Finance - General

1975 - 1977
Trust Bank may be taken over

By HAMISH FRASER
Deputy Financial Editor

BANKING, as Trust Bank has told its customers for the past 22 years, will never be the same again. For Trust Bank, the pioneer of the dolly-bird image and piped music, is about to be taken over.

Bank Holding Corporation of South Africa (Bankcorp), a company controlled by Sanlam, said yesterday it would make an offer to buy full control of Trust Bank. Bankcorp is listed on the Johannesburg Stock Exchange and represents Sanlam's major banking interests.

Sanlam and one of its associated companies, Federale Volksbeleggings, already own 36 per cent of Trust Bank. Trust Bank's board and its major shareholders, Sanlam and Federale Volks, have approved the proposed deal in principle.

The consummation of the deal now looks routine.

The merger of the banks would create a R2,000-million banking empire, covering nearly all aspects of financial services.

See Page 20
Millions more

DEREK SMITH: Property Editor

ONE OF the last major new schemes to be
underway in London is a property project
in Greenwich, which will create thousands of
new homes and jobs. The development, known
as Greenwich Peninsula, has been described as
the London equivalent of the Docklands.

The project is being led by the South
Greenwich peninsula public development
corporation, which was established in 2000
to regenerate the area.

The area, which is currently dominated by
industrial and port facilities, is to be
transformed into a mixed-use development
area, with residential, commercial and
industrial space.

The project is expected to take around 20
years to complete, and will involve the
construction of around 10,000 new homes
and the creation of thousands of jobs.

The development will include a variety of
new buildings, including offices, shops,
hospitals and schools.

The project is expected to inject
millions of pounds into the local economy,
and is seen as a major boost for the area.

The project is also expected to
attract tourists to the area, with new
hotels and conference facilities planned.

The development is part of a wider
plan to regenerate the entire Greenwich
peninsula, which includes the Royal
Mile, the Old Royal Naval College and
Greenwich Park.

The project is being funded by a
combination of public and private
resources, with the government
providing significant financial support.

The project has faced some
resistance from local residents, who
are concerned about the impact of the
development on the area.

But supporters say the project will
bring significant benefits to the area,
and will help to boost the local economy.

The project is expected to create
thousands of new jobs, and will help to
regenerate a key part of London.

The development is expected to
be completed in around 2030.

END

For Rosebank

by Peter Barlow, met

Millions more

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for Rosebank

by Peter Barlow, met
Big firms back plan for power

The Star's Insight Team

The plan to raise R50 million and more of bank money for electrical reticulation of Soweto was initiated by Roberts Construction and the big electrical firm, Siemens (Pty) Ltd.

The Anglo American Corporation was also deeply involved, but it is not clear whether it was in from the outset.

An executive director of Anglo American, Dr Zac de Beer, confirmed the involvement of his corporation yesterday.

A spokesman for Siemens confirmed his company’s involvement.

He said “a number of people” had thought of the plan, and Roberts Construction and Siemens had joined forces to get it moving.

FINANCING

“We realised financing was necessary, and the banks were contacted.

“What otherwise would have taken years, will now be achieved much faster,” he said.

In addition to the obvious benefits to Soweto, the scheme could be the “ignition” for the revival of other sectors of the economy. It would also be a “pilot project” for other townships.

CONFIRMED

Roberts Construction also confirmed the plan and its involvement. A spokesman said feasibility studies, costing and technical aspects were now complete. Detailed reports had been sent to the Government.

The companies moved on the scheme last July — only weeks after the chairman of the West Rand Bantu Affairs Board, Mr Manie Mulder, announced that it was intended to supply Soweto with electricity.

Mr Mulder was not available for comment but a board spokesman said he was to fly to Cape Town next week for talks at a high-level.

The Star’s Insight Team has established that Siemens and Roberts approached five major banks for loans in July.

CO-OPERATION

The approach was certainly in co-operation with the West Rand Bantu Affairs Board (possibly in its name) and probably had the backing of the Anglo American Corporation.

Four of the banks agreed “in principle” to make the loans (amounting to R52 million) providing they were guaranteed by the Government. These were Barclays National, The Standard, Volkskas and Nedbank.

The fifth bank, Trust, insisted that an attempt be made to raise an overseas loan and that, if this failed, the bank loans should be outside their normal lending limits (as governed by the ratio of loans to liquid assets).

Trust was then quietly dropped from the scheme — at any rate it heard no more about it.

The four banks were all equally involved in getting the scheme off the ground. Barclays is, however, leading the negotiations with the Government.
Experts predict
Millions may be lost.
hier, soos die Nederlandse taalkundige J. L. Pauwels aantoont, met 'n oorgedraaie verskynsel te make.


J. A. VERHAGE, „Die herkomst van die verbindings as wat na 'n komparatief en sy verbreiding in Afrikaans“, Tydskrif vir geesteswetenskappe.

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1. Teorieë oor die ontstaan van Afrikaans

Vroeger is daar wel aan die eind van die Elisabethse taalinvloed gedink. Dit was die geval voordat 'n taamlik groot hoeveelheid direkte gegewens van die Kaapse taal in die Argief in Kaapstad gevind is. Kort na die stigging van die GBA het die belangstelling in die herkomst en ontstaan van Afrikaans by taalgereedse begin posvat en aanleiding gee tot die ponering van verskillende teorieë oor die ontstaan van Afrikaans. Th. Hahn se Hotentots-teorie van 1882 was die eerste poging tot 'n verklaring van die karakter van Afrikaans. Hoewel hy vasstel dat Afrikaans "fonetikamente teutonisch" is, d.w.s. sy Germaanse structuur behou het, is dit volgens hom "psychologically en essential Hotentot idiom". Maar hierdie vae stelling kan hy nie bewys nie. Kort na die belangstelling van Nederlandse geleerdes soos
hier, soos die Nederlandse taalkundige J. L. Pauwels aantoen, met 'n oorgeërfde verskynsel te make.


J. L. PAUWELS, „De volgorde van verbogen verbale vormen in het Nederlands”, in Die tene studies, pp. 105–110.

9.5 Slotoopmerkings

In hierdie beknopte oorsig van die wording van die Afrikaanse taal kon net op die mees opvallende kenmerke van dié woordskat, klank- en vormstelsel, en van die sinsbou gewys word. Talle van die feynner besonderhede van die Afrikaanse taalstruktuur kon uit die aard van die saak nie ter sprake kom nie; maar uiteers verskynsels as wel bespreek is, blyk al duidelik dat Afrikaans nie eensklaps ontstaan het nie. 'n Tydperk van minstens 200 jaar was nodig om die Afrikaanse taalstruktuur te laat ontwikkel. In dié ontwikkelingsproses het die baie faktore tot die veranderings op die gebied van die woordskat, die fonologiese en morfologiese struktuur, en die sinsbou bygedra. Wanneer ons ons breune versigig bestudeer, sien ons dat nie die een of ander taal in die besonder of een spesifieke faktor vir die wording van Afrikaans verantwoordelik was nie, maar dat die Afrikaanse taal die produkt is van baie eksterne en interne faktore. Besonder belangrik was die dialiectiese skakelings van 17de-eeuse Nederlands; soos uit die oorsig wen van die Kaapse taal in die Argief in Kaapstad gevind is. Kort na die stigting van die GRA het die belangstelling in die herkom en ontstaan van Afrikaans by taalgeleerdes begin posvat en aanleiding gegee tot die ponering van verskillende teorieë oor die ontstaan van Afrikaans. Th. Hahn se Hottentots-teorie van 1882 was die eerste poging tot 'n verklaring van die karakter van Afrikaans. Hoewel hy vasstel dat Afrikaans "phonetically teutonic" is, d.w.s. sy Germanse structuur behou het, is dit volgens hom "psychologically an essential Hottentot idiom". Maar hierdie vae stelling kan hy nie bewys nie. Kort ná hom kry ons die belangstelling van Nederlandse geleerdes soos M. de Vries en J. te Winkel, wat die Frans-teorie vooraan. Volgens dié teorie sou Afrikaans onder die invloed van die Franse taal ontstaan het, maar D. C. Hesselings het dié teorie in 1897 al weerli. In 1885 wys Hugo Schuchardt, die beroemde Duitse geleerde en kennen van Kreoolse tale, op tweek belangrike faktore wat by die wording van Afrikaans 'n rol kon speel het; hy dink aan die een kant aan Duits invloed en die ander kant was hy die eerste wat in 1891, op grond van sy kennis van Indo-Poortugees en Maleis-Poortugees, op moontlike kreeoliseringsfaktore in Afrikaans aandag gevestig het. D. C. Hesselings het dié gedagtes in 1897 en 1899 verder gevoer, veral in sy beroemde werk Het Afrikaansch (1899) waarin hy sy Maleis-Poortugees-teorie uitgegee het. In teenstelling met die vorige teorieë het Hesselings s'n die eerste wat werklik wetenskaplik verantwoord was. Volgens Hesselings moes daar binne die eerste dertig jaar van die volksonthulling 'n skilke botting van tale aan die Kaap plaasgevind het. D. C. Hesselings vaak die 17de-eeuse Nederlands van die vyfbygers, soldate en amptenare en die taal van die Oosterse slawe wat Maleis 'n vorm van gebroke Poortugees gepraat het, of 'n vermenigvuldig van albei ("Maleis-Poortugees"). In 1658 en daarna het die groot aantal slawe wat gebroke Poortugees gepraat het, Kaap toe gekom; dit sou volgens Hesselings 'n direkte kommunikasieprobleem veroorsaak het wat tot 'n winnige n sterk vermeer "n kul" en "n sosialist" struktuur van kreeolise en kulturele en emnerke van die konklusie van die konklusie lap by staan die direkte taal- sosio-historiese was nie. Daar het 'n hipotese
Bank loans for Soweto a tonic

By ELIZABETH HOUSE

SENTIMENT was more cheerful yesterday in Hollard Street and favourable background news, and even lagging industrials responded.

The tonic was the bank’s R10-million for Soweto lighting and solar power. Hollard’s statement that township unemployment would be cut.

The market interpreted their statement to mean a serious effort to build houses for Blacks.

Goals continued to advance, but trading was lighter than on Thursday. Coal-content mining financials were in demand with Amcoal reaching well to the interim report and news of its R10-million mine.

Gold shares moved off the top in spite of firmer gold price indications, but the week’s advances were satisfactory.

Saas(gress) and Wit GM were features. Saas(gress) was actively traded on comment on its uranium potential, gaining 29c on the week to close at 18c.

Wit GM came off 50c to 100c on the provisional liquidation of the National Soil Group, part of the Glen Anil group.

It was a dull week for other metals, but the manganese and antimony counters were firmer. Minoro gained 20c to 30c yesterday ahead of its results in otherwise dull copperers.

De Beers came off the top to close 1c up at 39c, unchanged on the week.

Rooberg and Union moved off a few cents yesterday in the taint of the big liquidation of the Koppie Exploration Co. Ltd at 26.5c.

The impression is that the mine is in real trouble, which no doubt accounts for the gains made in the shares of De Beers, one of the few companies with the resources to be able to acquire the assets.

I. Teiresis or the onset of Apartheid

Vroeger is daar aan die en van die belangwekkendste aanleg van die transvaalse skatterings van T. nam teen die reëlik nie se vereeniging van Nederlandsse en Afrikaansse kulture nie, maar in die vorm van "Koring".

Maar die argief van Nederlandsse en Afrikaansse kulture is in die laatste dekades in die lande en in die buiteland deur die Afrikaansse en Nederlandsse studiereeks in unieke vorme en in unieke derde vir die verergering van een "Nederlandsse" skatterings van T. name teen die reëlik nie se vereeniging van Nederlandsse en Afrikaansse kulture nie, maar in die vorm van "Koring".

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Electricity for Soweto: banks to lend R50m?

JOHANNESBURG — South Africa's "big four" banks have committed themselves in principle to finance a complete electric power scheme for Soweto at a cost of between R50 and R70 million.

But the banks — Nedbank, Standard and Volkskas — said yesterday only preliminary discussions had been held and no commitment in principle had been made.

The West Rand Board Administration, which has been negotiating with the banks for six months, is now understood to be finalising details of the power programme.

The board chairman, Mr. M. Mulder, is in Fiji to attend the conference of Commonwealth finance ministers this week, and it is believed he will talk to the banks about power guarantees for the scheme.

The banks refused to confirm reports yesterday that a R50 million loan package had been granted by the banks, or that they had held three discussions for the scheme — to improve Soweto's living conditions, ease unemployment and increase demand for a wide range of goods.

A Standard Bank spokesman said: "We were approached about six months ago to help finance the scheme. We agreed in principle."

A Nedbank spokesman said there had been a definite commitment in principle but details had not been finalised.

A Barclays spokesman said the announcement appeared to be premature. "We have been involved in preliminary discussions but are not at liberty to discuss these," he said.

Mr. Mulder, the spokesman said, could be reached for comment.

A spokesman for the West Rand Board confirmed that negotiations with the banks for the project had been taking place. — SAPA.
JSE cash frozen in Rand Bank

A million rand from funds administered by the Johannesburg Stock Exchange is "locked into" the troubled Rand Bank.

The bank is under curatorship as a result of its involvement in loans to Glen Anil. No deposits can be withdrawn from it.

No one was available at the Stock Exchange at the time of going to press today to say what the locked-in funds were. However, The Star understands it is money from the guarantee fund used to protect brokers' clients in the event of default or collapse of broking firms.

In a statement today the Stock Exchange Committee said the money was expected to be recovered in full, but that in the event of any loss the Stock Exchange would make good the loss from its own funds.

Earlier this week, when The Star asked if the exchange had money in Rand Bank the president, Mr Chris Goemanile, said the exchange "never" revealed how its money was invested.

The exchange's public relations officer, Mr Clive Algar, advised The Star not to "assume too much."
UBS lends R1 m a day

IN spite of the economic slowdown, particularly in the building industry, the United Building Society has lent an average of R1-million a working day to would-be homeowners in its current financial year, says Mr. Hans Hefer, managing director of the UBS.

"Between April and December last year, we granted loans totalling R225-million, which is only 11 per cent less than in the same period of 1975. The society's share of home loans represented about 30 per cent of loans granted by the building society movement (R776-million).

"The belief that there is a shortage of funds for domestic housing is erroneous," says Mr. Hefer. "It probably stems from the fact that in April last year the building societies' intake of new funds totalled only R122-million. This was followed by comparatively lean months in May, June and July."

Since then, the flow of money to the societies has shown an upward swing and it is averaging R44-million a month.

Mr. Hefer says the United alone plans to make R25-million a month available for bonds in February and March. — Sapa.
Gunman gets $6,000

Crime Reporter

"Hand me the money or I will pull the trigger," a masked man told a bank clerk in Booyens, Johannesberg, yesterday while holding a revolver to the head of Mrs Margaret Lethbridge.

Mr Max Gugger (23), a clerk at one of Standard Bank's mobile agencies, told police that Mrs Lethbridge came to the bullet-proof window of the vehicle while he was parked in front of the Desta company in 3rd Street, Booyens Reserve. A masked man came up and put the revolver to Mrs Lethbridge's head. He told Mr Gugger to hand him money or he would pull the trigger. Mr Gugger gave him about $6,000 in cash.
'Mickey Mouse' in bank hold-up

By EMELIA JAROSCHEK

A GUNMAN wearing a Mickey Mouse mask yesterday robbed a teller behind bulletproof glass in a mobile bank. He escaped with R6 000.

The gunman foiled the security set-up by holding his gun at the back of a woman hostage.

Mrs. Lethbridge, 50, had entered the mobile bank to draw money. "This is a hold-up!" she said. "If you don't give me money I'll shoot her," the robber told the teller, Mr. Max Gugger, 22, who was protected by bullet-proof glass.

The robber handed a plastic bag to Mrs. Lethbridge. The teller passed a bundle of notes through the opening in the glass.

The robber demanded more and Mr. Gugger handed over another two bundles. The robber then with-
111.5 million
Last year was out
Claims pay-out

Cost Control
R2M a year goes into retirement fund
R6-million computer has cut costs

OLD MUTUAL'S new mainframe computer — installed in October last year at a cost of around R6-million — will generate considerable cost savings in the future, according to Mr Dick Lloyd, general manager of computer staff at Mutualpark.

Mutual is currently converting existing systems to suit the new computer, which is now operating at only a fraction of its capacity.

However, Old Mutual has established that the new ICL 2980 mainframe will provide around 300 per cent greater computing capacity than the existing two computers.

Despite the massive capital investment involved, Mr Lloyd says computer costs are currently running at around R9 to R10 000 of premium income — well within the industry average of R12/R10 000.

Why the new investment? Mr Lloyd said the existing, outdated computer facilities were being used to their maximum capacity and Old Mutual was obliged to spend a considerable amount annually on outside bureaux.

The installation of the computer was thus primarily dictated by the desire to control costs.

Old Mutual's staff had in fact decreased substantially since December 1974 due to the growing influence of computing facilities.

Measured against this was an 11 per cent improvement in Old Mutual's "activity index" for the same period. Consequently Old Mutual had improved the ratio of salary and overtime expenses to premium income by 8 per cent in the 12 months to June 1976.

Computing facilities contributed substantially to this improved performance, and in view of the growing load on existing facilities it was necessary to expand.

In addition to its mainframe facility, Old Mutual has on-line terminals at all its main branches, linking these to the Cape Town head office.

The first phase of this on-line facility has been completed (Old Mutual shares the data-transmission network with Nedbank). The network already processes around 120 000 receipts a month.
Mutual beats R100-m mark

THE premium income of the
appointed administrator
and trustee of the
the Mutual Life Assurance
Company has exceeded
the R100 million mark for the
first time.

Along with its results, the
Mutual has also announced that it
will be able to declare an increased bonus
payment for policyholders. This comes after
the company's successful year in 2018/19,
which saw a 32% increase in premium
income compared to the previous year.

The increase in premium income
has been attributed to the
company's focus on
improving its product
offering and
strengthening its
marketing efforts.

CEO of the Mutual Life
Assurance Company,
Mr. John Smith, said:
"We are extremely pleased
with our performance in
2018/19, and we believe
that this is a sign of the
growing confidence of our
policyholders in our
services. We will continue
our focus on innovation
and customer service to
maintain this momentum in
the years to come."

The company has
announced plans to
invest in new technologies
and expand its
distribution channels,
in addition to increasing its
marketing efforts.

The Mutual Life
Assurance Company
is one of South Africa's
leading long-term
insurance companies,
providing a wide range
of products and services
to its policyholders.
R2,3m WASTE DEFENCE BILL

ORMANDE POLLOK
Political Correspondent
CAPE TOWN—The Department of Defence lost more than R2,300,000 on damages, deficiencies, accidents and payments during the 1975-76 financial year.

Another R212,724 was lost in the variation or cancellation of contracts involving the Defence Department.

And it cost R85,002 for the South African Navy's participation in the Cape-to-Rio yacht race.

These details of Government spending were in the report of the Auditor-General for the 1975-76 financial year. The report was released in Parliament yesterday.

In it, the Auditor-General, Mr. F. G. Harris, said losses excluding motor accidents, loss to aircraft, ships and other equipment amounted to R1,500,000.

The largest single loss was caused by fire at the air publication depot. Damage amounted to R302,855.

A second big loss in this category was R329,813 for fuel discrepancies.

During the year, Defence Force vehicles were involved in 1261 motor accidents resulting in payments for third-party victims and damage to vehicles totaling R683,729. A sum of R229,185 was recovered.

The Auditor-General reported that in 461 cases the drivers in these accidents were prosecuted. In 885 cases no disciplinary action was taken and 217 were pending.

Losses and damage to aircraft and auxiliary equipment were either written off or accepted as a charge against Public funds. The cost amounted to R1,349,550 for 13 cases. The Government also made extra payments totaling R23,333, including R1,000 to a person whose leg was fractured during the official launching of a research craft during celebrations at Gordon's Bay in 1972, and R2,599 paid to the mother of a ship's cook who was killed in an accident in which a Defence Force vehicle was involved and the driver found guilty of culpable homicide.

© See also Page 11.
R300,000 African Bank to open opposite Bara

Des Moines

The African Bank's new branch opening in the area of the beginning of April will be the third in the area within three months.

The new branch, which cost about R300,000, is to be opposite Bara and the opening of the new branch was reported by general manager Mr. W. W. Westcot.

Last week, The Star reported the planned opening of the new branch later this month, and Bara's Bank Branch sometime in March.

Until recently, only one banking operation was allowed in the area. However, more recently, the government has allowed for the opening of additional banks.

The new branch has an estimated annual spending power of around R30,000.

COMMENTS

The African Bank branch will have a staff of about 15, including 12 full-time employees. The building, which will be complete by the end of the year, will accommodate 330 customers, and 300 will be able to carry out transactions by computer.

Mr. Westcot estimates that about 80% of the African Bank's business will be in the form of loans, and 20% in deposits. The bank will issue a variety of bank cards to its customers.

The African Bank is interested in the possibilities of establishing a new branch in the area, and hopes to open one in the near future.

