. Abroad, the slump in the rand's exchange rate versus every single major foreign currency has made overseas holidays no more than a dim memory even for many relatively affluent families.

And economists have sounded repeated warnings that South Africa's inflation rate, already on average at least three times bigger than in most industrial nations, threatens to climb yet higher in the year ahead. The dilemma is underscored by growing evidence of a widescale slide in standards of living as more and more families confront massive debt problems amassed by buying on credit and turning to bank loans in a vain battle to keep pace with inflation.

The Econometrix research unit estimates that average living standards will drop by at least another three percent over the next year as income tax takes bigger bites out of wages and salaries.

The economic outlook for South Africans at the end of the 1980s does not look bright, with many families facing massive debt problems amassed by buying on credit and turning to bank loans to keep pace with inflation. **MICHAEL CHESTER** reports

To add to problems, families are wrestling with repayments on their debts and home loans at a moment when interest rates have risen to 20 percent and more.

Mrs Sheila Lord, vice-president of the Housewives' League, heads a team of shopper sleuths recording price movements. In a recent tabulation of the havoc, she found that the average bill for 26 items — toothpaste and toilet soap to margarine and cake flour — had more than trebled compared with 10 years ago.

Sharper perspectives can be unearthed from the regular quarterly bulletins issued by the Reserve Bank. Here one discovers from a recent count that a food basket that cost R53,10 in 1980 now costs over R193. A piece of furniture that was tagged at R55,70 now costs R179,40.

Among the worst shocks a new small car that one could buy for around R5 060 in 1980 is now likely to cost R25 250.

The especially alarming sharp increases in car prices is blamed by motor manufacturers not only on domestic inflation but also on the fact that so many components have had to be imported from Germany and Japan — and been forced to run the gauntlet of the worst movements of all in exchange rates as the rand has weakened.

How have actual pay packets countered the conflagration of inflation? All of them have suffered a roasting.

In the gold boom bonanza at the start of the decade, most workers thumbed their noses at inflation. Consumer prices rose 13,8 percent in 1980 — but white wages jumped 16,9 percent and black wages climbed on average by 21 percent.

The ugly toll of inflation was on full display, however, by 1987, the latest year covered by a similar set of comparisons.

Consumer prices rose by 16,1 percent in that year. Average increases in white pay packets limped behind at 11,5 percent. Black wages also trailed behind, despite the flexing of more union muscle power, with average increases of 14,2 percent.

"The basic source of the cause of rising inflation and a falling rand," contends Dr Azar Jammame, director of the Econometrix

think-tank, "can be traced back to the relentless growth in government spending. To foot the bills, the government demanded higher and higher taxes, relying on inflation to increase revenues by taking bigger slices out of bigger incomes and forcing everyone to climb the tax ladder to higher marginal rates."

"Families have been forced to borrow, in loans and credit, to compensate for the erosion of disposable incomes — and in turn the government has used the printing presses to cause an explosion in the money supply and so give another twist to the inflation spiral."

"But inflation has been fuelled by other sources, too. Inflation and high taxation has in turn driven investors and corporations into chasing paper assets, causing more and more concentration of industrial and financial power that has exacerbated inflation pressures."

"Worker reaction has been to increase trade union power. Sometimes, unfortunately, the result has been wage increases that have not been matched by productivity increases."

"Longer term, however, inflation and the decline of the rand will not be reversed until first there is evidence of a reversal in government spending patterns."

When and how to buy at the best prices for the best products. The Star's Barnet by the Editor.

PRICES - (CONSUMER PROTECTION BODIES)

1990

## Insurance Act changes will aid consumers

*B/day* LINDA ENSOR 4/1/90

CONSUMER protection has been enshrined in the amendments to section 20 (bis) of the Insurance Act which has been operative from January 1. The amendments also provide security for consumer's premiums and for the speedy transfer of those premiums to insurers by way of supporting guarantees by intermediaries.

Tom de Fontaine, past president of SA Insurance Brokers' Association (Saiba) and a member of the joint Saiba/SA Insurance Association 20 (bis) Liaison Committee, which formulated the amendments, says:

"In simple terms, the consumer is protected from an intermediary default in the transfer of his premium to the insurers, should this only become apparent at, say, the time of a claim. The insurer is considered to be "on risk" and the claim must be met by the insurer. In the past there was no legal requirement that the insurance company had to stand by the policy if the premium had not been transferred to it, though they may have elected to do so."

Insurance companies are also protected against default, liquidation or abscondment by brokers because intermediaries are required to take out guarantees.

### 246 Guarantee

The amendments introduce urgently required disciplines into the process of transferring premiums from intermediaries to insurers, doing away with trust accounts over which there was little control.

In terms of the amendment only intermediaries in possession of a guarantee will be permitted to handle premiums on behalf of their clients.

The guarantee can be issued by the newly established Intermediaries Guarantee Facility (IGF), a registered commercial bank or by the Land Bank. Arranged through the IGF, the guarantee will cost 0,5% of 20% (net of commission) of total annual premiums to a R50m maximum.

However, if the intermediary holds professional indemnity cover for the same amount as the guarantee, then the rate will automatically reduce to 0,25%. If it falls short of the guarantee amount, the two different rates will apply to the professional indemnity amount and to the balance.

The other category of intermediary can only receive premiums in the form of a cheque made out to the insurer.

To support the amendment insurance companies have introduced a change into the operative clauses of their policies, saying in effect that with no premium there will be no cover. But to ensure the insured is covered immediately after the renewal date, the firms have agreed that "guarantee intermediaries" can hold someone covered for a certain period.



# Outlook bleak for durable goods

By Sven Lunsche

Sales of durable goods could slump dramatically this year as the financial situation of consumers worsens in the wake of an expected decline in disposable income

Sales have already tapered off over the last few months, with most retailers reporting lower Christmas sales than in 1988

Figures provided last month by Central Statistical Services showed that retail sales for November and December at 1985 prices were expected to fall 1,5 percent, compared with the same period in 1988

On this basis, sales for the year as a whole would still be up 2,4 percent, compared with the previous year, but in a declining trend

A report released today by the Bureau for Economic Research at Stellenbosch University (BER) shows that total private consumption expenditure

	1988	1989	1990
Total, Rm	74 180	75 60975	970
% change	4,8	1,9	0,5
Durables,	7 115	7 057	6 222
% change	12,0	-0,8	11,8
Semi-durables,	11 455	11 66711	682
% change	7,0	3,6	1,6
Non durables,	33 846	34 54635	220
% change	2,5	2,1	2,0
Services,	21 764	22 13822	845
% change	5,0	1,7	3,2

(PCE) will rise by only 0,5 percent this year, after increases of 1,9 percent in 1989 and 4,8 percent in 1988

The BER forecasts total PCE at 1985 prices of just under R76 billion this year

Particularly hard hit will be spending on durable goods. After rising by 12 percent in 1988, spending on these goods fell 0,8 percent last year and is expected to slump 11,8 percent to R6,22 billion this year

The BER expects spending on semi-durables to slide 1,6 percent to R11,68 billion this year, while non durable goods expenditure should continue to grow by about two percent to

R35,22 billion (see chart)

The share of durable goods spending to total PCE has slipped consistently since spending on durable goods peaked in 1980, when it was 13,7 percent of PCE, and the BER expects this figure to drop to 8,2 percent this year — 1,4 percentage points below the 1988 figure

Some fundamental structural changes took place in the durable goods sector in the Eighties, with consumers spending more on furniture and household appliances at the expense of cars

The higher demand for furniture and household appliances was partly the result of the mass housing schemes in black townships, but can largely be ascribed to the continuing impoverishment of consumers, as cars are certainly more of a luxury than furniture and appliances, says the BER

This impoverishment was in evidence throughout the 1980s. Real taxed income in the first half of the decade fell 0,5 per-

cent a year. From 1984 to 1988 it accelerated to 2,5 percent, the bureau says

The BER says that remuneration is expected to increase 14,5 percent in 1990, after a rather hefty increase of about 17 percent in 1989

'We expect that tax relief will be announced in the March Budget, but this will probably be restricted to provisions for bracket creeping

'As a result, disposable income is expected to increase 13,5 percent in 1990, compared with slightly more than 15 percent in 1989'

The BER economists add, however, that the rate of inflation could be close to 15 percent on average, which implies that disposable income is likely to decrease by about one percent in real terms

This will obviously put a damper on the consumer spending rate, with demand for durable goods in particular expected to be negatively affected over the year.

F.W orders council into action

# Public asked to help curb hike in prices

CAPE TOWN — The State President, Mr F W de Klerk, has asked the President's Council to find ways to get active co-operation from the consumer public to curb price exploitation and contain inflation.

He has also asked the council to investigate and make recommendations on systems to help the furtherance of consensus.

In a statement from the council's secretariat yesterday, the Committee for Economic Affairs said it has been asked to investigate and make recommendations on "a suitable strategy, goals and policy ... to obtain active co-operation from the consumer public to curb price exploitation and contain

inflation as it is reflected in the sharp increase in the price of goods and services".

The Committee for Constitutional Affairs will investigate and make recommendations on "decision-making and conflict resolution mechanisms and techniques in constitutional systems, including mechanisms and techniques for the furtherance of consensus and the resolution of disputes".

Those wishing to submit memoranda should do so before February 28 to P O Box 3601, Cape Town, 8000. Information from Mr J P Rossouw for the consumer inquiry, and Mr J F Marx for the constitutional inquiry, can be obtained by dialling (021)45-5541.



8,000 bad debts added each month

# Summer spending binge has hangover

By Michael Chester

South African consumers may face the biggest New Year avalanche of debt problems on record in the wake of the R12.5 billion buying spree at Christmas time.

One of the largest debt collection networks revealed yesterday that it was sending out debt summonses at a rate of almost 1,000 a week in the aftermath of the shopping binge.

Executive director Mrs Ruth Eliasob of the Advanced Credit Bureau said the total was treble the level touched a year ago.

"The number of legal actions taken so far may be only the tip of the iceberg," she said. "And the threat of court action comes only as a last resort."

## Despaired of response

"Debt collection companies are called in to try to recover bad debts only when the victims, counting the cost of dud cheques bounced back at them by the banks, have despaired of responses to telephone calls and letters to offenders.

"Legal action comes only when our own efforts to recover bad debts by reminders and offers to negotiate a settlement plan have failed."

The number of dud cheques that had bounced on retailers in the Christmas rush from supermarkets to restaurants and high fashion boutiques had already touched more than 4,000 and looked likely to double when a final count was taken.

One supermarket alone had so far sent in R93,000 worth of dud cheques — "and there may

be worse to come"

Mrs Eliasob said the average value of dud cheques written out at supermarket stores was between R200 and R300. But the whole range of rubber cheques varied between R25 and R25,000.

Most offenders were bread-winners who had been retrenched by their employers in the economic slowdown, and left in dire financial straits, and children in affluent families who found it easier and easier to find access to credit.

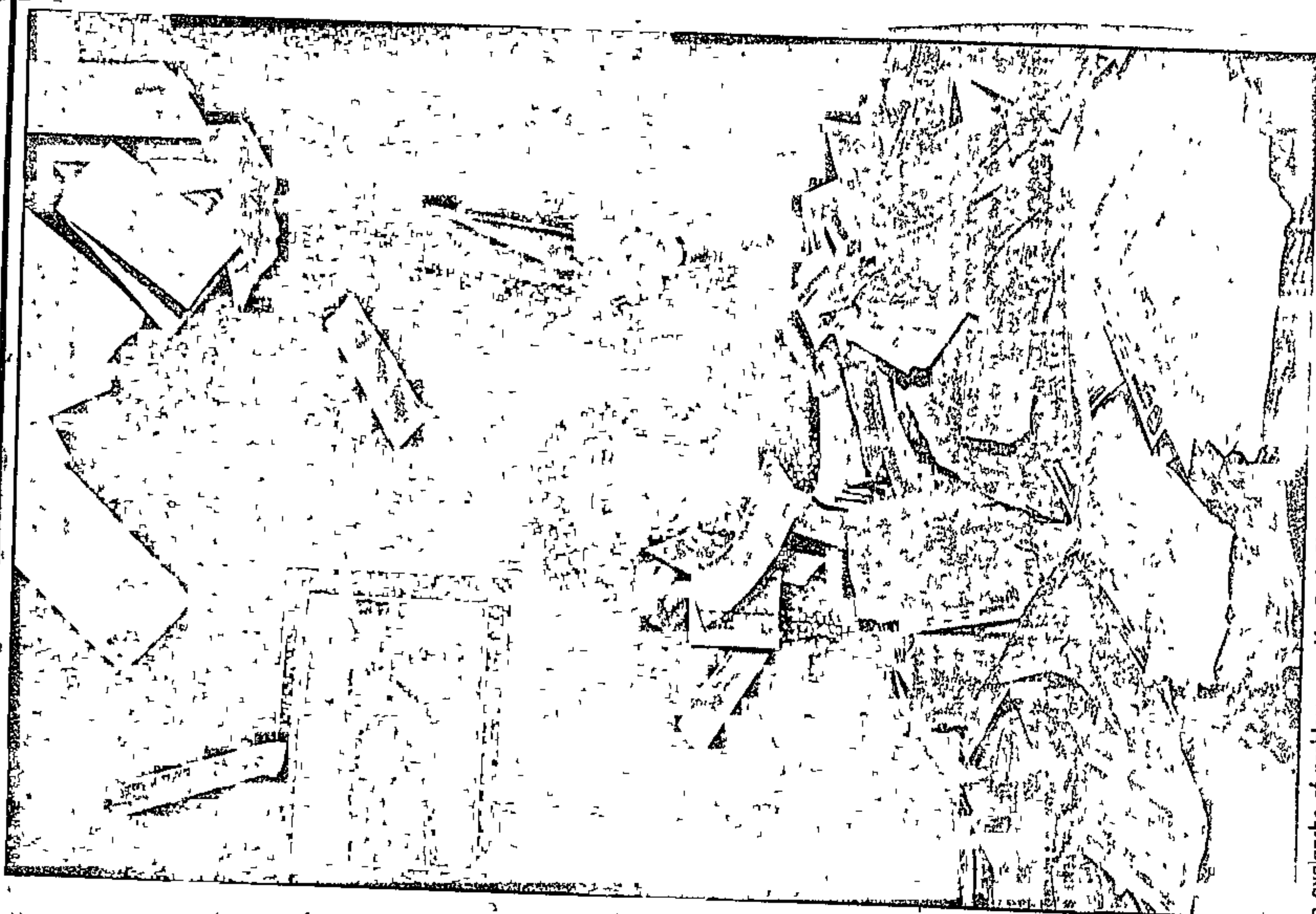
"We really try our best to negotiate a reasonable settlement plan with families that have been spending on credit in desperation to fill their basic food baskets," said Mrs Eliasob.

"But there are new and very worrying trends emerging, not least the number of youngsters who seem to find no trouble in stealing a blank cheque from a parent's cheque-book, forging a signature — and going out on a spending spree."

"Tragically, we sometimes find that spending on drugs is a root cause. There is also a big increase in disasters when teen-agers are actively encouraged by many stores to open credit accounts — ignoring any legal requirements that insist on guarantees signed by the parents if they are under-age."

The basic thread that runs through most cases, however, is a growing disregard of any disgrace about landing in problems with bad debts."

Mrs Eliasob estimated that the overall total of consumers listed with black marks against their credit ratings — by dud cheques or bad records with settlement of accounts — was growing by no less than 8,000 names a month.



In avalanche of problems Mrs Ruth Eliasob of the Advanced Credit Bureau sorts out thousands of dud cheques used in the Christmas spending spree. Picture by Stephen Davimes.



# Car finance groups cruising comfortably

MOTOR finance houses expect reduced turnover growth in 1990, but the situation is viewed as far from critical

Wesbank GM Neville Nightingale said he was expecting a relatively "soft landing" for the vehicle financing industry.

"I stress this does not imply recession, but rather that growth will be reduced to match the inflation rate," he said

Nightingale based his forecast on the expected economic slowdown and relatively stable new vehicle sales

He said sales would be closely related to the industrial relations situation

Nightingale said bad debts

NEIL YORKE SMITH

would not present a big problem as long as interest rates did not escalate further

Stannic MD Gutch Vickers said he was reasonably optimistic about the current year

"I do not expect turnover to slow, as has been predicted by many people," he said

Vickers based his view on "the inflationary environment in which assets are appreciating at a rate above that of the expected inflation rate" *8/10/90*

He confirmed the likelihood of an increase in consumer bad debts "We expect a small increase in this area, but the levels will be nowhere near critical," he said

Vickers said despite "a tightening of belts in some areas" he still expected a 20% to 25% increase in the balance sheet during 1990

In a report on the outlook for 1990, Nedfin said prospects for banks involved in hard asset financing looked less encouraging when compared to with "buoyant 1989"

"The demand for corporate passenger vehicles will no doubt continue at a reasonable level, although consumer demand will continue to decline as disposable income is eroded," the report said

"The threatened avalanche of bad debts has not happened, although banks involved in consumer finance do report some increase," the report said

# Schwarz slates consumer protection system in SA

PRETORIA — Government efforts to prevent exploitation of consumers and protect their interests had failed miserably, DP finance spokesman Harry Schwarz said yesterday.

He was reacting to an announcement that President F W de Klerk had instructed the Economic Advisory Council to get "the active co-operation of consumers to curb price exploitation and in combating inflation".

Schwarz said there was no harm in a council investigation, but government was fully aware of the facts on the issue of consumer exploitation.

The techniques were well-known, he said.

Legislation to curb exploitation and protect consumer interest had been passed over the years, but had not been forcefully applied.

Government had failed to set up adequate machinery in terms of various acts to expose and discipline those who took advantage of consumers by loading prices.

Schwarz said he was "mystified" as to why the Department of Trade and Industry — supposedly the department responsible — had only one small office in the PWV area.

GERALD REILLY

This office had been located in Ver-eeniging

There was no office in Johannesburg nor in Soweto — the logical location for consumer complaints offices.

Schwarz said he had repeatedly recommended the appointment of a Minister of Consumer Affairs solely responsible for consumer protection, with a mandate to take firm action against unscrupulous traders.

B/Daw

10/1/90

Education

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"Government must get off its butt and create adequate machinery in terms of existing legislation, and use it, to ensure overpricing is eliminated."

He repeated there was a substantial body of legislation in place — all that was needed was the will to use it.

Needed, too, he added, was an education programme among adults and children in schools to equip them to face everyday problems.

This included education on how they should protect themselves as consumers, Schwarz said.

## Debt mountain set to reach new peak

B10  
11/11/90  
GERALD REILLY (246)

PRETORIA — The debt mountain will rise to a new peak this year in the wake of Christmas and New Year spending and the consequences of inflation, Information Trust Corporation (ITC) CE Paul Edwards said yesterday.

The debt build-up was likely to be reflected in a rising number of insolvencies and sequestrations as well as in debt judgment and debt summonses.

Economists added that consumer woes were likely to be aggravated by higher food prices, including a bread price hike from April 1.

Edwards said the debt heap could grow by as much as 20% this year as more consumers resorted to credit buying of price-inflated commodities.

Christmas sales, he said, were surprisingly good considering high prevailing interest rates and the continued squeeze on disposable income.

He stressed that the consumer base was widening, stretched by the continually expanding black buying power. Blacks were also moving into the credit buying field in larger numbers.

ITC had noted a shift in the overall spending pattern. Durables such as TV sets and videos had been hard hit by import surcharges but semi-durables continued to fare well.

The fact that spending in real terms was much higher than in 1988 indicated more credit transactions of a lower average value. This could be attributed to increased black spending.

Without this there could have been a marked decline in overall sales, he said.

Edwards said 28% of all credit inquiries received by ITC related to black consumers — an increase of 20%.

Edwards added that cause for concern was the increasing trend towards rolling debt — borrowing merely to pay off existing creditors.



# Thousands in debt after Christmas

## Christmas

SOUTH African consumers may face the biggest New Year avalanche of debt problems on record in the wake of the R12,5 billion buying spree at Christmas time.

One of the largest debt collecting networks revealed this week that it was sending out debt summonses at a rate of almost 1 000 a week in the aftermath of the shopping binge.

The executive director of the Advanced Credit Bureau, Mrs Ruth Eliasob, said the total was treble the level reached a year ago.

"The number of legal actions taken so far may be only the tip of the iceberg," she said. "And the threat of court action comes only as a last resort."

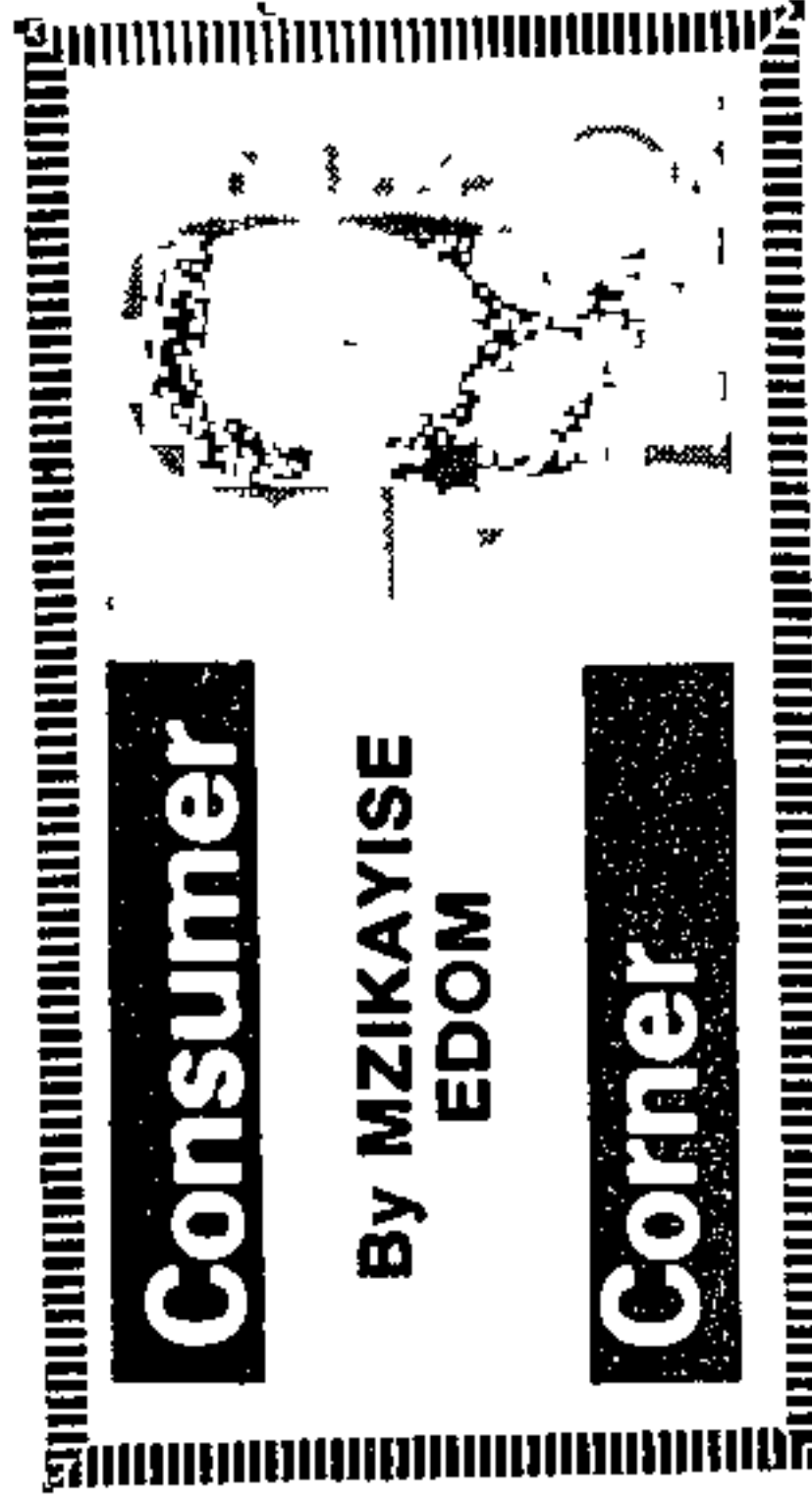
"Debt collection companies are called in to try to recover bad debts only when the victims, counting the cost of dud cheques bounced back at them by the banks, have despaired of responses to telephone calls and letters to offenders."

The number of dud cheques received by retailers in the Christmas rush had already reached more than 4 000 and looked likely to double

### Consumer

By MZIKAYISE EDOM

### Corner



## About 1 000 summonses issued a week

when a final count was taken.

One supermarket had so far sent in more than R93 000 worth of dud cheques - "and there may be worse to come".

Rubber cheques ranged from R25 to R25 000, she said.

Offenders varied from retrenched bread-winners left in dire financial straits, to children in affluent families who found it easier and easier to

access to credit

"We really try our best to negotiate a reasonable settlement plan with families that have been spending on credit in desperation to fill their basic food baskets," said Eliasob

"The basic thread that runs through most cases, however, is a growing disregard of any sense of disgrace about landing in problems with bad debt."

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# Lynn: Fighting all-consuming inflation

AFTER the euphoria of Christmas "bargains" and New Year "value" had passed, there we all were, reading about food and fuel price rises again, so I went in search of the national president of the Housewives' League to find out what we should all be doing.

I found Lynn Morris, a tough-talking, articulate lady from Verwoerdburg — which she instantly points out is NOT a suburb of Pretoria, but a town in its own right.

"But it's the fashion, they do it every year," she says of the alarming price hikes the nation faces as experts estimate that the average 15% salary increase will be swallowed up by February.

"I'm afraid I'm very cynical on this subject. As soon as businesses open their depots and factories again after New Year, they put the prices up again," says Lynn.

"Also, there is an Eskom price rise from January 1 and a SATS

Lynn Morris



**DIANE CASSERE**

interviews people from all walks of life, people who are making headlines or quietly benefiting the lives of others

## KALEIDOSCOPE

price hike expected — a rail increase affects the petrol costs inland."

Lynn is a South African "by adoption, from England" who spent her school-going years in Cape Town. "I still think of myself as from Cape Town. Even after 17 years, they'll never make a 'Transvaaler of me!'"

She married a South African who was in the British Colonial Service, so spent many years in Central Africa.

Lynn, now widowed, has three children and one grandson. She has been associated with the

Housewives' League for 16 years and has been president for four.

Asked if she was a working woman during this year, she replied "All women work! No, I was fortunate enough not to need the financial rewards of working women — and officers in the Housewives' League are totally voluntary.

"We do have men members. Many when they retire start going shopping with their wives and then they see what their wives have been coping with for all those years — so they become involved."

"Others are businessmen and many businesses are on our mailing list for 'Rands and Cents' (the League's monthly newsletter). I think mostly to see what we are up to."

She says she finds the apathy of the South African consumers frightening, but does think that that most of us have trimmed down our lifestyles considerably.

"The government must stop spending and bring down inflation. It's the only way," she says.

Consumers should be educated to current prices and be disciplined in their shopping, making careful lists with anticipated prices before setting off.

Lynn herself always keeps a shopping book. It takes her about half-an-hour every month, but she lists everything she still has in stock, everything she needs — going from kitchen to closet to bathroom to dressing table — and the final tally.

● The Housewives' League was started in 1935 by Dr Martha Webb, a nutritionist, triggered by the half-penny rise in the sugar price, to assist women to feed their families economically.

The oil crisis of 1973 was the trigger for the consumer-conscious organisation it is today when, as Lynn says, "inflation first reared its head".

# PSA: Market related wage plan a failure

GERALD REILLY

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PRETORIA — The market related wages ideal for public service has failed hopelessly because of the chronic lack of funds, says the Public Servants Association

Public servants had been impoverished over the past four years with living standards plunging by a 33% average, the PSA said in The Public Servant. Uncertain career prospects because of privatisation, destructive and unfounded criticism and poor pay had created conditions for widespread unhappiness in the service and accelerated resignations

In 1985 the average earnings per person was R11 762. This had risen to

R14 472. Because of higher living costs effective earnings were reduced to R7 853 compared with 1985

"In this state of impoverishment public servants can no longer financially absorb other external factors that erode their net salary."

Among these were increasing interest rates on mortgage bonds, personal loans, HP transactions and overdrafts. On top of this, income tax failed to provide for the decline in real earnings

The PSA said the net salary of a director since 1984 had increased by

84%, but his income tax had increased by 98% and his living costs by 122%

Private sector salaries had generally kept pace with the increases in living costs, the PSA said

Measured against private sector levels public servants had a salary backlog of 19,9% for personnel management, up to 31,5% for lower level skilled manpower, and up to 23,84% for the unskilled

The majority of unskilled personnel were paid less than the recognised minimum breadline earnings

The public service had a 9% vacancy rate resulting in a saving for the state of about R400m a year, the PSA said

01/11/85  
8/11/85



# Retailers hold their breath for Budget

Blom 25/1/90 SYLVIA DU PLESSIS (70) 246  
FINALISED December figures for sales of audio equipment are likely to be higher than expected, but retailers are anxiously awaiting details of government's Budget before raising their hopes for a more prosperous 1990 generally.

Furniture Traders' Association (FTA) executive director Frans Jordaan said yesterday that December sales figures — due out at the end of the month — would probably reflect real growth of between 2% and 3% for the furniture sector. This was in line with the association's forecasts.

But while sales of appliances and TVs were likely to have remained poor, retailers were expected to report "still negative but slightly better" growth in sales of audio equipment, he said. The FTA's initial forecast was for negative real growth of 20%.

"However, whether the better-than-expected Christmas sales trend will continue into 1990 depends a lot on the March Budget. If the stringent regulations affecting the industry are relaxed, then I'll be much more hopeful."

## Review

Jordaan said representatives from the FTA, the Radio and TV Manufacturers Association and the SA Domestic Appliance Manufacturers Association would still be meeting Finance Department authorities on March 6 to discuss a possible easing of curbs on durables spending. "We'll review the situation with the latest data in hand and this will be passed on to Finance Minister Barend du Plessis."

"There are so many other things, such as the economy generally, that need to be taken into account, but we're hopeful and optimistic that the matter will be addressed to our satisfaction."

"If current HP deposit levels are lowered to acceptable levels and surcharges are reduced, prices will be more attractive and we'll see positive growth in the appliance, audio equipment and TV industry for the rest of the year."

"In the meantime, it's difficult to make forecasts when we don't know where we stand."

Du Plessis gave the assurance in November that import surcharges would be phased out and adjustments considered under the Credit Agreements (HP) Act when economic circumstances permitted.

...before it completed its work ... should consider lifting. Only then would the matter be considered.

# Debt summonses increase

PRETORIA — Debt judgments and debt summonses issued increased in the second half of last year, according to Central Statistical Services (CSS).

Economists said this was in keeping with the decelerating economy.

According to Volkskas chief economist At Engelbrecht, the trend would continue, probably for the rest of the year.

"It's part and parcel of the downswing. The debt level is closely linked to the business tempo."

High interest rates, high inflation, a slackening in demand generally, and to an extent, increased unemployment, would all add up to individual debt increasing

GERALD REILLY

during the year. (246)

However, the corporate sector would not be affected to the same extent, Engelbrecht said. 8/10/90 30/11/90

CSS figures showed summonses for debt issued during September, October and November last year increased 3,5% to R226 083, compared to the same three-month period the year before.

Civil judgments for debt increased 4,2% to R115 744 during the three months.

But compared to the June/August period last year, civil judgments increased by 7,5%.

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# Consumer rights focus of 90s

THE managing director of Checkers, Mr Sergio Martinengo, says consumers in this country are facing greater challenges than ever.

He said: "Tougher economic circumstances are forcing consumers to stand up and be counted. While the 1980s were years in which South African consumers grew to respect themselves as in-

dividuals with rights, the 1990s promise to bring those rights to fruition," he said.

"We realise that consumers are moving into a new age and will be shopping and spending with more knowledge and greater insight. We, as retailers, must be prepared to meet this challenge."

Martinengo said.

Checkers would enter the next 10 years with a new commitment and new attitude towards consumers and the issues that affect them.

In order to embrace the new consumer age in South Africa, Martinengo said, Checkers would be assessing how it could best benefit consumers at all stores countrywide.

The first step Checkers

will be taking as it enters the 90s is to give its consumers policy a face-lift

Checkline, the company's toll-free consumer line is "on-line" and, through it, Checkers is hoping to cater for a host of consumers needs.

Not only will consumers be able to act on their right to complain instantly, but the Checkline telephone number (0-100-

## Consumer

By MZIKAYISE EDOM

## Corner



709) is on-line for ideas, suggestions, problems or for customer information. Apart from Checkline, the supermarket will also be looking into other areas of business in order to make the supermarket a winning store for the consumers of South Africa.

These include prices, service, quality and range



Mr Martinengo



## 'Retailers shun TVs, appliances'

SYLVIA DU PLESSIS (246)

FIGURES for December sales of appliances and TVs released yesterday indicated retailers were steering clear of these commodities, Furniture Traders Association (FTA) executive director Frans Jordaan said yesterday. *BIDM 6/2/90*  
Jordaan said year-on-year sales of these items reflected negative real growth of 5% over the previous December, against 9% real growth for furniture and virtual standstill growth for audio equipment.

While overall sales in December were "reasonable" — total sales grew about 2% in real terms — retailers affiliated to the FTA were avoiding commodities for which consumer demand had dampened.

"I'm very happy with the 9% real growth in furniture sales, but I would be delighted if other items showed real growth too," Jordaan said.

He said the discrepancy between furniture sales and sales of appliances and TVs showed furniture was "scoring at the cost of something".

"The only logical conclusion I can arrive at is that retailers are now concentrating on furniture. This is a trend which has been emerging over the past five months and it is also the reason why sales of these items have outdone the inflation rate.

"Appliances and TVs are affected by tight HP terms and import surcharges which force prices up beyond the reach of many consumers, so it would appear many retailers are no longer encouraging sales of these."

"We want to keep local manufacturers and distributors in business, so a more even spread would be better.

"But my outlook is positive — we're definitely hoping for relief in the near future," he said.

Radio and TV Manufacturers Association and SA Domestic Appliance Manufacturers Association chairmen were not available for comment yesterday.

## Federale sells 74,9% stake in Morkels

SYLVIA DU PLESSIS

246

FEDERALE Volksbeggings is selling its 74,9% holding in Morkels for R28,5m to a management-led consortium backed by an undisclosed West German individual with effect from April 1.

The announcement follows speculation to this effect after the furniture and sports-goods retailer issued a warning to shareholders on January 25 to exercise caution in dealing in their shares.

In terms of the deal, the consortium will buy Federale's 30-million ordinary shares for 95c each.

However, the disposal is with dividend of an estimated R1,2m, so the consortium is effectively buying the shares for 91c each. A similar offer will be made to minority shareholders.

Federale domestic consumer goods division chairman Neville Organ said last night the sale — for a "fair" price in view of Morkels' recent performance — would tighten his group's focus on its domestic consumer goods interests, which include Continental China, Tek Corporation and Teljoy.

Federale's policy was to concentrate its investments in companies which had a substantial market share, he said.

"Morkels has a comparatively small share of the furniture and electrical retail goods market which is at present quite volatile and exposed to a high degree of government intervention in the form of credit restrictions on HP sales."

Morkels MD Carl Jansen, in Johannesburg to confer with staff, said the consortium planned to issue a formal statement "in due course".

"Our priority is to bring all our staff who have a vital stake in the business as shareholders as well as employees into the picture and this is being done throughout the country this week."

Morkels, hit by HP curbs, import surcharges and interest rates, posted earnings for the nine months to December of 12c (17,7c) a share, but Jansen said then he saw the new trading year as a "fresh platform" to return to previous high levels of turnover, profitability and market share gains.

The shares peaked at 95c earlier this month ahead of the announcement from a low of 70c in November, but closed unchanged yesterday at 90c.

## Uncertainty as Morkels issues results

SYLVIA DU PLESSIS (246)

MORKELS has released nine-month trading results at a time when main shareholder Federale Volksbeleggings (FVB) has issued a cautionary notice to shareholders. 810am 1/12/90

Management says Morkels is in the midst of negotiations, the purpose of which will only be disclosed in the next two to three weeks.

Results indicate that Morkels is still reeling from the impact of HP curbs, import surcharges and spiralling interest rates. And management says there is scant chance of any significant improvement during the final quarter.

The group, comprising both the "two-year guarantee" furniture stores and the Totalsports chain, has posted a 32% slide in taxed profits to R4,8m (R7m).

This translates into earnings of 12c (17,7c) a share, following a meagre 6% growth in turnover to R154,9m, and a 28% hike in interest to R3m.

MD Carl Jansen said on Friday cash-driven Totalsports had generated sales of R15,8m, up 55,6% on 1988's R10,1m and well ahead of sports goods and apparel market growth of 24,8%.

However, dampened consumer spending had hampered growth in the group's 83 credit-based furniture stores, where turnover amounted to R139m — only 2,4% higher than the R135m of a year ago and well below a market growth of 13,9%.

"On the furniture side we're chafing against the handcuffs of credit restrictions and import surcharges," he said.

"Our fortunes traditionally have been tied to the financial well-being of the thick middle of the consumer market. The disposable income of this group has been the most acutely crimped by high interest rates and continuing rampant inflation."

He said the "crippling" surcharge on imported electrical goods had led to price escalations on these items — historically Morkels's major source of revenue — thereby placing many of them beyond the consumer's reach.

Looking beyond the short-term prospect of depressed trading conditions, Jansen said Morkels' investment in its strategic plan to develop the group's business had continued unabated.

"We see the new trading year as a fresh platform to return to the previous high levels of turnover, profitability and market share gains," he said.

Morkels, of which 88% of 40-million shares are tightly held by Fedvolks (30-million) and financial institutions, is currently involved in talks for an MBO of some kind following a cautionary.

Jansen said the purpose of these negotiations would be disclosed within two or three weeks.



## Debts growing as fast as economy is slowing

246

GERALD REILLY

PRETORIA — The debt pile-up has begun to escalate in step with the economic slow-down and the trend will continue for the rest of the year, economists warn.

According to Central Statistical Services, the number of debt summonses issued in the last three months of last year increased by 9,8% to 213 407 compared to the same period of 1988.

Civil judgments for debt increased by 6,1% to 107 817. *By 24/90*

Stellenbosch Economic Bureau head Ockie Stuart said the downswing was just beginning to be felt. Its impact would become more apparent as the year wore on.

Debt and repossessions would almost certainly increase in tandem with the economic slide.

An aggravating factor was that inflation was not likely to be reined in to any great extent and that salary and wage increases would mostly be below the inflation rate.

Disposable incomes would therefore tend to shrink.

Government workers would have to brace themselves for the likelihood of increases from April which would fail to compensate for inflation.

South 22/2 - 28/2/90  
**Scrap food tax!**

3  
246

By CHIARA CARTER

A CAMPAIGN to keep down food prices is being planned.

The National Unemployed Workers' Coordinating Committee (NUWCC) has slammed the proposal by the Minister of Finance, Mr Barend du Plessis, to scrap tax concessions on all fresh foods.

It will also approach the mass democratic movement (MDM) to launch a campaign to keep food prices down

At the second debate reading of the mini-budget in parliament last week, Du Plessis said the concessions cost the treasury more than R3,8 billion; only R700 million of this reached the poor.

**Poverty**

NUWCC spokesperson Kevin Patel said the organisation was "appalled" at Du Plessis' proposal.

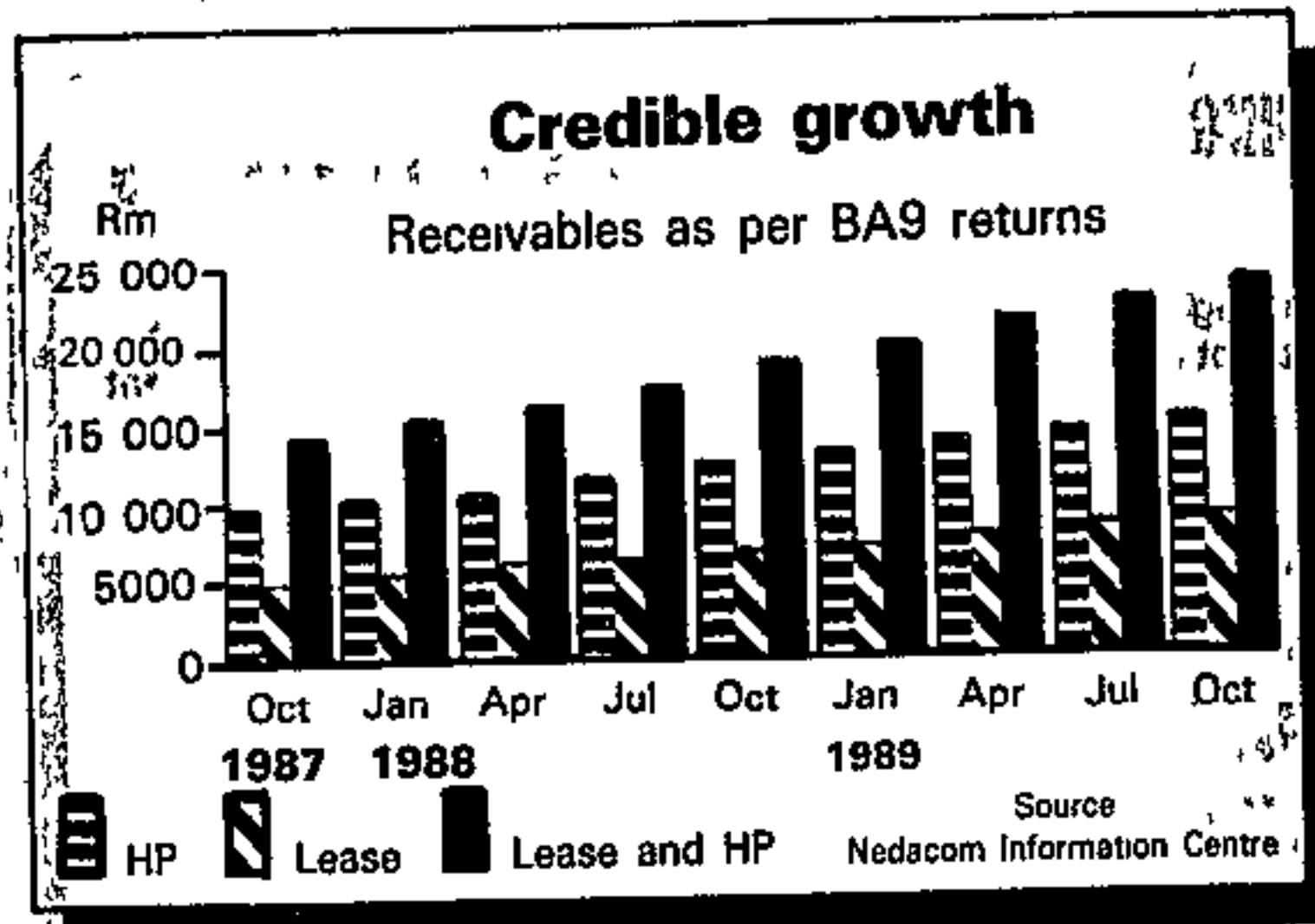
"This means greater poverty for all South Africans," Patel said.

He said the NUWCC wanted to know how the minister had calculated the benefits for the poor.

The organisation wanted the government to increase food subsidies instead of increasing taxation.

Sources within the government said the government is planning to introduce a food stamp system

Patel said, given the existence of 14 welfare departments and an estimated six million unemployed, the introduction of a food stamp system would be a "bureaucratic nightmare"



# Credit curbs yet to bite

By Ian Smith

**TOUGHER** action to restrain bank lending has been largely brought about by the Reserve Bank's own actions.

This is clear from an analysis of the BA9 returns for the final quarter of last year.

New credit on lease agreements and hire purchase in the year appears to have totalled about R9-billion after allowance is made for payments on the year's advances.

Banks involved in suspensive sale and leasing lifted their receivables by R1,284-billion in the final quarter to show an increase of R5,5-billion for the year.

Early last year the Reserve Bank asked banks to keep credit extension to 1% a month of total receivables — but the 29,4% overall increase is well over the 13% limit.

Nedfin Bank managing director Ron Rundle says: "This measure has not worked in curbing credit. The authorities have taken a harder line in controlling liquidity in the money market, curbing the prime overdraft rate and introducing punitive

interest rates at the window."

He believes the Reserve Bank's policy will be maintained until bank advances are reduced to within the limits spelt out by the authorities.

Mr Rundle says that although last year's final-quarter increase does reflect some levelling off in bank instalment credit lending, it is still too high for the Reserve Bank's comfort.

He predicts that demand for credit will continue, but at a reduced level.

"The current quarter reflects steady demand for corporate credit although retail sales of durables, such as cars, are down on the previous quarter."

Mr Rundle says it will be another three or four months before banking margins are sufficiently restored to allow a reduction in the prime overdraft rate.

High interest rates bring insolvencies, but financial institutions are equipped to handle the casualties, he says.



# Consumers 'paying for Govt's folly'

step 16/2/90

As South African consumers are being swamped by a new wave of price increases, the Government's advice to them is simply Resist buying at excessively high prices.

The director-general of finance, Mr Gerhard Croeser, said last week that in addition to measures taken by the State against inflation, the public, too, had an important contribution to make. Consumers should refuse to buy at excessively high prices and buy selectively.

"It does not matter whether it is a cool-drink or a motor-car. It is not necessary always to have the shiniest car or the best of everything."

Consumers were still not sufficiently cautious in spending their money. The result was that the "vicious circle" of inflation continued. There should be more resistance to higher prices. If this could result in smaller turnovers, manufacturers would be encouraged to look again at their prices.

## 30 percent

Inflation — according to the latest figures available from the Central Statistical Services in Pretoria — was running at 14.9 percent in November, but it was alleged last year that the CSS figures were grossly inaccurate and that the real inflation rate could be 30 percent.

And it was disclosed this week that major manufacturers of food and consumer goods were demanding an average of 15 percent more for their products while householders face increased electricity charges following a 14 percent Eskom hike and parents will have to pay 20 percent more for their children's school uniforms.

The Government has been accused of trying to pass the buck after calling on hard-pressed consumers to fight rocketing prices and inflation with selective spending, reports political reporter FRANS ESTERHUYSE.

Some time this year there will be another petrol price increase which will affect a wide range of commodities, and travel. At the end of last year, SAA increased domestic air fares by 13 percent. Food prices have soared to double their 1985 levels, outstripping the consumer price index by 13 points, according to the CSS. Support for Mr Croeser's resistance call came from the director of the National Consumer Council, Mr Jan Cronje, who had this message for consumers: "You won't die if you were to abstain for a week from eating butter, margarine or meat that is priced too high. Yet if enough people take such action it can bring prices down."

Every time the Government increased fuel prices and transport costs this inevitably resulted in higher costs for farmers and a spate of price hikes for foodstuffs and other commodities. The Democratic Party's finance spokesman, Mr Harry Schwarz, agreed with Mr Croeser that there should be consumer resistance to excessively high prices, but expressed amazement that such a call should come from a Government spokesman.

He did not want to attack Mr Croeser because he liked him and thought him able. But he should "keep out of politics and leave it to his Minister to make provocative political statements."

"Here we have a Government which is a list into a supermarket. Does he really know what it means to the housewife who finds prices all round are too high? How can he expect consumers not to buy when basic foods like bread, mealie meal, sugar, coffee, tea and essential protein foods like cheese are too high?"

"Many consumers do shore up prices of different brands, but they have very little choice in a lot of things. The key to the whole problem is that the Government must bring down inflation. It must bring down its own spending, and yet every year it increases its spending."

Professor Brian Kantor of the school of economics at the University of Cape Town said appeals to consumers not to spend were useless. Consumers were hard-pressed and did not easily waste their money.

One of the key steps Mr Croeser himself could take was to encourage the Government to take a tough stand against public sector salary increases. This would provide an opportunity for direct income tax relief on a significant scale. Salary increases should be limited to 10 percent, combined with income tax relief at 5 percent all the way through the scale.

Stellenbosch economist Professor Sammie Terreblanche said only drastic political and constitutional reforms would improve the economy. These actions would create confidence, attract foreign capital, create growth, and bring down inflation.

party to price increases, yet it is telling consumers to resist high prices. Should there be consumer resistance to increased rail and air tariffs and to higher prices resulting from the Government's privatisation activities?

"Money supply figures don't indicate to me that enough is being done to fight inflation. The real test will be when the budget is presented. We need to deal with major cut-backs in state expenditure, and these need to be applied according to the correct priorities," he said.

"We can do away with the whole machinery of the Group Areas Act and with duplication in separate 'own affairs' administrations, for example."

## Public sector

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# Rise in milk price slammed on all fronts

By LULAMA LUTI

THE price of milk went up this week by 13 cents a litre - putting it almost out of reach for many an ordinary worker. *AP 25/2/90 (246)*

And following the increase, announced earlier this week by the Dairy Board, the National Black Consumer Union (NBCU) has called on all consumers to protest against the rise by using substitute products.

In a statement, NBCU demanded justification from the Board and said the increases could not have come at a worse time, when consumers were still recovering from increases late last year.

NBCU president Nomia Ramphomane said milk was one of the basic foodstuffs for many township families and without it they would find it difficult to survive.

Trade union organisations expressed outrage, saying more people were going to suffer.

South African Domestic Workers' Union (Sadwu) spokesman Margaret Nhlapho said domestic workers earned a meagre wage and would be hardest hit.

Many mothers depended on milk products to feed their children and now would have to dig even deeper into their pockets.

Nactu spokesman Cunningham Ngcukana said the increase in the prices of basic foodstuffs would necessitate increases in wage claims.

He dismissed Reserve Bank Governor Dr Chris Stals' call for consumers to tighten their belts while the government paid its foreign debts.

"He is actually telling our people to starve while his salary is a huge one. Those in the low-income group will definitely suffer as the increase is going to affect all milk products."



# HP and lease credit soars

CREDIT extended for hire-purchase and leasing transactions soared by almost 30% last year after similar growth in 1988, according to banks' latest BA9 returns to the Reserve Bank.

Last year's growth of 29.4% far exceeded the Reserve Bank's desired 13%. The Bank had early last year asked the banks to restrain credit growth to 1% a month.

Nedfin MD Ron Rundle said "It is obvious that this measure has not worked in curbing credit and for this reason the authorities have taken a harder line in controlling the liquidity in the money market, curbing the prime overdraft rate, and introducing punitive interest rates at the

GRETA STEYN

discount window" 246

He predicted the present policy would continue until growth in the banks' advances had been reduced to the authorities' limits. It would take several more months for the banking sector to create conditions leading to a possible reduction in the prime overdraft rate. *8/24/90 27/2/90*

"The current quarter still reflects a steady demand for corporate credit although retail sales of durables, such as motor vehicles are down on the previous quarter"



## Objection to term in committee brief

246 GRETA STEYN

GOVERNMENT's investigation into fighting inflation through consumer resistance to "price exploitation" has drawn sharp criticism from the SA Chamber of Business (SACB).

The SACB, in a memorandum to the President's Council Economic Affairs committee, described the words "price exploitation" in the terms of reference of the committee as "misleading and unfortunate".

Misleading as it implies price exploitation causes inflation, and unfortunate as it implies exploitation is an established fact and would tend to "engender hostility between consumer and businessman".

The terms of reference suggested there was a misunderstanding as to the "real causes" of inflation.

The SACB said it rejected allegations of price exploitation. It was emphatic that effective competition, and not "consumerism", could be the only response to what is perceived to be "exploitive prices".

"No-one can say what constitutes a reasonable or fair mark-up in relation to an exploitive mark-up, but one element of certainty is that competition drives down mark-ups."

To achieve effective competition, the active pursuit of deregulation and privatisation was necessary. In addition, the economy had to be opened up to participation by all.

"The best safeguard for consumers' interests lies in the appropriate level of workable competition," the SACB said. It added a number of bodies watched over competition and there were also laws to protect the consumer.

Further regulations "could well have the opposite effect to what is actually sought".


## Chin up, consumers

Nelson Mandela's repeated insistence on nationalisation may have hurt investor sentiment and the rand but it appears to have had little impact on local consumer confidence.

Purchases of durables, such as furniture and household appliances, are usually an accurate barometer of consumer sentiment. But Rusfurn's (see Fox) retail outlets had no ill effects in the wake of Mandela's Cape Town speech. Says financial director Mervyn Gerszt: "Business did take fright and, there was a hiccup in consumer confidence, but it lasted only a week, then everything recovered." (246)

However, Dion MD Jannie Els describes the post Mandela release period as "a blood letting for us"

He adds: "Those who buy on credit and place only their 10% deposits at risk are still buying. But the more sophisticated consum-

FIM 2/3/90 (246)   
 er with cash, whom we regard as our target market, is adopting a more cautious attitude. Sales to them have dropped by 15%. Hopefully, this will be a short-term situation."


Frans Jordaan, executive director of the Furniture Traders' Association, says only one member attributed a drop in sales last month to the Mandela release "Like most of my members, I feel the Mandela factor is of no great significance. February is normally a bad month and there is never a shortage of people prepared to advance reasons, real or imagined, to explain their poor performances"

Domestic Appliance Manufacturers' Association of SA chairman Richard Ferrer says his members are more concerned with what will be the effects of the March 14 Budget. They feel measures taken by government to cool the economy, such as higher interest rates and more stringent HP conditions, affect their fortunes more than Mandela's views.

It's these factors, more than Mandela, that are hurting car sales, particularly used cars, says National Association of Automobile Manufacturers of SA executive director Nico Vermeulen. "The downswing in our fortunes started in the middle of last year and had nothing to do with Mandela"

National Association of Home Builders' executive director Johan Grotsius says there are plenty of home alterations taking place and very little work has been cancelled. He's looking forward to an "acceleration caused by improvements in the economy"

Two signals emerge from the international

FIM 2/3/90 

home-moving industry. SA Furniture and Warehousemen's Association chairman Brian Goldie has noticed a significant increase in inquiries from people thinking about emigrating.

But past-chairman David Bradford disagrees. "The exodus we thought Mandela's views would provoke hasn't happened. Many potential customers told us they are reconsidering their decisions to move overseas because they see the country becoming more stable. Of interest is the number of South Africans who now want us to move them back again." (246) ■

B/day 6/3/90

246

~~188~~

## GROWTH EXPECTED IN FURNITURE INDUSTRY

SYLVIA DU PLESSIS

A RELAXATION of HP curbs and a reduction in import surcharges could improve year-on-year growth in the furniture industry this year by at least 4%, according to Furniture Traders Association executive director Frans Jordaan.

Jordaan said yesterday an easing of these measures, whether announced on March 14 or shortly thereafter, would see overall growth in the sector rise from 1989's negative real growth of 2% to positive real growth of 2-3%.

Jordaan said he and representatives from the Radio and TV Manufacturers Association and the SA Domestic Appliance Manufacturers Association last week met finance department authorities to discuss a possible easing of curbs on durables spending.

He said they had a constructive discussion but would have to wait until the budget was presented to see what would happen.

Jordaan said January figures, released yesterday, indicated appliance sales had dropped from December's year-on-year negative real growth of 5% to negative real growth of 10% the following month.

Sales of TVs and video equipment were also poorer, reflecting negative real growth of 12,5% against 5%.

However, audio equipment sales reflected real growth of 2,5% against standstill growth the previous month, while undisclosed furniture sales, which showed 9% real growth in December, were "very satisfactory".



Local authorities: remuneration

\*2 Mr R M BURROWS asked the Minister of Planning and Provincial Affairs

- (1) Whether he has received a report from the Commission for Administration on the remuneration of local authority councillors and committee members, if so, (a) when did he receive the report, (b) what were the main recommendations made in it and (c) what is the likely annual additional cost which would be incurred by local authorities in implementing the recommendations contained in the report,
- (2) whether the Council for the Co-ordination of Local Government Affairs has considered the above report, if not, why not, if so, (a) to what effect and (b) what alternatives have been recommended?

The MINISTER OF PLANNING AND PROVINCIAL AFFAIRS  
B352E

- (1) Yes
  - (a) 18 June 1989
  - (b) That a comprehensive remuneration system of which the detail has not yet been formulated, be determined.
  - (c) As detail has not yet been formulated in the report, the likely costs that it holds in for local governments cannot be determined
- (2) Yes, before the Action Committee of the Council for the Co-ordination of Local Government Affairs
  - (a) It has been decided that the recommendations, contained in the report of the Commission for Administration, be accepted, provided that.
    - (i) the rand value as mentioned in the report be determined by the Office of the Commission for Administration,
    - (ii) any discrepancies and other deficiencies which may occur be addressed by the Office of the Commission for Administration,
    - (iii) special attention be afforded to the position of the deputy mayor of Cape Town and the deputy

chairman of the management committee of a local authority, as well as to the positions of persons in other relevant posts, and

- (iv) the Office of the Commission for Administration (convene) and determine a formula, as well as finalise the objections raised
- It was also decided that after the conditions have been reconsidered and discussed, the Office of the Commission for Administration again submits the report as adapted to the Action Committee of the Co-ordinating Council for discussion
- In the meanwhile the Office of the Commission for Administration withdrew itself from the investigation. The Co-ordinating Council for Local Government Affairs convened a special meeting on 8 December to consider the matter. During the meeting it was decided—

that the four administrators, with Administrator D J Hough as convener, will consider the matter further and finally decide on the percentage of the proposed increase in the remuneration of councillors as well as the date of commencement, and that the Minister of Planning and Provincial Affairs will clear the matter of parity in the compensation of councillors of local governments with the Own Affairs Ministers

The matter has thus not been finalised  
(b) None

\*3. Mr L FUCHS asked the Minister of Justice

- (1) With reference to the case of *The State v W H Rabe*, concluded in the Piet Retief Regional Court on 12 February 1990, (a) for what offences was the accused (i) charged, (ii) prosecuted and (iii) convicted and (b) what sentence was handed down, *Hansard* 1313190
- (2) whether any witnesses present at the time of the alleged offences were committed

were not summoned to appear in court, if so, (a) which such witnesses and (b) why?  
*Hansard* 1313190 B357E  
The MINISTER OF JUSTICE

- (1) (a) Murder
- (ii) Culpable Homicide
- (iii) Assault
- (b) R100,00 or 50 days' imprisonment

(2) Yes  
(a) M S Nkosi, L N Xaba, J O Sithole and M S Ndlangamandla. The latter two did in fact turn up at court

(b) I had enquiries made and it seems that the main state witness's evidence was in no way contradicted and that there were no challenged facts concerning the assault between the State and the defence. The District surgeon further testified that the cause of death had absolutely no connection with the assault. In the light of these facts the prosecutor concerned decided not to call any further witness

I would like to add that I do not agree with the sentence that was imposed and cannot defend it. This is an excellent example where the State would possibly have liked to appeal against the sentence. A proposal in this regard will be laid upon the table soon and I am of the opinion that I shall get support of Parliament

My opinion, which I have repeatedly stated, is that the lower courts are under the control of the Supreme Court and that the Supreme Court should give the necessary guidance to the lower courts. It would be inappropriate for politicians to try and play this role

Development Boards: taking over of staff

- \*4 Mr H D K VAN DER MERWE asked the Minister for Administration and Privatisation  
Whether all phases of the taking-over of staff of the former Development Boards have been completed, if not, why not?  
*Hansard* 1313190 B361E

The MINISTER FOR ADMINISTRATION AND PRIVATISATION  
*Hansard* 13/3/90  
Yes. However, requests for the adjustment of the dispensation of individual staff members, which were later received, are at present being attended to

Inflation

\*5 Mr H H SCHWARZ asked the Minister of Finance *Hansard* 13/3/90  
What action is being taken in order to reduce the level of inflation in South Africa?

The MINISTER OF FINANCE B363E

The thrust of the Action Plan for the Combating of Inflation is fiscal and monetary discipline. Both of these have been exercised during the past year, and this will certainly continue

Government spending is under control. The overrun in the 1989/90 Budget is estimated at a mere 0.3 per cent. Fiscal discipline will be maintained in the coming year. Details will be forthcoming tomorrow

The promotion of saving must clearly be a component of a counter-inflationary strategy, and the Government sets a high premium on both personal saving and the avoidance of dissaving on its own part. But here too it would be better to wait until tomorrow for the fine print

In the monetary field, a declining money supply growth reflects the Reserve Bank's tightened policy, which was achieved inter alia by raising the cost of accommodation to the banking sector, both by penalty rates at the discount window and by increases in Bank rate. Positive real interest rates, together with disciplined public expenditure, have contributed to curtailing gross domestic expenditure growth successfully. Gross domestic expenditure actually declined by 1 per cent in real terms during 1989. These are important factors in the lowering of inflationary expectations. The more stable and even slight appreciation of the rand in recent months, was a further positive factor

More generally and within a longer-term framework, the Government seeks to strengthen the supply side of the economy, and not least by tax reform that will reduce



disincentives to labour and production the taxation of married women is an example. At a wider remove are the substantial budget allocations to education and to the provision of physical and social infrastructure, while small business promotion, deregulation and the scrapping of outmoded legislation are opening up opportunity on an increasing scale. Various steps have also been taken to improve efficiency in the public sector, eg the introduction of value-for-money auditing.

As far as the actual process of price formation is concerned, the government is committed to the free play of competitive market forces—hence the Competition Board, reinforced by the Consumer Council and the Harmful Business Practices Committee. Moreover, the Committee on Economic Affairs of the President's Council recently initiated an investigation into what it termed "price exploitation".

Inflation in South Africa over the past few years can however not be regarded as a problem in isolation and with a solution of its own. It was and is an integral part of the whole adjustment problem with which the South African economy has grappled since 1984. In this sense inflation will not be successfully combated unless structural adjustments are made that will improve the economic growth potential. The various elements of economic restructuring announced by the State President in his parliamentary opening address on 2 February 1990, which will be referred to during tomorrow's Budget Speech, are therefore very important in combating inflation.

Walvis Bay: representations

\*6 Mr J H HOON asked the Minister of Foreign Affairs + ~~Heussel~~ 13/3/90

- (1) Whether the Government has received any representations for Walvis Bay to be handed over to the new government of an independent Namibia, if so, from whom,
- (2) whether the Government has taken any decision in this regard, if not, why not, if so, what decision,
- (3) whether he will make a statement on the matter?

B404E

between the two countries for the financing of the road. This does, however, not mean that a loan agreement will be concluded. ~~Heussel~~ 13/3/90

Zaure: road building programme

\*8 Mr A GERBER asked the Minister of Foreign Affairs + ~~Heussel~~ 13/3/90

- (1) Whether the Government (a) is supporting or (b) intends supporting a road building programme in Zaure if so, what amount has the Government contributed or does it intend to contribute towards it,
- (2) whether he will make a statement on the matter?

B411E

The MINISTER OF FOREIGN AFFAIRS

- (1) (a) No
- (b) No

- (2) Falls away

Reserve Police Force political activities

\*9 Mr A P OOSTHUIZEN asked the Minister of Law and Order + ~~Heussel~~ 13/3/90

Whether any instructions to refrain from political activities were issued to members of the Reserve Police Force during the latest specified period of three years for which information is available, if so, (a) on how many occasions, (b) for what reasons and (c) who issued these instructions?

B413E

The MINISTER OF LAW AND ORDER

I refer the honourable member to interpellation number 1 of 18 April 1989 (Hansard Column 677) during which this matter was debated. I regard the information which was furnished during this interpellation to also be an adequate reply to this question.

RSA/Lesotho: inter-state border fence

\*10 Mr A P OOSTHUIZEN asked the Minister of Foreign Affairs + ~~Heussel~~ 13/3/90

- (1) Whether there is any dispute between the Republic of South Africa and Lesotho over the inter-state border fence erected

or to be erected between Wepener and Zastron, if so, (a) what are the points in dispute (b) when is it expected that the dispute will be settled and (c) what steps have been taken or are proposed to be taken in this regard, if not.

(2) whether there is any delay in erecting the border fence concerned, if so, what is the reason for the delay?

B415E

The MINISTER OF FOREIGN AFFAIRS

- (1) Yes
- (a) There is a difference of opinion between the Republic of South Africa and the Kingdom of Lesotho in connection with the location of the international boundary between Wepener and Zastron

Two portions of the border are being questioned by the Kingdom of Lesotho, namely the Cornetspruit/Liphiring area and the Langeberg area

- (i) The Cornetspruit/Liphiring area lies north east of Zastron to the west of Mochales Hoek. The original border was indicated by beacons according to the coordinates and stipulations of the Second Treaty of Aliwal North (1869). In this area the border fence partially does not follow the border beacons and the fence is situated within the RSA. The fence was erected within the RSA for practical reasons because the beacons are on a mountain ridge which is extremely inaccessible. The positioning of the fence was a unilateral decision of the RSA for the practical reasons mentioned.
- (ii) The Langeberg area east of Vanstadensrus. Here also the border is determined according to the stipulations and coordinates of the Second Treaty of Aliwal North (1869). The thus determined border results, however, in a triangle of about 80 hectares RSA territory "projecting" into Lesotho which



Local authorities: remuneration

\*2 Mr R M BURROWS asked the Minister of Planning and Provincial Affairs

- (1) Whether he has received a report from the Commission for Administration on the remuneration of local authority councillors and committee members, if so, (a) when did he receive the report, (b) what were the main recommendations made in it and (c) what is the likely annual additional cost which would be incurred by local authorities in implementing the recommendations contained in the report,
- (2) whether the Council for the Co-ordination of Local Government Affairs has considered the above report, if not, why not, if so, (a) to what effect and (b) what alternatives have been recommended?

THE MINISTER OF PLANNING AND PROVINCIAL AFFAIRS B352E

- (1) Yes
- (a) 18 June 1989

- (b) That a comprehensive remuneration system of which the detail has not yet been formulated, be determined
- (c) As detail has not yet been formulated in the report, the likely costs that it holds in for local governments cannot be determined

(2) Yes, before the Action Committee of the Council for the Co-ordination of Local Government Affairs

(a) It has been decided that the recommendations, contained in the report of the Commission for Administration, be accepted, provided that

- (i) the rand value as mentioned in the report be determined by the Office of the Commission for Administration,
- (ii) any discrepancies and other deficiencies which may occur be addressed by the Office of the Commission for Administration,
- (iii) special attention be afforded to the position of the deputy mayor of Cape Town and the deputy

chairman of the management committee of a local authority, as well as to the positions of persons in other relevant posts, and

(iv) the Office of the Commission for Administration (convener) and the four provincial governments determine a formula, as well as finalise the objections raised

It was also decided that after the conditions have been reconsidered and discussed, the Office of the Commission for Administration again submits the report as adapted to the Action Committee of the Co-ordinating Council for discussion. In the meanwhile the Office of the Commission for Administration withdrew itself from the investigation. The Co-ordinating Council for Local Government Affairs convened a special meeting on 8 December to consider the matter. During the meeting it was decided—

that the four administrators, with Administrator D J Hough as convener, will consider the matter further and finally decide on the percentage of the proposed increase in the remuneration of councillors as well as the date of commencement, and

that the Minister of Planning and Provincial Affairs will clear the matter of parity in the compensation of councillors of local governments with the Own Affairs Ministers

The matter has thus not been finalised  
(b) None.

The state v W H Rabe

\*3 Mr L FLUCHS asked the Minister of Justice

- (1) With reference to the case of *The State v W H Rabe*, concluded in the Pret Refet Regional Court on 12 February 1990, (a) for what offences was the accused (i) charged, (ii) prosecuted and (iii) convicted and (b) what sentence was handed down, *Howard* 13/3/90
- (2) whether any witnesses present at the time of the alleged offences were committed

were not summoned to appear in court, if so, (a) which such witnesses and (b) why? *Howard* 13/3/90 B357E

THE MINISTER OF JUSTICE

- (1) (a) (i) Murder
- (ii) Culpable Homicide
- (iii) Assault

(b) R100,00 or 50 days' imprisonment

(2) Yes  
(a) M S NKOSI, L N XABA, J O SITHOLE and M S NDIANGAMANDA. The latter two did in fact turn up at court

(b) I had enquiries made and it seems that the main state witness's evidence was in no way contradicted and that there were no challenged facts concerning the assault between the State and the defence. The District Surgeon further testified that the cause of death had absolutely no connection with the assault. In the light of these facts the prosecutor concerned decided not to call any further witness

I would like to add that I do not agree with the sentence that was imposed and cannot defend it. This is an excellent example where the State would possibly have liked to appeal against the sentence. A proposal in this regard will be laid upon the table soon and I am of the opinion that I shall get support of Parliament

My opinion, which I have repeatedly stated, is that the lower courts are under the control of the Supreme Court and that the Supreme Court should give the necessary guidance to the lower courts. It would be inappropriate for politicians to try and play this role

\*4 Mr H D K VAN DER MERWE asked the Minister for Administration and Privatisation

Development Boards: taking over of staff  
Whether all phases of the taking-over of staff of the former Development Boards have been completed, if not, why not? *Howard* 13/3/90 B361E

THE MINISTER FOR ADMINISTRATION AND PRIVATISATION *Howard* 13/3/90

Yes. However, requests for the adjustment of the dispensation of individual staff members, which were later received, are at present being attended to

Inflation

\*5 Mr H H SCHWARZ asked the Minister of Finance *Howard* 13/3/90

What action is being taken in order to reduce the level of inflation in South Africa? B363E

THE MINISTER OF FINANCE

The thrust of the Action Plan for the Combating of Inflation is fiscal and monetary discipline. Both of these have been exercised during the past year, and this will certainly continue

Government spending is under control. The over-run in the 1989/90 Budget is estimated at a mere 0,3 per cent. Fiscal discipline will be maintained in the coming year. Details will be forthcoming tomorrow

The promotion of saving must clearly be a component of a counter-inflationary strategy, and the Government sets a high premium on both personal saving and the avoidance of dissaving on its own part. But here too it would be better to wait until tomorrow for the fine print

In the monetary field, a declining money supply growth reflects the Reserve Bank's tightened policy, which was achieved inter alia by raising the cost of accommodation to the banking sector, both by penalty rates at the discount window and by increases in Bank rate. Positive real interest rates, together with disciplined public expenditure, have contributed to curtailing gross domestic expenditure growth successfully. Gross domestic expenditure actually declined by 1 per cent in real terms during 1989. These are important factors in the lowering of inflationary expectations. The more stable and even slight appreciation of the rand in recent months, was a further positive factor

More generally and within a longer-term framework, the Government seeks to strengthen the supply side of the economy, and not least by tax reform that will reduce



disincentives to labour and production the taxation of married women is an example. At a wider remove are the substantial budget allocations to education and to the provision of physical and social infrastructure, while small business promotion, deregulation and the scrapping of outmoded legislation are opening up opportunity on an increasing scale. Various steps have also been taken to improve efficiency in the public sector, eg the introduction of value-for-money auditing.

As far as the actual process of price formation is concerned, the government is committed to the free play of competitive market forces—hence the Competition Board reinforced by the Consumer Council and the Harmful Business Practices Committee. Moreover, the Committee on Economic Affairs of the President's Council recently initiated an investigation into what it termed "price exploitation".

Inflation in South Africa over the past few years can however not be regarded as a problem in isolation and with a solution of its own. It was and is an integral part of the whole adjustment problem with which the South African economy has grappled since 1984. In this sense inflation will not be successfully combated unless structural adjustments are made that will improve the economic growth potential. The various elements of economic restructuring announced by the State President in his parliamentary opening address on 2 February 1990 which will be referred to during tomorrow's Budget Speech, are therefore very important in combating inflation.

Walvis Bay: representations

\*6 Mr J H HOON asked the Minister of Foreign Affairs + Hansard 13/3190

- (1) Whether the Government has received any representations for Walvis Bay to be handed over to the new government of an independent Namibia, if so from whom,
- (2) whether the Government has taken any decision in this regard, if not, why not, if so, what decision,
- (3) whether he will make a statement on the matter?

The MINISTER OF FOREIGN AFFAIRS

- (1) During informal talks with designated members of the independence government of Namibia, they indicated that the people of Namibia would welcome it as a deed of great goodwill if Walvis Bay could be handed over to Namibia.
- (2) The South African Government's position is that Walvis Bay forms part of South African territory. However, it is also realised that Walvis Bay is presently the only deep sea harbour available to Namibia. It is expected that discussions will be conducted between the South African Government and the future Government of Namibia about the use of Walvis Bay.
- (3) Falls away.

Komatipoort/Maputo road: assistance

\*7 Mr A GERBER asked the Minister of Foreign Affairs + Hansard 13/3190

- (1) Whether the Government (a) has decided to make available or (b) is considering making available financial and/or other assistance to Mozambique for the building of a road from Komatipoort to Maputo, if so, what amount has the Government contributed or does it envisage contributing,
- (2) whether the Government intends contributing financially on an annual or any other basis, towards the maintenance of this road, if so, (a) on what basis and (b) what amount is involved,
- (3) whether he will make a statement on the matter?

The MINISTER OF FOREIGN AFFAIRS

- (1) Yes, but for the present only an amount of R300 000 has been made available for a feasibility study. Afterwards attention will be given to the financing of the road. It may be that only part of the road needs to be rebuilt and that the remaining parts of the road will have to be renovated. The possibility of trying to procure overseas funding is also being considered.
- (2) It will depend on the terms of any loan agreement which may be concluded between the two countries for the financing of the road. This does, however, not mean that a loan agreement will be concluded.
- (3) Yes, when greater clarity with regard to all the facets of this matter has been obtained.

Zaire: road building programme

\*8 Mr A GERBER asked the Minister of Foreign Affairs + Hansard 13/3190

- (1) Whether the Government (a) is supporting or (b) intends supporting a road building programme in Zaire, if so, what amount has the Government contributed or does it intend to contribute towards it,
- (2) whether he will make a statement on the matter?

The MINISTER OF FOREIGN AFFAIRS

- (1) (a) No
- (b) No
- (2) Falls away.

Reserve Police Force: political activities

\*9 Mr A P OOSTHUIZEN asked the Minister of Law and Order + Hansard 13/3190

Whether any instructions to refrain from political activities were issued to members of the Reserve Police Force during the latest specified period of three years for which information is available, if so, (a) on how many occasions, (b) for what reasons and (c) who issued these instructions?

The MINISTER OF LAW AND ORDER

I refer the honourable member to interpellation number 1 of 18 April 1989 (Hansard Column 677) during which this matter was debated. I regard the information which was furnished during this interpellation to also be an adequate reply to this question.

RSALesotho: inter-state border fence

\*10 Mr A P OOSTHUIZEN asked the Minister of Foreign Affairs + Hansard 13/3190

- (1) Whether there is any dispute between the Republic of South Africa and Lesotho over the inter-stage border fence erected

or to be erected between Wepener and Zastron, if so, (a) what are the points in dispute, (b) when is it expected that the dispute will be settled and (c) what steps have been taken or are proposed to be taken in this regard, if not,

- (2) whether there is any delay in erecting the border fence concerned, if so, what is the reason for the delay?

The MINISTER OF FOREIGN AFFAIRS

- (1) Yes
- (a) There is a difference of opinion between the Republic of South Africa and the Kingdom of Lesotho in connection with the location of the international boundary between Wepener and Zastron.

Two portions of the border are being questioned by the Kingdom of Lesotho, namely the Cornetspruit/Liphiring area and the Langeberg area.

- (i) The Cornetspruit/Liphiring area lies north east of Zastron to the west of Mohales Hoek. The original border was indicated by beacons according to the coordinates and stipulations of the Second Treaty of Alwal North (1869). In this area the border fence partially does not follow the border beacons and the fence is situated within the RSA. The fence was erected within the RSA for practical reasons because the beacons are on a mountain ridge which is extremely inaccessible. The positioning of the fence was a unilateral decision of the RSA for the practical reasons mentioned.
- (ii) The Langeberg area east of Vanstadenstrus. Here also the border is determined according to the stipulations and coordinates of the Second Treaty of Alwal North (1869). The thus determined border results, however, in a triangle of about 80 hectares RSA territory "projecting" into Lesotho which

# REACTION BY consumer bodies mixed

Star 15/3/90

By Marguerite Moody

246

Consumer bodies have offered mixed reactions to this year's Budget, with the Consumer Foundation saying it was "fair and welcome" and the Consumer Council saying it would not benefit all consumers.

The director of the Consumer Foundation, Mr Johan Verheem, said the Budget was "reasonable", and he welcomed the improvement in pensions.

Mr Jan Cronje, the director of the Consumer Council, said these improvements would not contribute sufficiently to helping those consumers with a fixed income who were currently struggling.

"However, consumers who are benefitting from the new Budget have good reason to feel satisfied and relieved.

"The newly announced measures to relieve tax pressure on consumers is welcomed, and it is very encouraging that over-taxation of individuals was addressed," Mr Cronje said.

He saw the smaller loan account prior to taxation as "a very good sign which would hopefully result in the inflation rate decreasing and therefore lighten the burden on the consumer".

## POOR

Mr Cronje warned that consumers' reliefs did not imply that spending could now be indiscriminate.

Womens' League vice-president Mrs Hope Hughes said the emphasis on indirect taxation was "a bit worrying" and would hit the poor the hardest.

"People living on the bread-line may find it difficult to cope."

She said the announcement that the VAT system of taxation would not be implemented within six months after being approved by Parliament was "very welcome", as it would give consumer bodies time to pass comment.

"We have indicated that we want all prescribed medicines and basic foodstuffs exempted from this form of taxation."

She welcomed the increase in rebates for senior citizens.



*Hansard* 15/3/90 Mixed marriages  
89 Mr S S VAN DER MERWE asked the Minister of Home Affairs

How many mixed marriages between (a) Whites and Blacks, (b) Whites and Coloureds and (c) Whites and Indians (1) had been entered into in the Republic since the repeal of the Prohibition of Mixed Marriages Act, No 55 of 1949, as at 31 December 1989 and (ii) were entered into in the Republic in 1989?

The MINISTER OF HOME AFFAIRS B204E

(a)	(1)	(ii)
(b)	77	24
(c)	1 690	513
	595	202

Transport studies: funds

95 Dr Z J DE BEER asked the Minister of Transport *Hansard* 15/3/90

(1) Whether the Department of Transport contributed any funds to the (a) Greater Johannesburg Area Transportation Study, 1970, (b) London Transport Executive Study, 1971, (c) Jommet Studies, 1975-1980, (d) Masstran Pre-feasibility Study, 1983-1985 and/or (e) Masstran Feasibility Study, 1989-1991, if so, what was the extent of these contributions (i) in each case, and (ii) in total, as at the latest specified date for which information is available,

(2) what transit systems were recommended by each of the above studies,

(3) whether any of these recommendations were accepted, if so, (a) which recommendations and (b) why, if not, why not?

The MINISTER OF TRANSPORT B195E

- (1) (a) No  
(i) Falls away;  
(b) No  
(i) Falls away,  
(c) No  
(i) Falls away,  
(d) Yes  
(i) R1 046 184 as at 28 February 1990,

HOUSE OF ASSEMBLY

(e) Yes *Hansard* 15/3/90

(i) R1 090 450 as at 28 February 1990,

- (d) (ii) and (e) (ii) R2 136 634,  
(a) (ii) (b) (ii) and (c) (ii) Fall away  
(2) (a) Road and rail transit,  
(b) Underground rail transit,  
(c) Light rail transit,  
(d) Rapid rail transit, and  
(e) The relevant study is not yet completed

(3) No None of these recommendations were accepted unconditionally because it was stated in the studies that a full feasibility study into a mass transit system should first be undertaken before such a decision could be made  
(a) and (b) Fall away

Competition Board: prosecutions

102 Dr P J GOUS asked the Minister for Administration and Economic Co-ordination

(1) (a) How many prosecutions have been instituted by the Competition Board up to now, (b) with what result have these prosecutions been instituted and (c) in respect of what date is this information furnished,  
(2) what procedure (a) does the Competition Board follow in relation to investigations into alleged collusion and similar irregularities and (b) do members of the public have to follow in order to have such irregularities investigated by the Board?

*Hansard* 15/3/90 B255E  
The MINISTER FOR ADMINISTRATION AND ECONOMIC CO-ORDINATION

- (1) (a) None The activities of the Competition Board are governed by the Maintenance and Promotion of Competition Act, 1979 (Act No 96 of 1979) in terms of which they are not empowered to institute prosecutions Prosecutions in respect of contraventions of arrangements or prohibitions are handled by the Department of Justice and the South African Police Eight cases have

been referred to the relevant authorities for possible prosecution,

- (b) falls away, *Hansard* 15/3/90  
(c) 1 January 1989 to 21 February 1990,  
(2) (a) horizontal collusion by suppliers on prices, conditions of sale, market sharing and tenders, as well as vertical price collusion are prohibited in terms of Government Notice 801 of 2 May 1990 Alleged contraventions are referred to the Department of Justice or the South African Police with the view to possible prosecutions Allegations of horizontal collusion by buyers are investigated by the Competition Board on an *ad hoc* basis in terms of Act 96 of 1979 Investigations may give rise to prohibitions which, when contravened, are handled in the same manner as mentioned in (1) (a),

(b) members of the public may refer complaints regarding restrictive practices to the Competition Board, while alleged contraventions of prohibitions may be referred to the Competition Board or the South African Police

116 Mr M J ELLIS asked the Minister for Administration and Economic Co-ordination

Nurses: lowering of retirement age  
Whether his Department is considering lowering the retirement age of nurses, if so, what is the new retirement age to be, if not, why not?

*Hansard* 15/3/90 B278E  
The MINISTER FOR ADMINISTRATION AND ECONOMIC CO-ORDINATION

No  
The approach is not to look into the lowering of the retirement age of single groups in the Public Service in isolation but to take the position of all public servants in such case into consideration

Case of *The State v W H Rabe*, previous offences

145. Mr L FUCHS asked the Minister of Justice  
Whether Mr W H Rabe was at any time convicted of any offences prior to his conviction for common assault in the case of *The State v W H Rabe*?

*State v W H Rabe* in the Pret Refet Regional Court on 12 February 1990, if so, (a) when, (b) of what offences, and (c) what sentence was handed down, in each case?

*Hansard* 15/3/90 B358E  
The MINISTER OF JUSTICE  
No

Case of *The State v W H Rabe* evidence

146 Mr L FUCHS asked the Minister of Justice

(1) Whether, in the case of *The State v W H Rabe*, concluded in the Pret Refet Regional Court on 12 February 1990, any medical evidence concerning the cause of the death of Mr Ekau Xaba was led, if so, (a) what evidence and (b) by whom was such evidence presented, if not, why not,  
(2) whether any evidence was led suggesting a connection between the alleged assault and the death, if so, (a) what was the gravamen of such evidence and (b) by whom was it presented,  
(3) whether any mitigating factors were taken into account in the judgment and conviction of Mr W H Rabe, if so, what factors?

*Hansard* 15/3/90 B359E  
The MINISTER OF JUSTICE

- (1) Yes  
(a) That the cause of death was subdural bleeding and gall peritonitis  
(b) Dr F J van der Sande  
(2) Dr F J van der Sande testified in this regard His evidence did not suggest a connection between the alleged assault and the death Dr van der Sande testified that the alleged assault could not have caused the death of the deceased  
(3) Mitigating factors do not apply to judgment and conviction They are, however, taken into account when sentence is passed

Case of *The State v W H Rabe*: autopsy

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Whether, with reference to the case of *The State v W H Rabe*, an autopsy was held to establish the cause of death of Mr Ekau Xaba, if so, (a) on whose instructions, (b) when, (c) by whom and (d) what were the findings?

*Hansard* 15/3/90 B360E  
HOUSE OF ASSEMBLY



*Hansard* 1573190  
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The MINISTER OF TRANSPORT B195E

- (1) (a) No
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- (c) No
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HOUSE OF ASSEMBLY

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(2) what procedure (a) does the Competition Board follow in relation to investigations into alleged collusion and similar irregularities and (b) do members of the public have to follow in order to have such irregularities investigated by the Board?

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The MINISTER FOR ADMINISTRATION AND ECONOMIC CO-ORDINATION

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The MINISTER OF JUSTICE

No

Case of *The State v W H Rabe* evidence

146 Mr L FUCHS asked the Minister of Justice  
 (1) Whether, in the case of *The State v W H Rabe*, concluded in the Pret Refet Regional Court on 12 February 1990, any medical evidence concerning the cause of the death of Mr Ekatu Xaba was led, if so, (a) what evidence and (b) by whom was such evidence presented, if not, why not,  
 (2) whether any evidence was led suggesting a connection between the alleged assault and the death, if so, (a) what was the gravamen of such evidence and (b) by whom was it presented,  
 (3) whether any mitigating factors were taken into account in the judgment and conviction of Mr W H Rabe, if so, what factors? *Hansard* 1573190 B359E

The MINISTER OF JUSTICE

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(2) Dr F J van der Sande testified in this regard His evidence did not suggest a connection between the alleged assault and the death Dr van der Sande testified that the alleged assault could not have caused the death of the deceased

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HOUSE OF ASSEMBLY

## Prefcor's purchase

It hasn't been in the business long but Prefcor, the new holding company of Game and the delisted Beare group, is rapidly gaining a reputation as an acquisitive and aggressive trading operation.