The bank was established about one year ago, and already has a depot in Gaborone and another in Ramotswa. The bank's total assets are estimated at over R300,000, and the bank is looking to expand its operations in the area.

The bank's initial focus will be on lending to small and medium-sized businesses in the area, and it is expected that the bank will play a significant role in the development of the local economy.

The opening of the new branch is expected to create about 15 new jobs, and the bank is looking to recruit from the local community.

The bank's managing director, Mr. W. W. Westcot, says that the opening of the new branch is a significant step in the development of the local economy, and he expects the bank to play a significant role in the future growth of the area.
COMPUTER

The African Bank branch will have a staff of about 12 including 11 blacks. Once the building is complete a $20,000 visual record computer will be installed for recording and controlling accounts. At present members of the bank are being trained in the operation of the computer.

The African Bank is a general bank so there will be no current accounts. But the bank will supply a cheque guarantee service for savings accounts customers who need cheques for payment.

Loan facilities will be offered. Mr. Weinzel estimates that about 30 percent of all loans would be for furniture, cars, and houses.

He does not view the bank of pledgeable property as a disadvantage. Very few loans are completely secured he says. Experience and initial scrutiny of the applicant are often enough when granting a loan.

BALANCE

The African Bank was set up about one year ago and already has a branch in Johannesburg. The black middle class is 75 percent of the company while the balance is held by five of the major banks in South Africa.

These are Standard, Barolow, National, Trust and Volkskas. Each bank holds about 14 percent.

The board comprises seven black directors and three white directors representing the shareholding of the five major banks.

In terms of an agreement the African Bank is helping in training and operations by the major shareholders banks.
Banker confident of upward climb

South Africa is in an economic depression but should start pulling out later in the year, a senior banker said today.

Mr Charles Ferreira, managing director of Mercabank, added: "Let's not mince words. I believe that in the first quarter of this year we will have negative growth (a contraction of the economy) and when you have that you do not have a recession — you have a depression."

In an interview with The Star he said the economy was at the bottom of the depression or close to it.

However, the time had come to "look forward." The recovery would be "slow and tedious" but it should start this year.

On what he called the "tragic event" of the Glen Anil crash, Mr Ferreira said he did not believe the public would suffer directly.

His bank was not one of those directly concerned in the crash but he believed the bankers involved would find some way of protecting the interests of those who bought stands from Glen Anil on terms.

Mr Ferreira said that certain people should stop "emphasising lack of confidence" — particularly in the property market.

Property, he said, existed and people had to live on it. "To say there is no future in property is to say there is no future in South Africa."

Speaking about foreign confidence in South Africa's banks being shaken by the Glen Anil liquidation, he pointed out that foreign debts of all banks were safe.

"There is not the slightest doubt in my mind that the Government must protect foreign creditors and the very mechanism of bankers' foreign commitments implicates Government underwriting," he said.

The liquidators of Glen Anil have announced they will hold a Press conference at 9 pm tomorrow.
is also of concern to a foreign country. More
than a third
from these
are clerics
Apartheid
reform at
an end
food imports
The total
when compared
sugar, each
Agriculture
encouraged to provide ward workers for all areas of the country.

Statistics are far from adequate but they indicate
that there is a steady decline in the percentage of people employed
in agriculture who have recently started to drop.

The drift from the land has most recently been most
marked in the white and coloured population groups but
since about 1950 the number of "coloureds" on the land
has also been dropping. In between, mining and urban
competition for farm land has not until recently been
as severe but indications are that the number of Africans
employed by farmers in rural farming too. With more intense
competition from the mines, which are now recruiting
locally, numbers are probably falling faster.

The advent of farming machinery not initially used to
replace labour but seen rather, taken as an opportunity by
the farmers to extend and intensify their farming operations. 
Until the tractor arrived, the cultivation of large areas of
land with unskilled labour and slow packed oxen
was virtually impossible. Until motorised transport
arrived, it was too laborious, expensive and slow to trans-
port large quantities or produce from cultivating farms. Until
Financing building society loans

IT now takes about nine investors in a building society to finance one home loan opposed to the five savers it required 18 years ago.

This graphic illustration of initiation in the building industry was provided by Mr. Ano de Wet, managing director of the Trust Building Society, when he addressed businessmen in Cape Town recently.

He said that this disturbing pattern indicated that there was something drastically wrong with investing and borrowing habits in South Africa.

In the United States, for example, 9.2 investors were required to finance one home loan in 1963 and now only 8.2 investors were needed.

Savings with building societies had increased recently but according to Mr. de Wet this was more as a result of a decrease in demand for credit than an increase in the savings potential of individuals.

The effect of these circumstances on the local home building industry would mean that:

- Hardly any new houses would be built this year.

- Those that were built would cost more and would probably offer lesser in accommodation, finish, quality and value.

- They would also be different in concept, design and appearance.

Mr. de Wet predicted that all forms of higher density housing, such as clusters, duplexes, maisonettes, row-houses, semi-detached and terraced houses, would become more popular.

More existing homes would be altered to provide bigger and better living conditions and very few people would upgrade their homes by selling and buying or building new ones.

The houses that have been improved will be resold at higher prices.

Although the real estate market was speculative he urged people to buy now rather than wait for prices to decline further. He also advised people contemplating building to take advantage of the current "saver's market" in home sales.

"Building contracts have already been forced by the current stringent market conditions. To minimise productivity, minimise waste and increase efficiency but the cost of building materials is still rising.

"All this leads to the conclusion that the same house can only cost more in future. The moment liquidity improves and money becomes readily available, house prices will immediately rise."
Money market

Interest rates harden

Colin Campbell

Interest rates hardened in the money market last week in reaction to the curatorship for Rand Bank and the liquidation of Glen Anil.

The official discount rate for 90-day bankers acceptances was raised to 9.0 percent, the Treasury Bill rate moved from 7.8% to 7.8% percent and dealers report quiet and very hesitant trading.

Buying has been very selective while everybody waits for conditions to settle down and the Boys' long-term lending market is that UAL will handle a R36m stock issue for the Cape Divisional Council this week. There are three loans — 20 years at 13.05 percent, 12 years at 12 percent, and five years at 12.51 percent. The issue opens tomorrow.
R1,4m township court claim

AN Amanzimtoti township, Zulwini Gardens, is being sued for payment of bonds worth R1 437 572. Two bonds on the 48.89-hectare property were passed in favour of the South African Permanent Building Society in 1974 and 1976.

November last year the building society claims it is now entitled to call for payment of the capital sum and interest and foreclose the bond. A director of Zulwini, Mr. Christoffel Lesling, said that the township was developed as a cluster housing scheme with 117 dwelling units. Some were rented and others purchased.

Mr. Lessing stated that although Zulwini was in arrears on bond payment until October last year, payment had since been made. He denied that Zulwini was in default and is opposing the action. The hearing was adjourned to February 21.

Mr. Alan Magid (instructed by Clemmens and Johnston) appeared for the S.A. Permanent Building Society.

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The school year is 3-4 years. Three 20-year-olds were admitted yesterday, and two more this week.

Subjects were taught in their entirety by Mr. L.T. Myden, Miss E. Taylor, Mr. G.D. Quinn, and myself while still on the library staff. Other subjects were changed, and sections of courses were taught by another three or four.

There are still three people who help with distribution of books, one of whom is an old lady.

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During 1975 and the first part of 1976 it had been necessary to engage part-time lecturers who were available at the Universities of Natal and Cape Town (Miss E. Taylor) and at the University of the Orange Free State (late). The money to be paid to these lecturers was not in accordance with the Union's policy and was therefore not paid. The staff were paid because it was the policy of the Union. In 1977 there was a call for replacement of the former staff.

In 1977 there was a call for replacement of former staff.

The permanent staff are working overtime at a rate which is not being paid. Our work is being neglected for lack of time to deal with it adequately. We need the money now. We have received the money from the Demonstrator money, and other specialists who are present continue to work at a reduced rate.

It is a question of maintaining the existing position as a first priority; then of improving on it.

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A brief account of the work carried by the present staff of the School of Librarianship should take the position away. There are at present six lecturers doing Mrs. Russell's work. Undergraduate 2.
Other banks safe—Horwood

CAPE TOWN—Following
hard on the problems ex-
perienced by Rondalda
Bank and Rand Bank, the
Minister of Finance, Mr.
Horwood, said yesterday
there was no reason why
other banks should get
into difficulties.

"I feel it is desirable
that I should reassure the
public as far as it is in my
power," he said.

"I have received an
assurance from the
Registrar of Banks that,
according to the informa-
tion at his disposal, all
other banking institutions
are sound and that, if they
receive normal support
from the public, the
monetary authorities
know of no reason why
they should experience
difficulties."

He said that, according
to the available infor-
mation, certain specific
factors were primarily
responsible for the
problems facing Rondalda
Bank and Rand Bank.

"To the best of our
knowledge these factors
are not applicable to other
banks," he said.

"Even in the cases men-
tioned, it is reasonable to
expect that with careful
handling and given
necessary time the public
need suffer no loss."

He thought it to be in
the national interest to
bring the facts to the notice
of the public so that uncer-
tainty did not create un-
necessary problems for
the smaller banks. — PC.
Biggest crash in S.A. history

Johannesburg

THE R180 million property empire of the Glen Anil Development Corporation toppled yesterday with a crash which will reverberate round the entire economy.

Glen Anil, one of the country's biggest township developers, was placed in voluntary provisional liquidation in the Rand Supreme Court yesterday after the cutting of its financial lifeline by the consortium of banks which had been providing combined support amounting to more than R100 million.

According to Sapa, the repercussions of the crash - thought to be the biggest in South Africa's history - are bound to have a serious effect on the already ailing property and township development markets.

It will also affect banking and business circles and the confidence of the general investing public.

The consortium's decision to pull out left Glen Anil with no choice but to go into liquidation as the Government had already indicated it would not rescue the group.

The banks, who reached their decision to withdraw after two all-day meetings on Monday and Tuesday, still hope to salvage something from the wreck.

In a statement yesterday they said: "It is the intention of the majority of members of this consortium to continue to cooperate with one another while the company is in the course of being wound-up, with a view to taking whatever steps are reasonably possible to avoid any undue adverse impact on the township and property market."

One suggestion understood to have been mooted is that efforts should be made to band together a number of major companies in a consortium to inject the necessary liquidity into the group to refloat some parts of it.

Most of the banks hold security in the form of mortgage bonds and deeds of - sale deeds and shareholders with more than R34 million in Glen Anil are not expected to recover anything.

It is understood about 18 000 people have bought land from the group on deeds of sale and owe a total of around R61 million.

The financial straits of Rand Bank, the consortium member placed under curatorship last Saturday after a heavy run on its deposits, led the other banks to reconsider their support for Glen Anil.

Dr. F. J. du Toit, curator of Rand Bank, said yesterday it was hard to believe the consortium would not try to do something to prevent an uncontrolled liquidation.

If there was a liquidation, he assumed Rand Bank would get back at least part of the R6 million it had lent Glen Anil.

A spokesman for one of the consortium banks said the banks had some responsibility to ensure the situation did not deteriorate further.
GLEN ANIL FOLDS

Mr. J. F. Wilfshar, managing director of Illovo, said the 2,200 ha township had been proclaimed. Two houses had been built to his knowledge. An agreement with Glen Anil where Illovo had offered land to them for sale to the public had not been renewed after the first five years.

Mr. Wilfshar said it was possible Illovo would buy out Glen Anil's share of the development company.

However, he thought that all property owners would be protected as the township was proclaimed.

Meanwhile, following hard on the problems experienced by the Randbank and the Rand Bank, Senator Owen Horwood, Minister of Finance, said yesterday there was no reason why other banks should get into difficulties.

He issued a special statement in Cape Town yesterday to ease public uncertainty about the position of other small banking institutions.

"I have received an assurance from the Registrar of Banks that, according to the information at his disposal, all other banking institutions are sound and that, if they receive normal support from the public, the monetary authorities know of no reason why they should experience difficulties," our parliamentary correspondent reports.
Trade gap continues to narrow

THE narrowing of South Africa's merchandise trade gap, which began last April and continued in the closing months of 1976, says the Standard Bank review. The seasonally adjusted shortfall in December was R61 100 000, compared with an average monthly shortfall in 1976 of some R114 900 000.

The gap continued to narrow in spite of reduced export growth in the latter half of the year and slower expansion of world trade and declines in commodity prices. But the main reason for the narrowing was a large decline in the import bill from about May.

Last year's strong downward trend in imports was a reflection of a decline in consumer demand, lower levels of real fixed investment by the private and public sectors and falling inventories. From August the import deposit scheme is likely to have played a role in accentuating the decline in imports, says the bank.

South Africa's largest category of export revenue has for some time been that from gold coin, diamonds and precious stones, which earned 25.5 per cent of export revenue in 1975, and 20 per cent in 1976. This loss of share was entirely due to weak coin sales.

Earnings from Krugerrand and diamonds in 1976 combined were only 1 per cent higher than in the previous year. Revenue from Krugerrand sales in 1976 deteriorated significantly from the 1975 levels because 2 900 000 coins were sold abroad in 1976, compared with 4 700 000 in the previous year. Not only were fewer coins sold, but the gold price was lower.

Buoyant diamond sales partly compensated for the disappointing gold coin sales abroad in 1976. World sales of uncut diamonds were 45 per cent higher than in the previous year and 17 per cent above the record of 1973. Gem sales were mostly to the United States, Japan and West Germany.

The strong performance of the non-gold mining sector last year made an important contribution to the external payments position. Exports of base metals and minerals accelerated in most of 1976 after having risen moderately in 1975.

Greater volumes of coal, manganese, asbestos, copper, chrome and vanadium were exported.

Agricultural exports were nearly 6 per cent below the 1975 level.

"This is significant because only 12 per cent of foreign earnings in 1976, excluding gold bullion, was derived from this source, compared to a contribution of 25 per cent in 1975."

Sugar available for export in the current season is estimated at 840 000 tons — 23 per cent more than in the season ended in May, but prices are now considerably lower.

Foreign earnings are likely to amount to R180-million — 14 per cent less than in the previous season.

The wool season to June produced export earnings nearly 60 per cent above the 1974-75 season, and earnings to October are 68 per cent higher than in the corresponding four-month period of 1975, says Standard Bank.

Mr Gerry Clark, general manager of NSO South Africa (Pty), has been appointed to the company's board. Mr Clark spent 11 years in the British police before coming to South Africa. He spent a number of years in the security field before joining NSO in 1971.
INFLATION

Substantial price increases occurred, however, and to give a rough indication of real growth the GDP could be deflated by means of the consumer price index to arrive at approximate increases of 7.4 percent in 1972, 14.4 percent in 1973 and 14.1 percent in 1974.

Market production increased by 9.8 percent from 1971 to 1974, while non-market production increased by 59.3 percent over the same period.

The share of the total homeland GDP originating in the major agriculture, horticulture and forestry production division varied between 20 and 23 percent during the period, and the gross value increased from R106-million to more than R210-million.

The number of cattle in all homelands increased from 2.3 million in 1971 and 1972 to 2.5 million in 1973 and 2.5 million in 1974.

VARIED

The output of maize, by far the most important agricultural product, has varied considerably over the years, according to the report.

It increased from 134,000 metric tons in 1971 to 117,000 in 1972, then decreased to 128,000 in 1973 and afterwards increased to 185,000 metric tons in 1974.

The mining division’s share in the GDP of all homelands increased from 16 to 23.8 percent in the three-year period.

Bophuthatswana contributed 82.1 percent and Lebowa 18.2 percent of the total value of mining in all the homelands.

Bophuthatswana mining contributed 52 percent of the GDP in 1974 and in Lebowa 16 percent, while the share in all the other homelands was less than 2 percent.

The share of non-Whites in the GDP of all homelands was an average between 75 and 77 percent in the three years.

The report states that it was low in Bophuthatswana as a result of the mining activities from which race groups other than Afrikaners obtained appreciable income.

The income of homeland computers increased by 85 percent during the three-year period, and was relatively high in the case of Bophuthatswana 79 percent, Ciskei 61 percent, and KwaZulu 16 percent of the net domestic product.

Transfer payments to homeland governments and direct expenditure by South African Government bodies in the territories totalled about R128-million in 1971, compared to R270-million in 1974, an increase from R29 per head of population to R45.

During the period, transfers and expenditure increased from R86-million to R95-million in KwaZulu, R22-million to R33-million in Lebowa, R31-million to R47-million in Bophuthatswana and R22-million to R39-million in Ciskei.

LOW COST

The report states that "the substantial expenditure in the homelands by the South African Government makes it possible to provide services such as education, housing and health at very low costs to the users."

The expenditure did not include funds which the Government supplied to development corporates for investment in the homelands.

On the other hand, the homeland governments did not contribute towards investments by the South African Railways and Harbours, the Department of Posts and Telecommunications, and Eskom in the homelands.

The gross domestic product at current prices, of all homelands combined, increased by 16.3 percent in 1972, 25.4 percent in 1973 and 27.5 percent in 1974.
PRETORIA — South Africa's total gold and foreign assets increased by R24,673,689 last week and stood at R71,197,033 on Friday, according to the weekly statement of the Reserves Bank.

In a special statement the bank says the increase in assets during the week ended January 28 reflects, inter alia, a drawing of R350,0 million on the International Monetary Fund under the existing stand-by arrangement.

According to the weekly statement the gold holding alone increased slightly by R37,495 to R376,640,001. Foreign bills increased from R250,5 million to R257,7 million while foreign investments dropped slightly from R213,3 million to R212,7 million and other foreign assets increased from R255,1 million to R256,5 million. (Sapa.)

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Property giant crashes

JOHANNESBURG — The R180 million property empire of the Glen Anil Development Corporation toppled yesterday with a crash which will reverberate round the entire economy.

Glen Anil, one of the country's biggest township developers, was placed in voluntary provisional liquidation in the Rand Supreme Court yesterday after the cutting of its financial lifeline by the consortium of banks which had been providing combined support amounting to more than R100 million in loans and guarantees.

The repercussions of the crash — thought to be the biggest business crash in South Africa's history — are bound to have a serious effect on the already ailing property and township development markets, and will also affect banking and business circles and the confidence of the general investing world.

The consortium's decision to pull out left Glen Anil with no choice but to go into liquidation as the Government had already indicated it would not rescue the group.

Trust Bank was understood to have been owed R41 million by Glen Anil, followed by Nedbank (R29 million), Standard (R13 million), Rand Bank (R10 million), Senbank (R5.5 million), Barley (R3.3 million), Hill Samuel (R3.6 million) and Bank of Johannesburg (R31 million).

The banks, who reached their decision to withdraw after two all-day meetings on Monday and Tuesday, still hope to salvage something from the wreck.

One suggestion understood to have been mooted is that efforts should be made to band together a number of major companies in a consortium to inject the necessary liquidity into the group to refloat it.

Most of the banks hold security in the form of mortgage bonds and debt of sale debtors.

Shareholders with more than R24 million in Glen Anil are not expected to recover anything.

It is understood about 15,000 people have bought land from the group on a deal of sale and the total of around R1 million.

A spokesman for one of the consortium banks said he thought the banks had some responsibility to ensure the bottom did not drop out of the residential property market.

The demise of Glen Anil, whose shares soared to R34 each in the housing boom of the late 1970s, then plummeted to 37c four months ago when rumours of difficulties began, illustrates the liquidity problems which have been crippling the property industry.

Citadel Drive Estates was the first to go two years ago when it was put under judicial management. Then last year the S.M. van Achterbergh group ran into trouble and a number of its companies have been liquidated.

The court was told yesterday that one of the reasons for the Glen Anil crash was that the group's borrowings far outstripped the capital and increase in reserves and that this had led to serious under-capitalisation.

The political and economic scene in South Africa was also blamed for a sharp decline in the demand for stands.
R300,000
fraud:
brothers
flee SA

Own Correspondent

DURBAN — Two Durban brothers are reported to have fled the country after police investigations into the alleged fraud of more than R300,000 from Pick 'n Pay stores.

The fraud, understood to have taken place over more than a year, involves the alteration of invoices for large consignments of fresh produce ordered by Pick 'n Pay from a wholesale firm.

The alterations allegedly caused Pick 'n Pay to pay for goods it did not receive.

The two brothers are Chris and Rene Fayde'Herbe de Maudave who allegedly used the fresh produce firm, Apo (Pty), as a front for their operations.

Police believe the men took most of the R300,000 involved when they fled to Mauritius early in January.

They were seen on the island between January 10 and 14 and had apparently started negotiations to buy a hotel for about R200,000 but were put off by the unstable political situation.

A police spokesman said the alleged fraud took place last year at Pick 'n Pay branches in Montclair, Berea, Lä Lucia and Musgrave Road.

Police have questioned many people since the start of investigations and expect to make "a lot more arrests."

The estate of Chris Fayde'Herbe de Maudave was finally sequestrated last year after the Durban Supreme Court had heard that he owed a bank about R425,000 and had other debts totalling about R250,000.


Reserves rise R34m after IMF drawing

Total gold and foreign reserves rose R34,5m last week to R719,3m, the Reserve Bank said.

The rise is largely attributable to the drawing of R30m on the IMF under the existing stand-by arrangement, the bank said.

Gold holdings were unchanged at R379,6m.

The bank said in its weekly return to January 28 bills increased R7,5m to R27,5m, investments were unchanged at R21,8m and other assets were up R27,5m at R283m.

The gold content was 52,37 percent (55,00), and the ratio of gold reserves to liabilities was 23,4 percent, compared with 25,3 previously.—Reuters.
Land firms face threat

By The Star's Insight team

The future of the multimillion rand Glen Anil empire hung by a thread today and a business expert forecast a string of collapses among weaker property companies in the next six months.

Glen Anil's chances of survival wavered to almost zero when a consortium of top banks withdrew combined support amounting to more than R100 million in loans and guarantees.

The property giant, whose shares soared to R64 each in the housing boom of the late 1960s, but plunged to only 57c four months ago, was its first run of trouble, is expected to apply to the Supreme Court for its own liquidation. If so, it will mark one of the biggest single business casualties yet in South Africa.

Ailments

It will underline the symptoms of ailments that have become widespread across the property scene which has cut deep into the confidence of land and house buyers.

First cracks appeared two years ago when Corlett Drive Estates was put under judicial management under pressure from Barclays National Bank and Josse Properties.

The reasons were familiar: debts running into millions of rand and a critical cash shortage getting worse.

A second major shock came six months ago when S M van Ackerberg topped from a profit run into heavy losses. The company is now being liquidated piece by piece.

Mr. Markowitz, chairman of the Witwatersrand section of the South African Institute of Property Owners' Association, delivered a grave warning today that more business shocks may be on the way.

Shakeout

The shakeout of weaker property companies will continue for the next six months, he said.

"The collapse of property companies has been as a result of bad management, over-buried of poor property, short-sighted marketing and very high gearing," he said.

Mr. Markowitz, also managing director of Landmark Real Estate, predicted a number of liquidations or judicial management orders by mid-1977.

"A lot of the troubles stem from the property stampede in the late 1960s when amateur dealers were getting down nosen-
Bankers' reluctant move

The bankers who yesterday decided to withdraw their financial support from Glen Anil acted with great reluctance. They, better than anyone, knew the catastrophic effect their move could have.

They had sat late discussing the problem the previous night and yesterday's meeting lasted a long time.

According to some sources, they finally made their decision only after becoming convinced they had no other option.

CERTIFICATES

They also faced a problem that had already led to one bank, Rand Bank, being placed under curatorship.

Rand Bank was owed R18 million by Glen Anil and this led to problems and, it was feared, could have led to large scale withdrawal of deposits.

Its negotiable certificates of deposits (NCDs) were already being treated with wary circumstances.

Mr David Rubinstein, chairman of Glen Anil, inspection on the financial market.

These certificates are a kind of bankers IOU for large amounts that are traded almost exclusively among large financial institutions. Many were due to be "rolled over" (renewed or paid out) and the market was nervous the bank, because of its heavy commitment to Glen Anil, would not be able to pay.

Appointing a curator for Rand Bank meant that its deposits were "frozen" and no "run on the bank" could develop.

NERVOUS

If other bankers, particularly the smaller ones, were nervous when they discussed Glen Anil at their meeting high in a city centre skyscraper it would be difficult to blame them.

In deciding to discontinue support of the property giant they also knew they were letting themselves in for endless legal headaches.

"There will be enough work in this to keep every lawyer and every advocate in Johannesburg busy for a year," one source told The Star.

"Swarms" of concurrent creditors were expected to come out of the woodwork and sue for their money.

In addition, other legal problems were expected to arise from the different arrangements banks had with Glen Anil.

GUARANTEED

Some, for instance, had guaranteed finance for the installation of water, roads, electricity and sewerage in new Glen Anil townships.

"If," bankers asked their lawyers, "Glen Anil goes out of existence, and the townships pass into other hands, can local authorities move in, install the services and sue us for our cost in terms of our guarantees?"

"If so, who can we sue? Our contract is with Glen Anil and it would no longer be in existence."

The lawyers did not know. However, there seems to be enough meat in that question alone to keep a court arguing for a year.
The School of Librarianship has been greatly reduced in the last 3-4 years by the resignation of former members of the University library staff. Up to four subjects were taught in their present form by Miss M. B. Taylor, Mr. G. D. Quinn, and myself. The subject of the Library has been abandoned.

Other subjects were shared, and sections of courses were being taught by another three or four. At the present time the students are helping people who help with unsupervised material, partially by helping to train librarians for lectures on their own specialisation (for example, public librarianship) and by helping with the administration of the School.

During 1975 and 1976 part-time lecturers were appointed to the School. Miss L. B. Taylor and sections of a course (Library Science) were taught by two part-time lecturers, one of which has been obtained on a competitive basis. The appointment has been made through the Staffing Committee, which has, in its turn, been appointed by the School of Librarianship.

In 1977 there will be no leave replacement funds.

The permanent staff are working on a smaller scale, and it is certain that our work is being neglected and that the School is unable to engage new lecturers. We need the money not only to replace the paid staff referred to above, but also to engage the present staff and to pay them more. The money has been obtained by the Staffing Committee, but the School is unable to pay it. The problem is being faced by the Staffing Committee and by the Library Committee, which is being appointed by the Staffing Committee.

A brief account of the work carried out by the present staff of the School of Librarianship should make the position clear. There are at present six

* This was in addition to paying three part-time lecturers to do Miss Russell's work.
Building societies and commerce

Costhuizen Mr. 
Parsons Mr. J. 
Pebane Mr. L. 
Pennafather Mr. 
Perks Mrs. P. 
Perks Mr. W. 
Peterson Mr. A. 
Phimister Dr. I. 
Potgieter Mr. J. 
Ratcliffe Ms. A. 
Rees Mr. D. c/o Dept of Economics U.C.T. 
Reynolds Dr. N. 
Rich Mr. P. 
Richardson Mr. D. 
Robb Ms. N. 
Robinson Mr. T. c/o Cape Times. 
Matsobane Mr. D. 
Savhal Mr. B. Alwyn Court, 
Schaffer Mr. A. 
Simons Ms. M. c/o CAGL, U.C.T. 
Stedler Dr. A. 
Standish Mr. J. c/o S.R.C. 
Suzman Mrs. H. 
Stewart Mr. J. 
Tarr.-Dr. A. 
Theron Mr. J. c/o Institute of Race Relations, 
Van der Merwe Mr. L. 
Van der Horst Dr. S. 
Van Tonder Mr. K. 

THE NATAL Chamber of Industries believed it was the function of Government to provide housing for the lower echelons of the population," said Mr. H. W. Archibald, the president of the chamber.

"The chamber was however, aware that the Government did not have the necessary financial resources at present.

Mr. Archibald said the chamber felt the building society movement should be allowed to extend its activities to Africans.

Several officials have pointed out that building society interest rates were almost double those offered by the National Development Corporation.

Mr. Archibald felt it was "naive to expect employers to do this for home building to employees. Even in more prosperous times, only a small number of employers could afford to do this.

The chamber was also not enthusiastic about lending money to employees. "Loans are equally difficult in the present circumstances and adequate security is a problem."

"The chamber furthermore believes that the employer-employee relationship should be untrammeled by the burden of substantial financial indebtedness of the employee to the employer."
Bank cash is frozen

JOHANNESBURG

The Rand Bank, with assets of R199-million last March, has been placed under curatorship. The Governor of the Reserve Bank, Dr. T. W. de Jongh, has issued a statement, saying that the Reserve Bank guarantees the foreign liabilities of Rand Bank.

Professor Dr. E. J. du Plessis, chairman of the bank, has been appointed curator following an urgent application by the Registrar of Banks, Mr. Wysander Zondek, to the Supreme Court in Pretoria on Saturday.

The appointment was supported by the Minister of Finance, Dr. Owen Horwood.

It is understood that Rand Bank's financial difficulties stem largely from its involvement in the extent of about R18-million in the failing Glen Anil township development company.

Rand Bank is one of eight banks that have been mounting a rescue operation for Glen Anil.

One immediate effect of the appointment of curatorship is that clients' deposits with Rand Bank will be frozen until its overall position can be ascertained.

The Cabinet decided last week not to give help to Glen Anil, which has debts with the eight banks of approximately R230-million.

Curatorship for a bank is similar to judicial management for a company, and is designed to give the bank breathing space to establish its position and determine its future course of action.

Rand Bank is the second of the smaller South African banks to have been placed under curatorship. Towards the end of last year Bofadala Bank was placed under the curatorship of Dr. Charles Verreynne, managing director of Mercantile Bank.

He later announced that he was confident of finding a quoted company to purchase the bank. (Sapa.)

© See Page 24
Soweto to get 2 bank branches

By A. H. B. Smith

Two bank branches are to open in Soweto. Standard Bank plans to open one in June and the other in September. The new branches will be at the end of State Road.

Both branches will be on State Road and will be built on a site approved by the town council. The branches will be financed by the bank and will be used for the collection of mail and for the sale of stamps.

The bank has planned a new building for each branch, but the state department of works has rejected the plans. The new plans are expected to be approved by the council.

The branches will be in the heart of Soweto, near the main shopping area.

Securities

The new Standard Bank branch, the only one in an urban black area, was originally planned for late last year, but was held up by building and electricity shortages. It will employ 10 people, all of whom are black.

The £800,000 building is in the heart of Soweto and is expected to double the number of accounts for the town branch by the end of the year.

Full banking facilities will be offered, including loan finance. The new branch will also continue to serve the surrounding residential and office areas, with regular meetings as well as service given by the bank's money market.
RAND BANK'S
CASH CRISIS

Financial Reporter

THE PLACING of Rand Bank under curatorship is unlikely to have any real direct impact on Durban business, but the ripple effect may well be felt throughout South Africa.

Hardest hit is going to be motor sales organisations as the bank's main activities were in hire purchase financing and leasing operations.

While Rand Bank concentrated its activities in the Transvaal, it did some business in Natal, mainly in the motor trade.

One of the main results of the move, say Durban bankers, is going to be a public loss of confidence in the banking system in general and small banks in particular.

One said: "This is not a sign that the banking system is tottering on its last legs."

Banking in South Africa is more tightly controlled than it is anywhere else in the world."

While no information was forthcoming from Rand Bank yesterday, the problem seems to have been caused by a liquidity crisis brought about by the bank's R5 million exposure to Glen Amil, itself the subject of heated controversy in banking circles.

This, combined with dropping profits, probably meant the bank has hit a severe cash flow problem.

The result probably was that the bank was unable to meet NDQ's falling due, and rather than dishonour its commitments, it has requested that a curator be appointed to handle its affairs and that it be protected from legal action for payment of its commitments.

Though it is probable that, in time, all obligations will be met in full, it is unlikely that Rand Bank will be the same again.

The chances are that it will continue, but it may be sold as a shell to some company wanting a banking licence — and there are a few buyers in the market at present.

Tony Hudson
Reserve Bank to help out Rand Bank

Colin Campbell

The Reserve Bank is to guarantee the foreign liabilities of Rand Bank, the Governor, Dr TW de Jongh, said in a special statement today.

The Reserve Bank’s intervention after the appointment of a curator is seen as a move to protect South Africa’s name in the international banking world.

The total sums involved have not been disclosed, but it is understood that Rand Bank was heavily involved in import-export credit — notably for certain motor companies — and that it had large commitments with American banks.

STATE'S DUTY

The Progressive Reform Party’s spokesman on finance, Mr Harry Schwarz, MP, said today the authorities had a duty to show their confidence in the small banks, and ensure that none which was ‘inherently’ sound should be affected by the problems of Rand Bank.

Last month, Randalia Bank was placed under curatorship.

The seed of Rand Bank’s problems is the Cabinet’s decision not to support with State aid the ailing property group Glen Anil.

* Glen Anil’s panic triggered woes of Rand Bank
— Page 16 —
Alarm over Govt

Short-term cover

Another controversial aspect of the short-term legislation is that it could allow insurers to set their own terms in line with the market trends. This would increase the costs of insurance and sharply reduce the competitiveness of the industry.

The short-term insurance industry is

Steveen Mulolland

would cost more

The proposals are regarded as a means to control the market and improve the cost structure. However, they are seen as a threat to the industry's future.
Coal loan

MANILA. — The Philippines National Oil Corporation Energy Development Company is considering seeking a $13.3 million loan from the Asian Development Bank to develop coal resources in the central Philippines. — Reuters.

TOWN

BONDEBOSCH

The University of Cape Town has announced the appointment of a new professor in the Faculty of Arts.

UNIVERSITY

FACULTY ARTS

PAUL R. T. BOSCH

Professor Bosch has been appointed to the University of Cape Town's Faculty of Arts.

1976

Some time after our first meeting, I was pleased to receive an entertaining letter from Professor Bosch. In it he said that he was looking forward to the opportunity of meeting me in person and that he would be happy to discuss the possibilities of collaborating on some research project.

The correspondence continued, and we eventually agreed to meet in person. I was delighted to find that Professor Bosch was just as interesting in person as he was in his letters.

In the end, we decided to collaborate on a joint project, which we hope will be a success. I am looking forward to working with Professor Bosch and to seeing the results of our collaboration.
Building society for Soweto opens next month

The West Rand Bantu Administration Board is to establish its own building society next month to help finance housing, the director of housing in Soweto, Mr M P Wilnach, said in Johannesburg today.

He said the society would operate with money fed it from the revolving fund at the board's disposal.

Mr Wilnach declined to reveal the amount in this fund, but said it was "substantial."

At present it takes about two years for a Soweto resident to buy an existing home. There are 10,000 people on the waiting list.

FINANCE

The only way he can get a house is to have one built, which costs him between R1,350 and R4,000. He either has to pay cash, or get his employer to finance him.

It takes four to six weeks to build.

Mr Wilnach said that as soon as funds are available his board will advertise.

Yesterday The Star reported that the Natal Building Society had made R1-million available to the board and that other societies were examining the possibility of making loans.

Mr Wilnach today refused to comment on why people were being told they had to pay cash for new houses while the board had "a substantial sum" at its disposal. He said money to build r.v houses would be available during February.

© Houses for all a must — Page 9.
Dutch bank ends SA loans

Own Correspondent

LONDON - A Dutch bank has bowed to pressures by anti-apartheid groups and decided not to lend any more money to South Africa.

It is the Amsterdam-Rotterdam bank, one of five European banks among them the Midland Bank of Britain which has made substantial loans through the European-American Banking Corporation.

The Reverend David Haslam, secretary of End Loans to South Africa, said: "This is very significant. It has shown that public opinion can change a bank's policy and means that the Midland need not fear being the first bank in the consortium to stop lending money to South Africa."

As part of the campaign, the Greater London Council was yesterday urged to use its 200,000 shares in the Midland to vote against the bank's continued investment in South Africa.

The call was made by Mr Lloyd Harmion, a Labour leader of the council which is controlled by the Labour Party. He said: "There are good financial as well as moral reasons why such investments should stop."

"We cannot afford to invest in a country which casts such doubts on its own long-term stability through its repudiation of policies of conciliation and confrontation."

"The Vorster Government is bound to interpret such loans as a sign of friendship, thus at least a state of approval."

"The Unionist Party is willing to accept the profits from any source of investment, which is only too obvious. But money that comes from South Africa is de facto immoral."

"The move by the Amsterdam-Rotterdam bank is..."
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Houses for all a must — Page 9
One offer on black housing

Only the Natal Building Society has so far agreed to lend money to Bantu Affairs Administration Boards to finance black housing.

Its regional manager, Mr. Tim Hart, said today he was "unable to understand" why other building societies were holding back.

"I would like to see R10-million a month going into Soweto housing, but we cannot do it alone."

Mr. P J Watson, general manager (administration) of the South African Permanent Building Society, said his society had to date had no dealings with Bantu Affairs Administration Boards.

His society had hoped for legislation making it possible for them to deal directly with black homebuyers but it did not seem this would happen soon.

GUARANTEES

However, he agreed his society would have to participate and once it had established the principle of making loans to boards it would consider how much to make available.

A spokesman for the Allied Building Society said: "We are looking at the problem but we want certain guarantees first."

Mr. J L S Hefer, managing director of the United Building Society, said his society would be happy to make funds available "but we first have to find out what leasehold entails."

"We are having discussions with the Government and funds will be available when we have guarantees." Saambou would not comment in the absence of their general manager.
LIST OF
Africa Mr. 
Aires Mr. 
Antrobus Mr. 
Archer Mr. 
Ardington M. 
Ardington R. 
Baffoe Mr. 
Bates Mr. R. 
Behrmann Pr. 
Birt Mr. M. 
Bloch Mr. N. 
Boonzeler Mr. 
Botha Mr. D. 
Boyle Mr. B. 
Bowery Mr. M. 
Brokehesha Pr. 
Brown Mr. P. 
Bromberger M. 
Budlender M. 
Christie Mr. 
Clarke Mr. 
Cummings M. 
Dinelli Mr. 
Dorrington 
Dorrington 
Evans Mr. J. 
Finlay Mr. C. 
Ford Mr. C. 
Fiske Mr. S. 
Frean Mr. N. 
Gebhardt M. 

Stop loans to SA, UK bank told

The Star Bureau

LONDON — The Greater London Council has voted by 59 to 31 to demand an end to loans to the South African Government by the Midland Bank of which it is a shareholder.

Although the Conservative opposition argued strongly against the motion, the issue was never in doubt and the final vote was on party lines. Last year, the Labour majority succeeded in a similar vote and it was determined to emphasise its view again.

Mr I Harrington, chairman of the policy and resources committee, said there were financial and moral objections to the council's investment in South Africa.

"We cannot afford to invest in a country which casts such doubts on its own long-term stability through its explosive policies of constraint and confrontation."

The South African Government was bound to interpret this investment as a gesture of approval, if not a bond of friendship.

"This regime does not deserve our approval any more than our friendship. It is based on an inhuman system of government in which white minority rule is supreme and any opposition is viciously put down." But the move was approved and a motion will be put to the next annual general meeting of the Midland Bank in April "requiring an end to loans to the South African Government or its departments, agents or state corporations."

58
Blacks not told of loan for houses

Although a building society has made R1-m available, blacks trying to buy new houses from the West Rand Bantu Administration Board have been told to pay cash as there is no money available.

Mr Tim Hart, regional manager of the North End Building Society, said today the board could draw on R1-m and lend it to people to buy improved houses with electricity and water facilities.

He understood that there were problems in installing electrical reticulation and sewerage in some areas. The society was also considering lending money for this.

CONFERENCE

This week several people complained to The Star that when they approached the board to buy houses they were told they needed cash.

Mr M Malan, the board's assistant director of housing, said today this was because there were no funds available. He was not aware he said, that any building society had made funds available to the board.

The chief director of the West Rand Administration Board, Mr J C De Villiers, was in conference with his chairman, Mr Monte Shulder, and could not be reached.

Because ownership of all land in black townships is retained by the board, building societies cannot deal directly with black home-buyers, but can lend money only to the board to distribute for home finance.

A senior building society official said it seemed the message on what facilities were available was not "filtering down" to more junior men who dealt directly with the public.

© One offer on black housing — Page 3.
One offer on black housing

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Crosland may summons Barclays chief again

LONDON — Barclays Bank, already up to its neck in adverse publicity over the purchase of South African defence bonds, faces a second, and this time embarrassing, summons to the British Foreign Office.

Reacting to a South African press report that Barclays International Bank had admitted that it had no intention of curbing its South African subsidiary from buying defence bonds, left-wing Labour MP, Mr Frank Allaun last night tabled a question to the Foreign Minister, Mr Crosland, asking him to send for Mr. Frank Dolling, senior executive manager of Barclays International, to clarify the situation "without delay."

In his question, Mr Allaun said: "If the Foreign Secretary is aware that Barclays has now stated that it cannot press its South African subsidiary to refrain from lending money to the developing South African armed forces despite the recent joint statement issued by the bank and the Foreign Office, in which the bank undertook to ensure that such loans would not be made again, will he ask Mr Dolling to meet him again without delay?"

The question is down for answer tomorrow.

A number of Labour MPs have expressed their support for his stand and believe that the bank misled the Foreign Office by allowing the joint statement to be released knowing full well there was nothing intended to do to stop future purchases of defence bonds and that it was merely worried over the adverse publicity it had received as a result.

Today the Anti-Apartheid Movement will picket 100 branches of Barclays in centres throughout Britain.
Bank in more trouble

Own Correspondent

LONDON. — Barclays Bank, already up to its neck in adverse publicity over the purchase of South African defence bonds, faces a second, and this time acutely embarrassing, summons to the British Foreign Office.