Last year it moved on shoe retailers Ed-works when labour problems threatened the chain's viability. But it backed out of the negotiations at the last minute, enabling an even more aggressive acquirer, Jeffery Liebesman's FSI Corp, to close the deal.

Opportunity knocked again last week when Prefcor, together with Kangra Holdings, bought a controlling interest in Garlicks, the long-established department store chain. The price was not disclosed.

The deal gives Prefcor a solid spread in retailing from Game's cash business and Beare's HP-based furniture and clothing outlets, through to the top-quality merchandise offered by Garlicks. "Now we trade in clothing, stationery, household goods and linen but at a different end of the spectrum," says Prefcor chairman Terry Rosenberg.

Garlicks has nine stores — four in the Cape, four in the Transvaal and one in Natal. Most are in prime downtown locations or in upmarket, decentralised centres such as Rosebank Mall in Johannesburg, Tyger Valley in Cape Town and Menlyn and Sunnyside Park in Pretoria.

Garlicks has lost a bit of focus over the last few years. Once a traditional family business, it was the subject of a management buy-out last year.

Rosenberg still wants to discuss his plans with the existing management, but he says his objective is to reposition Garlicks and make it a "more exciting shopping experience." The chain also will be refinanced.

Prefcor itself has come a long way since Rosenberg and his associates took over the Beare group a few years ago. The group has been substantially restructured and Rosenberg has made a point of bringing acknowledged trading specialists into its management. Hymie Sibul, formerly of Dion, and Clive Weil, a former MD of Checkers, are two who recently joined the group.

Last month the company bought the Natal-based Price Furnishers, a furniture chain with 18 outlets, for R5,4m.

Is Prefcor the coming force in retailing? It's not a thought that sits all that comfortably with Rosenberg. "We're not about to edge out our competitors. We're aiming at market niches and we're picking the right people to help us get there."



FIM 16/3/90

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## DERIVATIVES

### Looking at finrand

While a question mark hangs over the launch dates for both the futures and the JSE's traded options markets, preliminary discussions have been held with the Reserve Bank to find a way for overseas clients to deal in both through the financial rand.

Increased liquidity for local markets is the main objective

Says JSE president Tony Norton. "Overseas, active derivative markets tend to improve liquidity on share and cash markets" Also, a non-resident should be able to hedge a portfolio

The Reserve Bank wants to satisfy itself that the exchange control regulations contain adequate controls, says SA Futures Exchange MD Stuart Rees

Norton adds controls of finrand movements must have total integrity because with traded options there is no scrip to endorse Both are preparing proposals for further discussion

□ The JSE's traded options market will not open at the end of this month, as planned in November Systems must still be finally integrated and tested, says Norton Procedures manuals have been distributed to interested stockbrokers but a date for examinations will be announced only after it has been determined when the market will begin ■

HP TERMS FIM 16/3/90 246

### Some relief

Easier HP terms introduced last week on certain items will have only a limited effect Spending will remain restrained by high interest rates and the restriction of easier terms to certain smaller ticket items. Deputy Minister of Finance Org Marais says the move is designed to put white goods (smaller ticket items than industrial machinery, for example) in the same position as furniture.

Deposits for domestic appliances, TV sets and aerial systems and sound equipment have been cut from 20% of purchase price to 12%. Monthly payments can stretch over 24 rather than 18 months

"When we introduced the restrictions in August 1988, we wanted to curb imports and rein in consumer spending and credit extension," he says "This has been successful — demand for white goods has turned negative.

"HP restrictions hit mainly lower and middle income groups — upper income groups get bank overdrafts — so there was a feeling we should make things easier for them. A fridge, after all, is not a luxury"

HP terms on TV sets, classified as white goods, were relaxed on a recommendation by the Board of Trade & Industry, which has been investigating a local content programme and would prefer the local TV industry not to be hampered by high HP terms Video recorders are not included in the relaxation

Bankers say the new terms will have little effect on bottom lines as they don't directly finance such low-cost items Most financing is done direct through retailers, who borrow from banks at wholesale rates.

Marais says a general relaxation of HP terms is unlikely ■



B/Dan 23/3/90

# No consumer spree seen after tax concessions

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**CASH-STRAPPED** consumers were unlikely to go on a spending spree just because their tax burden had been lightened, certain HP curbs relaxed and import surcharges lowered, economists and retailers said yesterday.

Instead, the extra money in their pockets from these measures — all announced over the past fortnight — would go towards reducing debt incurred in their credit sprees during the upswing.

Rand Merchant Bank economist Rudolf Gouws said the concessions would help cushion the impact of the economic downswing on retail trade sales, but remained insufficient for a consumer spending boom.

## Fiscal drag

Interest rates remained high and many households' financial positions were in a bad way, he said. The 10% salary increase awarded to civil servants could be followed by similarly slow increases in the private sector.

A fall in interest rates would have to precede a spending boom, Gouws said.

Standard Bank economist Nico Czyplonka said easier HP terms and lower surcharges would boost furniture sales but "not spectacularly".

Lower tax deductions might raise spending marginally in the short term but would not help those who received salary increases after March 14 because they compensated only for fiscal drag, he said.

"Some consumers may use their money to spend, but most are heavily strapped and will use their new cash to relieve pressure from higher mort-

**SYLVIA DU PLESSIS  
and ANDREW GILL**

gages and so on."

Furniture Traders' Association executive director Frans Jordaan expected sales to rise only in three months' time, when the effects of the HP and surcharge measures filtered down to the consumer.

The industry would see an upswing from a 2% negative real growth to 2% positive real growth in 1990, but current interest rates would still suppress buying power.

Pick 'n Pay chairman Raymond Ackerman was optimistic the measures would lead to more buoyant sales, with the reduced surcharges leading to lower prices and offsetting further short-term increases.

Ackerman said Pick 'n Pay had cut VCR prices to their projected cost under the new surcharges and immediately sold hundreds.

"Obviously there are still problems like high interest rates, the slow economy and the unrest situation, but the light at the end of the tunnel is brighter," he said.

Checkers MD Sergio Martinengo was more cautious. While he welcomed lower surcharges, he agreed with economists that the easing of the public's tax burden would merely allow people to balance their budgets better.

"Since October the public has been overborrowing and relying on credit to make ends meet. We expect no boom whatsoever, but a drop in interest rates would help. We still wouldn't see a boom but it would benefit to an extent.

"Until then, the picture for retailers is reasonably bleak."

# Retailers look for early cheer

SI Times, 25/3/90

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By Don Robertson

MANUFACTURERS and retailers of domestic appliances and audio and hi-fi equipment are hoping for a mini-Christmas in July and a follow-through to bumper sales in December.

Their expectations follow the decision earlier this month to relax hire purchase regulations on certain products, the reduction in import surcharges and personal tax concessions announced in the Budget.

Richard Ferrer, chairman of the Domestic Appliance Manufacturers' Association of SA, says demand is expected to pick up soon in response to the HP relaxation, and once the other factors have filtered through — by about July — sales can be expected to increase substantially.

## Forecasts

"Research has shown that the tax handout will increase the average family's discretionary spending by about 27%. This could be used to reduce debts, to increase savings or buy new consumer goods.

"This will significantly increase sales of domestic appliances and other consumer goods," he says.

"Analysis had shown that sales of domestic appliances were expected to decline in real terms by about 10% this year. Now we are looking for a modest growth and are ex-

pecting a bonanza during the Christmas period"

Dions marketing director Howard Davison says it could also result in the price of some items, such as VCRs, being reduced by up to 10%, but will certainly mean that current prices will be maintained for three to four months. He reports a lift in sales in March compared with the previous month.

Stan Etkind, joint managing director of Milstan, which incorporates Miltons and Stans, says the price of items such as VCRs and compact discs could come down.

He says that a VCR which currently sells for R2 000 could be reduced to about R1 800, while the price of compact discs could fall by about 5%.

Alan Coward, new managing director of National Panasonic, says the reduction in the surcharge from 60% to 40% will make VCRs about 8% cheaper and, as prices are cut, sales are expected to rise by between 10% and 15%. The relaxed HP requirements do not affect VCRs.

The improved credit facilities offered on TVs makes HP more affordable, while the reduced surcharge trims

the cost of locally assembled sets. Sales should rise by between 5% and 10%.

In contrast, Morkels financial director Terry Simon

says he does not expect any rush to buy consumer goods as lower income groups are still being hit by high interest rates.

## HP terms expected to boost TV sales

810 am 31/4/90  
TELEVISION sales are expected to grow by between 10% and 15% this year because of the easier HP terms announced recently, National Panasonic MD Alan Coward said yesterday.

Deposit payments on HP agreements have been reduced from 20% to 12%, and repayment periods were increased from 18 to 24 months.

Coward said the lower deposit would be particularly helpful in the market place

He expects major growth in the black market, with consumers moving away from the bottom-of-the-range sets to bigger and better colour units

"This is a huge market with tremendous growth potential," he said.

PIERRE DU PREEZ

Coward, who is vice-president of the Radio and Television Manufacturers Association (RTMA), did not think the relaxation of import surcharges would affect the price of sets significantly — perhaps by R20 a unit. Prices would probably increase in line with inflation over the next 18 months.

The industry remained "tremendously competitive", but good growth was foreseen provided there was stability as far as regulations were concerned.

"We had a meeting with the Department of Trade and Industry recently and found them very positive," Coward said.



F/M 6/4/90

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## HARMFUL BUSINESS

### Credit controversy

**Delegation** — the practice of transferring leases and credit agreements from cash-strapped vehicle purchasers to third parties — is to be investigated by the Business Practices Committee. This was announced in Friday's *Government Gazette*, after the Association of General Banks (which represents all major players providing vehicle credit) complained to the committee.

Banks are concerned at the growing number of clients not making payments and no longer in possession of their vehicles.

One company alleged to have been taking over obligations from original borrowers without permission from the lenders is Untrade, registered as GM Sheppard Properties. It has been charged on 40 counts of theft and fraud for breaching agreements entered into by banks and vehicle buyers.

Agreements normally require written permission from the bank if a buyer disposes of a vehicle (which technically belongs to the bank until the last payment is made) or allows it to be used by a third party. Untrade is alleged to have led buyers and third parties to believe banks involved had been told of the transfer. The case will continue on May 14.

Stannic's Gutch Vickers says vehicle owners who can't meet payments should contact

the bank "Financial institutions make every effort to reach an agreement with the client — temporarily reducing payments or extending the agreement — and only repossess vehicles as a last resort."

Wesbank's Peter Thompson says an agreement may be rewritten, effectively extending repayment beyond the 42-month maximum of the Credit Agreements Act.

Another option is for borrowers unable to meet commitments to bring in a third party themselves. The original owner can be absolved of responsibility if the third party's credit rating is acceptable. Or, if the new purchaser does not have a good enough rating, a bank may let him use the car with the original borrower standing surety.

Banks assure customers their credit ratings are not affected if they are open about difficulties. However, when a bank does repossess a car, it is sold, usually on auction and often for less than the amount outstanding on the account. The debtor is credited with the sum raised and then pays the difference between that and the amount owing — usually in instalments.

To avoid this loss many people look elsewhere. William Norris, owner of Execu-Lease, says he provides a solution. His contract provides for the third party (who pays Norris a commission) to use a vehicle with permission from the original buyer — thus avoiding GST. As this does not relieve the original buyer of his obligation unless the

bank agrees, Norris encourages both parties to notify the bank of the transfer.

But that may not be enough. The committee will determine whether anyone can legally arrange such a transfer without the bank's permission. This could put the onus on companies to ensure the bank is notified.

Execu-Lease's attorney Kevin van Huysteen admits there are "dangers" banks risk losing track of the vehicle and their collateral; the original buyer could find himself still responsible for payment but no longer in possession of the vehicle, and the third party risks repossession without compensation because he is not the legal owner.

He says a set of legal guidelines, with the banks working together with legitimate operators, could benefit all parties. But the banks are not enthusiastic.

The future of this business will depend on the committee and the result of the Untrade case.

Detmar Schwichtenberg

# Higher vehicle sales 'depend on lower interest rates'

TOTAL new vehicle sales for the first quarter of 1990, which are affected by the overall performance of the SA economy, declined by 1,7% to 84 872 units compared with 86 348 units sold in the same period in 1989.

According to the latest figures released by the National Association of Automobile Manufacturers of SA (Naamsa) yesterday, the current difficult conditions were expected to persist into the second half of the year.

"However, provided interest rates decline during the latter part of the year, sales of new motor vehicles are expected to improve gradually," the association said in a statement.

**CHARLOTTE MATHEWS**

3 10 4 114 190  
New car sales in March improved by 13,4% to 19 043 units compared with February's 16 799 units as a result of seasonal factors and a slightly improved manufacturers' supply position.

But March 1990 new car sales fell by 7% against the 20 477 units sold in March 1989. Overall passenger car sales for the first quarter of 1990 declined by 7,2% to 52 094 units.

"The underlying trend in new car sales in March 1990 remained weak and sales comparisons with the correspond-

ing months of the preceding year have been negative over the past nine months," Naamsa commented.

Sales of light commercial vehicles were comparatively stronger. In the first quarter of 1990 29 503 light commercial vehicles were sold against 27 161 in 1989, a 8,6% increase.

"The light commercial vehicle and minibus market has established itself as the sector with the highest propensity for growth," Naamsa said.

Sales of heavy commercial vehicles, adversely affected by supply constraints, declined by 13,4% to 1 918 units in the first quarter from 2 216 in 1989.

# Insurance scheme deemed to be a harmful practice

15/10/89 20/4/90 LESLEY LAMBERT

CAPE TOWN — Findings by the Business Practices Committee that the Set for Life Insurance and Marketing cc was a harmful business practice which should be declared unlawful, were tabled in Parliament yesterday.

A report, which included the findings of an investigation into the close corporation, was submitted after an order in the Government Gazette prevented it and its MD John Drinkwater from marketing the scheme.

Set for Life was marketed as an insurance scheme which offered indefinite security, supplementary income and substantial financial rewards for participants and sales agents. It alleged that participants could earn monthly commissions of up to R29 112. (246)

The committee, chaired by Louise Tager, found consumers were deceived or likely to be deceived as to the likelihood of getting the potentially huge sums advertised. 2014/90

It found that for one agent to earn the potential R29 112 monthly income, a total of 5 460 transactions worth R546 000 would have to be concluded a month. Between June 17 and August 6 1989, after which it was suspended, 1 972 transactions (R147 900) were concluded.

By mathematically linking the potential income to the number of additional participants, the scheme was similar to a lottery and to other schemes which were offences in terms of the Gambling Act, the report stated.

The committee found the scheme constituted an unlawful practice and could not be justified in the public interest and recommended it be declared unlawful.

The Business Practices Committee was established in 1988 to investigate "get-rich-quick" and other investment schemes which were assumed to be harmful and not in the public interest.

## NATAL UNREST DEATHS

September 1987 — January 1989:.....	668
February 1989 — April 18 1990:.....	923
Past 24 hours' official toll:.....	5
TOTAL:.....	1 596



## Sales on the blink

Tedex seems unable to pull out of its tail-spin. The earnings dive which started in the second half of fiscal 1989 has steepened as falling turnover combined with squeezed margins and higher finance charges cut earnings by a third in the half year to end-February *FIM 20/4/90*

MD Jack Cohen is putting on a brave face and hopes to arrest the decline this half, but it will be an up-hill battle as long as government continues to squeeze credit.

Tight credit controls and slowing economic activity have hampered performance from the second half of its 1989 year, but, despite management's efforts at working capital and stock control, margins have simply not held up. Tedex is no different from its competitors and turnover dropped in rand terms even though prices were pared to support volumes. Trading profit slithered to 8,3% of sales from 10,8% in the corresponding period of 1989.

Cohen believes turnover's decline can be halted this present six months and adds that Tedex's main divisions maintained their market shares.

The deterioration in trading conditions was worse than Cohen expected at the 1989 year-end. As a result, inventories rose, leading to higher working capital requirements and a higher level of short-term debt. That put an end to 1989's debt decline. Interest-bearing debt rose 9,6% to R87m and the first half's interest bill increased to R7m (R6m). Though debt equity remains at 0,44, inter-

### DIM PICTURE

Six months to	Feb 28 '89	Aug 31 '89	Feb 28 '90
Turnover (Rm)	203,1	202,6	195,9
Operating Income (Rm)	21,9	20,4	16,3
Pre-tax Income (Rm)	15,9	15,0	9,3
Attributable Income (Rm)	15,5	15,1	10,0
Earnings (c)	25,33	24,67	16,39
Dividends (c)	7,0	10,0	5,0

FINANCIAL MAIL APRIL 20 1990

*FIM 20/4/90*

est, cover has deteriorated from 3,81 to 3,65 and now 2,3 in the last three halves. Still, Cohen expects a decrease in debt and an improvement in gearing by the year end.

Assessed tax losses and a R0,69m loss suffered by outside shareholders in Haz marginally lessened the negative effect on attributable earnings which fell 35,3%. Assessed tax losses of about R70m remain and Cohen hopes the loss at Haz will be reversed by year-end.

Cohen says the relaxation of hire purchase conditions in March may benefit trading marginally but warns that general conditions in Tedex's markets are likely to deteriorate further. He expects the profit performance in the second six months to be similar to that of the first half, even though the decline in turnover and margin is expected to be stemmed.

Investors' caution is reflected in the current share price of 190c — a discount of 41% to NAV — and in the high dividend and earnings yields.

*Pam Baskind*

# Ban on hydroquinone surprises Twins

TANIA LEVY

MEDICAL professionals and consumer organisations have scored a victory in the skin lightener "war" with National Health and Population Development Minister Rina Venter's decision to ban the use of hydroquinone in cosmetics.

Venter announced in the Government Gazette her intention to remove hydroquinone from the scope of the Foodstuffs, Cosmetics and Disinfectants Act. This means products containing hydroquinone will have to be registered as a medicine and be subject to more stringent control.

Dermatological Society of SA president Mary Ann Sher yesterday welcomed the announcement as it was something organisations such as the Medical Association of SA and the Black Consumer Union had been trying to achieve for two years.

She said research had shown about 30% of black women in the PWV area had irrevocable skin damage from using pro-

ducts containing hydroquinone.

Twins Pharmaceuticals — which has about 75% of the R80m a year skin lightener industry — has been taken by surprise by the announcement as the ban on skin lighteners had originally been postponed to January 1 1991.

Twins marketing GM Maurits Rood said government could lose R28m a year in taxes from the skin lightener industry if the ban succeeded in stopping sales.

He said Twins would apply for some of their strong brand name skin lighteners to be registered as a medicine. Others would be marketed — without hydroquinone — as complexion creams.

He said the key question was the date when Venter's intention would be formalised.

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# Skin creams face ban

By ASHA SINGH

THE use of hydroquinone in cosmetics could be prohibited before the end of the year, according to a spokesman for the Department of National Health and Population Development

A regulation to ban the use of the chemical, described this week by the Minister National Health and Population Development, Dr Rina Venter, as harmful to black skin, has been instituted.

She said the chemical would be prohibited in cosmetic preparations such as skin bleach, lightener and whitener.

Pressure from organisations including Southern African Black Taxi Association, National Black Consumer Union, Inkatha Women's Association, the Dermatological Society of South Africa and the Medical Association of South Africa, had forced the Minister, to ban hydroquinone to prevent ignorant people damaging their skin through constant use

Manufacturers have three months to hand in their comments on the



RINA VENTER

banning of hydroquinone to Venter.

A final decision on the banning should be expected around August this year, according to a Government spokesman.

President of the National Black Consumer Union, Mrs N Ramphomane, said the union has tried "every legal channel" to have hydroquinone banned

"I only wish the ban could be implemented immediately to prevent other black women ruining their skins through the use of skin lotions which contain hydroquinone.

## Thrilled

"Having the lotions removed from the shelf would discourage a large percentage of women from buying the products," she said

Dr Mary Ann Sher, president of the Dermatological Society of South Africa, said she was thrilled by the news.

"Venter has done the right thing in pushing for the ban. We have been trying for the last two years to have it instated, but so far we have lost every fight," she said.

Sowetan 24/4/90



# Consumers union welcomes ban

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HEALTH Minister Rina Venter was to be congratulated for banning hydroquinine in skin lighteners, the National Black Consumers Union said in a statement yesterday. *Sowetan 23/4/70*

All skin lighteners containing the substance were to be removed immediately from shops and supermarkets, Dr Venter stated in the last Government Gazette.

"Hydroquinine has for years been eroding and damaging the lovely and tender faces of black females," said NBCU.

Hydroquinine has now been classified as a Schedule 3 drug and may only be acquired under strict prescription, but NBCU has nevertheless warned black female consumers against further use of creams containing this substance. - Sapa

## Private consumption spending 'set to drop'

SYLVIA DU PLESSIS

Blown 24/1/90  
246  
PRIVATE consumption expenditure (PCE) on durables could drop by between 8% and 10% this year and expenditure on semidurables by about 2%, says Davis Borkum Hare analyst Lindsay Lurie.

There will be a 2% growth rate in expenditure on non-durables and services, she says in a report on 1990 PCE and household expenditure patterns.

"A conservative forecast for growth this year is based on the determining influence of interest and inflation rates," she says.

The economy's lower level of activity will determine reduction in PCE: with a growth rate of about 1.2%, total PCE can be expected almost to stagnate from 2.78% in 1989 to 0.19% in 1990, she says.

According to Lurie, an improvement beyond these rates is expected in 1991, with the biggest changes being in the durable and semidurable markets.

Positive economic factors impinging on growth and productivity include the R4bn tax relief introduced by the Budget, which will increase disposable income for the lower and middle-income groups, she says.

"When the benefits of this have been realised, it will mean a probable increase in the sales of some durables, for instance, stoves and fridges."

Other positive factors include proposed tax measures to increase personal savings, reduced government expenditure, easing of HP restrictions, lower import surcharges and the abolition of ad valorem excise duty on locally manufactured jewellery.

Ultimately, it is the results of government's negotiated settlement, including an overall restructuring of the socio-political economy, that will "cast the final die" on the fate of the GDP and PCE.

"However, the Budget and the commitment to negotiate have already demonstrated the bona fide intention of the government to address the restructuring of the socio-political economy," Lurie says.

Source: 26/4/90

# Home advice project to be launched

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THE Legal Aid Bureau will, in conjunction with the South African Housing Trust, launch a housing advice project at a Press luncheon to be held at the Johannesburg Country Club next Thursday.

The new unit is a unique extension of the Legal Aid Bureau.

It will have an important role in tracking business practices in the

By SY MAKARINGE

affordable housing sector and in educating and assisting would-be home owners from the low income group.

The main aim of the unit is to protect potential home buyers from unscrupulous estate agents and building contractors.

Last year alone the bureau dealt with more than 300 cases of people who paid substantial amounts of money to bogus contractors as deposits for houses.

## Contracts

These "contractors" disappeared as soon as they had accumulated several thousand rands, leaving their unsuspecting clients in the lurch.

"Once contracts have been concluded and money has been paid, there is usually very little which can be done to assist potential home buyers.

"There is a need to prevent housing problems before they arise," said Gavin Rome, a legal adviser at the bureau.





Members of the National Black Consumer Union attending a workshop at a Johannesburg hotel

# Workshops for black buyers

The National Black Consumer Union is to hold countrywide workshops aimed at educating black buyers

NBCU managing director, Johny Dladla, said by equipping black consumers with the necessary knowledge, buyers would be able to make the right choices.

This message was also highlighted at another workshop held in Johannesburg last weekend. The workshop attracted well over 300 delegates from all parts of the country. The workshop's emphasis was on "money and inflation," what stops the poor from borrowing and "monopolies: the consumer pays, but who is to blame?"

Dladla said consumerism was still fairly new in South Africa. "It is clear that the black consumer is a potent force contributing greatly to the economy. Black consumers have strength in numbers, the black rand is not just a buzzword, it is a reality."

*Sowetan 26/4/90 (246)*  
**By MOKGADI PELA**

"It is unfortunate that with the clout the black consumer has, he is still disadvantaged compared to his white counterpart. The vulnerability of the black

consumer lies in the exploitation because of ignorance about prices, competition and common law rights," Dladla said

NBCU called on the consumer to contribute towards the determination

of prices set by manufacturers and business people

He announced that other workshops would be held in Durban, Bloemfontein, Cape Town and Port Elizabeth

## SA ranks low in the care of customers

A RECENT overseas survey of 24 countries revealed that SA ranks second lowest in the areas of customer care and service excellence.

Conference Solutions's Gina Hart says this comes as no surprise.

"The average South African is faced daily with a frustrating barrier of incompetence, apathy and rudeness. This means wasted time and increases the daily stress count" says Hart.

"South Africans have come to accept inefficient and sullen service as the norm, and as there are no complaints, the supplier of a product or service remains blissfully unaware there is a problem — until his customer or client base has dwindled away — with his profits."

Blom 27/4/90 Incentive

(246) 30

If this is to change, training and incentive programmes are necessary, for both management and support staff throughout the corporate structure.

The author of the survey, which is to be published later this year, Lynda King Taylor, will be visiting SA during May and June this year to conduct a series of seminars targeting different levels of the corporate structure.

Taylor is considered an authority on staff/customer relations and has acted as trainer and consultant to companies like GEC, ICI and British Airways.

She will be examining the principles that have made certain international companies successful, and will be looking at where unsuccessful companies went wrong.

Says Hart: "Few people are able to win business, but everyone is capable of losing business."

"High-calibre staff relations are a major marketing tool in winning and retaining clients."

## Riding recession

The sector which best absorbed the last recession was services. Conversely, it benefited least in the boom that followed, research by Lindsay Lurie of stockbroker Davis Borkum Hare shows. Also resilient were non-durable goods. Both sectors continued to grow during the recession, says Lurie, "mainly because of the inelasticity of demand for non-durables and services which are essential everyday requirements." (See table.)

From 1984-1986, expenditure on durable goods declined a massive 48%, to climb 12,4% in 1987-1988. Sales of semi-durable goods dropped 5,5% in the first period, recovering 8,3% in the two subsequent years. And non-durable sales rose 1% and 2% in the two periods while services saw growth of 4,4% and 5,16%. FIM 274190

All figures are in constant 1985 prices.

Biggest knock came in personal transport equipment which fell by 80% in the first period and rallied only 3% in the second. Greatest growth came in household textiles, furnishings, glassware and so on, up 8% in the first period and 21% in the second. It was followed by medical services with growth of 1,7% and 11,4% and transport and communication services 1,3% and 11%.

Stagnant total private consumption expenditure is projected this year, rising only 0,19% (compared with 2,78% in 1989), with:

- An 8%-10% fall in spending on durables;
- A decline of up to 3% in semi-durables;
- Growth of 2% in non-durables; and
- Growth of 2% in services.



HARMFUL BUSINESS PRACTICES

FM 4/5/90

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# A bigger shield for consumers

**Business beware.** The controversial Harmful Business Practices Committee is to be given sharp new teeth — that of a consumer watchdog

The amendments to the Harmful Business Practices Act now before parliament are of a technical nature only. But in introducing them, Trade & Industry Minister Kent Durr has given notice that the Act is to be beefed up — probably during the next parliamentary session — so that it can protect the interests of consumers more effectively.

A full-time member with business and legal skills is to be appointed to the committee and its focus is to be switched from purely investigating alleged "harmful" business practices to developing — in conjunction with the private sector — codes by which business should conduct its consumer relations.

Rightly or wrongly, the rationale for the change, according to Durr, is that SA lacks adequate consumer protections — particularly in the current climate of deregulation. Moreover, its large constituency of unsophisticated consumers makes them vulnerable to exploitation by unethical businesses.

Apart from the Usury Act and the Credit Agreements Act, the main statutory body overseeing the interests of consumers is the SA Co-ordinating Consumer Council. Many might regard that, quite justifiably, as regulation enough. However, the council has no statutory powers to take action against those injuring the rights of consumers. Durr reckons that the proposed amendments will change this.

The codes developed by the committee, he says, will act as general guidelines for business and consumers alike and help to eliminate recurrent harmful business practices. "The codes will provide the Consumer Council with a further effective means to come to the aid of consumers and with a basis upon which it can act against transgressors who may abuse consumers," Durr says.

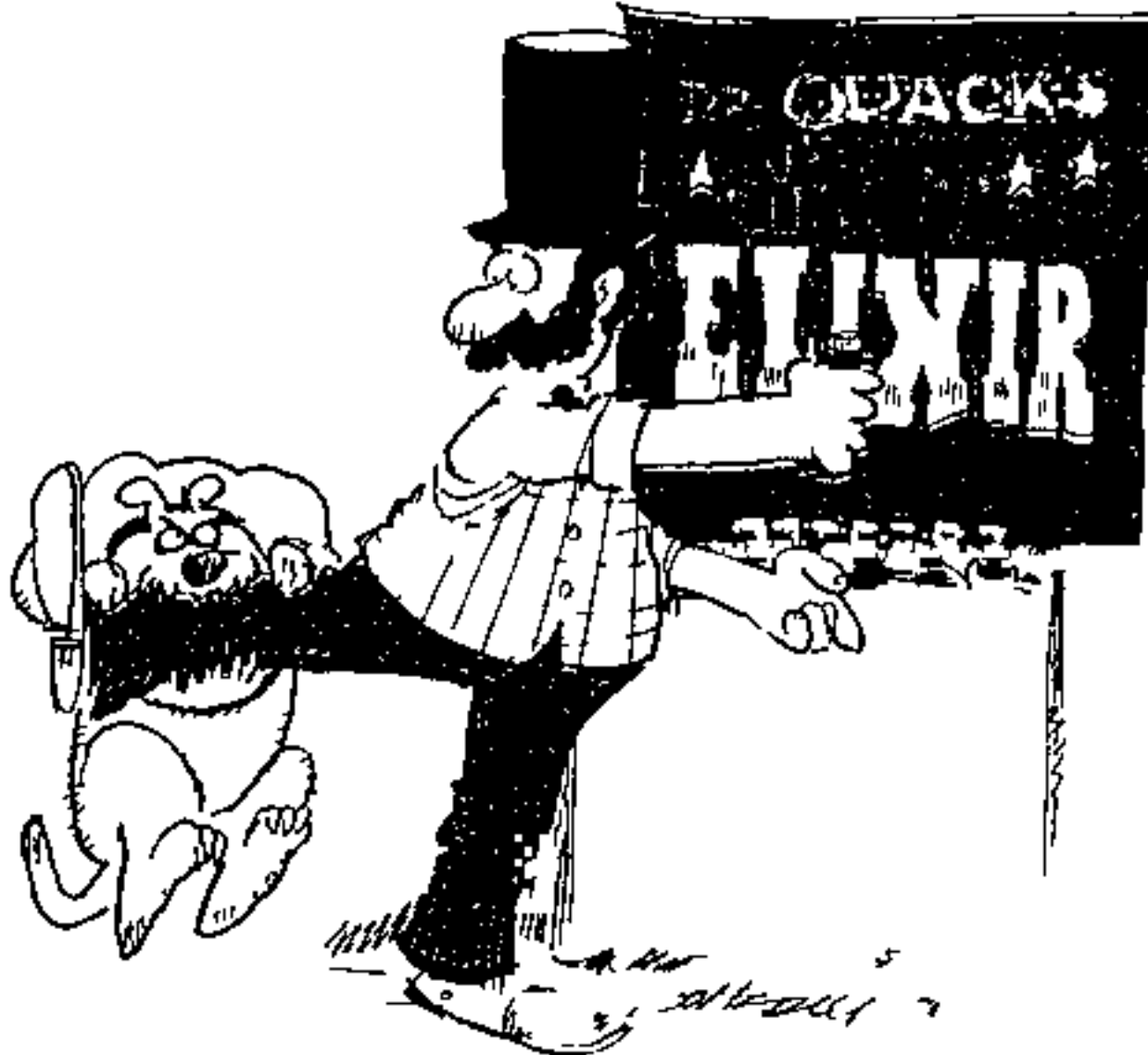
Welcoming the amendments, committee chairman Louise Tager says "Previously, we have concerned ourselves more with individual business practice. In future, we will concentrate on formulating codes of conduct covering a whole range of business activities, such as used car sales or the furniture industry, which will ultimately form the basis of consumer protection statutes."

Tager says the experience the committee has gained by delving into the role of individual businesses has helped it identify the areas in which the greatest degree of malpractice and consumer deception exists. That has put it in a powerful position to develop codes of practice — in conjunction with business, she

stresses — that will be in the long-term interests of both parties.

Business grudgingly accepted the Act once checks and balances were built in. There is strong private sector representation on the committee and there is a full appeal procedure available to aggrieved businesses. But says Ken Warren, legal adviser of the Chamber of Business "Ideally consumer protection should be approached through consumer education rather than through statutory enactments that are difficult to implement. We don't have a problem with the proposed amendment, but we'll look at any further amendment in greater depth."

On the question of whether the committee, as now constituted, has been successful, Tager is unwavering. She notes that in the two years since its inception, some 155 matters have been brought before it. These range from complaints regarding the poor quality of fibre glass pools, unethical mail order and finance companies, to the poor workmanship of building contractors, retirement village selling schemes, the marketing of timeshares and misleading advertising.



The committee's investigations have resulted, on two occasions, in the publication of a notice in the *Government Gazette* banning a particular business practice. One related to Seelmark, a scheme for raising money via souvenir cards and stamps and Set For Life Insurance, a type of insurance chain letter. The committee also has made a recommendation in respect to selling life rights in retirement villages and has given notice of its impending recommendations in respect of certain finance company loan schemes and the practice of selling motor vehicles under hire purchase to third parties in contravention of the Credit Agreements Act.

However, Tager says "We generally achieve far more in private negotiations with the parties concerned after an alleged malpractice has been brought to our attention," adding that most matters are settled in this way. "The mere publication of our intention

to investigate a business practice is generally sufficient to get the parties to voluntarily resolve any abuses that may exist."

The committee's publication of a notice of intent does, however, have its legal downsides. The committee is obliged to give details of its impending investigation in the *Gazette*, details that may subsequently be overtaken in the course of its investigation, necessitating the publication of an amplifying notice at a later stage. The current amendment to the Act removes the committee's obligation to publish details of its investigation. It is sufficient now merely to signal its intent. ■

## Living costs are rising

111 Household Subsistence Level for black families rose 7,1 percent over the six months to March, according to the University of Port Elizabeth's Institute for Planning Research

Although the figure indicated a gradual slowing in cost increases for essential items, food prices - particularly of fruit, vegetables and dairy products - remained exceptionally high, it said

The HSL is an estimate of the basic living level of a black family of six, covering food, clothing, fuel, lighting, cleansing, rent and transport

A more realistic measure of minimum income is the Household Effective Level, which is 50 percent higher

The institute said the sharpest increase in the HSL - 9,8pc - had been registered in Port Elizabeth

Brits, Durban and Springs had also experienced increases of over nine percent

The increase in Johannesburg (2,6pc) was the lowest in the country. But with an HSL of R620 it remained one of South Africa's most expensive cities, being exceeded only by the Reef towns of Germiston (R631), Springs (R624), Benoni (R640) and Boksburg (R645)

Cape Town (R629) and Kimberley (R630) were also among the most expensive centres, while the cheapest was Maritzburg (R544)

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South Africa 215190

# Businesses 'should focus on credit worthiness of clients'

B10M 8/5/90

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BUSINESSES should focus on ensuring the credit worthiness of clients, especially as the economy slowed and bad debts began to increase, Syfrets regional GM David Rennie said on Friday

"It's well worth getting trade references, establishing and maintaining credit limits and detailing payment terms," he said

Not doing so could cost far more than the time and effort required to find out about debtors and pre-arrange payment conditions

Kreditinform production director Jack Brownrigg said "Given problems associated with current high interest rates, managers should try and establish the gearing levels of clients."

If a company was highly geared it could face a squeeze due to interest commitments and be unable to service creditors, Brownrigg said.

The number of corporate liquidations was on the increase and was likely to peak around October, according to sources, including accounting and liquidation firms

NEIL YORKE SMITH

Mike de Villiers of accountants Deloitte, Haskins and Sells, said "There is usually a lag of about a year between interest rate movements and changes in the number of liquidations"

"We've seen increasing problems in many companies listed during the 1986-87 JSE boom"

This was largely interest rate related but bad management and the extravagance of some directors had much to do with their companies' cash flow problems, De Villiers said

"Managers will have to concentrate on efficient cash collection and stock turnover," he said.

According to Brownrigg "Some of the industries most vulnerable to the current climate of high interest rates and economic slowdown are building, computers, and clothing"

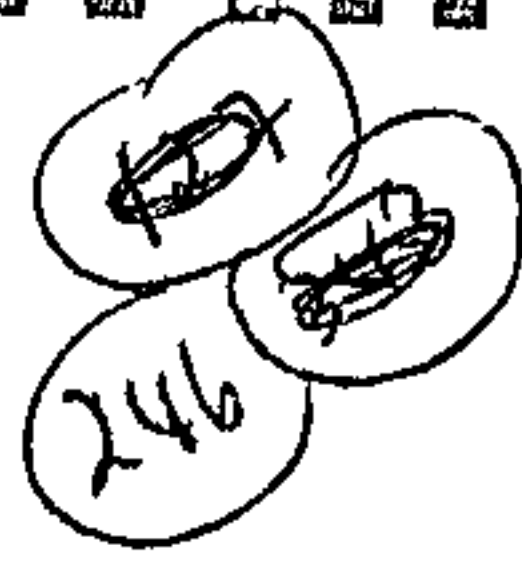
He advised businesses in these industries to be cautious when dealing with creditors



## Curbing rip-offs in home market

# New bureau will protect buyers

Sowetan 8/5/90



THE South African Housing Trust has sponsored the Legal Aid Bureau, a private welfare organisation, to the tune of R50 000 for the establishment of a project to protect

By SY MAKARINGE

potential home-buyers from unscrupulous companies.

The establishment of the Housing Advice Project, under the director-

ship of Mr Brian Levenson, was necessitated by the dramatic increase in cases where unsophisticated potential home buyers are being ripped off by bogus and incompetent property developers and estate agents.

In one year alone, the bureau handled more than 300 cases of unfair housing deals

Mr Wallie Conrad, managing director of the trust, said it was a great tragedy that housing, which was a national effort, was being besmirched by the activities of unscrupulous operators

"Incompetent newcomers to the sector who promise more than they can deliver will also tend to undermine public confidence," Conrad said

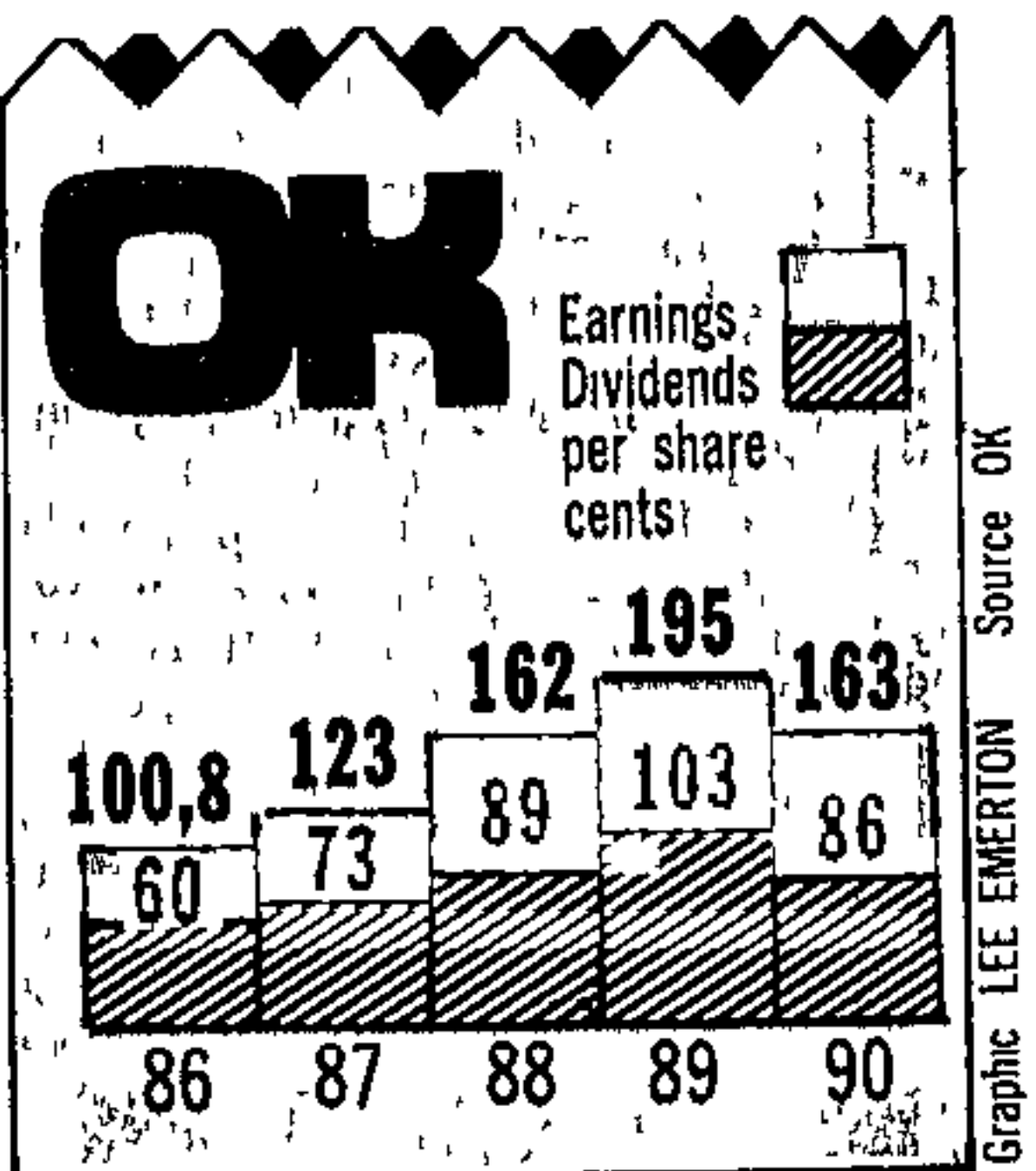
Mrs Pauline Lipson, director of the bureau, said at the presentation of the cheque at the Auckland Park Country Club that housing problems were not new to the bureau

She said by the time people brought them to the attention of the bureau, it was too late to do anything

The future of the bureau itself was bleak and uncertain because of lack of funds. She said the bureau could be forced to close if donors did not come to its rescue

The Housing Advice Project will operate from the bureau's offices on the fifth floor of York House in Kerk Street, Johannesburg

It is hoped that eventually a chain of offices will be established throughout the PWV area



Graphic LEE EMERTON Source OK

## Hood says poor results are not OK

246 SYLVIA DU PLESSIS 25

DAMPENED consumer spending, socio-political unrest and steeper shrinkage losses translated into a poor set of figures from SAB-controlled OK Bazaars in the year to end-March.

Earnings for the 210-store retail giant fell by 16.4% to 163c (195c previously) a share — far off the 217c some analysts were expecting, and dividends dropped to 86c from a corresponding 103c.

MD Gordon Hood said in an interview yesterday stores in areas such as Maritzburg, Carltonville, Vaal Triangle and parts of Bophuthatswana had been hit hard by "major social upheavals".

Instability in these areas had been accompanied by "abnormally high" shrinkage losses. He would not disclose figures.

"I'm obviously unhappy with the results. But while they are to some extent a sign of the political times, HP restrictions and higher interest rates also impacted on sales," he said. 8/5/90

Good performances from OK's Hypermas helped lift 12-month turnover by 13.2% to R4.2bn — negative growth if inflation-adjusted but in line with growth reported at this level by Pick 'n Pay.

However, operating income, which crawled 1.9% to R68.4m, cut margins. After interest, up nearly R10m due to higher interest rates and the purchase of computer equipment on financial lease, attributable earnings were 15.5% lower at R20.2m (R23.9m).

Hood said average stockturns reached 6.1 times, but a seasonal build-up of Easter stocks and early winter deliveries saw lev-

□ To Page 2

## OK results 8/10/90 8/5/90

els rise by 22.3% at year-end  
This, together with the group's continuing capex programme, lifted borrowings to R62.1m and sent the interest bill rocketing. Gearing stands at 67% compared to last year's 47%

Hood said priorities in the current year were to better stockturns, fight shrinkage,

## 246 □ From Page 1

tighten cost controls and continue strict cash management

"If we get new our central warehousing system working effectively by the second-half, and we believe we will, and if there is social stability — this is a big 'if' — then I think we could see real growth," he said

The shares closed untraded yesterday at 1 875c after a February high of 2 150c

# High finance costs hit Amrel results

*BT Day 11/5/90* *246*

SYLVIA DU PLESSIS

HIGHER finance costs, restrictive HP legislation and punitive interest rates pounded results from furniture-listed Amalgamated Retail (Amrel) in the year to March

But analysts' forecasts of a decline in income failed to materialise

The group, in the SA Breweries fold, produced a 2% increase in earnings to 245c (241c) a share for this period — negative real growth but better than the 6%-12% drop some retail analysts were predicting after a poor first half.

A final dividend of 55c lifted the total payout to 82c (81c).

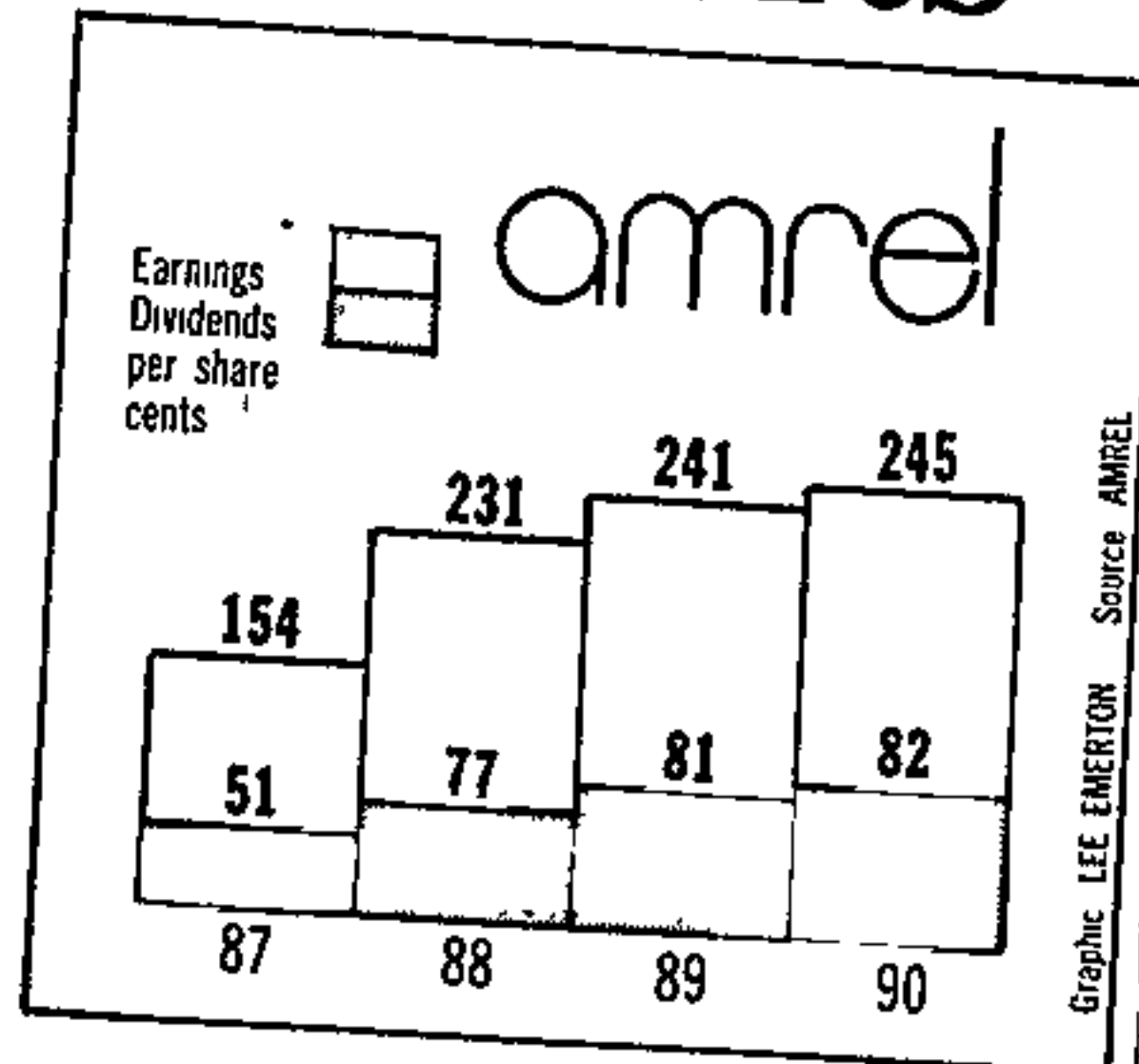
Growth at the earnings level followed a 12% rise in turnover to R849,1m and a 8% increase in pre-tax profits to R40,4m

After current and deferred taxation of R19,2m (R17,3m) and equity-accounted retained earnings of R1,4m (R1,9m), this filtered down to attributable earnings of R22,6m (R22,2m).

Group MD Stan Berger said the furniture division — including Geen & Richards, Lubners/Melodys, Furniture City, Tip Top and Triangle Furnishers — contributed 66% (59%) to earnings

National furniture sales remained "surprisingly buoyant" in the face of high interest rates and tough HP conditions, but appliance turnovers "plummeted", he said

Footwear and apparel sales fell rapidly during the second six months to see the contribution from this division decline to



25% (31%), while earnings contribution from the services division, encompassing Early Bird, Multiserv and Prontaprint, fell marginally to 9% from 10%.

Looking to the future, Berger said consumer spending, where the slowdown was most pronounced in the last quarter of the period under review, was expected to slump further as interest rates remained high.

In addition, the lifting of HP restraints announced earlier this year would only compensate to a limited extent for the relatively low level of retail activity

"Against this background it will be difficult to improve on current record earnings in the year ahead," he said.

The share closed unchanged at 850c yesterday, 10c below its September yearly high.



**Business Times Reporter**

**SOUTH African Housing Trust** has helped to launch an advice bureau to newcomers to the low-cost home market who run into trouble

By sponsoring the Legal Aid Bureau to set up a Housing Advice Project (HAP), SAHT hopes to prevent potentially unscrupulous operators from entering the affordable housing market

SAHT managing director Wallie Conradie insists that the project should not be seen as an indication that chicanery is rife in low-cost housing

**Abuses**

Our co-operation with the bureau is prompted by our eagerness to preserve the credibility and good standing of the many reputable concerns providing low-cost housing

"It would be a tragedy if a national effort like this were besmirched by the activities of a few operators"

Mr Conradie says incompetent newcomers to the sector who promise more than they can deliver undermine public confidence

"Our help in launching the HAP is an acknowledgement that the potential exists for abuses. We realise there is a need to gather information that will help in the formulation of safeguards"

Mr Conradie says SAHT is unaware of a wave of irregularities and abuses

# Net cast for the housing sharks

"The only indicator that the graph is rising is the report from the Legal Aid Bureau that its case load involves an increasing incidence of complaints related to housing"

The Johannesburg-based bureau reports a steady stream of black families who have been cheated out of deposits, tricked over plans and palmed off with shoddy workmanship

The HAP will be independently run under the bureau's auspices. A senior SAHT executive will sit in at policy meetings as an observer

# Feeling the pinch of economic vice

by 14/5/90

REPOSSESSIONS of new cars are rising dramatically, the number of liquidations are surging from last year and more people are battling to hold on to their homes as the economy sinks further into a downturn

Liquidation figures for the first quarter indicate that stringent measures taken to cool the economy are biting. The number surged by 40,5% from the first three months of last year and was 13,6% up on the last quarter of 1989, according to Central Statistical Service (CSS).

Information Trust Corporation chairman Paul Edwards said the signals clearly indicated that the brakes were on. But the statistics should be seen as coming off last year's low base — the lowest since 1982. The reality was the economy was adjusting.

Further evidence that high interest rates and a slack economy are knocking consumers comes from the hire-purchase banks. Car repossessions have escalated to about 600 a month in at least one individual bank's case. A survey of HP banks yielded estimates of an increase in repossessions from 18 months ago, ranging between 15% and 50%.

Stannic MD Gutch Vickers put his bank's increase at about 15% "off an extremely low base 18 months ago. The really big problem was late in 1986. The situation will get a little bit worse before it gets better, as interest rates are expected to stay high for longer".

GRETA STEYN and  
GERALD REILLY

Wesbank senior GM Neville Nightingale said there had been a marked increase in repossessions.

"But the experience is to be expected, given the current point in the business cycle. We are still quite comfortable with the situation. Although the upward trend will continue for some time, we are nowhere near the disaster of four years ago."

On the property side, notices of sales in execution in the latest Government Gazette total about 130 — compared with about 80 in September 1988. UBS home loans manager Piet Kruger said the problem was bad in some regions while in others there was nothing to worry about.

The Allied's Geoff Bowker said "I would not say we are over the hump yet, but for the first time in months a smaller number of homeowners had to bail out last month."

Although the downturn is hitting consumers and business alike, the economy is not likely to sink into a recession. CSS also released encouraging figures at the weekend — the number of insolvencies decreased by 19,6% in the three months to end-February compared with the previous three months.

Building societies and banks say the demand for home loans continues at a relatively high level.

# Book is just the ticket to world of savings

By CHARMAIN NAIDOO

SAVING money is successful Cape Town-based author Pam Black's business. Now the woman who's written the A to Z of Factory Shops (Cape Town), Senior Citizens' Money Saver and How To Survive the School Holidays (Cheap projects for parents and children) is headed off in a new direction. She's trying to get South Africans used to the idea of coupon shopping.

"I've got Capetonians to go to factory shopping, now I want to teach South Africans to use coupons," she says. "Everyone in America shops with coupons which ensure discounts on selected goods. It makes quite a difference to the supermarket trolley tally." That is why Pam's new book, titled Everybody's Money-Saver, has 76 coupons ranging from 10c to R25 at the back, educating people on how to use coupons. It also carries money saving articles.



**PAM BLACK**

"Did you know, for example, that it takes 11 litres of water to flush a loo? Also, if you turn the thermostat down to 50 degrees in the summer, it amounts to an enormous saving." At the moment, Pam is updating her senior citizens' book, which has sold 110 000 copies since it was first published in 1986. It's been updated once and is completely sold out at present. "In that book I've included all the discounts that pensioners can get from shops and companies — even municipalities provide discounts on things like dog licences," she says. "When I first did my research, I spent months on the telephone to companies asking if they gave discounts to pensioners. "I was greeted with suspicion when I told people that I was providing a service for them no money. "Well, I'm updating Senior Citizens Money-Saver again and am once more looking for companies who do offer discounts. Again, the service is free and the businesses will not have to pay a cent for advertising in my book."



## PANIES

### Audiodek feels the pinch

010w 11/6/90

ZILLA EFRAT

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HP restrictions and high interest rates affected profitability at audio importer and distributor Audiodek Holdings, sending earnings down 26% in the year to March. It produced earnings of 6c (8,1c) a share. A dividend of 2,75c (3,25c) a share has been declared, down 15% and covered 2,2 (2,5) times.

Earnings were also down 26% at the halfway mark, after a 4% rise in the previous financial year in the face of the import surcharge, the falling rand and credit restrictions.

Turnover rose 13% to R47,3m (R42m), but operating profits fell 3% to R3,7m (R3,8m). The interest bill doubled to R1,2m (R624 000) with interest cover falling to 3 (6) times. Taxed profits were down 26% at R1,2m (R1,6m).

# Bank data shows steady easing in demand for credit

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Blom 3/6/90

CREDIT extended for hire purchase (HP) and leasing transactions increased by R788m in the first quarter — the lowest increase in two years — according to banks' latest BA9 returns to the Reserve Bank

The increase boosted total lease and HP receivables to R25,13bn, which was 26,9% higher than last year's comparable figure of R19,79bn

The lower increase indicated the Reserve Bank's tough monetary measures were eventually taking effect, industry spokesmen said yesterday

"There has been a steady decline in demand for consumer credit," Stannic MD Gutch Vickers said.

"There has also been a welcome re-

NEIL YORKE SMITH

duction in demand for corporate credit," he added

Authorities had previously expressed concern that corporate borrowing was comfortably withstanding high interest rates.

Growth in credit extension was now well within the requirements expressed by the Reserve Bank early last year, Vickers said

"They asked us to curb growth to 1% a month, recent growth has been closer to 0,5% a month," he added

Banks, already plagued by low margins, would also have to face increased bad debt levels, Nedfin MD Ron Rundle said

"There is no such thing as a soft landing," he said

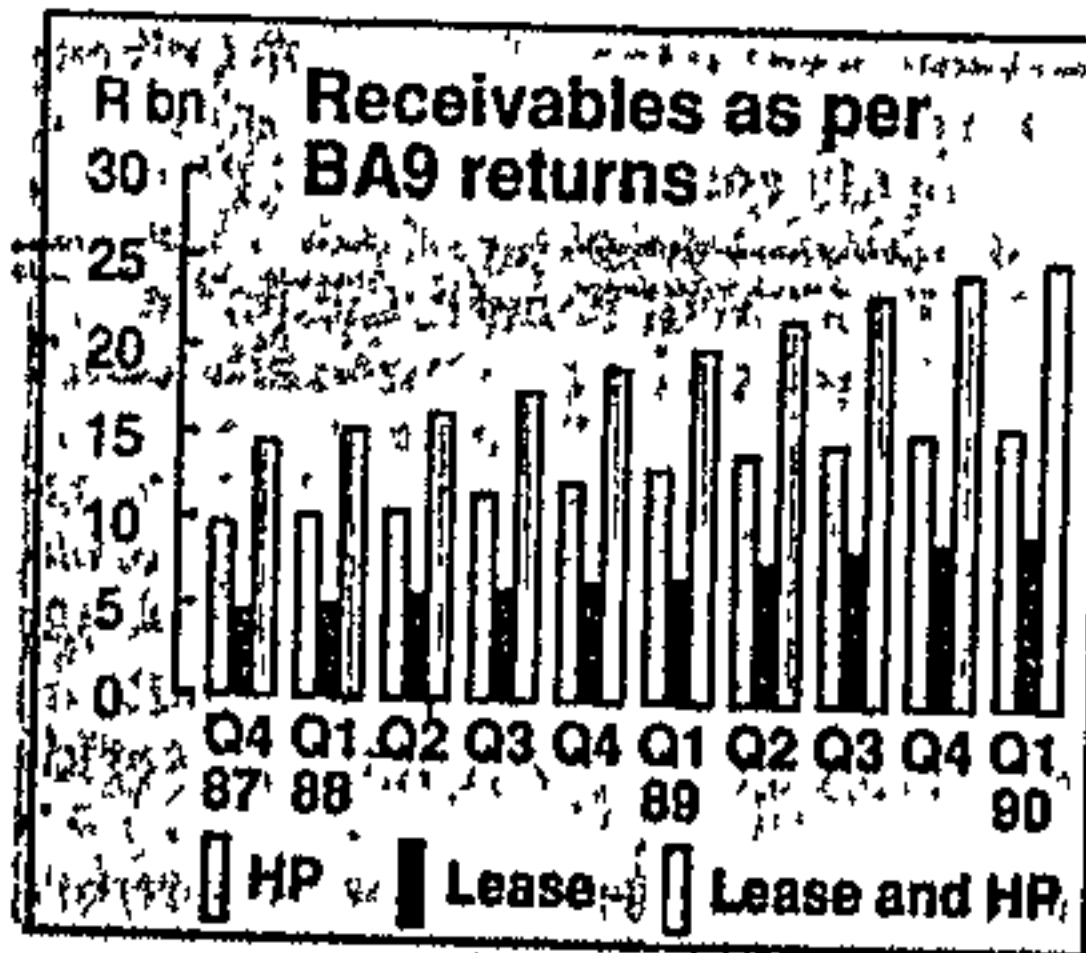
"Business is going to have a rocky ride for the next six to 12 months," Rundle added

The Reserve Bank has stressed the importance of curbing domestic credit extension

Tough monetary policies are aimed at achieving this and ultimately lowering inflation

Reserve Bank Governor Chris Stals last week confirmed the economy "was beginning to move in the right direction"

However, he stressed it was far too early to ease monetary policy and reduce interest rates



Graphic: FIONA KRISCH Source: NEDFIN BANK

246 (initials)

# Promise to compensate poor for higher food prices under VAT

CAPE TOWN — Government has undertaken to compensate poor people who will pay more tax if food is included in VAT by creating social upliftment programmes and improving their social pensions

Deputy Finance Minister Org Marais said yesterday the additional R420m which was expected to be collected from people below the bread-line if food was subject to VAT, would be reinvested in social upliftment programmes.

He said it was "no longer a secret that the government has to achieve parity in social services. Maybe we will not equalise social pensions in the next Budget, but we will definitely have to do so when we introduce VAT. The new system is not intended to make the poor worse off"

He said government was currently investigating the creation of programmes targeted specifically at the poor

Apart from higher social pensions these would include feeding schemes for young children and pregnant women, new subsidies for service centres and mobile feeding units for the aged.

There would also be subsidies to charities which would have to pay VAT on food, and training and job creation programmes for the unemployed

Marais said the introduction of VAT was intended to remove the "unjust and unfair" effects which the GST system produced.

Under GST the exemption of basic food was intended to assist the poor. But, in effect, it was not an efficient means of assistance because the consumer was still

LESLEY LAMBERT

subject to the cost of GST which was applied earlier in the production and supply chain and built into the final price, he said

Secondly, Marais said the benefit of a tax exemption on food was enjoyed largely by people other than those for whom it was intended

CHARLOTTE MATHEWS reports that Housewives League national president Lynne Morris said yesterday the impact of the imposition of VAT on food items depended on the state of the economy when it was introduced.

"At this stage I think it would be shattering for the average person," she said.

"It is not just the poor and needy who would be affected but the middle class. We are all getting poorer.

"The Housewives League did a study around 18 months ago which showed that the imposition of VAT at 12% on food items would add another R50 to the monthly food bill. This is quite significant to a family battling to pay a large mortgage bond."

Pick 'n Pay financial director Chris Hurst doubted whether the imposition of VAT would affect sales of food

"Maybe marginally — but every time GST went up we found sales were affected for a short period only. People have to eat

"This will certainly affect people at the bottom end of the market. But I believe government's aim is to accompany this with a revision in income tax at the lower levels."



# Food trolleys varied by R16,32

By Stan Hlophe

## HOUSEWIVES' LEAGUE OF SA SHOPPING BASKET SURVEY

Pick 'n Pay and Checkers supermarkets offered Johannesburg and Soweto consumers the cheapest prices for an average trolley of goods bought during June

A Star survey showed that a trolley of 26 basic items bought at five supermarkets was the cheapest at Pick 'n Pay at R77,69

At Checkers it was R77,96, at the OK Bazaars R84,54, Maponya's Supermarket R89,46 and at Black Chain R94,01. The totals did not include general sales tax

The survey revealed that prices at the middle of the month were lower than at the end.

Prices for one product are rarely the same. In most cases the difference is only a few cents. One large variation was 1 kg of frozen peas selling for R5,09 in the northern suburbs and R6,90 at a black supermarket.

Large supermarket chains have "no name" or "own brand" products which give them an advantage

over their smaller counterparts in the township.

Supermarkets are in the price-war for eggs, butter, margarine, sugar, mealie-meal, sausages, baked beans, washing powder, rice, and oil.

The Housewives League spokesman, Sheila Lord, encouraged black consumers to shop around for cheaper prices

"They should not go for brand products."

Items	Pick 'n Pay	Checkers	Maponya	Black Chain	OK
	Randburg	Southdale	Soweto	Soweto	Southdale
1 Frozen peas, 1 kg	R5,09	R5,55	R6,78	R6,90	R6,29
2 Chicken, frozen per kg	R4,57	R3,99	R4,35	R4,45	R5,85
3 Eggs — large, per doz.	R2,58	R2,38	R2,70	R3,44	R2,48
4 Butter — choice, 500 g	R4,09	R3,99	R4,99	R5,10	R4,19
5 Sausages — pork, 500 g	R4,69	R5,05	R4,99	R5,07	R4,99
6 Margarine — brick (500 g)	R1,59	R1,59	R2,32	R2,35	R1,79
7 Bacon — back, kg	R4,15	R3,19	R4,25	R4,27	R4,19
8 Baked beans — 420 g	,89	,87	R1,04	,99	,85
9 Pilchards, 425 g	R1,99	R1,99	R2,09	R2,11	R1,59
10 Smooth apricot jam (900 g)	R2,69	R2,49	R3,45	R3,15	R2,49
11 Washing powder, 1 kg	R4,39	R4,39	R4,69	R4,99	R4,49
12 Dishwasher, 750 ml	R2,39	R2,49	R3,19	R3,69	R2,59
13 Toilet rolls (single ply)	,67	,65	,69	,89	,72
14 Tea bags, 100s	R4,19	R3,99	R6,15	R6,19	R2,89
15 Coffee/chicory, 750 g	R6,79	R5,99	R7,29	R7,79	R6,29
16 Oil, 750 ml	R2,25	R2,29	R2,59	R2,61	R2,19
17 Mealie meal, 2,5 kg	R2,34	R3,09	R2,59	R2,89	R2,69
18 Cornflakes (500 g)	R3,05	R3,19	R3,07	R3,05	R3,89
19 Rice, 1 kg	R2,59	R2,39	R2,89	R2,09	R2,35
20 Peanut butter, 410 g	R1,95	R2,25	R2,99	R3,15	R2,65
21 First grade cheese, 1 kg	R4,39	R6,83	R6,15	R4,45	R6,53
22 Sugar, 2,5 kg	R3,35	R3,38	R3,66	R3,79	R3,35
23 Skimmed milk, 1 kg	R2,75	R2,35	R5,75	R7,59	R5,59
24 Full cream milk (1 litre)	R2,35	R1,67	R1,44	R1,59	R1,69
25 Bread — white	R1,03	R1,03	R1,05	R1,05	R1,03
26 Bread — brown	,88	,89	,90	,90	,89
<b>Total</b>	<b>R77,69</b>	<b>R77,96</b>	<b>R89,46</b>	<b>R94,01</b>	<b>R84,54</b>

246 Star 19/6/90

# Housewives' League hits at ending of the bread subsidy

DURBAN — The Housewives' League has bitterly attacked a decision to terminate bread subsidies by March

Wheat Board general manager Ivan Hemingway said at the national bakery symposium this week that all price controls would be lifted from flour at the same time, and that the Government would no longer fix profit margins for millers or bakers

Housewives' League Durban spokesman Mrs Margaret Cooke said yesterday that while the league would agree with the removal of most subsidies, "bread is one which touches the daily lives of virtually every single person in this country"

She added "In these particularly difficult economic times, when so many people have only sufficient money to buy one loaf of bread a day, it seems

rather short-sighted to increase the price of their one source of food"

Mr Hemingway said a corresponding step would be the termination of the restrictive registration of bakers, a move which has been fought by many organisations, including Pick 'n' Pay, which has been prevented by current legislation from baking its own bread

Mr Hemingway said the lifting of all controls would have far-reaching effects and would probably result in quite widely differing bread prices in different parts of the country.

An initial increase in prices was inevitable, but that every attempt would be made between now and February 28 next year to cushion the blow to consumers

246 Star 23/6/90  
**VINCENT GILBEY**

## Furniture sales increase

MARCIA KLEIN <sup>20</sup>

FURNITURE retailers have expressed cautious optimism about increases in sales since the lifting of credit restrictions in March, according to Furniture Traders Association (FTA) executive director Frans Jordaan

National sales figures issued by the FTA on Friday showed a growth of 29.9% in retail sales for May 1990 over May 1989. <sup>246</sup>

Jordaan says sales of radios, TVs and videos have been particularly good, with a growth in sales to black consumers "who did not have access to alternative forms of credit when the restrictions were in force" <sup>610 am 1617190</sup>

His statement on Friday said the reason for expressing caution was that the effect of the pent-up demand when the HP deposit was lowered and the repayment period lengthened was still being felt, and that current figures were measured against an exceptionally low 1989 base.

The FTA would have more realistic picture in the next few months, he said



# Easing of restrictions boosts appliance sales

By <sup>23</sup> 1790

MARCIA KLEIN

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BUOYANT sales of television sets, appliances and sound equipment over the past few months have reflected the positive effect of government's easing of HP restrictions and import surcharges in March.

Sales figures issued by the Furniture Traders' Association for April and May were higher than last year's by 29% and 30% respectively for furniture and appliances. While no separate figures were available for TV and radio equipment, 20% to 30% increases in sales have been shown by most major retailers since March. However, most retailers expressed reservations about the growth in sales which had been measured off a very low base. They said sales would level off once pent-up demand had been met.

Sales should stabilise at a more realistic increase of 20% over the next few months, OK furniture goods marketing director Arthur Solomon said last week.

Improved credit facilities had made goods more affordable, with deposit payments on HP agreements reduced from 20% to 12% and repayment periods increasing from 18 to 24 months. Radio and Television Manufacturers' Association chairman Jack Cohen said this had led to a more even spread between purchases of furniture and appliances previously restricted.

Import surcharges have been reduced from 60% to 40%. VCRs were not affected. Morkels MD Carl Jansen said the sale of TVs had taken off with a 70% growth over the past year. The audio market has also shown an increase in sales despite a shortage of supply.

The lifting of restrictions had a favourable effect on growth in sales this year at Dions, especially over June, financial director Mannie Charnowitz said.

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# Increased TV licence fees slated

246

Star 26/7/90

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By Shirley Woodgate

The 50 percent increase in the television licence fee from October 1 has been slated as "increasing the costs of a captive market".

The fee will increase from R80 to R120 a year, it was announced last night.

Housewives' League president Lyn Morris said since there was no alternative but to pay, the SABC should immediately address certain problem areas, such as the dubbing of programmes from English into Afrikaans.

"It makes absolute nonsense to watch Robert Redford gabbling away in Afrikaans while anyone can get the original English soundtrack on radio," she said.

Mrs Morris emphasised the SABC should act to ensure all television owners paid licence fees

Black Housewives' League deputy president Veronica August said it was totally unfair that blacks whose viewing time on TV/2 and 3 ended early at 9 pm should have to pay the increased fee applicable to other viewers with longer hours.

● Viewers who do not wish to pay the annual lump sum can pay R11 a month (R132 a year)

The monthly rental for concession licences will be R4 a month (R48 a year). Concession licence holders, including viewers over 70 years of age and social pensioners, could also pay a lump sum of R36 a year.

# Housewives demand probe into food costs

By Helen Grange

Since the deregulation of the dairy industry in 1983, the price of milk has soared — with one Natal dairy having implemented a second milk price increase this year.

In the wake of Clover Dairy's recent milk price increase of 8 percent, implemented in Natal, the Housewives' League has demanded an investigation by the Government into the prices of basic foodstuffs.

Certain brands of milk will now cost the Natal consumer more than

R1,90 a carton in a corner cafe.

Statistics provided by the Central Statistical Service show milk, cheese and egg prices for June were already 20 percent higher than a year ago.

The annualised inflation rate for all goods and services has fluctuated between 13 percent and 15 percent this year.

According to the Dairy Board, the recent price adjustments on milk represent a healthy recovery of prices — a typical pattern after any deregulation.



## Life industry concerned about draft Bill

STRONG measures to protect the consumer — contained in the draft Long Term Insurance Bill circulated to the industry last week — have raised concern in the life industry. *B 10cm 118/90*

Insurance Registrar Piet Badenhorst says the Bill contains stronger measures to deal with undesirable practices. The Bill requires the Finance Minister to take steps against undesirable practices, if so recommended by an advisory committee. *(246)*

Life Offices Association (LOA) deputy director Urie Wessels says at first glance it would seem the powers given to the registrar to act "in the public good" were too wide.

LINDA ENSOR

In terms of the draft Bill, the registrar is entitled to request a life assurer to withdraw undesirable advertising and to require that the marketing of a product — deemed not in the public interest — cease.

To do so was a lengthy process requiring ministerial approval and a notice in the Government Gazette — the Set for Life scheme was eventually prohibited by a committee established in terms of the Harmful Business Practice Act.

Wessels says an LOA delegation will be discussing the draft Bill at its routine meeting with Badenhorst on Friday.

# Food price increases exceed inflation rate

Star 11/8/90

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While price increases in most retail sectors have been slowing down in the past few months, food prices have been increasing by more than the overall rate of inflation.

Food prices, which have a weighting of 23 percent of the overall consumer price index (CPI), have been increasing at a time when the producer price index (PPI) for food fell to a remarkably low seasonally adjusted 3,2 percent in May.

So, while costs at the producer level increased by only 3,2 percent in May — because of an eight percent fall in meat prices — retail prices increased by 15,6 percent.

Dr Azar Jammine of Econometrix says there are a number of explanations. "Firstly, the CPI tends to follow the PPI by three to six months"

In other words, when producer prices fall, the corresponding decrease in consumer prices should broadly follow in three to six months.

Dr Jammine also points out "the basket of commodities used to calculate the CPI is different from the basket used to calculate the PPI.

## Import content

The PPI has a 25 percent import content so the relative strength of the rand earlier this year was an important reason for falling producer prices."

Dr Jammine also suggests another more worrying possibility "Higher food prices could be the result of monopoly pricing at the food distribution level."

Dr Jammine continues: "Over the past four years food price increases at the retail level have been consistently higher than increases in producer prices. Since 1986 the PPI for food has

## DUMA GQUBULE

been on average three percent below the CPI for food."

However, Raymond Ackerman, chairman of Pick 'n Pay says "I have never fixed a price and I would never consider fixing a price. The competition in our industry is vicious. Our meat prices have responded to lower prices at the producer level. Meat prices have only increased by eight percent in the last year."

Mr Ackerman believes if it were not for the fierce competition among food retailers, prices would be higher

## Overseas pressure

"There have been increases in prices of imported packaging and overseas suppliers who have been receiving profits in depreciated rands have been putting pressure on local management to increase margins," he says.

A representative of IBIS Marketing Information Services, which conduct retailing research, agrees with Mr Ackerman

He says: "Although the three main food retailers have over 50 percent of market share, the industry is highly competitive. These people do not talk to each other."

Volkas chief economist Adam Jacobs does not think monopoly pricing is the main reason for higher food prices

"In the clothing sector there is fierce competition and no monopoly situation, but clothing price increases have been high. High inflation is a consequence of a relaxed monetary policy."

"That is correct," Dr Jammine says, "but it is precisely the relaxed monetary policy which provides the space for monopolies and trade unions to effect price and wage increases respectively."

FIM 17/8/90

**Activities:** Furniture retailers and TV renting  
**Control:** Directors 62%  
**Chairman and MD:** E J Theron  
**Capital structure:** 12,4m ords. Market capitalisation: R2,48m. 246

**Share market:** Price: 20c Yields 17,5% on dividend, 35% on earnings, p/e ratio, 2,9; cover, 2,0. 12-month high, 30c; low, 18c  
 Trading volume last quarter, 115 100 shares

Year to Feb 28	'88	'89	'90
ST debt (Rm)	0,4	1,7	0,7
LT debt (Rm)	0,1	0,1	1,4
Debt equity ratio	0,17	0,53	0,53
Shareholders' interest	0,36	0,37	0,32
Int & leasing cover	33	581	11
Return on cap (%)	16,2	19,3	15,5
Turnover (Rm)	19,3	29,5	31,1
Pre-int profit (Rm)	1,3	1,7	1,8
Pre-int margin (%)	15,3	5,8	5,8
Earnings (c)	5,4	7,4	7,0
Dividends (c)	2,6	3,5	3,5
Net worth (c)	22,7	26,7	30,2

been hard hit, however, some furniture groups have continued to lift earnings at a rate close to inflation

Tafelberg is not among them. In the 1990 year pre-interest profit rose only 6,6%, and this gain was reduced by a R126 000 rise in the net interest bill, earnings thus showed a 5,5% decline

Chairman Eugene Theron admits it was a tough trading year. Margins were squeezed to the bone by competition and there has been an obvious reduction in consumer demand. But, he says, trading now has a "different feel" and he is optimistic about the current year's results.

He reckons consumers' inclination to save in difficult times has resulted in pent-up demand that is beginning to show; Tafelberg is said to be experiencing higher turnover across the board.

Furthermore, Theron says the warehouse that opened in October has strengthened operations. It has eliminated stock bottlenecks which had seriously inhibited sales, enabled the use of more floor space in the sales showrooms and allowed a better display of a broader range.

The R1,47m cost of the warehouse has doubled the value of fixed assets. As it was financed by a first and second mortgage bond for a total R1,3m, long-term liabilities have risen accordingly. Though interest-bearing debt has increased by 19%, Theron believes the additional interest attracted should be easily offset by better trading results.

The balance sheet shows an 18,4% increase in stock, but Theron says this results from price escalations of around 25% a year in the furniture industry rather than greater stock volumes.

Because 95% of Tafelberg's sales are for cash, cash flow does not present a problem for this small and seemingly well-run 21-year-old Cape group.

Despite the economic downturn, Theron is expecting a soundly based rise in turnover, with EPS up about 20% this year. If this is achieved the dividend should rise accordingly.

Gerald Hirshon

TAFELBERG FIM 17/8/90

## Sales picking up 246

Company results over the past few months have clearly reflected the worsening state of the economy. Though durable sales have



# Shock for owing bank clients

SANTAMBANK clients who fall into arrears with their payments are in for a big shock - they may be charged up to R300 everytime a tracing agent calls in to collect a debt. The bank, one of the leading vehicle financiers in the country, has hired independent debt collectors who charge tracing

By SY MAKARINGE

fees ranging from R120 to R300 for tracking down defaulters in the black townships. The amounts are then debited into the clients' accounts as soon as the bank had been invoiced by the collectors, according to an investigation by

*Sowetan*  
An independent debt collector on the East Rand, who asked not to be identified, recently told *Sowetan* that tracing agents made an average of R1 500 a night or up to R45 000 a month by collecting debts from defaulters in the black townships.

"The situation is so bad that debt collectors can charge any amount they wish without any questions being asked by bank officials. The bank just passes our fees onto the hard-pressed clients. Every debt collector now wants to do business

## Shock for clients

in the black townships because there is money there," he said.

He said many collectors were reluctant to track down white defaulters because "the maximum you can charge them is R80 a call. You can't charge what you want because whites always ask questions".

He said bank officials usually made "feeble attempts" to contact clients in arrears before handing their cases over to the debt collectors who "are only too willing to do the job".

"A guy may be sent out to collect a lousy R90 for which he could charge R300. I decided to part ways with Santambank because my conscious

could no longer take it. The situation is getting out of hand and I feel very sorry for the poor guys," he said

Mr PJB van der Grijp, senior legal adviser for Santambank, said the bank normally sent letters of demand to the defaulting clients.

He said in most cases the letters returned undelivered and the bank could also not contact the clients

"We therefore had to assume the clients had absconded and left their previous addresses," Van der Grijp said

He said under normal circumstances the bank did its own collections. They had to resort to collectors because of the unrest

*Sowetan 24/8/90*

*(246)*

*(246)*

# Foreign competition is 'the best protection'

FOREIGN competition was the best protection against consumer exploitation by local conglomerates, economic adviser to the Minister of Finance, Japie Jacobs, said at the weekend.

He told the Five Freedoms Forum conference titled SA at the Turning Point: Negotiations and the Future, that economic concentration in SA should not be judged from a political perspective but on the basis of economic growth and competition.

SA had a very open economy and it was important to try to reap the benefits of economy of scale. However, exploitation of the consumer as a result of vertical or horizontal integration had to be prevented.

While the balance of payments had allowed little scope for foreign competition during the past few years, SA was gradually reaching a stage where domestic industry could be exposed to greater foreign competition.

As part of government's anti-inflation programme, the external value of the rand was being stabilised to a greater extent, implying more intensive foreign competition in the local market.

Jacobs said everyone realised that what was needed was a more equal participation in generating economic growth and in distributing its available income. A higher growth rate, price stability and work opportunities for the rapidly growing labour force were priorities.

Government realised the rate of inflation had to be reduced, foreign and domestic competition promoted and structural reform implemented. Reducing government's role and interference in the economy held the key to rapid and sustained growth. Jacobs said the most sensible way to promote and sustain a more equal distribution of income and wealth was to establish a just society with equal opportunities for all citizens as entrepreneurs, workers and professionals.

## TANIA LEVY

He said scope for redistributing income in SA against the background of a stagnant or slow economy was exceedingly limited.

Redistribution policies pursued via the tax system would adversely affect the economy's productive base. Such policies would amount to redistributing poverty.

Urban Foundation environmental analysis manager Chris Heymans told delegates the ANC would be unlikely to settle for restructuring of local government in isolation from a new system at national level.

Heymans said government sources differed on whether restructuring local government should go ahead while the negotiating process had hardly started.

Some sources said the Thornhill proposals for local government should be implemented during the next parliamentary session, while others said the proposals would contribute to the constitutional debate.

## Imperfect

The Thornhill proposals, put forward by the Co-ordinating Council for Local Government Affairs, offer four models for local government and allow for a fifth option negotiated locally and cleared at a higher government level.

Heymans said SA entered the 1990s with a complex and imperfect local government system, characterised by gross inefficiencies, racial fragmentation, financial unviability, incomprehensive and non-inclusive planning, and severely politicised conflicts. Desegregation, redistribution and re-allocation of industrial and commercial areas were unlikely to overcome burdens of the past. These steps had to be part of a fundamental rethink on urban planning and management, so the system could be transformed from one based on ideological considerations to one based on functional and viable norms.



w/ Mail 719-1319/90

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# Half a loaf - and soon no bread

IF YOU give a beggar R2, he will, if he's lucky, be able to buy half a loaf of bread and a half litre of milk.

By March next year, he will be lucky to buy either the bread or the milk — but not both.

On Monday, milk prices in the Transvaal will rise on average 10 percent. And if they haven't risen recently in the rest of the country, they will soon. The increase, according to supermarkets, is an inflationary adjustment.

From Monday it will cost very close to R2 for a litre of milk in many places (unless the consumer uses a supermarket or the dairy; then it will cost slightly less). The price at a Yeoville café, which is representative of most, will be increased to R1,90 a litre, and shops in rural areas will charge whatever they can.

In March next year, the last of the bread subsidy will be removed. But at present, prices are still controlled (price control is likely to be removed as well) and only the Wheat Board can set an increase. A loaf of white bread costs R1,03 at Pick 'n Pay supermarkets and a loaf of brown bread is 88c.

Supermarkets often charge slightly less than the Wheat Board's maximum price. But there are no supermarkets in rural areas.

The price of milk is no longer controlled and so can be increased by shopowners. Consumers will pay about R1,70 for a litre bottle at the dairy (the return of the glass bottle nets 30c). Supermarkets will charge less. Cartons cost slightly less, but there is no refundable deposit.

All this makes the average monthly milk bill for a 20-month-old child, for example, somewhere in the region of R40 to R50.

The Consumer Council is calling for an investigation into milk pricing because, they say, there is a surplus of milk. Producers receive 60 to 70 cents a litre, while consumers

pay between R1,50 and R2.

When bread becomes too expensive, the poor eat mealie meal. But that price is increasing too, later this month, because of an increase in the maize price. The cost of mealie meal will rise to a minimum of R2,99 for a 2,5kg packet. There are no price controls on mealie meal, so in rural areas the ceiling is the limit.



**PAT SIDLEY**

The inflation rate for food has for several months been running higher than the general rate of inflation as measured by the consumer price index.

This is not going to stop. In the immediate future, the prices will all be affected by increases in the fuel price.

It is, in the words of Sean Summers of Pick 'n Pay, "a terrifying spectre". He wonders out loud what poorer people will do if they "strike and riot over taxi or bus fare increases, what will they do about bread next year?"

Value Added Tax will be introduced on all goods, including basic foods, in October next year. (At present there is no sales tax on basic foods like bread or milk.)

Summers has also called for an investigation into the price of milk. He says supermarkets generally charge close to their cost price for milk, as it is a service item. So the difference ends up at the dairy.

The price of a loaf of bread could increase by anything up to 20 percent — perhaps even more. "We'll be getting into the times of Marie Antoinette," he said. He warned that the bread price would cause problems next year.

Wits University's economist Fuad Cassim believes that the price increases "will exacerbate the current tensions that exist in the economic sphere".

The increases would "actually enhance poverty", he said, and this could "create the potential for (a dangerous) situation to arise which would worsen an already tarnished and decaying atmosphere".



## More debt as squeeze tightens

8/04 10/9/90  
PRETORIA — Debt figures for the first quarter of the current financial year reflect the inability of many people and small companies to withstand the economic squeeze.

Central Statistical Service figures show that in April-June the number of summonses for debt increased by 8,8% to 234 873, compared with the same period last year.

Civil judgments also increased in the quarter by 6,4% to 177 649.

Compared with January-March this year, debt summonses increased by 0,5% and civil judgments by 1,5%.

Economists have warned that debt will get worse before it gets better.

246  
GERALD REILLY

Interest rates, according to the Reserve Bank, are to remain at current levels until there are solid grounds for easing them.

Information Trust Corporation has announced a dramatic increase in company and close corporation liquidations in the first half of the year. The increase was 37% to 916, compared with January-June last year. In June alone there were 195 liquidations.

RUSFURN directors believe in aggressively promoting business during recessionary periods in response to the "psychology of recession", but not at the expense of credit standards. CE Geoff Austin said last week.

He was commenting on the sceptical response from some analysts to the furniture group's end-June financial statements, which reflected a 54.5% increase in attributable profits to R92.9m (R60.1m), and a 54.5% increase in earnings to 56c (36.3c) a share.

Analysts criticised the group for

high gearing, the credit to cash ratio and provisions for debtors and tax.

Austin, responding to these claims, said on many of these aspects the group was in a healthy position compared with the industry and financial director Mervyn Gerszt said there was no gearing norm in the furniture industry.

Gerszt said the Furngro acquisition and writing off of goodwill would have

10/9/90

## Credit standards not compromised, Rusfurn tells critics

MARCIA KLEIN

a once-off impact on Rusfurn's gearing and debt to equity ratio, at 94%, was expected to be down by half in 1993

Trading and financing activities would be reported on separately

A ratio of 39% cash to 61% credit was reported at year-end, while last year cash contributed 42%. The indus-

## COMPANIES

### Credit standards not compromised, Rusfurn tells critics

try's rate was 15% cash to 85% credit.

Analysts expressed concern at the provision for bad debt, though it increased by 84% to R172.7m. The debtor's book showed an increase of 46% to R735m in net debtors.

Rusfurn provided for 19% of debtors provisions — after actual bad debts had been expensed — which Austin said was "a big cushion in the event of things going sour".

Gerszt said the group — criticised by an analyst for no tax provision — would phase in tax gradually, dependent on the group's tax horizon. He said it was accepted accounting practice not to provide for deferred tax.

Turnover growth — higher than the industry average — was 38% to R1,287bn, but the company noted a 25% increase once adjusted for acquisitions.

Austin said the group lived up to a commitment made last year and would have had better results if not for a poor February and March.

# Drug companies fight against sale of cheaper derivatives

ab/Max 21/9 - 27/9/90



A RAND Supreme Court judge is pondering a dispute which should interest consumers — between a large British multinational drug company, Beecham Group, and a computer software company, Super Scripts.

Beecham makes drugs such as Amoxil, Penbritin (both basic and much-used penicillin drugs) and Maxalon.

Super Scripts has designed a programme that makes the life of pharmacists a lot easier. When the pharmacist needs to find a substitute (which is usually less expensive) for a branded name drug, he or she can type the name of the branded name drug into the computer and all its "generic" substitutes and their prices will appear on the screen.

So if you come into the chemist with a prescription for Amoxil and you have a medical aid which will only pay out on the cheaper substitute, the pharmacist can dial into his programme and suggest to you, say, Amoxycillin. Amoxil costs R17,67 for 15 and the substitute costs R10,30 for the same quantity.

This programme, according to a pharmacist, does not only reflect Beecham's drugs and its substitutes, but many other brand name drugs and their substitutes.

The problem, according to press reports of the court case, is that the programme may encourage the pharmacist to sell cheaper substitutes to the public. Beecham has asked the court to stop Super Scripts from allegedly infringing its trademarks.

Other multinational pharmaceutical firms have not applied to the court for the same help, but presumably would go along with any finding in favour of the drug company.

A consumer may wonder why a drug company should be so sensitive about

its drug that it does not want pharmacists or consumers to be encouraged to look at a list of cheaper drugs which do the same work.

It is an old row in the drug company world. A company, like Beecham, spends millions of rands researching and developing a drug which it then has to test over a long period before it can put it on the market. When it finally reaches the market several years later, it holds a patent for about 20 years. Nobody else may use the formula during this time and the company will price its drug so that it recoups what it spent developing, testing and marketing the product, and makes a profit. That, after all, is business.



PAT SOLEY

But when the patent expires, anybody is free to copy the drug and market it under another name. It will almost invariably be cheaper, as the brandname drug

companies point out, because the copycat companies have no research and development costs.

The industry in this country, however, is protected by legislation that obliges pharmacists to fill the prescription exactly as it is written. So if a doctor prescribes Amoxil, it is Amoxil that has to be dispensed, not the generic substitute. The only exceptions to this rule occur when some government departments and medical aids will only reimburse their members the cost of the lowest-price substitute.

This is why the software company devised the pharmacists' programme.

It's noteworthy that the drug company does not appear to have used the argument in court that the brand name companies usually use, which is that the generic substitutes are often of inferior quality.

This, according to one local dispensing doctor, is often true in South Africa. Overseas, where the trend is to encourage pharmacists to dispense cheaper substitutes where necessary, generics are tested more thoroughly and quality is controlled to a greater extent.

In this country, says the doctor, there are few (almost no) tests on the substitute drugs. Often, he says, they do not perform as well as the originals.

He quoted the case of an anti-epileptic drug which was useful in its original form, but hardly absorbed into the body when the generic substitute was used.

The pharmacist I consulted faxed the substitutes for two of the Beecham's drugs to me, gleaned from the software in question.

The Amoxil substitutes ranged from R10,30 for 15, to R19,41 for the same quantity. The original costs R17,67.

For 20 Maxolon tablets I would pay R10,39. For the substitutes I would pay anything from R5,80 to R10,39 for the same quantities.

For my money I hope the drug company does not succeed in its quest to stop consumers spending less on drugs. For the same price, the quality of the generics could be better controlled and doctors and pharmacists could be required to offer the generic substitute as a matter of course — which is done in some countries.

OKLAHOMA rancher Doug Stuckler is sticking his neck out — for ostrich meat

Stuckler, who with his older brother Mike has an ostrich spread in the middle of cattle country on the Oklahoma panhandle, predicts that meat from the bare-headed bird will be the health food of the 1990s.

The Stucklers took four of their flightless flock this week to display at the Los Angeles County Fair.

"It won't be long until you see people eating Kentucky fried ostrich," he said on Sunday. "It's definitely the future."

He said the meat is low in cholesterol,

## Ostrich delights ... the healthy '90s dinner?

high in protein and tastes like steak with the texture of veal

Doctors and nutrition experts who know what they are doing, he said, are investing in ostriches

The price is high because there are so few of the birds in the United States. But he figures that in 20 years, ostrich will be giving beef a run for its money.

"At first, we got a lot of teasing from the area ranchers," he said. "They thought we were crazy."

Stuckler got into the ostrich breeding business in 1986. He bought his first birds from ostrich-farming monks in Oklahoma City.

Two years later, the Stucklers moved 10 000 head of cattle out and the birds in — about 175 of them now.

The brothers have sold more than 300 chicks nationwide. Prices range from \$500 (about R1 250) to \$3 000 (R7 500) per chick.

"You just feed them, water them and leave them alone," he said. "With cattle we worked from dark to dark."

"It takes 30 minutes to do the ostrich chores" — Sapa-AP



## Credit fall takes toll on retailers

246 SYLVIA DU PLESSIS

RETAILERS reliant on credit sales were "finding the going tough" in the face of the economic recession and waning consumer confidence, Bureau for Economic Research (BER) director Ockle Stuart said.

Factors pointing to a worsening situation in the quarter ended September included a negative cash to credit sales ratio and a slump in the number of retailers who intended increasing their labour force, he said.

He was commenting on the bureau's latest trade and commerce survey for the three months, for which polls were conducted among retailers, wholesalers and motor dealers.

He said 69% of retailers reported a year-on-year deterioration in business conditions, with 17% experiencing "serious problems" with consumer boycotts compared with 2% previously.

About 51% overall expected conditions to get worse.

In the motor sector, 70% of new vehicle dealers reported sales lower for this year, with a similar number expecting this trend to continue in the fourth quarter.

Stuart said township unrest had delayed the gathering of consumer attitude information, which would be available by month's end. Bloom 28/9/90

# Consumers face steep increases

Star 16/10/90 (246)  
By Norman Chandler  
Pretoria Bureau

The cost of most major products and foodstuffs, as well as some key services, is to increase soon

It will result in a ripple effect which will effectively hit the pockets of everyone — and consumer organisations yesterday urged commerce and industry not to pass on exorbitant increases to the public.

Prices expected to go up include air fares and other transport costs, white and brown bread, as well as other wheat-based products including baking flour, oil-based products such as plastics, food wrapping, detergents and other cleaning agents; the transport costs of foodstuffs, particular-

ly tinned goods, which will inevitably be passed on to consumers

Paraffin — often the only source of light in rural black areas — and diesel oil, used extensively by farmers, are among those commodities which may be affected

## Oil crisis

New petrol, oil, diesel and paraffin prices — following an average 10c increase which was announced last month — are expected to be disclosed this week after the regular mid-month disclosure by the National Energy Council of the country's fuel situation.

SA Airways and other local commuter airlines are likely to announce new domestic fare in-

creases immediately it becomes known what jet fuel prices will be. It could take the form of a 10 per cent fuel/airport departure levy

SAA — said by airline officials to be losing R1 million a day as a result of the oil crisis — last increased domestic fares in August (12 per cent for economy class) and added an 8 per cent fuel levy on September 17

"What frightens the Housewives League of SA is that if prices do go up, will they come down again when petrol prices drop?" president Lynn Morris asked

A spokesman for the SA Co-ordinating Consumer Council said the organisation was "extremely worried about any further increases in the price of petrol"

Star 25/10/93

NEWS 246

The Star Times

# New Govt drive to protect SA consumers

By Peter Fabricius  
Political Correspondent

The Government has announced new measures to protect consumers

Trade and Industry Minister Kent Durr yesterday launched a general investigation into consumer protection laws in the advertising, car and furniture businesses. He also appointed a full-time

member of the Business Practices Committee to draw up codes for the protection of consumers

The moves are the start of a drive by the Government to strengthen and clarify consumer protection laws by introducing a system of codes for their protection

Mr Durr said these would be the first general investigations under the Harmful Business

Practices Act of 1988

The motor and furniture businesses had been chosen because of the high volume and value of consumer transactions

## Element

Advertising was being investigated because it was an integral element of all kinds of consumer transactions.

The investigations would involve the Advertising Standards

Authority, the Motor Industries Federation, the National Association of Motor Vehicle Manufacturers and the Furniture Traders Association

Mr Durr invited all interested bodies to submit comment — if possible — within 60 days

He also announced that E P van Eeden had been appointed a full-time member of the Business Practices Committee. Dr van Eeden is the director

in the Department of Trade and Industry assigned to implement consumer protection policy

The committee, established under the Harmful Business Practices Act, investigates business practices.

## Task

Dr van Eeden's task will be to strengthen the committee's activities and to develop consumer codes of protection under

existing laws

These codes would be formulated with the private sector and increase the ability of consumers and the South African Co-ordinating Consumer Council to effectively act against those who abuse consumers

Dr van Eeden is a full-time member of the Competition Board

He has researched and published extensively on the regulation of trade



South 25/10 - 31/10/90 246  
**'Make bread an issue'**

**SOUTH AFRICAN** consumers, still reeling from last week's petrol price increase, were dealt another devastating blow on Tuesday when an increase in the bread price was announced.

Yet unlike other countries where governments are toppled by the organised power of consumers, South Africans have few organisations to protect them against price increases and spiralling inflation.

Political organisations all agree that consumers need protection, and that high prices should be on their agendas.

Yet none of them are presently actively campaigning around the issue.

The African National Congress blames the present price increases on the government's mismanagement of the economy.

They believe it is a deliberate strategy on the part of the government to destabilise the economy so that the incumbent rulers (the ANC) will not be able to "deliver the goods" in a new South Africa.

ANC Western Cape spokesperson Mr Trevor Manuel said the government's "high handed attitude" of raising prices showed a lack of regard for people of South Africa.

He said the government would increase the price of bread to keep white farmers on the land at the expense of the subsidy which "kept food in peoples' bellies".

"A democratic government would have to deliver the goods by ensuring there are low prices."

The talks being held presently between the ANC and the government about the creation of a climate for negotiations did not affect people in a concrete way.

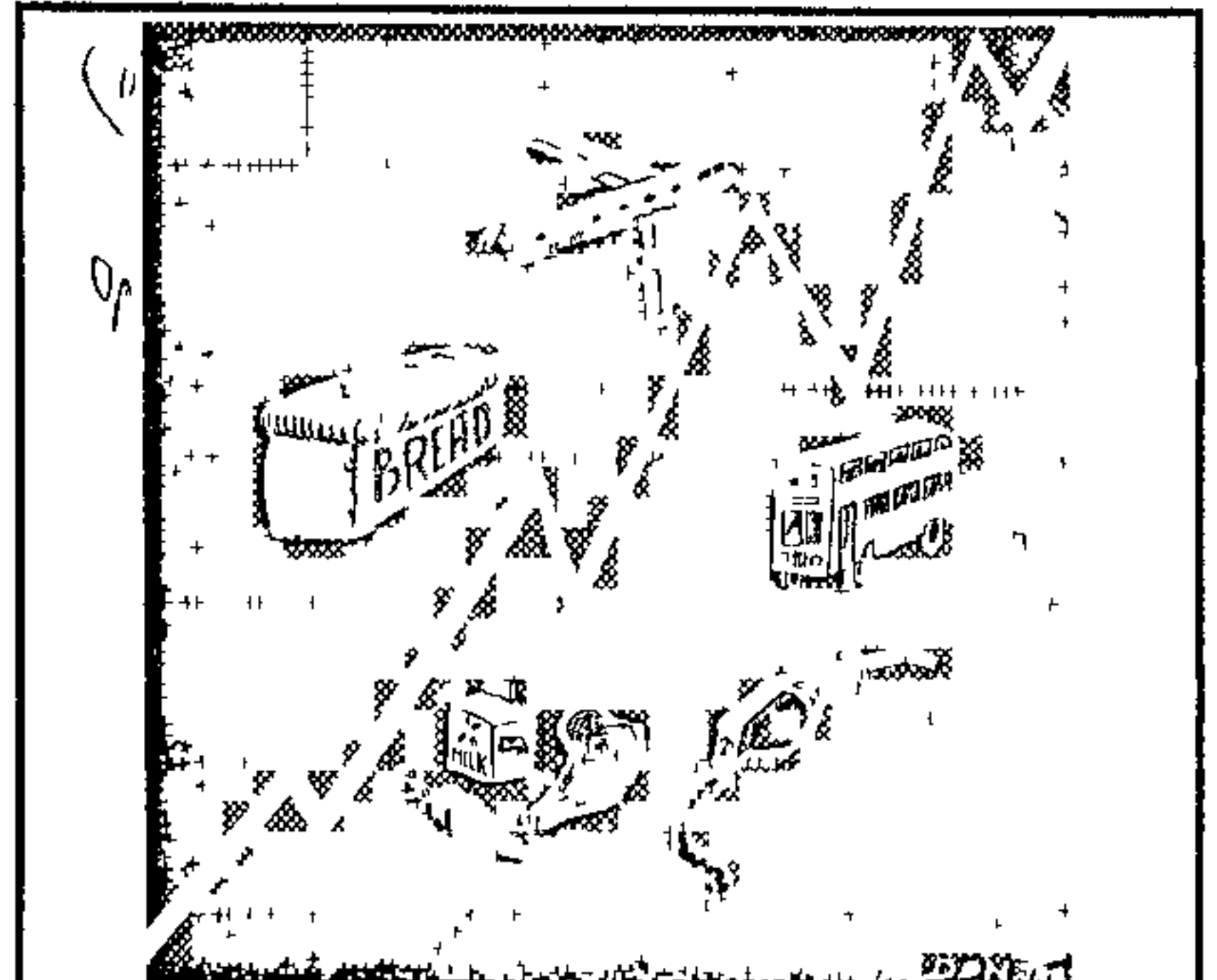
"Issues reflecting the quality of life of South Africans must be taken up by the ANC," Manuel said.

"In Zambia, for instance, an increase in the price of maize unleashed a chain of events which almost toppled the government."

"Many governments are made to feel the power of organised consumers, as they can provide a lever facilitating the transfer of power."

The Pan Africanist Congress will raise the issue of high bread prices at its national conference next month.

PAC Western Cape convenor, Mr Barney Desai, said the PAC would need to examine whether the present price hikes were justified.



**While consumers brace themselves for a new wave of price increases following this week's shock petrol hike, political organisations and pressure groups are confronted with a new and far more daunting challenge: How to respond to bread and butter issues. REHANA ROSSOUW reports:**



**RELYING ON CHARITY** Children from Mosheshe Primary School in Langa with bread donated by the Peninsula School Feeding Association.



Barney Desai



Trevor Manuel

out a response to the recent price hikes.

So who carries the burden of assisting beleaguered consumers?

It appears there is an increasing reliance of charity to feed starving children particularly in the Western Cape.

While social workers and community activists say it is too early to detect the results of the latest increases, they say it will undoubtedly lead to more unemployment, crime and wife and child battering.

The chief social worker of Shawco, Dr Margeret Bromberger said her organisation's relief budget was being stretched to the limit.

**Spiral**

"Even though we do not like to give handouts to people, we keep a small sum of money available for immediate relief," she said.

"What we are finding now is that people are being hit by inflation and unemployment everywhere."

Bromberger said social workers everywhere were detecting the effects of spiralling inflation.

They saw an increase in "everything that is not good."

"People who rely on alcohol began abusing it, child battering and abuse increases as the parents are tense when there is no food and their children are complaining," Bromberger said.

Another tragic effect of spiralling inflation is an increasing reliance on charity to fill hungry children's stomachs.

The Peninsula School Feeding Association, which feeds 140 000 Peninsula children every day, is battling to provide them with adequate nutrition.

**AFRICAN NATIONAL CONGRESS: WESTERN CAPE REGION Vacancies**

The Western Cape Region of the **AFRICAN NATIONAL CONGRESS** has vacancies for the following positions in its regional offices in Athlone.

**BOOKKEEPER/ACCOUNTANT**

The incumbent would be responsible for overseeing the full bookkeeping function within the region including responsibility for the regional books and accounts as well as close liaison with branches to ensure that adequate records are kept and forwarded to the regional office and to ensure that branches are provided with relevant training and guidance in bookkeeping.

Applicants must have an appropriate bookkeeping qualification as well as more than three years relevant experience, preferably within a progressive organisation.

**SECRETARY/ADMINISTRATIVE ASSISTANT**

The person will be responsible for a wide range of secretarial duties, primarily wordprocessing, control and development of a filing system, and general office administration. It is essential that applicants are competent with and have experience in the area of wordprocessing as well as general office administrative experience. Applicants should have at least five years relevant experience.

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Applicants who fulfill the requirements can submit a written application together with a detailed CV and the names and addresses of three contactable referees to the Regional Recruitment Committee, Western Cape Region of the ANC, PO Box 400, Athlone 7760. Closing date for applications is 6 November 1990.



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"The PAC is trying to get people concerned about the environment and hopefully this will lead to other pressures, like getting a consumer movement going," Desai said.

"This is a question of survival for some people as bread is the only meal they have each day," Desai said.

The United Democratic Front, which were active in spearheading consumer action in the early 1980's, have not yet discussed the latest price hikes, although

campaigning against the high cost of living is part of their programme of action.

UDF Western Cape spokesperson, Mr Willie Hofmeyr, said the organisation was concerned about the effect of the latest increases on people's lives.

Cosatu Western Cape secretary, Ms Luci Nyembe, agreed that political organisations should petition around high prices.

However, the largest labour federation in the country had not yet worked

The **WEEKLY MAIL** Training project  
 Traineeships, 1991

Applications are invited for a limited number of traineeships on the Weekly Mail Training Project, starting Friday March 1, 1991. There will be positions for:

- Trainee reporters
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Applications should be sent to: Don Maltora, Development Officer, Weekly Mail Training Project, PO Box 260425, Excom 2023, before Monday December 10, 1990. Mark your application clearly for the 'reporter' or production traineeship.

Include the following with your applications:

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3. Attend a music gig or sports match and write a 500 word description of the event or an interesting moment during the event.
4. Samples of your writing. (Please send copies, we cannot return originals.)



Mr Joshua Mafolo of  
Kaplan and Stewart.

## Optimistic view <sup>South Africa</sup> 25/10/90

BLACKS have a more optimistic view of the economy than whites in South Africa, according to a finding by the Stellenbosch University-based Bureau for Economic Research, writes Walter Lukhuleni

The report says whites are pessimistic about the economy and are reluctant to buy on credit and believe that the current market conditions are not right for dabbling in durables' consumption

On the other hand black believe now is the time to buy durable goods (246) (246)

It attributes this trend to the recent political developments



246. (circled) (circled) (circled) |

# Probe into consumer safeguards

MARCIA KLEIN

TRADE, Industry and Tourism Minister Kent Durr has announced an investigation into the possibility of establishing codes for transactions in the motor, furniture and advertising industries to ensure consumer protection.

The move has encountered opposition from furniture trade representatives

The investigation will be conducted in terms of the Harmful Business Practices Act.

Durr said the motor and furniture industries were selected as priority areas because of the volume and value of consumer transactions, and "advertising is an integral element of all kinds of consumer transactions".

The investigation will be conducted in co-operation with the Advertising Standards Authority, the Motor Industries Federation, the National Association of Motor Vehicle Manufacturers and the Furniture Traders'

Association (FTA).

Durr said these bodies had all "already done valuable work on behalf of consumers in terms of self-regulation".

In June, he said a system of codes would "strengthen and clarify consumer law" and ensure customers derived the benefits of private enterprise.

In his budget vote speech in May, Durr said the market could not determine the rights and interests of consumers and there was often disturbing evidence that consumers had legitimate grounds for complaint

FTA executive chairman Frans Jordaan said the investigation into the law relating to consumer transactions was at variance with government's stated intention to deregulate the economy as far as possible.

Jordaan said while the FTA was for consumer rights, there were al-

ready several Acts which applied to the furniture retail trade, and the overregulated industry "certainly doesn't need any more".

FTA members — more than 90% of furniture stores — subscribed to a stringent code of conduct with a great deal of consumer protection, he said

Unethical traders would not disappear but would merely attempt to circumvent any new code of conduct

Major furniture retailers were "perplexed" and wanted to know what aspects of the industry would be investigated

Rusfurn chairman Geoff Austin said he endorsed the views of the FTA and added that competition in the industry ensured fair play.

A spokesman for another major furniture retailer said competition and guarantees ensured fair play, and customers would shop where they got the best deals



FIM 26/10/90

## BUSINESS PRACTICE CODES **PICKING THE TARGETS**

**Government**, in its zest for more regulation, now wants to establish mandatory consumer codes for different industries (*Business* October 5). This week Minister of Trade & Industry Kent Durr chose the first three candidates for codes — advertising agencies, motor car dealers and furniture outlets.

While these sectors cursed their bad luck at catching Durr's eye, other industries that have a history of consumer complaints, such as the home improvement and swimming pool industries, have been let off for now.

Durr says a general investigation of the three sectors will be conducted before codes are drawn up. It will be the first general investigation under the two-year-old Harmful Business Practices Act and will be conducted by the Business Practices Committee.

Durr says motor cars and furniture were chosen first "by virtue of their volume and value of consumer transactions." Advertising was selected because advertising is an integral element of all kinds of consumer transactions, he says (246).

The Motor Industries Federation, the Furniture Traders Association and the Advertising Standards Authority now operate consumer codes in those industries. Durr says he is keen to work with these bodies, but they will be quick to defend self-regulation against the encroachment of mandatory regulation — and its accompanying army of lawyers. The Advertising Standards Authority is already defending itself against another investigation, a Competition Board probe of charges that the authority restricts competition (*Business* September 28).

"We are totally pro all aspects of consumer rights, but in an industry that is already over-regulated, we don't believe more regulation is necessary," says Frans Jordaan of the Furniture Traders Association. "We also believe the new proposals are at variance with the government's stated intention to deregulate the economy as far as possible."

"The average consumer is far more sophisticated than he is generally given credit for. The proposed code would simply be telling him that he is unable to make rational decisions for himself."

AN inquiry under the Harmful Business Practices Act focusing on the laws relating to advertising and consumer transactions concerning motor cars and furniture was announced in Pretoria yesterday.

Trade, Industry and Tourism Minister Mr Kent Durr said the investigation was the first of its kind.

The Harmful Business Practices Act makes provision for direct action in respect of specific traders guilty of harmful business practices as well as for action of a "broad and general nature".

The investigation is the first formal step following the Government's decision earlier this year to strengthen and clarify consumer law by introducing a system of codes of consumer law.

"The role of consumer

# State plan to give more clout to consumers

Organisations is important for the success of the investigation and their participation is welcomed," Durr said

The investigation is also being undertaken in co-operation with the Advertising Standards Authority, the Motor Industries Federation, the National Association of Motor Vehicle Manufacturers and the Furniture Traders Association.

Further investigations will also be done later, the Minister said. He asked interested

people for comment

"A free and fair system of private enterprise is the only bulwark against poverty and the only locomotive of progress for not only South

Africa but for the whole of our continent

"A sound body of balanced consumer law is an indispensable ingredient of such a system," he said. - Sapa

Sowles 26/10/90

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# Trade probe is aimed at 'bad eggs'

MARCIA KLEIN

THE proposed investigation into the law relating to customer transactions in the motor, furniture and advertising industries would not undermine work done by self-regulating bodies, investigation committee member E R van Eerden said last week.

The investigation — announced last Wednesday by Trade, Industry and Tourism Minister Kent Durr to ensure consumer protection — encountered opposition from members of some of the industries involved.

Van Eerden said while self-regulatory bodies did a "good job", their codes had loopholes and shortcomings that the committee would look at supplementing.

One of the loopholes was that the codes could not be applied to non-members who were often the "bad eggs", and it was unfair for the self-regulatory bodies to carry the burden of wayward dealers on their shoulders, he said.

There would not be a whole new library

of laws, he said, but a reasonable balance setting down what was fair and reasonable and what average rights and obligations were in transactions between businesses and customers.

A major benefit would be to strengthen the consumer position and to maintain a balance between the formulation of guidelines and strictly enforceable regulations.

He said the content of the codes in existence were already enforceable with penalties issued by the regulatory bodies or by the Minister, and many aspects of the relationship between business and the consumer did not need to be linked to a criminal sanction.

He said the investigation would cover a wide range of areas as the complexities of the legal relationship that flowed from legal transactions started at advertising and ended with delivery.

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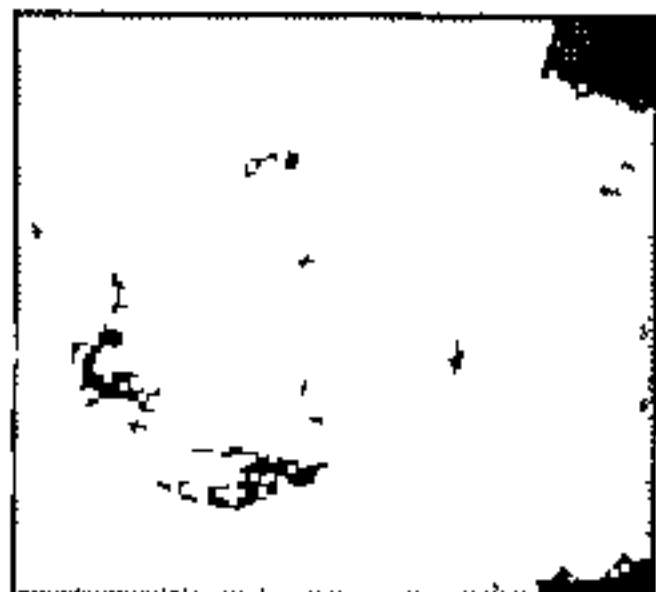
furniture trade and the home improvement and swimming pool industries

That's bound to leave the committee open to charges that it is practising discrimination by targeting only selected activities

Van Eeden retorts "We can't possibly lay down codes that cover every business practice. What we've done is look at the value and volume of commercial transactions in an industry before deciding whether it should be codified."

Committee head Louise Tager says the object is to protect as many consumers as possible "One hears a lot of noise about the timeshare industry, for example, but just what percentage of consumers are buying timeshare? Very small, one suspects"

Van Eeden says the committee's endeavours have the support of business and that the existing codes, such as the code of conduct for the Furniture Traders' Association, will be used as a starting point for drafting new codes "The problem is," he adds, "codes are often designed to protect, in the first instance, the rights of the trader. The rights of consumers are frequently not sufficiently spelled out. Furthermore, not all



Tager

### BUSINESS PRACTICE CODES

## SHIELDING CONSUMERS

Formal business practice codes to protect consumers against unethical undertakings are coming

FIM 5/10/90

Trade & Industry Minister Kent Durr this year gave notice that government was considering preparing business practice codes as an adjunct to the work done by the Harmful Business Practices Committee

Committee member Evert van Eeden, charged with the responsibility of drafting them, says the first of the business codes should be out in six months

Initially, the codes of conduct, which will have both a preventive and remedial function, will be drawn up for only certain industries. High on the list are motor sales, the

FIM 5/10/90

traders are members of business associations, therefore, they fall outside their jurisdiction."

Jeff Janks, chairman of the Institute of Estate Agents' ethical standards committee, says that if the code is an improvement on the industry's existing code of conduct, it should be welcomed, but it does smack of over-regulation

It's hard to imagine business willingly cooperating in any exercise that amounts to further regulation of its affairs in an already over-regulated environment. But then if the new codes have as much power of enforcement as its existing codes, there really is very little to fear

Not so, Van Eeden says. The codes have the backing of the committee. In terms of the Harmful Business Practices Act, the minister has the right to declare a business practice undesirable and have it stopped. Alternatively, contraventions can attract a jail sentence of five years and a fine of up to R200 000.

But, he stresses, complaints will first be submitted to the relevant industry body for remedial action. If the industry is unable to help the matter can be raised with the committee. If this fails consumers can still resort to their rights under common law

Fact is, self-regulation in the commercial sense has never really worked. But one suspects that consumers will be lucky if the new codes — when they come — give them anything other than a warm feeling

# Analysts forecast even tighter finances in 1991

GRETA STEYN

CONSUMERS are heading for a year of even tighter finances in 1991 as inflation eats into disposable incomes while interest rates and taxes remain high.

Two economic forecasts yesterday projected consumption spending next year would remain virtually stagnant in real terms. The Bureau for Economic Research projected a 0,9% real increase in consumption spending and Old Mutual saw "little, if any" increase.

The BER was somewhat more optimistic than Old Mutual. It said in its latest Economic Prospects that there could be a recovery in consumer spending in the second half of next year, although on a per capita basis real disposable income was projected to decline.

Old Mutual economist David Mohr said yesterday the economy would bottom only by the end of 1991. The Old Mutual said in its latest Economic Monitor three factors would put consumers into a tighter financial position next year compared with 1990.

Labour remuneration would grow at a slower rate than this year's 15% and little increase in employment was envisaged. The second factor was that the income tax relief in this year's Budget was not likely to be repeated next year and the third was the impact of inflation in the wake of the petrol price increase.

Mohr saw high underlying inflationary pressure in the economy aside from the

influence of the petrol price hike. He said the housing and imported components of the consumer price index (CPI) had been the main forces behind the downward trend seen until August this year when the year-on-year increase was 13,6%.

Excluding these components, the CPI was still 15,6% higher in August than the same month in 1989. This was evidence of a relatively high rate of increase in consumer prices in general. A weaker rand and high unit costs of labour would provide added impetus for the negative trend.

Our Cape Town Correspondent reports that Mohr said that so far, at least, the current recession had been much milder than the previous one, while meaningful progress had been made in slowing down the growth of money supply, reducing inflation and building up foreign exchange reserves.

And although gold had so far performed disappointingly, he thought this could improve if higher oil prices pushed up inflation overseas.

He also said there was "scope for a further moderate fall in long-term interest rates over the next year."

"This view is based on the expectation of a continued deceleration in economic activity and the corresponding mild decline in short-term interest rates."

Star 2/11/90 (246)

## Bread 'will cost R1,40 next year'

By Norman Chandler  
Pretoria Bureau

South Africans will probably be paying at least R1,40 for a loaf of bread next year

This was predicted in Pretoria today by bakers following yesterday's announcement that brown and white bread would cost an extra 15c a loaf from today.

White bread will officially be priced at a maximum of R1,20 for a standard loaf and R1,05 for brown bread.

The Star was today told that taking all aspects into consideration — such as the ending of the Government subsidy, the price of wheat, the wheat crop, transportation costs, flour, labour and other costs — it was inevitable that the bread price, as well as that of other wheat products, would have to be increased from April 1.

It was difficult at this stage to speculate what bread would cost in five months' time, the source said, as there were many factors to be taken into account, "but a good guess would be in the region of R1,40, with a possibility of it being even higher".

The R60-million Government subsidy on bread ends on March 31. The subsidy scheme keeps the price of bread down by 8c a loaf for brown and 3c for white.

Minister of Agriculture Jacob de Villiers said "the Government has compassion with people who are truly in need". The State was looking at various ways to alleviate the lot of the poor.

Lyn Morris, chairman of the Housewives' League, asked that the bread price be closely monitored when the subsidy ended.

● Two supermarket groups today pledged to hold down the price of bread.

Pick 'n Pay announced it would sell bread at old prices for "as long as possible" while Checkers said it had set aside R250 000 "to alleviate the blow".



THE 15-cents-a-loaf bread price increase announced by the government on Thursday was a major setback for South Africans already facing increasing unemployment and inflation

So says South African Co-ordinating Consumer Council director Jan Cronje, who demanded the government urgently explain what alternative relief consumers could expect when the State bread subsidy fell away at the end of the current finan-

## Bread price 'setback'

cial year  
"A further increase in the bread price on March 1 next year, when the State subsidy on this staple food will be abolished, means consumers will have to use an even bigger part of their expendable income to buy bread," he said in a statement

It was imperative the government instituted other aid measures, as had been promised. "Consumers already shudder at the thought that five months from now shopkeepers will be able to charge any price for bread because no one expects it will become cheaper without subsidisation."

South Africa's price structure had an impact on a broad front, said Cronje, Producers were struggling to produce profitably and consumers could not keep pace with continual price increases. The result was general impoverishment.

Checkers will maintain the "old" price of brown bread.  
The supermarket chain said in a statement it had set aside R250 000 to alleviate the blow to South African consumers.

A spokesman confirmed the store's price of brown bread would be maintained at 90 cents a loaf, but white bread would carry the new price of R1,20 a loaf.

Managing director of the chain, Sergio Martino, said the government would have to announce soon what support schemes would benefit the needy once the bread subsidy fell away and Value Added Tax came into effect. — Sapa

# Minister starts probe on motor trade dealings

THE Minister of Trade, Industry and Tourism, Mr Kent Durr, has commissioned an investigation into sectors of the motor industry in terms of the Harmful Business Practices Act.

Opening the 79th Motor Industries Federation annual conference in Cape Town yesterday, Durr said the probe was due to the "thoughtless, dishonest or incompetent actions of a small number of people" who could endanger the interests of the many who had reason to be proud of their work.

The investigation would also concentrate on the law relating to consumer transactions concerning motor cars.

He added that the

motor industry was one of the country's largest employers and encouraged it to work towards export markets.

Quoting from a Council for Scientific and Industrial Research report in which it was shown that there were 106 vehicles for every 1 000 people in the country, Durr said this figure was well below those of Western countries such as the United States with 588 and Britain with 370.

However, South Africa was the best in Africa where Kenya, for instance, had only six vehicles per 1 000 of the population. - Sapa.

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# Potatoes: Consumers urged 'shop around'

*Spokesman 8/11/90*  
THE Potato Board has called on consumers to shop around (even buying vegetables directly from fresh produce markets) in reaction to complaints that retailers were excessively marking up potato prices.

The Potato Board was approached about reports that recently introduced 10kg bags of potatoes were being sold at a much higher pro rata price than the 15kg bags. A random survey in Johannesburg recently showed that 15kg bags of medium-sized potatoes were being retailed for R7,99, compared to R8,99 for a 10kg bag - leaving a pro rata disparity of 68 percent.

According to figures supplied by the Potato Board in Pretoria, the disparity at the markets was a mere 13 percent, with 15kg bags going for R7,57 and 10kg bags R5,71.

A Potato Board spokesman said the distortion apparently appeared in the retailing sector because of the "extreme popularity" of the 10kg bags.

*246*  
"They are easier to handle and for that reason the demand is higher."

The price difference could also be ascribed to the fact that the 15kg bags contained older potatoes from the West Free State while the 10kg bags contained fresh Northern Transvaal tubers.

He said there was no control on the retail or producer price of potatoes, and that prices were wholly determined by market forces.

For this reason, he said, consumers should shop around. He said members of the public were welcome to buy directly from the markets.

Retailers would push their prices to whatever levels the public was prepared to pay. This was a basic tenet of capitalism.

The spokesman said producers still had a big supply of the old 15kg bags in stock, and because of the price equity between the 10kg and 15kg bags at the markets there was no pressure on them to switch to 10kg bags. - Sapa



# Banks deny ripping off clients with overdrafts

By Stan Hlophe



Down the hatch . . . US Marine Corps Staff Sergeant Edmundo Uy of San Diego, California, is silhouetted against the setting sun as he drinks from his canteen somewhere in Saudi Arabia. Temperatures have dropped but it remains hot late into the night.

Picture: Reuter.

Three leading financial institutions yesterday strongly denied accusations by a national consumer body that they were exploiting clients by charging them illegal fees on overdraft accounts.

The Consumer Federation had accused financial institutions of exploiting "clients to the limit" by charging them illegal fees on overdraft accounts.

The federation said the illegal practices by banks ran into hundreds of thousands of rands, and in some cases led to liquidation or left businesses and individuals fighting for survival.

Interest rates were deliberately being charged in excess of the Usury Act limitations and were often adjusted without notification, it claimed.

## Violate

Replying to the accusations, Standard Bank managing director Hugh Peatling said "We are operating within the confined perimeters of the Usury Act. Whatever rates we charge are regulated and we don't abuse it.

"I strongly deny the accusations. Our charges are within the limitations of the Usury Act, which allows banks to charge up to 28 percent. That is determined by the Government and Reserve Bank, and nobody can violate it."

Andre Latre, Allied's administrative general manager, said "Allied has just moved to the overdraft field. Our policy is not to overcharge, and we follow the Usury Act limitations. We also disclose our interest rate to the client.

"Allied is definitely not guilty of that."

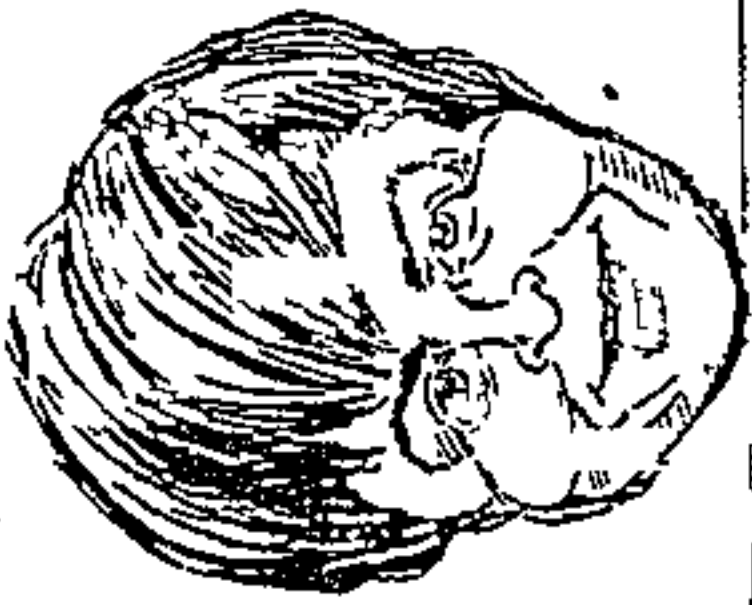
A Volkskas spokesman retorted "Definitely not us — and I don't think it's true. We don't overcharge anybody."

The uneasy relationship between insurance companies and their clients

# Searching for the 'assessor's' heart



W/M 16/11 - 22/11/90  
**CRITICAL CONSUMER**



Pat Sidley

If your house has been burgled or your office burnt down, almost invariably a "loss adjuster" will turn up at the premises to "adjust" the estimate of the loss and make a recommendation to the relevant insurance company.

On the basis of what the adjuster reports, the insured householder will receive a payment from the company which is often less than expected.

The loss adjuster, who is (incorrectly) known by the public as an assessor, might behave in a way which suggests to the householder that his or her interests are not paramount in his heart, or worse still, that he has no heart at all.

In one case, an adjuster arrived at a very ordinary, austere home in Bez Valley, armed with an aggressive manner, a camera and a gun in a holster to deal with unforeseen problems.

He turned the austere house and its equally austere contents upside down and inside out, took photographs of the inside of cupboards and bookcases and generally made the occupant feel as though she had been accused of defrauding the insurance company of millions of rands.

Her neighbour, who had also been burgled in the same crime spate, suffered the same fate from a different loss adjuster. His experience was so unpleasant that he concluded that adjusters earn their living by cutting down insurance claims — and that it is in their interest to behave in an intimidatory manner.

One adjuster told the occupant to buy all her replacement goods at shops he nominated — leading her to believe he has a deal with those stores.

The Bez Valley neighbours complain that it seems that intimidation, arrogance, and an attempt to send business to certain shops seem to be the way things are done in the industry.

Not so, says one representative of the industry who did not want to be named.

There is a very strict code of conduct governing what adjusters

can and can't do — particularly if they belong to the Institute of Loss Adjusters of Southern Africa.

However loss adjusters — who charge by the hour — may not work on behalf of the public. If they do, they may not join in the institute.

"I don't believe any of us has the guts to work against an insurance company," he said. He said the term "assessors", which the public used, referred to people who worked for the public, and he did not know of any who did.

He did not interpret his job as "cutting down the size of the claims to the insurance company which was paying him". He believed he was fairly and objectively interpreting the policy and the claim in the best manner for all concerned, even to the extent of biting the hand that fed him.

A spokesman for the institute confirmed this position and said all the institute's members charged fees by the hour and could only accept instructions from an insurer, a corporate body or an attorney.

There is apparently only one assessor in the country who works on behalf of the public, and he is in Durban. His membership of the Institute ended because he worked for members of the public — "the other side" — and he cannot, according to the Institute, call himself a "loss adjuster" any longer.

The code of practice of the institute enshrines this relationship along with several other points that the two adjusters in Bez Valley should note.

The code says adjusting "demands the highest standard of professional skill and etiquette".

It also demands "good faith" and says "the adjuster is not appointed to act for or against any interest and must at all times preserve complete impartiality, independence and integrity".

The code then seems to contradict this sentence by stating that "an adjuster may only accept instructions from an insurer, a corporate body or an attorney".

The code also ensures that "all persons are made aware of (the adjuster's) identity, the interests he represents and (he should) make all persons aware of their own rights as well as their obligations". And it ensures that adjusters will not in any way gain any unfair advantage out of the work they do.

According to the loss adjuster consulted: rudeness, inappropriate behaviour, bullying or the like should be taken up with the insurance company concerned. The client has a right to ask for another adjuster to be sent out.

But this is difficult when your R3 000 — or whatever — claim hangs in the balance and will be decided by the opinion of the assessor — who is paid by your insurance company.

In the end, this is another industry in which consumers have a great deal to lose and few rights to protect them. The dice are loaded.

If an insured consumer is burgled, the only way to have the damage assessed by somebody on the householder's side is to hire an attorney, who can then hire a loss adjuster. In most cases, this could up the stakes to the point where it might not be financially worth while.

Perhaps the good people in the government who are looking at bad business practices should take a look at this one.



# Credit underpins economic growth

Star 8/12/90

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CREDIT is defined by the Oxford dictionary as being "trust in a person's ability and intention to pay at a later time for goods or services supplied"

The term credit therefore implies that a person can obtain goods and services with the understanding that he will pay for them at later date agreed by the parties.

Implicit in the granting of credit is trust — trust that the agreement will be honoured and that the creditor, ie the person supplying the credit, will be paid.

We will return at a later date to the issue of trust as the establishment of a person's creditworthiness (or trustworthiness) is a key element in the granting of credit.

Nobody knows exactly when credit was first utilised, although you can be assured that it was a very long time ago

But it has been in the last few hundred years that credit has become a major factor in world economics. So much so that it can safely be said that modern economies depend heavily on credit

Imagine what would happen if everybody stopped spending until they had sufficient cash — the result would be economically catastrophic

The birth of modern consumer credit can be traced to the



The second in the 12-part series on every aspect of credit and how it affects the consumer. The series has been written by Mr Paul Edwards, the chairman of the Information Trust Company (ITC) the country's largest credit information bureau, assisted by Ken Mills.

mid-1800s when an American named Isaac Singer founded the Singer Sewing Machine Company

His sewing machine, which represented a significant technological breakthrough, was priced at \$120 when the average American family's annual income was about \$525

Singer realised that house-

wives could not afford these machines if they had to pay cash and that he had to make it easy for potential buyers to purchase

So he developed what was known as the time payment plan, now more commonly known as instalment credit sales

In 1956 he launched his time payment plan, requiring only \$5 deposit and \$5 per month

So successful was his credit plan that the Singer Sewing Machine Company was soon selling more machines than all his competitors combined

Singer had started a revolution in the retail industry and formed the basis of modern "hire purchase" buying.

However, you should note that in South Africa we now refer to hire purchase as "credit instalment" since there is normally an agreement to pay off the debt over a set number of instalments, eg 24 or 48 months

Today credit takes many forms, including mortgage borrowing, bank borrowing (eg bank overdrafts), credit cards, "six months to pay", revolving credit as well as credit instalment

These different forms of credit will be explored in more detail in later articles

Virtually every family in South Africa uses credit in some form or another. In fact it is

very hard to imagine life without access to this wonderful facility that enables us to enjoy goods and services now while paying for them later

The great pity though is that many consumers have abused the use of credit to the point where many have found themselves living beyond their income and are unable to meet their commitments

Every year hundreds of millions of rands are "written off" as bad debts by banks and retailers

These bad debts affect the profitability of these organisations and may even result in inflation since the cost of bad debts may be factored into the prices of goods and services.

Further, abusers of credit may find themselves answering to the courts for failing to honour their debts and, of course, they may be deprived of access to credit for a period of time as a result of being classified as a bad risk.

Credit is an indispensable part of twentieth century living

We will explore in the course of this series of articles how to develop a responsible approach to credit and to use it to our advantage while avoiding the pitfalls

The next article will cover the various types of credit that are available to consumers



# Sales expected to level off over Christmas

MARCIA KLEIN

BUOYANT sales of furniture, appliances and TVs for the year to October 1989 — averaging a 24.4% increase in year-on-year growth — were likely to level off over Christmas, Furniture Traders' Association (FTA) executive director Frans Jordaan said yesterday.

He said there were preliminary indications of a downturn in sales of furniture, TVs and appliances for November, and reports received from a number of furniture retailers indicated December "has not started off very well either"

Sales over December could be disappointing as there had not been as much activity as was hoped for in the first two weeks, Jordaan said

However, sales for November and December would be measured off a high base while most of the other months this year were off a low base.

In January the FTA reported a 1.2% real

growth (zero growth was forecast) in furniture, appliances and TV sales for the first nine months of 1989

Growth in sales on a year-on-year comparison show sales in January up by 19.7%

on January 1989 (at current prices) But sales plummeted in February to 4.3% growth (negative real growth).

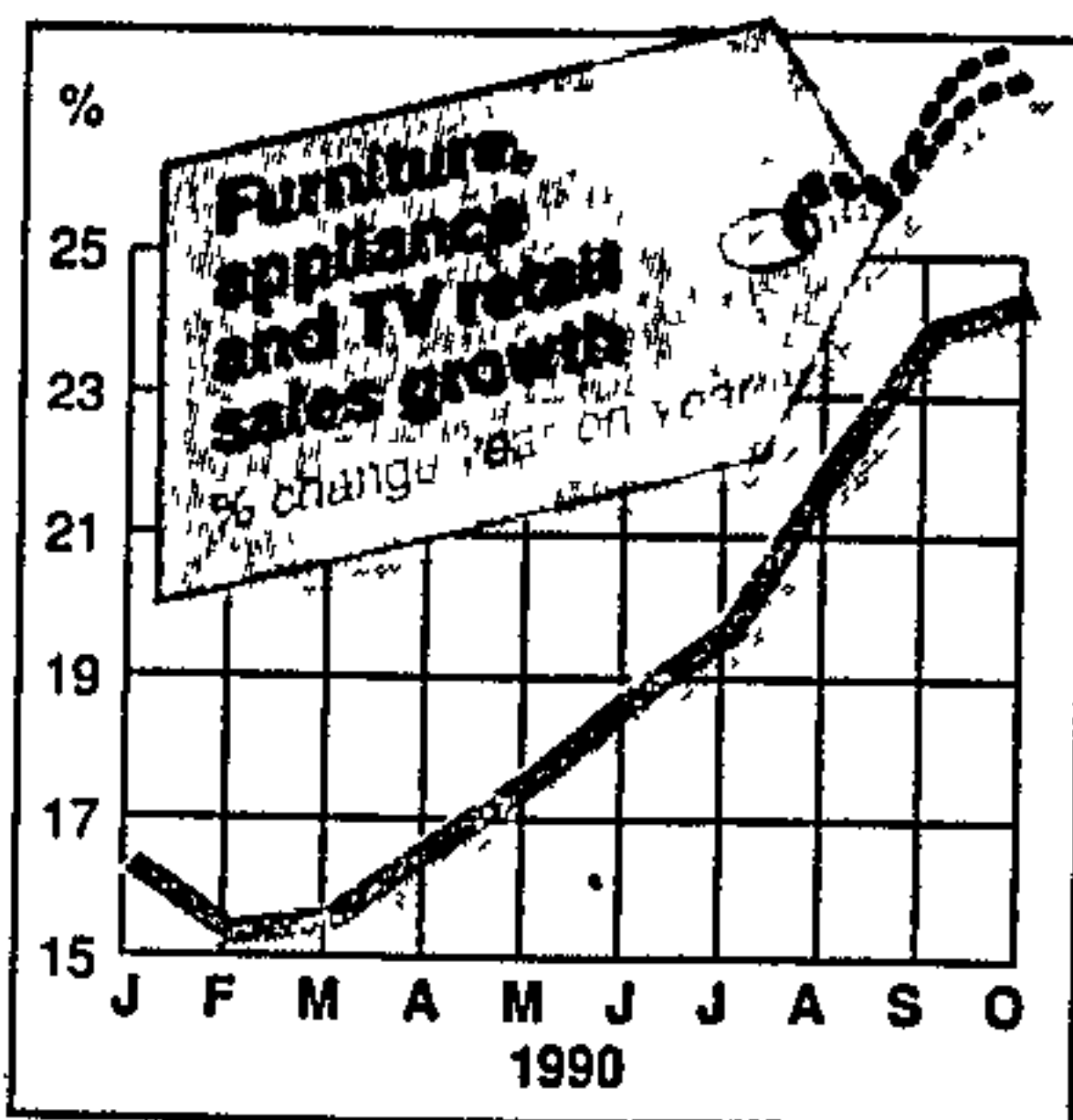
In March Jordaan said he expected the lifting of HP restrictions to allow positive real growth in the sector rise by 2-3%.

With the subsequent easing of hire purchase restrictions, sales went up by 17.8% on March 1989 and the upward trend continued through April and May and had moved up to a 31.4% increase by June

When the growth in sales came down to 24.6% in July, Jordaan thought the pent-up demand was levelling off as expected. However sales shot up again in August and growth had increased to 36.2% by October

Figures are slightly distorted by the volatility of appliance, audio and TV sales while year-on-year growth of furniture sales has remained fairly constant with increases between 24% and 26%

Next year Jordaan expects interest rates to come down resulting in more disposable income



Graphic FIONA KRISCH Source FTA

# High interest does not hinder buyers

Star 17/12/90  
By Paula Fray  
Consumer Reporter

Stringent credit restrictions and high interest rates have not deterred cash-strapped consumers.

The Information Trust Corporation, the largest credit information bureau, has experienced a 12 percent increase in requests for reports on consumers this year compared to last Christmas season.

Chairman Paul Edwards said this indicated there were still a lot of consumers spending on credit in the face of high interest rates. This, and indications that salary increases would not be high this year, was not a happy sign for the country.

"There is a definite trend of greater use of credit than in previous years," he said.

This situation was fine, Mr Edwards said, as long as people were able to service their debts. It was the task of the credit giver to ensure that the people

had the capacity to do so.

There was also a "post-Christmas hangover period" during which an increase in the number of judgments against people for debt was experienced, Mr Edwards said.

"There is nothing wrong with credit. My advice to people is to use it correctly," he said.

Few households budgeted and very little disposable income was saved, he said.

The Consumer Credit Association, which issues short-term finance via dealers for smaller amounts which the banks do not normally deal with, has experienced a dramatic increase in credit applications. It has almost doubled its turnover for the beginning of December compared to last year.

The association's spokesman, Silve Enslin, said their turnover from November 19 to December 11 was 98 percent up from last year. The finance is usually arranged through dealers

# Protection for low-cost home buyers sought

MATTHEW CURTIN

TALKS aimed at entrenching consumer protection for low-cost home buyers, co-ordinated by the Legal Resources Centre (LRC) and the Urban Foundation (UF), are under way, the parties involved said yesterday.

LRC director Geoff Budlender said the centre, community support groups and other institutions were investigating effective consumer protection for the housing market.

While the parties were some way from agreeing on definitive proposals, there was progress towards addressing "the vast problem".

All six NRC offices in SA dealt with people "exploited and over-reached" by unscrupulous developers.

He said the major cause of the problem was the housing shortage

itself, which produced "desperation buyers" particularly susceptible to exploitation.

The Foundation said yesterday it and the LRC were co-ordinating a forum of interested parties including support groups like the Legal Aid Bureau (LAB) which would devise a consumer protection strategy for implementation in 1991.

The foundation warned in its housing policy document released earlier this year that a serious constraint to "housing delivery" was "the negative perceptions that many low-income families have of the role of the private sector — specifically the extensive occurrence of exploitation and

malpractice" by some developers.

LAB housing advice project director Brian Leveson said yesterday it was gratifying to know the foundation and other interested groups were collaborating to stamp out malpractice in the housing market.

Since the LAB began a pilot advice project this year, it had interviewed 1 200 clients who gave details of exploitation at the hands of developers.

The most common grievance was would-be home owners losing deposits, in one case R27 000, which they had given to developers who did not have fidelity certificates.

Leveson said the problem required a multi-disciplinary approach: legal support, consumer education and legislative amendments

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# Consumers keep credit growing

104 18/12/90

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GRETA STEYN

CONSUMER demand for credit has remained strong, while there has been a dramatic fall-off in credit extension to banks' corporate clients.

Defying the recession, banks' hire purchase (HP) books grew comfortably faster than the inflation rate, notching up a 17% increase in September 1990 from the same month last year — mainly as a result of demand from individual consumers.

An analysis by Nedfin of the BAS figures said: "This increase can be attributed mainly to consumer lending, both on rentals and HP. The banks involved in consumer lending appear to have increased their portfolios, particularly for motor vehicles.

"Building societies, now also included in instalment credit, have made inroads into this market, mainly by reducing interest rates to borrowers."

The Reserve Bank Quarterly Bulletin also notes the dual trend.

The average level of banks' general and mortgage advances to companies declined by R400m between the second and third quarters of this year, according to the bulletin. Credit growth "tended to be concentrated to a growing extent on lending to indi-

viduals and households rather than to corporate clients."

The latest HP figures are further evidence that some areas of the economy have remained buoyant despite the recession. The increase in banks' HP books in the September quarter was R1,15bn — the highest quarterly increase since the fourth quarter of 1989.

Similarly, spending on durable goods was more than 3% higher in real terms in the first three quarters of this year compared with last year. Evidence of recession was limited in the third quarter to agriculture and manufacturing.

The Quarterly Bulletin noted that the annual rate of increase in credit to the private sector had slowed from a peak of more than 30% in October 1988 to 15,4% in September this year — still exceeding "both the more recent measured inflation rates and the rates of increase in the M3 money supply".

But the Bank pointed out that the inability of certain corporate customers unable to pay their debts would result in automatic credit extension through the capitalisation of interest payments.

# Consumers on a spending spree

By Tom Hood

Star 20/12/90

CAPE TOWN — A hire-purchase spending spree is reported by the country's banks.

Consumers bought R1 154 million of furniture, cars and other goods on HP and rentals in the September quarter — the highest

amount since the last quarter of 1989, which included Christmas shopping

A total of R27 080 million was owing to banks from HP on September 30, up from R25 926 million at July 31 in spite of Reserve Bank restraints to stop banking institutions extending their lending, says a report by

Nedfin.

Latest industry figures indicate that the furniture industry is enjoying an upswing in the volume of sales.

Most banking institutions have report a downturn in the demand for credit facilities, but this is not reflected in the September quarterly figures.

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# Call on Govt to look at bread price again

By Paula Fray  
Consumer Reporter

The Housewives League has called on the Cabinet to re-evaluate the bread price control and subsidies and has launched a campaign to spearhead their protest against the dropping of the subsidy next year.

A petition campaign is being led by the League's Port Elizabeth branch.

In its December issue of "Rands and Sense" the league said that after the November 1 increase white bread stood at R1,20 and brown bread at R1,05.

"This year — 1990/91 — is the last for which the Government will provide a subsidy to keep

the price down. At present it is 3c for white and 8c for brown but this is slightly higher than it has been for the past years

"Before November the subsidy on white was non-existent and the subsidy on brown was 5,6c," the league said

It pointed out that there were other changes planned for March 1.

"The most important is the intention to deregulate bread production. Price control will fall away and there will be no regulation recipe for a standard loaf."

Previously the subsidy was crucial to maintaining the quality of the standard loaf as, if sub-standard bread was baked, the Wheat Board could withhold it. However, for years there has been no staff and no time

for the board to prosecute offenders in court.

The league said it would be foolhardy to withdraw assistance on a basic food in a time of economic depression, social unrest and agricultural hardship.

Furthermore, the introduction of VAT towards the end of the year would probably add another 10c to 15c to the price of a loaf, it said.

"In rural areas especially there will be very little competition to keep prices realistic," said the league. "A subsidy of R75 million would provide a reduction of approximately 5c on brown loaves and exert the necessary degree of control over quality."

● For more information about the Housewives League write to Box 52572, Saxonwold, Johannesburg, 2132

Star 20/12/90

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# Consumers warned over 246 money-lenders

CONSUMERS should avoid taking out loans to cover urgent debts, the Consumer Council in Pretoria has warned.

Money-lenders offering instant solutions to people's financial problems mostly only helped them from the frying pan into the fire, Consumer Council director Jan Cronje said this week.

"The council daily receives complaints from consumers who have to

## CONSUMER REPORTER

pay large sums of money as initial administration costs to firms who say they can help people out of their troubles," Cronje said.

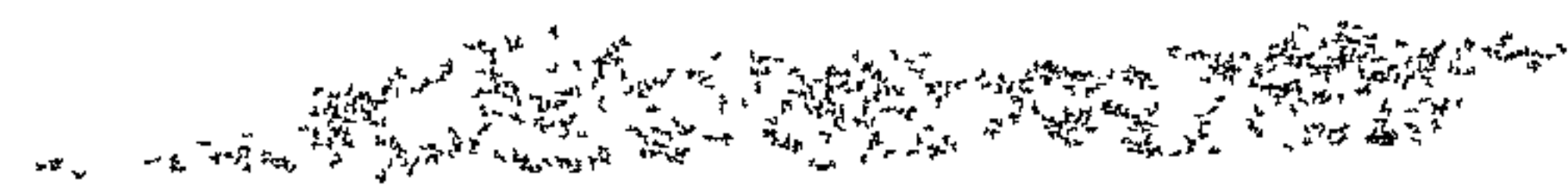
"Such amounts are not refundable, even if the firm cannot arrange a loan for a client. He therefore

loses this money too, which means his predicament worsens."

He recommended that consumers in financial troubles rather negotiate arrangements with their creditors for bridging problems.

Bank managers could also give valuable free advice, Cronje added.

*Sowetan 2/12/90*



# Buyers go on a spending spree

**A HIRE PURCHASE** spending spree has been reported by the country's banks.

Consumers have bought R1 154 million of furniture, cars and other goods on HP and rentals in the September quarter - the highest amount since the last quarter of 1989, which included Christmas shopping

A total of R27 080 million was owing to banks from HP on September 30, up from R25 926 million at July 31 in spite of Reserve Bank restraints to stop banking institutions extending their lending, says a report by Nedfin.

"The banks involved

in consumer lending appear to have increased their portfolios, particularly for motor vehicles

Building societies who are now into instalment credit have made inroads into this market, mainly by reducing interest rates to the borrowers," says Nedfin

## Upswing

Latest industry figures indicate that the furniture industry is enjoying an upswing in the volume of sales

Most banking institutions have report a downturn in the demand for credit facilities, but this is not reflected in the September quarterly figures

According to bank ex-

ecutives, this low demand has continued into the December quarter.

"Consumer bad-debt write-offs have increased progressively during the year, and there is the further possibility that February and March could see an upsurge, which is traditional after the Christmas spending spree, says Nedfin.

Current high interest rates are also having an effect on small businesses and other commercial organisations

High-g geared companies are struggling to meet their interest commitments and business insolvency is expected to increase in the New Year

spoke for 21/12/90

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# Pitfalls of instalment sales

THIS article is devoted to a form of credit known as Instalment Sale

It is usually used to buy big-ticket items such as furniture, appliances and cars and is governed by the Credit Agreements Act of 1980

Instalment Sale credit normally constitutes the second-largest category of debt for the average household after the house mortgage

The Act replaced the Hire Purchase Act and relates only to buying specific moveable property (the items mentioned above), which fall below R500 000 and where instalments are to be paid over a period exceeding six months.

The Act aims to provide protection for buyers, while providing certain rights for sellers

Care should be taken to determine whether the agreement you are entering into falls under the Act. If not, it will be an ordinary common law sale agreement, which lacks the protection offered by the Credit Agreements Act

If you have any doubts ask the credit grantor to confirm in writing that the

Str 29/12/90  
This is the fifth in a series of articles entitled "Credit and the Consumer", written by PAUL EDWARDS, chairman of Information Trust Corporation.

agreement falls under the Act

Under SA law, ownership and full rights to the item bought normally pass to the buyer when the goods are delivered and when cash has been paid or credit terms have been agreed to and granted by the seller to the buyer

For example, if you buy a car for a specific sum and agree to pay within 60 days and the car is delivered, it is classified as a common law credit sale (it does not fall under the Credit Agreements Act since it does not fulfil the requirements mentioned above) Ownership has now passed to the buyer

Should the buyer not have sufficient funds to meet the payment on due date, the seller will have to apply to the court to enforce the contract

Note that the seller cannot repossess the car, even in the event of the buyer

being declared insolvent.

In this instance any assets owned by the buyer (including the car) will be sold, and the proceeds distributed among all the buyer's creditors (Insolvency will be covered in a later article)

Under an Instalment Sale Agreement, however, the situation is different

In this case, ownership does not pass with delivery, but is suspended until the final instalment is made.

Assume that a consumer buys a car under an Instalment Sale Agreement and agrees to pay a deposit and the balance in 48 instalments.

Although delivery takes place, ownership does not pass to the buyer until the last payment is made

This means that if the buyer defaults on his instalments, the seller can, after giving written notice, cancel the contract and repossess the car

Note, however, that the credit grantor cannot repossess the car (or any item bought under Instalment Sale agreement) without a court order.

If he does, the buyer is entitled to the return of the car. Such an order ensures that the credit grantor is

not placed in a better financial position than he would have been had the contract run to its normal conclusion

The court may rule, for example, that the item be sold by public auction and that the credit grantor return to the buyer any amount of money realised in excess of the balance owing on the contract.

It is important that you understand your rights in this regard and that you be particularly careful not to sign a so-called "voluntary surrender" without consulting an attorney, since you may find yourself liable for the amount due at the time of the surrender, as well as for costs incurred by the seller

Buyers should note that in both of the above examples risk passes at the time of delivery

This means that the buyer is liable for any damages to the car even though, in the case of an Instalment Sale, ownership is suspended until the final instalment is made.

In the next article we will continue our discussion of Instalment Sale Agreements in view of their importance to many consumers



PRICES - ~~EP~~ CONSUMER Protection  
Body

1991

# Instalment sale agreements offer protection for the buyer

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IN this article we examine instalment sale agreements

These are governed by the Credit Agreements Act and differ from normal credit sales in that ownership is suspended until the final instalment has been paid

Because the Act provides protection for the buyer, consumers are advised to ensure that their agreement falls under the Act

Remember that only specific movable items are governed by the Act. The following are not covered

Tractors and agricultural machinery, industrial plant and machinery, earthmoving equipment, aircraft, building equipment, computers and office equipment, caravans and trailers, portable radios and car radios

Also the amount of the transaction must be less than R500 000 and the period over which the instalments are to be paid must exceed six months

When entering into an instalment sale agreement, there are certain formalities that must be complied with

- The agreement must be in writing
- It must be in the official language requested by the buyer
- The name and address of the credit granter and buyer must be stated
- The amount to be paid as de-



The sixth in a series of articles on credit and the consumer by PAUL EDWARDS, chairman of Information Trust Corporation.

posit must be stated (the percentage of the total price that is required is prescribed from time to time by the Government)

- A description must be given of the goods sold as well as details and value of any trade-in
- The period of repayment, which must not exceed that prescribed by government regulation, must be stated

This may vary according to the type of goods being bought

In addition, if the agreement is entered into at a place other than the normal place of business of the credit granter, the buyer must be advised of the provision of Section 13 of the Act

This provides for a "cooling off" period of five days during which the buyer can elect to terminate the agreement of his own accord

This must be done in writing and delivered or sent by registered mail and the item purchased must be returned

The credit granter must then refund within 10 days all payments made by the buyer. The credit granter cannot claim compensation for wear and tear during this period

Note that in the agreement you will be asked to select your "domicilium citandi et executandi" This is the address to which the credit granter will send any notices relating to the agreement, including final demands and summons should you default on your payments

In terms of the Act, both the credit granter and buyer are obliged to notify the other party in writing that their domicilium, or address, has changed

Many consumers who have defaulted on their payments complain that judgment has been taken without their having

received summons. This is often a result of the buyer not having advised the credit granter of a change of address

In this instance, summons will be served at the address stated in the agreement rather than the current address, resulting in a default judgment being taken

Another important fact in favour of the buyer under the Act is that the item bought may not be sold "voetstoots"

This means that the buyer is entitled to protection against latent defects in the item purchased (latent defects are defects that are not obvious, or patent, and which could not have been discovered through normal inspection of the item)

Should you buy a car under instalment sale and although you gave the car a thorough inspection you subsequently find that there is a latent defect in, say, the engine, which you could not have reasonably been expected to discover but which was present at the time of purchase, then the seller has to remedy the defect

Even if the seller attempts to get you to sign an agreement stating that the car is sold voetstoots, which in a normal credit sale is not an instalment sale, this would have no effect under an instalment sale — the seller must make good the defect

**NEXT WEEK: Bank credit**

# It pays to negotiate for the best rates

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WHEN you open a current account, ie a checking account, it may be possible to apply for an overdraft facility. This is a loan, the amount of which will depend on your credit worthiness and your ability to service the debt.

In determining ability, the bank will examine your income less your normal monthly expenditure. The balance left over must be sufficient to meet your monthly interest payment.

The bank may also examine the extent of your assets less any liabilities such as mortgage liabilities. If your assets exceed your liabilities you are said to have a positive net worth.

The size of your net worth may qualify you for a higher status current account, with preferential

interest rates as well as a higher overdraft facility.

Once a facility has been granted interest will be charged on the outstanding balance. The rate will vary according to your risk profile — the best customers receiving the "prime" interest rate while higher risk customers may pay as much as 7 percent over prime. It certainly pays to ensure that you negotiate the best possible rate with your bank manager.

Once the overdraft has been granted you can draw up to this amount on your current account. You are theoretically not required to repay the overdraft as long as you pay the monthly interest due, ie you do not have to repay the capital amount of the loan until you wish to. However, most banks

like to see some attempt to reduce the overdraft.

Banks do, however, have the right to call up your overdraft or request that you reduce it by a certain amount. This normally happens when you have defaulted on your monthly interest payments or the bank has reason to believe that your risk profile has deteriorated.

## Revolving Credit

This often causes hardship when the borrower does not have the necessary cash to repay or reduce the overdraft, hence care should be taken not to increase your overdraft beyond a comfortable limit, particularly if it is being used to fund luxury purchases.

Revolving credit is different from an overdraft in that the amount borrowed has to be repaid within a set period of time, say 30 months. This means that your monthly payment will include interest on the outstanding amount as well as a percentage of the capital.

For example, if you borrowed R3 000 over 30 months your monthly payment would be R100 (1/30th of R3 000) plus the interest on the outstanding amount of the loan.

The advantage of a revolving credit facility is that having paid back a certain amount of the loan you can make a further draw on the account up to the original amount of the facility.

Assuming therefore that you have paid off R500 over 5 months, you can now draw this amount from your current account without getting further permission from the bank — hence the name revolving credit. The amount of loan outstanding will now be R1 000 which can be paid off over a further 30 months.

## Personal Loans

Personal loans are loans for specific purposes, such as education or to pay hospital bills in the event of illness. They are fixed period loans during which time both interest and capital are paid on a monthly basis. Interest rates will be either prime or prime plus depending on your standing with the bank.

## Credit Cards

Credit cards made their debut in the 1950's and have become widely used as a convenient way of buying now and paying later. The added advantage is that the purchaser does not have to carry cash on his person.

As with all credit facilities, you first have to qualify in terms of your creditworthiness and the amount of debt that you can comfortably service. Having done so,

the card company will grant you a credit limit beyond which you cannot go without their permission.

You may also notice that for certain purchases the merchant, that is any commercial concern such as a retailer or restaurant owner who has an agreement with the card company to accept their card, may request authorisation from the company.

This is because every merchant has a "floor limit" or a maximum amount that he can accept on the card without permission from the card company.

Authorisation will be granted provided your credit limit will not be exceeded and that your history of settling your card account is satisfactory.

Next week we will continue our discussion on credit cards, including retail store cards, and other sources of credit.



Paul Edwards, chairman of Information Trust Corporation, assisted by Ken Mills continues his series on "Credit and the Consumer".



Amendments to the main were required to implement to credit their employees with deduced that all wage exemp- tigue shift: - Sapa

# Uniform <sup>246</sup> styles are cut down to 3 or 4 <sup>1/11/91</sup>

By Paula Fray  
Consumer Reporter

School uniforms were more durable — and cheaper — than private clothes, the South African Bureau of Standards school clothing standards officer Ria Louw said yesterday.

"School clothes are outgrown not outworn," Mrs Louw added.

In a recent consumer questionnaire, several parents had revealed that uniforms were used for five years.

Mrs Louw pointed out that many parents were not making use of the "growth allowance" built into certain styles. Most dresses had side seams which made provision for growth and could be adjusted accordingly. There were also hem allowances.

"Many parents buy the uniforms big but by the time the allowance is needed there is a colour difference," she said.

The SABS was considering doing away with the growth allowance as the extra fabric and trouble taken to produce them was being wasted

## The cost of kitting your kids for school

**Badge:** R9,99  
**Tie:** R8,99  
**Blazer:** R110 to R200  
**2 x pr long trousers:** R34,99 to R69,99 ea.  
**2 x pr short trousers:** R8,99 to R25,99 ea.  
**Case:** R5,99  
**3 x pr long socks:** R2,69 to R9,00 ea.  
**Shoes:** R27,99 to R62,99

**Satchel (6 division):** R32,99 to R39,99  
**3 x dresses:** R50,00 to R67,99 ea.  
**Gym slip:** R22,99 to R29,99  
**Skirt:** R11,99 to R40,99  
**Jersey:** R14,99 to R37,99  
**4 x pr panties:** R2,99 to R6,99 ea.  
**4 x pr socks (s/white):** R1,99 to R7,99 ea.  
**Shoes:** R14,99 to R37,99

The higher prices are for specialised uniforms. All prices are approximate.

Liz

Everyday wear . . . while the initial cost of school uniforms might be high, they are value for money in the <sup>246</sup> long run.

The SABS involvement in school uniforms started well before the manufacturing process when, along with the National School Clothing Com-

mittee, specifications for uniforms were drawn up. These specifications were normally looked at every five years but changes could be

made in the interim period. The fabric used for school uniforms was checked to ensure it adhered to these specifications. Only those garments

for which application had been made for the SABS mark of approval were monitored during the manufacturing stage.



# Don't be a credit junkie

Star 19/1/91.

246

BANK credit cards are an important source of credit for many families

They are sometimes criticised as a way to easy credit, but it has to be recognised that cards, like other forms of credit, can be abused

In fact overseas, abusers of cards are called "credit card junkies" and special centres have been set up to help people who are addicted to the use (or abuse) of cards

Many of these junkies have upwards of 10 different credit cards and cannot resist the urge to spend large sums on credit that they cannot ever repay

In South Africa, thankfully, the granting of credit cards is carefully monitored

Still it takes a good deal of maturity to use a card wisely and not be tempted to buy impulsively or over-commit yourself using this facility

## Charge cards

There are two types of credit cards. Charge cards, such as American Express or Diners Club, differ from bank credit cards in that the full amount on your monthly statement must be paid within a set number of days from billing date

Credit cards on the other hand do not have to be settled in full. Instead, the statement indicates the minimum payment that must be made — the balance can be paid over successive months

Of course, you will be charged interest on the balance outstanding, currently at a rate of up to 31 percent, and you must remain within your credit limit

Another facility offered by credit cards is the Budget Account, which is normally used for buying items with value of more than R200

Budget accounts can be paid off over six, 12, 18 or 24 months and have the added advantage that, unlike credit instalment agreements, they do not require a deposit

One of the major benefits of credit or charge cards is that you get a period



Seventh in a series on credit and the consumer by PAUL EDWARDS, chairman of Information Trust Corporation.

of "free" credit. This is the period between the purchase of an item and the settlement date as indicated on your card, and on which you pay no interest

Depending on when you make the purchase, you could be receiving up to 45 days' free credit

Don't forget, though, that the merchant is paying a commission to the bank on every purchase through a card of up to five percent

It may be argued that this is factored into the prices of items due to the large volume of credit card transactions that take place

In England there is a strong lobby to get merchants to offer two prices — one for card users and the other a discounted price for cash buyers

Note also that merchants are not entitled to charge an additional amount to purchasers using a card as this would contravene their agreement with the card companies

Cards are now also offered by large retail stores, hotels and car hire companies

While some of these are in reality charge cards, many retail stores now offer store cards that provide a revol-

ving credit facility. These usually offer up to six months' credit without the buyer incurring interest charges

Suppose a customer applies for a store card and is granted a credit limit of R600. The customer will then be expected to pay off R100 a month over six months

Once the balance outstanding has been reduced, the customer may then buy more items up to the R600 credit limit and a further six months will be given to settle the account — hence the term revolving credit

If a store card user defaults on his payments interest may be charged on the overdue balance. It will also result in the credit limit being reviewed and the credit bureau being advised of the default, thereby affecting the holder's credit rating

Yet another source of credit is in well established insurance policies

## Investment value

Depending on the type of insurance policy you hold and the length of time it has been running it may be possible to borrow money from your insurance company on the security of your policy

Suitable policies are endowment or the so-called "whole-life" policies which have an investment value. Pure life policies cannot be borrowed against, nor can retirement annuities

It is also unlikely that your policy will have any investment value (being the amount of money credited to your policy as a result of investing a certain portion of your insurance premium) for the first three years

Usually, the policy will have to have been running for more than that to have any meaningful borrowing capability

Loans are usually granted between 75 percent and 90 percent of the surrender value of the policy. But the advantage is that there is usually no fixed period in which the loan has to be re-

paid and the interest rates may often be more favourable than that offered by your bank (some insurance companies offer "prime" rate or even prime less one percent)

Today the consumer is faced with many options of how to finance a purchase. These may range from a bank overdraft, personal loan or credit instalment purchase through to borrowing against the equity in your home bond, insurance policies or credit cards

Each type of credit facility has its own particular benefits. A word of advice is to shop around before committing yourself, particularly with regard to the interest rate

For example, a fridge bought on an instalment sale will require a deposit and interest rates of up to 31 percent a year

Buying the same fridge on a credit card budget account will result in no deposit being charged but may incur interest at a rate of 28 percent

Alternatively, you could obtain a revolving credit facility from your bank to pay cash for the fridge which enables you to negotiate a cash discount while possibly paying a lower rate of interest than on instalment sale agreements

A word of warning, though, with regard to using the equity in your home bond or insurance policy

Be sure that you intend to repay the full amount back into your account, especially if you are using the facility to buy luxury or non-essential items

Remember, your aim should be to own your home fully by the time you retire and to have sufficient funds in maturing insurance policies to provide a decent standard of living in your old age

If in doubt consult your bank manager, insurance broker or any other suitably qualified person before committing yourself — you could save yourself a tidy sum of money

● Next week we will look at how to apply for credit.

# Furniture dealers get tough on credit deals

*BJ Day 21/1/91*

*246*

GARETH BELL

MOST major furniture retailers do not foresee a dramatic increase in repossessions in 1991, but many are cautious about consumers' ability to pay in a tough economic year.

Furniture Traders' Association executive director Frans Jordaan said sophistication on the part of dealers in granting credit and high interest rates had reduced bad debts and repossessions.

Morkels MD Carl Jansen said the group's bad debts had continued the downward trend they had showed for the last two years and, as a result of "a customer sensitive operation", less than 2% of sales had to be written off a year.

## Beneficial

"This rate was achieved in a difficult market, but at the same time it would be unrealistic not to anticipate difficulties in 1991," he said.

"It is in no-one's interests to repossess goods. Dealers take a big knock as goods are seldom resaleable and income is lost. It is far more beneficial to adjust cash flows and get customers to pay instalments they can afford," he said.

He added the majority of repossessions were voluntarily undertaken by customers.

Dions MD Jannie Els said strict credit control ensured the group had not repossessed any goods for the last three years.

He added that the use of fraudulent cheques had increased in both December and January, but the level was still within the bounds of Dion's provisions. No increase in provisions would be made in 1991.

"Credit purchases in 1990 made up less than 20% of turnover, which is similar to

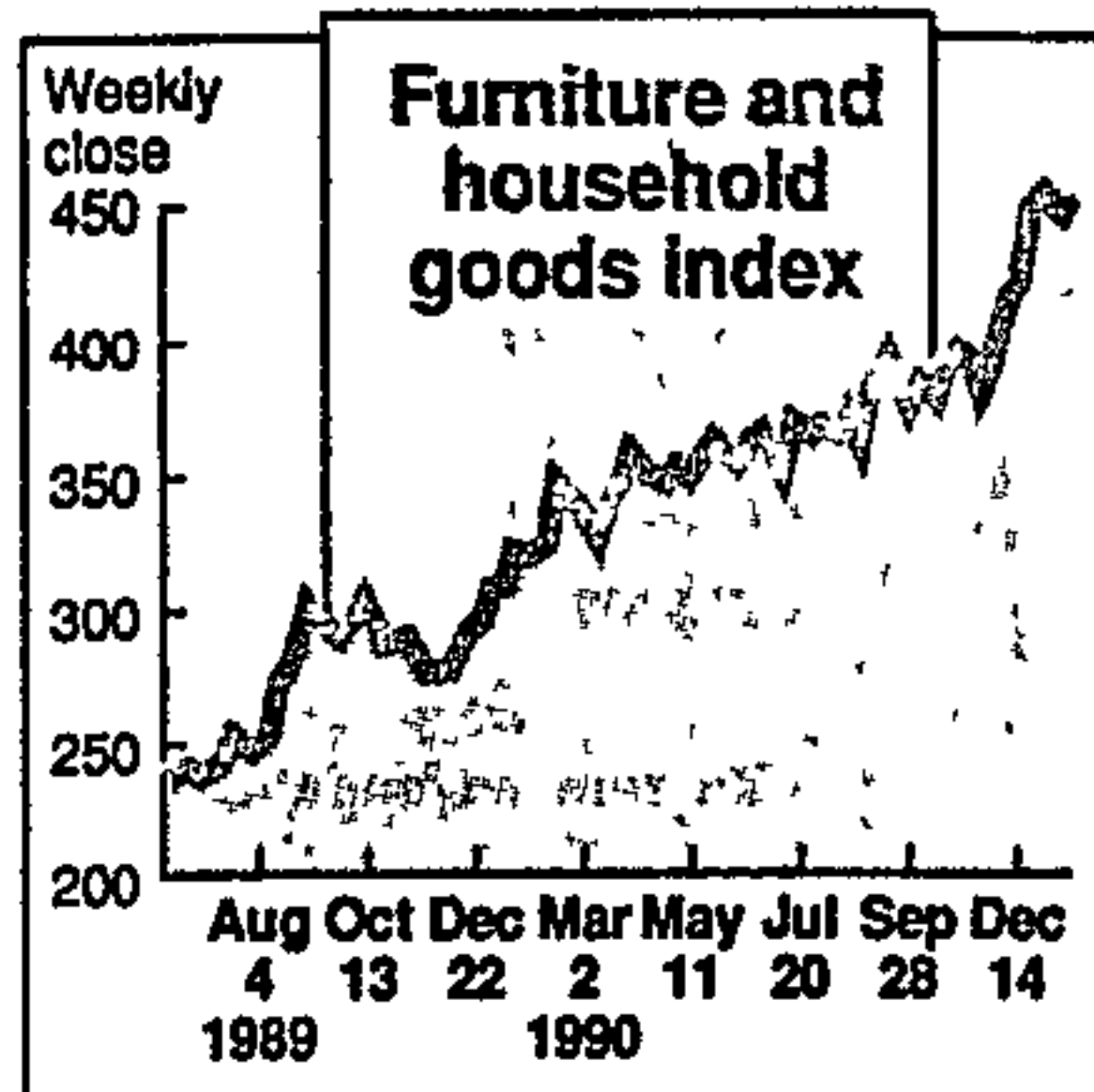
the 1989 situation," he said. No dramatic increase in this figure was expected.

Rusfurn CE Geoff Austin said the group had achieved a less than 1% write-off in 1990, which was lower than the rate in 1989.

However, he added: "A sharp drop in instalments paid was seen in the last few months of 1990 and bad debts may well increase in 1991 leading to repossessions." As a result, Rusfurn's provisions had been increased.

OK's Financial Director Brian Borchers said the group had experienced a slight increase in repossessions.

Furniture retailers had a good year last year with sales volumes recovering from previous years' decline. Borchers says the recovery was part a release of pent up expenditure and a perception of relative value due to a lower inflation rate in the industry.



Graphic: FIONA KRISCH Source: JSE



# More price hikes on the way, says League

SOUTH Africans should brace themselves for inflation taking an even greater toll on goods, say Housewives' League president Mrs Lynn Morris.

Morris was commenting on statistics released by the Central Statistical Services (CSS) which showed that the annual rate of increase of the Producer Price Index jumped by 3,7 percentage points to 15,8 percent in November.

She said the biggest contributing factor to the PPI increase was the fuel cost.

"When the fuel price goes up, everything goes up.

"When the fuel price comes down, nothing comes down," Morris said

She said the decrease in the petrol price had not yet taken effect

While she was not surprised at the increased PPI, Morris said consumers would have to

brace themselves for a rise of about one percent a point in the Consumer Price Index.

"My big question is whether we will see the benefits of the decrease (in petrol price) Only time will tell," Morris said

"At the moment we are looking at an actual increase of 17c/l. for petrol since the start of the Gulf crises "

If the total increase of 42c/l had been built into the price of consumer goods, allowance had to be made for the reduction of 25c in the petrol price.