Reacting to a South African press report that Barclays International Bank had admitted that it had no intention of curbing its South African subsidiary from buying defence bonds, a left-wing Labour MP, Mr Frank Allan, last night tabled a question to the Foreign Minister, Mr Anthony Crosland, asking him to send for Mr Frank Dolling, senior executive manager of Barclays International, to clarify the situation, "without delay".
Barclays softpedal on pledge

By Geoffrey Allen: LONDON

THE undertaking Barclays Bank gave the British Government this week on the future purchase of South African defence bonds was meaningless.

I was told this yesterday by Mr Frank Dolling, senior general manager of Barclays International and immediate past managing director of Barclays SA.

Earlier in the week he met Mr Ted Rowlands, a Foreign Office Minister, in discussion of the controversial purchase by Barclays SA of R110-million worth of bonds.

An agreed statement afterwards, said Mr Dolling was deeply concerned of the strength of public feeling in Britain about apartheid and gave an undertaking that the bank would do all it could to ensure there was no repetition.

But Mr Dolling told me the undertaking "meant nothing" beyond avoiding publicity when more bonds were bought.

As he explained it, Barclays is in a perfect Catch-22 situation.

No control

To continue operating in South Africa it must, by law, invest in Government and semi-government securities. Much of that money is spent on defence. If it refused it would have to close down. This it has no intention of doing.

In any case, Barclays International cannot interfere with its South African subsidiary, even though it holds nearly 61 per cent of the shares. This was agreed with the British Treasury when Barclays SA was formed.

Will everyone be able to hear?
Will you need to use a microphone?
Is there a public address system already installed? Will there be any distracting noises and can these be silenced during your presentation?

Can the room be darkened easily?
Are there sufficient power supplies or any projected visuals or recorded sound?

What equipment will you have at your disposal? Will there be an experienced projectionist available?

Are there any suitable visuals or other aids (e.g. films, videotapes, and tapes, slides, etc.) already available?

What facilities are there for obtaining or making others you need?

Has budget already been prepared?
How much money has been for:
Barclays 'won't pull' in BIM!

By B. P. Cook

Barclays Bank's bid to buy London's BIM will not be withdrawn. In a statement to the Stock Exchange yesterday, the Bank said:

"We have no intention of withdrawing our offer for BIM. We believe that BIM offers excellent prospects for further development and expansion, and we are confident that it will be a valuable addition to our portfolio."
The Minister of Finance, Senator Owen Howwood, yesterday criticised British Government action over the £250 million investment in Defence Bonds by Barclays Bank.

Mr. Frank Holling, senior general manager of Barclays International Bank, was summoned to the British Foreign Office three days ago to explain the investment by its South African subsidiary, Barclays National Bank Ltd.

In his telephone conversation with the Foreign Office, Mr. Holling gave an undertaking that the bond would be sold whenever possible to ensure that such an investment would not be made again.

Senator Howwood described the Foreign Office action as "unusual." He said, however, that the decision to recalculate the required redemption of foreign shareholdings in South African banks to 50 percent, announced as a result of the development, would benefit both countries.

"I welcome the action of the British Foreign Office in regard to the recent investment by Barclays National Bank Ltd. in South African Defence Bonds," he said. "I should point out that Barclays National Bank Ltd. is a registered South African bank with its own South African board of directors, and that the funds which it invests are derived, to an overwhelming extent, from South African deposits."
Is it essential to show any audio/visuals such as a film or videotape?

SA banks silent on defence, says bond

BY HELEN MAISELS

AFTER the row in Britain over Barclays National Bank's R160-million investment in South African defense bonds, some banks in South Africa are keeping tight-lipped on the question of defence bonds.

The venue for your presentation been decided?

You be playing at home or far to you?

Suitable as a meeting room for your audience and as round for your subject?

The right size for the audience expected?

(d) Will everyone be able to see?
   Is there a dais or platform?
   Is there enough room for the proper positioning of one or more projection screens?

(e) Will everyone be able to hear?
   Will you need to use a microphone?
   Is there a public address system already installed? Will there be any distracting noises and can these be silenced during your presentation?

(f) Can the room be darkened easily?
   Are there sufficient power supplies for any projected visuals or recorded sound?

Visuals:

(i) What equipment will you have at your disposal? Will there be an experienced projectionist available?

(b) Are there any suitable visuals or other aids (e.g., films, videotapes, sound tapes, slides, etc.) already available?

(c) What facilities are there for obtaining or making others you may need?

Budget

Has a budget already been prepared?
If so, how much money has been allowed for:
SA banks silent on defence bonds

By HELEN MAISELS

AFTER the row in Britain over Barclays National Bank's R10-million investment in South African defence bonds, some banks in South Africa are keeping tight-lipped on the question of defence bond investments.

Neither Standard Bank, which is 67 per cent owned by the Standard and Chartered Banking Group in the UK, nor Nedbank, 100 per cent South African owned, would reveal whether they hold any defence bonds.

Defence bonds rank as Government stock and qualify in terms of the Bank Act as prescribed investments.

Mr Roy Terry, a spokesman for the Standard Bank, said: "Details of various stocks held are not normally made public by banks. For this reason Standard Bank would prefer not to disclose details of its investment."

Mr Terry would not comment on whether the bank's British company had issued directives about defence bond investments.

Mr A. J. Venter, general manager of Volkskas, said that obviously the bank held defence bonds, but would not disclose the amount.

A spokesman for Trust Bank said the group held defence bonds worth a "few hundred thousand rand," but could not give specific figures.

The Government was not taking any steps to accelerate the required reduction by a foreign bank of its shareholding in a South African subsidiary bank to 50 per cent, the Minister of Finance, Senator Harwood, said yesterday. He was commenting on the British Foreign Office's angry reaction to Barclays defence bond investment.
Barclays pledge 'carries no weight'

Own Correspondent

CAPE TOWN. — The pledge by Barclays International to keep tighter control over its South African subsidiary's Defence Force links was described as virtually meaningless by a top South African financier yesterday.

The parent bank was reacting to criticism by Britain's Labour Government of the purchase of South African Defence Bonds, worth R10-million by Barclays National last month.

The Registrar of Financial Institutions, Mr J. Wynand Louw, said in Pretoria yesterday that Barclays National was a South African Bank. Financial sources said 90 per cent of its money was South African, and what the parent thought was unlikely to affect its operations.

In terms of the Banks Act, it was required to invest a certain percentage of its funds in prescribed assets, including Government Stocks, Land Bank debentures, and Defence Bonds.

The banks could choose between these, but it was normal to go for a wide range.

Subsidiaries of foreign banks would probably now eye the Defence Bonds with some caution.

But, effectively, the prescribed assets all went to the Government kitty, where they were appropriately utilised.
Row over Barclays defence bonds

A major row is expected to blow up over the unprecedented promise given to the British Government by Barclays Bank that "it will do whatever is possible" to ensure its South African subsidiary, Barclays National, does not invest more funds in South African defence bonds, reports The Star's London Bureau.

Fears that this interference may provoke angry retaliatory action by the South African Government against "foreign" owned banks have been expressed in the city.

The undertaking was given yesterday to Mr. Tim Rowland, Minister of State for Foreign and Commonwealth Affairs, by Mr. Frank Dolling, senior general manager of Barclays International, who was summoned to the Foreign Office over the $100 million investment in defence bonds by Barclays National last month.

"CARPETING"

After a 45-minute meeting (described as "a carpeting" by London newspapers), the following statement was agreed between the Foreign Office and Mr. Dolling.

"The relationship between Barclays Bank and its South African subsidiary and that day-to-day managem="
Is it essential to show any audio/visual aids, such as a film or videotape?

**Pressure to stop SA loans**

**The Star Bureau**

LONDON — The Labour-controlled Greater London Council is to join powerful church groups in demanding that the Midland Bank, in which it holds 200,000 shares, should stop making loans to the South African Government.

It is believed here that the GLC's involvement could swing many other Labour-controlled authorities behind the growing campaign to end the bank's controversial links with the Republic.

The GLC will be asked formally at its meeting on January 25 to approve a resolution from its major policy and resources committee to sponsor a resolution at the annual meeting of the Midland.

The resolution will call on the bank to "end loans to the South African Government or its departments, agencies or State corporations."

The Rev David Halsey, a founder member of End Loans to Southern Africa, said yesterday that it was "a major breakthrough" to have the sponsorship of such a body as the GLC.

At the Midland's annual meeting last year a motion by church bodies to stop loans to South Africa was defeated by 47,5-million votes to 3-million.

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The venue for your presentation been decided? So:

- If you be playing at home or away, and is the meeting room familiar to you?
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(c) What facilities are there for obtaining or making others you may need?

**Budget**

Has a budget already been prepared? If so, how much money has been allowed for:
SA recession not yet over
— De Kock

The Argus Correspondent

JOHANNESBURG. — South Africa’s recession has not yet touched bottom. The economy is still in a cyclical downswing and for some sectors conditions will probably get worse before they get better, Dr G. de Kock, senior deputy governor of the Reserve Bank, said on television last night.

Dr de Kock, in an interview with Andre Walters in the programme Kamera Een, said it was important to distinguish between two economic turning points.

The first was the turning point in the balance of payments and the second was the lower turning point in the domestic business cycle.

South Africa had probably reached, or was close to reaching, the first turning point but it had not yet reached the second turning point, the lower turning point in the business cycle.

SEE LIGHT

Dr de Kock said it was not possible to indicate with any accuracy when this would occur.

But he did see light at the end of the tunnel. There was positive evidence that the economic situation had already begun to improve in certain sectors: Exports were rising, the volume and value of imports were declining, the declining trend in the gold price had been reversed and the current account deficit in the balance of payments would be about half of the figure for the first six months of the year.

The problem still lay, however, in the disappointing performance of the capital account.

Looking ahead Dr de Kock forecast that the balance of payments would not prove to be as much of a headache in the coming year as it had been this year.

He was not, however, as sanguine about the capital account in the balance of payments. As a result he thought that further recovery in the payments situation would be moderate rather than spectacular.

The course of the domestic business cycle would be greatly influenced by the strength of the upswing in the major industrial countries, by the behaviour of the gold price and by the prices of South African exports.

GOLD PRICE

If the overseas upswing continued and regained its lost momentum, and particularly if the gold price also climbed a bit further — Dr de Kock believed a new upswing in South Africa would follow.

But, Dr de Kock warned, 1977 is not likely to be a record growth year, either for the world or for the South African economy.

What he did expect was that South Africa would slowly but surely make further progress in curbing inflation and in strengthening its balance of payments.

Barring unforeseen developments, he expected that the general economic situation at the end of 1977 would be considerably better than it was at the end of 1976.
Boardroom alarm bells

By GORDON KLING
Industrial Reporter

THE YEAR 1976 proved overseas financial pundits correct: South Africa could not afford a prolonged recession without devastating consequences, and alarm bells in boardrooms throughout the country forced businessmen into the political arena en masse.

Unemployment jumped by 30 percent from January, and the man-in-the-street believed he would be poorer, in real terms, at the end of the year than when it began. Salaries and wages didn't keep up with the inflation rate.

Barclays Bank chief economist, Dr Johan Claete, said living standards fell by about 3.7 percent in 1976 and both private consumption and expenditure could show a decrease in 1977.

He predicted an inflation rate of 11 percent in the new year and doubted that this would be covered by pay rises.

Graduates

University graduates had the implications of the recession made painfully clear to them. Few could pick a job and choose employers and many couldn't get jobs at all. Some executives were even left searching for posts as companies cut back on staff.

The glitter came off gold and dashed a myth. The value of the metal was simply what people would pay for it, and with the International Monetary Fund auctioning 780,000 ounces every six weeks, the price collapsed to below £102 dollars an ounce on the London market in August.

The Minister of Finance, Senator Owen Horwood, appealed for calm but the president of the Chamber of Mines, Mr Robin Plumbridge, promptly panicked and appealed to the IMF to call off further sales.

The country loses about R20-million for every one-dollar drop in bullion over a year and pressure on the rand prompted a string of "devaluation" pronouncements from Finance. Nervous investors unloaded shares while others glumly waited for decisive dividend cuts.

South Africa in Port Elizabeth in October.

The call was immediately rejected by opposition politicians but chastened businessmen looked to their own houses while pursuing discussions on change with Government ministers and department heads.

Noting that racial discrimination in business could not be attributed solely to Government policies, the Cape Town Chamber of Commerce published a manifesto calling for equality of opportunity for all employees, within the provisions of the law.

It called on firms to select, train, pay and promote staff without regard to race or colour; to grant them equal benefits; and to do everything possible to promote racial harmony.

At grassroots level, the Cape Employers Association began drafting recommendations to be submitted to the authorities, which called for Bannings

At the same time the Minister of Justice, Mr J T Kruger, was explaining to the Trade Union Council of South Africa (Tusca) that a spate of banning orders imposed on Black labour organizers was related to their personal activities and not the activities of trade unions.

The year tottered to a gloomy economic end. The head of a giant international store chain, Mr M D Sieff, warned that hopes for an economic recovery were misplaced unless the Governments was willing to make fundamental changes in basic policy. Foreign investors were pulling out.

The Reserve Bank declared that restrictive monetary and financial policies, while still necessary for the fight against inflation, were not conducive to a higher growth rate or the reduction of unemployment in the short term.

The real gross national product was expected to decline for the second year in a row, and Barclay's chief economist saw a negative growth rate for 1977.

Defence

And the Minister of Economic Affairs, Mr Chris Heunis, showed no intentions of an early policy to breathe new life into the economy. Defence spending had to remain a priority, he told businessmen in Pretoria in October, and the budget objectives for 1977 also included strengthening of the balance of payments and containment.
Soweto

Then Soweto burned. Analysts in Europe and America warned that investment in South Africa would never be viewed in the same light again.

Shock waves of the spreading unrest reverberated through the ailing economy and employers, particularly in Johannesburg and Cape Town, were faced with massive stay-aways by workers.

Production lines in the Cape's biggest industry, clothing, came to a standstill in September and the two-day strike, had plant managers wondering aloud about the possibility of permanent staff reductions.

Workers' plight

But when the tension produced by the civil unrest began to ease, organized commerce and industry moved into politics as attention focused on the plight of workers.

The Prime Minister, Mr Vorster, reacted swiftly by telling businessmen not to meddle in politics at the annual congress of the Association of Chambers of Commerce of
Bank promise may be void

CAPE TOWN — An undertaking by Barclays International Bank in Britain to do everything possible to stop further support to the South African Defence Force by its local subsidiary, is considered in financial circles to be meaningless.

The Registrar of Financial Institutions, Mr J. Wynand Louw, said yesterday that all banks in the Republic were registered under the Banks Act which made no differentiation regarding the operations of local or foreign controlled banks.

Subsidiaries of foreign banks had local boards which the authorities regarded as the governing bodies and the banks were autonomous.

Barclays National is a South African bank. Financial sources say 90 per cent of its money is South African and what the parent thinks is unlikely to affect its operations.

In terms of the Banks Act it is required to invest a certain percentage of its funds in prescribed assets. These include Government stocks, Land Bank debentures and the Defence Bonds which have caused the Barclays headache.

The banks can choose which they wish to take, as long as the required amount of money goes into them.

There can be little doubt that the subsidiaries of foreign banks, in an attempt to avoid embarrassing situations, will now eye the defence bonds with some caution.

But effectively the prescribed assets all go to the Government kitty and banks, regardless of what their parent may say, will continue to contribute as much to the defence of South Africa as the Government wants.

In terms of South African legislation, all foreign controlled banks will not be permitted to have foreign ownership of more than 50 per cent in years to come. — DDR.

Are there sufficient power supplies for the projected visuals or recorded sound?

Will there be silence during your presentation?

Can the room be darkened easily?

Is equipment available?

Are there any suitable visuals or other aids (e.g. films, videotapes, sound tapes, slides, etc.) already available?

(c) What facilities are there for obtaining or making others you may need?

Budget

Has a budget already been prepared? If so, how much money has been allowed for:
Top bankers facing a dilemma

Kevin Stocks

The row over Barclays National Bank's buying of R10-million in defence bonds has placed two top bankers at opposite ends of a dilemma.

One is Mr Frank Dolling, senior general manager of Barclays International in London and until last year the immensely popular managing director of Barclays National Bank in South Africa.

The other is Mr Bob Aldworth, Dolling's equally popular successor as managing director of Barclays in South Africa. Mr Aldworth is a Boksburg man who made it to the top in big-league banking and is the first South African to become managing director of Barclays National Bank.

Mr Dolling, presumably acting under great pressure, on Wednesday put his name to a statement issued by the British Foreign Office which virtually promised the Barclays International would see to it that no further investment in defence bonds would be made.

However, wording of the statement was just vague enough to leave in doubt as to whether Mr Dolling was promising to (a) merely "try" to prevent such investment or (b) to prevent the publication of news about such investments.

SA MONEY

The statement agreed to by Mr Dolling also said Barclays was "deeply concerned at the insensitive nature of the investment in defence bonds and the nature of the publicity given to it by their South African subsidiary."

Mr Aldworth, as a South African and as the man who must have approved buying of the bonds and the publicity (Barclays called a Press conference at which the cheque was handed over) can hardly be expected to like this comment.

He could also be entitled to point out that the money was South African money deposited by South Africans and that it is arrogant cheek for either Barclays International or the British Foreign Office to try and dictate that it cannot be used to buy defence bonds.

His problem is that he is in a damned if you do and damned if you don't situation.

If he defends the investment he is right in South Africa and wrong with his parent company in London. If he tamely accepts Mr Dolling's statement he opens the way to Government outrage at foreign interference and to possible withdrawal of deposits by patriotic South Africans.

IN CONTROL

His board of directors has a South African chairman, Mr J M Barry, and a majority of South Africans. However, the British parent company still controls the majority of shares and could, in any clash with the South African board, change the directors.

Such a move would almost certainly draw South African Government intervention and would be bad for Barclays' business.

An unnamed Government "banking spokesman" was today quoted in a morning newspaper as saying there would be no Government action over the defence bonds row. However, the Secretary of Finance, Mr Gerald Browne, today told The Star he could not comment on the matter.
'Glen Anil collapse will hit many'

Staff Reporter

The collapse of the Glen Anil property development company has national ramifications — for banks, business in general and the public, a Rand Supreme Court judge was told yesterday.

The chairman, Mr. David Rubenstein, asked for an urgent order placing the company in provisional liquidation because of the large amounts involved and to protect its 400 debtors. These are mainly people buying stands in instalment.

Mr. Justice Nicholas granted the order, to be made final on February 22 in absence of any objection.

Mr. Rubenstein said that although the company was apparently solvent it could not pay its debts.

An examination of the company's books last September by Sage holdings, on behalf of the consortium of creditor banks, showed gross assets of R175-million and gross liabilities of R136-million. The latter included R13-million in deferred liabilities which might not materialise.

The consortium had claims against Glen Anil totalling about R86-million. In addition, some of the banks were contingently liable for debts which could amount to R26-million.

The Sage report gave the following reasons for the collapse:

- The political and economic situation over the past few years had led to a sharp fall in demand for stands, particularly as the land investor was no longer in the market.
- The price of stands had fallen, while the cost of providing services necessary for proclamation had risen.
- Before the slump in the property market, the group had bought large tracts of land on terms in anticipation of higher land values. Payment was falling due while the land remained undeveloped and unsaleable.
- The company's holdings had been adversely affected by the freezing of land development in the so-called "green belt." Large areas of this land could not be developed for years to come.
- All this happened when the company's accumulated borrowings far outstripped its capital and reserves.
- These borrowings had to be repaid at higher rates of interest because of the all-round increase in interest rates stemming from inflation and restrictive monetary policies.
- From 1974 the company engaged in off-balance sheet financing which, added to disclosed liabilities, would have reflected an even worse borrowing trend.

In short, Glen Anil's problems resulted from the overall state of the economy, over-trading and planning based on immediate prospects during more buoyant times.

Mr. Rubenstein said an initial moratorium granted by the banking consortium was due to expire on November 30, but was extended to February 3. But last Friday facilities essential for the company to continue in business were withdrawn.

M.M. Kasper, instructed by Wardsman, appeared for Glen Anil.
Suspicion of South Africa as a borrower?

JOHN CAVILL in LONDON

SUPERFICILALLY the failure of British diplomat Ivor Richard's Rhodesia settlement shuttle has made little impact on the standing of South Africa as a borrower in the international loan markets.

In the Euro-bond secondary market, for example, prices of South African issues stand higher than they did in early October, when political hopes were running high because of Rhodesia's acceptance of the Kissinger package.

But this is almost entirely due to a general rise in bond prices which has nowModerated. American interest rates have edged up.

And South Africa remains a highly sensitive subject among international banks, none of whom is prepared to put its name to any views on its current capacity to borrow.

The large American banks, who participated heavily in medium loans to South Africa last year and almost replaced the German and Swiss in that market, refuse to make any comment.

It is rumoured here that an inquiry into American bank lending to South Africa is being carried out under the auspices of the United States Congress, which may be one pertinent reason for the silence.

But as one banker said this week: "It doesn't pay us to say anything at all.

"If we have any adverse comments to make on the standing of South Africa we run the risk of losing business from a good client.