"It would be stealing from the consumer if they don't reduce the prices (which were raised as a result of petrol in-

creases)."

Morris said the decrease in the petrol

price should be reflected in this month's figures - *Sowetan Reporter*

*Sowetan 21/11/91*

*246*

CREDIT is all about trust. It is a means of obtaining something of value today in return for a promise to pay at some definite time in the future.

Many consumers do not appreciate that trust has to be established before they can qualify for credit.

Because credit has become such an essential part of modern life — and possibly because in the past credit may have been granted too freely — they feel that access to credit is a right and not a privilege.

In small villages a merchant probably knows his customers by reputation even if they have never bought from him before. A person with a sound reputation would no doubt be able to buy now and pay later because he had earned the trust of the merchant.

But in the cities the situation is very different. Banks and retail stores have become massive organisations with the number of customers often exceeding a million.

Obviously they cannot know every customer by reputation and they have to establish the creditworthiness of the customer using more sophisticated means.

# A good credit record is a valuable asset



The eighth in a series on credit and the consumer by PAUL EDWARDS, chairman of Information Trust Corporation.

This includes the use of computer-based credit scoring systems which are usually far more accurate in predicting risk than human credit assessors.

The first step in the establishment of creditworthiness is to gather sufficient information from the prospective customer

by means of an application form

This form will require details such as your full name, current and previous address, marital status, occupation, income, names of companies that you have had accounts with and so on.

While it is kept strictly confidential some customers object to providing this information as they regard it as an invasion of privacy. But it is vital in determining your creditworthiness and in calculating the risk of your defaulting on your credit agreement.

## Credit factors

You don't have to provide the information at all — it's just that the credit grantor will probably refuse you credit on the basis that he has insufficient information to determine creditworthiness.

The information provided is used for two purposes. The first is to verify that you are who you say you are and that you are not using a false identity in order to

defraud the credit grantor.

You will probably be asked to produce an identity document to assist in the process and it is likely that the credit grantor will refer to the credit bureau for further verification.

Secondly, the information is used to determine credit worthiness based on these factors:

- Capacity — your ability to pay
- Character — your willingness to pay
- Collateral — your wealth in terms of assets owned

Your ability to service the repayments is critical. This is determined by calculating your disposable income — that is, the amount of money you have left from your income after the usual deductibles such as tax, pension and medical aid — and your monthly expenses such as rent, food, clothing, entertainment and transport.

The balance left over can be used for savings and to service debt commitments.

If your disposable income is

too small to service the debt adequately the credit grantor may refuse to provide further credit.

This is in his interest, since if you are already over-committed there is a much higher chance of a debt default, as well as in your own interest, since further credit may well lead you into financial difficulties.

Most reputable companies are committed to responsible lending and are not, as many people believe, intent on pushing more and more credit on to consumers who are already overloaded with it.

Character, or your willingness to pay, is determined by examining how you have conducted accounts with other organisations and whether you have a history of debt defaults.

It is in this area that the credit bureau plays a major role.

Information Trust Corporation and its associated companies (Campbells, Greyling and East Vaal) provide most of the consumer credit information in the country and maintain a database of more than 8 million

credit-active consumers on a sophisticated computer system

Not only do they have a record of judgments and insolvencies but also accounts closed due to misconduct, repossessions, dishonoured cheques and the like.

The credit bureau operates to a high level of professionalism and fulfils an important role in the economy.

By protecting credit grantors from consumers who have a history of defaulting on their credit commitments they not only reduce losses through bad debt write-offs, but also help reduce prices, since companies who experience a high proportion of bad debts will usually try to recover their losses through charging higher prices.

The credit bureau also helps the consumer to obtain credit speedily. Instead of suppliers having to conduct their own detailed investigation of your credit dealings this information is available from the bureau immediately.

A good credit record is a valuable asset and every effort should be made to maintain a good rating.

Remember that you have to earn the trust of the credit grantor before he will let you walk out of his store with his goods. A good credit record will go a long way towards giving him that peace of mind.

## Bad records

Well over three-quarters of the Information Trust Corp's records are, in fact, good records. The bad news is that a quarter of credit-active consumers have some adverse information on their records.

This may inhibit their securing the credit they require or even result in their being refused any credit at all from reputable organisations.

Consider what it would be like not having access to a credit card, finance for your motor vehicle, loans to improve your home, a cheque account or an account with clothing stores. In today's world it is almost

unthinkable.

Don't forget also that with modern technology your credit record is available anywhere in the country — you can't leave town thinking that you have left your debts behind you.

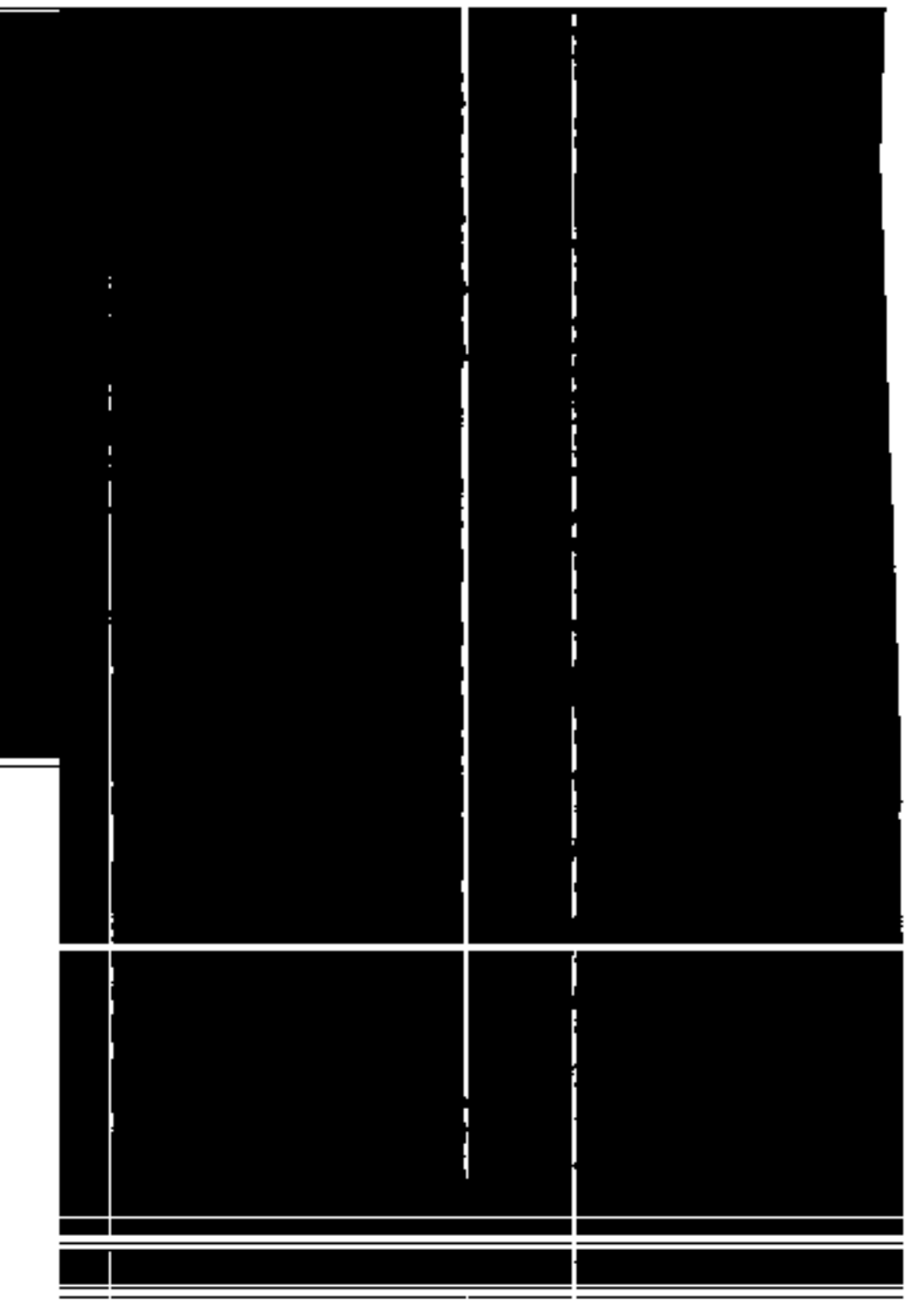
Lastly, collateral relates to the wealth you possess in the form of assets that you own.

If you were to apply for a sizeable credit facility the credit grantor would want to establish your wealth so that in the event of you defaulting on your debt other assets could be attached to a similar value to the debt outstanding.

If you own your own home and have assets such as investments and insurance policies you are more likely to be granted credit.

Remember that credit is a privilege and not a right and therefore has to be earned. Your credit record is an invaluable asset that will help you to obtain further credit and it should be protected by taking a responsible approach to its use.

Next week we will discuss what happens when you are unable to service your debts.





# Bankfin expects 10% rise in 1991 car repossessions

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GARETH BELL

STANNIC and Wesbank predict "possible increases" in the rate of repossession of hire purchase cars in 1991, but Bankfin is less optimistic and expects a 10% increase over its 1990 level

Market analysts say Bankfin's high rate of repossessions is the price it is paying for the lax credit policies applied in earlier years

However, Bankfin senior GM, credit and risk, Dawie Botha dismisses market perceptions of an abnormally high repossession rate and says Bankfin's repossessions over the past 18 months have been in line with major competitors

Market sources say Bankfin's problems stem from an attempt to increase market share. But Botha counters by saying Bankfin's market share dropped in 1990.

He says Bankfin's policy is to achieve a moderate growth rate and that credit policies have been tightened since 1989.

"Everybody makes mistakes and in the current economic climate even the most credit-worthy business becomes unpredictable"

He adds that current car repossessions could be from business taken on in 1989 and 1990

Wesbank GM Robin Shales says Wesbank experienced a 15% increase in the rate of repossessions in 1990 compared with 1989

Stannic MD Gutch Vickers says market share has increased over the past five quarters. The repossession rate was about 40% up on 1989 figures from a very low base

19/09/91



## Spiralling debt judgments (246) reflect squeeze on individuals

PRETORIA — Individual debt judgments spiralled dramatically since the start of the recession about 18 months ago, according to figures supplied by Information Trust Corporation (ITC)

ITC chairman Paul Edwards said the average monthly number of debt judgments on individuals last year totalled 37 726, up by 12% on the 33 697 monthly average in 1989

Although this was a relatively moderate increase in judgments, the values involved showed a startling increase

In the three months September-November last year, judgment debt totalled R498m — an increase of about 50% on the R324m figure for the same three months the year before

Indications were that larger-

BIDAY 31/1/91

GERALD REILLY

than-expected credit spending in December last year would be reflected in rising debt judgments and amounts in the months ahead, Edwards said

This and the fact that a large percentage of salary and wage increases this year would fall short of the inflation rate, and that fiscal drag would eat into the increases, signalled rough times were ahead for consumers

The likely increase in unemployment this year was another factor that would aggravate the individual debt problem.

ITC advised consumers to take a close look at their liquidity before committing themselves to credit spending on luxuries

## Maize mixing move hailed

Consumer Reporter

The Consumer Union has welcomed the announcement that inadequate supplies of white maize stock will be mixed with 15 percent local yellow maize and not imported yellow maize. ~~(246)~~

"We know what the quality of South African maize is ... imported maize is not always as good," chairman Anna Boshoff said. (246)

"We realised the mixing would have to be done. At least we can say it is the best available."

Her statement follows a Maize Board announcement that the step, from February 1, had been taken to supplement the maize stock because of the drought.

stew 6/21/91  
**4 credit  
bureaux  
form <sup>(246)</sup>  
new body**

Consumer Reporter

Four of South Africa's largest credit bureaux have joined forces under a new association which aims to ensure that everyone involved in credit-granting gets a fair deal.

The Association of Consumer Credit Bureaux was formed after the group decided it was in the industry's own interests to form a watchdog body to monitor activities of credit bureaux.

The four major companies — Information Trust Corporation, Campbell's Consumer Enquiry, Eastvaal Credit and Greyling Credit — collectively handle more than 90 percent of all inquiries directed to credit bureaux.

Association president Rowan Haarhoff said modern technology was making it possible for more and more firms to enter the market.

The established bureaux felt the time had come to define a code of conduct and "to apply these rules not only to themselves but to encourage newer bureaux to join the association.

"The main objective is to ensure that consumers applying for credit are not prejudiced by inaccurate reporting of their credit records and to simultaneously protect the credit grantor against genuine bad credit risks."

"It is however inevitable that occasional mistakes will be made, and one of the cornerstones of the code of conduct is that bureaux, must allow consumers to inspect their records and must rectify mistakes immediately.

"In cases of dispute, allowance is made for referral to the association's arbitration committee for decision," he said.



# Don't ignore a summons

COUPLED with the big increase in the use of credit over the past few decades has been the corresponding increase in the number of consumers who end up in financial difficulties through over-committing themselves

There has also been a significant increase in the number of fraudsters who deliberately obtain goods and services on credit while never intending to pay for them

The losses incurred by credit granters are enormous. In 1990 nearly 900 000 summonses were issued relating to unpaid consumer debts. This led to half a million judgements being handed down, involving nearly R2 billion

While some of this money may be paid as a result of court action it is clear that vast amounts of money are lost to the economy as a result of bad debt. The effect is lower profits for credit granters and ultimately higher prices, since expected losses due to bad debt may be filtered into prices as a cost of doing business

Credit granters try to limit losses by employing sophisticated means of assessing credit worthiness

These methods include the use of credit bureaux to obtain credit references and the use of computerised credit scoring systems. But obviously these methods cannot be 100 percent accurate as there will always be circumstances, such as loss of a job, which cannot be predicted in advance

Let's examine now the case of Joe Public, an average South African who suddenly finds himself retrenched as a result of the recession we are now experiencing

Joe has an overdraft from his bank, a car financed by a finance house and several accounts with retailers relating to furniture and clothing

## Savings eroded

Because Joe has been trying hard to maintain his standard of living, even though his income has not been keeping up with inflation, his savings have eroded to a point where they barely cover one month's living expenses

Instead of being rational and taking careful stock of the situation, Joe panics.

Like many South Africans who are in a weak financial position he chooses not to seek advice and talk to his creditors in order to try to reschedule some of his debt. Instead he chooses to ignore the seriousness of the situation

After a month of not paying his monthly instalments he begins to get letters from the bank, finance house and retail organisations advising him that he is overdue on his payments. Joe ignores them

More letters arrive, each becoming sterner and warning of the con-



This is the tenth in a series on credit and the consumer by PAUL EDWARDS, chairman of Information Trust Corporation

sequences of not honouring their credit agreements

Having ignored all the letters from his creditors and refusing to answer telephone calls from their credit controllers, Joe comes home one day to find that the sheriff of the court has served a summons on him on behalf of one of his creditors

This is a document informing him of the plaintiff's cause of action and states that if he wishes to defend the action he must file with the Registrar of the Court a Notice of Intention to Defend within a set number of days

Joe is frightened by the implications of the threatened court action but does not file his intention to defend, hoping rather that his unfolding nightmare will soon end

As a result of his failure to defend, the creditor, or plaintiff, is now entitled to apply for judgment by default. Because the claim is for a debt no evidence has to be led, only that the summons had been correctly served

The judgment is a court order compelling Joe to pay the money owing. But Joe by this time has no money to settle the debt, the result of which is that the plaintiff now obtains a writ of execution

This is a command to the sheriff that he attach and sell enough of Joe's property to satisfy the judgment

A further default judgment is issued, this time allowing the finance house to repossess Joe's car

Luckily for him the value of the car is more than the balance outstanding on the credit instalment agreement and, since the finance house is not allowed to be placed in a better position than had he settled the debt in full, they send him a cheque for the difference.

Joe's problems don't end there. A further creditor obtains judgment, but by now there is insufficient property to attach and sell

The creditor, thinking that Joe has deliberately concealed some of his assets, applies to the court for Joe's compulsory sequestration on

the basis that he has committed an act of insolvency

The objective of the sequestration proceedings is that Joe be divested of his estate which is placed by the court into the hands of a trustee. The trustee's main function is to recover all the assets and movable or immovable property and sell them in order to satisfy the claims and costs of the creditor

Joe is now in a sorry state. Not only has he lost his job but also his entire estate consisting of all the assets that he owned. Further, having being declared an insolvent he now suffers from some serious disabilities

Firstly, as an insolvent Joe may not obtain credit above a certain amount without first advising the credit granter that he is an insolvent

This will usually result in him being disqualified from obtaining the credit he seeks with the result that he faces a period of up to 10 years without access to credit facilities

Joe is also disqualified from certain fields of employment and may not be a director of a company

## Insolvent

The fact that Joe has several judgments and has been declared an insolvent is recorded on the records of the credit bureau, ensuring that this information is always available to prospective credit granters

In any event, if Joe attempts to obtain credit without advising that he is an insolvent, he could be liable to imprisonment

Luckily for Joe he is able to obtain meaningful employment and after a while is able to repay his creditors and successfully apply to the court for rehabilitation

Joe is not unique — each year thousands of South Africans find themselves in a similar position. This is sometimes due to deliberate attempts to defraud creditors or because they find themselves over-committed and ignorant of the process of law

Don't make the same mistake as Joe. The moment you find yourself unable to meet your credit commitments, due to whatever circumstances, seek advice immediately from your bank manager, attorney or other suitably qualified person.

Always try to meet personally with your creditors and work out a plan with them as to how you intend putting yourself in a position to resume your debt repayments

You will often find that they are willing to co-operate with you rather than resorting to legal action which is costly and does not always have the desired effect of recovering the full outstanding debt

● NEXT week we will examine how to budget correctly and avoid debt problems.

Star 11/21/91

## Credit body aims at fair deal for all

Consumer Reporter 246

The formation of the Association of Consumer Credit Bureaux was a "gladdening step in the struggle for greater consumer protection" says the Consumer Council.

Director Jan Cronje was reacting to an announcement that four of the largest credit bureaux had joined forces under a new association to ensure all involved in credit granting got a "fair deal".

"Consumers welcome the introduction of self-regulatory measures by the business field to improve its service and to clamp down on those who do not adhere to the code of conduct," Mr Cronje said.

It often happened that consumers against whom a judgment of debt had been granted were wronged in that their names still appeared in credit reports long after they had settled their debts.

### Abandoned

Consumers whose creditors had abandoned judgment in their favour sometimes also had their names listed.

"Although the Consumer Council is a champion of consumer rights and protection it is thoroughly aware that a large number of consumers intentionally try to evade their indebtedness. For this reason it also welcomes the Association's measures to protect businesses against irresponsible consumers," he said.

Star 16/2/91

## Credit buyers default R500-m in three months

By Paula Fray  
Consumer Reporter

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About R500 million was involved in more than 116 000 judgments for debts against private individuals from September to November as credit buying increased last year, the Association of Credit Bureaus reports.

There were also 773 sequestrations of private individuals during the same three-month period while major consumer bureaux in South Africa also experienced a general upturn in inquiries.

According to the association's president, Rowan Haarhoff, virtually every bank and retail organisation used credit bureaux to vet clients.

"The increased volume of inquiries indicates that the man in the street made much more use of credit last year," Mr Haarhoff said

"Despite the fact that insolvencies have not reached the high levels seen in 1986/1987, the number of judgments granted against consumers in the last few months of 1990 is the highest for many years and indications are that sequestration will rise in 1991 — possibly even exceeding the disastrous 1986/87."

"One of the genuinely frightening aspects of the statistics on judgments is that the amount involved was R500 million for the period September to November 1990," he added

"While much of this might be recovered . . . millions will be written off and creditors forced to pass on the losses to consumers, with a resultant increase in prices."



□ CREDIT CONTROL

The credit bureaux are experiencing a period of strong growth but they sound a note of caution for the future

Information Trust Corporation chairman Paul Edwards says sophistication and the economic situation have led to strong growth in most sectors of its business

During the early 80s technology took off in the banking sector and now the same revolution is happening in the retail industry

"Retailers are placing an ever-increasing emphasis on technology, aimed at creating a faster turnaround on opening new accounts, better decisions and greater efficiency. This has created strong demand for on-line credit checking facilities available in the various credit

# Cautious optimism in credit industry

Spw 22/2/91

246

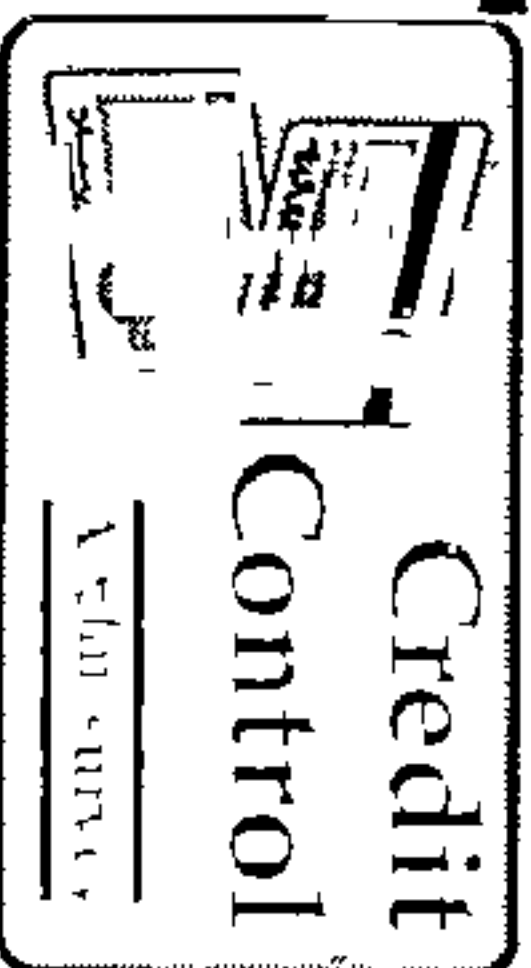
departments  
"Growth in the consumer credit sector of our business has been about 30 percent in real terms. This growth has been fuelled by increasing black spending."

"On the commercial side of our business we are seeing customers more concerned about risks."

Kreditinform managing director Ivor Jones says the company experienced a record year in 1990.

"Our reporting business, where we offer detailed credit checks and risk assessment, grew about 20 percent in real terms and our on-line inquiries, where our clients access our data base directly, grew by about 25 percent

"Most people think that when the economy is in a bad state this is good for our industry, but this is not so. The trend is for the industry to follow the downward trend in the rest of the



economy but with a long time-lag

"We expect business to increase by about 15 percent to 17 percent during 1991. However, we do not expect that growth will be from new business but rather from greater use of new products," says Mr Jones

"There are large numbers of smaller businesses which are starting to use credit information bureaux, but the value per user is so low it makes little impact on the market," says Mr Jones

87ew 22/2/91

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## Association formed as industry watchdog

As the mounds of information about credit continues to grow, so does consumers' concern over how to put the information to use.

Four of South Africa's largest credit bureaux have got together to form an association aimed at ensuring a fair deal for everyone concerned.

Information Trust Corporation, Greyling Credit Control, Campbell's and Eastvaal Credit believe they collectively control more than 90 percent of consumer credit inquiries directed to credit bureaux.

At their congress in November last year, they decided the industry needed a watchdog to monitor the activities of the bureaux.

The first President of the Association of Consumer Credit Bureaus, owan Haarhoff says

"Modern technology makes it increasingly possible for new firms to enter the market and the established bureaux, with more than 200 years of joint experience, felt the time had come to define a code of conduct for credit bureaux, and to apply these rules not only to themselves but to encourage newer bureaux to join."

"The main objective is to ensure consumers applying for credit are not prejudiced by inaccurate reporting of their credit records and, at the same time, protect the credit grantor against genuine bad credit risks

"However, it is inevitable that mistakes will be made. One of the cornerstones of the code of conduct is that the bureaux must allow consumers to inspect their records and must rectify mistakes immediately."

*246*  
**Standard**

*Star 22/2/91*  
**bread loaf  
may soon  
be lighter**

**Consumer Reporter**

The Wheat Board has set guidelines for a lighter standard bread loaf to offset expected increases when the industry deregulates and price control is scrapped next month.

A spokesman for the Wheat Board confirmed yesterday that the present 850 g loaf could be replaced by an 800 g one which would be the same size but of lighter quality.

Control over the mass of bread will be the responsibility of the Department of Trade and Industry from March 1.

Sources have said the price rise could be at least 10c when control falls away. However, the price of such a loaf could be determined only closer to the time.

Housewives League vice-president Sheila Lord said the production of a lighter loaf meant bakers would be "making a saving on the size of the bread, but the saving would not cover the cost of the (dropped) subsidy".

At present the subsidy is 3c for white bread and 8c for brown. Mrs Lord said the league was still opposed to the dropping of the subsidy in the light of the effect it would have on poorer consumers.

"The league is still worried about the cost of food to the poor," she said.



8/22/91

## Firms should insure against credit risks

In an increasingly robust business environment, credit control has grown in importance.

Latest liquidation statistics — which show an increase in the number of liquidations, but even more alarmingly, a sharp increase in the value of default and consent judgments — imply worsening liquidity problems for South African companies

Although the actual number of liquidations last year was only marginally higher than 1989, the value of default and consent judgments will probably total R180 million for 1990 — a disturbing rise of 59 percent

Perhaps the most reliable way of controlling a credit risk is to insure that risk. It is also prudent to investigate the credit rating of future clients and to monitor the creditworthiness of debtors

Credit Guarantee Insurance Corporation offers SA's most comprehensive portfolio of credit management services and its policy holders benefit from Credit Guarantee's con-

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siderable resources

Established in 1936 by a consortium of leading insurance companies, financial institutions and banks, Credit Guarantee is an underwriting firm which specialises in export and domestic credit insurance

Credit Guarantee relies on its own library — the largest of its kind in South Africa — containing more than 100 000 confidential debtor files on businesses in South Africa and abroad.

Broadly speaking, the company offers two main kinds of export credit insurance cover. The most common export credit insurance policy (roughly 90 percent) of export policies fall into this category) is Export Short-Term which provides cover for export transactions where credit terms do not exceed 180 days.

Medium to long-term export credit insurance, dubbed "Projects" by Credit Guarantee, underwrites risks where credit terms are offered for between two to 10 years

# Debt judgments and how to restore your credit rating

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STW 23/2/91

CREDIT has become an important part of our lives, to a point where it is hard to contemplate not having access to such facilities as credit cards, overdrafts, instalment sale agreements and retail stores accounts.

To qualify for credit it is vital that you have a sound credit record. This provides evidence that you have qualified for credit in the past and that you have conducted the credit agreements responsibly.

Information Trust Corporation and its associates maintain the national database of more than 8 million consumers on a large computer system. It responds to nearly 5 million enquiries a year from credit granting organisations who wish to check the credit record of consumers

A good credit record is truly an asset and steps should be taken to maintain a good rating

What happens, though, if for whatever reason your record is damaged? Is it possible to repair your record or are you condemned to a life without credit?

Let's assume that a default judgment was taken against you for non-payment of an account. It sometimes happens that people are unaware of the existence of such a judgment, possibly because summons was served incorrectly

Until, of course, they apply for credit and suddenly they find they are rejected due to an unsatisfactory credit record.

Should this happen, the first step should be to approach the credit bureau. Many consumers believe they do not have access to their credit record. This is not so — Information Trust Corporation employs trained consultants who will not only provide access to records but will also provide de-

This is the eleventh in a series on credit and the consumer by PAUL EDWARDS, chairman of Information Trust Corporation

tails of any adverse information, including court case numbers, as well as advice as to how to repair the record

Armed with information and advice it is now possible for you to approach the party who obtained judgment and try to resolve the problem

If the judgment was taken incorrectly due to a mistake on the part of the credit granter, it is possible to apply for a rescission order. This is a court order that will overturn the original judgment and expunge it from the court records

The credit bureau will also be advised of the rescission and will remove any reference of the judgment from their files

Another situation arises where you may indeed have been at fault, possibly due to negligence. In this instance the best approach is to offer to make amends with the credit granter

If you were in arrears, offer to settle the outstanding debt and if necessary even offer to pay interest on the overdue amount. If a settlement can be reached you may then ask that the judgment be abandoned

Adverse information not relating to judgements is also supplied to the credit bureau. This may include details of accounts closed, credit cards cancelled, debts written off or handed over to attorneys or collection agencies, repossessions etc

As with judgments, the best approach is to make amends with the credit granters. If they are sa-

tisfied they will advise the credit bureau and the adverse information will be removed

They also recognise that debt defaults can occur due to retrenchment, illness, divorce or even plain negligence. These cases must be handled differently to those where the debtor has deliberately obtained credit knowing that they have no intention of paying for the goods

Another important fact is that the credit bureau does not retain adverse information on your record indefinitely

In consultation with credit granters it remains a policy of holding judgment information to five years, adverse information (such as slow payers or accounts written off) for three years and insolvencies for 10 years

This ensures that if you ever do go through a very difficult time financially, you will not be deprived of access to credit indefinitely. Everyone has the opportunity to rehabilitate themselves, either by settlement with the creditors or even by the passage of time

Remember that your credit bureau is a concerned organisation that would like to assist you to obtain credit facilities, not hinder you. Information Trust Corporation is happy to report that over 75 percent of all their credit records are good records

If yours is one of those unsatisfactory records, you may call Information Trust Corporation or its associate bureaus (Campbell's, East Vaal and Greyling) and seek some advice

## CONSUMER NOTEBOOK

Edited by  
Caroline Hurry



# Scrapping of bread subsidy leaves us all three slices short

Star 5/3/91  
Consumers, particularly those living below the breadline, are getting crumbed off with the scrapping of the bread subsidy last Friday

Last year, white bread was subsidised by 3c a loaf and brown bread by 8c, but consumers were warned months ago that the Government could no longer afford to subsidise bread from 1991

During the last three years, a Government committee has been investigating alternative aid to the poor. However, no report has yet been published on their recommendations

From March 1, loaves of bread must weigh either 20 g, 400 g, 800 g, 1 200 g or 1 600 g

This means a standard 850 g loaf is now an 800 g loaf. Consumers have lost three slices per loaf as a result

Bakers are saving money with the smaller new loaves, but as they no longer receive the subsidy, their income per loaf is reduced

Originally bakers claimed they would limit their increase to the retail trade to en-

sure the maintenance of existing profit margins

But, it was announced that the bread price could soar by at least 10c a loaf

This steep increase is unlikely to occur immediately, due to the fierce competition between supermarkets rather than philanthropy

Undoubtedly, in certain supermarkets, the price of other food items will increase to make up for profit loss

However, café owners and grocers whose margins were previously restricted to 4c a loaf, can now charge what they like

The Housewives League met Agriculture Minister Jacob de Villiers last Thursday to try to get some relief for the poor.

Said president Lyn Morris "Everybody who bought bread was buying a subsidised product. However roughly 72 percent of our bread is purchased and consumed by the black community who needed the subsidy most. I don't know how they are going to cope"

LANA JACOBSON

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## Campaign for ~~423~~ cheaper food 246

UNEMPLOYED workers in the Western Cape have restarted their campaign for lower food prices.

On Wednesday about 20 members of the Western Cape Unemployed Workers' Union (Wecuwu) held a placard demonstration outside the Blue Ribbon bakery in Salt River — the first of several demonstrations planned to take place outside bakeries and dairies in the Western Cape.

The union's regional secretary, Mr Shahied Mohamed, said Wecuwu intended marching to parliament on March 16 to deliver an ultimatum to the government.

South 7/3 - 13/3/91  
Wecuwu wants the government to subsidise basic foodstuff, remove tax from food and provide jobs for all.

BREAD INDUSTRY

~~1330~~ 246

Fm 8/3/91

# A REPRIEVE FOR THE CARTEL

After years of talk, government finally abolished the bread subsidy last week, as well as the restrictive bakery registration rules. In theory, the baking industry is now open to competition, bread prices have been deregulated, and retailers can add any margin they like.

But government is under attack for not completing the job — the Competition Board has allowed the baking cartel to continue its market sharing agreements until the end of the year.

Board chairman Pierre Brooks says the board granted the baking industry time to phase out its arrangements because the existing structures developed, with government's blessing, over a 50-year period.

"This industry is dominated by a few large institutions of which six, representing about 85% of the local market for standard bread, form part of the agreement," Brooks says. "The sector is dominated by Premier Milling, Fedbake, Bokomo and three others, which are vertically integrated by being involved in flour milling."

The pact between these big groups prohibits bread sales above agreed-upon quotas and outside allocated zones. If these rules are broken, penalties must be paid. But these arrangements obviously worked against competitive pricing principles.

And, by allowing an extension of this arrangement, government has opened itself up to sharp criticism.

"Why, if it was aware for years of its own policy decision to abolish the subsidy and deregulate the industry as of March 1, did government not simultaneously abolish the quota system?" asks Shoprite MD Wellwood Basson.

"By extending these arrangements, bread prices might form a new platform and it could be difficult to drive them down again in the future," he adds.

Basson's group now sells 800 g brown bread at 98c a loaf, which is less than 1c less than the official price of R1,05 for a 850 g loaf determined by government on November 1. He says that if his own baking capacity was bigger, he could hold prices down. But because his group is forced to use outside bakers, he is subject to prices set by the industry.

Pick 'n Pay CE Raymond Ackerman is more confident "We now receive a large number of discounting offers from various

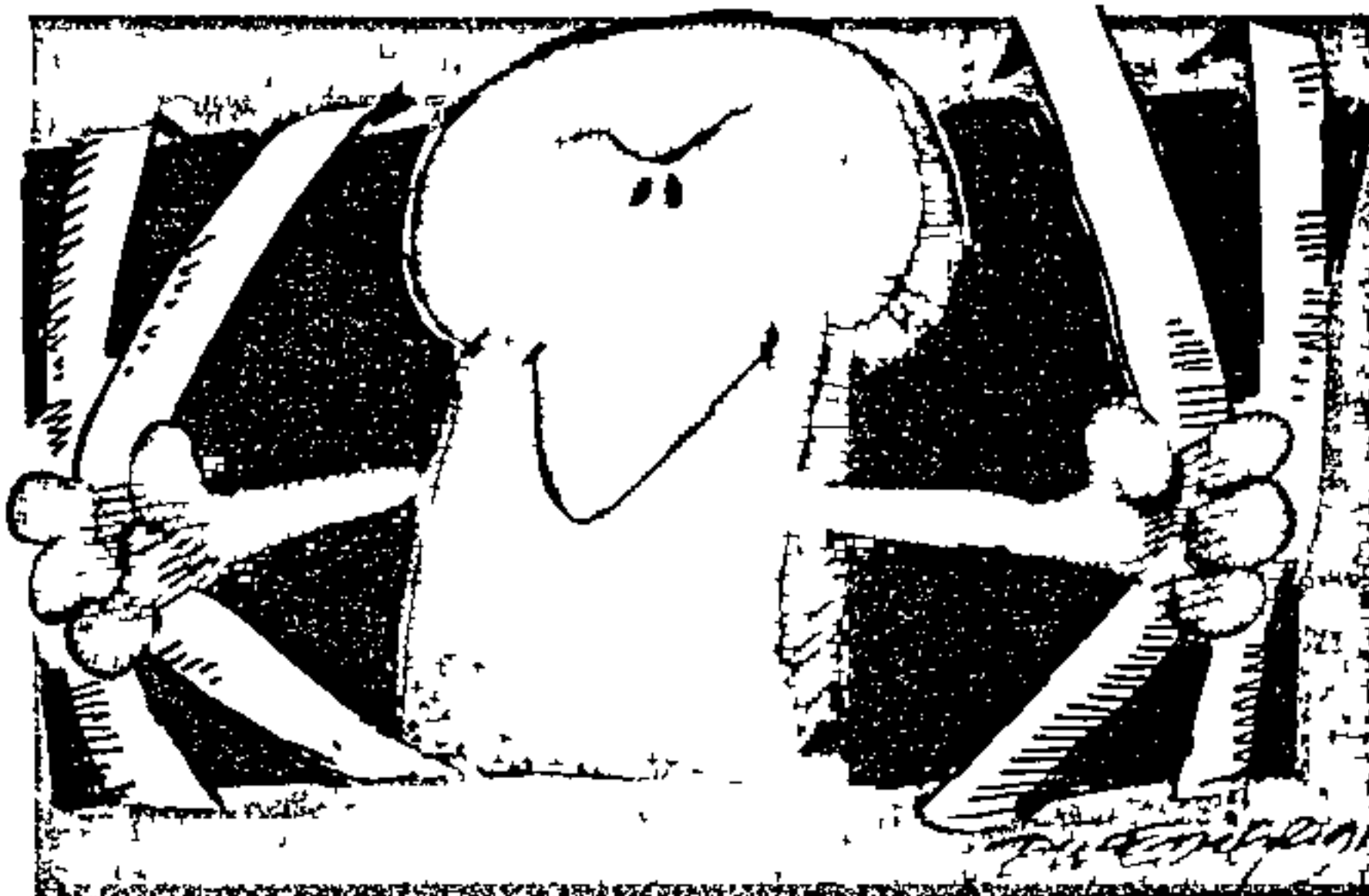
bakeries and should be able to keep bread prices within reasonable limits" Pick 'n Pay priced the new, smaller brown bread loaf at 99c, a slight increase over the old price, but has been undercut by 1c by Shoprite

"We welcomed the deregulation of the industry and hoped it would lead to tougher competition between bakeries to the benefit of consumers," Basson says "Instead we now have increases in bread prices that could probably have been prevented if the bakeries used the deregulation to fill their spare capacity, which resulted from past zoning allocations. But, while the zones are being scrapped, the quota system is retained, which still prevents real competition"

Consumer groups are not happy with government's timid approach. "The board seems to listen to big business and not to the consumer," says Housewives' League president Lyn Morris

She adds that while the league is against food subsidies or other subsidies, government

is that the industry will become more market orientated and respond by producing exactly what the public wants" ■



has failed to replace the bread subsidies with other forms of assistance — even though it planned for years to abolish the subsidies. She favours assistance targeted at the poor by instituting feeding schemes for groups such as schoolchildren and pregnant women. For the unemployed, economic growth should be the objective — not handouts that are easily abused. The league opposes food stamps because of the enormous bureaucracy they tend to create.

Nevertheless, there is little doubt that competition in the baking industry should create a better deal for consumers — notwithstanding the abolition of the subsidy. For one thing, the quality of bread should improve dramatically as the domination of the standard government loaf dwindles and bakers begin to compete more on the basis of taste, size, variety and packaging.

"Bread produced in SA is of a consistently high quality," says Patrick McLaughlin, a Tiger spokesman, "but what will happen now

# Committee to probe cash lender's schemes

By June Bearzi  
Star Line

The Harmful Business Practices Committee has called on anyone who has a complaint about money lender and debt distributor Lucifer Spokie van Zyl or his agents and companies, Novio Finance and Reficul Industries, to write to the body within 14 days

The notice in today's Government Gazette announcing an investigation in terms of section 8(4) of the Harmful Business Practices Act, 1988, follows hot on the heels of a Star Line probe into Mr van Zyl's finance companies

Over the last few weeks Star Line has highlighted complaints from people burdened with debts and loan-seekers who made down-

246  
15/3/91  
payments amounting to as much as R8 000 to enter debt-distribution or cash loan schemes offered by Mr van Zyl

However, angry clients complained that loans were not forthcoming or that most of their creditors were not paid, and when they demanded their money back they were told to sign cancellation forms

## Desperate

Shocked clients said that when they eventually received "refunds", most of their cash had been deducted for "brokerage fees, commissions and services"

A financially strapped Johannesburg businessman, Mannie da Rocha, accused Mr van Zyl's Novio Finance operation of "kicking me when I was down" after he applied for a R40 000 loan to keep his business afloat

"I was desperate

When I approached Novio I was told that if I made a R8 000 up-front payment, the loan would be confirmed within three to seven days

"After two weeks nothing was done so they said that if I was unhappy I should sign a cancellation document. Some time after that I got a R3 600 cheque — R4 400 was deducted for their 'expenses'," Mr da Rocha complained

The investigation by the Business Practices Committee will include Mr van Zyl's associates, employees and agents, among them Donovan Pretorius, Henry Strydom, Jan Human, Gert Fingerling, Chris Saai-man, Ferdie Beeslaar and Dewald Ahlers

All representations relating to Mr van Zyl and his associates' activities must be addressed to The Secretary, Business Practices Committee, Private Bag X84, Pretoria 0001



## Credit demand slumps

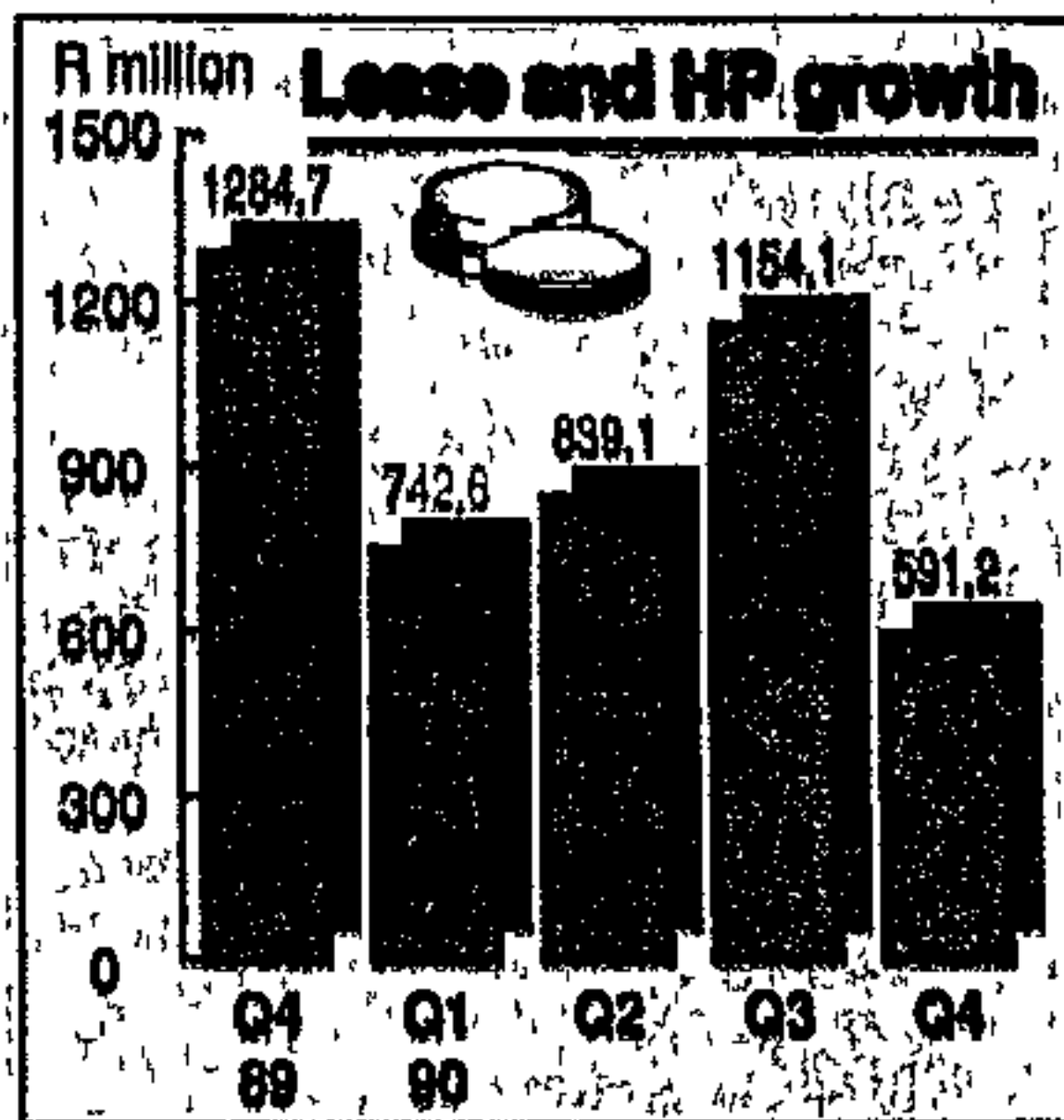
DEMAND for hire purchase credit and leasing finance fell dramatically in the last quarter of last year — from R1 154-million in the third quarter to R591,2-million. (246)

The economic downturn and the Reserve Bank's tight monetary policy produced the lowest quarterly aggregate since March 1987. *SITimes 17/3/91*

Credit demand for the full year fell 40%, from R5,5-billion in 1989 to R3,3-billion last year, according to the latest BA9 returns

Nedfin Bank managing director Ron Rundle says analysis of the returns shows disturbing trends "While the fall in new HP and leasing contracts is a reflection of the economy, it also shows another decline in capital formation on plant and machinery generally

"The decline has negative effects on the country's ability to compete in world markets"



Graphic: FIONA KRISCH Source: NEDFIN BANK

## Leasing and HP figures nosedive

*Blomay 19/12/91*  
Business Day Reporter

NEW hire purchase and leasing finance fell 49% in the fourth quarter of last year, from the third quarter, to its lowest level since March 1987, latest BA9 figures show.

An amount of R591,2m (R1,154bn) was lent in the fourth quarter, reflecting the effects of the economic downturn and the Reserve Bank's tight monetary policy. The average quarterly increase for the previous 12 months was about R1bn.

Over the full year, banks' new lending on HP and leasing finance fell 40% to R3,33bn (R5,44bn) in nominal terms.

Nedfin Bank, in an analysis of the figures, says: "A no-real-growth situation has been attained with a dramatic decrease in growth percentage of 53,8%."

And Nedfin Bank MD Ron Rundle, in a statement, says: "While the drop in new HP and leasing contracts written is a reflection of the economy and the decline in motor vehicle sales, it shows also a further decline in capital formation on plant and equipment generally."

On an annualised basis, hire purchase and leasing grew in December by only 13,7% (R3,3bn) compared with the previous 18,4% (R4,5bn).

Nedfin said the sharp decrease in the figures was caused by lower hire purchase sales, which grew by 0,3% over the past quarter and 10,4% over the past year compared with the average annualised growth rate for the last two quarters of 15,7%.

Leasing transactions grew by 5,3% over the last quarter and by 19,3% over the last year, it said.

246

# Consumers have a right to good service

Stew  
19/3/91

Has your new vacuum cleaner given up the ghost? Are your packaged peaches less than fresh? Whatever your problem as a consumer, you have a right to complain

In fact according to the International Code of Consumer Rights, all consumers are entitled to safety, choice, information, collective and individual action

You have the right to consistent, prompt and accurate service. Good service is a right and not a privilege.

Before you storm into the manager's office brandishing your faulty garlic crusher, follow these simple steps

● Identify your complaint clearly, go back to where you made the purchase and speak to the right person

- Identify the desired result of your complaint
- Gather all appropriate documentation.
- Be prepared to put your complaint in writing.
- Don't give up until you are satisfied

Several supermarkets have toll free numbers to deal with customer queries and complaints

● Checkers's Checkline — 0800 010-709 Speak to Anne Raubenheimer.

● Pick and Pay's Customer Care Line — 0800 112-700 Ask for Rita Manley.

● OK Bazaar's Consumer Hotline — 0800 112-025 Speak to Sharon Lorton

CAROLINE HURRY



# Standard of stock handling criticised

By Paula Fray  
Consumer Reporter



Consumers ultimately pay the cost of "disgraceful" handling of stock in stores, Grocery Manufacturers Association executive director Jeremy Hele told a distribution and logistics conference in Johannesburg yesterday.

An estimated R150 million a year was wasted by the industry if a conservative return figure of 1 percent was taken, Mr Hele said.

This could pay for 1 000 new hospital beds a year or schools for about 30 000 children, he added.

Addressing the South African Production and Inventory Control Society, Mr Hele said the disgraceful standard of stock handling and the almost criminal lack of any concern for the condition of products in store was based entirely on the fact that the manufacturer could be forced to pay for stock returned after it has been delivered and accepted.

## Wasting

"This is naturally costed into the price charged to the retailer and ultimately paid for by the consumer," Mr Hele said.

"If we take a conservative return figure of 1 percent (many manufacturers average as much as three times that figure), this represents a figure of R150 million a year that the industry is wasting.

"Stock, once delivered and accepted in good condition, belongs to the purchaser. If this is accepted, then wastage figures in consolidated distribution are reduced to the almost non-existent figure which chains like Tesco in the United Kingdom report," Mr Hele said.

Demands were made on manufacturers to pay a "swell allowance", which was an amount of anything up to 2 percent of turnover. For this the retailer agreed not to claim for the stock damaged in his store.

"It is no more than a payment for a quantified level of inefficiency," he said.

# Pharmacists can charge for advice

Star 20/3/91



Own Correspondent

DURBAN — Pharmacists are to be allowed to charge a professional fee to customers asking for medical advice, Pharmaceutical Council vice-president Don Sutherland has announced.

Speaking at the annual meeting of the Association of Retail Pharmacists, Mr Sutherland said the flexible fee would be added to the cost of any medicine which might be necessary.

## Entitled

"Pharmacists, being professionals in medicine, will now be able to distinguish themselves from traders in medicine," he said.

The matter has been finalised by the Pharmacy Council Final documentation will be sent to pharmacists in the near future, but the council believes that a pharmacist "is entitled to a just and reasonable remuneration for any professional services rendered".

The practical implications are that the council will no longer, by way of regulation, restrict the pharmacist to a professional fee of R1,30 up to R2,25 (at present built into the



Don Sutherland

cost of prescriptions).

Mr Sutherland said pharmacists could charge for "logistical functions, processing of prescriptions and dispensing as well as for advisory and informative functions".

He added that the move "does not mean that getting medicine from the pharmacist will necessarily cost more than before, because what he now charges for a professional fee may be countered by not taking a profit on medicine if he so wishes".

Mr Sutherland also announced that pharmacists, "in a bid for survival", would take their plight to Minister of Health and Population Development Dr Rina Venter this week for arbitration and possible amendments to their legal and professional rights.

He said there were now 5 713 registered dispensing doctors in the country and 5 820 pharmacists.

"This is just not acceptable. The growth in the number of dispensing doctors has risen about 10 percent every year for the last five years while the increase in numbers of pharmacists was only about 4 percent over the same period."

## Sweeping

A meeting was held on January 25 between the Pharmaceutical Council, the Minister of Health and the Joint Parliamentary Committee on Health.

At this week's meeting between the Pharmaceutical Council, the Minister and the Joint Parliamentary Committee on Health, sweeping changes could be approved by the Minister.

These may include the granting of legal rights to pharmacists to prescribe more scheduled drugs.

# R36-m payout for troops on both sides of Namibian war finalised

WINDHOEK — Finality has been reached on the payout of R36 million by South Africa to former combatants, from both sides, in the Namibian bush war, Dieter Petzsch, spokesman for the South African mission in Windhoek, said yesterday.

Star 20/3/91  
Divided

He said an amount of R12 million had been paid into Namibia's Standard Bank — because it had the largest distribution of branches — to be divided evenly among 9 000 former members of the SWA Territory Force and Koevoet paramilitary police unit.

Payment would begin on

April 2 to a verified list of beneficiaries.

South Africa's representative in Namibia, Riaan Eksteen, on Monday handed Namibian Foreign Affairs Minister Theo-Ben Gurirab a cheque for R12 million to be paid out to former members of Plan, Swapo's military wing Plan and the South African-led SWATF and Koevoet units engaged in a 23-year bush war before Namibia's independence last March.

A third amount of R12 million was being kept in a contingency fund for which the details were still being worked out, Mr Petzsch said.

The payout affects only former fighters who were demo-

bilised before independence.

He said South Africa had planned, before independence, to make a payout to SWATF and Koevoet servicemen.

"At independence President Sam Nujoma asked President de Klerk quite specifically if Plan members could also be accommodated," Mr Petzsch said.

## Pledged

The R36 million includes the R25 million pledged by South Africa to assist Namibia at an international donors conference held in New York in June as well as the amount earmarked for former Koevoet and SWATF members — Sapa.

## SA banks 'are overcharging'

6/10/91 21/3/91  
THE Consumer Federation has found that banks are charging "illegal" interest rates on overdrafts, executive director Karel Gevers said yesterday.

He said illegal interest rates did not only mean rates charged in excess of the Usury Act limitations, but also the changing of interest rates without notifying clients.

In one instance, a client supposed to be charged the prime interest rate plus 2% was charged the prime rate plus up to 14,5% in one month, and prime minus 10,5% the next month, Gevers said.

Gevers claimed that a bank had overcharged one client by R87 728 over eight years, and in another case a client was overcharged by R14 975.

Gevers said although he had mentioned prime rate clients, research had indicated that clients with less favourable terms were more vulnerable.

— Sapa.

**SA Co-ordinating Consumer Council**

194 Mr L F STOFBERG asked the Minister of Trade and Industry and Tourism † (246)

- (1) What amounts have been (a) voted to the South African Co-ordinating Consumer Council and (b) generated by this council itself since 1985, Hansard 22/3/91.
- (2) whether he is the only member of the Cabinet who is authorised to concern himself with the implementation of policy by this council, if not, (a) why not and (b) what other members of the Cabinet are authorised to do so,
- (3) what procedure is adopted in appointing a chairman for the said council?

B547E

HOUSE OF ASSEMBLY

747

FRIDAY, 22 MA

**The MINISTER OF TRADE AND INDUSTRY AND TOURISM**

- (1) (a) *Amounts voted to Consumer Council since 1985*

Hansard 22/3/91 (246)

1985/86	R904 000
1986/87	R1 348 850
1987/88	R2 029 000
1988/89	R2 519 000
1989/90	R3 078 000
1990/91	R3 158 000

- (b) The Consumer Council received sponsorships for radio programmes and various other programmes from different organisations, but due to the fact that the Consumer Council did not manage these funds which were paid directly to the bodies involved such as the SABC, printers, etc, it is not possible to quantify these amounts
- (2) Yes
    - (a) Lapsed
    - (b) Lapsed
  - (3) In terms of the Constitution of the Consumer Council, the Minister of Trade and Industry and Tourism, in consultation with the Consumer Council, appointed one member as Chairman and one member as Vice-chairman

*Own Affairs*



# Consumer body enters overdraft fray

INTEREST rates on overdraft accounts had actually gone up when prime had been cut in many instances in the past few years, Consumer Federation executive director Karel Gevers said yesterday.

These findings support recent claims that banks have regularly overcharged clients

Investigations undertaken by the Consumer Federation showed that the greatest benefit of reduced prime rates went to the banks, and the lesser benefit to the client, said Gevers.

The client might even be paying a

6/Dec 26/3/91

SHARON WOOD

higher interest rate than before the reduction in prime rates, he said.

Consumer Federation investigations revealed 89.2% of 206 accounts verified had been overcharged.

Gevers said that overcharging was a result of banks changing interest rates without notifying clients, in contravention of the Usury Act.

Investigations showed one client at First National Bank (FNB) was charged 3.7% above the agreed rate when prime dropped 1% in 1985. Further prime overdraft reductions

246  
during 1985 and 1986 were not followed by a similar reduction on the client's overdraft account interest

Similar situations occurred with Nedbank, Standard Bank, TrustBank and Volkskas, the federation said.

ROBERT LAING reports FNB GM Jimmy McKenzie said last night Gevers' allegations were "utterly untrue" because it could not happen.

"Even if a clerk makes a typing error — typing say 82% instead of 28% — a fail-safe system would be triggered and the illegal interest rate would not be accepted by the computer

# Figures confirm levelling off of furniture sales in '91

JANUARY sales figures for furniture, appliances, TV and audio equipment have confirmed earlier predictions by the Furniture Traders' Association (FTA) that sales would begin to level off this year.

Following the "something near boom conditions" experienced in the second half of 1990, sales in January grew by 17.6% over January 1990 — a real growth of about 3%, FTA executive director Frans Jordaan said yesterday.

This compared with an average of 20% to 30% in monthly turnover growth last year following the easing of credit restrictions last March.

In 1990 sales of furniture and household appliances showed a real rise of 5.6%, the Reserve Bank's latest quarterly review shows, and furniture prices rose faster than the inflation rate reflecting demand pull.

Figures for January showed good growth in appliances and audio equipment, but growth in sales of actual furniture was lower than January last year.

Jordaan said the industry was "faced with the reality of the new year," including the recessionary trend and potential problems associated with possible changes to Section 24 of the Income Tax Act with regard to deferred tax allowances.

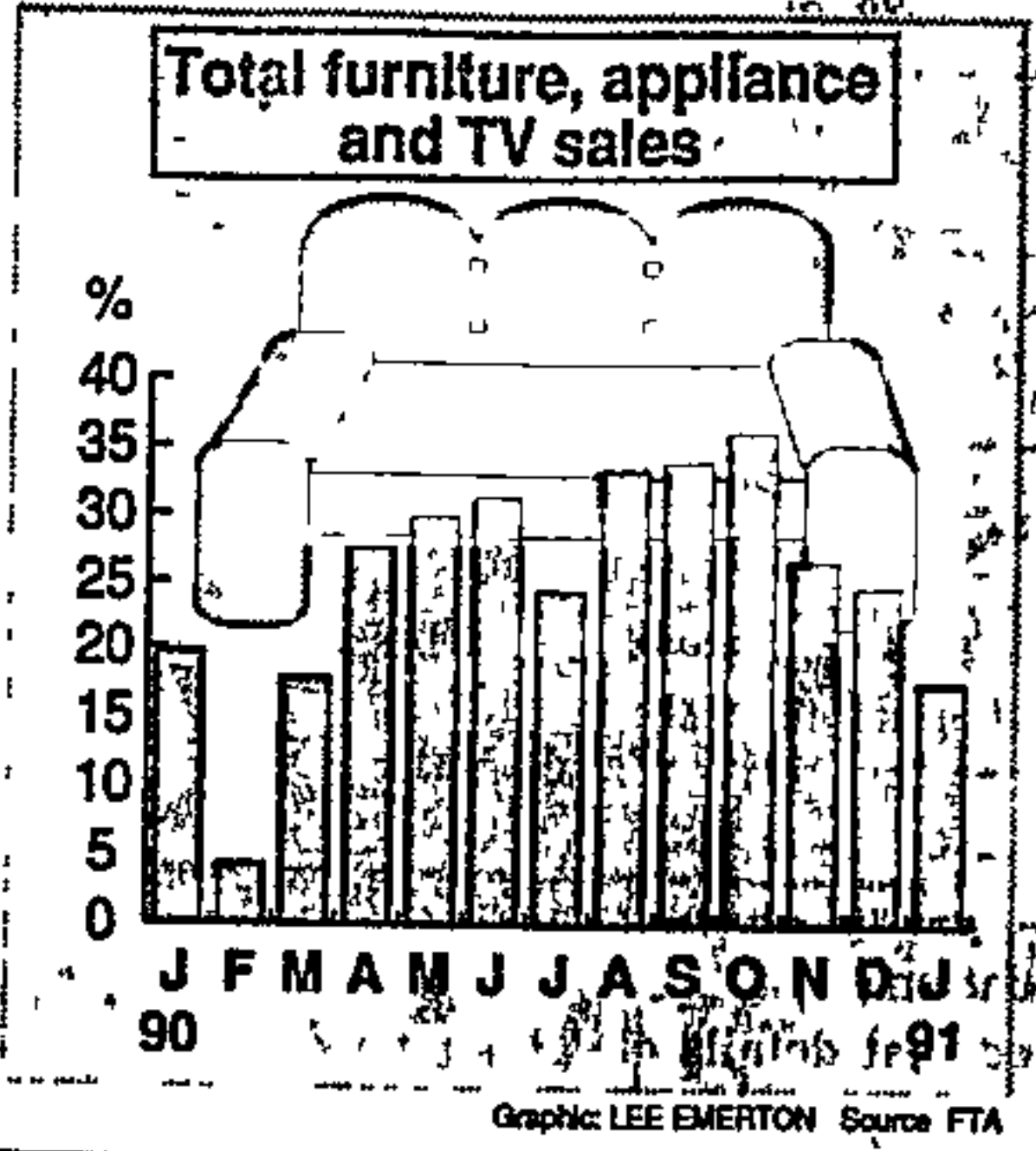
Jordaan said that township violence and

MARCIA KLEIN

industrial action could also affect the industry negatively during the year.

However, the granting of credit was being done on a more selective basis and the quality of the debtors ledger was being improved. Aggressive marketing could also attract a good percentage of consumers discretionary income.

The FTA was still "cautiously optimistic" that the industry could achieve a real growth in sales of about 4% this year.



# Consumer awareness campaign launched

*Sowetan 3/4/91*

CONSUMER Action '91, an awareness campaign on consumer rights, has been launched by the South African National Consumer Union as part of the union's 30th anniversary celebrations.

On September 3, the union will hold a one-day conference to launch Consumer Month in September and a series of events has been planned.

Consumer Countdown 1991 has already started where important consumer issues such as the supply of electricity, health, housing, transport and the environment are discussed.

Sancu is an independent voluntary

organisation that represents millions of consumers of all races.

It is the official umbrella organisation for consumer affairs. (246)

It aims to build up consumers' awareness of their rights, responsibilities and bargaining powers through education, information and protection.

The union has many achievements to its credit.

It has investigated complaints and probed matters pertaining to consumers such as the sizing of garments, shopping hours, prepacked meat and even testing of donated blood for Aids



# No debts, so no credit card

51 Times 14/4/91 (S18) (246) (Bursi T)

By DIRK TIEMANN

CREDIT is not easily available from the United's helping hand if you are under 25, have no financial record and have never incurred debts

It seems that under-25s are regarded as too high a risk, even if they have a job and a savings account

The manager at the credit card division in Pretoria says that without a financial record and trade references one has no hope of obtaining a card

To qualify for the card it seems that an individual in his first job needs to own large assets and be in debt. The debt, it is explained, is required to check whether accounts at, say, Edgars or a pharmacist are paid regularly

The credit manager says "The bad-debt risk is simply too high. You can

spend enormous amounts on a credit card before we find out. Apply for a cheque book and come back in six months."

The application for the card was made with request for a R1 000 overdraft facility

Standard Bank says it has no set requirements for a credit card. Applications for a card are judged on a points system. The more information you put on your form the more points you earn and so qualify for a card. Sounds good, except if you have no assets or trade references

First National Bank says there is no reason why an application should

not succeed without trade references or assets. Important factors are whether one is married and has children. A wife is apparently a disadvantage, but children strengthen the case.

House ownership is also a factor and so is whether one has a savings account and a spotless record at the credit bureau.

I was assured that I could fill in the form and wait because "we do not work the same as other banks".

Naturally its easier if your parents have a card. Is that what is called inherited advantage?

Finally the truth. "See it our way, we only have what you put on the form"

Who was it that said banks give you an umbrella when the sun is shining and take it away when it rains?

## Action for consumers (246)

The countdown has started to a nationwide action programme being organised by the South African National Consumer Union — Consumer Action 1991

The organisation, which celebrates its 30th anniversary this year, will tackle various consumer-related issues until September 3, when Consumer Month will be launched with a day-long conference.

Special consumer awards will be given to

honour dedication to consumer affairs displayed by voluntary workers, representatives from associate members of the Consumer Union and members of the media.

ster 16/4/91  
The Consumer Union aims to build up consumers' awareness of their rights, responsibilities and bargaining power through their three cornerstones of consumerism — education, information and protection — Consumer Reporter.

**FOCUS:** *The financial — and physical — dangers of hire purchase*

# The bully boys in the furniture business

W/M 19/4-25/91

**CRITICAL CONSUMER**

Pat Sidley



SOME years ago, a Mr Toffee from Eldorado Park came to the Consumer Mail division of the *Rand Daily Mail* for assistance. He had fallen behind on his payments to a furniture firm called Savells and the firm had repossessed his furniture in a slightly unorthodox manner, involving the lack of a court order authorising the repossession. The method also included an assault on Toffee and his wife.

So Kabonina Yvonne Mazibuko of White City Jabavu, Soweto, need not have felt alone when goods she purchased from Savells were repossessed (along with some fully paid up items) without a court order and in a slightly unorthodox manner — at gunpoint.

She was, however, outraged and took her complaint to lawyers.

In October 1987 Mazibuko bought from Savells' Jeppe Street branch in Johannesburg some lino tiles and strips of linoleum. The total cost was R927,96 which she was to pay off by means of a deposit of R120 followed by monthly installments of R36. Some years earlier Mazibuko — a divorcee supporting two grandchildren whose parents had died — had bought a television set from the same people and had completed paying it off by 1985.

But in 1988, Mazibuko was retrenched. She informed the store of the problem and she says it was agreed that she would pay when she had the money. She paid R40 in October 1988. In February 1989 the store's Ac-

counts Department told her she had to pay the amount in full. She said they were rude and she left the store.

Collectors came regularly to her home afterwards, forcing her four times to sign a card which, she says, contained her account number and how much she owed.

In December a collector arrived and decided that Mazibuko's fully-paid-up television set would be adequate compensation for the mon-

ey she owed the shop — an illegal procedure.

At that point she contacted the Legal Aid Bureau which advised her that if anybody should come to repossess the goods (now glued to her floor), she should ask for a court order. Before goods bought on credit agreement can be repossessed, a court order must authorise it.

On February 17 1990 when only the two grandchildren were in the house, a cream Isuzu motor vehicle arrived. It bore no marking other than the number plate, and contained several men in blue overalls, as well as a security guard with a rifle.

While they were ripping up the linoleum tiles and illegally loading the television set into the truck, Mazibuko arrived and asked for a court order. The answer was a rifle pointed at her head while the process continued.

Her grandchildren took down the number plate — which was traced to the Middelburg branch of Savells.

Mazibuko pursued her complaint through the Legal Resources Bureau. Her lawyer demanded R1 096,39, including the amount she had already paid off on the lino, and the value of the television set. Savells settled out of court, and paid her out in full.

Savells is part of the Durban-based Bears group. The Critical Consumer asked Eric Odendaal, credit executive for the Transvaal, what the Savells' repossession policy is.

He said the store always sought court orders and the help of the "district attorney".

When the Mazibuko problem had come to light, the collector had been fired. Collectors were all paid on a straight salary and did not earn commission, he said.

When asked about the use of force, Odendaal said: "Some of these guys are a different breed of cattle that we have to deal with. We try to train them to speak nicely and not demand. But in this new South Africa you get the type of guy who thinks he can just wear a gun and play Rambo." He said the company was "trying its best to overcome this".

In a recession, it was the policy of the store to try to accommodate the customers' difficulties. Savells had customers on its books who still owed money on goods bought in 1987.

The Legal Aid Bureau said this was not an isolated incident and several furniture stores used bullying tactics and often act illegally when repossessing goods.









# Credit spree but savings pick up

BRISBANE  
24/6

Star 20/4/91

SVEN LUNSCHÉ

THE average consumer is slowly rebuilding his personal savings after they hit rock-bottom in the middle of last year

But at the same time credit spending, particularly on durables, is surprisingly strong and could plunge a lot of consumers into substantial debts this year

Economists are painting differing pictures of the consumers' financial viability in 1991 but on balance a slight rise in savings levels is on the cards

The ratio of personal savings to personal disposable income has declined from about six per cent in 1985 to 1.5 per cent last year, an all-time low

A more detailed breakdown shows that personal savings fell by R1,7 billion in the third quarter of 1990 before recovering by R1,2 billion in the fourth quarter

This trend is set to continue in 1991, ironically as a result of expectations that the hard times will hit home this year and that a little bit extra will have to be put aside

## Employment

"Perceptions of less favourable employment opportunities and reduced prospects for inflation-matching salary and wage increases, in addition to the large burden of existing household debt, have pushed upwards households' savings propensities in the fourth quarter," the Reserve Bank commented in its latest Quarterly Bulletin

While catering for the expected hard times, the consumer will, to a large extent, revert to credit financing to make essential purchases, a trend which is already evident

Economists have recently highlighted the large role of credit purchases in the retailing industry, which has kept sales



volumes, particularly in the durable sector, running at high volumes

According to First National Bank economist Dr Cees Bruggemans this is reflected in the steady performance of new and used car sales as well as strong sales of furniture and white goods

"High wage and salary increases, coupled with the relatively low savings rate and ongoing use of credit, especially at the retail level, have largely been responsible for the strong trend in consumer spending," Dr Bruggemans said presenting the bank's latest Economic Review

William Wolke, GM Marketing at Nedfin Bank, says that the trend in the December 1990 quarter of lower hire-purchase and leasing financing continued in the first quarter this year, but some areas, notably the durable

sector, showed continued resilience

As a result of this trend it is expected that the debt exposure by households to the banking system will remain at high levels in 1991

Old Mutual's economist Dave Mohr said yesterday that this year's rise in consumers' debt exposure will probably equal the rise in disposable income and that the total debt burden will not change significantly from last year's high levels

Not all economists, however, agree that the consumer will be able to boost his savings at the expense of higher credit financing

Volkswagen's Adam Jacobs writes in the bank's latest Economic Spotlight that this year's Budget tax proposals will hit the salaried person in the middle and higher income groups

"This implies that personal savings could decline further and that the buying power of individuals as a group will shift from durables and semi-durables and certain non-essential services to greater spending on basic provisions," Mr Jacobs says

"In the expectation of the general public saving less and wishing to borrow more from the monetary banking system in an attempt to maintain their standard of living, money supply is expected to increase

"These matters will induce extreme circumspection on the part of the Reserve Bank, and consequently a further reduction in the Bank rate cannot be envisaged for the next few months," Mr Jacobs says, adding that the introduction of VAT should cause a once-off increase of about 2.5 per cent in inflation

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## Buying bread is not so taxing

Star 25/4/91  
Man cannot live by bread alone, especially not if you're being unfairly taxed for it. Use your loaf and save yourself some dough by refusing to pay sales tax when you're not required to.

Since March this year, the Marketing Act stipulates that all wheaten bread of any form, size or shape, should be exempt from sales tax.

This includes buns (including hot cross buns), bread rolls and raisin-

(246) 23/4/91  
bread — which have a mass of more than 100g. White bread, brown bread and wholewheat bread is also exempt from sales tax.

However, rye bread, unleavened bread (eg matzos) and doughnuts are not except from sales tax.

For further information contact Mr E Hag from the Commissioner for Inland Revenue, on (012) 315-5104.

CAROLINE HURRY

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## Tea price varies greatly from store to store

Consumer Reporter

The cost of a morning cuppa has risen drastically over the past year, with tea prices varying dramatically from store to store, figures gathered by the Housewives' League show

In April last year Pitco loose tea of 250 g sold for between R3,19 and R3,79 at stores surveyed. Last month its price was between R4,99 and R6,19 at various

stores. Three Teas (250g) loose tea sold at an average of R2,99 last year. Last month the price varied from R4,29 to R5,79.

Apart from the overall increase in prices there is also an astonishing variation in prices at different supermarkets.

Tim Young, chairman of the South African Tea, Coffee and Chicory Association, said the present high prices for tea were a result of a severe

world shortage at the end of 1989.

"It has taken some time to come through to affect the price on the shelves," Mr Young said.

The world market had experienced a 75 percent shortage at the end of 1989 as a result of the Chernobyl disaster.

"Other changes reflected to a lesser extent are the normal inflationary increases in items such as packaging, wages and transport."

# Retailers' credit insurance policies to be scrutinised

246  
P Day 26/4/91  
SEAN VAN ZYL

DURABLE and semi-durable retailers selling credit insurance policies outside the legal provisions of the Insurance Act have come under the watchful eye of Registrar of Insurance Piet Badenhorst

Sources said the authorities were getting ready to stamp out the practice

Badenhorst recently issued a circular to short-term insurance companies expressing his concern over certain malpractices in the collection of credit insurance premiums

Credit or hire purchase insurance premiums collected by many retailers as agents on behalf of insurance companies have apparently exceeded the limits laid out in legislation

Also, a number had been receiving commissions beyond the limits

Badenhorst said that the Financial Institutions Office (FIO) had already raised the issue with the various short-term insur-

ance companies involved. The matter would be taken even further at the end of this month when Badenhorst met the Furniture Traders' Association

"If retail concerns are going to continue operating these schemes, and acting as agents, they will have to comply with the terms of the Insurance Act"

## Exclude

The FIO circular listed a number of the malpractices which have been brought to its attention, including the writing of contracts by retailers, not officially recognised as insurance policies, in the name of registered insurance companies, premiums determined without proper bearing on the risk, and high administration costs deducted as a percentage of the premium

A number of these contracts also exclude the buyer of goods, that is the poli-

cy holder, from any benefits of a claim in the event of a loss, but not the seller

While insurance companies and the major retail chains have heard of such incidences, they all maintained that their insurance dealings were completely in compliance with the Insurance Act

Retail furniture and appliances group Ellerine's chairman Eric Ellerine said that credit insurance was purely optional for purchasers applying for credit. He added that his company acted purely as an agent and that the full premium, minus commission and expenses, were passed on to the underwriting insurance company

However, he was not prepared to disclose the amount of commission or administrative deductions

# Build a good credit rating

Star 27/4/91

(246)

HAVE you ever wanted to know why you have been refused credit at some institution like a bank or a retailer?

The secret to this lies in your credit rating

Many people seem to think that the credit rating agency, of which there are two major ones in South Africa, is something similar to a Big Brother watching you, checking on your every little move.

Nothing could be further from the truth, as I learnt during a two-hour programme I had with Tony Leng, the newly-appointed chief of Information Trust Corporation (ITC) earlier this week on Radio 702

It turned out to be a fascinating evening and I myself learnt quite a lot about how these agencies work. It also cleared up a number of misconceptions people might have held about a credit rating and the role it plays in the economy.

People receive a credit rating on the historical basis of how they handle credit. This is not an infringement of people's rights, as someone suggested on the programme.

The rating is done to protect someone else's rights; in this case

## Money Matters

MAGNUS HEYSTEK



that of the retailer, bank or any other business on the verge of granting you credit

A good credit rating is very useful in today's modern society. It allows you access to credit and services at an infinite range of institutions. A bad credit rating will affect your ability to freely do so.

But how does a company like ITC compile a credit rating? It collects a veritable mountain of information from sources like the courts, the banks and retailers themselves.

A great deal of this information is freely available, such as judgments and court orders, which are published in the Government Gazette anyway.

Large granters of credit, like retail stores and banks, also voluntarily exchange information

amongst themselves in order to eliminate potential bad risks

Ultimately your personal credit rating will depend on factors like your solvency, whether you've had judgments against you and even things like summonses, which you paid thereafter

You don't even need to have some kind of court order against you to blemish your credit rating. Even if you are just a plain slothful payer of your debts, it will be recorded against your name.

But the good news is that you are not powerless against a credit rating once you've received one. You could approach the courts to have your name cleared by paying off all your debts or you can even have a court order against you rescinded.

Again, this information is collected by ITC which then adjusts your credit rating accordingly.

And what people also don't realise, is that you can approach ITC, pay your R5 and see your own credit rating.

It's on computer and a professional counsellor from ITC will go through your credit history, show you where you went wrong and also tell you how to improve your rating again.

NOTICE AS CREDIT VINTAGE COLLECTION NOTICE AS CREDIT VINTAGE COLLECTION



# Certain shops still taxing bread

By Paula Fray  
Consumer Reporter

Consumers — faced with variation in the price of bread from outlet to outlet — could still be paying tax on bread despite the commodity's being exempt since the industry was deregulated.

Housewives League vice-president Jean Tatham says insufficient publicity has been given to the fact that bread is GST-free and must be a certain weight

Price control was lift-

ed and the bread subsidy scrapped at the beginning of March

According to the league, bread is GST free as long as it is baked with wheaten flour (rye bread is excluded) and weighs more than 200 g

The Star has, however, received queries from consumers unsure whether they should pay tax The league also found that several stores were still charging tax

Since price control was scrapped there has been a variation in

prices, and a survey in March found some cafes charging R1,50 for a white loaf This has now settled down and a yardstick, says the league, is R1,10 for brown and R1,20 for white.

"Some cafes in Johannesburg charge R1,35 for brown and R1,50 for white Such profit margins are quite unjustified and the league advises people to shop elsewhere and spread the news," Mrs Tatham says

She emphasises that all breads have to have

certain weights 200 g, 400 g, 800 g, 1,2 kg or 1,6 kg Shoppers should weigh a few loaves to check the weight. Tolerance, such as 5 percent less or 10 percent more, is allowed.

● Consumers who are charged tax for bread can contact the GST inspectorate of the Department of Inland Revenue at (011) 836-2361.

The league advises consumers to report to Trade Metrology at (012) 428-6068 if bread is not the correct weight

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Stew 29/4/91



# The special rules formulated to determine VAT payments

Steve 115791

Now we come to the special rules, the first of which deals with instalment credit agreements.

In VAT terms, there will be no distinction between hire purchase agreements, financial lease agreements and instalment sale agreements.

They are all regarded simply as "instalment credit agreements".

This is where it gets interesting. We also for the first time introduce the tax fraction formula.

All instalment credit agreement transactions involve interest and financial charges, which we know, are classified as "financial services"

and are therefore "exempt" from VAT.

To get around this apparent anomaly, a special rule has been introduced for instalment credit agreements to determine the amount on which VAT is to be charged.

This says that the cash value only of the goods bought on instalment is subject to VAT.

But what happens if the goods bought in terms of an instalment credit agreement are re-possessed?

In such a case, the buyer or lessee of the goods is deemed to have made a "supply" of

goods to the finance house.

If the buyer or lessee is a registered vendor, the outstanding amount of the cash value will be treated as the "consideration".

The vendor will calculate and pay "output tax", using the tax fraction formula.

To calculate the VAT component which is included in a consideration, the formula is the inclusive consideration multiplied by 12 and divided by 112.

The financier then will claim the same amount as "input tax".

In this way, the partial set-off between the "input" and the "output" taxes is maintained.

However, once again we come to an exception. This approach will not apply if a repossessed car were to be financed under an instalment credit agreement and the purchaser were to be denied an input tax credit when entering into the agreement (VAT and the



Tenth in a daily series by André Meyburgh, consultant on indirect taxation with chartered accountants KPMG Alken & Peat

## VAT AND YOU

between connected persons present a potential area for tax evasion or avoidance, hence the need for special rules.

The description of "connected persons" in the Bill is comprehensive. For our purposes, let us understand simply that these could be people such as shareholders in relation to their company or partners in relation to their partnership.

Any supplies made between them and their company partnership will not be considered in VAT terms to be at "arm's length".

Consequently, special rules apply to supplies made between connected persons. These provisions arise because of the self-assessment nature of the VAT system.

Let's look at some examples. Where supplies are made between connected persons, and the recipient of the goods or services is not a vendor, the VAT payable will be based on the open mar-

ket value of the supply. Where, however, supplies are made between connected persons who are both vendors, VAT is payable on the value of the actual consideration charged by the seller.

A more extreme example illustrates the point. If Vendor A supplies goods to the value of R1 million to connected person Vendor B for a nominal R12, Vendor A will pay output tax of R12 (the tax fraction of R12) and B will claim input tax of R12.

If B had not been a vendor, VAT would have been paid on the full R1 million. Yet another special rule applies to race horse betting. VAT will be charged

on the value of bets placed by punters with bookmakers or the totalisator (the vendors).

Where the vendor pays out any winnings, he will be able to claim input tax equal to the tax fraction of the payment, made to punters.

However, punters will be pleased to know that VAT will not be imposed on their winnings.

Where the supply is made for "no consideration", for example, where goods are donated, the value of the consideration is nil, unless the supply is made between connected persons, and where the recipient is not a vendor.

**TOMORROW:** Documentation required for VAT

Readers who have specific value-added tax questions or problems are invited to address these to: Managing VAT, KPMG Alken and Peat, PO Box 7400, Johannesburg 2000. Replies will be dealt with confidentially, but interesting issues in this series discussed in general terms in this series



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stationery design  
and printing  
**725 4607**

# Price of bread still too high in many areas

Star 21/5/91  
Consumer Reporter

Isolated incidents of bakeries charging up to R1,65 for brown bread and R2 for white bread have been found in the far northern Transvaal during a survey conducted by The Star.

When the industry was deregulated and price control scrapped in March, the Housewives' League had reservations about the effects on small towns with limited access to bakeries.

## Vary

The Star's Northern Transvaal Bureau isolated cases where bakeries charged up to R1,65 for brown and R2 for white

However, most supermarkets and cafes in the far north were charging a standard R1,20 for brown and R1,30 for white bread. Cafes with bakeries charge R1,30 for all brown, including wholewheat, and R1,40 for white

Since price control was scrapped prices have varied. A survey in March found some cafes charging R1,50 for a white loaf but this has now settled down and a yardstick, said the

League, was R1,10 for brown and R1,20 for white

The Star's Vereeniging Bureau reports the price of bread in the town, Meyerton, Vanderbijlpark and Sasolburg averaged R1,20 for white and R1,07 for brown at supermarkets. Cafes in the town sold bread at R1,30 for white and R1,20 for brown

Cafes and supermarkets in the Lowveld towns of Nelspruit, White River and Barberton sold white loaves at R1,25 and R1,15 for brown

However, the Lowveld Bureau found that over weekends, particularly on Sundays, certain cafes in the area raised their prices by five cents

Most cafes in KaNgwane charged R1,40 for white and R1,30 for brown bread.

A spokesman for the Consumer Council said since the scrapping of price control it had appealed to shopkeepers to stay within bounds and charge reasonable prices.

"Our long-term view is that in the end, especially in larger centres, people will support those outlets which charge reasonable price," the spokesman said



# Bread scam exposed

ISOLATED incidents of bakeries charging up to R1.65 for brown bread and R2 for white bread have been found in the far northern Transvaal.

When the industry was deregulated and price

control scrapped in March, the Housewives' League had reservations

about the effects on small towns with limited access to bakeries



Sowetan 3/5/91.

Our sister newspaper, *The Star*, has isolated cases in the northern Transvaal where bakeries charged up to R1 65 for brown and R2 for white bread

However, most supermarkets and cafes in the far north were charging a

standard R1 20 for brown and R1 30 for white bread

Cafes with bakeries charge R1.30 for all brown, including wholewheat, and R1 40 for white

Since price control was scrapped prices have varied. A survey in March found some cafes charging R1 50 for a white loaf but this has now settled down and a yardstick, said the league, was R1 10 for brown and R1.20 for white

In Meyerton, Vanderbijlpark and Sasolburg the price averaged R1 20 for white and R1 07 for brown at supermarkets.

Cafes in the town sold bread at R1 30 for white and R1 20 for brown

According to the survey, most cafes in KaNgwane charged R1 40 for white and R1 30 for brown bread.

A spokesman for the Consumer Council said since the scrapping of the price control it had appealed to shopkeepers to stay within bounds and charge reasonable prices.

"Our long-term view is that in the end, especially in larger centres, people will support those outlets which charge reasonable prices," the spokesman said -  
*Sowetan Correspondent*

## ARIES: March 21 - April 21

The effect of the Luminaries on Uranus at the zenith of your astroscope should inspire you to take a bold gamble or make a surprise move in the business or career realm which could turn out to your great financial advantage

## TAURUS: April 21 - May 21

The sun in your sign, splendidly aspected to Uranus in your zone of expansion, ought to revitalize you immensely. Enhanced optimism will enable you to make the best of a rare opportunity provided by the moon/Uranus union

## GEMINI: May 21 - June 22

Self-preservation becomes especially important to you as the sun, currently relating to your subconscious, forms a fine angle with Uranus in your realm of providence. The lunar/Uranus occultation will heighten your intuition

## CANCER: June 22 - July 23

The personal influence of a friend and the support of your partner could add much to your general progress, while the sun/Uranus angle favours such relationships. The moon/Uranus aspect signifies the making of a super agreement

## LEO: July 23 - August 24

Between the sun's presence in your commercial quarter and its vital aspect with the lunar/Uranus conformation in your sector of work and wellbeing, you appear to have abundant fortune favouring your current aims and enterprises

## VIRGO: August 24 - September 23

An opportunistic frame of mind should stem from the siting of the sun/Uranus/moon link-up in your astroscope. Push ahead with that grand scheme, plan to get the utmost from romance and pleasure. A bit of speculation could succeed

## LIBRA: September 23 - October 23

The current cosmic connection between the Luminaries and Uranus favours actions aimed at putting family and property matters in good order. You can obtain excellent support for your causes and schemes from caring relatives

## SCORPIO: October 23 - November 23

Your intuition and mindpower should both peak due to the be-



neficent occultation between Uranus and the moon, which are in turn harmoniously aspected to the sun in a manner designed to enable you to forge very good agreements

## SAGITTARIUS: November 23 - December 22

The conjunction of Uranus and the moon centres on your financial zone, suggests that swift and smart manoeuvres could make or save money

## CAPRICORN: December 22 - January 21

Intuitive and sharp, also innovative and driven, due to the lunar/Uranus occultation in your sign, you will probably fare well in external enterprises. The siting of the sun signals success in romance, pleasure and speculation

## AQUARIUS: January 21 - February 20

Enlightenment should result from the lunar/Uranus link over the part of your astroscope that relates to your inner-self. With the sun well-placed in connection to your domestic region, family plans should work out quite nicely

## PISCES: February 20 - March 21

The sun focusing on your realm of reasoning and rapport should put you in a cheerful frame of mind, enable you to acquaint yourself with new people because it is favourably cast to the Uranus/moon union in your friendship zone

### If today is your birthday:

You will have to analyse your situation properly, weigh up your options before making your next important move. With sufficient savvy exercised now, you can undoubtedly set up fine opportunities to explore later in the year

### If tomorrow is your birthday:

This birthday to birthday round may well be one of the most important years in your entire life. You will get some wonderful opportunities to live your life on a bigger, broader and far more exciting plane. Travel is favoured



## Paraffin price drop lauded

THE Consumer Council has welcomed the decrease of 10 c per litre in the wholesale price of paraffin

The lowering of the wholesale price of paraffin comes into effect on Monday

Mr Jan Cronje, director of the Consumer Council, said "In view of the coming winter, when the consumption of paraffin for heating will rise, this is good news."

Mr Cronje expressed the hope that the benefit of the decrease in the wholesale price would be passed on to consumers

216  
199

Star 4/5/91

# Finding added value a taxing effort

320  
happens

246

Vague additions to the total is how most consumers regard VAT (value added tax) which comes into effect on September 30 this year at 12 percent.

Of particular concern to Lynn Morris, national president of the Housewives League, is the Government's agreement to zero-rate only mealie meal and brown bread despite Vatcom's recommendations that maize products, bread, rice and milk powder all be VAT exempt.

"This means basic proteins will cost more, as well as fresh fruit, vegetables and all the other foods presently GST exempt," she says.

"The Government has announced VAT exemption

for rail, bus and taxi commuter services. However, this does not mean no tax on fares — only the final charge between commuter and transport operator will not attract tax.

"Capital goods will enjoy input credits which means manufacturers and business will not pay tax on these goods (presently taxed at 13 percent).

"These savings should be passed down the line in calculating the cost of a product to the consumer. Regrettably, I cannot see this happening," she said.

"It seems the Government too, has doubts about these benefits reaching the consumer — they are to set up a special VAT watchdog group to ensure this actual-

"The amount involved is between R500 and R600 million a month or about R7 billion a year. That's money in anyone's language. The Government must be vigilant in this matter and prosecute offenders. If consumers do benefit I shall gladly eat my words of doubt."

Of the other areas due to be affected by VAT, the most controversial is municipal rates. This is where input credits on capital goods should have an effect. Some cities and towns are reported to be considering action and only time will show how matters develop.

CAROLINE HURRY

What's New? **What's New?**





# Feathers fly

THE country's biggest producer of chickens expects prices to steadily increase during the next few months.

Bill Brown, national marketing manager of Rainbow Chickens, which has more than a 50 percent market share, believes that last week's low prices, when about 1 million frozen birds were sold, was "a one-off" thing.

## Spending less

However, spokesmen for two major chain stores, Checkers and OK Bazaars, disagreed with Mr Brown's estimate.

Mr. Brown described last week's sell off at R2,99 a kg as a natural downturn after Easter. It was traditional, however, for prices to increase during winter.

Mr Brown did not believe there will be a dramatic increase. "People are spending less and this affects all primary producers of protein."

Ray Murray from Pick'n Pay agreed that the cost of chickens will begin to increase but this

Last week's low was

'one-off'

Star 18/5/91

JOHN MILLER  
Star Line

will only take place some time next month.

Mervyn Kraitzic, marketing director of OK Bazaars, believed that consumers can look forward to more surpluses this year, a view supported by a Checkers spokesman.

● Union wage demands and packaging costs prevent supermarket chains from bettering meat prices offered by independent butchers.

According to a recent Housewives' League survey in Pretoria and Johannesburg in February, Checkers was the most expensive followed by Pick'n Pay then OK and the cheapest the independent butchers.

The meat priced in-

cluded fillet, rump, top-side roast, T-bone, brisket, chuck and mince.

Mr Kraitzic said the reasons for the generally higher prices were the cost of packaging and union wage agreements.

"The independents invariably do not sell pre-packaged meat and they normally cut up the meat to order"

Defending the stores' prices he pointed out that the League survey did not include their specials, and he advised consumers to look for these.

## Wider range

Clive Thomas director of Checkers also admitted that prices were higher. He said, however, the supermarkets offered the consumer a wide range of goods, not only meat products.

Alan Ford from Blue Ribbon also attributed packaging and union wages as a major factor. He also said stores' meat was a higher quality.

Lynn Morris from the League said consumers must not only look carefully at the price of meat but also the quality that they are paying for.

# Over chickens

## HOUSE OF ASSEMBLY

(2) No

- (a) Falls away  
(b) Falls away

246

## QUESTIONS

†Indicates translated version

For written reply

General Affairs

## SA Co-ordinating Consumer Council

363 Dr P J GOUS asked the Minister of Trade and Industry and Tourism †

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- (1) What amounts were (a) voted for the South African Co-ordinating Consumer Council and (b) generated by this council itself from 1 January 1985 up to and including the latest specified date for which information is available,
- (2) whether any other Ministers apart from the Minister of Trade and Industry and Tourism are entitled to be involved in the implementation of policy by this council, if so, (a) what other Ministers, and (b) why, in each case,

- (3) what procedure is followed in appointing a chairman for this council? B972E

## The MINISTER OF TRADE AND INDUSTRY AND TOURISM

- (1) (a) The following amounts were noted to the South African Co-ordinating Consumer Council since 1985 in the respective financial years
- |         |               |
|---------|---------------|
| 1985/86 | R904 000,00   |
| 1986/87 | R1 348 850,00 |
| 1987/88 | R2 029 000,00 |
| 1988/89 | R2 519 000,00 |
| 1989/90 | R3 078 000,00 |
| 1990/91 | R3 158 000,00 |
- (b) The Council received several sponsorships from different organisations but due to the fact that the Council did not manage these funds, as it was directly paid to the bodies involved, such as the SABC, printers, etc, it is not possible to quantify these amounts

## Damaged schools amounts spent

364 Mr D S PIENAAR asked the Minister of Education and Training †

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- (1) What amounts were spent in each of the latest specified three financial years for which figures are available on the repair of buildings and equipment of schools damaged as a result of political riots and theft of materials,
- (2) what is the policy of his Department in respect of schools and equipment of schools damaged totally or partially as a result of such riots and theft? B974E

## The MINISTER OF EDUCATION AND TRAINING

	Buildings	Equipment**
(1) 1988/89	R1 092 084	R956 736
1989/90	R4 048 645	R522 038
1990/91	R8 456 746	R251 343

\* The amounts in (1) include political riots and vandalism

\*\* The amounts indicate losses Equipment is bought in bulk. It is not possible to furnish separate statistics in respect of expenditure on replacement of riot damaged or stolen items

- (2) The policy at present is as follows

- The community requests that a school should be repaired,
- the community makes some form of financial contribution towards the repair of a school, and
- the community, including the children, accepts responsibility for a school and demonstrates a willingness to maintain it properly



Bakers warned to clean up act

# Bread weighed, found wanting

Star 29/5/91 186  
246  
By Shirley Woodgate  
and Jacqueline Myburgh

More than 30 percent of bread on sale in South Africa has been found by the SA Bureau of Standards to be under the weight required by law

The SABS recently conducted a countrywide survey involving about 2 000 loaves at 76 bakeries in the PWV area, Cape Town, Durban, Bloemfontein and Port Elizabeth

At two bakeries — one in Bloemfontein and the other in Port Elizabeth — loaves were so off standard that the bakers were prohibited from further baking until they complied with the regulations, a chief director of the bureau, Martin Kellerman, said in Pretoria yesterday

A spot check by The Star yesterday revealed that Johannesburg bakers were also not complying with regulations

## Variation

Two out of four loaves of standard bread were below the required weight of 800 g, taking into account the permitted variation. One loaf weighed 725 g and another 755 g

In its statement the SABS referred to underweight and overweight loaves. A spokesman later explained that a loaf was deemed overweight until it was 10 percent over. Thereafter it was underweight for the next category. This prevented a baker claiming that a 600 g loaf was, in fact, an overweight 400 g bread and not an underweight 800 g loaf

Bakers who were found by the SABS to be producing bread far under the required weight had been warned to correct the situation, Mr Kellerman said. This was a general warning to all bakers to clean up their act as prosecutions would definitely be instituted in future

In terms of regulations, a standard loaf must weigh 400 g, 800 g or 1 200 g

A variation of minus 5 percent and plus 10 percent is



allowed. A loaf of 800 g must therefore weigh between 760 and 880 g and the average weight of 10 loaves must be more than 800 g

Non-standard bread such as rye loaves must be packed individually with the weight on the packaging

"The greatest variation had been found in Port Elizabeth, where loaves had an average weight of 635 g," Mr Kellerman said

He added that the bakers producing about 95 percent of South Africa's bread were members of the South African Chamber of Baking and generally co-operated well with the SABS

The remaining 5 percent

of bread was produced by 3 000 smaller bakers not controlled by the chamber

James Dippenaar, executive director of chamber, said the chamber was pleased with the initiative taken by the SABS. It would benefit both the consumer and the bakers. The chamber would now take to task those found by the SABS investigation to be contravening the regulations

## Severe

Consumers who are not happy about the weight of the bread they are buying should report the matter to the chamber at (012) 341-7814

Mr Kellerman called on the public to report instances of underweight bread to the SABS

Housewives League president Lyn Morris reacted by calling for severe punishment to be meted out to defaulting bakers

"The whole bread situation has been badly bungled since the Government deregulated the bread price and removed the subsidy

She was, however, pleased that the probe had taken place and that "someone is looking after the consumer"

"So much legislation in this country is not policed and is consequently not worth the paper it is written on," Mrs Morris said

**Just checking** Helené Dannheisser of The Star's Promotions eyes an under-weight loaf of bread which The Star bought at a Johannesburg delicatessen. It weighed 75 g below the required 800 g

Picture: Karen Fletcher



266 308  
Star 29/1/79

## R100-a-head indaba slated

Own Correspondent (246)

meals, teas and facilities for a conference on abjectly poor squatters.

MARITZBURG — The Maritzburg City Council was criticised yesterday by the chairman of the Housewives League and the secretary of the Concerned Citizens Association for holding a squatter conference in the "opulence" of the Hilton Hotel at a cost of R16 000 and spurning its own conference facilities.

The city administrator, G G S Shenker, said the total cost of the conference was R16 000, which included meals, hotel facilities and consultants' fees.

Both Mercia Watkins of the Housewives League and Lorraine Kettley of the CCA said it was insensitive to spend R100 a head for

Mr Shenker said efforts to obtain a grant to subsidise squatter planning for the Maritzburg metropolitan area were being made and, if approved, would result in an allocation of funds of more than twice the costs of the conference.

# Boksburg chemist denies he rips off black customers

Star 3/6/91 (246)

A Boksburg chemist has denied he intentionally overcharges black customers after a recent incident in which a domestic worker was charged R2 too much for a heel scraper

John Stewart said his domestic worker was overcharged when she went to buy the scraper from the local chemist, Shadwells.

"She picked the one she wanted and the assistant then tore off the price tag and gave her a receipt for R7,50, plus tax.

"When she got home she told my wife what happened

"We sent her back the next day to buy another one

## Queried

"The price of the heel scraper was R5,50 but this time she did not get a receipt.

"When my wife queried this they said they took off the price tag because it did not look good"

Star  
Line

JUNE  
BEARZI



Mr Stewart said this was not the first time his domestic had been overcharged at a shop in Boksburg.

Responding to the allegations chemist owner Alan Doig said "We do not mark up prices, but if a sticker is coming off, we peel it off"

Mr Doig said he could not explain why a higher total was rung up on the till the first time the domestic worker bought the heel scraper

"We do not go out of our way to crook black people

"We always give them the benefit of the doubt and quite often give them a 13 percent discount"

# Consumers, be your own watchdog

The onus is now on consumers to report malpractices in commerce — particularly with regard to pre-packed goods — following the recent incorporation of the trade metrology branch of the Department of Trade and Industry with the South African Bureau of Standards (SABS)

SABS chief director Martin Kellermann said rising costs and a shortage of trained manpower rendered comprehensive inspection services impractical

"The SABS will now rely heavily on consum-

ers to ensure commerce complies with prescribed metrological standards," Mr Kellermann said

"People will have to satisfy themselves that the stated quantities of pre-packed products are correct

"Buyers have the right to demand sellers correct irregularities

"Quality of service and products can only be ensured if consumers insist on their rights," he added

The incorporation of trade metrology with the SABS forms a part of the Government's general deregulating process

A spokesman for the Consumer Council said consumers should be on the lookout all the time

"With the present state of the economy, consumers should keep a constant, watchful eye on what they get for their money," the spokesman added

Housewives League vice president Sheila Lord said while she agreed consumers should stand up for their rights, there was a large number of consumers who were illiterate or uneducated about consumer rights

"Who is going to educate the public? How will they know what they are supposed to do?" asked Mrs Lord

She said the SABS was passing the buck and they would get responses from only a minority of consumers

● Consumers who do not get satisfaction from the retailer can report the matter to the SABS offices in Cape Town (012) 47-6133/4, Port Elizabeth (041) 33-7748, Durban (031) 28-9181, Bloemfontein (051) 47-4072 and Pretoria (012) 428-7911

PAULA FRAY

Star 4/16/91.

246



# SA consumers 'buy now, pay never'

(246) CT 13/6/91

PRETORIA — The South African consumer market was rapidly becoming a sector of "buy now, pay never", according to the Association of Credit Bureaus

The association said in a statement released here yesterday "In 1990 judgments for debt totalled a staggering R2 billion and 1991 looks as though it will be

much worse, with the March figures this year at R204 million — 20% higher than March 1990"

Of the R2 billion total, the statement added, roughly R200 million was for judgments against businesses and the balance against private individuals

A large portion of this money, the Association of Credit Bureaus

said, would be written off, resulting in a reduction in profits and increased inflation

"It is not always realised that bad debt write-offs are ultimately built into the price of goods and services and it is the ordinary man in the street who finds himself paying more," the statement explained — Sapa

## Buy now, pay never warning

PRETORIA — The SA consumer market was rapidly becoming a "buy now, pay never" sector, the Association of Credit Bureaus said yesterday

Judgments for debt in 1990 totalled "a staggering R2bn" and 1991 looked as though it would be much worse with the March figures at 20% higher than the previous march at R204m, the association said in a statement *B10m/13/6/91*  
Of the R2bn total about

R200m was for judgments against businesses and the balance of R1.8bn against individuals *(246)*

The association said a large portion of this money would be written off, resulting in reduced profits and increased inflation

It was not always realised that write-offs were ultimately built into the prices of goods and services which the man in the street had to pay — Sapa



# Fewer paying bills theft mounting

246  
AUGUST 14/16/91

From DEREK TOMMEY JOHANNESBURG. — People in record numbers are not paying their bills, while others are engaged in defrauding or stealing from their employers and the public.

This emerges from a survey by Kreditinform of the current state of consumer debt and the crime rate in today's climate of sharply rising unemployment and growing financial hardship.

Mr Ivor Jones, managing director of Kreditinform, said that in March alone debt judgments against consumers reached a record R180 million, a figure he believed seriously understated the real position.

Companies were taking a tougher line with defaulting customers, he said

They were suing for

debt or calling in sureties where previously they would have written off an unpaid amount.

But they were still not taking all their debtors to court, with about 25 percent probably not being sued

Businesses themselves were increasingly getting into debt. Judgments against firms were running at record levels, amounting to R24,7 million in March — half as much again as in March last year.

Mr Jones said the problem was that firms gave too much credit without investigating the debtor's ability to pay.

Also companies often sought growth by extending credit and then mismanaging the repayment procedures

He expected the number of consumer and company debt judgments to rise in the coming months.

Retailers and wholesalers were suffering from high stock levels owing to diminished sales on the one hand, and a reduced cash flow on the other

This led them to make slow payments or no payment at all.

In turn, this put intense pressure on manufacturers, faced with lower orders, reduced cash flow and increased bad debts

Businesses in this situation needed to take remedial action before their situation further deteriorated.

Mr Jones said firms should identify their financially stronger customers and be prepared to give them extended credit, while being careful about doing business with weaker customers.

He said there were signs of an increase in the amount of fraud being perpetrated and also in straight theft, but no statistics were available.

This view was confirmed recently by Mr Raymond Ackerman, chairman of Pick 'n Pay, when he told shareholders that crime was on the increase.

One reason the giant food retailer did not meet its profit forecast for 1990-91 was the increased rate of shrinkage — a word used in the trade to account for the disappearance of goods from the shop floor.

He said shrinkage was higher in terms of sales because of an increase in the general crime rate countrywide and the fact that in some areas the company's systems were not adhered to as closely as they should have been

LEGAL ATTORNEY & REPORTER & BUSINESS & COMPANY & SHARES



# Debt-defaulting takes turn for worse

By Derek Tommey <sup>246</sup>

People in record numbers are not paying their bills, while others are engaged in defrauding or stealing from their employers and the public.

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Star 146191

The problem of prices that change between shelf and till

# Cracking the bar code isn't easy

W/Week 14/6-20/6/91.

**B**ETWEEN the two most recent visits paid to my local hypermarket, the store had introduced scanning. That is to say, each article brought to the till bore only the bar-coding to be read by a laser scanner so that a price could be rung up on the till. None of the articles carried individual prices.

It struck fear into my heart. At no stage in the history of my erratic relationship with the store had they ever managed to get it completely right. Each till slip dragged home with the huge load of shopping had disclosed till errors — usually in favour of the store.

Was I now to believe because computers were in charge at the tills and not people, that all would suddenly be well and the hypermarket would miraculously eliminate human error? Well, I am told I ought to believe this.

Not only does the store say so, but so do the South African Numbering Association (which deals with bar-coding), the Consumer Council and the United Kingdom's Consumer Association.

They believe that the benefits of bar-coding outweigh the disadvantages for consumers.

However, in the United States, things are different. When bar-coding was introduced in the 1970s, consumer activists were worried that consumers could not see what they were paying at the till and compare it with the price marking on the goods.

They had legislation introduced so that in stores where scanning is the preferred method of ringing up prices, the prices still have to be marked on each item.

In South Africa, and in those stores using the system in the UK, the argument is that the computer at the store is programmed in such a way that when it reads the bar-code it will ring up a price — and since it is stored in the computer's memory, it cannot read the code incorrectly. To believe this you have to have total faith in computers.

And there is still one major place where an error can occur: when a human being is responsible for putting the correct information into the computer and then keeping it accurate and up-to-date.

However, thus Critical Consumer contends that in South Africa we have different circumstances. We have a largely uncritical

## CRITICAL CONSUMER



Pat Sidley

body of consumers, many of whom are illiterate — and would, in any event, feel intimidated by the idea of challenging a supermarket.

When I raised this with the Consumer Council in Pretoria (which purports to give support to consumers and their complaints), I found little sympathy. Consumers were owed the "basic right of protection — but often what they most needed was protection from themselves", a council spokesman said — adding a sarcastic remark about "their" capacity to understand credit cards, too.

Many consumers in South Africa have learned only to cope with numbers so that they can handle shopping. It is a serious problem — not one to be avoided — that these consumers cannot easily check the price of the item they have bought.

Often what is thought to be full information on the shelf label is, in fact, full information only to the fully literate and discerning consumer.

The main purpose of bar coding and laser scanning is to improve information and stock control for retailers. This in turn may help stores more effectively stock what consumers want.

If that is done more efficiently, the theory goes, price hikes may be kept in trim. The time spent at the till is shorter and cost savings are made by not marking individual goods.

In order to inform customers adequately of the prices of the goods, retailers using bar-coding are required by a voluntary code of conduct to ensure that there is a clear indication of the price of the goods on the shelf.

This is where one of the major problems has occurred worldwide, as the Consumer's Association confirmed to *The Weekly Mail* this week.

There is sometimes a discrepancy between the price on the

shelf and the price that is rung up on the till — causing anger or anxiety in consumers, who automatically feel they are being cheated.

However, says Bob Percy of the SA Numbering Association, many stores using the system will give the customer the disputed item free on production of a till slip showing a discrepancy between the information recorded at the till and the information on the shelf.

It is a mark of their confidence in the system and an attempt to instil similar confidence into consumers.

This may eliminate fears of cheating on the part of reputable stores, but it is unlikely to eliminate the practice of a dishonest dealer who has priced many items at the shelf at a lower price than the price they will bring at the till.

For those consumers without photographic memories for the price recorded on a shelf label for every item placed in a trolley of goods, this problem is real.

Retailers are still required to mark goods whose weights vary — so cheese, or chickens which may have differing weights, are required to have individual price markings. For other goods, the law allows the marking to be placed in close proximity to the goods to be sold.

One advantage for consumers is the fuller information on the till slip which can now be programmed to record, for instance "Bonny Bird Frozen Chicken R6,26" as was recorded on my very long and detailed slip at the hypermarket.

The Consumer Council suggested that consumers need to make a note of the price of each item as they pick it off the shelf if they are worried about forgetting the price by the time they get to the till. Does my tax money actually pay these people for preferring such extraordinary advice?

The SA Numbering Association is part of an international organisation which deals with bar-coding, an international business system.

If consumers have no satisfaction dealing with their store on bar-coding problems, they should contact Bob Percy at the Association (011-787 4387) and he will take the issue up if required.

He, unlike the consumer-protection people, believes consumers should have the benefit of the extra price marking, but says it is too expensive for retailers.





# ~~4~~ Credit demand slows

et 17/6/91

Own Correspondent

JOHANNESBURG — The recession is now striking areas like retailing, bank credit and manufacturing production, all of which were virtually unscathed last year ~~32~~

Statistics show retail sales are in a downtrend and banks report credit demand has slowed in recent months

Buoyant private consumption expenditure last year was reflected in steady growth in retail sales and credit demand

But the downturn in both areas in the first quarter of this year shows that high interest rates and recessionary conditions have at last curbed consumer spending

Although month-on-month retail sales in

May 1991 grew in real terms, monthly retail sales figures are volatile and a distinct downward trend, established in the last quarter of 1990, is now well entrenched

Debt-financed expenditure has been a particular feature of the current recession but this now appears to be slowing ~~153~~

Figures released by the Reserve Bank show annual growth in bank credit extended to the private sector eased to 19,5% in March, after a turnaround in February when credit extension again topped 20% year-on-year

This may have been a technical increase due to the implementation of the new Deposit-Taking Institutions Act in February

First National Bank senior GM Jimmy

McKenzie said growth in credit demand over the past two months had been modest ~~246~~

United senior GM marketing Tienie van der Merwe said demand for hire-purchase finance had fallen off in line with Reserve Bank measures to curb credit demand ~~182~~

But demand for personal loans and overdrafts had been quite strong given the current economic conditions

Manufacturing production volumes fell by 2,3% month-on-month in February 1991 and wholesale sales dropped by 1,4% in March.

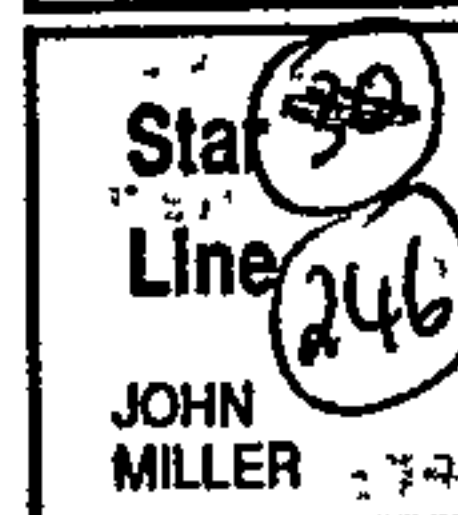
Manufacturing production has fallen 4,2% since the onset of the recession in the first quarter of 1989

Nearly 50% of the industry's production has fallen by as much as 20% over the recessionary period, and about 35% showed increases of up to 20%, says Nedbank chief economist Edward Osborn.



# Get 'em to count out your change

Star 20/6/91



Believe it or not, the almost-forgotten custom of cashiers counting out change into the customer's hand is still official policy with the major supermarket chains even though it seldom happens in practice.

A spokesman for Checkers said that during training cashiers are taught the practice. Customers can insist that this procedure is followed.

The spokesman admitted that this often did not happen and attributed it to pressure at till points.

Sakkie Joubert, director of loss and expense control at Pick'n Pay, confirmed that the practice is part of the chain's policy to ensure courtesy and that the customer is not under- or overpaid.

"This is part of our till training and procedure and is regularly checked by supervisors."

He said one of the major complaints about cashiers was talking to colleagues while ringing up items. "This should not happen."

A spokesman for OK described the staff's defiance of minimum standards as "a nightmare" and said it was closely linked to the current political situation.

The store adhered to the same policy as its competitors.

Lynne Morris of the Housewife's League said "90 percent of people do not bother to check their change if it is merely dumped into their hand."

## Debt mountain keeps growing

GERALD REILLY

246

PRETORIA — The debt mountain and the amounts involved were rising to unprecedented levels, economists said yesterday

Latest Central Statistical Service (CSS) figures for the three months to end-April show summonses for debt increased by 13% to 271 278 compared with the corresponding three months last year

And civil judgments for debt rose by 11,3% to 128 000

Compared with November-January, summonses issued increased by 5,7% and civil judgments by 5,1%

In April alone, 44 682 debt judgments were issued — involving businesses and private individuals — amounting to R236,571m

This compared with April last year when there were 34 932 judgments involving R145,207m

According to the CSS, latest figures bear out a marked increase in debt judgments over the past three years

Stellenbosch University's Economic Research Bureau chief Ockie Stuart said the debt problem was unlikely to decline in the months ahead. The debt momentum would continue for months after the economy started pulling out of recession, he said

## 'Timeshare concerns deceiving the buyer'

ET 25/6/91 Staff Reporter

246

THE Consumer Council has "ample proof" that some timeshare concerns willfully deceive potential buyers by stimulating their interest through misleading advertising and marketing methods, the director, Mr Jan Cronje, said yesterday.

He said most complaints reaching the council concerned firms that did not belong to the Timeshare Institute of South Africa and could not be forced to adhere to its code of conduct.

"Some sellers do not grant buyers a cooling-off period to think about the transaction and are therefore contravening the Credit Agreements Act. Some firms refuse payment of levies in instalments while others charge up to 32% interest on outstanding levy payments," he said.



## Timeshare clients misled, says Consumer Council

246 GERALD REILLY and DARIUS SANAI

PRETORIA — Potential buyers of timeshare units are being misled by dubious advertising and marketing methods, says Consumer Council director Jan Cronjé. *Sunday 11/7/91*

He said in a statement that thousands of consumers were "at their wits' end".

Some sellers failed to give buyers a cooling off period to review the transaction and were contravening the Credit Agreements Act.

Some firms, Cronjé said, refused payment of levies in instalments while others charged up to 32% interest on outstanding levy payments.

Many buyers were cajoled into believing their units could be easily sold or exchanged. This, he said, was seldom true in practice.

Peter Erasmus, executive director of the Timeshare Institute of SA (Tisa), said at the weekend that Tisa — which represents 77% of the timeshare industry — did not permit any unprofessional conduct by its members. None of the companies referred to by Cronjé were Tisa members, he said.

"We have a very rigid code of ethics and a disciplinary committee," he said.

Ninety-four complaints had been received against Tisa members last year and all had been settled without recourse to the committee, he said.

# Credit blacklist uncovered

246

Sowetan 4/7/91

Sowetan Reporter

**THOUSANDS** of township residents have been blacklisted by credit organisations after judgments were awarded against them for failing to pay rent.

Credit organisations automatically list the victim of a debt judgment as a "credit risk". Many people are unaware that judgments have been made against them.

The Information Trust Company, which provides clients with credit ratings of credit seekers, has said its information is confidential. The company stressed its information is not classified according to race.

Miss Julie Mohamed of Valli, Mthembu Attorneys has dealt with rent cases from 1985 and covered townships in the PWV and Wesselton, Davel and Carolina.

"A lot of people are still feeling the

effects of the judgments awarded against them. They cannot get credit," she said.

Most judgments were issued in townships where the civic associations were not organised, according to Mohamed. Where the civic association were well organised, lawyers stepped in before judgments were awarded.

An employee for Krish Naidoo Inc, a law firm which handled rent cases at the time, said it handled about 1 800 judgment cases.

"We got most of these orders rescinded but, there are thousands of others who did not go to any lawyer and waited for the boycott to end. These will find that they are blacklisted," she said.

Soweto city council spokesman Mr Mojalefa Moseki on Friday said precise figures were not available, but the then-council had issued thousands of summonses in an effort to get residents to pay rent.

# Debtors use home loans as crutch

By TERRY BETTY

BORROWERS who cannot meet their overdraft, hire-purchase and credit card commitments are gaining relief by liquidating these short-term debts with borrowings against long-term home loans

The advantages to the borrowers are that home loans carry lower interest rates and are repayable over a longer time. The banks benefit by gaining solid collateral for their advances.

In addition, their capital requirements for home loans are about half those for other forms of bank credit. That means they can lend more.

The Reserve Bank noted a big increase in mortgage advances when the property market was in the doldrums. A bank official says the improvement in property in the past few months is probably insufficient to justify such increases in mortgage advances.

## Imprudent

A Reserve Bank Bulletin says the increases in the market values of property because of inflation provides collateral that can be borrowed against. This encourages consumption expenditure when real disposable income cannot support it.

Standard Bank divisional general manager of home loans Eric Tomlinson says this practice is not encouraged or advertised. But a customer will be given a home loan if he can afford the repayments. He says borrowing money to get out of debt is imprudent.

But a Standard branch manager says the method is often used to help clients with pressing short-term debt.



# BTI launches probe into food prices

B/Dam 10/7/91

SHARON WOOD

THE Board of Trade and Industry (BTI) would launch an investigation into food prices next month, BTI deputy chairman Helgaard Müller said yesterday

The aim of the investigation would be to determine the main reasons behind the "huge differential between producer and consumer food prices", he said.

Müller said the BTI had already started planning for the investigation and that it would be a "long and complicated project"

Food prices have been a major source of pressure on the inflation rate this year, preventing overall consumer price inflation from falling significantly.

Consumer price inflation of food has

risen steadily since January, consistently exceeding the overall inflation rate. If food prices were excluded from the consumer price index (CPI), its year-on-year increase would have been 14.4% in May — well below the 15.2% headline figure

Particular concern has revolved around the large gap between the rate of inflation in producer food prices and consumer prices 244 246

Food producer inflation grew at an average annual rate of 8.4% from January to May, compared with 16.2% for food consumer inflation for the same period

# Consumer body aiming to nail price racketeers

Staff Reporter

246

PRICE racketeers are to be targeted by Consumers For A Fair Deal, a watchdog committee led by city councillor Mr Arthur Wienburg

At a meeting in Rondebosch last night, a seven-member committee was formed to research price-increase patterns and investigate the role of monopolies in alleged price-fixing. *ARG 12/7/91*

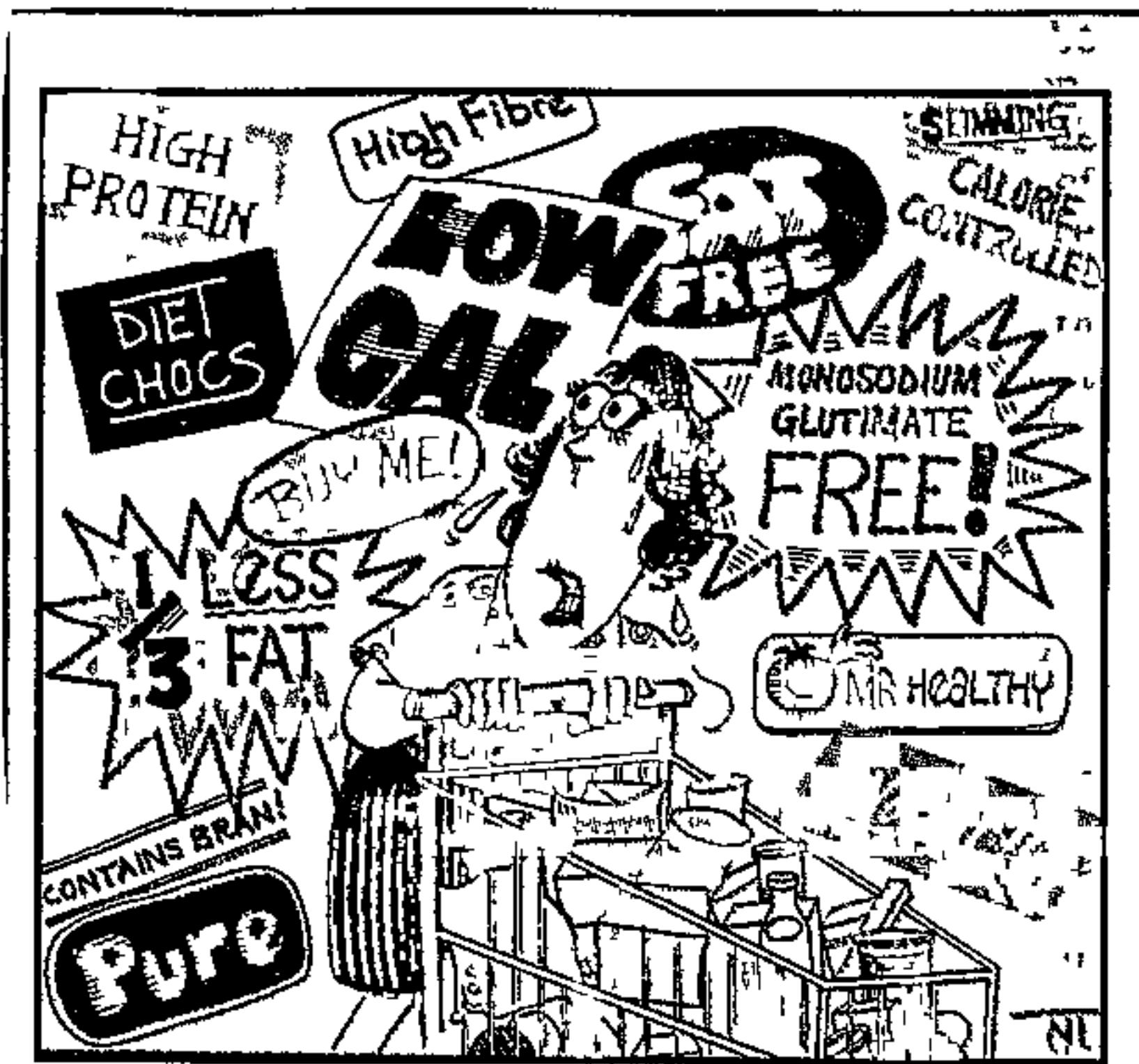
Opening the meeting, Mr Wienburg said no one expected businesses to not make profits, but excessive profiteering was cause for widespread concern.

Businesses were using inflation as an excuse to impose "record prices and make record profits", he said.

The group will not solicit sponsorships, to maintain its independence. Information gathered will be released to the Press.

Mr Wienburg, who mooted the idea of the group three months ago and got several letters of support, said he had not approached other consumer watchdog bodies for advice.

"I did not ask them for advice because they have not worked," he said.



## Taken with a pinch of salt

246

Shoppers are being bombarbed with misleading health claims on hundreds of food items. And too many of the claims for "low fat", "low sugar" and "low salt" foods were selective or easily misunderstood, according to a report from a heart charity

The Coronary Prevention Group said people trying to choose a healthy diet were often not able to rely on the nutritional details on the labels.

Dr Mike Rayner, the group's senior research officer said: "Many health claims are at best confusing and at worst misleading."

The charity believes the law should be tightened, as health claims often concealed undesirable features about the food. It has also demanded a review of labelling rules to ensure claims are more informative and relevant.

Britain has one of the highest death rates worldwide from coronary heart disease. A leading cause is an unhealthy diet of too much fat, sugar and salt and not enough fibre.

The group found more than 600 examples of health claims among foods purchased from five supermarkets. But more than 44 percent of the "low fat" claims were for foods which, in fact, had a high fat content.

Seven in 10 of "low fat" foods were high in salt, but labels did not make this clear. Two in three claims for low sugar and salt were not substantiated with details on the label, nor did some labels promote their positive health features.

THE INDEPENDENT



gration" to their operations in-  
cluding Kanhym (owned by  
Sanlam), a meat group with in-

WHY THIS IS NOT THE CASE  
Why should middleme  
industry and conglomer  
courage hoarding? To k

## Now there's a window on 246 the world for SA consumers

Star  
South African consumers for  
the first time now have access  
to IOCU, the largest interna-  
tional consumer body, says the  
director of the Consumer Coun-  
cil, Jan Cronje.

This influential body (the In-  
ternational Organisation of Con-  
sumer Unions) previously re-  
fused the Consumer Council's  
participation in its activities  
due to overseas political per-  
ceptions of South Africa

"Against the background of  
great change, the IOCU deemed  
it fit to invite South Africa to its  
13th world congress," said Mr  
Cronje who attended the con-

gress in Hong Kong  
16/7/91.  
At least 435 delegates from 45  
countries participated in the  
congress last week. Seminars  
and work sessions included con-  
sumer protection in Africa, con-  
sumer education, the role of  
consumer groups in determin-  
ing international food stan-  
dards, consumers' environmen-  
tal criteria for testing "green"  
products and consumer power  
in a changing world.

The legendary American con-  
sumer champion Ralph Nader  
delivered the keynote speech at  
the opening of the congress.

TRENDS REPORTER

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## Summonses: indication of credit squeeze

8/10 day 17/7/91 (246)  
LIZ ROUSE

THE number of civil summonses issued by businesses is rapidly approaching record 1986 levels and is another indication of the credit squeeze affecting SA.

Tony Leng, MD of supplier of business information, Information Trust Corporation, says that the Central Bureau of Statistics figure released for the first four months of the year indicate that an average of 9 000 civil summonses a month are being issued by businesses

In 1986, the worst period of the last recession, the average was about 9 700 a month

### Leapt

Leng says that, traditionally, March reflects high figures as businesses begin suing for payment for goods bought at Christmas

This year the figure leapt by almost 3 000 to 9 947 in February and a high level has been maintained in March and April

This could indicate a stricter credit policy by businesses in expectation of debtors being unable to pay, says Leng

It is also an indication that businesses are aware of the need to clean up their books well before implementation of VAT in October this year, when all companies will initially be subject to severe cash flow strains.

# VAT: Group to monitor businesses

Sowetan 19/7/91 (246)

VATWATCH - a body which will monitor retail prices before and after the introduction of Value Added Tax - was launched in Johannesburg this week with the promise of keeping a watchful eye on whether savings are passed onto consumers.

VAT comes into effect on September 30

Vatwatch chairman Professor Louise Tager pointed out that the Government had said VAT was introducing a tax system which would eliminate the cost built into the cost of production.

"It has been said that this change in the system of taxation is likely to result in savings of approximately R6 billion

"In what way and to what extent will business pass this R6 billion saving to the consumer? Here lies the crux of the matter with which Vatwatch will concern itself," Tager said.

## Awareness

She said the essential objective of Vatwatch was to heighten consumer awareness of trends and movements in retail

prices in the months immediately before and after the introduction of VAT.

"The second objective, but equally important, is to channel the forces that result from our public awareness campaign into a direction that will compel retailers and, therefore, suppliers to pass to consumers the cost benefits that VAT should generate," Tager said.

"Ultimately, the aim is to lessen the pressure on the Consumer Price Index and, therefore, on the rate of inflation."



**POWER TO THE CONSUMER ... Vatwatch committee member Sally Motlana says abuse of the Vat system must be reported.**

# Team of 10 to beat VAT panic

Clip news 21/7/91 246

By LULAMA LUTI

HELP is at hand for consumers worried about the introduction of Value Added Tax (VAT) in September

It comes in the form of 10 tax experts who have set up the independent Vatwatch committee to keep the public informed

Top trouble-buster is former dean of the Wits Law Faculty, Professor Louise Tager

She explained that under the VAT system businesses would no longer pay sales tax on capital purchases and certain other purchases. This is expected to save businesses some R6-billion a year.

"Vatwatch will concern itself with how busin-



**Professor Louise Tager heads the new tax committee.**

esses redirect this to consumers"

She added that Vatwatch aims to build bridges between consumers and business.

Members of the committee are Black House-

wives' League president Sally Motlana; the South African Consumer Union's Anna Boshoff, Sheila Lord of the Housewives' League of South Africa, president of the National Black Consumer Union Nonia Ramphoane, Cast executive member Sam Ntuli, Nactu's Mahlomola Skhosana, South African Consumer Council's Ina Wilken; Andrew Ball of the Labour Research Council, and Leon Ghavalas of the National Council for the Care of the Aged.

Tager said Vatwatch would not defend VAT or give long explanations about how it works.

"The objective of Vatwatch is to heighten consumer awareness of movements in retail prices."

She added that top on the list of the Vatwatch programme would be a major consumer awareness drive to ensure retailers and suppliers passed on cost benefits to consumers.

Committee member Sally Motlana said the group would ensure that consumers played an important role in how VAT was implemented.

Motlana appealed to housewives to make sure they understood VAT and to speak out against exploitation.

"Consumers will be asked to select any three items which they buy regularly in the same store, and to watch the prices from now until the switch."

Consumers will also be able to report exploitation to Vatwatch and these cases will be dealt with by a full-time secretariat.

A group of retired executives will help Vatwatch do this.

Vatwatch will monitor prices on a scientific basis, and regular feedback will be given to the media - but Tager said there will be no witchhunts.

# Where to find the best deal

246  
Sowetan  
23/7/91

A NEW publication aimed at helping consumers get the best deal for their money was launched in Pretoria by the South African National Consumer Union yesterday.

Sponsored by the Maize Board, the booklet, *The Self-help Approach To Consumer Problems - How and Where To Complain*, is part of the union's Consumer Action 1991 Campaign.

Consumer Union chairman Anna Boshoff said education, information and protection were the three cornerstones of consumerism.

"A sensible consumer insists on good value for his money regarding quality,

durability and service," she said.

According to Boshoff, the booklet gives guidelines about complaints, contact people and hotlines where complaints could be handled.

"Being a smart consumer means that you get the most for your money. The tips given about purchases, contracts, repairs, home improvements, mail orders and credit cards are most informative and emphasise the union's motto of communication before confrontation," Boshoff said.

Copies of the booklet are available, free from Sancu, PO Box 26242, Arcadia 0007. - *Sowetan Correspondent.*

# SA 'green buys' often easier on pocket

246  
~~246~~

Consumer Reporter

Star  
23/7/91

A Housewives' League price survey of a major retailer's Green Range has found the environmentally friendly products are also very often the most friendly to the pocket on the shelves.

The price survey of Pick 'n

Pay's Green Range is contained in this month's edition of the League's Rand and Sense booklet.

"In a country like South Africa where conservation issues tend to be entrenched in the upper income groups, the success or failure of a product

must ultimately depend on itself," League vice-president Jean Tatham said

The range, now part of the group's normal marketing, was compared with competing brands on their shelves. The prices were also compared with similar items at other su-

permarket chains.

"There was the usual wide variety of prices but definitely no indication of loading," Mrs Tatham said

Prices for the environmentally friendly products compared favourably with other products on the shelves



# Slogan a lie, claims Housewives League

By John Miller  
Star Line

star  
24/7/91

246

The slogan — "VAT a better tax for a better South Africa" — which the Government has chosen to persuade consumers that they will be better off with the new tax, is a lie, says the Housewives League.

According to a league survey, a VAT rate of 5 percent would give the Government almost the same amount of revenue as the present 13 percent GST.

At present, a black family of five with a monthly disposable income of R1103 would find about R700 of that amount taxable.

The survey estimates that almost half of the take-home pay package is spent on food.

Out of R500, GST accounts for about R23. This food bill consists of such non-taxable items as meat, fish, poultry, dairy products, fruit, vegetables, bread and eggs.

Under VAT, this family would have to pay about R68.

At 5 percent VAT it would work out at R26,40 instead of the present rate of R23,14.

The present monthly disposable income of about R968 would rise to R968. The league also looked at the average white middle-class family of four with a take-home

package of R3342. At present about R1000 of this amount is taxable.

This family is at present paying about R34 GST on an average food bill of R700.

With 12 percent VAT, the tax increases to R80, whereas on 5 percent it would work out to R33.

Their monthly taxable income from October 1 would increase by more than R700 to R1700.

Ben Stafford of the Consumer Council said the council was shocked to see that VAT would be fixed at 12 percent.

"We agreed with the Margo Commission's recommendation that VAT start at 7 percent and even be lowered after a year or two. The maximum, we thought, would be 10 percent."

Mr Stafford said VAT would increase the average household's budget by almost R300 a month.

There were only four items that would be exempt — maize meal, brown bread, rates and taxes on property, and rail and bus transport.

"We are also afraid that certain companies will push up prices before VAT is introduced. We and the Government know that this has certainly happened in other countries where VAT has been introduced."

Mr Stafford advised consumers to buy and stock up in advance.

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Heron, MD of Tek Appliances, one of the major manufacturers, does believe that the market this year will drop by a half a percentage point less than Solomon thinks it will. But he discounts suggestions of a post-March boom in the appliance business. He says manufacturers' sales peaked in 1988 and haven't recovered.

"Retailers have claimed growth but we believe that was related to products other than major white goods, maybe furniture and small appliances," Heron says. "We also know there has been significant destocking at retail level, which means there is bound to be a difference between retailers' and manufacturers' measurements of growth."

Barlow Appliance Co sales director Digby Bray says "appliances have been bubbling along but furniture has been softer." White goods have been selling steadily for the past year and are being supported by demand in the black market for electric and gas-operated refrigerators and deep freezers, he says. Sales of laundry products, of which most are normally sold into the white market, "are softer."

Manufacturers can meet the current demand but a shortage of between three and six months could develop if there's a sudden surge in demand, Bray says. There is very little stock in reserve, with retailers destocking and manufacturers tending to do the same.

## WHITE GOODS

## BLACK BUYERS

FM 26/7/91

Scrapping the Group Areas Act and increasing electrification of black townships are boosting the market for white goods — washing machines, tumble dryers, deep freezers, refrigerators and microwave ovens.

At worst, this year's sales will be 5% down on the highs they reached in the last three quarters of 1990, says Arthur Solomon, the OK's marketing director, furniture and appliances. He says sales languished in the first quarter of last year but increased dramatically after HP restrictions were eased in March.

Solomon estimates that the market this year will absorb 90 000 microwave ovens, 150 000 washing machines, including 90 000 automatics, 55 000 tumble dryers, 240 000 refrigerators, and 90 000 deep freezers.

Not everyone shares his optimism. Ross

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## BUSINESS & TECHNOLOGY

Gary Cohen, chief appliance buyer for the 181 stores in the Joshua Doore group, which includes Bradlows, Price and Pride, and Score Furnishers, confirms it's becoming difficult to get stock. "The market is very buoyant now, particularly the black market,

where sales have been taking off since electrification and the lifting of the Group Areas Act. Blacks can now live in Hillbrow, for example, without fear of eviction so they aren't afraid to buy. In unit terms, we are selling 15%-20% more, year-on-year."

Pick 'n Pay's Warren Marsden says his company also has a problem with suppliers but believes that "it's because we give discounts and suppliers have to react to the backlash they get from retailers whose business is mostly done on HP."



VAT FM 26/7/91

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## WATCHING FOR ABUSES

**Are retailers** and their suppliers preparing to fleece consumers by hiding behind the introduction of VAT on September 30?

SA's top retailer, Raymond Ackerman, believes they are. He says the tax relief on capital and intermediate goods and services that the VAT system will usher in (an effective saving of around R6bn for business) will be most welcome, "but experience thus far has been that businesses are not intending to pass on the savings. On the contrary, the added administration and conversion costs are resulting in unprecedented price increase demands from suppliers."

Ackerman's most serious contention is that the system paves the way for intentional abuse. "Suppliers and retailers will now be in a position to pocket the huge savings on capital and intermediate inputs, while simultaneously hiking their prices on V-Day — and blaming the new tax system and government for the increases and resulting higher inflation," he says.

Government's biggest miscalculation, in Ackerman's view, was the decision to make VAT add-in — the price you see is the price you pay. While he concedes the system is easily understood by both the customer and the less sophisticated retailer, he stresses that there are a host of disadvantages.

As he explains it, as of September 30 the marked prices of all goods — with the exceptions of brown bread and maize meal — will be increased. Besides creating a costly administrative nightmare (systems changes have to be made and staff have to be trained, which is inflationary), the consumer's general impression will undoubtedly be that prices are going up — a perception which is bound to have an impact on a chain's marketing efforts in the current economic climate.

However, Ackerman contends that the effective tax increase on each item will be "hidden" from the consumer, and retailers will be saddled with the negative public relations that will flow from the substantially higher price tags attached to goods on the store's shelves.

Of course, if VAT really is to be a better tax for a better SA, one option retailers have is dual marking — they can mark goods with two prices, one showing VAT's actual contribution to the total cost. But just how many retailers will be prepared to go to these lengths to prove their bona fides remains to be seen.

It's not that he believes that retailers or their suppliers will act as paragons of virtue on V-Day, but Checkers MD Sergio Martingengo is quick to point out that suppliers can be unscrupulous at any time if they choose to be — with an add-in or add-on tax system.

"We must do our job as best we can to ensure that suppliers pass on the benefits to the consumer," he says.

Government's response to possible VAT abuses is the creation of Vatwatch, an independent consumer body headed by Louise

Tager. While it will be funded by government, Tager insists its purpose will not be to defend VAT.

"Vatwatch will seek to heighten consumer awareness of trends and movements in retail prices in the months immediately before and immediately after the introduction of VAT."

She says this will be done largely by price monitoring, research and a national advertising campaign. She promises there will be "regular feedback to the media" on any anomalies.

But the great weakness of her committee is that it has no legislative teeth to deal with offenders. Tager merely says "We will seek to channel forces that result from our public awareness campaign into a direction that will compel retailers and suppliers to pass to consumers the cost benefits that VAT should generate."

"I believe exposure can be more effective than legislation."

Her committee comprises a wide range of interest groups — consumer bodies, trade unions and civic organisations. Complaints will be monitored by a group of retired executives who are likely to bring gentle persuasion to bear on offending parties to change their ways.

Failing this, contraventions are likely to be made public in the press. However, Tager admits her committee "has no ultimate sanc-



tion like, for example, closure," to enforce its decisions.

Welcoming the creation of Vatwatch is Sacob chief economist Ben van Rensburg, who argues that "a necessary condition for effective competition is that both sides of the supply and demand market should have adequate knowledge."

He says effective competition should preclude retailers from using the add-in system to increase prices at will. ■



# Rise in defaults 'signals time to lower interest'

SEAN VAN ZYL

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THE 82% climb to a R40,24m high in default and consent judgments against businesses in May signalled the urgent need for interest rates to be lowered, Credit Guarantee Insurance Corporation senior economist Luke Doig said yesterday

8/10/91 3/17/91

The low growth in the number of judgments disguised huge increases in the value of judgements. Civil debt figures for May showed the total number of default and consent judgments marginally up at 44 682 from 43 595 in April, Central Statistical Service figures showed.

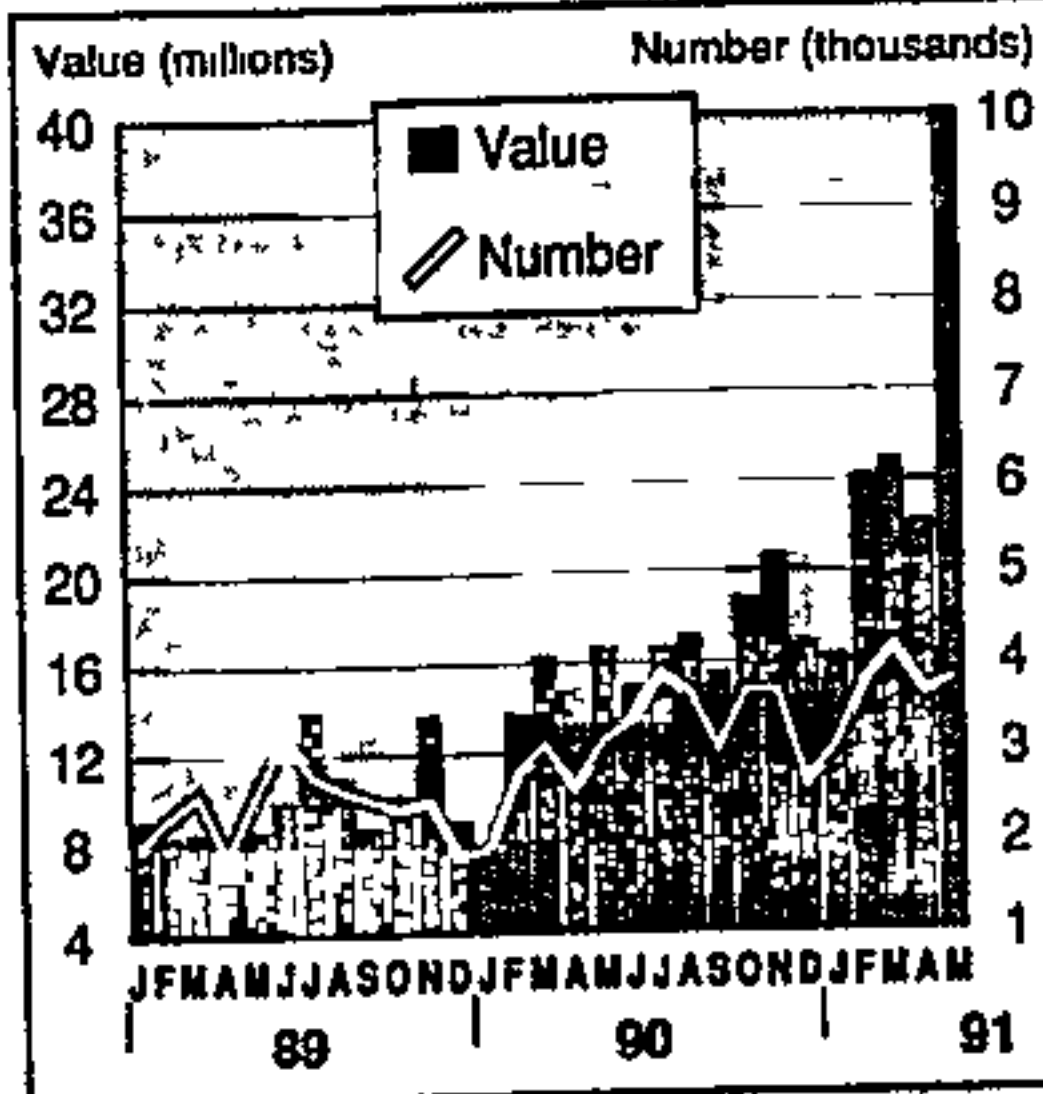
Doig said the jump in the value of business-related judgments in May to R40,24m from April's R22,09m reflected the economy's dire position

Total liquidation figures for 1989 (1 573) and 1990 (1 590) reflected a similar static trend, misleading when compared to the values involved, he said

Doig said it was time to cut the prime interest rate to 18% to provide the business community with some relief

Combating inflation by maintaining high interest rates was not effective "The authorities should rather look to better controls on state spending to make any significant inroad against domestic inflation," he said

### Civil cases: default and consent judgments - business enterprises



Client  
claims  
he was  
cheated

By June Bearzi  
Star Line

MQD Financial Investments which promotes a "specialised financial package" targeted at black fee-paying clients has been accused of cashing in on black advancement aspirations.

A Soweto client, Bernard Khasu, said he paid a R100 enrolment fee and five monthly payments amounting to R1 050 last year believing MQD boss Martin Pretorius would arrange a bursary for his daughter's university education.

But the bursary has not materialised and Mr Khasu has been unable to get his money back.

Said Mr Khasu "After MQD left us in the lurch, Wits University managed to arrange the finance for my daughter's degree."

"But I have another daughter to educate next year and I need to get my R1 050 back from Mr Pretorius immediately."

The Johannesburg firm which has about 550 clients on its books offers members business seminars, legal and financial advice and assistance with debt problems and launching businesses.

A letter sent to Mr Pretorius by Star Line in May about Mr Khasu's dilemma was ignored. However, Mr Pretorius this week said he had not replied because he had been overseas on business.

He claimed, "Our clients did not seem to understand the MQD concept. We suffered a big loss as many clients failed to make the arranged monthly payments over a six month period which would entitle them to loans."

When it was pointed out that Mr Khasu had made regular payments amounting to R1 050 over the required six month period Mr Pretorius agreed to refund his money.

# Consumers charged more in township shops survey

By Brian Sokutu Star 2/8/91

Asked why some township store prices were higher than those in most city stores, black supermarket owners said uniformity in pricing was impossible as white-owned chain stores bought in bulk and got goods cheaper.

Bill Lacey, a senior economist with the South African Chamber of Business, said a difference in prices of goods between city stores and those in the black townships was "understandable".

"City stores can afford a low mark-up, hoping to move a far greater volume of goods at a turnover higher than stores in the black townships

"It is no surprise that shops with a small turnover have higher mark-ups," Mr Stacey said

During consumer boycotts of white-owned businesses, black consumers usually expect to pay more at township shops and supermarkets than at city stores.

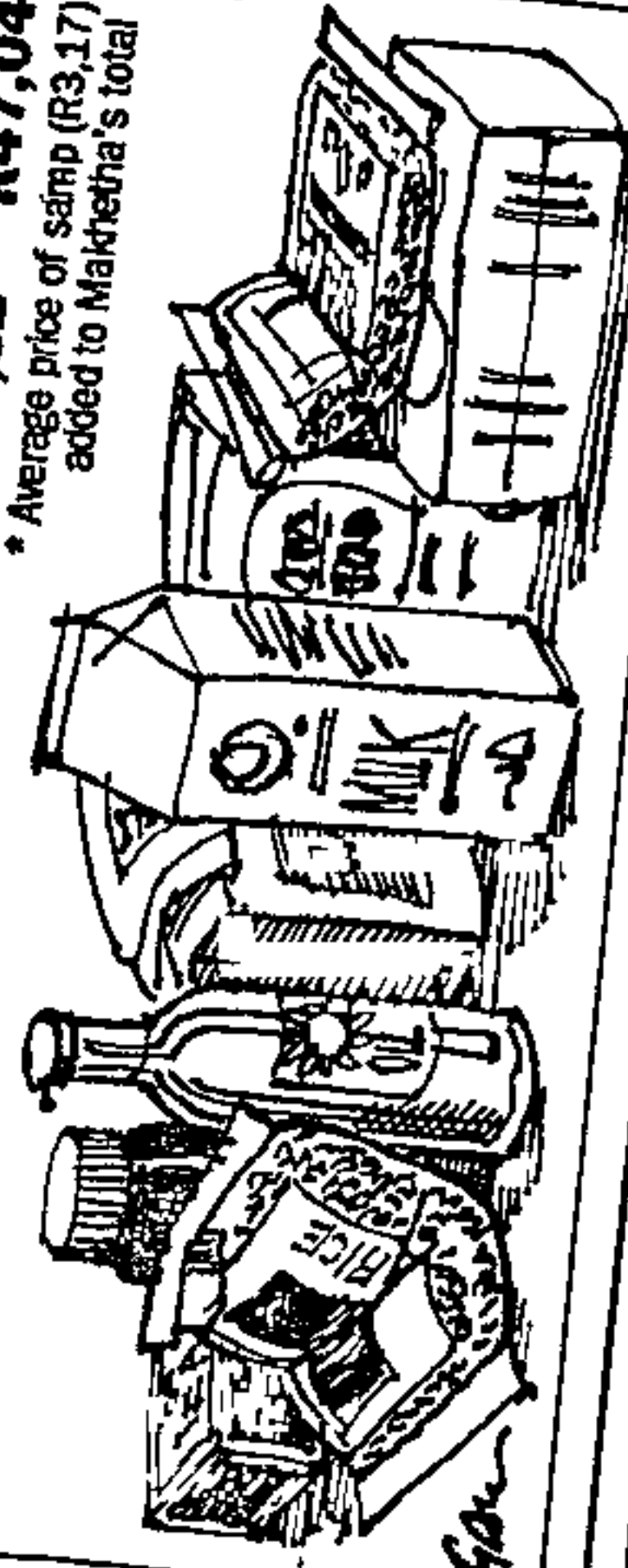
A snap survey by The Star has shown this can be the case, but not in all instances.

A check on the prices of 10 basic foodstuffs revealed that at least one large supermarket in Dube, Soweto, sold some goods at a lower price compared to a large city store. One popular city store and three stores in Soweto were surveyed.

The prices of rice, cooking oil, sugar, tea, coffee, milk, salt, flour, maize meal and samp were checked in each store

OK Bazaars (CBD)	Maponya (Dube)	Makhetha (Jabulani)	Black Chain (Diepkloof)
Rice (2kg)	5,59	4,99	6,09
Cooking oil (750ml)	2,79	2,49	2,79
Sugar (1kg)	1,79	2,15	2,30
Tea (500g)	10,99	10,79	14,50
Coffee (250g)	3,55	3,69	4,15
Milk (1 litre)	1,05	1,95	2,00
Salt (1kg)	2,49	2,19	1,45
Bread flour (5kg)	8,75	7,99	8,00
Maize meal (5kg)	5,95	6,19	7,65
Samp (2,5kg)	3,29	2,89	6,59
<b>TOTAL</b>	<b>R46,24</b>	<b>R45,32</b>	<b>R52,82</b>

\* Average price of samp (R3,17) added to Makhetha's total



IN CENTRE

Truck hijackings cost about R6.5m 2/8/91



COMPETITION BOARD FM 2/18/91  
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# Missing the real target

**Government** is trying to determine what is to blame for the overconcentration and lack of competition in the economy, but it might as well be looking in a mirror

The public sector not only controls 52% of SA's fixed capital stock, but government policies have created the structures that allowed private sector "overconcentration" to occur in the first place

Competition Board chairman Pierre Brooks says that while the board's brief is to stop restrictive practices, it may now also focus on the power of conglomerates

It recently asked the Justice Department for help in increasing the board's administrative powers to prosecute cartels

"We have handed more than 20 investigated cases on illegal cartels to the SA Police over the past few years, but to date not a single prosecution has taken place," Brooks says "We need to show that we are not a toothless tiger"

Anglo American spokesman Mike Spicer says Anglo strongly opposes administrative prosecutions because this would flout the basic criteria of the rule of law "The law under which such investigations are made needs to be reasonable, impartial, comprehensive and publicly promulgated"

Brooks says that in exercising its powers in terms of the Competition Act, the board looks at what it sees as the public interest — which he believes has changed in the post-sanctions, post-apartheid era "In the new SA we also need to focus on major problem areas such as education, health, housing and food We have to ensure that the public interest is protected against overconcentration and lack of competition"

UCT economist Brian Kantor, who served on the board for six years, says its "totally vacuous" yardstick of public interest could lead to distorted decisions "The proper measurement for acceptable competition behaviour is consumers' interests If these are looked after, the board is doing its job properly"

But, in trying to finger cartels and conglomerates, Brooks will evade the real cause of overconcentration and lack of competition Wits economist Frank Vorhies says the State operates the country's biggest cartels and monopolies

"Against its 52% of fixed capital stock, Anglo American owns only 6%," he adds

Examples of State control of the economy (and, often, restrictive practices that prohibit competition) include Transnet, the Post Office, SABC, tertiary education, Eskom, the Development Bank, IDC, Sasol and agricultural marketing boards

State-approved cartels, such as the one that allows SA Airways and its pool partners to control international air routes, are often more destructive to competition than private-sector cartels

"State-imposed exchange control barriers also prevent investment funds from flowing out, causing investment funds to slush around in the local economy," Vorhies says "Monetary, fiscal and tax policies, laws and regulations can promote artificial concentration, State control and lack of competition"

And, if government follows the recommendations of its own IDC and reduces im-

port tariffs, local consumers would benefit from the lower-priced, high-quality goods available on global markets "As import tariffs affect all consumers, tariff reductions have a bigger effect on bringing down prices than merely increasing the focus of competition policy," says IDC economist (and co-author of the IDC tariff report) Flip Kotze

or too powerful Interlocking directorships and cross-shareholdings can lead to inefficiencies — though conglomerates admittedly also tend to compete with others For example, the Anglo, Gencor and Barlow Rand groups compete with one another in the fields of coal, gold and other mineral production"

Now under investigation by the board are the implications of Anglo's acquisition of a 25% share in Goldfields of SA Its report is expected in several weeks

In focusing on conglomerates the board will no doubt get enthusiastic support from the ANC, which equates conglomerate power with all the ills of capitalism and apartheid "Overconcentration of economic power is a structural problem that needs to be rectified," says Zev Rustomjee, an economist in the ANC camp "It leads to administered inflation, complacency and lack of efficiency So far, the board has done precious little to change these structures, which allow about 2 000 white males to dominate the SA economy"

He adds that, unless the board acts to change these structures, "more drastic solutions" may have to be introduced

Spicer says Anglo (often the target of attacks from the Left and the Right) is, however, far less dominant than it is made out to be "We are proud of the fact that we have, over the decades, created about 25% of the listed companies on the Johannesburg Stock Exchange from grass roots up We control only 30% of the shares on the exchange — not 45% as has been suggested"

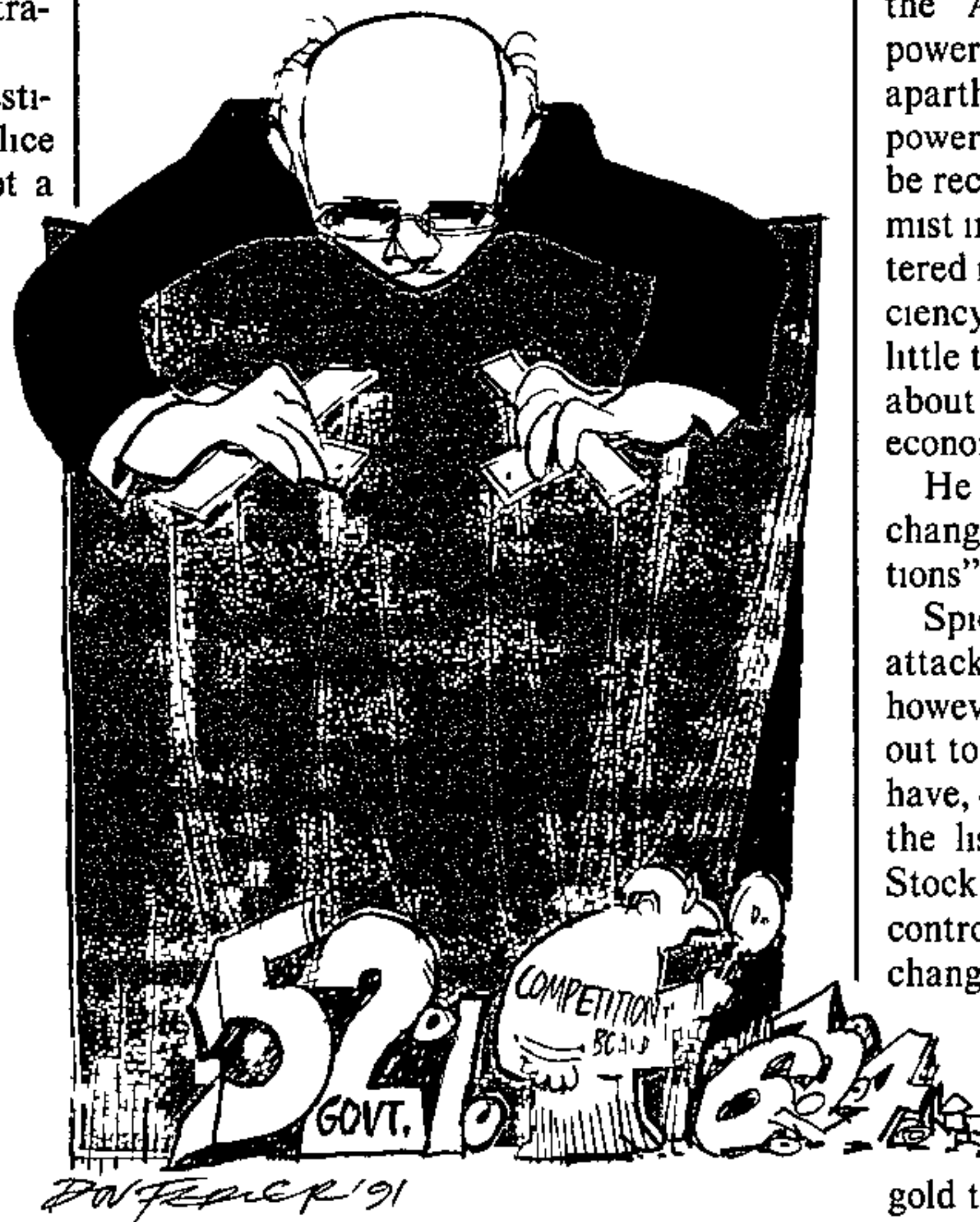
Vorhies adds that a major reason why a megagroup such as Anglo seems so dominant in the local economy is because it must sell all of its gold to the Reserve Bank and is paid only in rands

"If it were allowed to sell in dollars and invest overseas, Anglo may have been one of the biggest global players, based in SA Government has forced it to invest its rand earnings locally, leading to possible overconcentration"

So, adds Vorhies, if the board really wants to investigate the major causes of overconcentration, cartels and price distortions, "it must focus on government's role in the economy, what we are really dealing with here is RSA Pty Ltd"

Spicer says the overconcentration issue and relationships between mining companies, finance houses and industrial groups must also be seen in perspective

"It's obvious that you need large organisations willing to take risks for such development Governments, as we know now, are not good at this If you are looking for the



The best way to promote competition, therefore, is to join the global market But this view has not deterred government (and the ANC) from blaming Big Business for many of SA's economic woes

Brooks says that though the Act focuses on restrictive practices, the board is now also paying attention to conglomerate takeovers "While concentration of economic power that is not restrictive to competition is not outlawed, we may, in the public interest, have to look at anything that becomes too big

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development of competitive manufacturing export industries that add value to our raw materials resources and lead to economic growth and job creation, it is obvious that availability of risk capital is essential for such developments

"For example, developing an average deep-level gold mine costs about R2,5bn, requires a lead time of six to seven years and a further 10 years just to recover the risk capital," Spicer says

While major Anglo industrial groups such as Highveld Steel and Mondi may be big in SA, they are small in international terms and, therefore, require the backing of groups such as Anglo if they are to compete globally

Spicer adds that the US is now also learning the lesson that to compete successfully against export giants like Japan, it does not help to "shoot yourself in both feet" by enforcing antitrust laws and breaking up big companies ■



# Rent boycotters face credit ban

S(Times (Bus. Times) 4/8/91 246)

TOWNSHIP residents with default judgments against them because they did not pay rent fear they will be blacklisted by banks and credit bureaus.

Lawyers representing civic associations from boycotting townships say it is impossible to quantify the number of default judgments granted against boycotters because the defendants are often ignorant of the fact that action has been taken against them.

One attorney puts the number of judgments against boycotters in the Transvaal and Free State at "several thousand".

Sam Ntuh, general secretary of the Civic Associations of Southern Transvaal (Cast), estimates the number of township residents involved in boycotts at more than a million.

## Political

But credit bureaus say the circumstances surrounding judgments are checked before a decision is taken on creditworthiness.

Kreditinform managing director Ivor Jones says credit managers are sensitive to the fact that a default judgment against a rent boycotter does not necessarily fall into the normal category of debtor delinquency.

"Most people understand the situation in the townships. It is a politicised issue and the boycotter may be subject to intimidation. A credit manager may disregard the judgment as evidence of the person's ability to pay accounts."

Deon de Kock, chain credit manager for the Edgars group which includes 1,5-million Edgars and 500 000 Sales House

## Business Times Reporter

account holders, says any judgment is investigated, but may not necessarily preclude granting of credit.

"We are not as strict as the banks. A person may still get credit with us after a judgment. But it is not a certainty."

Tony Leng, managing director of Information Trust Corporation, says there is no systematic compilation of records on the paying behaviour of boycotters.

"In any event, if a person was involved in a rent boycott this would not be a reflection of his ability to pay his bills."

In spite of the reassurances, legal representatives for civic associations say default judgments against boycotters count against them when applying for credit. Banks are said to be particularly strict on credit facilities. A default judgment counts against loan applicants.

Trevor Bailey, an attorney with the Legal Resources Centre, which is representing 14 civic associations in the Transvaal and Free State, says once judgment is taken against a boycotter, his name is automatically gazetted by the credit bureaus.

"I represent Enderdale Extension 5 residents who are involved in a dispute with the Johannesburg City Council over the quality of houses which they have bought."

"As a result of the dispute the council obtained judgments and the civic association has told me some of the residents claim to have been blacklisted."

Mr Bailey says negotiations to end disputes with local authorities continue in most areas. Some negotiations are going well and residents in several

areas had agreed to pay an interim fee pending full resolution of the disputes.

Most of the rent boycotts centre on the quality of service and housing. Some boycotts started in 1984.

The Transvaal Provincial Administration (TPA) said in April that rent and services arrears of R1-billion had accumulated since boycotts began in earnest in March last year.

In this time 50 out of the 82 townships under the TPA suffered service cuts for a time. In April, 23 black municipalities in the Transvaal and Free State were without water, sewerage and electricity as a result of boycotts.

## Upgrading

Dan Rosengarten, an attorney with Bell, Dewar & Hall, representing several civic associations in the Southern Transvaal, says efforts have been made to get councils to suspend legal actions while negotiations are under way. This has succeeded in some cases.

"There are many issues at the centre of these disputes. In some cases we are trying to get the TPA and town councils to transfer the houses to residents and write off arrears, to upgrade stands and services in the area and formulate a single tax base."

Summonses were issued to boycotting residents while negotiations were under way in several townships. Residents of Mamelodi were issued with summonses. But action by Cast resulted in residents returning all summonses to the council and suspension of legal action.

Residents in the six Vaal townships falling under the Lekoa council, including Sebokeng and Sharpeville, have been involved in a rent boycott for more than five years.





# VAT crooks on the rise?

(Press 11/8/9)

VATWATCH is being inundated with calls from the public reporting suspected cases of misleading advertising – and alleged unwarranted VAT-related price increases.

Professor Louise Tager, chairman of the independent body set up to monitor the effect of Value-added Tax on the consumer, said Vatwatch had already referred a number of cases of allegedly misleading advertising to the Advertising Standards Authority.

In all cases consumers were being encouraged to "buy now, before VAT", implying that prices would rise after September 30 – which would be untrue for products already carrying GST, as the VAT rate is lower.

Tager said some complaints had also been received from business people alleging their suppliers were upping prices due to the imminent introduction of VAT. Others requested information.

"I must emphasise that it is not the task of Vatwatch to explain the principles and mechanics of the VAT system. Yet it is evident from the calls we receive that many people are quite ignorant about what VAT entails. It is of great importance that consumers become fully acquainted with the VAT system. 246

"Vatwatch has been created to encourage consumers to look out for unusual trends and movements in retail prices in the months before and after the introduction of VAT, and to inform Vatwatch if any such trends occur. 246

"We also hope to encourage commerce and industry to pass on to consumers the cost benefits that VAT will generate.

"Ultimately, the aim of VAT should be to lessen the pressure on the consumer price index and, therefore, on the rate of inflation," she said.

# Vatwatch to monitor price trends

GILLIAN HAYNE

VATWATCH launched a six-month-long market research project on Friday to identify price trends before and after the introduction of VAT, Vatwatch chairman Louise Tager said.

Interfact, the company commissioned to do the research, will monitor about 120 sales points

Interfact partner David Geldenhuys said the object was to check on the prices of the same goods at the same stores and so determine price trends.

While Vatwatch keeps its vigil, many companies are still coming to grips with the effects VAT will have on their businesses — such as on payroll systems and fringe benefits.

Inland Revenue chief director Trevor van Heerden said in most cases salaries, wages, allowances, bonuses, commission, overtime pay and pensions would not be subject to VAT. Remuneration which was subject to PAYE/SITE would not attract VAT. However, independent contractors would have to charge VAT on their services.

Fringe benefits would incur VAT if the fringe benefit consisted of a supply of goods or services, assuming it did not arise from an exempt or zero-rated supply.

Van Heerden stressed that VAT would be levied on the employer and no distinction would be made between assets acquired before or after September 30.

As an example he said that VAT on a personal computer, acquired by a company for an employee, would have to be paid by the company.

VAT would be calculated by applying the tax fraction (12 over 112) to the income tax cash equivalent of the fringe benefit.

Some employees pay employers part of the cost of the fringe benefit. In this instance, the employer would have to charge VAT on the contributions made by the employee.

"It will be treated the same way as any other supplies (sales) made," Van Heerden said.

As employers would not be allowed to claim an input tax credit for VAT paid on a company car, the capital portion of the use of the car, granted as a fringe benefit, would not attract VAT.

However, the running cost element of the benefit would be subject to VAT — maintenance, repairs and insurance.

Van Heerden noted that the valuation of the fringe benefit for VAT purposes would thus differ from the income tax value.



# Prices to be monitored 'before and after'

By Paula Fray  
Consumer Reporter

*See 12/8/91*  
Vatwatch has launched a comprehensive six-month market research project to identify price trends before and after the introduction of VAT on September 30

Vatwatch chairman Professor Louise Tager said in an interview the first results were

expected before the end of August

It was hoped that by mid-September sufficient information would be available to indicate whether businesses were taking advantage of VAT to increase prices

About 120 sales points countrywide will be monitored, according to David Geldenhuis, a partner in Interfact which has been commissioned to do the re-

search

Mr Geldenhuis said a basket of goods and services ranging from perishables, cleaning materials and other groceries to a variety of services used by families would be monitored both in urban and rural areas

The basket will remain constant throughout the research period

● Dual-pricing move — Page 5

# Supermarkets introduce dual price system to ease transition

By John Miller  
Star Line

The country's leading supermarkets will introduce a dual pricing system within the next three weeks, and display and distribute posters and pamphlets to help the consumer become acquainted with VAT

The first store to introduce both VAT and GST marking was Woolworths three weeks ago, with such prices appearing on those items that are not date-stamped. Spar followed shortly after.

The next chain to begin dual marking will be Checkers when it introduces the system from today.

OK will follow on September 1 with most of its non-food lines and foodstuffs to follow on September 15. Pick 'n Pay will also begin next month.

Star 12/8/91



Spokesmen for most of the stores said this system would continue for at least two weeks after September 30, the day VAT comes into operation.

Mervyn Kraitzick, marketing director, foods, for OK, echoing the view of other chains, said the introduction of the dual system would ease the switch-over on September 30, saving millions of rands on

overtime that night.

"It will also enable the consumer to know which price will be paid before and after VAT and help the consumer to see if any escalation of prices takes place before the tax is introduced."

Mr Kraitzick added that certain suppliers were already trying to bring through price increases ahead of VAT and their normal timing.

"If we accept this, consumers will pay higher prices earlier than they might otherwise have done."

Housewives League vice-president Jean Tatham said she hoped the system would not cause confusion.

"At present, prices do not include GST, which is only rung up at the till, whereas the VAT price is inclusive and at first glance appears to be more, even though it is not," she said.

# Huge increase in debt judgments

B/Daw J 14/8/91

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PRETORIA — Debt judgments had reached the highest level in four years and there were few signs that improvement was imminent, KreditInform MD Ivor Jones said yesterday

Court judgments involving business debts were up by 67% in the first four months of the year and involved a total of R87m — compared with R52m for the same period last year.

Jones said record credit levels were being investigated in the commercial and industrial sectors. KreditInform figures showed this was not necessarily a move towards an economic upturn, and tough times lay ahead as demonstrated by liquidation and consumer judgment statistics

Kreditinform has provided figures showing a record level of R250m in credit extended to customers in July alone. This was an increase of 15% in the number of reports handled in the same month last year and a 25% increase in rand value

The business liquidation level for May, again the highest in four years, was a knock-on effect from the high level of business judgments in 1990, when the value reached R21m in November alone

"These key economic indicators suggest there is still a lack of liquidity in the SA economy and that recov-

GERALD REILLY

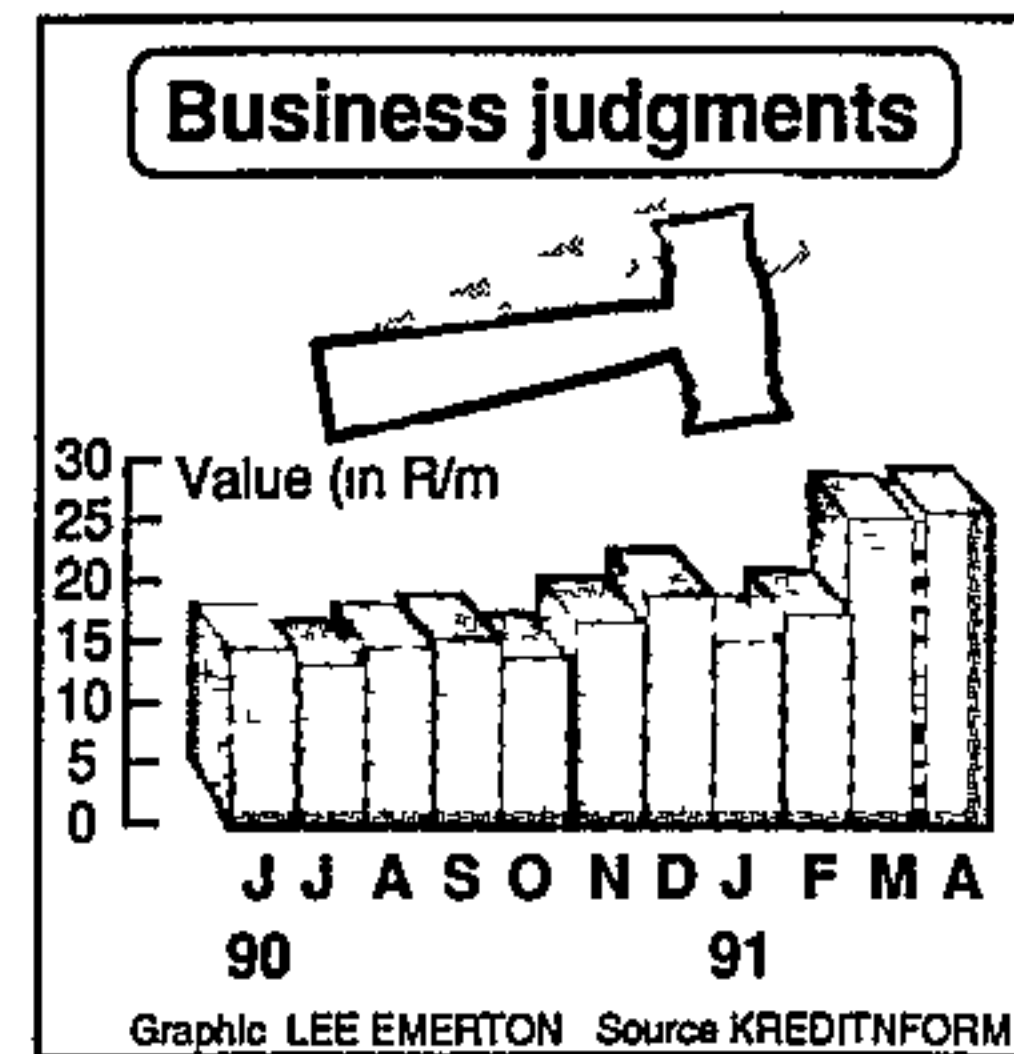
ery is not yet imminent."

Jones said because of a slump in sales, many companies were taking risks they would not take under more normal economic conditions

Some were chasing sales without sufficient probes into the financial backgrounds of risk clients

Kreditinform's information sharing system (Kiss) showed turnovers from sales in the manufacturing sector were down, in some cases by more than 25%

Kiss processed in excess of R883m a month in credit granted by members in building and construction, textiles, and the radio, TV and appliances industries





# Honest TV viewers 'sponsoring pirates'

Star 14/8/91

By Shirley Woodgate

The SABC's latest 25 percent increase in television licences is a bonus to thousands of pirate viewers, but honest paying consumers are being hard hit, claim consumer organisations

Reacting to the latest R30 increase in fees, pushing the total annual cost to R150 from October, inclusive of VAT, consumer bodies have urged tough action against airwave pirates

Housewives League president Lynn Morris slated the SABC for taxing viewers without any apparent attempt to catch fee dodgers now responsible for annual losses in the region of R100 million

"I can accept the inclusion of

VAT, but it is time they clamped down hard on pirate viewing before hitting the honest payers," she said.