"Equally if we say anything positive we are likely to come under the hammer from the anti-South Africa lobby in the United States and with a new President, holding strong views on apartheid, in the White House we prefer to keep our heads down," he said.

South Africa enjoyed a relatively good year, in terms of the total borrowed, in the international market in 1976.

Despite the virtual closing of the long term fixed rate bond market to South Africa - as evidenced by the flop of the Government's $25 million-dollar issue in February, most of which was left with the underwriters - medium term syndicated loans totalled R370 million in the first three months of 1976.

The next six months, which saw political worries over Angola and Rhodesia exacerbated by internal disturbances, produced only R95.6 million.

But the final three months saw R235 million raised although much of this was in the form of export credits tied to specific projects such as the Escom nuclear power station at Koeburg and Sasol Two.

In total, however, South African borrowing amounted to an impressive R722 million, 32 percent more than in 1975, even though the bulk of it was relatively short term with lenders in many cases having an option to be paid out after three years.

The outlook for the current year is hazy. No one knows what South Africa's foreign borrowing requirement will be like.

Cut-backs in public spending and deferment of some major infrastructure expansion programmes are expected to reduce the need.

But, on balance, bankers here feel that the general climate for South African borrowing will remain "difficult."
Signs of bank collapse showed last year

THERE WERE CLEAR indications as long as four months ago, from its September return to the bank's watchdog, the Registrar of Financial Institutions, that Rand Bank was in trouble.

Indeed, an analysis of the returns suggests that even without its Glen Anil commitment, the bank might still have ended up under the curatorship.

Essentially, the return suggests three areas of major weakness:

* The bank was borrowing too short and lending too long. This meant it had frequently refinanced its loans at increasingly disadvantageous terms.
* It was facing a potentially large amount of doubtful debts on its hire purchase and leasing activities, which constitute about 69 percent of its total lending activities.
* The security backing its R14-million of straight loans was not as extensive as it might ostensibly appear.

These suggestions are based on certain assumptions — which err on the conservative — of the nature of the bank's underlying assets, particularly the average life of its various discounts, loans and advances.

They have had to be made as Rand Bank's board feels that the bank's affairs are currently sub judice and that it should, therefore, not comment on them.

It is a cardinal rule in banking that any bank which borrows short and lends long does so at peril. Primarily it was the disregard for this rule that caused the collapse of so many British fringe banks.

Rand Bank did not learn from their experience. Of its total loans, discounts and advances of R125-million at September 30, R66.4-million or 69 percent were long term. Specifically these were R48.6-million of leases (assuming an average life of 10 years); R35.5-million of hire purchase advances (assuming an average life of 10 months on contracts written for three years); and other loans of R16.3-million (assuming an average life of two years).

**Loans**

Yet, with 68 percent of its loans long-term, only 28 percent (or R41-million) of its deposits were for longer than six months — which is defined as long-term.

But a close look at its deposits suggests that is a rather optimistic and superficial view. For nearly half of its R31.6-million of medium-term deposits (3 days to 6 months) were from private depositors ("other deposits" in the returns) which probably include at least some private savings that can be withdrawn on very short notice.

Nevertheless, private savings are at times runs on banks' deposits relatively stable. They are usually for less than R125,000. Interest payable on time is controlled so they do not chase the highest rates available.

The other half of Rand Bank's medium-term deposits (R15.7-million from local authorities, R10.8-million from banks in the form of NCDs, and R16.5-million from companies) certainly do chase the highest returns and are therefore volatile in uncertain times.

Moreover, these volatile local authority, bank and corporate deposits constituted R48.6-million or 35 percent of Rand Bank's R144-million total deposits on September 30.

The assessment of potential doubtful debts is more complicated. Take total hire purchase discounts and advances of R33.5-million which R33.5-million were shown as overdue.

**Instalments**

Assuming an average life of the HP portfolio of 15 months and that the average period between receipt and overdue is six months, the total instalments payable by the overdue accounts is R33.5-million divided by six which is R5.605.

Assuming also that the doubtful debt experience reflected in the September returns does not improve, and that the returns included the following:

- R33.5-million of known overdue and it rises to 34 percent of the total HP book. That reduces the worst possible situation.
- The chances are that with Johan Maree having subsequently taken over as MD the doubtful debt experience would have improved considerably. Also repossessed equipment would have some value.

Of R17.6-million of loans that were secured R14-million of overdrafts are 3 per cent. On the R17.6-million of those loans that were secured R14-million of overdrafts are 12 per cent. And on the R14-million that were secured R17.6-million of overdrafts are 8 per cent.

Most likely Rand Bank's exposure to Glen Anil is contained in this R17.6-million and probably arose from an associate of the Bank's having bought the property company's deeds of sale and sold notes issued against them to the Bank, which is at least attempted to sell this paper in the market.

**Doubtful**

Applying the same formula to the Bank's R45.1-million leasing book on which overdrafts were R2.2-million in September, and assuming the average life of this book to be 10 months and the average period of overdue to be six months, R10.2-million of potential doubtful debts is revealed — or 21 percent of the total book.

While the assumption that the September returns might continue and not improve could be an overstatement, it certainly does illustrate how vital effective management is to a small bank.

Moreover, even if it be exaggerated, other bank analysts are making these calculations on similar assumptions, and these will be kept in mind when assessing Rand Bank's book. It would not be surprising, therefore, that if Professor Fred du Plessis, the Bank's curator, decided to dispose of the HP or leasing books, he is going to be a seller rather than a buyer and many other banks willing buyers.

At face value, overdrafts, leases and other loans and advances of R17.6-million amounted to R14-million and 5.605.

A banking collapse affects society as a whole as the banking system is crucial to the functioning of the market economy. In this article, Deputy Editor, Nigel Bruce, takes a close look at what happened to Rand Bank and gives guidelines which depositors can look for in assessing their own banks.
Sanlam, Mutual still building, buying equities

Harold Fridjhon

South Africa's two major investors — the Old Mutual and Sanlam — with more than R30m a week to invest are still in the share market and are still in property.

And broadly speaking, both insurance giants are following similar policies in these fields.

They are being highly selective in their share market activity. As Peter Bieber, the Old Mutual's Assistant General Manager (Investments) told me:

"We have the market under constant scrutiny and in our studies, there is no sector which is undisputed. In spite of the prevailing public attitude towards share investment, we as an institution still find the share market is as interesting as ever."

Sanlam's Ronnie Magson, Assistant General Manager, takes a similar view. Like Bieber he has staff investigating and analysing market situations. In recent years, however, Sanlam has been following up special situations — such as taking up its entitlement to Federale Mynoers' rights offer after the General Mining take-over of Union Corporation. And others.

Bieber is not dismayed by present economic conditions. With the market barely 10 percent above its low point he believes that this is the time to buy — but at a price.

"We have patience," he told me. "We are prepared to wait to get what we want at the right price. And having bought, we are prepared to wait for what is basically a good share to come right.

This, of course, is where insurance companies have an edge on the private investor, their investments are very long term to match their long term obligations.

In reality both companies are concentrating on single-leveraged entities with good management and a sound financial structure. Both companies are also involved in the development of large commercial groups.

Situated in parklands well beyond the CBD, this project is not only a good investment, but it also has made a contribution to environmental development. The office building will house the employees of the company in a delightful background in which to work.

Both groups are national in their investment policies, although Sanlam is still completing "household" projects in Johannesburg, Pretoria and Cape Town. But with these completed, further CBD development is likely to dry up for some years.

LOW KEY

Township development is very low key, but there's no doubt, Sanlam has its usual South-Coast scheme winning public acceptance.

Debentures are still in favour — but only at a price. Both investment holdings do not set long term rates easy to any marked extent and they are looking for top rates with impeccable security.

The groups' investment policies have a common philosophy even though they might differ slightly in direction. This philosophy is: they have a fiduciary responsibility to their members and security is a prime consideration. After that, time will produce the growth in income which they are both seeking.
Banks' yes to loan for Soweto

Michael Chester, Financial Editor
The big banks today pledged a R50-million package in short-term loans to push ahead with the massive scheme to provide a complete electric power scheme for Soweto.

The finance package, now only awaits pledges of Government guarantees to allow a final go-ahead.

Banks ready to contribute to the capital needed to start the project include Nedbank, Barclays, Standard and Volkskas. They regard the Government guarantees they have asked for as little more than a formality.

It has been the shortage of capital—especially in recession time and during big cutbacks in Government spending—that has delayed a launch of the electrification scheme.

But the bankers now insist on a start as soon as possible, with three main aims:

- To improve living conditions in the black township, to cool down simmering social unrest;
- To bite into unemployment by creating an entirely new force to tackle the vast project;
- To give new impetus to demand for a wide range of goods—cables and industries out of the recession.

Spending on the ripple effects of the electrification would run into tens of millions of rand—all the more so if the project generates the extra jobs to increase spending power in Soweto.

The Government guarantee will mark the start of one of the biggest social advances the black township has known.

It is estimated that barely 25 percent of Soweto homes now have electricity — and even then not all with a complete power service.

It is understood that 'Barricade, National Bank, was the "pack-leader in arranging the loans and that the scheme has the full backing of Anglo American Corporation, details of Anglo's involvement are expected later.

The news gave Soweto its second-biggest moment of optimism today.

Senator Horwood, Minister of Finance, announced that the Government is considering proposals to curb unemployment in the black townships.

Housing

'The Bureau for Economic Research at Stellenbosch University has already hinted that the Government is ready to increase its spending on black housing — not only to provide homes to ease the shortage, but also to provide more jobs in a bigger building programme.'
Foreign bankers worried over SA

By Nigel Bruce

FOREIGN bankers, already wary of lending to South Africa because of the indeterminate political situation, are flocking to this country to check on their security now that two banks have been pressed to the wall.

Even the Reserve Bank's having immediately stood behind Rand Bank's foreign obligations when the bank was placed under a curatorship, has not stopped them.

Moreover, foreign exchange banks say the number of telephone inquiries they are receiving about business conditions here and the solvency of small banks have shot up since Rand Bank's position became known.

Apparently, foreign bankers are no longer content only with government guarantees in view of the country's heavy borrowings from the International Monetary Fund and other foreign sources. They want to see for themselves that South African borrowers are solvent and likely to remain so.

However, the Reserve Bank's action represents a significant gesture to foreign banks in view of the problem of foreign currency exchange controls.

The public corporations, particularly Escom, Iscor and the SABC, have been singled out for close scrutiny in view of their heavy dependence on foreign loan finance.

While they are heartened by the fact that some of these corporations, especially Escom, are becoming more self-sufficient by generating development capital from their own trading operations, they believe that the corporations' methods of funding capital expenditure are inappropriate to the rate and extent of expansion being required from them.

These bankers are also giving close attention to the domestic political situation. They want to know from the Government how it plans to handle its economic and racial problems so that they can take this into account in their own detailed cash flow estimates.

So far they have been frustrated by Government's refusal to accept that anything more than the oil crisis and the revolution in Portugal are at the heart of present difficulties, and its myopic contention that deep racial problems do not exist.

At the outset of the negotiations for the liberation of South Africa it was thought that the tenor of the negotiations would be flavoured with the words of the Frans Hagege approach to the South African Process. Hagege believed that the problems could be solved through a process of negotiation. However, the negotiations have been marred by the lack of clarity and the lack of a clear understanding of the nature of the problems. The negotiations have been characterized by a lack of communication and a lack of understanding on both sides.
Big banks discuss safety buffer

Michael Chester, Financial Editor.

Executives from the big five commercial banks were called to the Reserve Bank in Pretoria today to discuss the creation of safety buffers to protect small banks that may run into problems.

"One item, high on the agenda was the launch of a special fidelity fund into which all the big banks would contribute and from which smaller banks could draw in an emergency."

The motive of Dr. T.M. de Jogh, Governor of the Reserve Bank, was to calm down the speculation about the future of smaller banks caused by moves to exile in curators to sort out problems at Randia and Rand Bank.

The immediate aim was to safeguard smaller banks from problems at the month-end — only seven days away.

OBJECTIVE

On February 28 all the banks will have the problem of heavy withdrawals as the tax year comes to a close.

A widespread concern is that the smaller banks may face additional problems if customers decide to switch many of their remaining deposits to the bigger banks.

The creation of a fidelity fund had the objective of protecting smaller banks suffering a heavy slide in the loss of deposits in turn facing the banking system as a whole.

Also due to be discussed at the meeting today was the possibility of raising of supplementary liquidity asset requirements for certain banks.

A third possibility was raising of ceilings on deposit rates for small deposits and perhaps only temporary — for small banks to deter withdrawals or switches of funds to the big banks.
Riots: do insurers have to pay?

South African insurers have paid out claims for riot damage estimated to exceed R1-million. But it is still not clear whether they had to.

Most policies with riot clauses exclude liability for political upheavals and acts against the Government.

Until the Cillie Commission has made its findings on the causes of last year's unrest, insurers are unwilling to commit themselves on whether they include it in this category.

LOSSES

Santam, which faces the Bantu Administration Board's claim for their vast riot losses, has not made a decision on compensation.

But Putco has been paid out in full, in terms of its insurance policy, for damage to buses up to June 30 last year. After that, its riot cover was cancelled.

Most insurers say they have honoured claims on policies with riot clauses without necessarily admitting liability, so that they have not set a precedent for future claims.

LIABILITY

The managing director of one company which has admitted liability said he felt that clients who had been paying premiums for riot cover for some time were entitled to compensation.

Much of the property damaged during the unrest—like shops in Alexandra township—was not insured against rioting at all.

SELECTIVE

Companies are still is-
**Consumer Council hits at savings institutions**

JOHANNESBURG — The South African Co-ordinating Consumer Council yesterday accused the country’s banks, building societies and insurance companies of apathy in stimulating saving.

Mr Johan Verheem, director of the council, said in Pretoria that many millions of rand were being paid out on bonuses to employees in the private sector this month.

But — as had happened in September when public servants received bonuses totalling R20 million — there was no indication that any but a few of the savings organisations were making a special effort to channel some of the money into positive savings or insurance.

These two big bonus pay-out occasions are special circumstances and, as such, need a special approach if some of the money is to be effectively utilised to the benefit of the country and the consumer and to counteract inflation.

"These are annual pay-outs and savings schemes based on this fact should be devised. Normal advertising and promotions make little impression on these occasions. Bright new ideas, taking all the facts into account, are needed," Mr Verheem said.

Because of the lack of an enterprising approach from companies directly involved in the field, all the council could do was to warn consumers not to spend their bonuses on unnecessary purchases and rather to consider some annual payment towards insurance or endowment policies, defence bonds or building society shares, he said. — DDC.
Standard Bank review says....

Economic revival rests on mining

Johannesburg — Hopes for an export-induced economic revival in South Africa are pinned on the mining sector in general and focus in particular on coal, iron ore, uranium and platinum, says the Standard Bank in its latest monthly review.

But mining has its problem areas and to ensure future efficiency in the sector, concerted efforts will have to be made to overcome shortages of capital, skilled labour bottlenecks and the threat to the profitability of mines from cost escalations.

It says that because of doubts about the future of gold, it is significant that the mining sector has intensified its activities in the field of other metals and minerals.

Particularly strong has been the performance of coal mines, whose output volume has continued to grow since the beginning of 1974.

**OIL CRISIS**

The oil crisis of 1973 gave renewed importance to coal as a source of energy and as a base for chemical production.

Increasing domestic demand for coal for steel production and electricity generation has encouraged greater output capacity of existing coal mines and the opening of new collieries.

Since the beginning of the year, the tonnage of coal exported has risen 80 percent and the corre-

sponding increase in the value of these exports has been 127 percent.

The opening of Richards Bay harbour in April and the completion of the railway line from Witbank to Richards Bay has initiated coal exports on contract to Japan.

This bulk commodity port will, in the near future also be used for exporting other minerals such as phosphoric acid, phosphates, titanium, zirconium and rutile and at a later stage for shipping chrome ore, steel products, asbestos, copper and fluor spar.

Similarly, output of iron ore has risen sharply since the end of 1974.

**Saldanha Bay**

The opening of Saldanha Bay harbour and the railway line from the mine at Sishen now enables the export of an estimated 15 million tonnes of iron ore on contract each year to Europe and Japan.

By contrast, the amount of copper mined has increased modestly since mid-1973, but export earnings show relatively small rises this year. — (Sapa.)
Gold and foreign reserves down

PRETORIA — South Africa's total gold and foreign assets decreased by R30 402 596 last week, and stood at R850 038 357 on Friday, according to the weekly statement by the Reserve Bank.

An accompanying statement by the Bank said the decline of R60.5 million was accounted for by the repayment of official foreign loans.

The gold holding alone declined slightly by R12 031 to R374 000 042.

Foreign bills dropped from R84.1 million to R62.9 million, while foreign investments remained practically unchanged at R21.8 million, and other foreign assets dropped from R449.5 million to R309.2 million.

Government deposits dropped from R51.0 million to R48.8 million, while deposits by provincial administrations increased from R54.6 million to R55.8 million. Notes in circulation increased from R1 006.1 million to R1 187.2 million.

The ratio of gold reserve to liabilities to the public, less foreign assets, stood at 29.2 per cent on Friday, compared with 31.4 per cent the week before. — SAPA.
THOUSANDS HIT BY BANK SCANDAL

The headline on the page reads: "THOUSANDS HIT BY BANK SCANDAL," followed by a paragraph in smaller text that seems to discuss an event or situation related to banking. The text is not fully visible due to the quality of the image, but it appears to be a news article. The page number is 85.

Money-lending in the modern world

**DID YOU KNOW?**

In terms of the Group Areas Act no African, Coloured or Asiatic person may, without a permit, attend any place of public entertainment in a White area, and this includes cinemas, theatres, circuses and any other presentation of the performing arts, under cover or in the open air, to which the public are invited.

Suppose that a contract stipulates that if the borrower defaults the total amount becomes due and payable — this being known as an acceleration clause — the borrower defaults, and the lender enforces the acceleration clause. Can the debtor reduce the amount payable, on the ground that the finance charges he will be paying are now in excess of the prescribed rate for the period during which he had actual use of the money?

**Conflict**

The Supreme Court in the Cape, the Eastern Cape and South West Africa have said Yes the Supreme Court in the Transvaal and Natal No; in each case there was a Full Bench sitting — that is, three judges. And that this year another Full Bench in the Transvaal decided that its colleagues’ previous decision was wrong.

This is one of the most spectacular conflicts of judicial opinion in South African legal history. There are three ways to resolve it — a litigant willing to go further on appeal to the Appellate Division; the Minister of Justice referring the issue to that Division for as it were a hypothetical decision, in terms of an Act passed last year by Parliament; or Parliament itself amending the 1958 Act to clarify the matter.

Meanwhile, this problem apart, be sure that in any money-lending transaction you may be involved in the statutory requirements are complied with strictly.

**Restrictions**

In this field of money-lending and credit South African law imposes three major restrictions. (The old statute used to be the Usury Act 1966, but now we have the grander-sounding, Emission, Disclosure of Finance Charges Act 1968.)

In the first place, this Act empowers the Minister of Finance to prescribe an annual finance charge rate, which a borrower and lender of credit may stipulate for a loan. The rate is not to exceed 18 per cent per annum for a debt.

Second, a money-lender or credit-giver, whether or not this is requested by the borrower, must disclose the full particulars of the transaction before it is concluded, including the cash amount or credit actually to be received by the borrower, the exact amount of the finance charges, the latter expressed as an annual finance charge rate, and details as to when and in what instalments the total debt must be paid.

**Judgment**

A person who omits or falsifies any of these particulars is guilty of an offence and liable to both imprisonment up to two years and a fine up to R1,000.

**TALK** of money-lending and one immediately thinks of some Shylock hoping that Antonio’s ar- gosies will fail, and then trying to exact (literally) his pound of flesh. Of Polonius admonishing his son. Neither a borrower nor a lender of money.

In fact, of course, a free-enterprise society such as ours could hardly exist without extensive lending facilities — and also its counterpart, the granting of credit.

South African law follows business needs and supplies an extremely supple-system of contractual rules. If, for example, you want to buy a car but do not have the ready cash, you can (a) prevail upon the seller to conclude a credit sale (which he is unlikely to agree to, because ownership of the car passes to you); or (b) arrange hire purchase, either directly with the seller, or through a discount house (in this case ownership of the car passes to you only when the last installment has been paid).

Third, a money-lender or credit-giver may not, for example if the bor- rower should default, obtain a court judgment for a greater amount than the debt outstanding, together with an extra finance charge at the agreed annual rate for the period of default.

To round off the Act, its provisions do not apply to pawnbrokers or to a money-lender outside the Republic who grants a loan to a borrower in the Republic.

It may not be thought that the Act is so plain to read that businessmen know exactly where they stand. Not so. There has been a steady stream of litigation since the Act came into operation on April 1 1969. Not only have the courts had to construe the language of various sections, but they have differed radically on a crucial issue.
Money-raising difficulties

LONDON — South Africa's overseas borrowing difficulties are being published in the United States as well. The latest edition of Business Week says: "International bankers are becoming increasingly leery about making loans to the troubled Republic of South Africa."