Consumer Council director Jan Cronje claimed the increase would encourage pirate viewing and was totally unacceptable to his organisation

## Reviewed

He added that there had not been a noticeable improvement in the quality of programmes since last year's R40 increase

Black Housewives League vice-president Adroncah August said the increase was totally out of proportion with salary or cost-of-living increases and should be reviewed

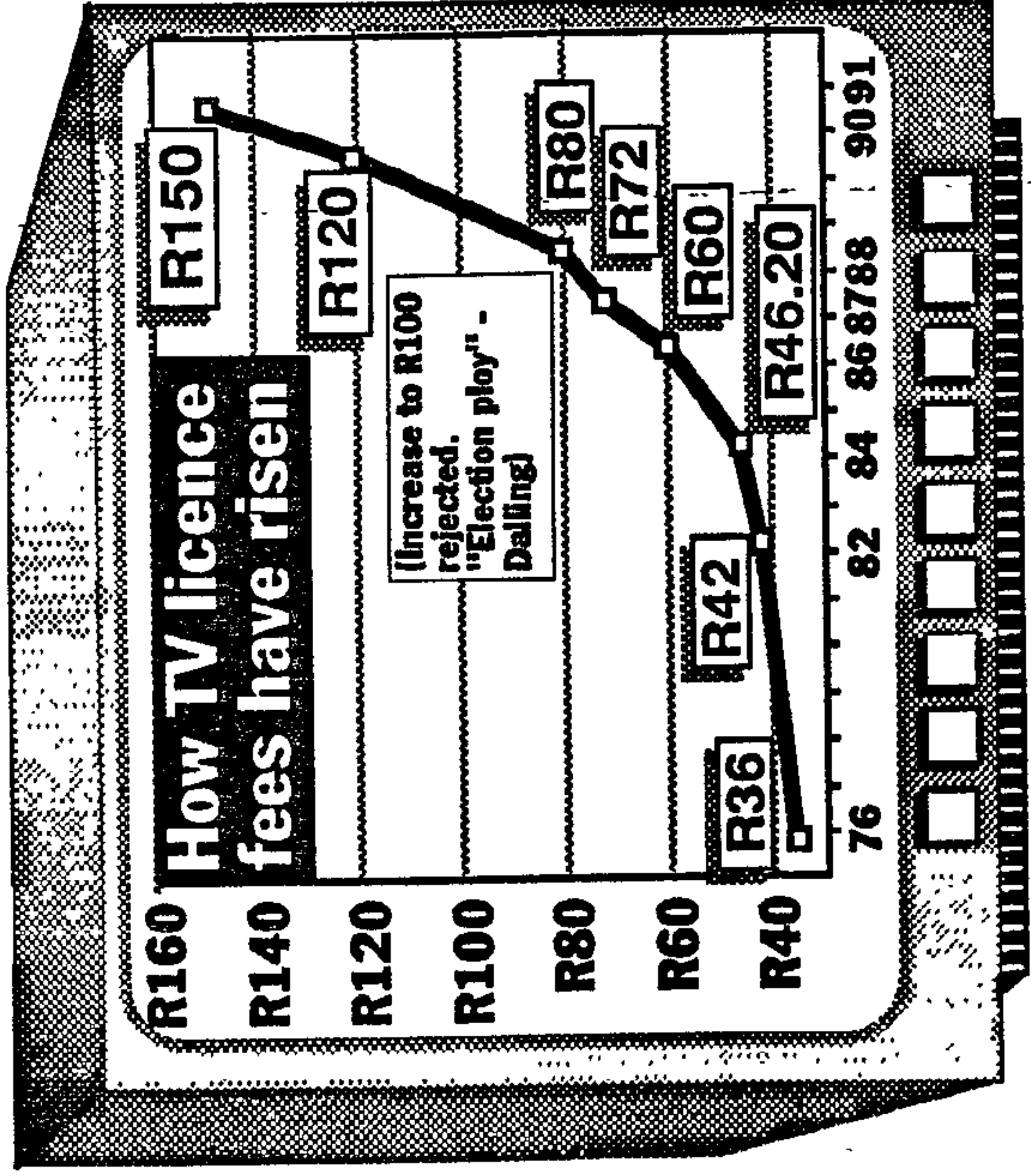
She said half the black population did not have television

because people lived in shacks without electricity or because they could not afford to pay licence fees from salaries of R500 a month

Labeling the increase "shocking and disappointing", Conservative Party broadcasting spokesman Dr Pieter Mulder said it was time the Government paid attention to rivalry between the SABC and M-Net which was supposed to ensure better and cheaper television, but achieved the opposite

He said the SABC was paying up to 10 times more for rights to certain programmes than before it competed with M-Net

Many licence-holders did not have access to M-Net, but the additional costs were being passed on to them through increased licence fees



Food prices poised to soar

# New shocks ahead for consumers

By Jacqueline Myburgh

The cost of food has increased dramatically in recent months, and there are still more price shocks to come before the end of the year, consumer bodies said yesterday

Some agricultural foods — most of them essential items such as meat, eggs and milk — are expected to rocket by up to 40 percent as a result of increased import duties on animal feed.

Value added tax, coming in at 12 percent, will not only increase the price of goods previously not subject to GST (about one-third of the shopping basket) but could push up the inflation rate by as much as four percentage points to around 19 percent, economists warn.

A variety of factors have been billed as the reason for the rising cost of food

- The opening up of the export market, with manufacturers demanding equivalent prices from local retailers
- Monopolies and Govern-

ment protection in the manufacturing sector, leading to a lack of competition

- Pre-emptive price increases by retailers to protect themselves against the possible erosion of their profits when VAT is introduced on September 30

The most worrying indication that food inflation is on the increase has been June's production price index (PPI), released this week. The Central Statistical Services (CSS) revealed that the cost of agricultural food products had increased by 42,1 percent in the past year, while fishing products went up by 15,7 percent

Other food products increased by 12,2 percent and meat by 3,2 percent.

The PPI is certain to affect the consumer price index to be released next week, Housewives League president Lyn Morris said

The league and the Consumer Council are at a loss to explain the rapid increase in food prices.

The Board of Trade and Industry last month said it had launched a probe into

the entire food chain — from the planting of crops to the goods on the shelves — and the outcome would be announced by year-end

One aspect of the investigation will be to determine the reasons for the large and widening gap between producer and consumer prices

According to the CSS, consumers paid 16,8 percent more for foodstuffs in June although manufacturers' costs went up by only 9,75 percent

Pick 'n Pay food director Sean Summers said one of the chief causes of the increased prices for certain foodstuffs was the opening up of the export market. Manufacturers were forcing retailers to pay the same price they could obtain on the export market.

Another factor was the lack of competition in the manufacturing market and the Government's protectionist policies.

Introducing VAT was a Government "snow-job" to shift the blame for increases on to retailers' shoulders

Star 14/8/91

244 246

# It now takes 31 months of salary to buy a car

Finance Staff *Sen 5/1/91*

Buying an average car costs the average South African 31 months' salary—compared with seven months for the average American and 12 months for the average Briton.

This was disclosed by management consultant Ian Buyers at the Afrikaanse Handelsinstituut motor congress in Johannesburg.

He said South Africa's R30 billion-a-year motor industry faced the problem of high vehicle prices which constrained the market size.

Continued price rises against the background of declining real wealth made vehicles progressively less affordable to all categories of users and thus included businesses.

Forecasts by the industry indicated an upturn in vehicle sales was likely to materialise only in the first five years of the next century to return sales volumes to the levels achieved in the early 1980s.

The motor industry remained the second largest

employer in South Africa and contributed a significant part of tax revenue.

One out of every 14 working South Africans was employed by the industry while the Treasury collected R3 billion in general sales tax on motor vehicle transactions last year.

Employees contributed more than R600 million in personal tax and GST and tax on spare parts raised a further R750 million.

Mr Buyers said the government had to give a clear focus on the future direction of growth of motor manufacturers, who had to know whether the industry would develop into part of the world market or remain at all times semi-dependent customers of the international motor industry.

"We also need to know whether the main thrust of the industry in the future will be to produce larger quantities of more affordable cars to satisfy what may even be perceived by some to be a social responsibility."



# Govt 'expected to amend VAT' as ANC joins flood of objectors

5/10/91

16/8/91



PATRICK BULGER and GERALD REILLY

THE ANC yesterday called for VAT — which it described as “completely unacceptable” — not to be implemented, immediately prompting Finance Minister Barend du Plessis to invite an ANC delegation to discuss the matter.

At the same time, a source close to government indicated amendments to VAT were “likely”.

The source was commenting on a flood of objections to the introduction of VAT from a variety of organisations this week, including Sacob, Cosatu, the Federation of Salaried Staff Associations (Fedsal), the Medical Association of SA, Operation Hun-

ger, Nactu, the Consumer Council and the Johannesburg Child Welfare Society.

One of the lobbyists, Pick n Pay chairman Raymond Ackerman, said he had told Du Plessis it would be suicidal to impose VAT on basic foods at this crucial stage in efforts to restore peace in the country.

The R220m poverty safety net would be insignificant measured against the impact of VAT on basic foodstuffs, he said.

Housewives' League president Lyn Morris said the league had asked Du Plessis to zero-rate basic foods and exempt medicines and medical services. Much of the opposition to the tax could

have been defused if government had worked out mechanisms for the distribution of the R220m poverty net fund, she said. The committee responsible for planning its distribution and deciding who would qualify for aid would meet for the first time on September 5, she added.

Sacob said yesterday many businessmen were “deeply concerned” at the turn of events regarding VAT and at the extent to which VAT had become politicised. “This stems partly from a failure by

government to timeously address the need for poverty assistance to offset the impact of VAT. The current controversy is also the regrettable result of inadequate prior consultation with extra-parliamentary groups and trade unions.

“Sacob appeals to the government to make an early definitive announcement on VAT which will allay the growing uncertainties in business circles about (its) implementation.”

The Finance Department is considering the objections and Du Plessis will respond at a comprehensive media conference on August 23, a Finance spokesman has said.

VAT 5/10/91  
16/8/91



From Page 1

stuff, and also the rate at which the tax is to be levied. It said VAT would increase the hardships of the poor and push up inflation by 2.5%.

ANC economics department head Tito Mboweni and information director Pallo Jordan told a media conference in Johannesburg yesterday government had no moral right to impose the tax on the eve of SA's democratic transformation.

An ANC statement said in its present form, VAT would increase the suffering and hardship for the poorest sections of the population. “Low-income households will pay, on average, between R26 and R38 per month more under VAT, thus reducing household expenditure on other essential goods and services by approximately 5%.”

“For a large proportion of South Africans, probably as many as the poorest 40% of the population, such an increase in the real cost of living will have serious consequences.”

The Budget allocated R220m for what the government called “targeted” schemes to the severely indigent. Researchers had calculated that these “severely indigent” people would be paying at least an additional R56m in tax with the introduction of VAT, the ANC said.

In response to the ANC's allegation that it had not been consulted, Du Plessis said in a statement yesterday. “Both the Deputy Minister of Finance and National Education, Dr Theo Alant, and myself, as well as senior members of the Department of Finance have been consulting with a very large number of interest groups and organisations ever since March 1991. The ANC is therefore most welcome to also send a delegation for discussions on both the details of VAT and the pivotal role it will play in the reconstruction of our economy in pursuing high and sustained growth.”

A government source said yesterday that Cabinet was aware of the potentially disruptive economic consequences if there was an uncompromising “no” to VAT objections, and concessions were likely.

Fedsal's general secretary Pier Heymans said virtually the entire trade union movement, to the right and left, was opposed to important aspects of the tax. It would be unwise for government to ignore the demands of the whole movement.

The ANC said yesterday it opposed VAT on medical services, building supplies, trade union subscriptions and basic food-

To Page 2

# Morkels hit hard as consumers cut down on credit spending

LINDA ENSOR

CAPE TOWN — The sharp decline in consumer credit spending and hitches with a major product launch saw furniture retailer and sports goods chain Morkels' after-tax profit fall 67% to R564 000 (R1,7m) in the quarter to end-June

Earnings a share fell to 1,4c (4,3c)

Total group turnover grew 1,2% to R62,5m (R61,7m), but as margins slipped from 8,7% to 6,9% because of the decision to shift slow-moving stock at lower prices, operating profit declined 19,3% to R4,3m (R5,4m)

Finance charges took their toll, rising sharply to R3,7m (R1,97m). The already high gearing went up to 131% (128% at year-end).

MD Carl Jansen said consumer spending on credit had shielded retailers from the harsh reality of recession until early this year

"It is now clearly evident

that the bubble has burst and the recession is forcing the average South African to curtail spending on credit," he said.

The group consists of the Morkels furniture chain and Totalsports. Morkels lost market share with sales dropping 6,9% to R50,8m, compared with the furniture market growth of 6,1%

Jansen said the loss of market share in a climate of falling consumer credit spending was largely attributable to a serious breakdown in the supply of a range of imported products due to be launched during the quarter

The problem had since been solved and Morkels' turnover growth had overtaken market growth, Jansen said

Store expansion saw the Totalsports chain produce sales growth of 63,3% to R11,7m

Despite the group's performance, Jansen believed it was possible for it to achieve its annual targets provided there was no further deterioration in the trading climate

He said management was concentrating on reducing borrowings through tighter control of working capital, postponement of non-essential capital expenditure and the eradication of expenditure which did not directly support or contribute to store operations. This would make funds available for expansion

Three Totalsports and one Morkels store were opened in the quarter with another three and two, respectively, scheduled to open in the second quarter

246 Solved



# Businesses

## hit hard by

# cheque fraud

Sowetan 19/8/91

(104)

246

**SOUTH AFRICAN businesses are being hit hard by an epidemic of cheque fraud.**

And legitimate cheque book owners are as guilty as cheque book thieves

Mr David Rosin, managing director of Veri-Cheque, a division of Information Trust Corporation, says Central Statistical Services figures released for the first four months of this year show that the value of judgments against businesses and private individuals for bounced cheques has jumped by more than 40 percent

This is against the same period last year and, even when adjusted for inflation, it is approaching the R100 million mark

"The number of sum-

**By JOSHUA RABOROKO**

monses issued against both business and private individuals is averaging 5 600 a month, as opposed to 4 600 a month over the same period last year," Rosin said

### Problem

"These figures do not reflect the real magnitude of the problem, because for every case that goes to judgment there are four or five where the retailer simply takes the loss without recourse to the law."

In another development, it has been revealed that the number of civil summonses issued by businesses is rapidly approaching record levels and is another indication

of the credit squeeze

Tony Leng, managing director of Information Trust Corporation, says the Central Bureau of Statistics figures released for the first four months of the year indicate that an average of 9 000 civil summonses a month are being issued by businesses

In 1986, the worst year of the last recession, the average was about 9 700 "Traditionally March reflects high figures as businesses begin suing for payment for goods bought at Christmas," Leng says

"This year the figure leapt by almost 3 000 to 9 947 in February, and a high level has been maintained for March and April

### Credit

"This could indicate a stricter credit policy by businesses in anticipation of debtors being unable to pay. It is also an indication that businesses are aware of the need to clean up their books well before the implementation of VAT in October this year

"All companies will initially be subject to severe cash-flow strains"

Rosin says that cheque fraud is being perpetrated by people working in pairs. One, who may be a legitimate cheque book holder, claims his book has been stolen. The second person buys, using the "stolen" cheques which are then stopped and the pair split the goods between them



## Business

# must play part - Tager

Star 19/8/91  
246  
Consumer Reporter

Consumers need not be hard hit by the introduction of value added tax — provided business played its part, Vatwatch chairman Professor Louise Tager said yesterday.

“Increasingly, business people are informing Vatwatch that they do not believe they will derive cost benefits from the introduction of VAT and as a consequence would not be able to pass any benefits along to consumers,” she said.

“We find this questionable”

Professor Tager said VAT had been structured to allow business credit for VAT paid on capital and intermediate purchases which were previously subject to GST.

“It is estimated this credit could be as high as R6 billion,” she said

“There can be no justification for the unwillingness of commerce and industry to pass a saving of this magnitude along to consumers”

She said Vatwatch was also concerned about recent food price rises, which had to be investigated further.

The organisation, said Professor Tager, was encouraging consumers countrywide to be aware of prices and of unusual price increases

“It is not the intention of Vatwatch to create confrontation between the consumer and business. In fact, fair-minded business people are informing Vatwatch that their attempts to restrict VAT-related price increases are being frustrated by suppliers who are refusing to pass their VAT cost-benefits along the commercial chain,” Professor Tager said.

Star 21/8/91  
**President of  
consumers' body  
receives award**

Consumer Reporter (246)

Consumers' champion Noma Ramphomane yesterday received the 1991 Free Market Award during a Free Market Foundation luncheon in Johannesburg.

Mrs Ramphomane, president of the National Black Consumers Union since 1989, is overseas and the award was accepted on her behalf.

A community nurse for 35 years, Mrs Ramphomane is also an executive member of the Young Women's Christian Association, vice-chairman of Santa in Soweto and an executive member of the Mothers Union of the Anglican Church.

As president of the National Black Consumers Union, Mrs Ramphomane has campaigned for the removal of all laws that restrict individuals from trading, investing and spending their money.

Among the many issues highlighted by Mrs Ramphomane was that South Africa imposed sanctions on itself through excessive regulations and that many of the country's laws were designed to protect business at the expense of the consumer. She believes consumers receive no meaningful protection from the law.

The Foundation said Mrs Ramphomane was clear on the source of consumers' problems and solutions to those problems. "Her prescriptions would benefit all South African consumers and ensure a competitive and vibrant economy," it said.

# Ready to expose VAT exploiters

**VATWATCH**, South Africa's Value Added Tax watchdog, may not have legal power to protect consumers from exploitation. But it will rely on an equally effective force, public exposure of VAT profiteers.

"Vatwatch can alert the general public. Such a consumer awareness campaign is necessary in our country, and not only in relation to VAT," said Deputy Finance Minister Dr. Theo Alant, whose department pays for Vatwatch.

"People can report to Vatwatch any unwarranted price increase ascribed to VAT. Vatwatch can make it publicly known. My own son went to a shop to buy shoes. They didn't have his size available and he was told the shoes could be ordered but the price would be 40 per cent more because of VAT. That is the sort of thing consumers must be aware of and report to Vatwatch," said Dr Alant.

"Vatwatch could then contact them and say if you do not stop that practice, we'll make it known to the general public."

**Committee**  
"The chainstores are afraid of Vatwatch. We do not think there is a case for a legal penalty," Dr Alant said.

Vatwatch itself operates on a modest budget of R300 000 from July to year-end to run its Johannesburg office with three full-time staff.

It is headed by the country's most experienced consumer protector, Professor Louise Tager, 54, former Wits Dean of Law, chairman of the Business Practices Committee and executive officer of the Law Review Project.

She has hand-picked her members. They are Andrew Ball (Labour Research Services), Anna Goshoff (SA Consumer Union), Leon Ghavallas (National Council for the Home), Sheila Lord (Housewives League), Sally

By CAS ST LEGER

Motlana (Black Housewives League), Sam Ntuli (Civic Associations of the Southern Transvaal), Cynthia Chabeli (Black Consumer Union), Mahlomola Skosana (National Council of Trade Unions) and Ina Wilken and Jan Cronje of the SA Co-ordinating Consumer Council.

Committee members are not paid, they receive an honorarium of R300 each plus expenses for attending Vatwatch meetings. *STimes 25/8/91*

Vatwatch has appointed the market researcher, Interfact, to conduct a monthly price survey of goods and services from 120 outlets. Though results will be published, names of outlets and products will



**PROF LOUISE TAGER**  
Lots of experience

not be made available. The purpose of the surveys is to track trends.

Prof Tager, with the aid of the Advertising Standards Authority, has also stamped out a number of "buy now before VAT price

increases" advertisements, which, she said, were misleading.

"The purpose of Vatwatch is to create consumer awareness and to ensure there is not exploitation," said Prof Tager.

Where there are unwarranted price increases, Prof Tager will approach the retailer and suggest he examine his budget. "There's no statutory sanction for Vatwatch. Consumer protection is gained through education. A criminal prosecution is no real sanction, a real sanction would be Vatwatch columns in a newspaper. To go to a newspaper and say so-and-so has refused to cooperate with Vatwatch is a

much stronger sanction than legislation that creates a criminal offence.

"The teeth is the public image of all the businesses," Prof Tager said.

Miss Wilken said consumers were being asked to monitor prices on any three items and contact Vatwatch if price anomalies were noticed.

"The more complaints we have, the more we can do about it. If the price is out of proportion, we will go back to the dealer and ask him what is going on, if we are not satisfied, we will go to the media."

"There is no legal recourse but I can promise you they will do anything not to get their name in the newspaper."



**CONSUMERS' CHAMPION ... Vatwatch's Ina Wilken** Picture: SUE KRAMER



# Demand for credit slows to a trickle

25/8/91  
S/Times (Bus/T)

246

DEMAND for credit stalled in the second quarter of this year.

Hire-purchase and leasing finance increased by only R113-million (0,4%) in the three months to June 30, according to BA9 returns from banks

"This represents a 87% slowdown in growth compared with the first quarter of this year," says Nedfin Bank chief executive Christopher Beatty

"A decline in credit creation was not unexpected, but the magnitude of the slowdown is surprising"

Hire-purchase credit grew by R26,1-million and leasing finance by R86,9-million in the quarter

In the year to June 30 the HP and leasing markets increased by R3,05-billion (11,8%) compared with R4,3-billion (19,4%) in the year to March 31

The slowdown is mainly

## Business Times Reporter

attributed to a cutback in companies' capital expenditure

"This should continue until after the introduction of Vat," says Mr Beatty

"The new tax system, changes in car allowances, the low level of confidence in the business sector and the general recession have all played a part"

# Pass cost benefits on to consumer, business told

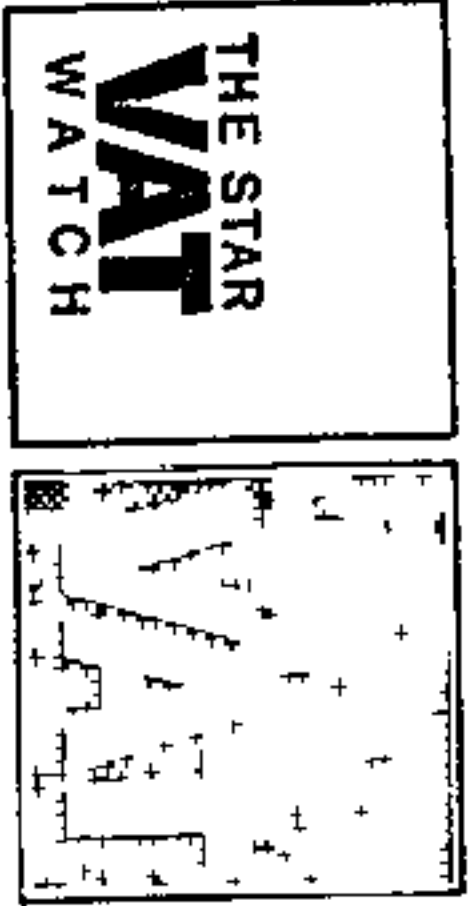
Star 26/8/91 246  
Consumer Reporter

The essential objective of Vatwatch remained unchanged despite the Government's welcome reduction of the VAT rate to 10 percent, chairman Professor Louise Tager said yesterday.

The organisation's aims are to monitor price trends before and after the September 30 introduction of VAT and to highlight suspected cases of price exploitation that use VAT as a smoke-screen.

"Irrespective of the VAT rate, business will be enjoying major cost benefits because of the VAT system's input tax credit mechanism. The saving to be achieved by business is going to be substantial.

"It is our task to see to it that the business sector does everything in its power to pass that saving on to consumers," Professor Tager said.



A wide range of post-VAT price increase were announced and forecast on products and services currently exempt from sales tax, she said. These ranged from short-term insurance and flight tickets to theatre season tickets.

"I want to appeal to business to calculate their post-VAT prices again and to take into account the cost benefits that will result from the introduction of VAT."

"It would be a severe blow for any attempt to curb inflation, if business used the imminent introduction of VAT only as a reason for increasing prices," Professor Tager said.

# Group forms 'Citizens Against VAT'

Star 26/8/91 246  
By Paula Fray

Disillusionment at how some organised bodies were tackling the implementation of value added tax on various basic necessities prompted a Johannesburg group of friends to form 'Citizens Against VAT'.

Small businessman Paul Meyer said the group initially got together to voice their grievances and then decided to go further — they drew up a petition and began collecting signatures.

"The reason we got together was because everyone voiced their opinion to each other. Nobody got together as a body to do something."

"There is a feeling among people that the Government is supposed to be representing us. But they are ruling by decree," he said. "It's time people stood up and told the Government what they want."

They collected over 1 000 signatures from their friends. More forms were sent farther



Citizens against VAT... Paul Meyer

afeld which have yet to be counted.

The "Citizens Against VAT" petition — against the tax on food, clothing, medicines, books and personal ser-

vices (such as doctors) — states that the undersigned feel "they are being severely jeopardised by the Government's approach to VAT on necessities that directly af-

fect their lives".

Mr Meyer said food and clothing were basic necessities for survival.

"To tax everyone fairly would be to keep the tax on luxury items," he said. "We are already being taxed heavily with pay as you earn," Mr Meyer said.

He pointed out that when GST was first introduced, the Government had promised it would use the income on items such as roads.

"But the Government is privatising. There are toll gates on the roads for which GST was supposed to be paying," Mr Meyer said.

"The well is going to run dry some day," he said. "Now is the time to oppose them and show the Government what we feel about it. They must represent us the way we want them to."

He has called on all interested parties, including those who have started their own petitions, to join forces.

Mr Meyer can be contacted at (011) 957-2919.

sp 27/8/91. (246)

# 'Govt must account for taxpayers money'

Staff Reporter (220)

A Johannesburg man who believes it is time for the Government to be held accountable for the way in which taxpayers' money is spent has begun campaigning for the start of a national taxpayers' group

Mervyn Milner was so incensed by the reaction of a local councillor whom he approached for assistance against the initial high rate of VAT that he decided to take a public stand

"I, as an individual, will feel the pinch and no-one is doing anything about it," Mr Milner, an insurance broker, said

Since speaking on a local radio programme he has received several calls from members of the public who support his wish to start an

"United Taxpayers Front"

According to Mr Milner, such an organisation would strive to make the Government accountable for its financial actions

It would also make the taxpayers trustees of their own money — restoring taxpayers as the employers and Government officials as the employees

The ultimate aim was to form a taxpayers' lobbying group which could put pressure on the Government and eliminate the wasting of money "on what is not regarded as a priority"

Mr Milner is organising a meeting where members of the public can express their views.

● Anyone who is interested or can assist, can contact Mr Milner at (011) 615-4997



# Consumers need pre-VAT plan to assuage pain

Star 27/8/91  
By Paula Fray

Consumers need to structure a "pre-VAT plan" to assess the effect the new tax system will have on their cash flow from September 30, says financial planning manager Martin McAusland

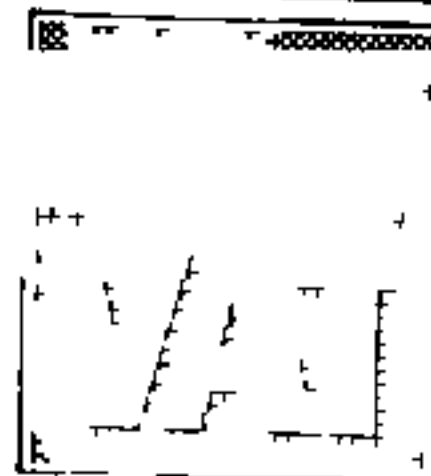
Mr McAusland, of the accounting firm Price Waterhouse Meyernel, said the introduction of value added tax would add fuel to the fire which was melting the purchasing power of South African salary earners

"VAT is going to add considerable pain to the scorching effects of high inflation, high personal taxation and fiscal drag that people are already suffering," Mr McAusland said.

"With average pay increases falling way behind rising costs, consumers will just have to make further lifestyle sacrifices and let their living standards slide further."

Mr McAusland advised consumers to structure the "pre-VAT plan" Breadwinners and consumers, he said, did not realise how severely VAT would hit their pockets

"Companies have been planning for and learn-



ing about VAT for several months, but most individuals have done nothing," he said

"Regardless of their incomes, all South Africans should budget for VAT and be prepared to live smarter or more frugally"

He stressed that the imposition of VAT on telephone accounts, short-term insurance premiums, electricity, water and sewerage charges, fruit and vegetables, fresh meat and fish as well as medical services would impact heavily on disposable incomes

By adding 12 percent to July's costs of items to now be covered by VAT, people could ascertain the approximate effect on their October budgets excluding inflation

"Everyone is just going to have to live a lot more prudently in future," he said

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# Management overborrowed, says ITC

246  
28/8/91

THE English-speaking, middle-to-upper management sector of the population are among the most overborrowed group in SA, says Richard Stothert, a director of Information Trust Corporation (ITC) consumer division.

This in turn means that many in this group are facing financial difficulties of some kind, making it harder for them to obtain credit in the future, says Stothert.

He explains that everyone with a bank account, a charge card, a car on HP or a house with a bond can be certain that information about how and when they pay will be upgraded regularly on ITC's files.

There are, however, ways to improve your credit record.

Firstly, you have access to your own records. "Simply phone up ITC and make an appointment. On proof of identity we will be glad to show you your credit record and to discuss with you how any matters of concern," he says.

Secondly, ITC has qualified counsellors to assist people who are in difficulties, or who have had misunderstandings with creditors which have resulted in an unfavourable record. Even if you have had a civil judgment for debt against you, advice and assistance will be given.

"In times like these, when people are losing their jobs and are in financial difficulties as a result of rising interest rates, it becomes vitally important to contact your creditors and work out a plan with them to manage your finances," says Stothert.

"Most banks, building societies and furniture retailers are more than ready to repay your honesty by working out a contractual arrangement which will allow you to pay at a rate within your means."

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# Stals slams banks for allowing use of mortgages for

SHARDON WOOD  
8/15/91 30/8/91

RESERVE Bank Governor Chris Stals yesterday slammed banks for causing a huge increase in consumer credit by allowing customers to use mortgage loans to buy cars and pay for holidays.

Speaking in Johannesburg at a JCCI meeting, he said he was not satisfied that bank credit was under control.

He said, the use of "home loans" as a means of credit was reflected in the sharp increase in mortgage loans extended to the private sector, while hire purchase credit was declining.

Banking sources said yesterday mortgage rates were currently running at an average of 19,75%, while hire purchase rates

varied between 27% and 29%.

Hire purchase and leasing finance rose by only R113m, or 0,4% in June, resulting in a total loan market size of R28,9bn.

This represented a huge 87,6% slowdown in growth compared with the first quarter of 1991, said Nedfin CE Christopher Beatty.

Stals said that in contrast, total credit demand had risen by about 15% over the past year, which was still unacceptably high.

The shift towards providing consumer credit on mortgage loans was due to the lower capital requirements on mortgage loans, he said.

Banks had half the amount of capital to

service on mortgages.

He said banks had to comply with a 4% capital requirement on mortgage loan assets, as opposed to 8% for hire purchase financing.

Banks also had a better underlying security on a mortgage loan, which was based on the value of the property.

The capital requirements were tightened when the Deposit-Taking Institutions Act was implemented in February. The Act required that banks hold more capital against assets than was previously demanded.

FNB senior GM Viv Bartlett said: "Yes, the facility (raising finance on mortgage loans) is available at most banks, but we try to encourage customers not to use it."

"A mortgage is the only real wealth and equity a person has and if they constantly access it for current consumption, they are mortgaging their future."

An Absa spokesman said the amount of lending done by Absa, which might be used for purposes other than housing and home improvement, was negligible.

"The lending of any funds was always done at market-related rates and thus the tax advantages were negligible."

He added that the reason mortgage lending required a lower capital reserve ratio was because the lending was always secured by the fixed property.

"As such, it represents a very secure, low-risk form of lending," he said.

Nedbank MD Richard Laubscher said: "Competition in the market would suggest that if the practice became the norm, all banks who participate in the market would have no option but to follow."

"The question as to whether it is prudent from the client and the bank's long-term view is the issue that needs to be addressed."

luxury buying



# Customers will get help with new tax

By JOSHUA RABOROKO

WHILE speculation on the effects of VAT is rife, many consumers still do not even fully understand the ins and outs of the new tax system.

To help customers, two companies - Woolworths and Sales House - have embarked on a comprehensive VAT education campaign which, if not equipping every customer with all the details of VAT in their daily lives, will certainly help them as far as their retail purchases are concerned.

To ensure that the messages they are displaying at all their points of sales are fully understood and retained by customers, Woolworths has published an A-Z guide to the tax, available at all till points.

In addition, consultants have been appointed at every store to help customers who require further explanations.

The programme, hailed by customer councils as one of the most comprehensive to be instituted by any retail chain in South Africa, is the brainchild of Mr Ray Schur, newly-appointed financial director of Woolworths.

He has assembled a committee of nine in-company executives, each

30/8/91  
a specialist in particular areas of merchandising

The nine members represent systems, and procedures, stores, buying, suppliers, franchisers and exports, and communications.

"The question uppermost in all South African customers' minds today - and the one that has been least addressed up to now - is: 'What are

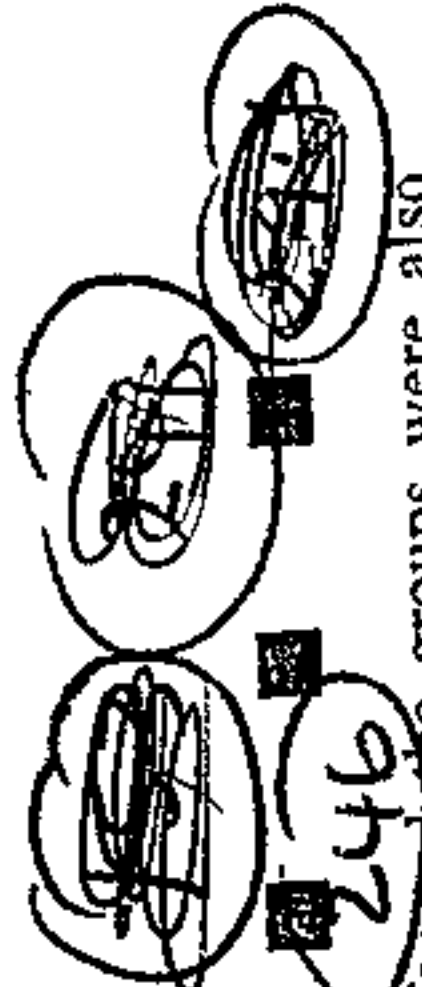
the changes that VAT will make to my daily purchases?'

"This has been a priority in the Woolworths communication on VAT and its implications," he said.

With the recent reduction in VAT, retailers now need to begin re-educating their consumers, says Sales House managing director Mr Ian Thomson.

# As the

# recession bites



SOUTH Africans are losing their jobs, homes and in some cases even hope as the recession bites.

If pleas for help to feeding schemes and even suicide help-lines have soared as the recession tightens its hold

Relief organisations report a flow of people from rural areas into the cities in search of jobs Association of Consumer Credit Bureau president Rowan Haarhoff said bad debt judgments for the period March to May 1991 leapt by 34,7 percent to a huge R395 million

“These figures are distorted to an extent, however, by mortgage bonds where judgment is taken for the full bond amount and not just the arrears”

A food programme in Hillbrow alone served 110 000 meals from April 1 to the end of July, according to organiser Brother Giovanni

“What we have found is a great number of semiskilled and skilled people flooding in to

majority of areas, the regular migrant cash flow to an irregular trickle.

Operation Hunger deputy director of relief and development Mpho Mashini said black and white families were looking to the organisation for help

“Even though political changes are under way, the economic situation worsens and there is a demand for us to assist many more people,” he said

“In the PWV area unemployment is increasing every day. Operation Hunger has had to increase its feeding by 2 000 families,” Mashini added

Retrenchment of farm workers and the closure of mines in the Free State and northwestern Cape meant families who had coped previously could now barely survive.

Urgent intervention in Ingwavume in Natal for 6 000 children with visible malnutrition since 1986 was needed after pleas for help

While the economic situation meant an in-

creased demand for and the groups were also faced with a cut in their donations as a result of the recession

Johannesburg Child Welfare Society head Dr Adele Thomas said some of their donors had written to say they would not be able to make their usual donations due to financial restraints

Suicides Anonymous, run by Sam Bloomberg, has found more and more people calling in

“There are a multitude of causes - but the humiliation of not being a breadwinner is high among them,” he said

“People are told to provide for their old age when they can't even provide for today,” he said

Employment agencies have been inundated with people looking for work

Drake International branch manager Yvonne Allen said the unemployment situation was “very bad”

## Sowetan Correspondent

Johannesburg from the rural areas,” he said. “The sadness is that these people come here hoping there will be work. They can't find any and end up on the streets”

The numbers of “invisible people” who slept on the streets of Johannesburg had increased “very much” over the past few months

Hillbrow Twilight Centre manager Sabera Bobat said there had been a notable increase in the number of street children who had joined the centre recently

## Operaton Hunger

According to Operation Hunger executive director Ina Perlman, 1991 has been the organisation's most testing year yet.

In her latest report, Perlman said the countrywide economic catastrophe had sent rural unemployment soaring and had reduced, in the

## . . . but Stals hits at borrowing on bonds

By Derek Tommey <sup>Star</sup> 30/8/91

Dr Chris Stals, governor of the Reserve Bank, says the banks are frustrating attempts to limit credit creation by allowing borrowers to use the proceeds of mortgage loans to buy cars and pay for holidays

He made this claim at the Johannesburg Chamber of Commerce and Industries meeting yesterday and criticised the banks for this practice

The banks say, however, that house buyers have always borrowed back against their mor-

tagage repayments when they have needed extra cash. In today's tight money conditions it is only normal for people to do this.

Dr Stals appears to believe the banks might be pushing mortgage loans instead of hire purchase facilities for luxury purchases and that this would be more profitable for the banks

In recent months bank loans for HP and leasing have hardly grown but mortgage advantages have risen strongly.

But bankers claim this is partly results of a still fairly buoyant property market — people with

property assets using them to their best advantage

"It does not make sense for a person to buy a car on HP and pay a rate of interest of 28 per cent for the money when he could borrow back against his mortgage loan and pay just under 20 percent," a banker said.

The practice of borrowing back against mortgage bonds is clearly worrying the monetary authorities. Last week Dr Japie Jacobs, former deputy governor of the Reserve Bank, and now a special adviser to the Minister of Finance, also had some harsh words to say about it



# Big slowdown in credit expansion

Finance Staff

Star 30/8/91

246 (10/28)

The economy is now slowing down very rapidly. Several signs indicate that it is at long-last responding to the tight monetary conditions.

But analysts fear the slowdown might be only temporary and that credit expansion can improve again after the introduction of VAT at the end of September.

An analysis of the BA9 returns indicates a huge slowdown in hire purchase and leasing credit creation by banks throughout the banking sector.

The analysis for the quarter ended June, done by Nedfin Bank, shows that banks' growth in total receivables grew by only R113 million, or 0,4 per cent, resulting in a total market size of receivables extended by banks of R28,9 billion.

This represents a huge 87,6 per cent slowdown in growth compared with the first quarter of 1991.

Measured on an annualised basis, the hire purchase and leasing markets have grown by only R3,05 billion, or 11,8 per cent, compared with the previous average annualised growth figures of

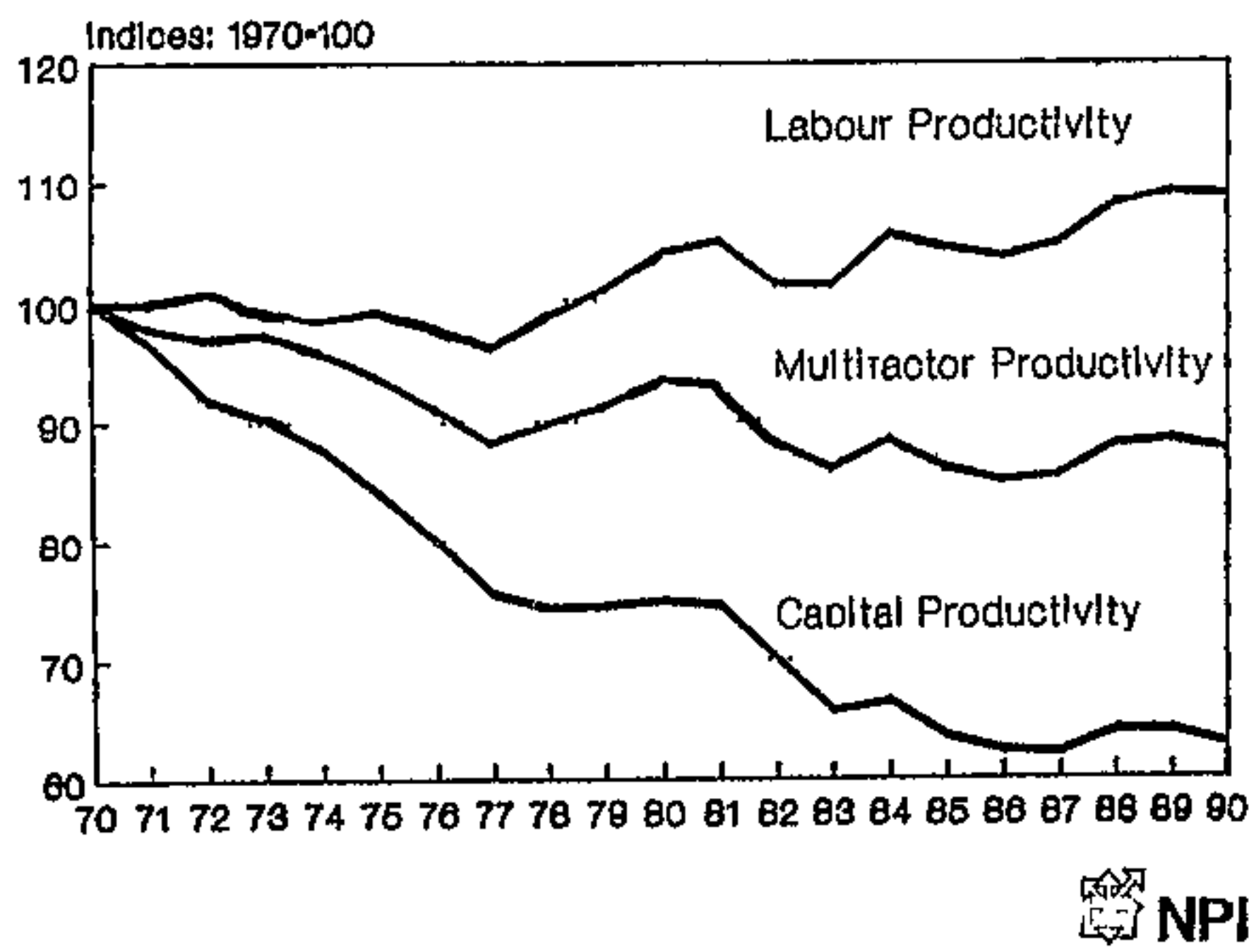
R4,3 billion, or 19,4 per cent at the end of March 1991.

The sharp decrease in growth of receivables is due to the fact that hire purchase credit only grew by R26,1 million over the last quarter. Leasing finance supported the sideways trend by only growing R86,9 million over the last quarter.

Nedfin chief executive Christopher Beatty says the decline in growth of credit creation was not unexpected as the inflation rate seemed to have stabilised at 15,2 per cent.

What was unexpected was the magnitude of the drop.

### MULIFACTOR PRODUCTIVITY IN THE PRIVATE NON-AGRICULTURE SECTORS



## Rates remain high to fight unemployment

**S**OUTH AFRICA needs positive real interest rates — ie higher than inflation — to fight growing unemployment. This, as well as fighting inflation, was advanced by Reserve Bank governor Chris Stals this week as a reason for keeping rates at present levels.

Stals put his finger on what has become one of South Africa's intractable problems in his address to the Bank's AGM.

Realistic interest rates, said Stals, are needed for a proper allocation of resources. They will, among other things, lead to capital being used more productively and to production being re-structured to alleviate growing unemployment.

The Reserve Bank's annual report, released this week, points to South Africa's increasing displacement of workers by capital over the last two decades, especially in the private sector.

Positive real interest rates are normally seen as a method of fighting inflation but the Reserve Bank argues that they are needed to fight unemployment as well, reports **REG RUMNEY**

Indeed, the National Productivity Institute has released statistics which underline the poor productivity performance of capital.

The NPI's productivity statistics show that capital productivity last year declined by 1.8 percent, and labour productivity more or less treaded water with a 0.1 percent decline. Multifactor productivity — the broad measure — showed a 0.9 percent decline.

Increasing use of capital in the private sector is pinpointed by the Reserve Bank. Its annual report says the "capital labour" ratio, which shows the substitution of capital for labour, has levelled out in the public sector.

Various causes are mentioned for the phenomenon of buying machines instead of employing people. In particular, "relative factor prices" were distorted.

Low and often negative (lower than inflation) interest rates meant the cost of capital in the early and mid-Eighties and during the Seventies was relatively low.

The average exchange rate of the rand, especially in the early 1980s, was unrealistically high. Tariff policies protected local industries against foreign competition. There were a number of tax allowances designed to encourage capital investment in manufacturing.

"At the same time labour became more expensive, real wages showed a sharply rising trend because wage settlements generally failed to adequately recognise the relative abundance of less-skilled labour.

"Unionisation, political actions in the trade union movement, protest actions, strikes and unrest added to the non-wage cost of labour."

The annual report also comments that it is not surprising that there was a considerable substitution of labour by capital.

Noting high rates of increase in average nominal salaries and wages in the non-agricultural economy, the report says the South African labour market has become increasingly distorted.

"In contrast to most industrial countries, which have been able to contain wage increases within reasonable limits by decentralising the determination of salary and wage increases, the wage negotiating process in South Africa has become more and more centralised, leading to unrealistically high wage settlements.

"Labour unions have mainly been concerned with broader social and political issues, which are not always work-related and often aimed at maximising short-term benefits for the unions' members, but disregarded the long-term effects of such actions on labour and unemployment.

"Attempts to close wage differentials based on race and sex also did not take underlying supply and demand conditions into consideration."

## Boom in black credit demand

**CREDIT** use by blacks is on the increase and is set to rise even further as retailers continue to tap this market. Rising black wages and higher disposable incomes are the main driving forces of this surge in demand.

According to Information Trust Corporation credit bureau, the black segment of its consumer data base grew from about one million to four million between 1982 and 1991. ITC MD Tony Leng estimates black demand for credit is growing at around 30 percent a year.

A big chunk of this has been in home loans but the main beneficiaries of the growth of credit use have been clothing and furniture retailers.

Leng maintains blacks are "severely under-borrowed" and that the next three years will see a big increase in lending to blacks as retailers prepare to capture this market.

At the start of the black credit boom in the early Eighties, retailers often sacrificed credit worthiness for market share and as a result there were many payment defaults and repossessions.

The credit risk stigma which blacks have now acquired as a result of credit having been available to clearly undeserving people has also landed the white business establishment in a quandary. On the one hand white business is anxious about touching what are perceived as "credit risks". But on the other hand no businessman can ignore a market that will be the decisive factor in the struggles for competitive superiority.

Leng contends the notion of blacks being credit risks is a myth that needs to be dispelled.

"Blacks' willingness to repay is much greater than that of other groups. It is rather the white middle class that is immersed in debt."

However, Kreditinform MD Ivor Jones says although blacks generally make good debtors "political developments and recessions often cause problems".



## Housewives must watch for rip-offs

*(246)*  
*CPNes 11/9/91*  
THE introduction of value-added tax (VAT) will provide consumers with an opportunity to play a more meaningful role in the struggle against the rising cost of living

This was said in Johannesburg by Sally Motlana, president of the Black Housewives' League and a member of the Vatwatch committee

Motlana appealed to housewives to familiarise themselves with VAT, and to speak up when it appeared that retailers were exploiting the introduction of VAT

"Unscrupulous businesses are exploiting consumers because of our ignorance and apathy," she said



**DAILY BREAD ... Sally Motlana says the introduction of VAT is providing consumers with an opportunity to play a more meaningful role in the struggle against the rising cost of living.**

## Project will monitor prices

*(246)*  
*CPNes 11/9/91*  
A COMPREHENSIVE six-month market research project has been launched by Vatwatch to identify price trends before and after the introduction of value-added tax (VAT)

Vatwatch chairman, Professor Louise Tager, said the first research results were expected before the end of last month

It was hoped that by mid-September sufficient information would be available to indicate whether or not businesses were taking advantage of the forthcoming introduction of VAT by increasing prices

"Consumers and businesses should bear in mind that goods already carrying GST could possibly come down in price; and that goods or services currently exempt from GST need not increase by the full VAT rate

The cost benefits which business will enjoy under VAT - a saving of R6-

billion - ought to be passed along to consumers," Tager said

David Geldenhuys, a partner in Interfact, the company commissioned to do the research, said 120 sales outlets countrywide would be monitored. He said a basket of goods and services, ranging from perishables, cleaning materials and other groceries, to a variety of services used by families, would be monitored

The basket would remain constant throughout the research period. Prices would be monitored not only at major shopping centres in urban areas, but also smaller stores in rural areas

Geldenhuys emphasised that the objective was not to compare prices among stores, but to check on the prices of the same goods at the same stores to determine trends in the movements of prices

AN independent body aimed at optimising consumer benefits from the introduction of value-added tax (VAT), was launched last month

Known as Vatwatch, it comprises a committee of people who represent community networks countrywide

It is chaired by Prof Louise Tager, Executive Officer of the Law Review Project and former Dean of the Law Faculty at the University of the Witwatersrand

Tager said the essential objective of Vatwatch was to heighten consumer awareness of trends and movements in retail prices in the months immediately before and after the change-over from GST to VAT

A second objective was to encourage retailers to pass on to consumers the cost benefits VAT will generate

"Ultimately, the aim is to lessen the pressure on the Consumer Price Index and, therefore, on the rate of inflation," said Tager

"Under VAT, the sales tax which business pays on capital and certain other purchases, will no long-

## Vatwatch is looking out for consumers



**PROF LOUISE TAGER ... Encouraging awareness of prices.**

er be a cost borne by business. In effect, this amounts to a saving of R6-billion a year

"Vatwatch will concern itself with the crucial

question of how business will redirect this R6-billion to the country's consumers"

Tager said Vatwatch would stimulate consumer awareness by means of media publicity, an extensive advertising campaign and communication through the networks of several consumer bodies, trade unions and chambers of commerce

"We also intend engaging commerce and industry in an ongoing process of dialogue. Vatwatch will not institute a witch-hunt against the business community

"Rather, we want to see Vatwatch building a bridge between business and consumer

"Business must be encouraged to implement VAT in a way that really overcomes the shortcomings of GST in the best interests of both consumer and business"



# Dual-price tags 'misleading'

By Paula Fray <sup>Star</sup>  
Consumer Reporter <sup>2/19/91</sup>

Inattentive shoppers could be misled by goods also marked with the VAT-inclusive price which takes effect on September 30, Vatwatch warned yesterday.

Several major retailers have dual-priced their goods as a service to their customers and to facilitate the massive re-marking process at the time of the changeover.

Vatwatch is monitoring the use of dual price tags — quoting the present and post-VAT prices — by retailers. One such item brought to the attention of Vatwatch was marked:

- R95,99 excluding GST.
- R107,51 including VAT.

"This could be misleading to the inattentive shopper who may at first glance get the impression that the present price is lower than it will be after the introduction of VAT," Vatwatch chairman Professor

Louise Tager said "In this particular example, the price with GST is R108,46, which is of course higher than the price under VAT."

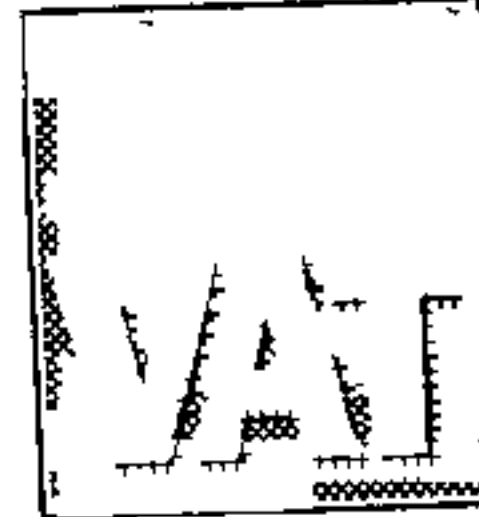
Matters were aggravated by inattentive cash register operators who, according to complaints received by Vatwatch, rang up the VAT-inclusive price and then added 13 percent GST.

The Vatwatch warning and appeal echoes a call made by the Housewives League in its monthly Rands and Sense booklet.

League vice-president Jean Tatham said the change from GST to VAT would present a major communication problem to the majority of South Africans.

While the league understood the practical difficulties facing retailers with the changeover, the prices on dual-priced goods were not comparable, she said.

"One's instinctive reaction is to think that the new VAT-inclusive



price (different-coloured sticker) represents a massive increase. It is only on second thought that one realises that tax has been added.

"Unfortunately the less experienced, or unsophisticated, shopper may not realise this fact," Mrs Tatham said.

The league said the double-price marking was necessary but the customer needed readily accessible information to interpret the prices. Large signs were needed to explain the tax change in simple terms.

# Call for scrapping of 'consumer laws'

THE cause of virtually all consumer problems was the systematic imposition of laws which eroded consumers' rights, Free Market Foundation director Leon Louw said yesterday.

Louw told the SA National Consumer Union conference in Johannesburg that successive "consumer protection measures" had failed to promote consumers' interests and most if not all should now be repealed

Also, laws of civil procedure had to be reformed. This included a substantial deregulation of the legal profession and courts

Most consumer protection measures, Louw said, were shamelessly elitist and harmful for the masses. These included all health laws

"The fact is that any attempt to make a health law (other than the common law) governing food processing and sale is necessarily inappropriate or irrelevant for the vast majority of South Africans

"Recognising this, the government has relaxed food handling laws. The previous standards were conspicuously and obviously designed for the high income, largely white, communities

"The only universally relevant and desirable law appears to be the good old-fashioned common law which provides simply and adequately that no one may sell unsafe food."

## Business Day Reporter

However, consumer protection measures and common law would be ineffective as long as consumers could not get easy and cheap recourse to the courts.

"The Harmful Business Practices Act is a desperate attempt to protect consumers by bypassing the courts presumably because the law makers have given up on them. This is no solution. It merely compounds the problem"

Steps to address the problem would include doing away with the statutory split bar, letting people choose who would represent them, not only lawyers, and letting parties agree to summary hearings without time-consuming paperwork in all courts.

GERALD REILLY reports that Wits University law professor Nicholas Haysom said consumer rights would have to be protected in a new SA and the ANC's draft bill of rights and constitutional proposals provided for this

Haysom is also a member of the ANC's constitutional committee

In addition to regulation of public services and the production of consumer goods, specific empowering mechanisms would be needed to supervise or scrutinise the delivery of services and goods.

# Regional Vat-attack body launches

By Mono Badela and  
Thoraya Pandey 246

A REGIONAL body to fight against VAT emerged from a local summit called by Cosatu and the ANC, held in Cape Town on Wednesday.

The summit attended by political, labour, education, welfare, business and medical organisations supported Cosatu's call for the suspension of VAT until proper negotiations with organisations representing those most affected by VAT were held.

Representatives of the Democratic Party agreed with the call, but could not commit themselves as they had no mandate.

The summit identified mass action as one of its central tasks.

Following a meeting earlier this week

South 519-119191  
between the government and the national community-based VAT Coordinating Committee, Mr Bernie Fanaroff, chairperson of the committee, said the implementation of VAT could be delayed if sufficient pressure was applied.

A joint working committee comprising experts from both sides emerged from the meeting to investigate the implementation of VAT.

Fanaroff emphasised that the agreement reached in no way suggested a backing down on the part of the committee.

"Our objections and demands regarding the implementation of Vat still stand," he said.

Fanaroff added, "we know it is difficult for the minister to change his mind and realise he will not back down without pressure."

Cosatu General Secretary Mr Jay Naidoo said "We are being informed

by various sources that it appears even the Department of Inland Revenue was not fully prepared for the implementation of VAT at the end of September."

A spokesperson for the Western Cape regional body said national negotiations on VAT could only be informed and effective through participation at grassroots level.

He said the body formed would meet on Friday where proposals for mass action would emerge.

"Cosatu and Nactu have already agreed on joint worker action which will be effected after Friday's meeting and broad guidelines were given to the body in the summit," said the spokesperson.

Asked why organisations had responded thus late to the VAT issue, the spokesperson said recommendations had been sent to VATCOM, but were ignored.



# Extended bonds a 'long-term danger'

By Jovial Rantao  
and Shirley Woodgate

Homemowners attempting to beat the deepening recession by using extended bonds to finance cars or holidays have been warned they are playing with fire in the long term.

It was revealed last week by Reserve Bank governor Dr Chris Stals that banks were frustrating attempts to limit credit creation by allowing house owners to borrow against their mortgage loans for luxuries.

Coinciding with Central Statistical Service reports that more than 40 000 workers lost their jobs in four main employment sectors earlier this year, he claimed banks were pushing mortgage loans instead of hire purchase facilities for luxuries because this was more profitable for institutions.

Consumer Council assistant director Daan Kruger cautioned con-

sumers to think hard before entering into any form of debt.

Since continued consumer spending was contributing to escalating inflation, he said it was worrying that people were spending what they did not have.

Tony Leng, managing director of Information Trust Corporation, urged consumers to look at their needs and not their wants, adding "The attitude that they were middle-class and privileged should not reinforce the desire to eat in five-star hotels and live in upmarket suburbs."

He said it was extremely unwise to use long-term finance to purchase short-term luxury items which represented a depreciating asset.

Perm Building Society public affairs manager Theo Coggin said: "We would not encourage clients to use valuable mortgage loans investments on non-essential luxuries they could not afford."

He stressed that people who decided to voluntarily increase home

loan instalments should be allowed the choice of increased flexibility as they had shown a capability to handle their finances responsibly.

Salie Marais, chairman of the Consumer Credit Association, said it was difficult to see what was wrong with drawing on paid-off bond amounts as, unlike with HP, the bank held the house as security.

Stressing that HP interest charges ranged up to 32 percent, he said this was considerably less than the 19,75 percent on home loans.

Professor Tobie van Rhyen, a member of the executive committee of the SA National Consumer Union, said consumers reserved the right, within the constraints of being responsible consumers, to choose to do whatever they wanted with their money.

He said consumers used mortgage loans for other purposes because they were overburdened with taxation, and the cost of living was soaring.

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# Food prices soar in decade — poll

Star 11/9/91  
Consumer Reporter

The cost of the monthly food basket surveyed by the Housewives League increased by more than 240 percent over the past decade, according to the organisation

League president Lyn Morris said the 32-item grocery basket — with the relevant tax rate included — showed an increase of 241,5 percent from June 1981 until June this year.

## Milk powder

In June 1981 the food basket cost R47,96. By June 1986 it cost R87,69 and by June this year the basket cost R163,77.

Mrs Morris said skimmed milk powder (1 kg) increased from R1,58 (including 4 per-

cent GST) in June 1981 to R11,99 (tax exempt) in June 1991 — an increase of 659 percent

A litre of full cream milk increased from 49c to R1,59 during the same period and brown bread increased from 20c (including 4 percent GST) to an average of R1,07 (tax exempt)

Mrs Morris said tax had also had an effect on food prices in the past

GST had escalated over the years from an initial 4 percent with no exemptions in 1978 to the present 13 percent with many exemptions. In future, VAT at 10 percent would affect all food-stuffs with only meal, meal and brown bread being zero-rated.

According to Mrs Morris, the league saw various areas of concern. Among these were

● The difference between the producer and

consumer prices

● Monopolies — did they create inefficiencies and higher costs?

● Agricultural boards — should they be involved in pricing?

● Price increases — often large percentages were cited as being acceptable because they were "below the inflation rate". Did business absorb enough of the costs or was it too easy to pass these on to the consumer?

## Shoplifting

● Was enough being done to combat shoplifting, or was this simply built into prices?

Mrs Morris said the league would be making representations to the commission of inquiry into the high cost of food and was discussing courses of action

# Watchdog body termed ineffective

By Paula Fray  
Consumer Reporter

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The working group established between the Government and the Co-ordinating Committee on VAT meets today as plans for country-wide protests get under way, according to a statement issued by the committee yesterday.

The Co-ordinating Committee on VAT has also called on all organisations taking part in Vatwatch, a body set up to monitor abuses of the new tax system, to withdraw from the watchdog body. The committee said Vatwatch was an "ineffective mechanism for controlling price abuse".

## Defend

"In the present context Vatwatch serves to propagate VAT rather than be a watchdog," the committee said.

Civic Association of the Southern Transvaal representative Sam Ntuli and Andrew Ball from Labour Research Services have withdrawn from Vatwatch, while the National Civics Co-ordinating Committee has suspended a programme of



workshops with Vatwatch until its national body has met.

Vatwatch chairman Professor Louise Tager emphasised that the organisation had consumers' interests at heart.

"Vatwatch was never formed to defend or explain VAT, but only to ensure that if or when VAT was introduced, consumers would get a fair deal," Professor Tager said.

The joint working group, consisting of representatives from the Department of Finance and the VAT committee, is meeting to investigate the postponement of VAT, the effect of VAT on the cost of living, and alternatives to VAT. The group is due to report back to the Minister of Finance and the VAT committee by Monday.

Meanwhile, a wide range of protest actions scheduled to start next week are being planned by the co-ordinating committee and its component organisations, according to the committee.

Public meetings will be held in Johannesburg and Durban on

Thursday, and four separate public meetings have been planned in Cape Town from September 17 to 26.

Cosatu is also planning a number of pickets and marches. Marches are planned for Johannesburg and Bloemfontein on Wednesday. These depend on whether permission is granted.

Daily lunch-hour pickets are planned at the Receiver of Revenue offices in Vereeniging. Permission has also been applied for for marches in six western Transvaal towns on September 21.

## Petitions

According to the committee, thousands of people are still signing petitions. The Society for Dispensing Family Practitioners has collected 330 000 signatures, 130 000 of which have been delivered to the Minister of Finance. The Citizens Against VAT petition campaign has collected 10 000 so far.

Several more organisations have joined the Co-ordinating Committee on VAT since last week. The latest organisations to join include the PAC, the National Council for the Aged, the Consumer React Campaign, Citizens Against VAT and 11 health organisations in Natal.

Star  
13/9/91



# Food and grocery companies pledge to pass tax benefits to consumers

RICA

Consumer Reporter

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ates to adopt the Vatwatch pledge

Star 13/9/91

Some 100 representatives of the food and grocery industries yesterday supported a plea by Vatwatch to pass VAT cost benefits on to the consumer

The meeting, convened by Vatwatch, considered the effects of VAT on consumer prices, and the representatives were asked to sign a "Vatwatch pledge"

In terms of the pledge, companies promised to

- Encourage suppliers to pass cost benefits derived from VAT along the commercial chain
- Pass on to customers the same benefits — and encourage them in turn to do the same with their customers
- Ensure that pricing policies reflect the beneficial effects of VAT, to the ultimate benefit of the consumer.
- Encourage all business asso-

Several companies have already signed the pledge

"The elimination of input tax as a business cost could amount to an enormous saving for commerce and industry," Vatwatch chairman Professor Louise Tager told the meeting

"The passing on of this saving to consumers could amount to the most meaningful contribution yet in the fight against inflation"

## Savings

Unilever chairman Nigel Clayton said cost reductions from the removal of GST on advertising, consumables and other intermediate purchases did not increase their profit margins

Unilever would pass on these savings, despite having spent R1 million on appropriate sys-

tems to handle VAT, he said

Pick 'n Pay chairman Raymond Ackerman said his group would do its "level best" to bring prices down

He appealed to the Government, however, to consider allowing "add-on" pricing where the tax component was shown, primarily for administrative reasons — a call echoed by OK Bazaars

Professor Tager said the Vatwatch pledge was significant as it amounted to a public commitment by business to consumers

"The imminent introduction of VAT has brought the business/consumer relationship to a crucial stage. Either business and consumers will take hands, face the VAT challenge constructively and optimise its benefits to the full, or an unbridgeable rift could develop between the two parties," Professor Tager said

TOWNSHIP

## Food sector to pass on VAT benefits

LESLEY LAMBERT

VATWATCH achieved another victory yesterday when representatives of all sectors of the food industry agreed to support its campaign to pass cost benefits of the new tax on to consumers.

This follows the SABC's decision, after discussions with Vatwatch on Tuesday, to reduce TV licence fees in line with the reduction in the VAT rate to 10%.

A hundred representatives of the food and grocery sectors agreed at a meeting with Vatwatch to pass on savings estimated at R6bn.

But, in another development yesterday, Vatwatch came under strong attack from the VAT Co-ordinating Committee which claimed it was "propagating" the new tax and called on organisations participating in it to withdraw.

The committee, established by organisations such as Cosatu and the ANC, which are opposed to aspects of VAT, said two Vatwatch participants had withdrawn while the National Civics Co-ordinating Committee had suspended a series of workshops with the VAT watchdog.

Responding to the attack, Vatwatch chairman Prof Louise Tager said. "Vatwatch was never founded to defend or explain VAT but simply to ensure that if and when VAT is introduced, consumers get a fair deal."

At yesterday's meeting with the food industry, many of the companies repre-

□ To Page 2

## VAT

sented agreed to sign a Vatwatch pledge to pass on savings in the form of lower prices or slower price increases. They also agreed to maintain pressure for the exemption of more basic foodstuffs to relieve the poor. Among those that signed the pledge were Game, Spar, Metro Cash & Carry, Score Supermarkets, Fedfood, Premier Food, I & J, Unilever and Blue Ribbon Bakeries.

Unilever chairman Nigel Clayton said cost reductions from the removal of GST on advertising and other intermediate costs would be passed on provided retailers and wholesalers did not increase their profit margins.

Retailers undertook to do their "level best" to bring prices down.

But while all participants were unani-

mous in their intentions to address VAT's impact on prices, they said there were factors that would limit their ability to make the new tax deflationary.

Inflation, recent fuel price increases and statutory food price increases would reduce the savings from input credits, Game MD Clive Weil said yesterday.

He said retailers were also concerned about the lack of any clear signals to show that suppliers intended reducing prices.

Premier Food financial director Mike Renwick said while Premier would do all it could to reduce the impact of VAT, input credits would affect only a fraction of its sales, limiting the scope of its ability to pass on benefits.

● Comment: Page 8

□ From Page 1

# Credit is for luxury items, not survival

By MONDLI MAKHANYA  
AS BUSINESSES jostle for market superiority, the man in the street is finding credit increasingly easier to obtain.

The buy now-pay later syndrome has permeated every aspect of our lives. You can basically buy anything from a penthouse to weekly groceries — as long as you can convince your creditor of your ability to pay.

So tempting is this prospect that many a buyer has landed in deep financial difficulty by simply purchasing on credit without ascertaining his or her ability to repay. The credit card revolution has exacerbated the trend as banks trip over each other to grant this facility to customers.

Information Trust Corporation (ITC) director Richard Stothert pinpoints the 19 to 40 age group as the one most vulnerable in the rush by financial institutions to get the business of the first-time credit buyer.

"It is exceptionally easy for the young income earner to obtain a bank account with an overdraft," says Stothert.

Buyers should bear in mind the dangers of ending up in serious debt in times of high interest rates and economic recession, such as now prevail.

An indication of just how far in the debt mire South Africans are sinking is reflected in the latest Central Statistical Services figures. In the first six months of 1991, a record R1-billion in civil judgments against individuals was recorded, a 30 percent hike on the corresponding period last year.

But no matter how much neo-Marxists decry credit as a capitalist ploy to suck the working masses' hard-earned wages, credit — used responsibly — is essentially a good thing.

But it is difficult during a recession to use credit only for the purchase of goods such as cars and furniture costing large sums, and not for everyday transactions. It has now become apparent that many people are using credit for — as ITC managing director Tony Leng says — "survival rather than for the purchase of luxury items".

Before you buy on credit it is important to take personal circumstances into consideration, starting with your take-home pay. After subtracting all your

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Annual income twenty pounds,  
annual expenditure nineteen  
nineteen six, result happiness  
Annual income twenty pounds,  
annual expenditure twenty  
pounds ought and six, result  
misery.

— Mr Micawber in *David Copperfield*

expenses from this figure, and taking cognisance of emergencies and savings commitments, you should determine whether the difference will comfortably accommodate the instalments of your new purchase.

Most retailers are prepared to work out repayments which suit you; take advantage of that. If you do fall into debt, it is to your advantage and your creditor's to work out a suitable compromise.

An obvious — but oft ignored — mechanism for avoiding excessive debt is to make as large a deposit as possible and pay the balance over the shortest possible period. Those who settle for the longest paying period can end up paying double the original price.

Unfortunately too many consumers not only neglect to ascertain their means to repay a debt, but they also deceive retailers of their ability to pay.

Says Kreditinform director Jack Brownrigg: "When people apply for credit they deliberately don't tell their creditors about other financial commitments which they have. In this way the creditor cannot properly check the creditworthiness of the customer. This is often to the detriment of both parties."

Credit cards, which are popular because of user-efficiency, are unfortunately becoming a fallback for cash-strapped consumers.

While scope for abuse is great, credit cards are also an ideal way of saving. Money deposited in your credit card account earns 15 percent interest at most financial institutions.

Consumers need to be aware that credit bureaus keep records of everyone who applies for credit. Retailers rely on these bureaus to determine one's creditworthiness — which means a bad credit record can haunt a consumer for decades.



Focus: So who is creaming it? The butter or the margarine producers?

# Vying for the buyers' hearts

**T**HE butter and margarine manufacturers are at each other's throats again. This time, the butter people have dared to say in advertisements that their product contains fewer kilojoules than its rival, margarine.

The margarine manufacturers have not exactly challenged this assertion but have cried "foul" at the notion of comparative advertising.

Consumers would be helped more if they could get hard information about products, whether or not it involved a comparison. And in this market — which in more ways than the obvious is a fight for the hearts and minds of consumers — hard, factual information is a scarce commodity.

The current row affects people who are in the main concerned about their weight. Will you get fatter on butter or margarine? Even on the basis of the butter manufacturer's figures, there is not much difference. They state in each 500 grams of butter there are 15 000 kilojoules, compared to 16 000 kilojoules in margarine. Any consumer can see that this means overdoing the butter or the margarine will provide for extra weight in roughly the same quantities.

However, this does not deal with the different types of margarine available; it only holds good if the margarine at issue is ordinary margarine, whether in brick or tub form. A claim that a margarine contains less fat is, by definition, a claim that it is less fattening.

But here again, the consumer is led into problem territory. "Low fat" often means the margarine contains between 40 and 56 percent "moisture" — the supermarkets refer to it as water — in place of the fat and the price goes up, not down.

The cholesterol story is a bit more complicated and involves the use of the terms consumers see on margarine tubs all the time

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CRITICAL CONSUMER

Pat Sidley

For "polyunsaturated fat" and "saturated fat", read "good fat" and "bad fat" on the cholesterol war front

For those consumers watching their cholesterol, the aim of the game is to avoid saturated fats, usually found in animal fats as well as in certain vegetable fats. Unsaturated fats are desirable for high cholesterol sufferers because they can bring cholesterol down. At the very least, when they are used in place of saturated fats, they remove the threat of further damage.

However, warns Wits professor Harry Seftel, certain chemical processes are used in the manufacture of hard brick margarines which means the fats become saturated. This is not the case in soft "tub" margarines, he says. Butter, says Seftel, contains saturated fats and will elevate cholesterol.

The purists among medical specialists urge their patients to avoid all saturated fats whenever possible and get used to the idea of eating bread with no spread at all. Consumers, said one specialist, will inevitably get saturated fats in the meat that they eat, and life can be lived quite comfortably without butter or margarine.

For many consumers, the issues are not life-threatening. Some like the taste of butter more and its versatility in cooking. Others like the spreadability of tub margarines.

Very few would like the prices of any of these commodities.

A random sampling this week at one supermarket showed that the product with

most "moisture" in it at 56 percent and "half the fat" — it's called Enjoy — cost R4.09 for 500gms. This basically means paying double (most margarines cost about R4 for 500gms) for the small amount of actual margarine found in the tub.

Enjoy does not boast polyunsaturated fats, as does Floro Light, its stable-mate, also made by Unilever in Durban. 50 percent polyunsaturates and 48 percent "moisture". It also claims to have half the salt but most other margarines do not state the quantity of salt, so no comparison can be made.

Many of the margarines have nutritional information printed on the tub (often only in one official language per tub) and most of it is unintelligible to the normal consumer. A great deal of it is missing, such as: which emulsifiers are used, which colourants and which flavourants.

The butter story is quite simple. It contains about four percent polyunsaturated fat, the rest of the fat is saturated and the product costs up to R4.50 for 500 gms.

One product with more information on the tub than others was "Butro" butter spread. It's not really for cholesterol watchers but would give butter addicts who want a spreadable, less fattening product a look-in. It contains 60 percent butterfat, 20 percent plant oils and 20 percent "moisture" as well as fat-free milk solids, and it lists the colouring agent.

If producers are hoping to change consumers' buying habits in an advertising campaign, perhaps they could find something more persuasive than the fact that margarine is 6.66 percent more fattening than butter. And by the same token, consumers are hardly served by the hysteria that seems to have generated in the other camp.

Hard information is more useful for consumers — whose lives might depend on it.

ON THE SOUTHERN TIP

By MONDLI MAKHANYA

THE glossy pull-out advertisements in newspapers are so appealing — the suite you always wanted on such easy terms. It is difficult to resist being offered 24 months to pay for a R1 000 item.

It usually takes a couple of months before it strikes you that the terms may not be all that easy after all. In fact, you may end up paying close to twice the original purchase price.

Hire purchase (HP) is the most widely used form of credit. It is arguably an essential — whether you belong to the middle class or the toiling proletariat. Few people can afford to pay for expensive household items in hard cash.

When you buy on HP you have to pay a deposit, usually about 10 per cent.

The monthly instalments you pay af-

## Paying the price of paying less now

ter that depend on the amount of money you borrowed for your purchase, and the interest rate you agree to pay. This could be negotiated between the buyer and the seller, but few people are even aware of the interest rate they are paying to borrow money. Most people only look at the monthly repayment.

By buying on HP you are effectively borrowing money from the seller and interest is therefore charged on the item. The interest rates for these — also known as the annual finance charge rate (AFCR) — are subject to the Credit Agreement Act. But the rates allowed by the Act are often far higher than the prime rate — the rate banks charge their best borrowers. This is now 20 per cent. The Act al-

lows a rate of 32 per cent to be charged. Sometimes the retailer, for example a motor dealer, gets a kick-back from arranging finance, and it is not in his interest to ensure you get the lowest rate.

It is sometimes best to avoid the middleman and arrange credit independently of the retailer, if you can, through a finance house like Stannic or Nedfin.

As in all forms of credit buying, before you decide to buy on HP it is important to decide whether you really need the item.

"A lot of people get taken by the glossy adverts and go out to buy new furniture while they could just as well do without," said a credit bureau director

According to Kreditinform director Jack Brownrigg: "People don't seem to be aware of the difference between wants and needs."

If the item is really needed then consider the level of urgency and whether you can save up for it. Saving for the item need not mean you want to buy the item for cash but it will help you put down a much larger deposit and thus lessen the ultimate cost.

It is, as always, important to read the proverbial fine print. Read the HP documents thoroughly and ensure that there are no blank spaces left on the document lest the seller fill them in after you have signed. You should be required to sign only two documents — an application for credit and the hire purchase agreement. Be careful about amount

signing any other documents. The seller may try to make you sign a document entitling him to confiscate the item if you fall into arrears. You don't have to sign it.

Then, if you fall badly behind in your payments the only way to the dealer can repossess the goods is by way of a court order.

The law lays down the period over which repayment may run. These correspond with the minimum deposit payable. For instance, the minimum deposit for a new motor car is 20 per cent of the purchase price and the maximum period of repayment is 48 months. For household furniture 10 per cent is the minimum deposit and it ought to be paid over 24 months.

Remember that a large deposit and a short repayment period ensures the consumer pays the least possible amount.

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# Banks to run furniture debts

*5 Times (Burs)* 15/9/91  
JD GROUP, the furniture retailer comprising Joshua Doore, Price 'n Pride, Bradlows and Score Furnishers, is to sell its debtors' book to a consortium. The buyers — Nedbank, Standard Bank, Senbank, Finansbank, Volkskas and Volkskas Merchant Bank — will own 100% of JD Sales, the book bought at net asset value without recourse to the seller. JD Group will receive a management fee for administering the book, as well as a preference dividend through its subscription for a share entitled to the

246 By JULIE WALKER

distributable profit of JD Sales. The consortium will fund R1 000 and JD Group R750 of every R1 750 sales JD Group chief executive David Sussman says. "The quality of our debtors' book is extremely high. The consortium appointed an independent auditor to verify the quality of our book. Its findings bore out everything we claimed about it." The deal removes the banking ele-

ment from JD Group balance sheet. At December 1990, long-term borrowings were R115-million. Now they are virtually zero. Loans and investments have risen from R11-million to R133-million, reflecting the investment in the preference shares of JD Sales. JD Group becomes a cash operation with capacity to expand. It has R58-million cash compared with R30 000. The consortium gains access to 400 000 account holders plus the paid-up ones, to which its members can market other services.



# Help keep check on rises

By Paula Fray (246)  
Consumer Reporter

Star 17/9/91.

Less than two weeks before VAT is introduced on September 30, Vatwatch has reiterated a call for consumers to help monitor prices before and after the new tax system takes effect

Consumer Union chairman and Vatwatch representative Anna Boshoff said there were several reasons why the organisation was appealing to consumers to monitor the prices of at least three items during the next few weeks

"Firstly, it will heighten consumer awareness of prices before and after VAT," said Mrs Boshoff

"Secondly, it allows consumers to act as their own watchdog through this exercise by being price conscious," she said

"Finally, should there be any exploitation or unrealistic increase in prices, Vatwatch can investigate and consumers can decide for themselves whether they will continue to support the particular retailer"

The Vatwatch appeal to

consumers to focus on a few specific products and repeatedly monitor their prices was working well, the organisation said yesterday

Vatwatch chairman Professor Louise Tager said feedback from consumers monitoring prices constituted the bulk of calls and letters received

During the first week of September, Vatwatch had received 400 consumer reports — of which 270 were about suspected VAT-related price increases

"From the outset we wanted Vatwatch to enhance consumer awareness of price movements.

"The response we are receiving indicates that consumers are now more aware of the rate of price increases and the apparent reasons for increases," Professor Tager said

"Every case of apparently unjustified increases is being taken up by the supplier concerned"

● Readers who want to monitor prices during the next few weeks need only select three items bought regularly at a local supermarket or cafe. Jot down the price this week, next week and then after

THE STAR  
**VAT**  
WATCH

**10%**  
**VAT**

Select any three items sold in a supermarket or cafe where you regularly buy groceries. Watch these prices during the next three weeks and if there are any unnecessary increases report them to The Star

Store Location	Item	WEEK 1	WEEK 2	WEEK 3 After VAT

VAT has been introduced

If there are any unrealistic price increases, report it to Vatwatch at (011) 484-3392 or send the information to The Star Consumer Reporter, Box 1014, Johannesburg 2000

● An urgent call has been made to the Board of Trade and Industries to complete its investigation into rising food prices in less than the planned nine-month period

The appeal was made by Dr Piet Gous, president of the

Free State Agricultural Union, in Bloemfontein yesterday

Dr Gous said the investigation had been instituted at the insistence of organised agriculture because, since 1985, the producer prices of agricultural products had risen at a significantly lower rate than the overall consumer price index of 15,8 percent

In contrast, the food price index had risen at an annual rate of 17,2 percent

## HP-type scheme mooted for affordable housing

MURRAY and Roberts (M & R) Construction hopes to make thousands of low-cost houses available to disadvantaged South Africans, and has approached the major financial institutions to develop HP-type financing schemes

These would be underwritten by the state or Independent Development Trust (IDT) if necessary

"This will bring dignity and hope to the urban poor, more than 60% of whom cannot afford a home costing more than R12 500," says M & R's executive director Gavin Hardy.

At present, financial assistance to prospective homeowners can be offered only via corporations that provide collateral security for employees.

This means many people who may be informally employed but otherwise could afford to buy a home, cannot be financed

"We've proposed that the major banks and building societies offer hire purchase terms over about four years. The home owner would pay about R175 a month, after a 15% deposit, and own the property outright at the end of the term for a R5 300 home," Hardy says

M & R's Waltberg and Maxi homes were developed to offer a real and practical solution to the housing needs of this sector of society. Typically, they can provide 20m<sup>2</sup> of shelter for R5 300 excluding GST or VAT.

HP schemes offer large advantages as the house is paid off over a relatively short period, reducing the total cost

"To reduce costs and red tape, and to maximise the chances of the application being accepted, we've suggested that financial institutions provide HP-type schemes via their infrastructure and that the loans be processed in the same way as any other HP-type application," he says

However, the banks and building societies require an acceptable form of security before providing an HP-type service. A possible solution is to establish a Small Loans Guarantee Fund to cover defaults, he adds.

M & R Construction has approached the IDT to set up such a fund and are awaiting its response

Hardy stresses that the proposed HP scheme will not replace existing loan programmes and subsidies.

# Ignorance, rip-offs worry Vatwatch <sup>(246)</sup>

By Paula Fray  
Consumer Reporter

Fewer than 10 days before the implementation of value added tax, Vatwatch has expressed concern about consumers' inadequate knowledge of the new tax and attempts by many retail store managers to use VAT for price rises.

In the two weeks up to September 4, Vatwatch received 624 reports from consumers countrywide — most of whom expressed alarm at unusual price increases linked to VAT.

At the end of last month, consumers complained of price increases by the country's main supermarket chains, ranging from 20 to 34 percent.

Affected products included breakfast cereals (up 27 percent), soft drinks (19 percent) and certain washing powders (57 percent).

In the first week of this month, the supermarket chains again came under fire — but

this time consumers also queried increases in municipal fees (up an average 22 percent), holiday accommodation (33 percent) and pharmaceutical products (41 percent).

Vatwatch has also received several reports of shopkeepers charging VAT last month, or charging VAT and GST together.

Yesterday, a Star reader reported paying GST on a VAT-inclusive price at a local supermarket.

Vatwatch also reported there were several cases of people blaming VAT for sudden high price increases:

- A Reef municipality increased electricity and water tariffs by 57 percent in July, which a spokesman attributed to VAT.
- A short-term insurance company announced that premiums would increase by 44 percent in October due to VAT.
- Holiday flat rentals in Durban and Hermanus increased by up to 29 percent "due to VAT".
- A medical equipment company is informing customers

prices will rise by 17 percent next month due to VAT.

- A dealer in school uniforms said his 80 percent price increase was due to VAT.
  - A Bloemfontein pharmacy increased the prices of headache pills by 58 percent, explaining VAT and GST had to be paid
  - A Vryheid supermarket increased prices, using several so-called VAT rates ranging from 10 percent to 43 percent.
  - A Kempton Park supermarket manager said he was not responsible for his 50 percent average price increase. "People from VAT came and put VAT price stickers on".
- Vatwatch chairman Professor Louise Tager said consumers' inadequate knowledge and many retail store managers' attempts at using VAT as a justification for price increases were cause for concern.
- "People must not gullibly accept remarks by store managers that prices are up because of VAT. The fact of the matter is that at 10 percent, VAT must bring down the prices of goods currently subject to GST."

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## Vatwatch will not go 'business bashing'

VATWATCH yesterday declined to name the companies which last week it said were contravening the spirit of VAT.

Vatwatch chairman Louise Tager said in an interview yesterday she would not go "business bashing" by releasing the names of the companies. Instead she was relying on their goodwill.

It would be very damaging for the companies if their names were published in the media, she said.

Another problem was proving the prices had gone up because of VAT. Many companies had said the price rises were automatic.

Businesses first would be given a chance to give an explanation and make amends, she said.

If they failed to do so, Vatwatch would not hesitate to publish their names.

Vatwatch's aim of getting business to undertake to pass on the savings which they would make through VAT was under way.

SHARON WOOD

"Unfortunately business was not sufficiently focused on the savings they were going to enjoy," she said.

"Prices, far from going up, should go down with VAT."

The final phase of the Vatwatch strategy would be after implementation. More people would be em-

ployed in a concerted follow-up campaign and they would either phone or go to businesses around the country to ensure that businesses were not pushing up their prices because of VAT.

In addition, a nationwide survey was being done on a monthly basis until the end of the year to determine price trends after the implementation of the tax.

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B (Day 24/9/91)

# Pretoria comes under the spotlight

WITH Pretoria being rated in 1984 as the city with the worst consumer bad debt in SA, it makes sense that the United Institute of Credit Management (UICM) decided to open its first satellite committee in this city. Although the institute has been established for many years, until the end of 1990 its local activities were focused in the Johannesburg area.

Pretoria committee chairman Ian Langworthy says the UICM's Pretoria operations began operating

in January this year. "This development was a first in the Pretoria credit and business community, so it was hard work to encourage interested response."

Nevertheless, the city's first function took place in April and was a "great success".

Two functions held since then have underscored this success and Pretoria business people are showing an increasing interest in the UICM's activities.

With the city's poor rating on the bad debt scales,

he says local businesses have found the UICM's speaker evenings useful.

"So great is the demand for knowledge about improving collections and cashflow management that we decided to hold a Credit and Financial Expo.

"This will take place at the Pretoria Holiday Inn on October 17."

The Expo is designed to assist the local business community to become more aware of the services available to improve their cash flow.

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# R200m saving for consumers as govt zero-rates more foods

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GOVERNMENT approved the zero-rating of more foods yesterday, on the eve of the implementation of VAT.

The concessions, comprising a six-month zero-rating of more foodstuffs and the zero-rating of others which had been scheduled for exemption or subsidisation, followed unsuccessful negotiations with the ANC and Cosatu-led anti-VAT alliance.

The latest list of food zero-ratings includes samp, mealie-rice, whole mealies for human consumption, dry beans, including soya beans, lentils, fresh milk, canned pilchards for human consumption and powdered milk and blends. These concessions will result in a total saving to con-

8/10 Aug 30/9/91  
LESLEY LAMBERT

sumers of the items of R200m

Bully beef and offal, two items included in an earlier compromise offer, appear to have been excluded from the final offer after the anti-VAT alliance branded them as "racist and paternalistic" offers.

Maize meal and brown bread will continue to be zero-rated on a permanent basis and this will represent a R500m saving to consumers each year.

The financial authorities were unable to accommodate requests by the United Municipal Executive for a zero-rating rather than exemption of municipal prop-

erty fees, Finance Minister Barend du Plessis said yesterday.

Other concessions which have already been announced include a R10 monthly increase in all state pensions from October, which will cost the state R150m until the end of the financial year.

The poverty relief programme will spend at least R220m until the end of the financial year and a further R500m will be provided for the continuation of the programme in the 1992/93 financial year.

In a statement issued yesterday, Du Plessis said the additional concessions were aimed at providing further relief to

the poor and unemployed until the poverty relief programme became fully operational and the benefits of VAT filtered through.

Du Plessis urged organisations which provided assistance to the needy to take part in the programme.

ANC secretary-general Cyril Ramaphosa said yesterday government had refused to provide details of the poverty relief programme. He said the ANC believed that an adequate programme did not yet exist and was unlikely to be established in the medium term.

Du Plessis apologised to the business sector for the extra cost and effort of the last-minute concessions.



COMPUTER databases show an increase in black consumers' credit spending.

Information Trust Corporation director Richard Stothert says: "Increasingly larger numbers of black South Africans are obtaining credit cards, overdrafts and

Blow by Blow 30/9/91  
**Black consumers are getting the message**

revolving credit accounts. "During 1990, the level of inquiries received by ITC on black consumers reflected a 30% increase on 1989 figures. "Statistics point towards a 35%-40% increase in 1991 fig-

ures over 1990. "Retailers, financiers and bankers are experiencing an unprecedented surge in demand for credit facilities from black consumers. "This may be viewed as a

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fundamental shift in established patterns, since black consumers have traditionally been cash orientated consumers, while the white sector remains overborrowed. "Fortunately, most institutions have catered for this by investing in the education of staff on advising potential customers how to qualify for credit. Hopefully, this indicates a shift away from more informal means of raising credit from, for example, loan sharks.

# Summonses reach record levels

<sup>B (pcw)</sup>  
AN ANONYMOUS author once wrote "Credit, like the honour of a female, is of too delicate a nature to be treated with laxity — the slightest hint may inflict an injury which no subsequent effort can repair"

This should be borne in mind as the number of summonses and judgments for civil and commercial debt

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reach record levels. (246)

Companies are being forced into the realisation that properly trained credit personnel could make the difference between survival and insolvency in the '90s.

The right credit staff can also help manage company growth

students of credit with a recognised national qualification and professionally conducted programmes

"The CCA recognises a dividing line between the role of education and training.

"A tertiary three-year course in trade credit management was instituted by the United Institute of Credit Management (UICM) last year

"The CCA and UICM are working together to institute a recognised diploma in consumer credit"

Malone says it is equally important to educate consumers about credit and the legal rights of sellers and buyers

"Banks and financial institutions also face a challenge in educating the consumer on the role and function of credit within the economy and how it is granted and controlled

"Without this knowledge, the business infrastructure as understood by so-called First World economies will not dovetail with the realities in SA."

## Lacking

Information Trust Corporation director John Malone, who was previously the Consumer Credit Association's education executive, says "In the past, formal education and training were lacking in the credit industry.

"Credit control was considered a minor staff function

"Untrained people were employed or transferred into the job and expected to provide themselves with on-the-job training"

He says one of the objectives of the recently established Consumer Credit Association is to provide

**CIVIL DEBT JUDGMENTS CLIMB AS THE RECESSION HITS HOME**

THE state of consumer credit is of concern when viewed against a background of increasing civil debt judgments over the past two or three years and the effect of the recession.

There are indications some consumers are unable to meet their debt commitments, says Consumer Credit Association executive director George Coppin.

**Movement**

"Recent trends show a movement from cash purchasing towards credit.

"This points towards a shortage of ready cash and the inclination of consumers to buy before prices increase because of high inflation rates."

He says most consumers have good intentions of meeting their debt com-

mitments when they sign credit agreements, but unforeseen circumstances of unemployment, sickness or other unexpected financial burdens occur.

"In such circumstances it's advisable for the consumer to contact the credit grantor to explain the circumstances rather than to do or say nothing."

It's also important for the consumer to maintain a good credit record, because such records and information are used by the majority of credit grantors to assess credit worthiness.

"The majority of retail credit grantors are prudent in granting credit so consumers aren't overburdened," he says.

However, there are other sources of credit in the market place extended to

consumers via bank credit and mortgage loans, among others, which also add to the consumers' commitments.

"Also, escalating inflation, including aspects such as increased municipal rates and the rising costs of other essential services, is making inroads into incomes."

**Encouraging**

"Taking these factors into account, the immediate outlook for consumers and their ability to meet debt commitments is not encouraging."

Looking at the future, Coppin says an economic upturn is forecast, possibly during 1992, with increased economic activity, which will take some time to benefit consumers.

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**Consumer's  
pal re-elected**

Consumerism activist  
Lillibeth Moolman has  
been re-elected head of  
the SA National Consum-  
er Union — and she in-  
tends to take each issue  
as it comes and get the  
best deal for consumers.

She said the union  
found that consumers  
were still unaware of  
their legal rights in  
terms of redress and  
complaints — Consumer  
Reporter

# Slowdown in credit granted for private use

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6/Day 1/10/91

ANDREW GILL

WHILE many analysts speak of a slight upturn in the near future, the position of consumers in the economy continues to worsen.

The Reserve Bank's September Quarterly Bulletin says credit extended for private consumption and investment expenditure has been far less buoyant than overall extension.

It was reflected in declining increases in hire-purchase credit and leasing

finance which fell to an annual 12.8% in June from December's 17.4%.

The Bank says the slowdown may have been reinforced by the withdrawal of certain tax benefits for credit-granting institutions.

The downward trend was also reflected in balances outstanding on credit cards

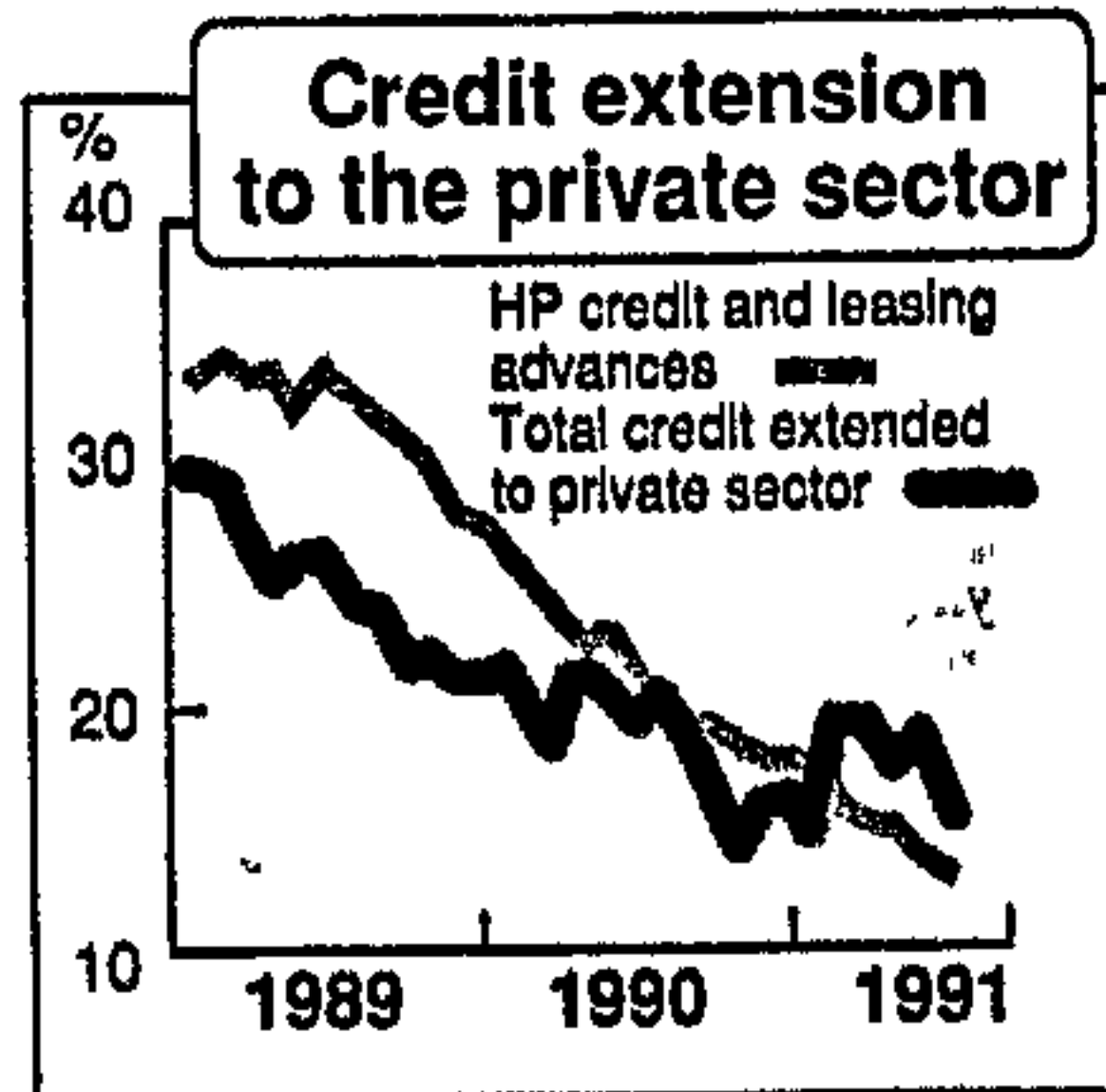
While they amounted to only 2% of banks' claims on the domestic private sector, the view of the Bank was that it reflected developments in spending-related credit.

The annual rate of increase in outstanding month-end balances on credit cards fell to 15.6% at end-June.

This compared to 19.1% in December and 32.2% in December 1989.

Overall credit extended to the private sector, however, showed relatively high increases as a result of banks bringing off-balance sheet items on to the balance sheet.

If growth is measured from end-February to end-June on a seasonally adjusted and annualised basis, the increase is a relatively low 13.8%.



Graphic LEE EMERTON Source RESERVE BANK

Any economic upswing in the economy will not necessarily mean a sharp increase in spending by Mr Average South African.

A great deal of the fruits of the long-awaited upswing will have to be used to rebuild battered personal finances. Bankers and economists are adamant that no sharp upswing in spending is likely in the foreseeable future.

Most white middle-class South Africans are hopelessly in debt.

It will take several years of positive economic growth before private households will be in a position to take on new credit on any significant scale, say the experts.

And the statistics bear out this contention.

Time ran out for the average South African during the '80s, when the financial position of the average people in this country deteriorated sharply.

Since 1979 their debt burden and repayments, have soared, their tax rat has almost doubled and the rate of personal

# Digging our way out of debt hole must become first priority

Star 3/10/91

savings has slumped to less than of a fifth of what it once was in the '60s and early '70s.

The 1980s were a time of heavy borrowing, especially in the "boom" times.

This is attributed to a combination of easier credit and a greater willingness on the part of consumers to accumulate debt.

The abolition of bank credit ceilings in 1980 — and aggressive marketing of credit facilities by banks — were major factors in increased borrowing.

Continued high inflation expectations and

negative real interest rates encouraged the trend.

An increase in house prices and other assets such as share prices, particularly in 1979/1981 and 1986/1988, made people feel wealthier and provided the security for increased debt exposure, it says.

But the slowdown in the 1980s led to growth in real disposable income almost halving — from an average of 3.3 percent a year in the late '70s to 1.9 percent since 1982.

This, and an increase in direct taxes from 6.2 percent of personal

income in 1980 to an estimated 11.1 percent in 1988, made the financial position of the individual less comfortable and standards of living came under pressure.

It prompted people to increase borrowings to defend standards of living.

Essentially, the consumer unlocked previously accumulated wealth to absorb some of the adverse developments of the 1980s.

The level of debt in nominal terms rose more than sevenfold from 1979 to the first half of 1989.

More important was

that outstanding debt rose at a faster rate than aggregate personal disposable income, so that the real debt burden of the consumer escalated rapidly.

The ratio of debt to total personal income, which averaged 19.2 percent in 1979, rose to 45 percent by the first half of 1989.

In this period the growing interest burden associated with the rising level of debt was aggravated by the sharp rise in short-term interest rates.

The interest burden almost trebled between

1979 and the first half of 1989.

The significant hike in short-term interest rates doubled the interest burden between the first quarter of 1987 and the second quarter of 1989.

The result has been a marked rise in the number of individuals failing to make monthly debt repayments on both mortgage and non-mortgage related debt.

The number of civil summonses issued for debt rose 11 percent in the 21 months to June 1991.

The amount of money involved rose 62 percent — from R166 million to R269 million.

The squeeze on the consumer has been further aggravated by the drop in the level of savings. This amounted to between 11.1 percent and 10.2 percent of personal income in the 1960s and 1970s.

But it declined to 3.2 percent in the 1980s and to only 1.8 percent in the second half of 1990.

South Africans are over-borrowed and for the next few years existing borrowers will have to repay their debts

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# Buyers use loaf and turn away from bread

**A farmers' proposal to the Wheat Board — that the selling price of wheat be increased by 18 percent for the 1991/92 season — indicates that a bread price increase, higher than the rate of inflation, can be expected.**

Consumers living below the headline are getting crumbed off with rising prices and are opting for zero-rated maize products as opposed to bread.

The imminent bread price rise could herald the beginning of the end of the ubiquitous white or brown loaf.

Transport, milling, baking and retailing form 60 percent of the cost of the average loaf. Although wheat forms only 30 percent of the cost of bread, price increases in bread production are largely dictated by the wheat price yardstick.

A farmers' recommendation to the Wheat Board — that the selling price of wheat be increased by 18 percent for the 1991/92 season — indicates that a bread price increase, higher than the rate of inflation, can be expected.

Wheat Board, says "The price we will ultimately agree on is likely to be higher than the inflation rate of 15 percent."

However, Chappie Ferreira, the WPO chairman, said the percentage increase was far less than many farmers had requested.

Several other factors place in jeopardy the future of bread as a staple food.

The most obvious one is the end to the bread subsidy. It is not coincidental that financial setbacks to wheat farmers have occurred primarily in the past seven years — the phasing out period of the subsidy.

Secondly, the deregulation of the baking industry has led to differing prices for identical loaves of bread, depending on where they are bought. Many bakers and retailers simply charge as much as they can.

Finally, the refusal of the Government to zero-rate white bread — the staple carbohydrate for most South Africans — could help change the status of bread in the national diet. White bread will no longer be competitive in the carbohydrate market.

Geoff Kahn, Southern Transvaal director of Pick'n Pay, says the chain cannot afford to subsidise VAT on white bread the way it is subsidising brown bread for six months.

He added that it was strange white bread had not been zero-rated, as the "un-



Up, up and away — Consumer Debbi Amos demonstrates how bread prices are set to rise

derprivileged masses" hardly ate brown bread at all.

A spokesperson for Checkers said VAT on white bread would have a severe impact on consumers in lower income groups whose grocery basket is primarily comprised of basic food items and who have no recourse to aid.

When shopping for basics in future, South Africans are likely to choose from carbohydrates other than bread. The first choice will be maize products, most of which are zero-rated, or rice, which is zero-rated even though it is imported.

Brown bread will be the next choice, and then potatoes, which are not zero-rated, although potato farmers and consumer bodies are trying to change that.

It looks as though white bread, South Africa's traditional staple food, may become a luxury, priced way above the old "government sandwich loaf" price.

This would eventually lead to less wheat being produced, particularly as far more wheat is used in white bread than in brown.

The uncompetitive position of white bread in the market will worsen the problems facing wheat farmers increasing costs of fertilizer, insecticides, tractors and harvesters.

Already many farmers are replacing wheat crops with maize, which is proving to be a more profitable crop.

JUSTINE NOFAL

VATWATCH, set up by the government as an independent monitor of abuses of Value Added Tax, has fallen into disarray with doubts being cast on its effectiveness by the body's own chairperson.

Already four members of Vatwatch have quit the body in solidarity with their community-aligned organisations which are spearheading the continued protests against VAT.

"Vatwatch is not truly representative and it cannot function effectively until the impasse between the government and community organisations is broken," said Vatwatch chairperson Professor Louise Täger.

"It's extremely urgent and in the

# Vatwatch collapsing as protests grow

South 1M/10-23/10/91



interest of every South African that this deadlock is broken. "I understand why people have resigned because there is a need for them to identify with the concerns of the VAT Coordinating Committee," said Täger.

The committee, representing trade unions, political organisations and consumer bodies, met this week to finalise a programme of strike action to push for changes to VAT.

The committee said a series of meetings and marches are being planned as a build-up to the planned two-day national strike on November 4 and 5.

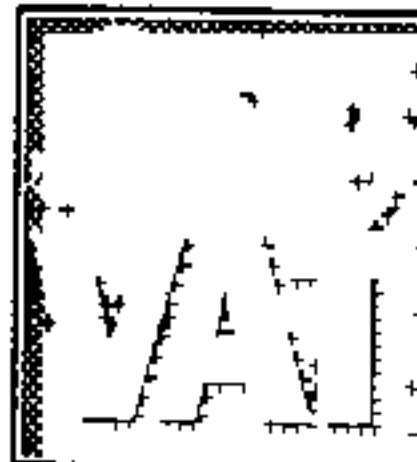
The small business sector has undertaken a letter campaign to State President FW de Klerk and have pledged support for the action programme of the Coordinating Committee.

Protests are also being organised by doctors who on October 28 and 29 plan to request that their patients attend provincial hospitals and clinics to highlight dissatisfaction over the imposition of VAT on certain medical services and equipment.



# Resume talks, pleads Tager

By Paula Fray  
Consumer Reporter



Vatwatch has made an urgent appeal to Government and the Co-ordinating Committee on VAT to resume talks after several organisations withdrew from the tax watchbody.

Vatwatch chairman Professor Louise Tager said yesterday the organisation was finding it extremely difficult to function in an environment clouded by an impasse between the two parties.

The appeal comes as preparations are underway for a further programme of action to demand changes to VAT — including a two-day general strike on November 4 and 5.

Organisations whose representatives have withdrawn are Cast, Nafcoc, Nactu, the Labour Research Service and the Black Consumers' Union.

Professor Tager said Vatwatch had striven from the outset to be a truly representative — and independent — body concerned with the way in which VAT would affect consumers.

"The deadlock between Government and the CCV, however, has led to several bodies withdrawing their representatives from the Vatwatch committee.

"For Vatwatch to be truly representative of all South Africans, all communities must participate in our activities. Unfortunately, this is no longer the case," said Professor Tager.

She said the central concern of Vatwatch was for the poor and the unemployed. At present the organisation was making every effort to persuade the business sector to let its considerable VAT savings filter through to consumers.

Progress had already

been made in the form of the Vatwatch Pledge being signed by many businesses.

The SA Institute of Chartered Accountants has undertaken to encourage its 14 000 members to take a new look at VAT and advise their clients on ways and means of deriving, and passing on to customers, the savings that business would achieve as a result of the demise of GST.

"These savings, however, will take time to reach the consumer. The urgent question is how to deal with the plight of the needy and the unemployed in the next few months," Professor Tager said.

"We believe that constructive talks can be held around major issues such as the imposition of VAT on municipal services in the disadvantaged communities, and on basic nutritional food."

"Other crucial issues are the structure and implementation of a targeted poor relief programme, and the education of small business and consumers about VAT, about its correct implementation and about the savings which business can achieve under the VAT system."

CCV co-ordinator Bernie Fanaroff welcomed the Vatwatch appeal as it showed even the watchbody believed "there is a need to zero-rate further items".

The committee has said its doors were still open for negotiation.



# New scheme to help create employment

Sowetan 21/10/91

246

By ISAAC MOLEDI

UNI-CARD Ltd has introduced a marketing system aimed at transforming the country's marketing of goods and services and also create thousands of jobs.

Multilevel marketing, which the USA *Wall Street Journal* had predicted would account for more than half of America's consumer turnover of goods and services by the late 90s, predicts about R280 million a month discounts and income for its consumer members within the next two years and which would create more than 200 000 full- and part-time jobs in the country.

Selected affiliated Uni-Card sellers will gain many benefits of increased turnover and improved profit margins, according to Uni-Card sales and human resource director Mr Arthur Kruger.

"Uni-Card-affiliated retail outlets pay an advertising and promotional fee to Uni-Card based on a percentage of money spent at their stores by Uni-Card consumer members.

"Uni-Card distributes up to 70 percent of that income back to consumer members. They thus have a strong incentive to shop at affiliated Uni-Card retail outlets and use their cards to prove purchase," Kruger said.

He said the multilevel

marketing gives retailers an accurate measurement of the value of the consumer members participating.

"What's more, since the fee payable to Uni-Card is due only on our consumer's actual purchase, the use of our multilevel marketing system by the affiliated retail outlet cost them nothing unless it generates sales to cardholders."

Kruger said an added advantage to cardholders was the incentive for them to introduce new Uni-Card members as they would earn an introductory bonus on the enrolment plus a percentage of the company's earned fee on that new member normal monthly expenditure.

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# Consumers reel at bread price threat

Star 22/10/91

246

By Paula Fray  
Consumer Reporter

Consumer groups are reeling at the news that bread could go up 17c a loaf after the news yesterday that the Agriculture Minister had approved an 18 percent increase in the wheat price paid to farmers.

The new wheat price follows the 10 percent VAT-related increase in the prices of previously GST-exempt white and wholewheat bread on September 30.

National Black Consumers Union co-ordinator Cynthia Chabeli said the Government had abdicated from its responsibility to the poor, unemployed and aged by allowing the lifting of price control on bread.

"On the one hand it talks about combating malnutrition while on the other hand it remains silent as prices increase," Mrs Chabeli said.

A price increase on bread, at

this stage, would adversely affect the disadvantaged who were still recovering from the effect of the implementation of value added tax, she said.

Housewives' League president Lyn Morris said that while the organisation had sympathy for the farmer they were also concerned about the lower income groups.

She said the new prices could begin filtering through from November. Consumers should check in-store bakeries where transport costs were cut and see if they could get cheaper prices for their bread, Mrs Morris said.

Consumer Union vice-chairman Aletta Geldenhys said the organisation was "upset" at the possible increases as bread was a staple food.

"If this is going to happen, then the sooner the Government can bring in the targeted poverty relief programme for the disadvantaged, the better."

The Wheat Board said yesterday Agriculture Minister Kraai

van Niekerk had approved, on recommendation of the board, an increase to R624,98 a ton for the basic wheat selling price.

The selling price is based on a delivery price to farmers of R600,86 a ton (R660,95 including VAT). The 1990/91 season net delivery price was R508,71 a ton. Producers are expected to get a supplementary payment of R5 a ton at season's end.

The cost of wheat makes up a third of the total cost of bread.

SA Chamber of Baking executive director Nic Alberts said that if the price of flour increased by 13 percent, there would be a 9c increase for each loaf, apart from the eight cents increase predicted by the chamber as a result of rising bakers' costs.

"The basic cost could increase by 17c a loaf. It is up to each baker to decide if they will be able to absorb some of these increases," he said.

Mr Alberts said the profit margins on bread was less than three cents a loaf.

# More and more people are getting into debt

WE are drowning in a sea of debt. And to use a hopelessly over used phrase, things will get worse before they get better.

Debt judgments against private individuals last year totalled R1,7 billion, up sharply from R1,1 billion the previous year, and are set to exceed R2,5 billion this year.

This is the result of almost three years without any economic growth, persistent high interest and inflation rates plus fiscal drag.

The economy is unlikely to record any growth this year. And with each passing month the outlook for next year is deteriorating. The longest post-war recession looks like getting even longer.

Economists have finally given up hope that the economy will show any real growth this year while a cut in interest rates before the end of the year is considered very unlikely.

Some analysts are suggesting that interest rates could even rise in the next couple of months, which would exacerbate the current fragile position of the average salary earner.

Much depends on the movement of interest rates on international markets.

The monthly average value of debt judgments are running at around R182 million this year, almost three times higher than the average in 1988.

And, says Mr Tony Leng, the managing director of ITC who was my guest on Financially Speaking on Radio 702 earlier this week, debt judgments normally tend to lag behind the economic cycle — which does not augur well for the coming months.

A large portion of these judgments are eventually recovered, but at considerable cost to everyone involved.

What cannot be recovered, especially by businesses, is eventually built into the prices of new goods and services.

Many people pay up after debt

Money  
Matters

246  
MAGNUS  
HEYTEK

judgments, but a great number don't have the resources to pay and eventually are declared bankrupt. About 3 000 people will be declared bankrupt this year, estimates Mr Leng.

The sad fact is that in most cases bankruptcy could have been avoided. While many people have genuine hard-luck experiences, the commonest being retrenchment and unemployment, most people could have averted their financial crisis.

Getting into debt is like wandering out into the ocean. The water-level rises little by little until the water reaches neck-level. Then all it needs is one unexpected wave to push you under. The same applies to personal debt.

The unexpected financial "wave" could take many forms. retrenchment, unemployment, inflation, an unforeseen financial knock or a sudden rise in interest rates.

With the future as uncertain as it ever will be, family finances in the next couple of months and even years, should be used to reduce debt levels to more comfortable levels. In fact, most families should strive to get out of debt and build up some reserves equivalent to about six month's earnings.

This might sound impossible, especially when many families are struggling just to keep their heads above water, but this the minimum I would be comfortable with.

● Copies of my latest book called the World of Money are now available from the promotions department of The Star at R35 (incl VAT and postage). The address is 47 Sauer Street, Johannesburg or PO Box 1014, Johannesburg, 2000.



# Row over rent issue

Sowetan 30/10/91

246

THE National Black Consumer Union has questioned whether the Mangaung Civic Association had fully informed its members about the rent issue in Mangaung township near Bloemfontein.

On Friday, the association called a stayaway in protest against the auction of 72 houses by the Mangaung City Council.

A media statement was released in Bloemfontein on Monday by Mr Setshedile Pheyane, of the

NBCU, to which is attached a copy of a letter from the Legal Resources Centre in Johannesburg to the MCA dated August 27 1991.

This letter stated that the Legal Resource Centre was in the process of negotiating a settlement with the MCC. It confirmed that the course adopted was in the best interest of all parties as the residents do not have legal grounds to contest the action instituted by the MCC.

The LRC confirmed that

it was trying to set up a meeting between the OFS Provincial Administration, the MCC, MCA and a delegation of residents to resolve the ongoing rent and services boycott.

Pheyane said that if what was contained in the letter was true, there was "a big circus going on in Mangaung".

He said consumers had the right to be informed and that right was not negotiable. Members of the civic association, as a segment of the consumer public, had an inalienable right to be informed of the true state of affairs of developments of their organisation.

## Recourse

Pheyane asked whether residents had been told that there was no legal recourse on the rent issue and that a settlement meeting was to be arranged.

If not, it would "mean dishonesty of the highest degree" by the leadership concerned.

He said the civic association owed it to all residents to publicly inform them about the true position of civic matters.

## Exploited

Otherwise it meant that the community and other organisations of Mangaung had been "deliberately abused and exploited through work stayaways and consumer boycotts".

Pheyane also blamed councillors for the dilemma in which the community found itself.

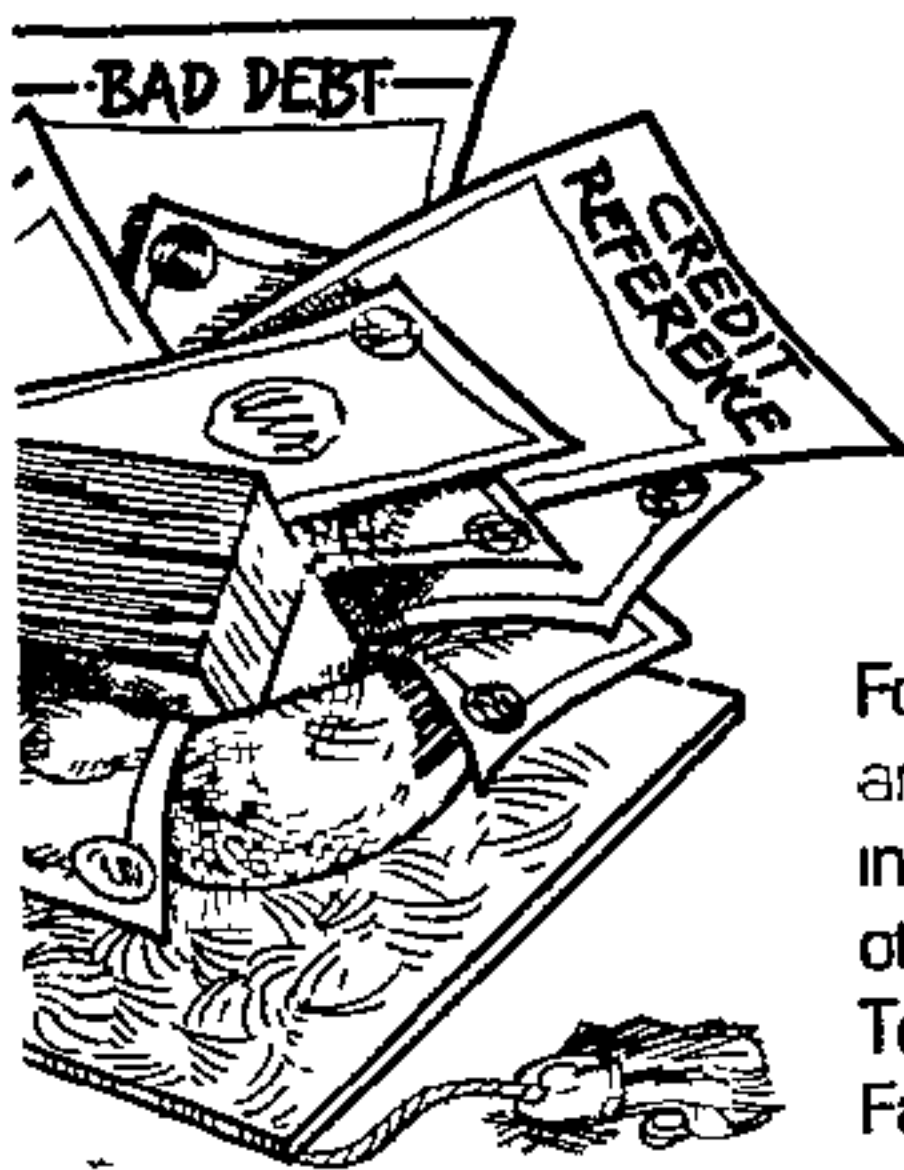
Councillors could not blame it on the "comrades" for not holding public meetings, as there were newspapers, radio and television to disseminate information. - Sapa.

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## Vatwatch to take cue from general strike

**SIMON WILLSON** (246)

VATWATCH is deferring any plans to replace the committee members who quit last month until after next week's planned general strike. *B/Daw 1/11/91*

Half the 10-member Vatwatch committee pulled out of the organisation in mid-October after pressure from the Co-ordinating Committee on VAT.

Vatwatch chairman Prof Louise Tager voiced concern yesterday that, with committee members missing, Vatwatch was no longer nationally representative.

But Vatwatch spokesman Pierre de la Rey said. "We have no particularly active campaign to re-recruit people to the committee. We'll wait and see what happens after the strike."

Representatives of Nafcoc, Nactu, the Civics Association of the Southern Transvaal (Cast), the Black Consumers' Union and the Labour Research Service have quit the committee.

Tager is now assisted by the five remaining committee members representing the Rand Aid Association, the SA Consumer Council, the SA Consumer Union, the Housewives' League of SA and the Black Housewives' League.

De la Rey said the members who had withdrawn had done so in sympathy with the co-ordinating committee view that government should have formed a statutory body "with teeth", to monitor VAT's implementation.

"We are just waiting to see what rhetoric and statements emerge next week — whether the strikers support Vatwatch, shoot it down or dismiss it. The committee will then consider its future."

Tager said each member of the Vatwatch committee had a constituency to represent. "Most of the people who have left have constituencies in the poor community. We want Vatwatch to be nationally representative and our concern is that the majority of the poor are now not represented."

Pending a decision on the vacancies on the committee, work is going ahead on surveys of the prices of goods and services. Today is the last day of Vatwatch's first

□ To Page 2

## Vatwatch

*B/Daw 1/11/91*  
post-VAT prices survey The data will be analysed next week and publication of the survey is expected mid-month The watchdog is also finalising sectorial market research into office rentals since the introduction of VAT

De la Rey said publication of a list of VAT offenders profiteering from the new tax was unlikely "We have not come across any blatant crookedness, so we have no list to publish It's wonderful to see the general response from business people

(246) □ From Page 1  
Most of the explanations for price rises have been satisfactory"

Tager said the concept of price controls had been raised in the Vatwatch committee. "There was a brief discussion but the practicality and merits of price controls are far off our thinking at this stage They tried it in other parts of the world in the '70s and it did not really work A lot of people believe that regulation is prejudicial to the consumer"



# Johannesburg, where the living is (fairly) **cheap**

Star 9/11/91

Derek Tommey

JOHANNESBURG is one of the cheapest cities in the world to live in, the Union Bank of Switzerland says in its tri-annual survey of prices and earnings world-wide

The bank bases its comparison on the prices that have to be paid for a basket of goods and services of more than 100 items in 48 major cities

With Zurich prices equal to an index number of 100, prices in Johannesburg are equal to 51.1

In Oslo the index is 115.5, in Tokyo 115.0, in Helsinki 113.6, and Stockholm 111.3. These are the world's most expensive cities

At the other end of the scale are Bogota (37.9), Cairo (37.1) and Bombay (30.3)

On a par with Johannesburg are Lisbon (56.2), Athens (53.8) and Mexico City (49.8).

Would-be emigrants might like to know that the index for London is 84.2, for New York 83.3, for Los Angeles 79.8, Montreal 72.7 and Sydney 70.8.

However, while Johannesburg may be relatively cheap, wages and salaries are on the low side

With average wages and salaries in Zurich equal to 100, the index for Johannesburg is 25. The index is based on the wages and salaries in 12 occupations

● Primary school teacher, bus driver, car mechanic, construction worker, skilled metal worker, cook, department manager in the metal-working industry, electrical

engineer, bank teller, secretary to a manager, saleswoman and woman textile workers.

The index for Johannesburg is slightly above that of Hong Kong and just below Nicosia's. However, the Johannesburg index is well above the 5.1 for Nairobi and 2.3 for Lagos

It is well below the 45.5 for

London and Dublin, 51.7 for Sydney, 65.4 for Toronto, 68.2 for New York and 70.7 for Los Angeles

However, after taking into account both earnings and prices, the bank finds people in Johannesburg are not as badly off as low wages and salaries suggest.

On a scale of 100, the buying power of Johannesburgers is 48.9

This is about half that of Zurich (100), Geneva (97.2), Luxembourg (97), Frankfurt (97) and Chicago (96.7)

Johannesburg is roughly on a par with Seoul (47.4), but well above Hong Kong (37.1), Tel Aviv (35.1) and Lisbon (31.9)

Londoners have a purchasing power of 54.1. In Dublin the figure is 59.9, in Sydney 73, in New York



But Johannesburgers pay through the nose for electrical appliances. A basket comprising a refrigerator, frying pan, electric sewing machine, colour TV, autofocus camera, electric steam iron, vacuum cleaner (canister type) and a hair dryer costs \$2 760 here. The cost is \$2 350 in Dublin, \$1 760 in London, \$1 740 in Los Angeles, \$2 490 in Sydney and \$1 750 in Toronto

The same basket costs \$232 in Lisbon, \$227 in Sydney, \$293 in Tel Aviv, \$301 in London, \$316 in Dublin, \$350 in Toronto, \$389 in Los Angeles, \$517 in Zurich and \$743 in Tokyo

The basket of 39 food items costs \$205 in Johannesburg. In only six other cities are prices lower. Buenos Aires (\$192), Rio de Janeiro (\$175), Sao Paulo (\$167), Nairobi (\$144), Bogota (\$137) and Bombay (\$116)

When it comes to buying food, Johannesburg seems a good place to be

The same basket of goods and services would cost \$1 114 in Hong Kong, \$1 175 in Tel Aviv, \$1 225 in Toronto, \$1 236 in Sydney, \$1 394 in Los Angeles and \$1 470 in London.

Included were food products, beverages, tobacco products, personal care articles, clothing, household appliances, transport costs and personal services

The basket of goods would cost \$892 in Johannesburg

81.8, in Los Angeles 88.6 and in Toronto 93.2

The Union Bank used a basket of goods and services containing 112 different items to determine living costs



# Black consumer body decides to go it alone

Consumer Reporter (246)

In a bid to establish independence as a consumer watchdog, the National Black Consumers Union (NBCU) has announced its disaffiliation from the Foundation for African Business and Consumer Services.

According to the NBCU, established in 1984 by various women's organisations, it had decided in the interests of consumers to become independent and therefore neutral.

The advantages of this were obvious, said NBCU president Nonia Ramphomane.

"It will give us the opportunity to deal with anybody without being influenced by the rule or policies of any organisation, be it political or business," she said.

"We will also be in a position to praise, criticise or condemn the

practices of any organisation or body without fear or favour. This, we believe, will be in the interest of the consumer and the development of this country."

Mrs Ramphomane said the union looked forward to the day when it would not be perceived as merely a consumer body for black consumers but "as an organisation which serves the interests of all South African consumers".

● The organisation has expressed concern about recent articles linking it to a misuse of funds from the National Endowment for Democracy in America.

NBCU past president Ellen Kuzwayo pointed out that all funds received by the organisation were accounted for and that the union had never been included in the original report into the misuse of funds.

# VAT savings 'not being passed on' <sup>246</sup>

By Paula Fray <sup>Star</sup>  
Consumer Reporter 12/11/91

VAT savings were not being passed on to consumers, either through ignorance or profiteering, an accountant said yesterday.

Kevin Fagan said at a Vatwatch presentation that although VAT did not add to, and in some cases decreased, business costs, there was growing evidence that savings were not being passed on to consumers.

The presentation followed a Vatwatch survey finding that prices had fallen by a mere 0.29 percent last month with a cumulative rise of 4.53 percent in the three months since the end of July. Vatwatch chairman Pro-

fessor Louise Tager yesterday issued a warning against increases being accepted willy-nilly. She said the potential savings of VAT were far more substantial than just the difference between the GST rate of 13 percent and the VAT rate of 10 percent.

Co-ordinating Committee on VAT co-ordinator Dr Bernie Fanaroff said yesterday that in the light of statistics, the CCV would ask President de Klerk to reopen negotiations on the new tax.

He said the survey vindicated what the CCV had been saying: "That VAT would be highly inflationary and cost-savings would not be passed on to consumers."

Consumer Union represen-

tative on Vatwatch, Anna Boshoff, said the consumer group was very perturbed about the survey results.

Consumer Council spokesman Ina Wilken said that considering VAT was introduced at 3 percent less than GST, business could now benefit from lower production costs and pass on lower prices to consumers.

The National Black Consumer Union made a renewed call for legislation to force businesses to pass on VAT savings. NBCU president Nonia Ramphomane said the survey indicated businesses were not passing on savings to consumers.

● Stayaway just first salvo  
— Page 19.

# CP: no legal way to ensure VAT savings

By Paula Fray

246

Star 13/11/91

It was up to private enterprise to pass on possible price cuts as a result of VAT because there was no legal way to enforce this, Conservative Party spokesman on finance Casper Uys said yesterday.

Mr Uys said he believed the higher prices found after the introduction of the new tax on September 30 were the result of a mixture of profiteering and ignorance on the part of business.

From a legal point of view there was nothing that could be done about the price increases, he said.

"It is up to private enterprise to pass on to the public possible decreases in prices due to input

credits. There is no legal way of enforcing this," said Mr Uys.

However, he did not believe legislation was a necessary or an effective way of breaking the inflation spiral.

"It will mean creating a bureaucracy which will not be worthwhile," he said.

"The main problem as far as inflation is concerned is that there is no increase in productivity but an aggressive demand for higher wages which has no relation to productivity at all," Mr Uys added.

African National Congress spokesman Saki Macozoma said the price rises were what the organisation had warned against during various discussions with the Ministry of Finance.

"The attitude of the Minister was that we should help put pressure

on business to pass on these savings. But that kind of pressure is very difficult to mount, other than by consumer boycotts which the Government, would not want," Mr Macozoma said.

"It is incumbent upon the relevant Government department to ensure savings are passed on to consumers," said Mr Macozoma, adding that to the public it was obvious that prices were rising.

"The Government might say this is a temporary reaction but we believe this is a permanent price hike.

"Business might say the cost of changing to VAT justifies the price hike, but VAT is a simpler tax and the savings should be passed to consumers," he said.

"We call on the Government to take appropriate action to protect consumers."



Star 13/11/91

# Code governing 'grey imports' mooted

Consumer Reporter (246)

A code of conduct for the sale of "grey imports" is being considered by the Business Practices Committee following numerous complaints earlier this year that consumers paid more for the "cheaper" products

Grey imports bear the names of well-known brands but, as

they are not brought in by official distributors, have no after-sales service

BPC chairman Professor Louise Tager said the committee was looking at a code of conduct for the sale of "grey imports" or parallel goods where there was no service back-up or spare parts

The code would include an obligation to the seller to inform customers as well as an obligation on the buyer to check the product. The warning of "let the buyer beware" would also apply, Professor Tager said.

Consumer Council assistant director, communications, Daan Kruger said the consumer body welcomed the moves.

**KENNISGEWING 1085 VAN 1991****DEPARTEMENT VAN MANNEKRAG**

WET OP ARBEIDSVERHOUDINGE, 1956

INTREKKING VAN REGISTRASIE VAN 'N  
VAKVERENIGING

Ek, David William James, Nywerheidsregistrator, maak hierby kragtens artikel 14 (2) an die Wet op Arbeidsverhoudinge, 1956, bekend dat ek die registrasie van die East Cape Local Authorities Employees Association met ingang van 5 November 1991 ingetrek het.

**D. W. JAMES,**

Nywerheidsregistrator.

(15 November 1991)

**KENNISGEWING 1086 VAN 1991****DEPARTEMENT VAN HANDEL EN NYWERHEID**

WET OP SKADELIKE SAKEPRAKTYKE, 1988

Ek, David de Villiers Graaff, Adjunkminister van Handel en Nywerheid en Toerisme, handelende namens die Minister van Handel en Nywerheid en Toerisme, publiseer hiermee, kragtens artikel 10 (3) van die Wet op Skadelike Sakepraktyke, 1988 (Wet No. 71 van 1988), die verslag van die Sakepraktykekomitee oor die uitslag van die ondersoek deur die Komitee gedoen kragtens Algemene Kennisgewing 256 van 1991 soos gepubliseer in *Staatskoerant* No. 13061, gedateer 15 Maart 1991, soos in die Bylae uiteengesit.

**D. DE V. GRAAFF,**

Adjunkminister van Handel en Nywerheid en Toerisme.

**BYLAE**

VERSLAG No. 14

**NOVIO FINANCIAL ADVISORS BK**

## INHOUD

1. Inleiding
2. Die partye
3. Agtergrond
4. Vertoe deur Novio
5. Novio se kontrakte en ander dokumentasie
6. Die sakepraktyk
7. Evaluering van die sakepraktyk
  - 7.1 Skadelike sakepraktyk
  - 7.2 Openbare belang
8. Gevolgtrekking en aanbevelings

**1. Inleiding**

Gedurende 1990 het die Suid-Afrikaanse Koördinerende Verbruikersraad en die Nuusblad-Persunie klagtes ontvang oor 'n besigheid wat onder die naam Reficul Industries sake gedoen het. Die Suid-Afrikaanse Koördinerende Verbruikersraad en die Nuusblad-Persunie het die aangeleentheid na die Sakepraktykekomitee ("die komitee") verwys. Die Regshulpburo van Johannesburg het ook klagtes onder die aandag van die komitee gebring. Berigte daaroor het van tyd tot tyd in die pers verskyn, wat die aandag gevestig het op sakepraktyke wat deur hierdie besigheid en die eienaar daarvan, ene mnr. Lucifer Spokie van Zyl, beoefen is. Dit het later geblyk dat mnr. Van Zyl ook onder die naam Novio Financial Advisors BK sake gedoen

**NOTICE 1085 OF 1991****DEPARTMENT OF MANPOWER**

LABOUR RELATIONS ACT, 1956

CANCELLATION OF REGISTRATION OF A TRADE  
UNION

I, David William James, Industrial Registrar, hereby notify, in terms of section 14 (2) of the Labour Relations Act, 1956, that I have cancelled the registration of the East Cape Local Authorities Employees Association with effect from 5 November 1991.

**D. W. JAMES,**

Industrial Registrar.

(15 November 1991)

**NOTICE 1086 OF 1991****DEPARTMENT OF TRADE AND INDUSTRY**

HARMFUL BUSINESS PRACTICES ACT, 1988

I, David de Villiers Graaff, Deputy Minister of Trade and Industry and Tourism, acting on behalf of the Minister of Trade and Industry and Tourism, do hereby, in terms of section 10 (3) of the Harmful Business Practices Act, 1988 (Act No. 71 of 1988), publish the report of the Business Practices Committee on the result of an investigation made by the Committee pursuant to General Notice 256 as published in *Government Gazette* No. 13061 dated 15 March 1991, as set out in the Schedule.

**D. DE V. GRAAFF,**

Deputy Minister of Trade and Industry and Tourism

**SCHEDULE**

REPORT No. 14

**NOVIO FINANCIAL ADVISORS CC**

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**1. Introduction**

During 1990 the South African Co-ordinating Consumer Council and the Newspaper Press Union received complaints about a business being conducted under the name of Reficul Industries. The South African Co-ordinating Consumer Council and the Newspaper Press Union referred the matter to the Business Practices Committee. Complaints were also brought to the notice of the Business Practices Committee ("the committee") by the Legal Aid Bureau of Johannesburg. From time to time reports appeared in the press, drawing attention to business practices carried on by this business and its owner, a certain Mr Lucifer Spokie van Zyl. It appeared subsequently that Mr Van Zyl was also doing business under the name of Novio Financial Advisors CC



Mnr Van Zyl se firma het oënskynlik sake gedoen deur finansiële hulp aan verbruikers te verleen en deur as 'n tussenganger tussen verbruikers (skuldenaars) en hulle skuldeisers op te tree.

Die komitee het kragtens artikel 8 (1) (a) van die Wet op Skadelike Sakepraktyke, 1988 ("die Wet"), 'n ondersoek ingestel. Kennis van die ondersoek is kragtens artikel 8 (4) van die Wet gegee in Algemene Kennisgewing 256 van 1991, gepubliseer in *Staatskoerant* No. 13061 van 15 Maart 1991. Die kennisgewing het belanghebbende persone versoek om skriftelike voorleggings aan die komitee voor te lê binne 14 dae na die datum daarvan.

Die komitee het ongeveer 50 briewe van kliënte van mnr. Van Zyl ontvang. Verskeie briewe is ontvang van prokureurs wat deur kliënte gelas is om gelde van Novio te eis.

Die komitee het samesprekings gevoer met die partye wat hieronder beskryf word, hulle kliënte, hulle skuldeisers en werknemers van Novio. Novio se dokumente en rekords is ondersoek.

Die komitee lê sy verslag kragtens artikel 10 (1) van die Wet voor.

## 2. Die partye

Die partye is mnr. Lucifer Spokie van Zyl, Donovan Pretorius, Henry Strydom, Tienie du Toit, Dewald Ahlers, Gert Fingerling, André Smith, Jan Human, Chris Saaman, Hardus Brandt, Philip Venter, Ferdie Beeslaer, Novio Financial Advisors BK (BK No. 90/24792/23), Reficul Industries en werknemers of agente van bogenoemde.

Die partye is nie almal in dieselfde mate of op dieselfde wyse by die besigheid betrokke nie en het verskillende administratiewe en organisatoriese hoedanighede. Die partye het nietemin as 'n span onder leiding van mnr. L. S. van Zyl opgetree. Vir die doel van hierdie verslag sal daar na mnr. Van Zyl en die ander partye as "Novio" verwys word. Enige verwysing na "Novio" sluit ook "Reful Industries" in.

## 3. Agtergrond

Soos in deel 1 genoem is, is ongeveer 50 briewe van kliënte van Novio ontvang in reaksie op die komitee se aangekondigde ondersoek. Hierdie briewe het vanoor die hele Suid-Afrika gekom, byvoorbeeld van Port Shepstone, Soweto, Benoni, Boksburg, Wattville, Alberton, Daveyton, Vryheid, Duduza, Kempton Park, Ermelo, Vosloorus, Hennopsmeer, Ellisras, Matsulu, Meadowlands, Germiston, Secunda, Ladysmith en Dube.

Die storie wat uit die beskikbare getuienis ontvou, dui daarop dat die meeste van Novio se kliente verbruikers in 'n ernstige finansiële verknorsing was wat nie in staat was om hulle skuldeisers se eise en agterstallige eise te betaal nie. Ander het om verskeie redes krediet nodig gehad, soos vir die aankoop van 'n voertuig vir gebruik as 'n taxi.

Die tipiese Novio-klient was dikwels 'n verbruiker wie se inkomste onvoldoende was om aan sy skuldeisers se eise te voldoen, wat nie 'n aantreklike kredietrisiko was nie en dus nie geredelik by konvensionele kredietinstellings soos banke en kredietkaartmaatskappye vir krediet gekwalifiseer het nie.

Mr Van Zyl's firm ostensibly conducted business by granting financial assistance to consumers and by acting as an intermediary between consumers (debtors) and their creditors.

The committee instituted an investigation in terms of section 8 (1) (a) of the Harmful Business Practices Act, 1988 ("the Act") Notice of the investigation was given in terms of section 8 (4) of the Act by General Notice 256 of 1991 published in *Government Gazette* No. 13061 of 15 March 1991. The Notice invited interested persons to direct written submissions to the committee within 14 days of the date thereof.

The committee received approximately 50 letters from clients of Mr Van Zyl. Several letters were received from attorneys who had been instructed by clients to demand moneys from Novio.

The committee held discussions with the parties described below, their clients, their creditors and the employees of Novio. Documents and records of Novio were perused.

The committee submits its report in terms of section 10 (1) of the Act.

## 2. The parties

The parties are Messrs. Lucifer Spokie van Zyl, Donovan Pretorius, Henry Strydom, Tienie du Toit, Dewald Ahlers, Gert Fingerling, André Smith, Jan Human, Chris Saaman, Hardus Brandt, Philip Venter, Ferdie Beeslaer, Novio Financial Advisors CC (CC No 90/24792/23), Reficul Industries and employees or agents of the above.

The parties are not all to the same degree or in the same way involved in the business and have diverse administrative and organisational capacities. The parties nevertheless acted as a team under the leadership of Mr L. S. van Zyl. For the purpose of this report Mr Van Zyl and the other parties will be referred to as "Novio". Any reference to "Novio" also includes "Reful Industries".

## 3. Background

As mentioned in part 1, approximately fifty letters were received from clients of Novio in reaction to the committee's announced investigation. These letters came from all over South Africa, for example, from Port Shepstone, Soweto, Benoni, Boksburg, Wattville, Alberton, Daveyton, Vryheid, Duduza, Kempton Park, Ermelo, Vosloorus, Hennopsmeer, Ellisras, Matsulu, Meadowlands, Germiston, Secunda, Ladysmith and Dube.

The story which unfolded from the available evidence indicated that most of Novio's clients were consumers in severe financial plight, being unable to satisfy the claims and arrears claims of creditors. Others had need of credit for a variety of reasons, such as for the purchase of a vehicle for use as a taxi.

The typical Novio client was frequently a consumer whose income was inadequate to satisfy his creditors' claims, who was not an attractive credit risk and thus did not readily qualify for credit with conventional credit institutions such as banks and credit card companies.



Die huidige ekonomiese omstandighede en toenemende werkloosheid dra by tot uiterste finansiële druk vir duisende verbruikers. Groeiende getalle verbruikers bevind hulle in 'n posisie waar hulle deur knelende finansiële verpligtinge gedwing word om alle moontlikhede vir finansiële verligting op die proef te stel.

#### 4. Voorstellings deur Novio

Novio het in die dagpers en weeklikse tydskrifte geadverteer deur hulp aan te bied aan persone wat skuldprobleme ondervind, wat 'n behoefte aan finansiering het, wat 'n lening of konsolidasie van skuld wou hê of wat oorbruggingskapitaal of kontant nodig gehad het. Die advertensies het stiptelike en bekwame diens, gemoedrus en verlossing van skuldprobleme aangebied en het die aandag gevestig op die beskikbaarheid van lenings of die moontlikheid van die konsolidasie en distribusie van skuld.

Novio het die kliente basies met een van twee indrukke gelaat. Kliente wat 'n voorskot wou hê, is meegedeel dat hulle vir 'n lening kwalifiseer wat beskikbaar sal wees sodra daar aan sekere formaliteite voldoen is en 'n vereiste betaling aan Novio gedoen is. Baie kliente wat gedink het dat hulle om 'n lening aansoek doen, was later verras toe hulle ontdek dat hulle ooreenkomste aangegaan het vir die distribusie van hulle skulde en dat Novio namens hulle finansiering moes verkry van 'n ander instelling soos 'n bank of 'n makelaar.

Kliente wat probleme met spesifieke skuldeisers se eise ondervind het, is meegedeel dat Novio hulle sal help deur middel van skulddistribusie, in welke geval Novio die klient se skulde aan sy skuldeisers sou vereffen en as alleenskuldeiser in die bestaande skuldeisers se plek sou tree. Dié kliente is onder die indruk gebring dat Novio as alleenskuldeiser in die plek van hulle bestaande skuldeisers sou kom. Die klient sou dan die hele skuld aan Novio terugbetaal. Sover daar vasgestel kon word, is kliente nie meegedeel dat Novio slegs as skulddistribueerder sou optree nie wat bloot die kliente se gelde sou invorder en sodanige gelde namens die skuldenaar onder skuldeisers sou toedeel en as geleibuis vir betalings aan skuldeisers sou optree.

Dit blyk duidelik dat baie kliente nie die aard van die ooreenkoms met Novio verstaan het nie en onder die indruk was óf dat hulle 'n lening sal ontvang of dat Novio die betaling van hulle skuld sal oorneem, waarna hulle uitstaande bedrae direk aan Novio sou terugbetaal.

Kliente is byna onmiddellik na aansoek verseker dat hulle vir 'n lening "kwalifiseer" of dat 'n lening reeds "goedgekeur" is. Daar is aan kliente vertel dat hulle die verlangde finansiële bystand sal ontvang sodra hulle die aanvanklike betaling aan Novio gedoen het. Die aanvanklike betaling was gewoonlik min of meer tien persent van die skuldenaar se totale skuldverpligting.

The current economic circumstances and growing unemployment contribute to extreme financial pressure for thousands of consumers. Growing numbers of consumers find themselves in a position where they are forced by pressing financial obligations to pursue all possible avenues of financial relief.

#### 4. Representations by Novio

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Novio advertised in the daily press and weekly magazines offering assistance to persons experiencing debt problems, who had need of financing, desired a loan or debt consolidation or who needed bridging capital or cash. The advertisements offered prompt and competent service, peace of mind and deliverance from debt problems, and drew attention to the availability of loans or the possibility of the consolidation and distribution of debts.

Novio basically left one of two impressions with clients. Clients who required an advance of money were informed that they qualified for a loan which would be forthcoming as soon as certain formalities had been met and a requisite payment made to Novio. Many clients who thought they were making application for loans were surprised on later discovering that they had entered into agreements for the distribution of their debts and that Novio needed to obtain financing on their behalf from another institution such as from a bank or a broker.

Clients who had difficulty with specific creditors' claims were told that Novio would assist them by means of a debt distribution, in which event Novio would discharge the client's debts to his creditors and as sole creditor step into the shoes of the existing creditors. These clients were led to believe that Novio would be substituted as sole creditor in the place of their existing creditors. The client would then repay the whole debt to Novio. As far as could be ascertained clients were not informed that Novio would act only as a debt distributor, merely collecting moneys from the client and apportioning such moneys among creditors on the debtor's behalf, acting as a conduit for payments to creditors.

It is clear that many clients did not understand the nature of the agreement with Novio and were under the impression either that they would receive a loan or that Novio would take over the payment of their debts, whereupon they would repay outstanding amounts directly to Novio.

Clients, almost immediately upon application were assured that they "qualified" for a loan or that a loan had already been "approved". Clients were told that they would receive the desired financial assistance, when they had paid the initial payment to Novio. This initial payment was usually more or less of the order of ten per cent of the debtor's total debt obligation.



Novio het in elke geval aangevoer dat die verlangde lening binne enkele dae beskikbaar sal wees of dat die eerste betaling aan skuldeisers onmiddellik 'n aanvang sal neem. In sommige gevalle is kliente telefonies ingelig dat die geld beskikbaar is en net afgehaal kan word. Kliënte wat gekom het om die geld af te haal, is egter van bakboord na stuurboord gestuur en is uiteindelik meegedeel dat die geld in werklikheid deur 'n bank of makelaar verkry moet word.

##### **5. Novio se kontrak en ander dokumentasie**

Ingevolge die standaard kontrak wat deur Novio verskaf is en wat die kliente moes invul, het die klient gewaarborg dat 'n genoemde bedrag sy totale skuldverpligting uitmaak. Hierdie waarborg het die kliente aan moontlike kontrakbreuk blootgestel aangesien dit moeilik is om so 'n bedrag akkuraat te bereken (Kyk brief van Novio se prokureurs re REFICUL INDUSTRIES/A VILJOEN, gedateer 9 Augustus 1989.)

Ingevolge die kontrak het die klient onderneem om maandeliks 'n bepaalde bedrag aan Novio te betaal vir voorlopige distribusie onder die klient se skuldeisers, behoudens die bepalinge van die kontrak. Versuim om aan hierdie onderneming te voldoen het kontrakbreuk van die klient se kant uitgemaak. Hierdie kontrakbreuk het 'n grond gevorm waarop Novio die kontrak kon kanselleer en daarop aanspraak kon maak dat hy geregtig is om die geld wat hy ontvang het, te behou.

Voltoorde kontrakte is aan kliente gestuur, vergesel van 'n brief wat verklaar dat Novio voorlopig kragtens paragrawe 5 en 6 van die kontrak (die skulddistribusie-ooreenkoms) sou optree totdat paragraaf 9 (verkryging van 'n lening van 'n derde party) in werking tree.

Volgens paragraaf 9 van die kontrak het Novio onderneem om die klient aan 'n persoon of instelling ('n makelaar) voor te stel by wie die klient aansoek kan doen om 'n lening vir 'n bedrag wat hom (die klient) in staat sou stel om in enige stadium sy totale skuldverpligting te vereffen. Kliente het nagelaat om die kontrak te lees en dit lyk asof die meeste van die klaers onbewus was van hierdie klousule voordat hulle die ooreenkoms met Novio aangegaan het. Hulle het daarvan bewus geword toe hulle die begeleidende brief hierbo bedoel, ontvang het.

Ingevolge die kontrak het die klient ook spesifiek erken dat sy aansoek om 'n lening vir die betaling van sy skuldeisers nie deel vorm van die ooreenkoms tussen hom en Novio nie en dat afsonderlike ooreenkoms tussen hom en die makelaar aangegaan sal word. Die komitee kon nie een geval vind waar 'n lening in werklikheid aangegaan is nie, en nie een klient het ooit werklik enige geld van Novio ontvang nie.

As so 'n lening sou realiseer of die klient op 'n ander manier daarin sou slaag om sy skuldeisers se eise ten volle te vereffen, sou 'n bedrag gelyk aan twee persent van die totale skuldverpligting aan Novio betaalbaar word.

Die kontrak sou verstryk sodra al die klient se skuld vereffen is of met een maand se wedersydse kennis

Novio maintained in every case that the desired loan would be available within a matter of days or that the first payments to creditors would commence immediately. In some cases clients were informed by telephone that the money was available and had only to be collected. Clients who arrived to collect money were, however, sent from pillar to post and were eventually told that money actually had to be obtained through a bank or broker.

##### **5. Novio's contracts and other documentation**

In terms of the standard form contract provided by Novio which had to be filled in by the clients, the client guaranteed that a stated amount represented his total debt obligation. This guarantee exposed the client to a possible breach of contract because it was difficult to calculate such an amount accurately. (See letter from Novio's attorneys re REFICUL INDUSTRIES/A VILJOEN, dated 9 August 1989.)

In terms of the contract the client undertook to pay a stipulated amount monthly to Novio for provisional distribution among the client's creditors, subject to the provisions of the contract. Failure to comply with this undertaking amounted to breach of contract on the part of the client. This breach constituted a ground on which Novio could cancel the contract, and claim entitlement to retain the moneys received.

Completed contracts were sent to clients accompanied by a letter which stated that Novio would provisionally act in terms of paragraphs 5 and 6 of the contract (the debt distribution arrangement), until paragraph 9 took effect (obtaining of a loan from a third party).

According to paragraph 9 of the contract Novio undertook to introduce the client to a person or institution (a broker) to whom the client could apply for a loan for such amount as would enable him (the client) to discharge, at any stage, his total debt obligation. Clients failed to read the contract and most complainants appear to have been unaware of this clause prior to their entering into the agreement with Novio. They become aware of it when they received the covering letter referred to above.

In terms of the contract the client also specifically acknowledged that his application for a loan for the payment of his creditors did not form part of the agreement between himself and Novio, and that separate arrangements would be made between himself and the broker. The committee could not find one case in which of a loan had actually been effected; nor did one client ever actually receive any money from Novio.

If such a loan were to have materialised or the client were otherwise to have succeeded, in settling the claims of his creditors in full, an amount equal to two per cent of the total debt obligation would become payable to Novio.

The contract would expire when all the client's debts were settled or on one month's mutual notice.



Paragrafe 5 en 6 van die kontrak het gestipuleer dat Novio "Waarborgaktes" aan skuldeisers sou stuur en reëlings met skuldeisers sou tref vir die betaling van gelde aan hulle. Paragraaf 5 het bepaal "The administrator undertakes that within ten (10) days from the date of closure 2 above-mentioned, that he will make arrangements with debtors/creditors by sending out deeds of guarantees, and speedily thereafter arrange with creditors according to the amount paid in at administrators on a temporary monthly basis on which might be agreed upon for creditors to be paid out"

Die waarborgakte het skuldeisers ingelig dat Novio deur die skuldenaar aangestel is om rekenings by skuldeisers te vereffen en dat betalings maandeliks gedoen sal word. Skuldeisers is versoek om die bedrae van uitstaande skulde te bevestig.

Baie skuldeisers het korrespondensie van Novio summier verwerp en het geweier om hierdie organisasie se reg om namens skuldenaars op te tree, te erken. Novio het versuim om sy swak posisie in die handelsgemeenskap aan voornemende kliënte oor te dra, terwyl dit, na die komitee se mening, duidelik sy plig was om dit te doen.

Ingevolge paragraaf 6 het Novio verder onderneem om namens die skuldenaar op te tree en om die klient in kennis te stel as enige van die skuldeisers deelname aan die distribusieooreenkoms weier.

Soos reeds aangedui, het versuim van die klient om enige ooreengekome betaling aan Novio te maak, Novio gemagtig om die ooreenkoms te beëindig. As Novio dit nodig sou ag om enige regstappe teen die klient te doen, was hy daarop geregtig om sy koste op die hoër skaal van prokureur-en-klient-gelde te verhaal. Die klient het spesifiek erken dat die gelde wat ingevolge die kontrak gehef word, redelik is. Die komitee wil sy besorgdheid boekstaaf dat verbruikers in gevalle soos dié blootgestel moet word aan kontrakklousules wat hulle aanspreeklik maak vir die betaling van regskoste op prokureur-en-klient-basis.

Die standaard kontrak bevat 'n lys van die gelde wat deur die klient aan Novio betaalbaar is en bepaal dat betalings wat van kliente ontvang word, in die eerste plek vir die betaling van Novio se gelde gebruik word. Novio het aanspraak gemaak op 45 persent van die eerste maandelikse of eerste vier weeklikse betalings wat deur die klient gedoen word en op 20 persent van alle verdere betalings. 'n Bedrag van R120 is gehef vir die ontvang van instruksies en die opstel van die kontrak. 'n Verdere R75 is gehef vir die verwysing na die geldvoorskietter. Items soos brenne aan kliënte (R7,50) en aan skuldeisers (R6,50), fotostate (R1,20 elk), posgeld (R0,80 per brief), waarborgaktes (R8,00), bekendstellingsbriewe (R6,50) en tjeks wat uitgestuur is (R4,50), was ook op die lys.

Die volgende berekening illustreer die posisie van 'n klient wat Novio nader met 'n totale skuld van R10 000. Administrasiekoste kan tipies R650 beloop. As die klient 10 paaiemente van R1 000 elk betaal, beloop totale uitbetalings aan Novio R2 900 en bedra kommissie dus R2 250. As dieselfde klient 'n aanvanklike betaling van R5 000 doen, gevolg deur vyf maandelikse betalings van R1 000 elk, kan sy totale rekening vir uitbetalings R3 900 bedra. Die bedrag van Novio se vergoeding word dus grootliks deur die bedrag van die

Paragraphs 5 and 6 of the contract stipulated that Novio would send "Deeds of Guarantee" to creditors and would make arrangements with creditors for the payment of moneys to them. Paragraph 5 provided: "The administrator undertakes that within ten (10) days from date of closure 2 above mentioned, that he will make arrangements with debtors/creditors by sending out deeds of guarantees, and speedily thereafter arrange with creditors according to amount paid in at administrators on a temporary monthly basis on which might be agreed upon for creditors to be paid out"

The deed of guarantee informed creditors that Novio had been appointed by the debtor to discharge accounts with creditors and that payments would be made monthly. Creditors were requested to confirm the amounts of outstanding debts. (246)

Many creditors rejected communications from Novio outright, and refused to recognise the right of this organisation to act on behalf of debtors. Novio failed to communicate its poor standing with the commercial community to prospective clients when, in the committee's view, it had a clear duty to do so.

In terms of paragraph 6 Novio further undertook to act on behalf of the debtor and to inform the client if any of the creditors declined participation in the distribution arrangement.

As indicated failure by the client to make any agreed payment to Novio entitled Novio to terminate the agreement. Should Novio have found it necessary to institute any legal proceedings against the client it was entitled to recover its costs on the higher scale of attorney and client fees. The client specifically acknowledged that the fees levied in terms of the contract were reasonable. The committee wishes to record its concern that consumers should in cases like these be exposed to contractual clauses making them liable for the payment of legal costs on attorney and client basis.

The standard form contract contained a schedule of the fees payable by the client to Novio and stipulated that payments received from clients would in the first place be applied towards the payment of Novio's fees. Novio laid claim to 45 per cent of the first monthly or first four weekly payments made by the client and to 20 per cent of all further payments. A fee of R120 was claimed for the taking of instructions and for the drafting of the contract. A further R75 was claimed for the reference to the money lender. Items such as letters to clients (R7,50), to creditors (R6,50), photocopies (R1,20 each), postage (R0,80 per letter), deeds of warranty (R8,00), letters of presentation (R6,50), and cheques sent out (R4,50) were also listed.

The following calculation illustrates the position of a client who approached Novio with a total debt of R10 000. Administrative costs could typically amount to R650. If the client paid 10 instalments of R1 000 each, total disbursements to Novio would amount to R2 900, commission thus amounting to R2 250. Had the same client made an initial payment of R5 000, followed by five monthly payments of R1 000 each, his total account for disbursements may have amounted to R3 900. The amount of Novio's remuneration is thus



klient se eerste betaling bepaal 'n Klient wat 'n totale skuld van bykans R200 000 gehad het, het 'n deposito van R7 680 betaal. In hierdie klient se geval het administrasiekoste R3 274 beloop en die kommissie R3 456. Dié klient het 'n vorm vir aansoek om skuld-distribusie sowel as 'n onherroeplike volmag onderteken wat Novio magtig om 'n lening van R192 000 namens hom aan te gaan.

#### 6. Die sakepraktyk

Die beweerde sakepraktyk wat die onderwerp van die ondersoek was, behels aan die een kant die verlening van finansiële bystand aan verbruikers in die vorm van lenings wat van derde partye verkry word, en aan die ander kant skuldbemiddeling tussen verbruikers en skuldeisers.

Hoewel Novio voorgegee het dat hy sake doen deur die toestaan van lenings aan verbruikers, was dit net 'n front om geld uit hulle te trek in die vorm van die eerste betaling ingevolge die distribusieooreenkoms. Selfs waar daar 'n duidelike verstandhouding was dat Novio 'n lening sou toestaan, het geen lenings in werklikheid gerealiseer nie, en daar is 'n sterk vermoede dat Novio geweet het dat daar geen lenings beskikbaar is of ooit sal wees nie.

Die skema van skulddistribusie wat deur Novio bedryf is, was niks meer nie as 'n voorwendsel om verbruikers wat dit die minste kan bekostig, te stroop van geld wat nodig was vir huishoudelike doeleindes of om aan die eise van skuldeisers te voldoen.

Vertrouend op hulle ooreenkoms met Novio en beloftes wat deur sy werknemers gemaak is, het baie verbruikers hulle betalings aan skuldeisers gestaak en hul betalings aan Novio gerig. Dit het in verskeie gevalle daartoe gelei dat skuldeisers regstappte teen sulke verbruikers ingestel het, wat daartoe gelei het dat hulle huise, voertuie en meubels verloor het. Novio het, bo en behalwe om geld van verbruikers te neem waarvoor daar min waarde in ruil gegee is, sy kliente se kontraktuele ooreenkomste met hulle skuldeisers ontwrig, en daardeur die skade wat hulle gely het, vergroot en vererger.

Om Novio se rekeningkundige rekords as 'n boekhoustelsel te beskryf, doen die uitdrukking geweld aan. Daar is geen poging aangewend om trustgelde te identifiseer nie. Gelde wat ontvang is, is nie in 'n trustrekening gedeponeer nie, maar in verskillende gewone bankrekenings. Tjeks wat oenskynlik aan kliente se skuldeisers uitgemaak is en gewissel is, kon nie na skuldeisers teruggevoer word nie. Kliente se gelde is direk gebruik om vir Novio se bedryfsuitgawes en salarisse te betaal. Die komitee het 'n sterk vermoede dat Novio alle gelde wat ontvang is, sonder meer as sy eie beskou het.

Toe kliente begin het om navraag te doen oor waarom lenings nie gerealiseer het of waarom skuldeisers nie betalings van Novio ontvang het nie, is doelbewuste ontduikings- en vertragingstaktieke dikwels toegepas. Lêers is ver lê of daar is gesê dat die fotostaatmasjiën buite werking was, dit was feitlik onmoontlik om beamptes van Novio telefonies te bereik; boodskappe het onbeantwoord gebly en besoeke deur kliente aan die kantore is ontmoedig; talle verskonings is aangevoer waarom beamptes nie beskikbaar is nie.

largely determined by the amount of the client's first payment. A client who had total debts of close to R200 000 made a deposit of R7 680. In this client's case administrative fees amounted to R3 274, and commission to R3 456. This client signed both a debt distribution application form and an irrevocable power of attorney, authorising Novio to obtain a loan of R192 000 on his behalf.

#### 6. The business practice

The alleged business practice which was the subject of the investigation involves on the one hand the advancing of financial assistance to consumers in the form of loans to be obtained from third parties, and on the other hand debt mediation between consumers and creditors.

While Novio purported to be in the business of advancing loans to consumers this was merely a facade for extracting money from them in the form of the first payment under the distribution arrangement. Even where there was a clear understanding that Novio would advance a loan no loans actually materialised and there is a strong inference that Novio knew that no loans were available or would ever be available.

The scheme of debt distribution operated by Novio was nothing more than a pretext for fleecing consumers who could least afford it of money needed for household purposes or for meeting the claims of creditors.

In reliance of their agreement with Novio and promises made by its employees, many consumers discontinued their payments to creditors, and redirected their payments to Novio. In several cases this led to creditors taking legal action against such consumers, causing them to lose homes, vehicles and furniture. Novio, in addition to taking from consumers money for which little value was given in return, disrupted its clients' contractual arrangements with their creditors, thus magnifying and compounding the harm suffered by them.

It would do violence to the term to describe Novio's accounting records as a system of bookkeeping. No effort was made to identify trust moneys. Funds received were not deposited in a trust account but were deposited in several ordinary bank accounts. Cheques ostensibly made out to client's creditors that were cashed could not be traced to creditors. Client funds were applied directly to pay for Novio's business expenses and salaries. The committee has a strong suspicion that Novio summarily treated all moneys received as its own.

When clients started to make enquiries as to why loans had not materialised or why creditors had not received payments from Novio deliberate tactics of evasion and delay were frequently applied. Files were misplaced or the photocopier was said to be out of order; it was virtually impossible to contact officials of Novio by telephone; messages went unanswered and visits by clients to the offices were discouraged, numerous excuses were offered as to why officials were unavailable.



Talle verbruikers het uit pure desperaatheid na Novio se kantore toe gegaan. As kliente daarn geslaag het om met Novio te skakel, is daar aan hulle gesê dat hulle aansoeke na 'n makelaar gestuur is vir goedkeuring, en dat hulle spoedig oor die uitslag van die aansoek ingelig sal word. Fotostatiese afdrucke van tjeks wat deur Novio aan skuldeisers uitgemaak is, is dikwels aan kliente gestuur of getoon in 'n deursigtige poging om hulle onder die indruk te bring dat die skuldeisers wel betaal word. In 'n paar gevalle is betalings van relatief klein bedrae in werklikheid gedoen. Hierdie blufbetalings is bedoel om kliente se agterdog en vrese te besweer.

### 7. *Evaluering van die sakepraktyk*

Ingevolge artikel 1 (x) van die Wet beteken "sakepraktyk" ook (a) enige ooreenkoms, reeling of verstandhouding, hetsy regtens afdwingbaar of nie, tussen twee of meer persone, en (b) enige skema, praktyk of handelsmetode.

Die komitee is oortuig dat die sakepraktyk wat in afdelings 3 tot 6 van hierdie verslag beskryf word, vir die doeleindes van artikel 1 (x) van die Wet 'n sakepraktyk uitmaak.

Artikel 1 (xi) van die Wet bepaal dat 'n skadelike sakepraktyk enige sakepraktyk is wat regstreeks of onregstreeks die uitwerking het of waarskynlik sal hê om—

- (a) die verhoudinge tussen besighede en verbruikers te skaad;
- (b) enige verbruiker onredelik te benadeel; of
- (c) enige verbruiker te mislei.

#### 7.1 *Skadelike sakepraktyk*

Die aard van verbruikersuitbuiting kan dikwels met een van die volgende omstandighede verband hou, naamlik gebrekkige instemming tot 'n kontrak deur 'n verbruiker; misleiding van die verbruiker; en onbillike kontrakbepalings, wat veral by kontrakte in standaard vorm algemeen is. In Novio se geval was al hierdie elemente teenwoordig.

Gebrekkige instemming kom byvoorbeeld voor as onredelike verkoopdruk op 'n verbruiker uitgeoefen word of as sy onkunde, swak geletterdheid of ander onvermoe op oneerlike wyse uitgebuit word. Misleiding kan as een van die meer prominente oorsake van gebrekkige instemming by verbruikers gesien word. In sommige gevalle kan gebrekkige instemming of misleiding bedrog uitmaak. Kontrakbepalings kan markrealiteite soos die verbruiker se relatiewe kennis, geletterdheidsvlak en handelondervinding, die skaarheid van die produk of diens en die vlak van mededinging in die spesifieke mark weerspieel.

Gedurende die Middeleeue is daar geglo dat daar so iets soos 'n billike of regverdige prys is. Vandag weet ons egter dat burokrate nie markpryse kan bepaal nie en dat prysbeheer selde, indien ooit, in belang van die verbruiker is en dat dit hom waarskynlik eerder sal benadeel. Hoewel daar aanvaar word dat dit nie vir 'n derde party moontlik is om te bepaal in watter markverhouding 'n prys en 'n spesifieke produk/diens kontraktueel teenoor mekaar moet staan nie, kan 'n opvallende wanbalans tussen 'n prys en 'n sekere produk/diens in 'n gegewe geval tot die gevolgtrekking lei dat een van die partye nie die kontrak sou gesluit het as hy die inhoud daarvan verstaan het nie of dat hy die kontrak as gevolg van misleiding of onredelike druk gesluit het.

Numerous consumers came to Novio's offices in sheer desperation. When clients succeeded in making contact with Novio they were told that their applications had been forwarded to a broker for approval, the outcome of which application they would be informed shortly. Photostat copies of cheques which had been made out by Novio to creditors were frequently sent or shown to clients, in a transparent effort to lead them to believe that creditors were actually being paid. In a few cases payments of relatively minor amounts were actually made. These token payments were designed to allay clients' suspicions and fears.

### 7. *Evaluation of the business practice*

In terms of section 1 (iii) of the Act "business practice" includes (a) any agreement, arrangement or understanding, whether legally enforceable or not, between two or more persons; and (b) any scheme, practice or method of trading.

The committee is satisfied that the business practice described in sections 3 to 6 of this report amounts to a business practice for the purposes of section 1 (iii) of the Act.

Section 1 (vii) of the Act provides that a harmful business practice is constituted by any business practice which, directly or indirectly, has or is likely to have the effect of—

- (a) harming the relations between businesses and consumers,
- (b) unreasonably prejudicing any consumer; or
- (c) deceiving any consumer.

#### 7.1 *Harmful business practice*

The nature of consumer exploitation can frequently be related to one of the following circumstances, namely defective consent by a consumer to a contract; deception of the consumer, unfair contractual terms which are particularly prevalent in standard form contracts, and defective performance by firms. In Novio's case all these elements were present.

Defective consent may for example be encountered when unreasonable sales pressure is exerted on a consumer or when his ignorance, poor literacy or other inability is dishonestly exploited. Deception can be viewed as one of the more prominent causes of defective consent by consumers, in some cases defective consent or deception may amount to fraud. Contractual terms may reflect market realities such as the consumer's relative knowledge, literacy levels, commercial expertise, the scarcity of the product or service and the level of competition in the particular market.

During the middle ages it was thought that there was something such as a fair or just price. Today we know however that bureaucrats cannot determine market prices and that price control is seldom if ever in the interest of the consumer and is moreover likely to harm him. While it is accepted that it is not possible for a third party to determine in what market relationship a price and a particular product/service ought to stand to each other contractually, a striking imbalance in a given case between a price and a certain product/service can lead to the inference that one of the parties would not have concluded the contract if he had understood its contents, or that he concluded the contract as a result of deception or unreasonable pressure.



Verbruikers kla dikwels oor gebrekkige prestasie. Die gevolge benadeel sowel besighede as verbruikers. Gebrekkige prestasie en die inhoud van 'n kontrak hou egter direk met mekaar verband [Kyk in die algemeen Cooote B *Exception Clauses* (1964) Sweet & Maxwell, Londen]

'n Spesifieke kontrak kan byvoorbeeld so bewoord word dat dit die prestasie wat verbruikers redelikerwys kan verwag, uitsluit. Die verpligtinge van die besigheid kan op so 'n wyse bewoord word dat hy wesenlik onthef word van die lewering van selfs skromelik gebrekkige prestasie. In dié sin kan die kontrak self deel vorm van bedrog teen die verbruiker. By die evaluering van Novio se sakepraktyk het die komitee van die standpunt uitgegaan dat Novio se kontrak saam met sy handeling oorweeg moet word.

Skulddistribusie en bemiddeling kan oor die algemeen beskryf word as optrede deur 'n bemiddelaar wat onderneem om namens 'n skuldenaar betalings aan skuldeisers oor te dra en/of om met skuldeisers te onderhandel met die oog daarop om toegewings deur die skuldeiser aan die skuldenaar te verkry.

Ingevolge die prosedure wat by artikel 74 van die Wet op Landdroshowe, Wet 32 van 1944, bepaal word, kan 'n landdroshof, as 'n skuldenaar nie in staat is om die bedrag van 'n vonnis wat in die hof teen hom verkry is, te betaal of om sy finansiële verpligtinge na te kom nie, 'n administrasiebevel verleen waarin daar voorsiening gemaak word vir die administrasie van die skuldenaar se boedel en vir die vereffening van sy skuld in paaiemente of andersins. Die skuldenaar kan self om 'n administrasiebevel aansoek doen. Die prosedure is beskikbaar slegs as die totale bedrag van die skuld nie R20 000 te bowe gaan nie (kyk Goewermenskennisgewings R. 2736 en 11063 van 1987-12-11, Regulasiekoerant 4158).

Die voorgeskrewe prosedure vereis dat gespesifiseerde inligting in die vorm van 'n beedigde verklaring aan die hof verskaf moet word. Ongeletterde skuldenaars kan deur die klerk van die hof gehelp word om die nodige vorm in te vul.

'n Administrasiebevel wat deur die hof verleen word, spesifiseer die bedrag van betalings wat ingevolge die administrasiebevel deur die skuldenaar aan die administrateur gedoen moet word. 'n Administrateur wat nie 'n amptenaar van die hof of 'n regspraktisyn is nie, moet sekuriteit gee vir die behoorlike en stiptelike betaling deur hom van alle gelde wat in sy besit gekom het op grond van sy aanstelling as administrateur.

'n Administrateur moet alle gelde wat hy van of namens skuldenaars wie se boedels onder administrasie is, ontvang, in 'n afsonderlike trustrekening by enige bank in die Republiek inbetaal as hy nie 'n praktiserende prokureur is nie, en as hy 'n praktiserende prokureur is, in die trustrekening wat hy hou ingevolge artikel 33 van die Toelating van Prokureurs, Notarisse en Transportbesorgers Wet, No. 23 van 1934. Geen bedrae waarmee sulke rekenings gekrediteer word, word geag deel te wees van die administrateur se bates of, in geval van sy dood of insolvensie, van sy bestorwe of insolvente boedel nie.

Consumers frequently complain about defective performance. The consequences prejudice both businesses and consumers. Defective performance and contractual content, however, are directly linked. [See generally Cooote B *Exception Clauses* (1964) Sweet & Maxwell London.]

A particular contract can, for example, be so phrased as to exclude the performance which consumers might reasonably expect. The obligations of the business can be phrased in such a way that it is substantially indemnified against rendering even grossly defective performance. In this sense the contract itself can form part of a fraud on the consumer. In assessing the business practice of Novio the committee has taken the view that Novio's contract must be considered in conjunction with its actions.