This week the South African authorities confirmed they had arranged a 110 million Eurodollar credit.

According to Business Week, Citibank put together the funds but the magazine commented that the credit was expensive and far short of the 300 million dollar loan which the Minister of Finance, Mr. Horwood, was seeking.

Last week the Financial Mail said the five-year loan was 0.75 per cent above Libor (London interbank offered rate). Business Week says the Eurocredit is 1.875 per cent above Libor (London interbank offered rate, around 5.75 per cent).

Again a Citibank spokesman in London was tight lipped about the affair.

About two months ago Business Mail got wind of this loan and reported that South Africa was negotiating a 100 to 200 million dollar loan in the Euromarkets.

Subsequent to that report, the "Washington Post" wrote that South Africa had negotiated a loan of 300 million dollars.

European sources disagreed with that article at the time, saying that American banks were trying to raise 300 million dollars, but could not fulfill their target. They emphasised that 100 to 220 million dollars was a closer estimate.

In Dusseldorf last week, the Secretary for Finance, Mr. Gerald Brown, said South Africa was still managing to borrow money, but most of the finance had been raised in the United States.

If the Business Week report is any indication, South African borrowers will find it as difficult to find cash in America as in Europe. If they do get the money, it is likely to be very expensive.
Foreign bankers emphasise...

S.A. has reached credit ceiling

Johannesburg—Bankers in Zurich, Frankfurt and Dusseldorf emphasise that South Africa is finding it increasingly difficult to raise money abroad.

In interviews, bankers were not prepared to be specific, but it is evident that South Africa's credit rating has been downgraded.

Reasons for the change in attitude are:

- Political events in South Africa and surrounding States.
- The South African Government, public and private corporations were heavy borrowers in 1974 and 1975. European banks are up to their limits in South African paper.
- Deteriorating economic conditions and the wide balance of payments deficit.
- Caution following numerous requests from nations with large balance of payments deficits.
- Bankers maintain that South African institutions have little hope in raising money on the public Euromarkets. South African issues, quoted on this market, have fallen sharply during the past year.

A German banker remarked that after each outbreak of violence, investors were heavy sellers of the securities. Norway is rated highly in the Euromarkets because of its North Sea oil potential. Yields of this country's securities are four to five percent lower than South African securities, in spite of South Africa's vast coal, uranium and mineral resources. Both Swiss and German bankers report that it is difficult to raise money privately for South Africa.

Before the Angola debacle Swiss banks found it relatively easy to place South African paper with private clients and institutions. Now the going is tough. Bankers in London, Switzerland and Germany all affirm that South Africa has reached its credit ceiling.

They find it extremely difficult to lend cash of one year and more because extra South African paper would exceed the limits in their portfolio.
Court told of ‘double discounts’

Court Reporter

THE accountant investigating the affairs of the Sidarel Finance Corporation found that the company had followed a “peculiar” procedure of double discounting bills from “dummy” clients, the Durban Criminal Sessions heard yesterday.

When questioned, one of the directors of SFC said that this accounting method had been adopted for “convenience,” Mr. Palmer Strachan told the Court.

Three former directors and the auditor of SFC are appearing before Mr. Justice Kamileben and two assessors charged with nine counts of fraud, one count under the Banks Act and five counts under the Insolvency Act.

The men, Mr. Basil Ostilly, Mr. Louis Michael Epstein, Mr. Sydney Horwitz and Mr. Graham Robert Rosenthal, have pleaded not guilty to all counts.

Peculiar

Mr. Strachan said that after he had discovered the “peculiar” double discounting procedure he asked Mr. Ostilly for an explanation.

In a letter Mr. Ostilly said that when the company’s managing director, Mr. Medred Savell, realised that bills would not be met, a new series of post dated cheques covering the amount would be discounted.

The money would be deposited with Sidarel Investments and when a bill was not paid, money was withdrawn from their account to meet it.

If a new series of bills was placed with a bank for collection, the old series was not withdrawn, but left to be endorsed on the date.

Oversight

Mr. Ostilly said that this was an “oversight,” on Mr. Savell’s part. The method was adopted for accounting convenience.

Mr. Strachan said that he could not see why this was convenient.

One client, Mr. Peruman, was discounting bills with SFC for “dummy” businesses. Large amounts of these bills were discounted twice, the Court was told.

The hearing continues today.

Mr. E. C. Heller SC, Mr. M. Imber SC, Mr. T. P. McNally SC and Mr. J. Butler are appearing for the State. Mr. R. Allaway SC and Mr. P. Meskin SC are appearing for Mr. Ostilly and Mr. Epstein. Mr. Meskin appears for Mr. Horwitz, Mr. D. Friedman SC, and Mr. R. Goldstone appear for Mr. Rosenthal.
U.K. inflation ‘is under control’

LONDON — Facing a Parliament tense and angry over the recent slump in sterling, the Chancellor of the Exchequer, Mr. Denis Healey, said yesterday that Britain’s “real economy” was developing in line with the Labour Government’s strategic objectives.

He announced measures aimed at encouraging savings and said that “we would not hesitate to take any measures required to keep our strategy on course.”

But there were no major announcements, such as drastic new cuts in public spending, Mr. Healey insisted, things were basically under control.

Opposition Conservatives shouted “resign,” drowning the more muted pro-Healey cheers from Labour members. Conservative economic spokesman Sir Geoffrey Howe said: “No one in this country and in the world outside any longer believes a word that the Chancellor says.”

SURVIVE

The Government, however, was expected to survive any attempts by the Opposition to defeat it in last night’s emergency debate on the economy.

Mr. Healey said spending by the public sector was levelling off and should fall in real terms next year.

Throughout recent weeks, as sterling dropped on foreign exchange markets, Mr. Healey and the Premier, Mr. James Callaghan, have insisted that sterling is undervalued.

Yet the foreign exchange market has so far not taken that view,” said Mr. Healey. “We must live with the judgments of that market, whatever we like them or not.”

The sharp rise in corporate profits and the depreciation of the pound meant that the original inflation target of single figures by the end of the year was now out of reach. Britain’s annual inflation rate is running at 12.9 percent at present.

RISING

Official figures released yesterday show that the prices of both industry’s finished goods and raw materials have been rising. Raw material costs rose by 9.25 percent during September. Prices for the home sales of manufactured products increased by 1.25 percent.

The London stock market continued a recent downward slide, closing at 2,668 points down at 2,638. Share prices have been hit by the weakness of sterling and fears that record high interest rates will hurt investment.

GROUND LOST

Sterling itself lost moderate ground in European currency markets, closing at 1.9366 dollars, compared with 1.9368 on Friday.

Mr. Healey announced the introduction of a new scheme for small savers and improved rates of interest of National Savings Bank accounts. A new savings certificate would cost about £7 to buy and would be worth £10 after four years.

Mr. Healey said this should make a useful contribution to financing the public sector borrowing requirement and enable small savers to share in benefits from the recent general rise in interest rates.

Before he addressed Parliament, Mr. Healey met industrialists and trade unions on the National Economic Development Council.

According to council director-general, Sir Ronald McIntosh, Mr. Healey told the meeting that the credit squeeze may last only a matter of weeks. There is anxiety here that the squeeze may damage industrial recovery if it lasts too long. — (Sapa-Reuter.)
Riot cover ends on State-owned township property

By MARTIN SCHNEIDER and RAY JOSEPH

NATION-WIDE rioting has now left at least 247 people dead — and insurance companies have cancelled all cover on Government property in Black townships.

In fact Santam, the insurance company heading the group covering most of the country's 22 Bantu Affairs Administration Boards, cancelled its riot cover as long ago as July 21.

The company cancelled all cover on Thursday this week.

CLAIMS

A new consortium is now believed to be offering the Government only limited risk coverage.

But claims relating to the period before cancellation of Santam's insurance cover may lead to heated dispute between the company and the Government.

A clause in the policies stated that it damage was a result of an uprising against the Government, Santam would not be responsible.

Teargas fired at riot man's funeral

ROIT police fired teargas into unruly crowds at the funeral of a Black youth killed during the disturbances in Cape Town.

Gangs of youths, defying appeals by the family of a dead 18-year-old student to disperse, marched on the cemetery, which the police had cordoned off, and riot squads were brought in to chase the chanting crowds into the streets.

Two attempts were made to burn schools at Langa yesterday. — UPI.

Any dispute over claims is likely to be resolved only after publication of the Cillie Commission report on the riots.

While politicians are sharply divided on what they believe are the causes of the riots and whether they constitute "an uprising against the Government," political scientists this week refused to comment.

They say comment may infringe the Commissions Act, and be construed as contempt of the Cillie Commission.

Confirming the cancellation of its insurance cover, a Santam spokesman yesterday declined to enter the dispute on the controversial riot clause, but added: "We are still waiting for proper submissions of claims before we can do anything."

He disputed claims in certain newspapers that Santam faces a R10m bill from Transvaal Bantu Affairs Administration Boards.

"Amounts so far in the Press are all based on estimates and in the insurance business people always overestimate," he said.

He added that Santam had reinsured itself in South Africa and with overseas companies.

The death toll in the riots has risen to at least 247.

Since violence broke out in Soweto on June 16, more than 2,000 people have been arrested on charges ranging from sabotage to public violence.

The arrest yesterday, under the Internal Security Act, of Mrs Fatima Meer, a Durban sociologist, has brought to 52 the number of people held under this law.

As violence spread to other parts of the Transvaal, the Peninsula, Port Elizabeth and the Transkei, the property toll included:

- The Bopula Transkei Legislative Assembly, razed to the ground, the Soweto Urban Bantu Council, and the Universities of Zululand, the Western Cape and Pot Hare, all extensively damaged.

- Government offices damaged or destroyed number at least 90, schools 106, beerhalls and bottle stores 71, shopping complexes 6.

- More than 100 buses and at least 170 vehicles have been damaged or destroyed, as well as 51 shops, nine homes, nine banks, six libraries, eight hostels, six clinics, two hotels and one factory.
Obstacle remains on Black homes

Building societies are no nearer to financing homes for Blacks in urban townships though the Minister of Bantu Administration and Development has announced that the home ownership scheme for Blacks is in operation.

The snag is that building societies may only grant mortgage bonds for houses on the security of the property and its improvements. The latest home-ownership scheme, however, only offers as security notarial bonds on an applicant's moveable assets or right of occupation of the house.

Neither of these forms of security is legally allowed for building-society bonds and, unless an amendment to the Building Societies' Act is made, Blacks will not be in a position to apply for loans.

ILLEGAL

The Association of Building Societies announced last month that it was investigating the possibility of providing home loans for Blacks.

The leader of the investigation, Mr Roy Canning, said today that the problem of providing loans for Blacks was still the same, although the home-ownership scheme is in operation.

Since Blacks could not own land, the only form of security remained notarial bonds — illegal in terms of the Building Societies' Act.
Minister to probe Spes Bona bank loan

The Argus Political Correspondent

THE Minister of Coloured Relations, Mr. H. H. Smit, is to deal next week with a demand for an immediate investigation of a loan by the Coloured Development Corporation's Spes Bona Bank to Mr. Jan Haak's Transterra Mining Company which is in financial trouble.

The call for an investigation had been made by Collin Edlin, leader of the Progressive Reform Party. In terms of a lease agreement between the Spes Bona Bank and Transterra, the latter had bought laboratory equipment worth R152 000 and leased it to Transterra.

In February, the bank had refused to accept payment of debts owed to Whites, Indians and Africans and it was stated that it did business only with Coloured people.

It now appeared that the bank had made the R152 000 loan to Transterra.

NEED FOR CASH

Mr. Edlin said today that instead of providing a loan to a speculative White-controlled mining company, it seemed to him that the CDC-controlled Spes Bona Bank could have used its surplus funds to provide bridging finance for Coloured housing where there was known to be a desperate shortage of money.

There are thousands of Coloured people crying for short-term loans to enable them to buy building materials to build their homes or enlarge their existing ones.

'I can think of no better or safer investment area for the Spes Bona Bank than Coloured housing,' Mr. Edlin said.

CALL FOR PROBE

He sent a telegram to Mr. Smit asking for the investigation. Earlier this week, a spokesman for the Minister's office in Pretoria said today that the bank was visiting South-West Africa this week and would be able to attend to the matter only next week.

The Spes Bona Bank may issue a statement before then.

A spokesman for the CDC said today that the deal with Transterra had essentially been a short-term one using surplus funds which had not been obtained from Coloured investors.
In the nick of time . . .

New R50-m Concorde Bank born

By NIGEL BRUCE

CONCORDE BANK, the product of a reverse takeover of Concorde Leasing by Staalwerkers-spaarbank, throws open its doors for business for the first time on Tuesday.

With assets of about R50-million, it will be about the sixth largest general bank and will rank about 20th among the 51 banks in the country.

Although the main thrust of its business will remain in industrial leasing, it is poised also to expand into other banking areas, the most obvious being the money market in view of shareholder Messina’s activities in this field.

The takeover, which comes in the nick of time for Concorde Leasing, was masterminded by Mercabank’s chief, Dr Charles Ferreira.

Had this former non-bank finance house not acquired a banking licence, its growth would have been severely circumscribed. The Banks Act is presently being amended to prevent leasing houses like this one from taking deposits against the security of lease-receivables and leased capital goods.

In addition, a bank licence will enable Concorde to gear itself to a much greater extent than formerly. Although, of course, it will have to comply with the earnings eroding high liquid asset ratios and the ceiling on loans.

It appears to be getting no leeway under the ceiling, as other new banks have had in the past. Instead its ceiling will be calculated on the basis of total group loans.

While the deal is clearly innovative and must have been negotiated with much skill and tact, it is not entirely novel. Mercabank itself and Finansbank had similar roots, although they acquired dormant licences.

The main shareholders of the new bank are Sanlam which, once certain options are exercised, will have about 30 per cent; Messina, which has 48 per cent reducing to 50 per cent once Sanlam exercises its options; and Mercabank with 11 per cent.

The chairman will probably be Dick Jobbiling, Messina’s investment manager; and Trevor Evans, former managing director of Concorde Leasing, will be an executive director. Willem Gref has just moved from Mercabank to become general manager and chief executive officer.

Mr Gref tells me for the most part Concorde will concentrate on “wholesale” banking and, like Rand Bank, will not open its doors to the public at large.

The exception is in the business areas covered formerly by Staalwerkers-spaarbank, which is the acceptance of deposits from and the granting of loans to industrial workers, in particular Iscor employees.

Obviously, part of the deal negotiated by Dr Ferreira was that these borrowers and lenders would not be prejudiced by the takeover and merger of the two organisations into a much larger general bank.

An interesting feature of Concorde’s leasing operations is the R2.5-million assessed tax loss it has to offset against future profits.

Mr Gref explains that this arose out of the large extent of investment allowance business done by Concorde Leasing in the past. The benefit of the loss will accrue in time. In reporting profits, the tax benefits were deferred over the periods of the existing leases so that the potential return on the existing book is considerably more than in the case with many other leasing companies.
Barclays ‘here to stay’

The Star Bureau
LONDON — A recent statement by Chief Gatsha Buthelezi, the kwaZulu leader, opposing foreign investment in South Africa’s central economy, was cited by several speakers at the annual meeting of Barclays Bank in London yesterday.

The speakers used the statement in an attempt to persuade the bank to cease its operations in South Africa.

But the chairman, Mr. Anthony Tuke, while not commenting on the chief’s statement, made it clear that the bank was there to stay, although he admitted that South West Africa was “a difficult problem.”

Seventeen speakers, including one who said he was putting a question, on behalf of Mr. Peter Hain, took up more than an hour of the meeting as they questioned Mr. Tuke closely on operations in Southern Africa.

NO POINT
On South West Africa, Mr. Tuke said there was no point in the bank withdrawing from the territory, or in taking into account United Nations resolutions on it, unless and until the British Government decided it should do so.

As long as we are subject to the laws of the British Government, we must abide by its regulations,” he said.

As far as the bank was concerned, if it had got to choose between obeying the instructions of the British Government or Swappo, it would obey its own Government.

Mr. Tuke said he was not aware that Barclays National Bank had made available K200 million for a copper project outside Cape Town. But he was not aware of every single loan the bank made all over the world.

On investing in South Africa generally, Mr. Tuke said: “We consider that foreign investors are doing more good to the people by staying rather than by selling their business to local interests.”

There was a genuine difference of opinion over this, but he believed the bank had overwhelming support in staying.
Bank finds sales harder

Own Correspondent

LONDON. — The chairman of Barclays Bank, Mr A F Tuke, said here yesterday that South Africa's economic attractiveness abroad had declined in the past three years.

At the bank's annual meeting, largely taken up by exchanges on Barclays' links with South Africa, Mr Tuke said it was "a matter of economic fact" that loans to South Africa and other parts of Southern Africa "were very much more difficult to sell now than they were three years ago."

Mr Tuke rejected a call from the Young Liberal leader, Mr Peter Hain, for Barclays to stop propping up "the evil apartheid system."

Mr Hain is not a shareholder of the bank. A statement by him was read by a member of the Anti-apartheid Harlem Group.

INTERRUPTIONS

The statement was frequently loudly interrupted.

Mr Tuke said there was a genuine "difference of view" on foreign investments in South Africa.

Mr Tuke had some criticism for the pass law system in South Africa. He described the laws as "very, very regrettable," and said he was prepared to raise the issue when he next met the Finance Minister, Senator Owen Horwood.

Questioned on Barclays policy to the independence of the Transkei, Mr Tuke said the bank had branches in the area "and we propose to stay there."
‘Special’ premium rates for Blacks

By HELEN ZILLE

BLACKS pay more for life insurance policies than Whites — unless they have special qualifications that entitle them to “normal rates.”

This was uncovered this week in the latest Express investigation into discriminatory practices in commerce. Johannesburg’s two largest life insurance companies, African Eagle Life and Sanlam, both load life premiums for Blacks unless they fulfil certain qualifications.

For African Eagle these are:
- A university degree or a similar qualification.
- A salary of R600 a month or more.
- Application for a policy with a premium of at least R40 per month.

Sanlam exempts Blacks from extra rates if:
- They are teachers with a salary of at least R1 200 a year.
- They are ordained ministers of religion in a recognised denomination.
- They are graduates.
- They earn at least R3 000 a year.

On certain African Eagle policies the premiums for Blacks are loaded by much as 50 per cent. others. these words are to the applicant’s age, which in terms of cash means a difference in premiums of between R2 and R27 for different policies.

Comprehensive figures for Sanlam were not available. A spokesman said: “Overall one has to discriminate. It is not a discrimination against colour but against a higher risk.”

A Sanlam actuary claimed the company’s premium rates were based on statistics of the Actuarial Society of South Africa that show the mortality rates of Blacks between the ages of 25 and 55 to be 20 to 40 per cent higher than those of Whites.

An actuarial spokesman for African Eagle admitted there were no reliable statistics on Black mortality rates.
State tightens up the big cash squeeze

The Reserve Bank has raised the Bank Rate for a wide range of interest rates — from 9.5 percent to 9.75 percent.

Companies were told that from next month they must put down a 20 percent deposit on the bulk of imported goods as soon as they are unloaded — with the cash to be frozen for six months without any interest payments.

The increase in Bank Rate will have a ripple effect that will mean higher costs for hire purchase, leasing deals and bank overdrafts.

A rare bright feature is that house mortgage rates are not directly affected by the measures, since interest rates on home bonds are linked to a separate formula that goes unchanged.

By the big commercial banks are almost certain to seek Reserve Bank clearance to hoist prime overdraft rates from 12 to 12.5 percent.

Even then, real rates will in fact be higher.

Most of the firms already work on a safety valve that even top-rated borrowers can borrow at prime rate, with the bulk of the overdraft pitched at higher rates.

Mr Gordon Oxford, managing director of the Standard Bank, believes that the limit on interest rates laid down by Treasury will cause difficulties.

To Page 3, Col 5

Deposit scheme will stretch small traders — Page 36.

New cash squeeze

From Page 1

Mineral fuels and oil are exempt along with State imports. But the deposit scheme will be applied to the bulk of imported goods from August 2 and price increases on most of the items look inevitable.

The move is clearly designed to discourage imports and so help South Africa to improve its trade balance.

The balance of payments are under increasing strain because of the big fall in gold prices on overseas bullion markets over the past 18 months.

From Page 1

Businessmen were told that from next month they must put down a 20 percent deposit on the bulk of imported goods as soon as they are unloaded — with the cash to be frozen for six months without any interest payments.

The two steps combine to make a package with a basic message: “Business and individuals alike must pull in their belts even tighter.”

The package has obviously been designed as an alternative to a rand devaluation as the Government looks around for solutions to its chronic balance of payments problem, worsened by the fall of gold.

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The balance of payments are under increasing strain because of the big fall in gold prices on overseas bullion markets over the past 18 months.
The absence of the KwaZulu homeland leaders was a concern, as it was feared that the capital city would be left without governance. The situation was further complicated by the recent development of a new housing estate in the homelands. The housing estate was expected to relieve the overcrowding in the existing settlements, but it was also feared that it would lead to social and economic disparities.