Debt distribution and mediation can in general be described as action by a mediator who undertakes to transfer payments to creditors on behalf of a debtor and/or to negotiate with creditors with a view to obtaining concessions by the creditor to the debtor.

In terms of the procedure set out by section 74 of the Magistrates' Courts Act, 32 of 1944, a magistrate's court may, when a debtor is unable to pay the amount of any judgment obtained against him in court, or to meet his financial obligations, grant an administration order whereby provision is made for the administration of the debtor's estate and for the settlement of his debts in instalments or otherwise. The debtor himself may apply for an administration order. The procedure is available only where the total amount of debts does not exceed R20 000 (see GN R2736, GG 11063, 1987-12-11, RG 4158).

The prescribed procedure requires that specified information must be furnished to the court in the form of an affidavit. Illiterate debtors can be assisted by the clerk of the court to complete the necessary form.

An administration order granted by the court specifies the amount of payments to be made by the debtor to the administrator in terms of the administration order. An administrator who is not an officer of the court or legal practitioner must give security for the due and prompt payment by him of all moneys which come into his possession by virtue of his appointment as an administrator.

An administrator must deposit all moneys received by him from or on behalf of debtors whose estates are under administration, if he is not a practising attorney, in a separate trust account with any bank in the Republic, and, if he is a practising attorney, in the trust account that he keeps in terms of section 33 of the Attorneys, Notaries and Conveyancers Admission Act, No. 23 of 1934. No amounts with which such accounts are credited shall be deemed to be part of the administrator's assets or, in the event of his death or insolvency, of his deceased or insolvent estate.



'n Skuldenaar ten opsigte van wie 'n administrasiebevel uitgereik is, moet aan die administrateur die bedrae betaal van die weeklikse of maandelikse of ander betalings wat hy ingevolge die administrasiebevel moet doen 'n Administrateur moet gereelde betalings aan skuldeisers doen en moet daarvan rekenskap gee deur die indiening van 'n distribusierekening by die klerk van die hof, waar dit vir die skuldenaar en die skuldeisers of hulle prokureurs ter insae lê.

'n Administrateur kan met grondige redes onthef word van sy aanstelling deur die hof en kan, indien hy versuim om gelde in 'n geskikte trustrekening te betaal, aan 'n misdryf skuldig bevind word.

Voordat 'n distribusie gedoen word, kan 'n administrateur die nodige uitgawes en vergoeding aftrek ooreenkomstig die voorgeskrewe tarief [kyk Aangangsel 2 van Paragraaf 1 (b) van Deel II van Tabel B van die Regulasies kragtens die Wet]. Genoemde uitgawes en vergoeding mag nie 12½ persent van die bedrag van ingevorderde gelde wat ontvang is, te bowe gaan nie en sodanige uitgawes en vergoeding is, op aansoek van 'n belanghebbende party, onderworpe aan taksasie deur die klerk van die hof en hersiening deur 'n regterlike amptenaar [artikel 74L (2) van die Wet op Landdroshowe]

In die hipotetiese geval van die verbruiker hierbo wat skuld van altesaam R10 000 het, sal so 'n verbruiker, as hy ingevolge artikel 74 van die Wet op Landdroshowe onder administrasie is en tien maandelikse betalings van R1 000 elk doen, R1 250 aan die administrateur betaal vir dienste gelewer, vergeleke met Novio se klient wat R2 900 aan Novio sou moet betaal. As albei kliente 'n aanvanklike betaling van R5 000 gedoen het, gevolg deur vyf betalings van R1 000, sou die verbruiker onder administrasie kragtens artikel 74 steeds R1 250 betaal, terwyl Novio se klient R3 900 sou betaal

## 7.2 Openbare belang

Die toepassing van die Wet op Skadelike Sakepraktyke moet gesien word teen die agtergrond van faktore soos die breër sosio-ekonomiese situasie, die ontoeganklikheid van die hof, veral weens hoe regskoste; en die oorlading van die Suid-Afrikaanse Polisie met die ondersoek en voorkoming van geweldsmisdade, wat 'n situasie tot gevolg het waar optrede in die handelsfeer wat moontlik kriminele vervolging tot gevolg kon gehad het, nie altyd die aandag kry wat dit verdien nie.

Die ontoeganklikheid van die siviele regstelsel beteken dat selfs die regte van verbruikers wat teoreties deur die reg beskerm word, maklik ongestraf geskend kan word. Die onontbeerlike selfregstellingsneiging van die mark word hierdeur van wesenlike ondersteuning ontnem.

Verbruikers wat verwag het om lenings te kry, het net bykomende uitgawes opgeloopt toe geen lenings in werklikheid gerealiseer het nie.

A debtor in respect of whom an administration order has been issued must pay to the administrator the amounts of the weekly or monthly or other payments that he is required to make in terms of the administration order. An administrator must make regular payments to creditors and must give account by means of the lodging of a distribution account with the clerk of the court where it is open to inspection by the debtor and the creditors or their attorneys

An administrator may on good cause shown be relieved of his appointment by the court, and may, in the event of his failure to deposit moneys in an appropriate trust account, be found guilty of an offence

Before making a distribution an administrator may deduct necessary expenses and remuneration as provided for according to the prescribed tariff [see Annexure 2 of Paragraph 1 (b) of Part II of Table B of the Regulations to the Act]. The said expenses and remuneration may not exceed 12½ per cent of the amount of collected moneys received and such expenses and remuneration shall, upon application by an interested party, be subject to taxation by the clerk of the court and review by any judicial officer [section 74L (2) of the Magistrates' Courts Act].

In the hypothetical case of the consumer above who has debts totalling R10 000, such a consumer, when under administration in terms of section 74 of the Magistrates' Act and making ten monthly payments of R1 000 each, would disburse R1 250 to the administrator for services rendered, as compared to Novio's client who would pay Novio R2 900. If both clients made an initial payment of R5 000, followed by five payments of R1 000, the consumer under administration in terms of section 74 would still be disbursing R1 250, while Novio's client would be disbursing R3 900.

## 7.2 The public interest

The application of the Harmful Business Practices Act must be seen against the background of factors such as the broader socio-economic situation; the inaccessibility of the courts, especially due to high legal costs, and the overloading of the South African Police with the investigation and prevention of crimes of violence, which brings about a situation where conduct in the commercial sphere which might possibly have resulted in criminal prosecution does not always get the attention which it deserves

The inaccessibility of the civil legal system means that even the rights of consumers which are theoretically protected by the law can easily be violated with impunity. The indispensable self-corrective tendency of the market is deprived hereby of material supports

Consumers who expected to receive loans incurred only an additional expenditure when, as a matter of fact, no loans materialised.



Verbruikers wat hulle hoop daarop gevestig het om hulle skuldeisers deur Novio te vervang deur middel van 'n konsolidasie van skuld en vervanging van skuldeisers, het ontdek dat Novio bloot onderneem het om betalings van hulle in te vorder en 'n beperkte bedrag aan skuldeisers toe te deel. Fondse wat aan Novio toevertrou is vir oordrag aan skuldeisers, is deur Novio se gelde uitgeput. Skuldeisers het min gekry.

Die komitee bevind dat Novio se sakepraktyke 'n skadelike sakepraktyk uitmaak. Daar bestaan geen twyfel nie dat die hele gemeenskap sakepraktyke van hierdie aard sal afkeur en verwerp.

Novio se finansierings- en distribusiebesigheid was 'n front waardeur sakeskuldeisers en Novio se kliente mislei is en wat tot gevolg gehad het dat albei, maar veral die kliente, aansienlike finansiële verliese gely het. Die komitee is van mening dat alle gelde wat deur Novio ontvang is, as 'n verlies vir die publiek gereken moet word. Die publiek het geld aan Novio oorgedra en niks in ruil daarvoor gekry nie.

In die lig van sy bevinding dat Novio se sakepraktyke 'n skadelike sakepraktyk uitmaak, moet die komitee besin of hierdie skadelike sakepraktyk in die openbare belang geregverdig kan word, byvoorbeeld op die grond dat die lewering van 'n belangrike diens aan armer verbruikers nadelig geraak sal word. In hierdie geval kon die komitee geen sodanige gronde vind nie. Hoewel daar 'n behoefte is aan die soort diens wat Novio voorgegee het om te lewer, is dit 'n feit dat Novio geen werklike diens gelewer het nie. Die komitee bevind dat die sakepraktyk soos dit deur Novio toegepas is, nie in openbare belang geregverdig is nie.

### **8. Gevolgtrekking en aanbevelings**

In voorstellings aan kliente het Novio onderneem om sy kliente finansiël te ondersteun of om hulle verpligtinge teenoor skuldeisers op hom te neem met terugbetaling deur die kliente. Die kontrakvorms wat aan kliente verskaf is, verskil wesenlik van die mondelinge voorstellings wat gemaak is. Met uitsondering van enkele blufbetalings het Novio geen prestasie gelewer in ruil vir die aansienlike bedrae geld wat hy van kliente ontvang het nie.

Lenings is nie werklik beskikbaar gestel nie en die skyndistribusieproses was oeverblindery. Novio het versuim om sy swak posisie in die handelsgemeenskap aan verbruikers oor te dra. Die bestuur van die skyndistribusie- en distribusiebesigheid was 'n dekmantel om niksvermoedende verbruikers wat reeds in die knyp was, van hulle heel laaste geld te ontnem. Die skuldeisers se belange is ook benadeel deurdat Novio fondse geabsorbeer het wat andersins aan hulle betaal kon word. Novio was heeltemal onbevoeg om 'n skuldraadgewings- en adviesdiens aan verbruikers te lewer, en dit is wat hy ook voorgegee het om te doen.

In die bestek van minder as 'n jaar het Novio meer as R1,3 miljoen van verbruikers ontvang, waarvan min na die skuldeisers gegaan het. Die meeste van die geld is aan kliente gedebiteer vir skyndienste en beweerde administrasiekoste. Gedurende hierdie tydperk het vier van Novio se werknemers meer as R460 000 aan kommissie en salaris "verdien".

Consumers who fixed their hopes on having Novio substituted for their creditors by means of a consolidation of debt and substitution of creditors discovered that Novio merely undertook to collect payments from them and to apportion a limited amount among creditors. Moneys entrusted to Novio for transmission to creditors were exhausted by Novio's fees. Creditors got little.

The committee finds that the business practices of Novio constitute a harmful business practice. There is no doubt that the whole community will disapprove of and reject business practices of this nature.

Novio's financing and distribution business was a front by means of which business creditors and Novio's clients were misled and as a consequence of which both, but particularly the clients, suffered extensive financial losses. The committee's view is that all moneys received by Novio must be counted as a loss to the public. The public transferred money to Novio and received nothing in return.

In the light of its finding that Novio's business practices constitute a harmful business practice the committee must consider whether this harmful business practice can be justified in the public interest, for example on the basis that the rendering of an important service to poorer consumers will be adversely affected. In the present case the committee could find no such grounds. While there is a need for the kinds of services Novio purported to render the fact is that Novio did not render any actual service. The committee finds that the business practice as applied by Novio is not justified in the public interest.

### **8. Conclusion and recommendations**

In representations to clients Novio undertook to support its clients financially or to assume their obligations to creditors, upon repayment from the clients. The contract forms presented to clients differed substantially from the oral representations made. With the exception of solitary token payments Novio rendered no performance in return for the substantial amounts which it received from clients.

Loans were not actually made available and the simulated distribution process was make-believe. Novio failed to communicate to consumers its poor standing with the commercial community. The operation of the simulated financing and distribution business was a cloak for depriving unsuspecting and already hard pressed consumers of their very last funds. The interests of creditors were also harmed in that Novio absorbed funds which might otherwise have been paid to them. Novio was totally unqualified to render a debt counselling and advice service to consumers, which is what it also purported to do.

In the space of less than a year Novio obtained more than R1,3 million from consumers, little of which found its way to creditors. Most of this money was debited to clients for pretended services and spurious administrative costs. During this period four of Novio's employees "earned" in excess of R460 000 in commissions and salary.



Aan nie een van die kliente wat om 'n lening aansoek gedoen het (of gedink het dat hulle om 'n lening aansoek doen), is ooit 'n sent voorgeskiet nie. In die geval van kliente wat besef het dat hulle 'n distribusiekontrak aangegaan het, het feitlik geeneen van hulle skuldeisers enige betalings ontvang nie, en waar dit wel gebeur het, was sulke betalings onbeduidend. Selfs al sou daar aanvaar word dat Novio se skulddistribusie nie die oeverblindery en bedrog is wat dit ongetwyfeld is nie, is die vergoedingsbasis wat in sy kontrakte gestipuleer word, so buitensporig dat dit net as gewetenlose uitbuiting beskryf kan word. Novio het verder kontrakbepalings gebruik wat onaanvaarbaar is in omstandighede waar verbruikers in geldelike nood finansiële advies nodig het. Gelde wat in 'n trustrekening gedeponeer moes word, is met algemene fondse gemeng. Daar is ook 'n moontlikheid dat Novio in gevalle waar transaksies met kliente die toestaan van 'n lening behels het, versuim het om aan die bepalinge van artikel 2 (10) van die Woekerwet, No 73 van 1968, te voldoen.

Novio se optrede kom neer op opsetlike en gewetenlose verbruikersuitbuiting in die ergste graad. Verbruikers in geldelike nood wat hierdie besigheid genader het om finansiële hulp ter vermindering of vereffening van skuldeisers se eise, het net meer geld vir Novio ingebring. Geeneen van Novio se kliente het enige beduidende voordeel uit sy of haar verhouding met Novio getrek nie, en hulle het hoofsaaklik finansiële verliese en teleurstelling op die lyf geloop.

Die komitee bevind dat die sakepraktyk van die partye soos in hierdie verslag beskryf, vir die doeleindes van artikel 10 (2) van die Wet 'n skadelike sakepraktyk uitmaak en dat sodanige skadelike sakepraktyk nie in openbare belang geregtig is nie. Geen reeling wat deur die Minister ingevolge artikel 11 (2) bevestig is, is met die partye getref nie.

Aangesien sekere persone Novio se diens verlaat het en Reficul besigheid gestaak het, word daar aanbeveel dat "partye" vir die doeleindes van optrede deur die Minister mnrre Lucifer Spokie van Zyl, André Smith, Jan Human, Philip Venter en Novio Financial Advisors BK (BK90/24792/23) moet insluit.

Daar word aanbeveel dat die Minister—

(a) ingevolge artikel 12 (1) (b) van die Wet die sakepraktyk onwettig verklaar waardeur die partye—

- (i) finansiering beskikbaar stel,
- (ii) bystand aan skuldenaars verleen, of
- (iii) betalings namens skuldenaars aan skuldeisers onderneem,

(b) ingevolge artikel 12 (1) (c) van die Wet die partye gelas om af te sien van die toepassing of voortsetting van enige sakepraktyk waarvan die beskikbaarstelling van finansiering, die verlening van hulp aan verbruikers of die onderneming van betaling namens skuldenaars aan skuldeisers deel uitmaak, en om op te hou om enige belang te hê in 'n besigheid of tipe besigheid wat so 'n sakepraktyk toepas of om enige inkomste daaruit te kry en om daarvan af te sien om te eniger tyd enige belang in 'n besigheid of tipe besigheid wat so 'n sakepraktyk toepas, te verkry of om enige inkomste daaruit te verkry.

**PROF LOUISE TAGER,**  
Voorsitter Sakepraktykcommittee  
(15 November 1991)

None of the clients who applied for a loan (or thought they were applying for a loan) ever had a cent advanced. In the case of clients who appreciated that they were entering into a distribution contract virtually none of their creditors received any payments, and when they did, such payments were insignificant. Even if it were accepted that Novio's debt distribution was not the pretence and sham which it undoubtedly was, the basis of remuneration stipulated in its contracts is so exorbitant that it can only be described as unscrupulous exploitation. Novio moreover employed contractual terms which are unacceptable in a setting where consumers in financial distress are in need of financial counselling. Moneys which ought to have been deposited to a trust account were mixed with general funds. There is also a possibility that in cases where transactions with clients involved the advancing of a loan, Novio may have failed to have complied with the provisions of section 2 (10) of the Usury Act, No 73 of 1968.

Novio's conduct amounts to deliberate and unscrupulous consumer exploitation of the worst kind. Consumers in financial distress who approached this business for financial aid to be applied towards reducing or settling creditors' claims merely yielded more money to Novio. No client of Novio derived any significant advantage from his or her relationship with Novio and primarily incurred financial loss and disappointment.

The committee finds that the business practice of the parties as described in this report constitutes a harmful business practice for the purposes of section 10 (2) of the Act and that such harmful business practice is not justified in the public interest. No arrangement has been made with the parties which has been confirmed by the Minister in terms of section 11 (2).

As certain persons have left Novio's employ and Reficul has ceased business it is recommended that for the purposes of action by the Minister "parties" should include messrs Lucifer Spokie van Zyl, André Smith, Jan Human, Philip Venter and Novio Financial Advisors CC (CK90/24792/23).

It is recommended that the Minister—

(a) under section 12 (1) (b) of the Act declares unlawful the business practice whereby the parties—

- (i) make financing available;
- (ii) render assistance to debtors, or
- (iii) undertake payments on behalf of debtors to creditors,

(b) under section 12 (1) (c) of the Act direct the parties to refrain from the application or continuation of any business practice of which the making available of financing, the rendering of assistance to consumers, or the undertaking of payments on behalf of debtors to creditors forms part, and to cease to have any interest in a business or type of business which applies such a business practice or to derive any income therefrom and to refrain from at any time obtaining any interest in or deriving any income from a business or type of business applying such a business practice.

**PROF LOUISE TAGER,**  
Chairman Business Practices Committee  
(15 November 1991)



# It's time to make most of VAT's true potential

Star 18/11/91 (246)

**F**OR MANY consumers and some businesses, the advantages of VAT are linked to the 3 percent drop in the tax rate. So much so, that Watwatch is still concerned about ignorance surrounding the real potential savings. The elimination of sales tax as a cost to business.

"We know that all kinds of interest groups would like to see VAT become a silent and uncontroversial tax as soon as possible. But neither the consumer nor business can allow this to happen before the savings potential of the new tax has been realised," said Professor Tager.

The Watwatch message is clear. "VAT is not a 10 percent issue. The rate may be 10 per-

cent but the effect is not." Watwatch has appealed to businesses to check their cost savings and pass these on to consumers. An estimated R6 billion could be saved as a result of the elimination of GST.

"Can you imagine the significant blow we could deal inflation if a saving of this magnitude could be achieved," asked Professor Tager.

Outlining how VAT savings could be achieved, accountant Kevin Fagan said the change from GST to VAT would mean positive savings for business as far as, among others, consum-

ables, advertising and capital equipment were concerned.

Businesses operating in a VAT vacuum assumed that VAT was 10 percent and, therefore, suppliers' costs would go up 10 percent, their costs would go up 10 percent, businesses would have to charge 10 percent more and, therefore, VAT was inflationary.

"This chain of thought creates the VAT vacuum," said Mr Fagan. "However, VAT is not a 10 percent issue. GST was a 13 percent issue as it was a cost to business, and the person at the end of the chain paid 13 percent tax."

"People who register for VAT pay the tax but get it back. VAT is not a cost to business. It means a substantial saving to business."

With few exclusions, input credit could be offset almost immediately against the VAT

charged to customers.

"A registered vendor may deduct all input tax incurred, provided it was acquired wholly or mainly for the purpose of making taxable supplies, he has a tax invoice, or is specifically prevented from doing so by legislation," said Mr Fagan.

Registered vendors would make substantial savings which could be passed on to consumers, according to Mr Fagan.

"There is increasing evidence that this is not happening. Businesses are putting the extra bit in their back pockets and not passing it on," he said.

Presenting four examples of how business could tackle the new tax, tax consultant Bronwyn Allen showed how under GST a product from raw material to the end of a production line could cost R2,945.

In order to move out of the VAT vacuum in which many businesses found themselves, the entire chain had to be looked at. Business's reluctance to pass on savings to consumers was a mixture of ignorance and profiteering, Mr Fagan said.

According to Mr Fagan there were three choices facing businesses under VAT:

- The VAT vacuum, in which businesses faced the prospect of business decline or even failure.
- A step in the right direction, where businesses would still lack a competitive edge.
- Neutrality, where businesses would have a VAT-driven competitive edge which would not cost them a cent. □

When input credits in the entire process were highlighted and deducted so that prices were marked up on a lower base, the product could cost as little as R2,666 — R279 less than under the GST system.

If business costs were calculated correctly, prices could come down by as much as 9 percent, Ms Allen pointed out.

# Consumers to get more protection?

246 CT 20/11/91

By BARRY STREEK  
Political Staff

STEPS to give consumers greater protection to fight unfair price increases are on the cards next year.

The government is expected to announce these new steps, including increased powers for the Consumer Council, after the President's Council report on consumer affairs is released on Tuesday next week.

President's Council chairman Dr Willie van Niekerk said yesterday he could not comment on what action the government might take in response to the recommendations of the council's Committee for Economic Affairs.

But he said "The consumer bears the brunt of everything at the moment and he needs a bit of protection and the Consumer Council needs teeth."

The report would make recommendations not only on containing inflation but also on curbing price exploitation.

It would address problems such as where a consumer could go and what he could do if he felt exploited by

price increases, Dr Van Niekerk said. At present the Consumer Council, established in 1970, has no legal powers, although it is funded by the state. If granted legal powers it could take more effective action on complaints by consumers about unreasonable price increases or malpractices.

Another proposal under consideration is the establishment of a Department of Consumer Affairs.

It is understood that the President's Council's two-year investigation into factors influencing inflation and price increases has been conducted in close co-operation with the Department of Trade and Industry.

It is likely, therefore, that the President's Council recommendations, after the report has been adopted, are will reflect government thinking on the issue.

Although new legislation will be needed to give the Consumer Council more power, a new law will not be needed to establish a Department of Consumer Affairs as the President has the power to appoint and entrust any minister with "any power, duty or function."

8 (Day)  
20/11/91

# Consumers' bad debts top R1,5bn

MARCIA KLEIN

MORE than R1,5bn was granted against SA consumers for bad debts in court judgments in the first eight months of this year, according to business and credit information company Information Trust Corporation (ITC)

ITC MD Tony Leng said yesterday that nearly 320 000 judgments were granted against consumers. This represented a 27% increase over the same period last year. (246)

"These figures are symptomatic of the country's 34-month-old recession, and the prognosis is not good in the short term," he said.

Despite continued financial pressure on the public, Leng said, "high levels of debt inevitably impact significantly on the inflationary spiral as prices are adjusted to recover the losses incurred by this debt."

Businesses could aid economic growth by "investigating and managing the creditworthiness of all applicants more thoroughly".

Leng said while many businesses consulted credit information companies when opening customer accounts, they did not follow this up over time.

ITC figures showed that civil judgments for debt in the business sector increased by 31%. About 32 000 judgments totalling R174m were granted against businesses, representing a 48% increase in value over the previous year.



# Most complaints sorted out - Tager

Consumer Reporter

Most VAT-related complaints reported to Vat-watch had been clarified or solved, the tax watch-body's chairman, Professor Louise Tager, said yesterday.

"In the past few months we have persuaded business to eliminate literally hundreds of VAT-related problems, including misleading advertising

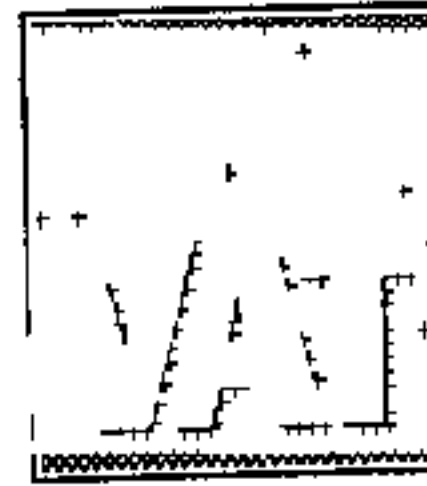
"Although we continue to receive many complaints about price increases in general, Vat-watch is for the time being concentrating only on VAT-related problems," she said.

"Through our monthly market survey we are plotting price trends countrywide in an effort to determine the effect of VAT on the prices of goods and services

"Interestingly, our market research and our consumer reports tend to vindicate the belief that in areas where competition is weak, prices tend to rise faster."

About 1 800 calls were fielded by Vatwatch in the first six weeks after the implementation of VAT. Of these, about 500 were complaints about VAT-related price increases and instances of misleading price displays and advertising.

While major retail stores had given "satisfactory" and comprehensive answers to Vat-watch's inquiries, the



body was still pursuing discussions with independent businesses and other organisations. These problems include

- Recent bread increases which ranged between 15c and 40c a loaf despite input tax credits now being enjoyed by various vendors in the bread-producing and distribution industries.

- An office equipment company which announced price increases due to VAT. Vatwatch noted that office equipment had always been subject to GST, so prices should have dropped

- A chainstore which circulated a brochure in which VAT-exclusive prices were highlighted prominently compared with the VAT-inclusive prices — despite an Advertising Standards Authority ruling that the "VAT-inclusive price shall be reflected in the same type size and with equal prominence as the pre-VAT price".

# Consumer bodies anticipate watchdog

By Helen Grange  
Pretoria Bureau

246

Consumer bodies are keenly expecting a President's Council report recommending that Parliament introduce a more effective consumer watchdog with statutory powers to act on complaints

Some sources have speculated that a Department of Consumer Affairs may be created, wielding legal powers to take effective action on consumer complaints about unreasonable price rises or malpractices.

The report — on representations made by more than 90 consumer bodies and individuals — is expected to be published next week. It will set out a "suitable strategy, goal and policy to obtain active co-operation from the consumer public to curb price exploitation and contain inflation"

The Co-ordinating Consumer Council, which at present has no statutory legal powers, is hoping to be given "more clout" as a result of the recommendations

The council's assistant director of communication, Daan Kruger, said the council currently acted mostly in the role of arbitrator between consumer and business

"We lack the teeth to further consumer interests. We do not have the powers, for instance, to close a business"

Should the President's Council's recommendations be passed in Parliament early in the new year, the status of the Consumer Council could change

"Obviously there are advantages and disadvantages to that, which have to be weighed up. It could be advantageous to be privatised and further removed from Government, which currently funds us. At the same time, it would also be helpful to be part of the status quo and have greater freedom of movement," said Mr Kruger

Housewives League president Lyn Morris said she would welcome a Government department concentrating solely on consumer affairs

Consumer bodies are hoping for a system similar to the Consumer Council of Bophuthatswana, which in terms of a Consumer Act, has powers to close down businesses or to implement action itself

Although there are about 60 Acts in South Africa which affect consumers, there is no single Consumer Act covering all instances of consumer exploitation.

# Consumer ire

## Housewives to tackle Control Boards

**DI CAELERS**  
Weekend Argus Reporter

CONTROL boards are about to face a strong consumer challenge — the Housewives' League of South Africa is to campaign for changes in the system on behalf of "suffering consumers" and farmers bound by the "bureaucratic machine"

The league is staying mum on the proposed alternatives it intends presenting to government but national vice-president Ms Sheila Baillie said it was "high time" for a change

"The consumer suffers while the boards' attitudes of infallibility make it difficult to get straight answers to direct questions on moves made by them

"The league believes the farmers should be freed from the bureaucratic machine," she said in a statement to Weekend Argus.

The government was quick to stress that it adhered to "free market" principles "But in the league's view there cannot be a 'free' market when a wide range of primary produce is so strictly controlled that farmers cannot market their produce at the farm gate if wanting to do so"

Mrs Baillie's comments come as an independent dairy fights a Supreme Court battle to have declared invalid allegedly "unfair" levies which, it claims, subsidises its opposition

Independent Food Processors, which trades as Homestead Independent Dairies, has brought the application in the Cape Town Supreme Court against the Minister of Agriculture, the Dairy Board and the marketing council of the Department of Agriculture

It avers it has no obligation to pay the Dairy Board's levy

of 6c a litre for fresh milk payable by milk manufacturers and distributors

Mrs Baillie said that according to a document issued in 1983 to "defend" the system of control boards, the Marketing Act first adopted by Parliament in 1937 was similar to legislation passed in Britain, Canada, Australia and New Zealand. In these countries the principle of controlled marketing was previously adopted

Act No 59 of 1968 to "consolidate the laws providing for the regulation of the production and sale of agricultural products, for the establishment of certain boards in connection therewith" had "knocked a few more nails in the coffin of free enterprise", she said

There were 11 amendments to the Act between 1969 and 1984, and the original intention of providing some protection to consumers and a fair return to producers had "long since been

lost along the way"

But Mr Daan Kruger, the assistant director, communications, of the Consumer Council — which is represented on all control boards — described the boards as a "necessary evil"

He said the emphasis of the control boards was moving away from control towards marketing "In most agricultural production branches control has been largely abolished. The effect has been increased concentration on market-orientated production to satisfy the needs of both domestic and export markets"

The Consumer Council supported the concept of control in agricultural production if it aimed at stabilising a particular industry ensuring available products at prices acceptable to consumers and producers

"But we'd certainly support any deregulation where it makes sense," Mr Kruger said



## Insurer 'meets standards'

THE Consumer Council and the Auto and General Insurance company had agreed on standards for conducting telephonic insurance business, council director Jan Cronje said at the weekend

Sapa reports that the agreement followed allegations by Cronje on Friday that advertisements claiming valid comprehensive short-term car and home insurance could be arranged over the telephone were misleading

Cronje later withdrew Friday night's statement and an urgent meeting was organised between the Consumer Council and the insurance company

On Saturday, after the meeting, the council's director issued a statement saying "The Consumer Council is satisfied that all the standards which they have set are being complied with by Auto and General".

He said "At this meeting Auto and General's methods of operation were fully discussed and all misconceptions regarding telephonic insurance were clarified

"Certain standards of telephonic insurance were agreed on. The Consumer Council is satisfied that all the standards which they have set are being complied with by Auto and General" (S) (246)

GERALD REILLY reports the council's statement said advertisements which said that valid comprehensive short-term insurance could be arranged over the telephone should be banned B/day 25/11/91

Cronje said there was a growing number of complaints from consumers alleging that insurers were refusing to meet claims

The council had made representations to the ombudsman for short-term insurance, the Advertising Standards Authority and the Business Practices Committee

"Consensus is a prerequisite for concluding any valid agreement. The chances of reaching this consensus in a phone conversation are extremely remote since all the terms of the written agreement, which is sent to the insured later on, are not read to him during such a conversation."

## Two killed in mortar blast are named

DURBAN — The two people killed in a mortar explosion near Mtubatuba in Zululand on Saturday have been named B/day

They were Debby Jameson, 25, of Richards Bay and Roy Malcolm Campbell, 58, of Maritzburg 25/11/91

The two died when a mortar picked up by child-

ren at the Dukuduku shooting range exploded (S)

Thirteen other people, two of them young children, were admitted to the Empangeni Hospital. Several underwent emergency surgery. They were all in stable condition yesterday.

And according to the latest SAP unrest report, two

men were killed and 14 men and women — including three policemen — were wounded at the weekend.

A man was shot dead and eight women wounded at Gamalake near Port Shepstone. A youth was killed and a woman seriously injured by a mob at Malagazi near Maritzburg — Sapa.



Call for action against price exploitation

# Clout for consumer body

STAR 27/11/91  
Staff Reporters (246)

The Consumer Council could receive sweeping statutory powers to act against price exploitation and inflation, if recommendations by the President's Council are accepted by the Government.

In a wide-ranging report tabled yesterday, the President's Council recommended a number of measures which are likely to form the basis of future legislation aimed at protecting South African consumers.

The report was requested by President de Klerk in December 1989.

Evidence before the committee revealed that the present Consumer Council had "achieved little for the consumer in the 20 years of its existence". The report criticised its inaccessibility and ad hoc approach to consumer complaints - criticism welcomed yesterday by council director Jan Cronje.

"We have known for a long time that the council is not representative enough in this country because we had only one office (in Pretoria). We asked for additional offices and more staff so we could attend to complaints around the country but were told there was not enough money."

"This President's Council report merely emphasises the need for more offices. We hope that the Government accepts it because then we will get the money we have been asking for for a long time," said Mr Cronje.

## Improve

He said poor consumer awareness could also be blamed on a lack of adequate funding for the council. "We used to visit schools as well as address clubs and organisations. For the past two years we have had to stop because we have had no money. With more money, our effectiveness will improve," he said.

The President's Council report said action against price exploitation had become particularly urgent after recent evidence that many companies were using VAT to increase prices excessively. There were also allegations that many are not passing on savings resulting from the lower tax rate.

It called for a joint forum between the Government, labour and business to formulate economic policy by consensus.

It said this forum should be convened regularly. This could make economic policy more acceptable "among all levels of the consumer community".

The report was compiled by the council's Committee for Economic Affairs.

The report stressed that high prices could not summarily be ascribed to price exploitation.

A distinction had to be drawn between price increases that were inflation-related and those attrib-

● To Page 2

## Clout for consumers

STAR 27/11/91  
● From Page 1

able to price exploitation.

In terms of the proposals, the Consumer Council should be given statutory powers and function under a newly formed Department of Trade, Industry and Consumer Affairs.

The committee makes no detailed proposal on the composition of the proposed council but states that "not only the inhabitants of metropolitan areas and consumers with considerable buying power should be represented, but also consumers in isolated areas and with little buying power".

It also recommends that the Consumer Council should have administrative regional offices in each of the existing nine development areas.

The President's Council recommends a number of strategies to bring inflation down to levels of SA's major trading partners, as low inflation would help eliminate price exploitation. These include:

● The Government should accept as an objective the promotion of the highest degree of competition in all communities.

● To bring the workings of the Competition Board and the Business Practices Committee to the attention of the public more frequently.

● The Economic Forum needs to rationalise the inflationary expectations of the public, to moderate salary claims in view of their effect on inflation, and to persuade the public to limit its use of credit.

Among other key recommendations are the promotion of the informal sector in order to boost employment and competition in the black townships where competition is limited.

Furthermore the committee suggests an investigation into the possibility of developing the "stokvels" movement into a more formal financing sector serving the black community.



Christmas cheer - Ward 44 at Baragwanath Hospital was filled with smiles yesterday when the hospital's child cancer sufferers were surprised with Christmas gifts donated by CNA. With the children and nurses are Dr Janet Poole, Melvin Rifkin from CNA and Rene Beneke of the Cancer Association. Ward 44 accommodates 18 children being treated for cancer at a critical stage. Another 30 are suffering from early stages of the disease. Picture: Alf Kumalo.

## Charged in deaths

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tion in self-defence, the judge said.

"It appears the police involved in this incident were guilty of excessive fire power in their defence and exceeded the limits of self-defence laid down by the court," the judge said.

Although they were taking decisions under pressure, the "slaughter exceeded the limits of self-defence".

The judge said he took a more unfavourable view of the residents' version of events, describing it as inherently unlikely.

Not a single resident of the closely knit community was prepared to admit he recognised the people who attacked Sergeant van Wyk.

"This disclaimer of any knowledge of the attack on Sergeant van Wyk simply cannot be true."

The judge rejected an argument that all residents attending the gathering had acted with common purpose to kill Sergeant van Wyk. He also found evidence pertaining to the sprinkling of "magic" water as having no factual or legal relevance to the matter.

THE LIGHT CIGARETTE THAT REALLY SAYS

**Rothmans**

EXTRA

*Light*



# 'Revamp consumer body'

CAPE TOWN — The President's Council report on consumer protection has called for the total restructuring of the Consumer Council, saying it should be placed under the jurisdiction of a renamed Trade, Industry and Consumer Affairs Department

The report, tabled yesterday, also called on government to establish a forum consisting of all major interest groups to set economic objectives on issues such as inflation and growth. These steps would ensure an effective, accessible council

It said it had no intention of creating competition for the National Institute for Economic Policy, established by the ANC-Cosatu alliance at the weekend

At a news conference yesterday committee chairman Andries Scholtz said the recommended forum would differ from the

one proposed by the ANC and Cosatu, which would deal with macro-economic policy issues. The forum would ensure the commitment of represented interest groups to economic objectives

The council's economic affairs committee investigated and made proposals on a strategy, goals and policy for obtaining active consumer co-operation in action against price exploitation and inflation

"The committee recommends that a forum be convened at fixed times in which inter alia the fiscal, monetary, industrial and trade policy-makers of the government and leadership of organised industry, agriculture, commerce, labour, financial services and consumers will be represent-

□ To Page 2

246  
LINDA ENSOR

## Consumers

ed," the report said.

It added that the purpose of the forum would be to set objectives for the economy on the basis of consensus and to evaluate the achievements of the various sectors of the economy against those objectives. The committee recommended that the findings of the forum be submitted to the President and the Cabinet.

Furthermore, a public central conference should be held regularly to rationalise the inflationary expectations of the public, to moderate salary and wage demands and to persuade the public to limit its use of credit to essentials

The committee received evidence that the Consumer Council was not fully representative, was inaccessible, had not achieved much for consumers, and that it operated mainly on an ad hoc basis in response to complaints.

It saw the role of the proposed council as guarding the interests of consumers, keeping a watch on malpractices, educating consumers and conducting research

The report recommended special attention be given to the interests of consumers who had little economic clout, for example, people living in remote rural areas or in towns outside the metropolitan areas. Scholtz said most black consumers were in a disadvantaged position.

The report also recommended that organised business encourage members to supply proper information to consumers

The report cited in particular the selling of stands for homes and housing and the supply of credit for the purchase of durable consumer goods, and said from complaints received there was a "serious need for the promotion of higher standards in the provision of services".

● See Page 3

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B1000  
29/11/91



## Little prospect of bumper Christmas

PRETORIA — Record consumer debt levels and widespread and worsening unemployment virtually rule out the possibility of a bumper Christmas season, says the Information Trust Corporation (ITC)

ITC director Richard Stothert said yesterday retailers would be fortunate if they achieved last year's level of Christmas sales in real financial terms. "As business and consumer confidence is at its lowest level for years a bumper Christmas is a remote possibility indeed."

He said it was unlikely that stores would risk stretching credit limits to boost sales "in the face of record debt levels, a two-and-a-half-year-long recession, high and rising unemployment, inflation levels of 16% and interest charges of 20%-29%".

Stothert said ITC's Johannesburg

GERALD REILLY

office had been inundated with inquiries from merchants investigating applicants' creditworthiness

"The jolting fact was the record number of civil judgments for consumer debt reached in July — a total of 45 800 judgments, an average of 2 100 each working day"

Absa economist Adam Jacobs agreed it was unlikely Christmas consumer spending would rise in real terms and there could be a slight decline.

Stellenbosch University Bureau for Economic Research head Ockie Stuart said he expected spending over Christmas to remain at a similar level as last year in real terms

● See Page 11

## 'New highs' for money owed

B/Day 28/11/91

SHARON WOOD

246

LATEST official debt figures showed that every working day individuals and businesses were being prosecuted to the extent of R9,9m for non-payment of debts, Credit Guarantee senior economist Luke Doig said yesterday. Judgments for debt in September were R254,6m, the highest level yet, Doig said.

In the year to September judgments jumped by 33,4% to R1,939bn from R1,453bn for the same period last year.

# 'Public hearings' on VAT next year

By Paula Fray

300 246  
The Co-ordinating Committee on VAT will hold a series of "public hearings" early next year to stimulate debate after the Government refused to re-discuss the new tax system, the committee said yesterday

In a letter to the committee, Finance Minister Barend du Plessis said the implementation of VAT had been technically smooth, there had been rising public acceptance of it, and the Government was preparing an extensive investigation into all relevant aspects

of the tax early next year

STAR 28/11/91  
The committee subsequently wrote to the State President, contradicting a number of the Minister's claims

"There is overwhelming evidence of continued public rejection of the present VAT system. There is no evidence of the flood of capital goods orders or investments which the Minister claimed made it impossible to delay the implementation of VAT"

The committee also called for a public investigation of VAT, and said it had "expressed dismay that the Gov-

ernment has yet again acted unilaterally in its plan to investigate the effects of VAT"

The committee again called on President de Klerk to

- Renegotiate the zero-rating of food, water, electricity, medicines, medical services
- Help small businesses
- Adopt a proper poverty relief programme
- Negotiate the terms of reference and procedures for the investigation of VAT's effect
- Discuss the pending taxation of foods which are zero-rated only until March



# Food safety a joint concern (246)

By Paula Fray  
Consumer Reporter

STAR  
29/11/91



Sergio Martinengo . . . consumers, retailers must liaise

Consumers should take joint responsibility with business to ensure food safety, speakers at the Checkers Consumer seminar said yesterday

Checkers MD Sergio Martinengo invited consumers to form a partnership with the retail industry to ensure food bought was safe and remained safe after it was taken home

Free Market Foundation executive director Leon Louw said it was impossible to draft uniform health regulations which made sense in South Africa's diverse realities

"Uniform regulations should be replaced by geographic and standards diversity, or preferably, scrapped in toto and replaced by the common sense of the common law."

A voluntary grading system could be considered. This would force regulators to devise a system which consumers understand and in which

they would have confidence, said Mr Louw

Housewives' League president Lyn Morris said the organisation believed food safety and food quality went hand in hand

She said consumers needed to look at themselves first before shouting about food contamination. All aspects of food handled before and after the consumer took it home should be considered

These include "Does the consumer select her perishables before leisurely walking around the store doing her other shopping and going through the till ages after taking frozen products out of the fridge?"

Professor Tobie van Rhijn of the Department of Commercial Law at the University of Pretoria pointed out that there was a limit on what the law could do "We should, therefore, not only look at the law as the sole instrument to ensure safety in food."

**FOCUS:** *The planned new Consumer Council is a step in the right direction*

# Give the watchdog some teeth

w/MAIL 29/11 - 5/12/91

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**W**HO said this while writing about consumer exploitation? "The greater part of humanity is involved in a daily struggle against poverty, hunger, disease, physical discomfort and unemployment. Moreover, people have unsatisfied needs for income and possessions, acceptable housing, education opportunities, medical services and security."

And then added: "The phenomenon of exploitation is very closely connected to the complexity of the free economic system."

The African National Congress? Fidel Castro? No, it was the President's Council Committee for Economic Affairs who have compiled a report on "A strategy, goals, and policy for obtaining active consumer co-operation in action against price exploitation and inflation".

The report is not Marxist and is premised by the notion that the free market system is ideal for consumers — but that consumer exploitation happens anyway and should be dealt with.

The committee states the obvious: according to the evidence that was submitted to it, "there is dissatisfaction among consumers regarding matters such as high prices, inferior goods and services, constant price increases, certain price practices, deception, unfair conditions, standard format contracts and deficient performance .."

And given the fact that most remedies available to consumers, with the exception of an expensive legal system, are toothless and inept, the PC's committee has come up with some interesting suggestions.

The committee comments that the existing government organisation, the South African Co-ordinating Consumer Council (known as

## CRITICAL CONSUMER

Pat Sidley's weekly advice on what to buy ... and what to avoid



the Consumer Council), provides a rather limited service to consumers and says it heard evidence that the council was not sufficiently representative, nor easily accessible, "that in 20 years of its existence it has achieved little for consumers" and achieved little by way of research.

With its damning portrait, the PC committee recommends a revamped Consumer Council which should be a statutory body established in terms of law and should operate under a proposed new government department which would be a Department of Trade, Industry and Consumer Affairs.

Unfortunately, the concept of consumer issues living alongside trade and industry needs is precisely why the old Consumer Council never had a hope in hell.

The committee continues, however, with its recommendations which in most respects are "revolutionary". Funded by the government the revamped Consumer Council would have offices in most centres and their operation would be decided as a result of negotiations between the council and the local authority concerned. It would be nice if the negotiations included the consumers too.

However, the committee does recommend that the composition of the council be the subject of negotiation with various groups.

And once again sounding like the voice of the ANC it says. "It is clear to the committee that not only the inhabitants of metropolitan areas and consumers with considerable buying power should be represented on it, but also consumers in isolated areas and with little buying power if the new council is to be genuinely representative of all consumers."

Unfortunately it does not seem as though the new council as envisaged by the committee will have powers to prosecute.

The committee sees the primary function of the proposed council as "guarding over consumer interests and particularly to keep watch on malpractices that have often come to the fore .." It should then "handle" these complaints.

This may be done by letting consumers know the remedies for exploitation. To this end the committee sees the media as being important.

It also proposes that the council would still undertake some research. Then the committee's show slips: it suggests among other things that all consumers be told "the full implications of boycotts for consumer interests".

The whole wonderful idea crumbles at the end in a section called "Recommendations concerning the Private Sector". There are no recommendations which would be meaningful to consumers, such as a separate government Department of Consumer Affairs to regulate with statutory mechanisms the behaviour of business towards consumers.

No matter, it's a welcome start



# Interest rates: banks challenged to debate

STAR 20/11/91 (246) 38

THE Consumer Federation has sent a letter to five national banks challenging them to an open debate on allegations that they are constantly overcharging on interest rates.

In a statement yesterday, the federation said, although most banking institutions constantly denied the allegations, not one had applied for a declaratory order, or tried to interdict the Consumer Federation from venting the allegations.

In the letter, the consumer body said since it made its findings public last year on overcharging of interest on overdraft accounts, it had identified several problem areas:

- Banks avoided discussing interest rates with clients in order to levy the highest possible rates.

- Interest rates were changed without the consent of the client.

- In some instances it had been found that the maximum rate allowed by the Usury Act had been exceeded.

"It has also become clear that, when clients attempt to discuss overcharging with managers of certain banks, satisfactory explanations never seem to be forthcoming.

"An obvious solution, in the interest of the public, would be to discuss the apparently different issues in a public debate."

The letter was sent to First National Bank, Nedbank, Standard Bank, Trust Bank and Volkskas. They were asked to reply to the challenge within seven days. — Sapa.

● See Page 18.



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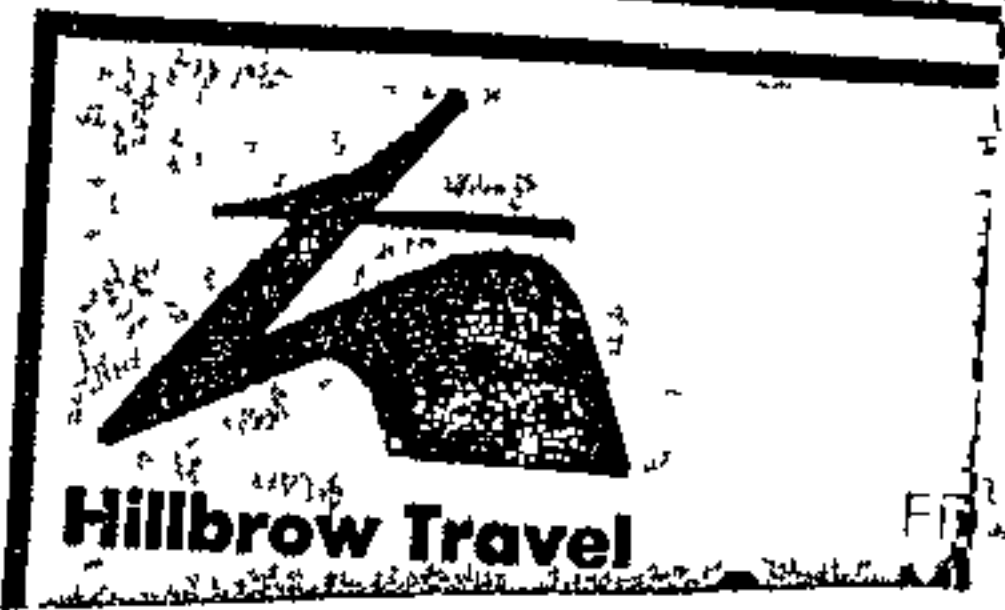
### Consumer body confronts banks

*BID Day 2/12/91*  
THE Consumer Federation has sent a letter to five national banks challenging them to an open debate on allegations that they are constantly overcharging on interest rates *(246)*

In a statement on Friday, the federation said although most banking institutions constantly denied the allegations, not one had applied for a Declaratory Order, or launched an application to interdict the Consumer Federation from uttering the allegations

In the letter, the consumer body said it had identified several problem areas since it made its findings on overcharging public last year

The letter was sent to First National, Nedbank, Standard, TrustBank and Volkskas. They were asked to reply to the challenge within seven days. — Sapa



No single culprit — Vatwatch

# Soaring food prices blamed on retailers

B/Daw 3/12/91

~~246~~  
246

SHARON WOOD  
and ANDREW GILL

THE SA Consumer Council yesterday put the blame for soaring food prices squarely on the shoulders of the retail industry.

Council assistant director Ina Wilkins said it was clear food prices rose months before VAT's implementation

A council survey found a 9,4% hike in the prices of essential foodstuffs — meat, milk, cheese and eggs — in the three months before VAT's implementation

An identical 9,4% increase occurred in October as a direct result of the implementation of the tax, bringing the increase over the full four months to 19,6%. The survey was conducted across a basket of the four food items at three major retail chains

Wilkins said "I am not asking retailers never to increase their prices, but I am appealing them to earn their place in the market with respect and dignity. The consumer has become very price-conscious — by giving him a fair deal the retailer can assume a place in the market"

According to the council, meat prices rose by more than 15% between June and October, with prices for a whole chicken up by 32,8% during the period. This compares with a 10,6% rise in meat prices recorded in the October CPI.

Pick 'n Pay chairman Raymond Ackerman said the blame for the increases in the prices of meat, milk, cheese and eggs before VAT lay firmly with the manufacturers. There had been a huge hike in the supply prices for these goods from July to August because suppliers claimed they were not covering costs, he said

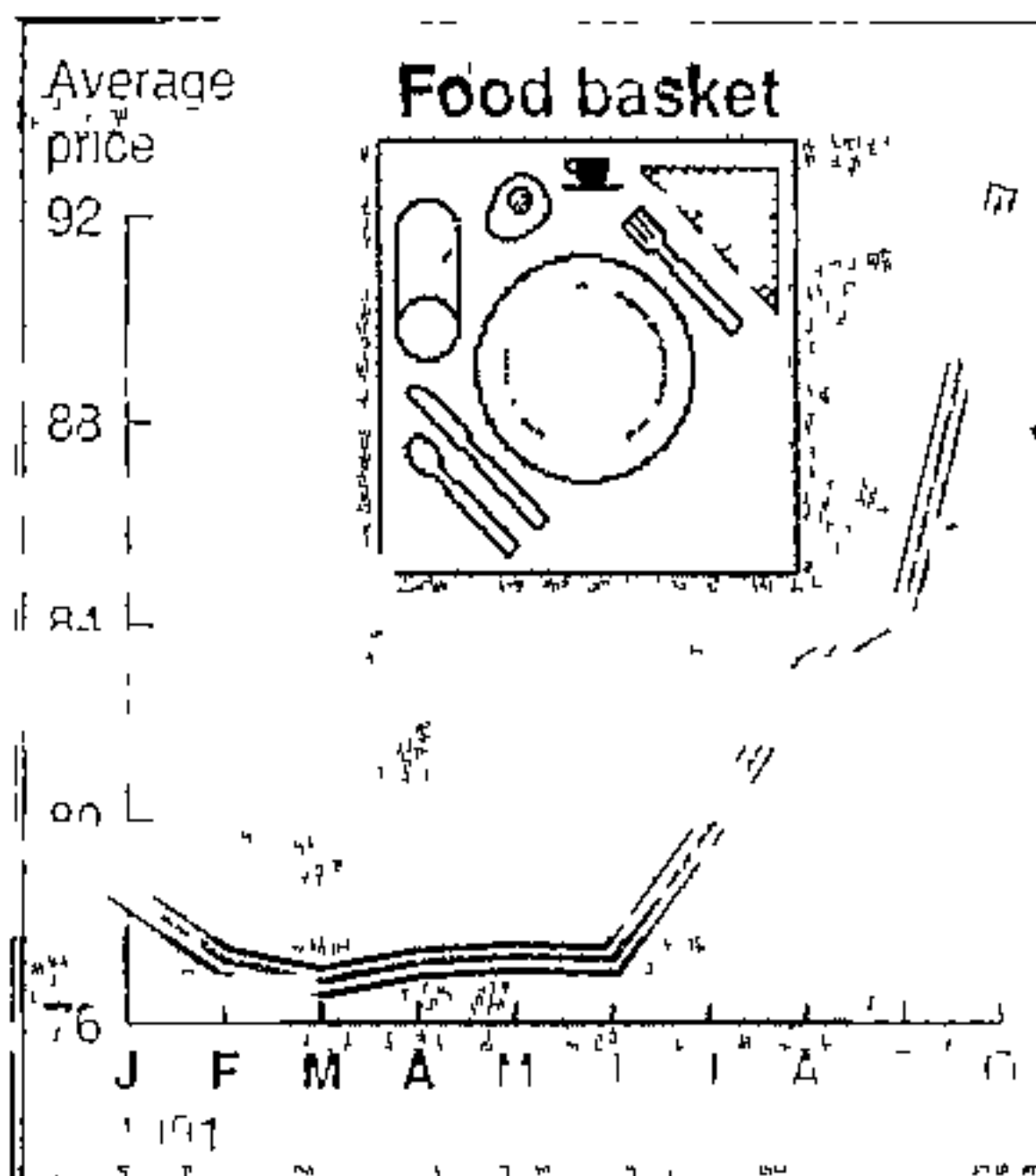
Retail margins were lower than they had been before and Pick 'n Pay had absorbed R5m of price increases before and

after VAT, he said "Manufacturers are not passing on the VAT savings . . ."

Meat Board production and research manager Thys Botha said prices had soared when meat supplies had fallen because of late rains. Farmers had kept stock back "Supply is still larger than last year but there is bigger demand and supply has not jumped to meet it. But we expect the situation to stabilise before Christmas."

Vatwatch chairman Prof Louise Tager said it was not fair to pin the blame solely on retailers. "We have to look through the whole value chain for the answer. There are many factors out of the control of both manufacturers and retailers, such as con-

□ To Page 2



Source SA CO-ORDINATING CONSUMER COUNCIL  
Graphic FIONA KRISCH

## Food prices

B/Daw 3/12/91

control boards and tariffs" Tager agreed it was still too early to see companies passing the benefits of VAT on to the consumer

Analysis shows that the reason behind the VAT-fuelled increase in inflation in October to 16,8% from 15,4% in September was VAT's larger spread over the components of the CPI. This made the three-percentage-point saving represented by VAT's 10% rate against GST's 13% ineffective for consumers

GST was payable on 45% of the basket of goods surveyed in compiling the CPI and VAT is payable on 80% of the CPI basket

The 1,9% increase in inflation in October

□ From Page 1

from the previous month was partly a reflection of this

Economists' calm approach to the latest figure is partly technical. They feel the inflation rate for November will find it difficult to post a further increase. A 26% petrol price hike in October last year was reflected only in November's figure, and it was responsible for a large portion of that month's 2,1% month-on-month increase in the CPI. As a result, November 1991's CPI would be coming off a high base 12 months previously, making a year-on-year gain as high as October's 16,8% almost impossible

● Comment: page 8  
● See Page 9

# Consumers see red over banking costs

STAR 5/12/91

Consumer Reporter



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The public is becoming increasingly dissatisfied with banking institutions, consumer bodies said yesterday.

Housewives League president Lyn Morris said consumers were not happy. "They seem to be paying a lot of money yet many don't really understand their banking accounts."

Consumer Union chairman Lillibeth Moolman concurred. "People are dissatisfied because costs and charges are being put on to their accounts which they aren't aware of."

While this was often as a result of consumer ignorance, the union had also received a number of complaints from consumers who said they had not been informed of a change in their interest rates.

Despite advertisements representing banks as friendly institutions where advice and assistance were easily obtained, most consumers were confused and reluctant to approach their

bank managers, Mrs Morris said.

"It's as if people think bank managers cannot be spoken to, as if there were an aura of mystique around them. Yet banks keep saying negotiate, talk, ask."

"You can only really negotiate if you have a couple of hundred thousand rands in the bank. A lot of people are unhappy because they feel they are not getting the help they should get," said Mrs Morris.

## Check

She said allegations that certain banks were charging more than the Usury Act allowed was a "less than happy experience."

"I think it is so important for people to check their accounts, check their statements," Mrs Morris said, adding that a number of people were unaware of what they were being charged for and why.

Mrs Moolman urged consumers to check their accounts for changes in their interest rates

as well as to ascertain what they were being charged for overdraft facilities.

Earlier this year farmers raised the issue of interest rates at a Transvaal Agricultural Union conference.

TAU general manager Johan Hartman said they had made numerous requests to banks in the past to specify which interest rates were being applied to specific farmers.

"I do believe the banks are now starting to do that," he said. "We have had discussions with these banks and have expressed our appreciation."

According to Mr Hartman it was previously difficult to work out what rate was being charged to some individuals. People had been sloppy in checking their accounts.

"We have had a couple of complaints that individual farmers had been charged far too much after they sent their accounts to be investigated, and they have requested the banks to pay them back," he said.

"Whether this has been done I don't know."



**FOCUS:** *Are the existing food safety laws appropriate for SA?*

# Safe – but malnourished

w/mail 6/12-12/12/91

246 

**T**HE government has published a new draft law for minimum food safety standards. It is a conventional wisdom that these rules and regulations are a vital adjunct to adequate nutrition. After all, if the food poisons as well as provides protein and calories, it's not much use.

The kind of food legislation one finds in a developed country is complicated and designed to ensure that what the consumer eats has not been inadequately prepared, contaminated, packed badly and that it has been hygienically handled at all stages of the food chain.

It reduces the risk of the unscrupulous operator slaughtering a chicken in an unhygienic abattoir and freezing it at the wrong temperature before selling it. But it costs money to comply with these regulations. And perhaps the chicken slaughtered at home just prior to eating solves many of the problems which legislation is designed to deal with — for instance refrigeration.

While consumers in urban areas expect minimum standards to be complied with, how are consumers in rural areas in subsistence-farming communities protected by these laws?

Leon Louw, of the Free Market Foundation, suggests that not only are rural and poor consumers not protected by the laws, but that the constant threat of hunger and malnutrition is enhanced by the laws.

He goes even further by stating that the urban consumer is also not served by the laws, which may only raise prices and hide skulduggery. This he justifies by claiming that if an unscrupulous vendor has complied with the minima, he can continue to operate in the same way since he has not broken any laws. The argument is not as daffy as it may sound.

Louw suggests that the only law which could satisfy the immensely varying consumer standards in this country is the "common sense of the common law".

## CRITICAL CONSUMER

Pat Sidley's weekly advice on what to buy ... and what to avoid



Or, he suggest, perhaps uniform regulations should be replaced by a system which recognises differing standards in different places. The common law position simply states no one may provide unsafe food. It would seem to apply to everyone and everything, but is difficult to enforce.

He justifies his position by pointing out the absurdity of applying the same standards for the Three Ships restaurant in the Carlton Hotel to a township caterer. And he points to the unsuitability of requiring abattoir conditions designed for exporting meat to Europe to apply to a slaughter pole in a rural village.

He believes that "at the very least, a grading system ought to be considered. Health inspectors could grade establishments, or preferably, objective criteria could be legislated. Some could be upgraded. Others might indicate, as do hotels, what their grading is".

He cites the case of Hong Kong, where apparently a voluntary grading system would mean an approved establishment would display some sign of its approval and grading. This would prompt those wishing to cash in on that market to raise their standards and apply for the mark.

In South Africa, he postulates, because of the geographic differences, these kinds of health matters could be left to local communities. He believes this could be enforced by consumers themselves who, through consumer

groups, unions and the like, would issue warnings and approach the courts to act against anyone violating common law.

To carry this out, Louw thinks a system similar to the Small Claims Court should be instituted to pursue with less bureaucracy and cost the complaints against unsafe operators. A "standards tribunal" would issue health and safety guidelines.

Using Department of Health statistics, Louw states that over two million South Africans are malnourished. He says more than 16-million people may have some form of milder malnutrition. Most of the victims are children — as many as a quarter in some communities.

These people can ill afford the greater costs involved in minimal food safety standards. During the war in Namibia, Louw says, health inspectors were removed from Oshakati. This enabled locals to provide cheap, adequate nourishment to many more people than before, as the regulations meant much of the food was deemed to be unsafe.

Food poisoning, he says, is very rare where-as in 1989 about 160 000 people were reported to have died of malnutrition. He is careful to point out that his statistics are official government statistics.

Louw presented this argument at the Checkers consumer journalism award seminar, held at the Carlton Hotel last week, where it was met with the more conventional approaches to food safety.

However, none of those who spoke about the food safety laws referred to the fact that they cannot apply to the majority of poor urban and rural consumers but certainly applied to all those present in the hired room of the hotel.

Few attempts are made, or have ever been made, to grapple with the fact that most people in South Africa consume far too little and could not use the laws supposedly enacted for their benefit.



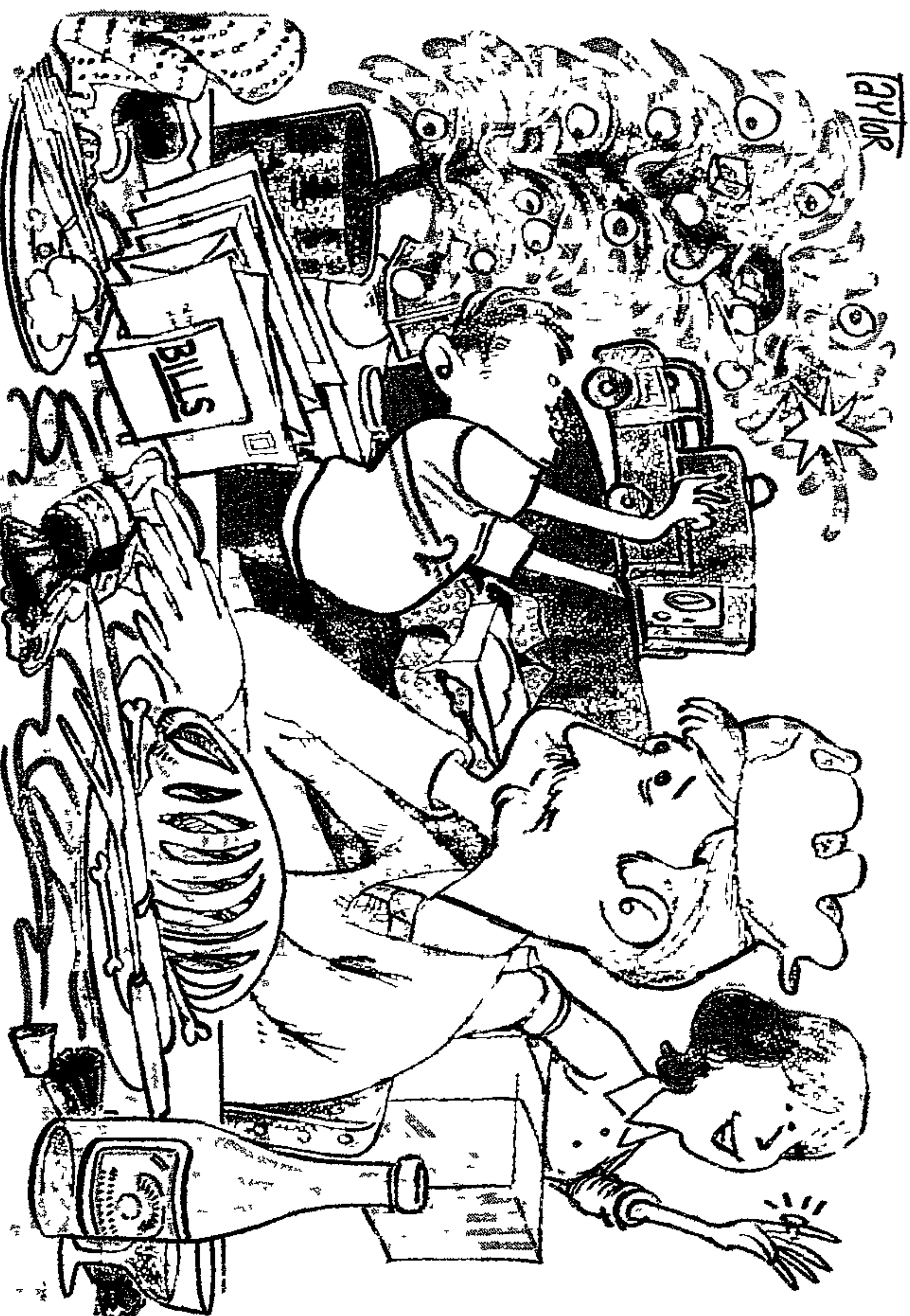
# Cut your coat according to your cloth

STAR 10/12/91

(246)

## FESTIVE DEBTS

If you have no choice but to get into debt this Christmas, then look around for the best option. Getting "quick fix" credit never works.



**T**HE worst festive season hangover is when the laughter is replaced by a worried brow as the bills pile up.

The best scenario consists of budget-conscious consumers putting away their 13th cheque for a rainy day and making the best of what they have, however little that might be.

If you have no option but to get into debt this Christmas, look around for the best option. A "quick fix" credit arrangement never works. The hangover lasts much longer than the festivities.

## Warnings

Association of Credit Bureaux president Rowan Haarhoff says come December, people throw caution to the wind, and hope for the best in January.

People often spend on credit at the end of the year because of inflation expectations and also in anticipation of annual increments, says Mr Haarhoff. "My advice is that it won't necessarily be better next year. Unless you are absolutely sure of an increment, I would say ensure you can afford it or wait until next year."

He says consumers must ensure they can afford credit. It is easy to obtain if there is no default record. "But shops aren't aware of your other commitments. A little indiscretion could lead to four years of difficulties getting credit."

Daan Kruger, Consumer Council assistant director communications, says use credit only for essentials. "If you are in financial trouble, ap-

proach the source where something can be done. Speak to your bank manager or your dealer," he says, warning against approaching money lenders.

"Credit, although handy, should be used judiciously. Credit doesn't mean you don't pay. You will pay as well as pay for the benefit of not paying immediately. You could end up paying a lot more than you bargained for."

For retail account holders, buy now, pay later is a well-established, convenient way to shop. Accounts are interest-free as long as they are paid regularly.

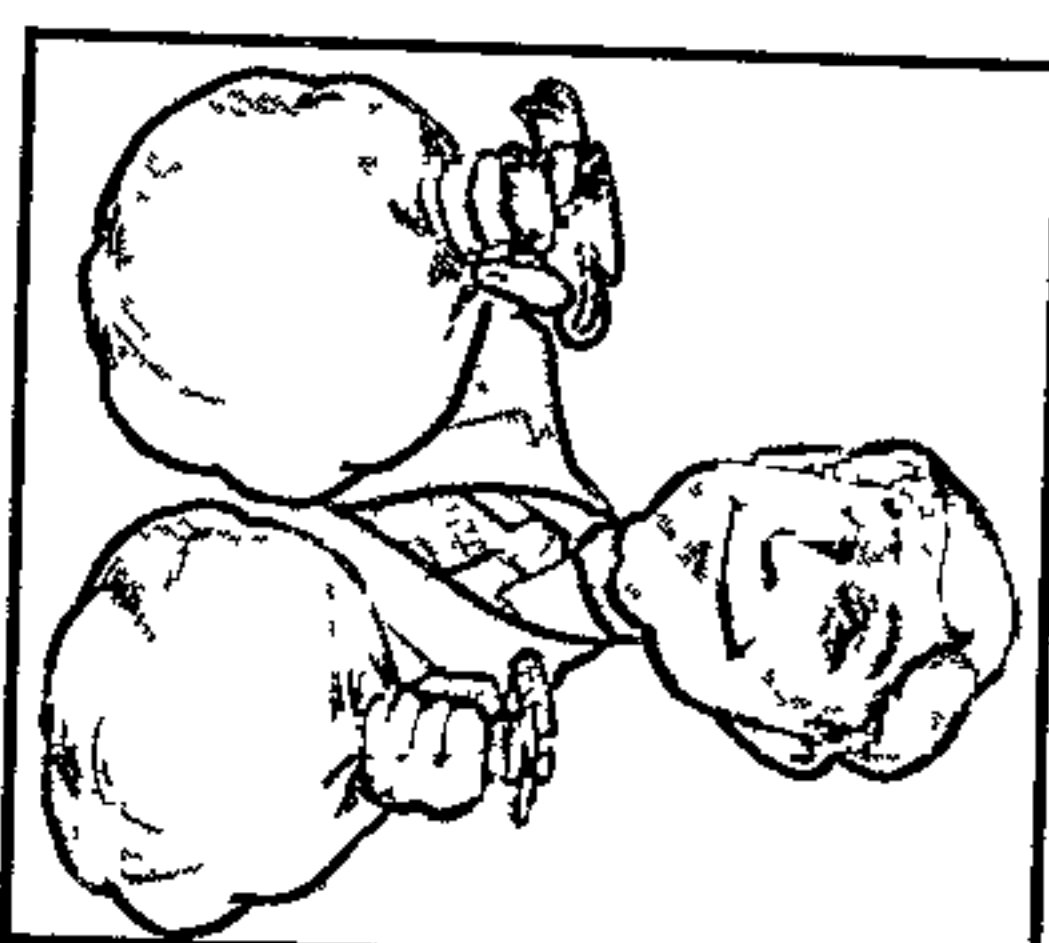
"About 85 percent of the business transacted in Edgars branches utilise the in-house credit facilities. Of the remaining 15 percent cash transactions, a further three percent is conducted on bank credit cards and hospitality cards," says Edgars financial director Robert Maydon.

"In times of recession, such as now, the in-house interest free credit scheme becomes a great benefit to customers."

Stringent credit procedures are followed. "Too generous a policy will attract unacceptably high levels of bad debt in the future, while too tight a policy will restrict credit sales, thus sensitive balance must be managed in tune with the economic conditions prevailing."

In a pamphlet on tips for buying on credit, the Consumer Council says credit is good only when consumers use it to their advantage, appreciate it as a privilege, plan their credit expenditure carefully, keep credit purchases within their means, and meet the responsibilities of their credit purchases.

PAULA FRAY



## The best places to get credit

The most convenient or accessible credit deal is not necessarily the best — so shop around and use with care. Credit facilities not generally recommended are the "quick help" services that offer to pay your bills. The most usual credit arrangements are:

- Loans by banks and building societies.
- Accounts with commercial businesses and suppliers of services.
- Hire purchase.
- Overdraft facilities.
- Visa or Master card.
- Retail accounts (six months treated as cash).

# Consumers

## STAR take knock

18/12/91  
By George Nicholas

The imposition of VAT on meat is hitting the pockets of consumers and the fears of farmers that they could be called upon to shoulder this additional tax burden are proving unfounded. (246)

A study of producer and consumer prices for meat since the introduction of VAT on September 30 indicates that this tax had had relatively no effect on the prices paid to farmers for livestock sold by auction and marketed in the main urban centres. ~~246~~

The 10 percent tax has been passed on by the meat trade to the consumer, although in some cases butchers appear to be absorbing part of it

Since July, there has been a steady increase in producer prices, and there is every likelihood that retail meat prices in the next three years may increase by about 30 percent a year



# Surprising growth in credit finance

By Sven Lamsche

STAFF 18/12/91

While consumers cut back sharply on their credit spending in the September quarter, companies continued to use hire-purchase and lease-credit financing at a surprisingly high rate.

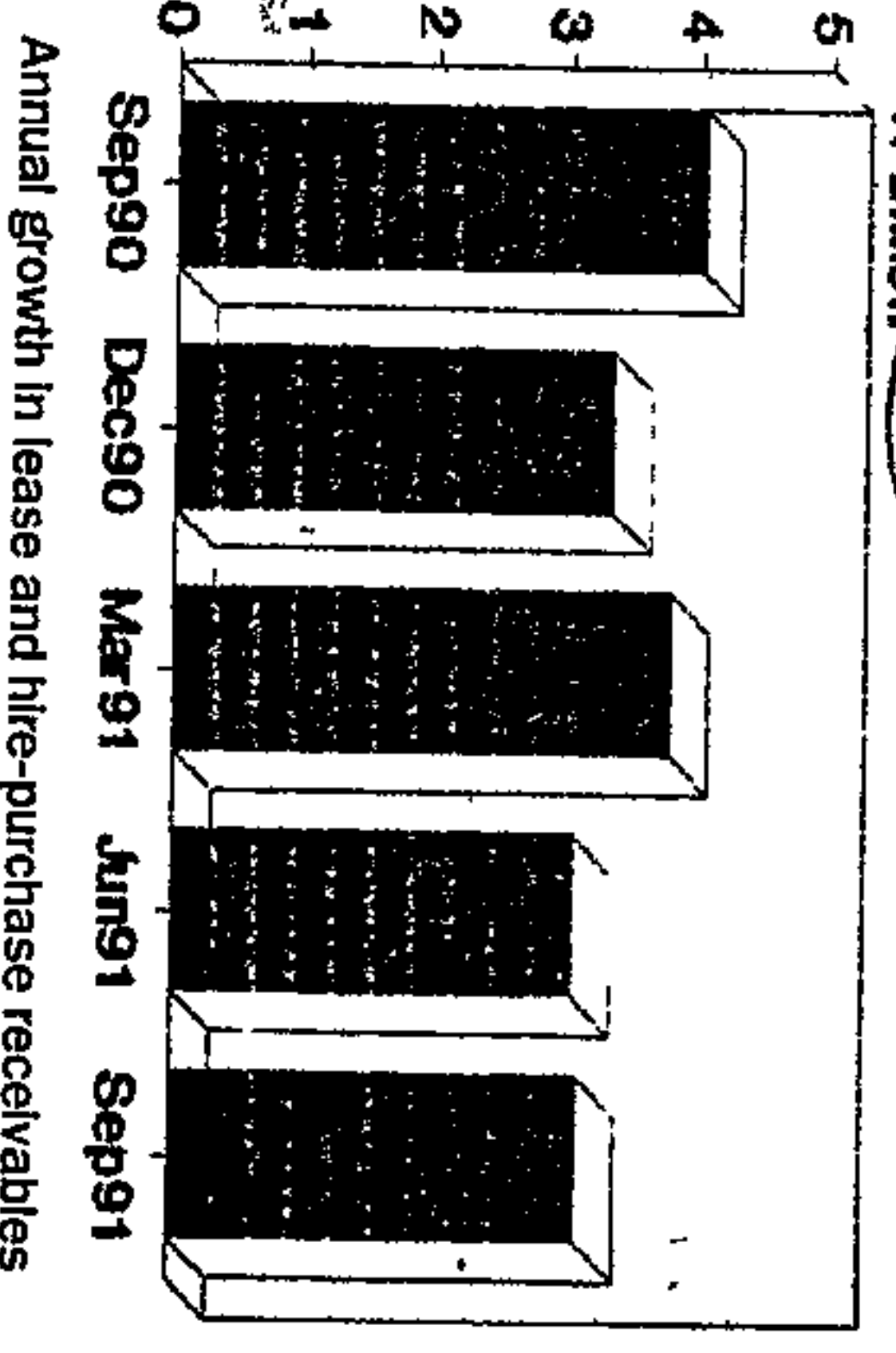
An analysis of the latest BA9 returns by commercial banks shows that total receivables (HP and leasing) on bank books was R30,19 billion by the end of September

During the September quarter total receivables grew by R1,21 billion, or 4,17 percent, over the June 1991 quarter and by R3,1 billion, or 11,5 percent, over the September 1990 quarter.

Nedfin CE Christopher Beatty says the surge was a surprise, as companies were expected to cut back their capital expenditure until the introduction of VAT on September 30. "We expected the surge in the fourth quarter and

believe it came early because of lease-back agreements, which were convertible in October 1991 to gain VAT input credits."

There is some indication though that the overall level of activity is still lower than in previous years — the average quarterly growth rate in total lease and HP receivables per annum since September 1988 was R4,53 billion, compared with R3,1 billion in the year to September 1991.



# Vatwatch enters new phase

Consumer Reporter

STAR 23/12/91

A number of firms have agreed to have their records examined by Vatwatch auditors to determine whether VAT is being implemented correctly, the tax watchdog said at the weekend.

Vatwatch chairman Professor Louise Tager said VAT implemented in a way which would reduce the cost to business should lead to lower prices or at least a slow-down in the rate of inflation.

A recent Vatwatch survey showed the rate of increase in the prices of goods and services appeared to be slowing down since the introduction of VAT. Zero-rated food, however, cost more than before.

The overall increase in prices decreased from 2,6 percent in August to 2,1 percent in November.

"VAT-related savings ought to retard the rate of retail price

increases, but this will not come about overnight," said Professor Tager.

She said the removal of sales tax on the business sector's expenditure on consumables should positively effect prices immediately. ~~230~~ (246)

"But the elimination of sales tax on capital purchases will take longer to filter through."

The first phase of the Vatwatch programme — the monitoring of reports and complaints by consumers — has ended and the telephone facility discontinued, said Professor Tager. Consumers can still write to Vatwatch at PO Box 47390, Parklands 2121.

The second phase will commence next month, comprising a systematic evaluation to determine the extent to which manufacturers, wholesalers, retailers and other links in the chain were achieving and passing on VAT-related savings.

# Hire purchase deals beat TV and VCR rentals, spot survey shows

*Business 24/12/91*  
ASTUTE consumers can now buy a TV or VCR on hire purchase at a discount to the rental rates currently offered by rental companies

A spot survey of advertisements run this month by retailers of electronic equipment and TV/VCR rental companies showed consumers could buy their own TV or VCR machine on an HP payback scheme, excluding the required deposit, for up to 18% below the monthly rates quoted by rental companies

Teljoy and associate company Rent A Color, which hold more than 75% of the rental TV/VCR market, charge about R92 and R89 respectively on a 51cm remote control colour TV set, including insurance and the monthly licence fee

In turn, the major retail concerns are promoting products with the same features at between R60 and R80 a month over 18 to 24 months with a required deposit of R180 to R220

Excluding the deposit, consumers could acquire a

*246*  
*246*  
**SEAN VAN ZYL**

51cm remote colour TV set at the bottom of the market for about R75 a month including insurance and the monthly licence fee

The monthly saving on the HP purchase of about R14, compared with the lowest rental rate, amounts to R336 over a 24-month period, the normal length of an HP contract.

## Pegged

The R336 saving over the period more than covers the initial deposit required under the contract

As a result, the consumer can recover his deposit and eventually gain ownership whereas on a rental basis, the equipment remains the property of the rental company

Asked whether the rental companies had out-priced themselves from the market, Teljoy chairman Theo Rutstein said he found it hard to believe rental rates were higher

than the monthly payment deals offered by TV retailers He said rental rates were normally pegged at a 30% discount to HP retail deals

He added Teljoy held regular pricing surveys to maintain the company's competitiveness against retailers

Teljoy's December survey indicated rental companies were still cheaper than electronic equipment retailers

As a result, he felt Business Day's information gained from the retail advertisements was incorrect

Futhermore, Rutstein said, TV prices would range depending on different brands — which rental companies do not disclose in their advertisements.

He said rental companies also provided their clients with a "same day" repair service and allowed them to upgrade their equipment depending on their needs



# Break those inflation chains

## RESOLUTIONS

Thinking of New Year resolutions? Then take the plunge and make 1992 the year of the assertive consumer.

**A** PATHETIC, downtrodden, uninformed South African consumer and not all of them are unfair

Leading consumer activists have some choice advice for consumers tired of being labelled. An informed consumer is a good consumer, says the South African National Consumer Union. And, the best place to start is by knowing your consumer rights. These are to choose, to be informed, to organise, to safety, to be heard, and the right to redress. Consumer Council assistant director (communications) Daan Kruger says people will be able to make better choices if they are informed. "Everyone should take stock of himself as a consumer. Inflation is regarded as public

enemy No 1, but there is also such a thing as personal inflation. We need to ask if we are spending our disposable income judiciously.

"Is every buy I make the best I can do? It's no use going across town to get a special bargain and spending a fortune on petrol," says Mr Kruger.

So, tomorrow his resolution will be "To take stock of myself as a consumer. What have I done? What can I do? What does the situation allow me to do? Do I insist on good services and courtesy? If a price is beyond my reach, do I inform the seller?"

There will also be introspection and soul-searching, says Mr Kruger. "Do I fight for myself or do I expect other people to do that for me?"

Housewives' League vice-president Jean Tatham will take time to make informed de-

isions. "I'm going to look and phone around before buying anything. There are new products on the market and I'm going to take some time to try them."

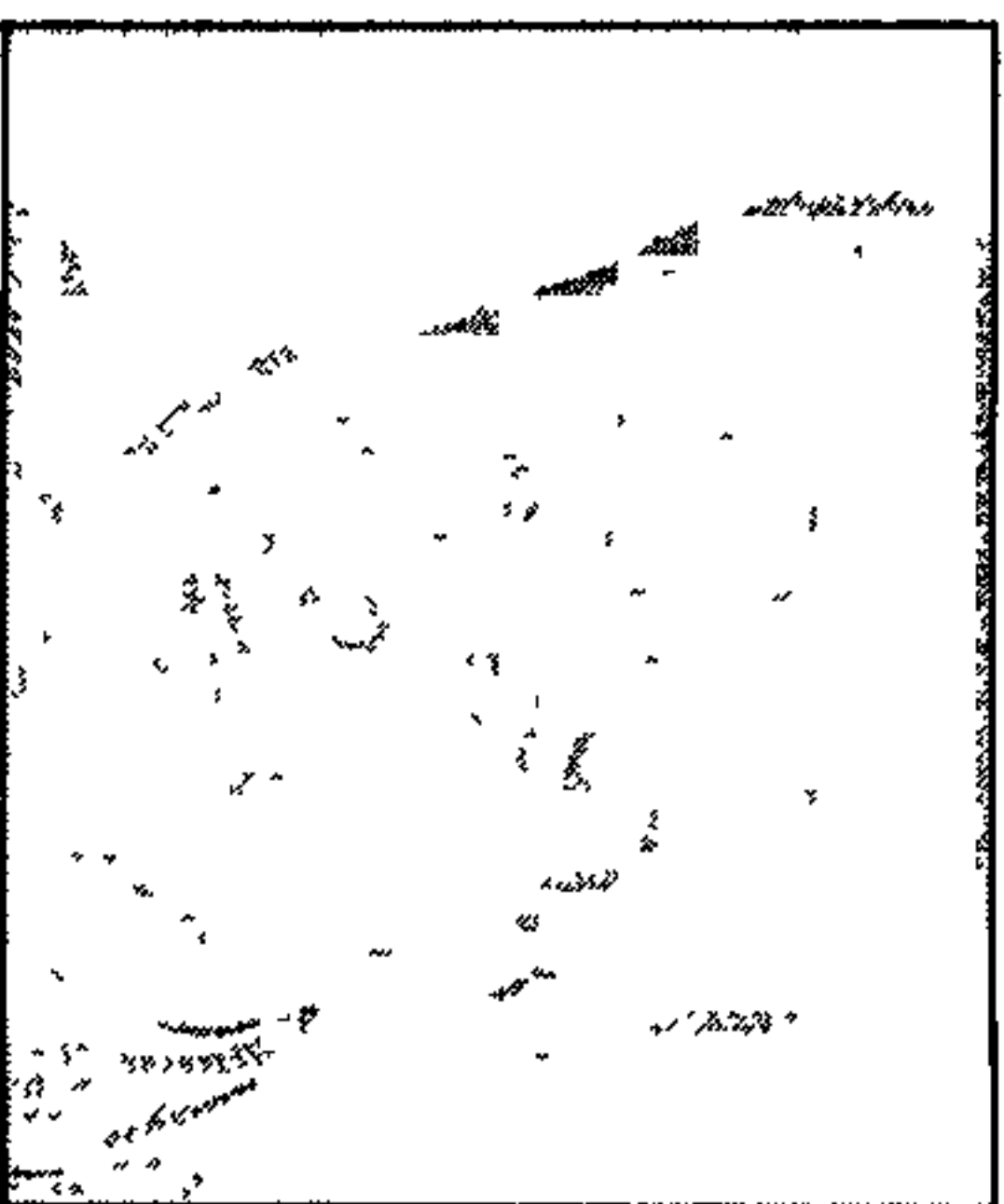
Econometric chief economist Dr Azar Jammame believes consumers can play an active role in fighting inflation by not accepting high prices.

"I'm going to shop around and resist buying if the prices are too high," says Dr Jammame, admitting that it is easier said than done.

But, by trying new products and choosing the prices they pay, consumers can help break the "inflation psychosis" South Africans find themselves in.

Go on, be daring. Make this the year of the active consumer.

TRENDS REPORTER



Shopping around: Econometric chief economist Dr Azar Jammame.