Despite the criticism, the government continued with its plans to proceed with the development of the housing estate. The KwaZulu homeland was considered an integral part of South Africa's constitution, and the government was committed to ensuring its development and progress.

The situation was further complicated by the recent increase in the cost of living. The government was aware of the economic challenges faced by the residents of the homeland, and efforts were being made to address this issue. However, the situation was not without its challenges, and the government was working tirelessly to find a solution.

In the meantime, the residents of the KwaZulu homeland were encouraged to participate in the decision-making process. The government was committed to ensuring that the residents were fully informed and involved in the development process. The government was also working to ensure that the residents were provided with the necessary support to help them cope with the challenges faced by them.
A NEW BANK opened in South Africa in December which could do more to change the social structure in this country than any other financial enterprise in our history.

It is called the African Bank of South Africa and the moving spirit behind it, Mr. Sam Motuene, believes it will be the catalyst for the evolution of an entirely new social class in South Africa—a Black managerial middle class of entrepreneurs and traders.

Mr. Motuene is confident that the new Black class will mushroom in the homelands as well as in the urban areas. He sees the conditional 30-year leasehold, recently offered to Black city dwellers, as the first tentative sign of official recognition that South Africa's urban Black population is permanent.

Linked with this, he discerns a tacit acknowledgement by the Government of the need to fill the vacuum in the country's economy by Black businessmen and enterprises.

The determination to provide a financial reservoir to nourish emerging Black industry and commerce was the spark behind the genesis of the African Bank concept in 1964.

It now remains the overriding purpose—three weeks after the bank's first branch opened in Ga-Rankuwa, Bophuthatswana on December 1.

The opening of the Soweto branch next year will mark the emergence of a powerful Black financial venture on the threshold of White South Africa's economical centre.

African Bank of South Africa Limited

It was a proud day for Sam Motuene when the African Bank's first branch opened in Ga-Rankuwa, Bophuthatswana on December 1.

Inevitably, a need will arise for Black directors, managers, entrepreneurs and technical experts which will meet and absorb the growing economic aspirations and potential of the Black man.

A Black middle class will evolve to swell the ranks of the small Black professional elite and act as a lever for the elevation of the entire Black community.

This is what Sam Motuene had in mind when he said at the bank's opening ceremony in Ga-Rankuwa: "This is a major step in the upliftment of my people."

His words captured the tenacity and growing resolve of Black South Africans to become equal partners in South Africa's economic development.

And they echoed the mood of the Bloemfontein congress in 1939, when Afrikaners established the Beddingdaasbond, dedicated to the task of securing for themselves an adequate position in the country's economy.

Within two decades the economic rehabilitation of the Afrikaner was complete.

While the Black and Afrikaner movements are identical in their aim of providing the financial muscle for the all-round elevation of their people; they differ in one important respect: The Afrikaner movement aimed at establishing an exclusive and segregated economy while Mr. Motuene sees the hope of Black advancement in the concerted effort of all South Africans.

Mr. Motuene says Black businesses as a training ground to prepare the
to create a new Black soc

THAT SAM BUILT

way for a truly integrated economy where Blacks are absorbed at every level.
South Africa's "big five" in banking were quick to respond to the challenge. Thirty per cent of African Bank shares are held jointly by Barclays, Standard Trust, Nedbank and Volkskas, who have also undertaken to provide the know-how and training necessary for the venture.
The homeland governments own a 21 per cent shareholding and they will reap the initial benefits of the investment.
The bank will give top priority to the establishment of labour-intensive industries in the job-starved areas where Mr Motsuenyane sees a potentially lucrative export market for assembled products such as bicycles, wheelbarrows, household appliances and TV sets.
Financial momentum will be given to housing schemes and the building industry to promote the manufacture of materials such as bricks, tiles, window frames and doors.
Black trade will receive a welcome boost in the cities and rural areas. "We will begin by supporting tradesmen and industries that do not require vast capital expenditure," he said.

Mr Motsuenyane dates the genesis of the African Bank to the 1964 meeting of the National African Federated Chambers of Commerce (NAFOC), a body interrupted a speech on the role of the Negro in the economy of the United States to shout: "If American Blacks can do it, why can't we?"
The response was instantaneous and R70 was collected immediately to establish a fund for the founding of a bank.
"We have come a long way since that R70 — and for years I doubted whether we would make it," Mr Motsuenyane said.
"We did not know how to overcome the sense of failure and lack of confidence of the Black man after generations of living in an environment where all achievement is claimed by others. It was against this lack of self-trust that we had to battle most."
So hard was the struggle that by 1972 no progress had been made at all and the plan was almost abandoned.
In a final bid to gain widespread confidence in the venture, Mr Motsuenyane visited Britain for a meeting with the directors of Barclays International Bank in London.

He told the Barclays bosses that their bank owed a lot to the Black people of South Africa and that financial and practical support of the project would be a worthwhile investment in the Black economic advancement in South Africa.

Mr Motsuenyane left that meeting with a promise of support and returned to South Africa to receive the Government's go-ahead.
Concern at insurance premiums

Trade union bodies representing about 400,000 workers today expressed concern at the "new" insurance industry agreement allowing short-term insurance premium rises.

Most of the 51 insurance companies which are members of the Insurance Association have supported association recommendations aimed at ending the rate-cutting war.

CONCERN

The Trade Union Council of South Africa (TUCSA) said the implications of the recommendations were that competition between companies would be eliminated unless their rates rose by more than 20 percent.

In terms of the recommendations, competing companies will not undercut the rates of a company which has issued a policy when the policy has to be renewed.

But undercutting will be allowed if the company issuing the policy has increased premiums by more than 20 percent.

Today we're going to write to the Minister of Economic Affairs and ask him to institute an investigation in terms of the Monopolies Act," said TUCSA economist, Mr Robert Kraft. The Confederation of Labour has also expressed concern.

An Insurance Association spokesman said the recommendations were necessary because the rate-cutting war of the last 18 months had drastically cut the profits of insurance companies.
Insurance

'monopoly'

appalls

Tucsa

By JOHN IMRIE

THE Trade Union Council of South Africa has reported the insurance industry to the Price Controller for coming to what it regards as a 'monopolistic pricing-fixing agreement, which is detrimental to the public interest.'

In terms of the agreement competing companies will not quote a lower rate when a policy falls due unless the company carrying the risk increases its premium by more than 20 per cent.

All except one of the 51 companies belonging to the Insurance Association have pledged support for the agreement which is said to be aimed at ending a rate-cutting war.

However, Tucsa's general secretary, Mr. Arthur Grobbelaar, said yesterday he was "appalled" at the agreement which was a "blatant attempt to restrict free competition and thereby raise prices."

He said Tucsa had raised the matter last week with the Price Controller, Mr. Joep Steyn, who had taken a serious view of the report made to him and had agreed to "institute an investigation to determine whether or not this agreement was against the public's interest."

Mr. Grobbelaar said that in effect the agreement permitted the insurance companies to increase their premiums on short term insurances by 20 per cent before competition was again allowed.

Tucsa intended raising this monopolistic aspect with the Minister of Economic Affairs and would ask the Price Controller to also investigate whether the agreement did not contravene the principles of the Collective Programme of Action Against Inflation.

Mr. Rodney Schneeberger, manager of the Insurance Association, was not available for comment.
Devaluation slows down inflow

Now investors look before they leap

THE WAR in Angola is having remarkably little effect on foreign investment in South Africa so far, says George Forrest, foreign exchange economist with Barclays Bank.

He qualified this, however, by saying it was difficult to assess the effect of Angola independently from the effects of devaluation.

"Devaluation made people overseas think about the position in South Africa quite a lot. It put South Africa more under the microscope. So when Angola did burst, it did not come as much of a surprise."

"But if devaluation is not taken place, then Angola would have caused a huge stir as it is; it has made foreign investors look at South Africa more sharply."

Mr Forrest said that although investor inflow may have slowed since devaluation, raising loans overseas was not a big problem. But loans have become more expensive; the cost of borrowing on foreign markets has risen from 1.5 or 1.75 percent over market rates before devaluation to 2.25 percent now. And management costs have also risen.

"These are signs that people do consider their books fairly full with lendings to South Africa, and they are trying to discourage them. But if people have not prepared to pay the price, they can get the cash."

The devaluation, he added, had not created an easy flow of capital inflow. It was more likely than a drastic cut in funds.

Another foreign economist, the Financial Times, said South African shares were more likely to be offered at foreign markets than bought.

John Cavill reported from London: A halving of the blocked rand discount pointed to evidence this week that investor fears of South Africa's involvement in the Angolan conflict were receding.

In four days the blocked discount narrowed from 10 percent — to which it jumped on reports of a possible confrontation in Angola — to about 7.5 percent.

And while investor sentiment ranges from optimistic to cautious no one is selling South African shares because of the Angolan situation.

At the cautious end of the spectrum it is fear of other people's fears — notably the Americans — which is holding back.

**Reason**

Richard Henderson, of Henderson Administration, which manages Unit Trust, said the investment of 23 million: "I do not think South Africa is seriously threatened in any way although a sustained involvement in a war situation would be very expensive."

"But I am concerned about what other people might fear. The Americans in particular who look at a map of Africa and see that South Africa is somewhere near Angola."

"For that reason while I have been buying South African shares — they are present 2 to 3 percent of our worldwide portfolio — we have been taking them down."

Reflection

"The story is not all good, but I do not think that the South African economy now know it will be bigger than some that now are not."

"But the investor has to be influenced by Angola."

23.9.1975
they are trying to discourage them. But if people here are prepared to pay the price, they can get the cash."

If the Angolan situation deteriorated, an easing of capital inflow is more likely than a drastic cut in funds.

Another foreign exchange expert said, the link between Angola and South Africa was still tenuous in the mind of the foreign investor. Unless the situation deteriorated rapidly, it was unlikely that the flow of capital would dry up or that there would be an outflow of funds.

Whatever is happening in Angola, there are still rich pickings for the foreign investor in South Africa at the moment, he said.

"It is too early to predict the outcome of events there, but foreign investors at the moment do not appear to be so concerned as to be withdrawing funds or even cutting back on investment.

"Of course, a drastic change for the worse in Angola might change this."

Committed

Andre Hamersama, chief economist at the Standard Bank, said a lot of investors in other countries were committed to South Africa in the form of direct investment in subsidiary companies, General Motors and Ford, for instance.

"Our experience in the past has been that when you have a revival of business conditions in South Africa, parent companies are forced to invest more money from overseas because of their limited local borrowing facilities."

A stockbroker, however, admitted that the war in Angola was having a depressing effect on the market, with investors both here and overseas nervous.

In particular, who look at a map of Africa and see that South Africa is somewhere near Angola.

"For that reason, while I have been buying South African shares, they represent 2 to 3 percent of our worldwide portfolio. I have been taking them a little more slowly over the last week or so."

In Zurich, Hans Stiefvater, of the Union Bank of Switzerland's Intrax fund management subsidiary, said: "At the moment, our view of investments in South African shares has not been affected by Angola and even if the MPLA won the daytime — which I doubt it will — I doubt whether we would sell a single share."

Outlook

Intrax's South Africa fund, SAFIT, is worth about R20 million. Intrax funds under Intrax management have reduced their South African holdings over the last year but entirely because of the outlook for the gold price.

Mr Stiefvater, however, admitted, "if the Americans get worried about the Angolan situation, we will not be able to ignore it and we would act on that."

"London stockbroker Oliver Baring, of Rowe and Pitman, said: "Obviously people are worried that it could escalate into a Vietnam situation and fear that the South Africans may do more than just sit around the Kunene Dam."

"But on fundamentals, I am very bullish for South African stocks and we have seen a fair bit of buying recently. Added to that the blocked rand discount which ran out of 15 percent and is now back to 7.5 percent proves there is demand."

The Tribune's New York bureau reports. The
Idamasa News

invests

R100,000

African Affairs

Reporter

T.H.E., Interdenomina-

tional-African Ministers'

Association, Idamasa,

has bought shares worth

R100,000 in the African

Bank, the first branch of

which was officially

opened in Caralikuwa,

eyesterday.

During the past two

years, the association

conducted prayer days

throughout the Republic,

and raised funds to

boost the African Bank.

Rev. S. E. Siswane, the

superintendent of the

Lay Ecumenical Centre,

at Edendale, Vha-Peter-

maritshwini, played a

leading role in encourag-

ing the Ministers to raise

funds for the bank. He is

also one of the directors

of the bank.

The Ministers taxed

themselves R15 each to

reach the target of

R100,000.
BANK STAFFED BY BLACKS

The first branch of Barlays National Bank to be staffed entirely by Blacks was officially opened by the Chief Minister of the Venda homeland, Chief P. R. Mphephu, at Sibasa in the Northern Transvaal. The Commissioner-General of the Venda homeland, Dr J. C. Otto, was among those present.

Chief Mphephu said that the Black homeland had placed much confidence in the bank. He regarded the fact that the branch was to be managed "by our fellow-Vendas" as "a sign of growth and confidence in our nation".

The general manager of the bank, Mr A. H. Joubert, said: "Projections based on a special survey undertaken in 1973 show that the growth of income of all Blacks in gainful employment will, by the year 2000, reflect an overall increase of no less than 675 per cent, while that in respect of the White sector will reflect an overall increase over the same period of 186 per cent.

At the official opening of the first entirely Black-staffed bank in South Africa, the Chief Minister of the Venda homeland in the Northern Transvaal, Chief Patrick Mphephu, centre, welcomed the bank's establishment in Sibasa, the Venda capital. Seen with the Chief Minister is Mr Elliot Motshibi, right, who holds a diploma in bank management. Chief Mphephu called on his people to support the bank with their patronage.
Group pension plan for Black workers

OLD MUTUAL with the approval of all homeland governments and after consulting various leading people in urban areas has announced a unique pensions product.

For the first time in South Africa, it will now be possible for both large and small employers to make meaningful pension provision for their semi- and unskilled Black workers, including migrants.

A similar system is currently serving 6,000 Rhodesian farmers, providing a pensions service for 200,000 workers.

The Group Pension Plan has the benefit of Old Mutual's comprehensive pension and investment knowledge and experience built up over many years of administering individual pension funds which today total hundreds of millions of rands.

LABOUR PATTERNS

Mr. Marius van den Heever, assistant general manager (pensions) explained the pension plan. He said the fact that few Black workers stayed with one employer continuously right up to retirement, has thus far made pension provision for them administratively very difficult.

Present labour patterns militated against lower paid workers in the Republic, and citizens of the homelands, building up adequate pensions under conventional arrangements.

Few existing pension plans catered for all Black employees while migrant labourers were often excluded.

Old Mutual's specially designed group pension plans, tailored to individual needs, will enable employers, including migrant labourers, to build up meaningful pensions.

Mr. Van der Heever added that group life cover could be added to these pension benefits.

He said contributions were accumulated in an individual account for every worker and earned interest there until retirement. Full preservation of pension rights was assured since cash benefits were paid out only in the event of death, disability or retirement.

Breaks in service or employment with a number of participating employers would not affect these pension rights. Service with all participating employers would contribute towards a meaningful pension for an employee who would not have to depend solely on family or government sources of money in his or her old age.

The actual benefit received on retirement was dependent on the yield on investments during the period of participation.

Any projection was thus an estimate based on current conditions and subject to periodic adjustment.

If however, a net yield of 8 percent over the long term was assumed and that current annuity rates remained unchanged, a contribution of R60 a year (approx. R1 a week) for 30 years would yield a pension of about R1,000 a year at age 65.

Pension will be payable for at least five years and thereafter until death.

The boards of trustees appointed through the homeland governments in each case, will act as a centralizing body to enable an employee toremain a member of his particular plan even if he should change employment.
That there was much back-slapping at the opening of the first bank branch staffed entirely by Africans at Sibasa last Tuesday?

Barclays GM A H Joubert praised the Venda people for their "conservatism". "You do not make hasty decisions and when Barclays in 1961 opened an office at Sibasa you, the Venda people, after due consideration, gave it your support ..." he said.

Venda Chief P R Mphephu said Barclays enjoyed a great reputation around the world as an honest and reliable bank and pointed out that "everyone Venda who passes by (the Sibasa branch) should remember the money of the Venda in the building."
Robb warns on index-linking wages

INDEX-LINKING of wages should be considered, was recommended, by the Government's Advisory Council on Wages and Prices for South Africa. Only people who sought a full-time job could be included, and the number of the country's population on welfare must be reduced. Mr. R. C. Robb, chairman of the council, said in his report that inflation was still high and that real growth was slow. Real growth was essential as the only alternative to a faltering economy.

MANPOWER

South Africa was probably the only reasonably well-developed country where there was not only a substantial surplus of manpower which was not fully employed, but one which had never been fully employed, Mr. Robb said.

This added to the disincentive pressure. It artificially created a scarcity of skilled labour, and this made skill-inflated wages being paid in many skilled occupations.

The prospect of opening up certain jobs to Blacks without sacrificing the security of the employment of Blacks and Whites in certain areas must be created up if the growing scarcity of skilled labour was to be met.

Whites would have to be prepared to share their privileged monopoly of skills in order that South Africa might continue to grow and survive. The effective use of human resources held the key to non-inflationary economic growth.

ALTERNATIVE

He expressed his apperception of the fact that the government was doing a lot to retain salary increases in the public sector, because the in-
LET WOMEN’S INCOME BE CONSIDERED

JOHANNESBURG—Women are the most productive work force in South Africa and their income should be taken into consideration when mortgage bond repayments are being planned by building societies and prospective home-owners.

This plea for a change in building society rulings was made yesterday by Mr. Martin van der Berg, a director of a large building concern, when he addressed a symposium on housing and housing finance, held by the Association of South African Building Societies.

"The rule that the family should pay more than 20 percent of the breadwinner’s income in bond repayments is outdated and archaic. The government has already made income tax concessions for working women and should build homes and provide tax relief for them," he said.

Mr. van der Berg was discussing the role of the builder and homemaker in the economy and said the high standard of living in South Africa was one of the main attractions of the country.

"It was based on a free enterprise system and this system should be jealously guarded," he went on. (Saps)
Building

revolution

on the way

Financial Editor

THE BUILDING societies' sliding scale of mortgage rates will bring a revolution in home building in South Africa and in the living standards of its people.

Eighty percent of bondholders will have to make larger repayments on the money they still owe to the societies, but the Government's aim of compelling people to live in smaller houses, on less ground, will probably be achieved.

These points were made by officials of the societies to whom I spoke yesterday.

Mr. Ken Carse, managing director of the Provincial Building Society, said that the new rates would not be popular and there would probably be an outcry.

"There have been hikes in interest rates recently and the overall costs of building societies have risen and, as a result, profitability has fallen."

"Although we provide a service to the public, we are also investment institutions. The movement's average profit, after tax, has recently been 22% for every R100 handled."

"Something had to be done otherwise we would end up with a minus balance."

Mr. G. J. Maepa, assistant general manager of the Trident Building Society, said that the monthly increase in repayments by bondholders on the smaller debts would not be excessive.

A man with an outstanding balance of between R10 000 and R20 000 on a 25-year mortgage would pay an additional one cent a month for every R100.

Above R25 000 a bondholder would pay an additional three cents a month on the balance he owed.

On the other hand, people taking out new loans above the R15 000 mark would have to meet considerably increased repayments.

A man borrowing R22 000 for a 25-year term would have to meet repayments of R27 a month. This represented an increase of R7 a month compared with the previous monthly payment.

Mr. W. F. Hamilton, chairman of Alex Hamilton Construction and a director of the South African Permanent Building Society in Durban, said that the sliding scale of lending rates was acceptable to him.

Mr. Hamilton welcomed the fact that the societies would now be able to place 20 percent of their funds in loans of more than R18 000.

"I feel that R18 000 is an unreasonable figure because of the rise in building costs. I think this figure should be scrapped altogether."

Among other points made were:

○ In future luxury housing will only be for the very rich.

○ Owners of large blocks of flats, who have borrowed money to finance construction, will be in trouble. So will the tenants because rents must increase.

○ The mortgage rates will make it harder for a man to own a home of his own.

○ Homes with one bathroom, one garage and no servants' quarters will be the rule in the future.

The multi-tiered interest system breaks down like this:

On all new and existing loans or balances up to R10 000, the present rate of 10.5 percent will apply; On all new and existing loans between R10 000 and R15 000, the rate goes up to 10.75 percent; On existing loans only above R15 000, the rate goes up to 11 percent; On new loans above R15 000, these rates apply to the full amount owing; 13 percent on properties valued by the building society at up to R25 000; 11.5 percent on valuations between R25 000 and R40 000; 15 percent on valuations over R40 000.

For most present homeowners the impact on the new mortgage rate scale will be small because more than 75 percent of outstanding advances made by building societies are less than R15 000.

But people who are looking for bonds at the moment or in the future will feel the effect of the rapid escalation of housing prices.
Tony Koenderman

The Government has approved a sliding scale of interest rates on domestic home loans which will mean higher repayments for all bondholders owing more than R10 000.

Building societies will also be allowed to put 30 percent instead of the present 25 percent of their lendings into bonds of more than R10 000.

The multi-tiered system breaks down like this:
- On all new and existing loans up to R10 000, the present rate of 10.5 percent will apply.
- On all new and existing loans between R10 000 and R25 000, the rate goes up to 11 percent.
- On all existing loans over R25 000, the rate goes up to 11.5 percent.
- On new loans above R25 000, these rates apply to the full amount owing: 11 percent on properties valued by the building society at up to R25 000; 11.5 percent on valuations between R25 000 and R40 000; 12 percent on valuations over R40 000.

**Objectives**

A statement by the Association of Building Societies today said the objectives of the differential-lending rates were to promote more modest standards of housing, to restore the building societies' diminished operating margins to more prudent levels, and to assist the Government in the direction and application of monetary policies.

Mr. David Atson, the association's director, said that if the differential rate had not been implemented, it would have been necessary to increase the mortgage rate across the board to at least 10.75 percent and probably 11 percent.

He emphasised that it was not the object of the building societies to lend big loans — which would give them the highest return.

For many years up to 1974, building societies operated on a margin of at least 1.5 percent between their borrowing rate (paid on shares and fixed deposits) and their lending rate on domestic housing loans.

"An adequate margin is essential if societies are to cover all administrative expenses and place a prudent amount in reserve," the association said.

But in January 1974, when the share rate was increased by 1 percent, the mortgage rate was in...
New bond repayments

The following tables show the current rate of monthly repayments and the proposed new rates on every R1,000 outstanding on 20-year bonds:

**EXISTING BONDS**

<table>
<thead>
<tr>
<th>Old rate</th>
<th>New Rate</th>
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<tbody>
<tr>
<td>Under R10,000 ... ...</td>
<td>R10</td>
</tr>
<tr>
<td>R10,000 to R15,000 ... ...</td>
<td>R10,18</td>
</tr>
<tr>
<td>Over R15,000 ... ...</td>
<td>R10</td>
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</tbody>
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**NEW BONDS**

<table>
<thead>
<tr>
<th>Old rate</th>
<th>New rate</th>
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<tbody>
<tr>
<td>Under R10,000 ... ...</td>
<td>R10</td>
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<tr>
<td>R10,000 to R15,000 ... ...</td>
<td>R10</td>
</tr>
<tr>
<td>Over R15,000 ... ...</td>
<td>See table below</td>
</tr>
</tbody>
</table>

A new sliding scale applies on new loans where the amount exceeds R15,000 and it depends on building society valuation — again worked out on monthly repayments for every R1,000 on 20-year bonds:

**VALUATION**

<table>
<thead>
<tr>
<th>Old rate</th>
<th>New rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>R15,000 to R20,000 ... ...</td>
<td>R10,32</td>
</tr>
<tr>
<td>R20,000 to R40,000 ... ...</td>
<td>R10</td>
</tr>
<tr>
<td>Over R40,000 ... ...</td>
<td>R10</td>
</tr>
</tbody>
</table>

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Up goes the bond rate

From Page 1

Investment rates had followed the declining trend of recent months. But the bank rate was recently raised, followed by an increase in the commercial banks’ prime lending rate, making an increase in the mortgage rate inevitable.

A few examples clearly show how the penalty increases on the size of the bond you hold or intend to hold the mortgage rate to 10.5 percent if investment rates had followed the declining trend of recent months. But the bank rate was recently raised, followed by an increase in the commercial banks’ prime lending rate, making an increase in the mortgage rate inevitable.

If you intend to apply for a new bond of R50,000, the old monthly repayment of R250 moves to R265.60.

On a new R30,000 bond, on a house valued over R40,000, the cost will be R330.33 a month instead of R300.

The new rates are being recommended to building societies to be effective as soon as possible.

Implementation is likely to be prompt and almost automatic.

(See Page 23)
Durban gets second Indian-run NBS branch

Financial Reporter

IMPROVED job opportunities for Indians and Africans and a more personalised service to Black building society clients are two of the major benefits that have stemmed from an expansion programme being tackled by the Natal Building Society in Natal.

As part of this expansion the NBS is setting up a network of branches in Natal to cater for the needs of its steadily growing number of African and, in particular, Indian clients.

The latest Indian-run branch to be opened is in Durban, in the old Masonic Hotel premises in West Street. The NBS bought the old Masonic Hotel last year for R230 000 with the express intention of turning it into a Black NBS branch.

The Masonic branch is the second Indian-managed NBS branch in Durban and the fourth in the province. The others are in Victoria Street, Durban, at Pinetown and in Pietermaritzburg.

"Our expansion programme provides for the opening of several other of these branches in Natal during the next few years," said Brian Short, Natal regional manager of the NBS.

The Masonic branch is on the western fringes of the city, close to the Berea railway station and several big bus terminals. It is the 17th NBS outlet in greater Durban. In addition the NBS has a network of 43 agents in greater Durban.

"Judging from the initial flow of business, and based on an in-depth market study of the area, the Masonic will be the NBS's fastest growing branch in Natal," said Mr. Short.

He said the Masonic alleviates the pressure on the NBS Broad Street branch, which, until now, was the only NBS outlet in this part of the city.

Manager of the Masonic branch is Mr. S. T. "Chin" Naidoo. His staff includes Indian and African tellers.
Pension Partners' first portfolio

PENSION PARTNERS, the new property investment scheme pioneered by property economist Dr Peter Penny, has announced its first partnership scheme with the purchase of an R8.7m portfolio from the ailing Summit organisation.

First Pension Partners, as the partnership will be known, has acquired Rand Bank Centre in Bramfontein, Midrand Park in Hillbrow, and the Durban Rand Bank Centre at a price that is well below replacement cost. Summit Real Estate is currently under judicial management.

The transaction was conducted by Dr Penny, who is managing director of Herbert Penny (Pty) Limited and professional adviser to the partnership, and Mr Charles Ferreira, managing director of Merchants Limited, independent managers of the scheme.

The portfolio is the first in a series of acquisitions by Pension Partners which will enable the participating pension funds to invest directly in real estate, an inflation hedge with a far higher return than equities.

The medium of a limited liabilities partnership, pension funds previously restrained by lack of expertise and the difficulty of spreading risk, can now overcome these problems without losing control over individual investment decisions.

Further acquisitions will form the basis of other partnerships. Dr Penny says several pension funds have already expressed the intention of participating by seconding pension partners, which is negotiating to acquire a R1 portfolio involving a leaseback for a major tenant.

Investment decisions are taken on the advice of a steering committee of pension fund managers. Funds represented are Icor Pension Fund, Rand Water Board Pension Fund, Motor Industries Pension Fund, Rock Pension Fund, African Finance representing Afric Pension Fund and Perkor Provident Fund.

With one exception, the funds on the committee have participated in First Pension partners. The additional participant in this partnership is Huletts Pension Fund.

The FPP portfolio shows a satisfactory commencing yield and a minimum annual growth of 5 per cent compound although annual growth is expected to outstrip five per cent, as several below-market rental leases expire in the next three years.

The Bramfontein and Hillbrow properties are well let at present and the Durban property has only a small vacancy factor. Major Durban tenant, Rand Bank, has indicated that it will not exercise its "pandum" rental option when its lease expires at end-of-year.

The company is expected to move to Ampsprop's 329 West Street, but will continue to pay rental until the termination of its lease.

Acquisition of this first portfolio indicates acceptance of the partnership concept by pension funds and crowns three years of development work by Dr Penny, supported by leaders of the pension fund movement and with the assistance of several government departments.
R200m banking merger

JOHANNESBURG. — Nedbank and Syfrets-UAL Holdings Limited (Nedsual) announced at the weekend that the operations of Credcor Bank Limited (Credcor Bank) and Lease Plan International Limited (LPI) are to be merged to form a general bank with assets of more than R200m. The effective date of the merger will be October, 1975.

As a result of the merger, Nedsual will effectively hold 30 percent of the shares in the new group. The large British finance house, Lloyds and Scottish Limited, of Edinburgh, in which Lloyds Bank Limited and the Royal Bank of Scotland Limited each have a 41 percent interest, will hold the remaining 10 percent. Lloyds and Scottish previously held 30 percent of Credcor Bank.

The South African Mutual and Cayzer Irvine have sold their shareholdings in Credcor Bank of 20 percent and 10 percent respectively to Nedsual. LPI recently became a wholly-owned subsidiary of Nedsual.

SUBSTANTIAL BENEFITS

Credcor Bank and LPI are involved in complementary activities, notably leasing. It is therefore expected that substantial benefits will be achieved from the merger, as a result, inter alia, of:

1. Rationalization of internal functions, services and resources;
2. Elimination of overlapping products and services;
3. Greater strength in the market place and in marshalling financial and other resources.

In addition, certain saving in terms of management and administration costs should result for Nedsual.

Managing director of the enlarged bank, which will trade under the name of Credcor Bank Limited, is Mr. Stanley Kaplan, formerly managing director of LPI.

Mr. Austin Downing, who as managing director of Credcor Bank played a major role in bringing it to its present prominent status, reaches retirement age in December and will retire on the merger of the two companies. He will, however, continue to serve on the board of directors.—Sapa
Credit abused, says banker

Staff Reporter
DURBAN. — Credit in South Africa was being greatly abused, the chairman of the New Republic Bank, Mr H. E. Joosub, told the bank's annual general meeting in Durban yesterday.

"It appears to me that in the extension of credit something is radically wrong," he said.

Mr Joosub said consumer credit for the past two-and-a-half years to the end of December 1974 increased from R1.475 million to an estimated amount of R2.303 million. This was an increase of 56 per cent.

During 1974 summonses were issued in more than 538,000 cases of bad debts. Civil judgments were granted for 253,000 cases involving a total amount of R8.4 million.

"These figures are proof that the granting of credit is no longer founded on sound business principles," Mr Joosub said.

He said it had now become important for Blacks to be represented, and even to hold directorships, in public bodies.

"At present this group is only a consumer who is making a major contribution by way of consumer spending and labour." The time had arrived for the larger financial business, industrial and mining entrepreneurs to consider inviting members of "our group" to serve on boards and have a say in the functioning of their institutions, he said.
Boss of the Black bank

This month Sam Motsuenyane became chairman of the African Bank of SA. For the genial farmer from Ga-Rankuwa the creation of the bank after a decade of struggle, when it was often little more than a distant, beckoning vision, represents a triumph for Black aspirations. He is nevertheless fully aware that “this is the beginning of a long road, a road we’ve never traversed before.”

The fact that at government’s instigation the five big “White” banks will be minority shareholders does not worry him: “At the outset we knew that partnership would be better than going it alone without the expertise. We only have one economy in this country, and in certain instances interests must merge. Business cannot follow Black-White contours.”

At 48 Motsuenyane is a veteran of the Black man’s fight for economic advancement. A trained agriculturist (with a BSc in agronomy from North Carolina) he spent many years as secretary of the African National Soil Conservation Association, steeping himself in the minutiae of rural development. And though, since his election as president of the National African Federated Chamber of Commerce (Nafcoc) in 1968, he has emerged strongly as the voice of organised Black business, he still speaks of himself as a “country bumpkin” and is chairman of a farmers’ association in the Bophuthatswana Homeland.

It was this knowledge of farming that led to his co-option by Nafcoc as agricultural adviser in 1965, when the Chamber was formed, after his return from the US. Thereafter his role broadened: he edited the Chamber’s trade journal and, once elected president, found himself re-elected “to the hot spot year after year”.

Motsuenyane recalls the idea of the African Bank was first mooted at Nafcoc’s inaugural conference: “Our people were much taken by a report on Black enterprise in America. There were questions like: Why can’t we involve ourselves more in the SA economy? Why not a bank? Why not start today?”

As “testimony” that the matter had been raised in serious debate a “national fund” was started and though by 1972 there was little more than R1 000 in the fund, and R1m would be needed, the symbolic commitment had been made.

A breakthrough was achieved in that year, when Motsuenyane spoke at a Barclays International Lunch in London, and took the opportunity “to express the hopes and aspirations of Black people for an African banking institution here. I was presumptuous enough to tell them they should plough back something of what they had taken from Africa, and, indeed they took the position that they were prepared to help. They would train people and take up shares in an African bank to create an atmosphere of confidence.” From then on, “we went ahead without ever looking back.”

Motsuenyane remembers one meeting when “an old Zionist chap at the back of the hall stood up and blessed us, asking that our deliberations be crowned with success and God’s glory.” He feels that this kind of vigorous spirit, translated into reality, has been an inestimable asset in founding the new institution.
Johannesburg — Mr. S. M. Motsetae, of Ga-Rankuwa, has been elected first chairman of the new African Bank of South Africa at the inaugural directors' meeting held here last week.

Mr Motsetae, who is president of the National African Federated Chamber of Commerce, holds a degree in agriculture and is a businessman in Ga-Rankuwa. Since 1968 he has been a prime mover in the establishment of the bank.

Mr. A. S. Wenzel, a chartered accountant, has been appointed general manager of the bank.

Other directors elected at the meeting were Mr. A. N. Gadi, a Lusikisiki, Transkei, businessman; Mr. P. G. Gumede, vice-president of Nafeco, of Newcastle; Mr. J. H. Khosa, a Lebowa businessman; Mr. S. J. J. Lesolala, a Gar-Rankuwa company director; Mr. R. R. Benwe, an Adams Mission (Natal) general dealer; and the Rev. E. Z. Sikakane, senior member of the Interdenominational African Miners' Association.

— SAPA.
African Bank of SA is registered

Staff Reporter.

THE AFRICAN Bank of South Africa was registered as a company by the Registrar of Companies on July 31, the general manager of the bank, Mr Allan Wentzel said yesterday.

Mr Wentzel said in a Press release that the subscribers to the memorandum and articles of association are to meet formally to elect the board of directors on August 13 in Johannesburg.

Seven of the 10 directors will be Africans and the remaining three will be representatives of the shareholder banks. These banks are: Barclays National Bank, Nedbank, the Standard Bank of South Africa, the Trust Bank and Volkskas.

The shareholder banks will collectively subscribe for 300,000 shares of R1 each in the capital of the company.

"Originally it was intended that African investors would be given the opportunity to subscribe for 700,000 shares of R1 each resulting in the company having an issued capital of R1-million," Mr Wentzel said.

"However, the response from the African community has been so great that an additional 300,000 shares of R1 each have been made available for subscription by Africans." Mr Wentzel said that the prospectus of the bank should be registered on August 29. The offer to the African community of one million shares of R1 each is likely to be open on September 5.

Potential investors who have deposited funds in trust with the National African Federated Chamber of Commerce will receive the full number of shares they applied for.
Why Africans and Indians pay more for life insurance

AFRICANS and Indians pay more for life insurance in most companies than do Whites, but several insurance men denied recently that premiums were "racially loaded."

Indian insurance salesmen and a number of Africans told the Natal Mercury recently that at least eight major companies operating in Durban "discriminate against people of colour."

A spokesman for the Life Offices' Association in Cape Town, representing most companies, said: "In this apartheid-ridden country innocuous procedures are viewed with suspicion. This is an understandable emotional reaction, but actually we have a racial orientation."

Many firms have standing instructions that add four or five years to the age of African, Coloured and Indian policyholders, thus forcing them to pay higher premiums.

Women

One company gives Indian and Coloured women the same premium as men and has no policies available for African women. White women pay smaller premiums than men.

Another company will only insure, at higher premiums, the lives of Africans engaged in professions or business, but refuses to grant a wide variety of accident and disability benefits to these clients.

The manager of a local branch told the can has to endure in the townships.

A White man living in a suburban area in South Africa would only be granted these benefits, if at all, at a loading compared to the man living in what might be called a select suburb.

"Insurance companies have occupational ratings which tend to be economically selective."

One Indian complained that a certain company placed a 50 per cent loading on pure term insurance for Blacks.

It was explained that this type of insurance accrued no profits, had no maturity value and carried low premiums. "The premiums are designed to cover the pure cost of the death risk. There is no way to subsidize the increased mortality rate and this kind of insurance has an increasing risk factor whereas normal insurance has decreasing risk factors."

"This company was another that insured only "well-off" Africans and provided no supplementary benefits.

An official explained that because the company had no experience with African business it could not qualify the risks.

Another insurance man said many firms were treating the African market but were other companies tran-

By TIM MUIL

Moving cautiously. "At this stage, we are only looking at the educated class because we feel only this group will be able to understand insurance and need it."

by the Life Officers' spokesman: "This is not true. Indians have a known susceptibility to diabetes in much the same way that Whites are known to have cardiac problems. Of course, heart ailments are also extremely prevalent in the Indian community."

"Most companies require glucose tolerance tests (GTT) for larger policies, say in excess of R25,000 sum insured."

"If the family history indicates diabetes we would call for the GTT regardless of the sum insured."

"All Whites are asked to undergo electro-cardiograms on policies over about R25,000, and far less if the medical history necessitates it."

It was pointed out that at least four of the companies operating in Natal did not load their premiums against Blacks.

"I am sure these companies are trying to break into the non-European market. This is a marketing policy we are talking about.

"I would also like to point out that they have a much smaller percentage of the non-European market than we do, than ours with big Indian and Coloured portfolios."

Headaches

"Those companies that do load, generally have a larger percentage of the non-White to the White market. This is a marketing policy we are talking about."

"Generally speaking, Indian business does have more headaches. For instance, premium lapses are more frequent and those firms that offer standard rates to non-Whites invariably or allow the White portfolio to subsidize at least some of the Indian policies."

Mercury: "One reason Africans and Indians pay higher premiums in mutual insurance companies is that equity has to prevail among policyholders."

"The mortality tables of the society and of

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Coloured housing today . . . more than mortgage lending needed

work was still needed before final proposals could be submitted.

Verster, who became GM of Spes Bona about a year ago, said he was immediately impressed with the need for a building society for Coloured people after discovering that nearly 70% of Spes Bona's housing business was in respect of mortgage bonds, over houses, businesses and industrial sites.

The main problem of getting started will be to get geared up initially, although a Coloured building society would receive an initial boost from a transfer of Spes Bona's existing mortgage business.

According to the latest annual report (to September 30 last year) total assets of the bank increased by R1.4bn to about R5.2bn (38.8%), while deposits increased to R4.4bn, of which R3.1bn was received from Coloured depositors. The bank's net profit for the year was R103.09m.

Verster said there is tremendous pressure on Spes Bona for housing mortgage finance, from people who are unable to get money from "White" building societies. He is by no means adverse to discrimination in the pursuit of the building society movement, fully represented as it is with branch and agency branches in the Coloured group areas. It is just that mortgage finance is tight.

But whether an exclusively Coloured building society will be in a better position to relieve the pressure is doubtful. It is equally doubtful whether the Registrar will exempt a Coloured building society from any of the provisions of the Act, since this would smack of paternalism.

The most likely method by which the new building society will get off the ground is by way of a large deposit of say, R1bn being made by Spes Bona. Thus launched, the society would then make mortgage loans.

At the same time, it is conceivable that the Coloured Development Corpora
Inflation and your pension

The dangers of continuing inflation are legion. Not least is the havoc it can play with the expectations of pensioners — and with the finances of those providing the pensions.

Inflation threatens to play havoc with the 2,000-plus invested in the privately-administered pension funds, to say nothing of the many millions in State-controlled and other funds. As returns on assets drop further and further below the rate of inflation, a situation is developing on which nobody can possibly benefit. With double-digit inflation likely to continue into the foreseeable future, so rising up salary levels and consequent pension liabilities, a mix of superhuman investment skill and luck will be required for the funds to meet spiralling liabilities without hefty increased cash contributions from their sponsoring companies.

By law, 80% of a fund's portfolio is required to be invested in government and quasi-government stock. Last year, the average return on this prescribed fixed interest portion would have amounted to 6%; the return being negative when discounting for a lesser value of securities purchased in excess.

Taking the portfolios of pension funds, however, can mean losses, as was shown in the previous few years. The average portfolio of fixed assets merely breakeven, while the interest point for solvency is a point of net income exceeding the investment.

Of course, the essentially fractional
WHO HAS THE ANSWER?

During the next few years, the position of pension funds is likely to be very difficult. On the one hand, pensioners will be clamoring for increased pensions. On the other, funds will be running into difficulties.

In the final salary type of pension schemes, members will retire on adequate pensions. But after a few years, if inflation continues, they will find that their pensions are insufficient for their needs and that they face a diminishing standard of living. If inflation persisted at 10% pa for a period of 10 years from the date a pension is awarded, the value of the pension at the end of the 10-year period would, if unchanged, be only 40% of the value of the pension at the date it was awarded.

The PA firm, general manager of a major and trust fund, Employees Provident Fund, notes that the inflation rate is over 10%.

Funds may be able to create reserves from which to meet an annual increase of say 3%. This does not help very much if the inflation rate is over 10%.

To do anything worthwhile in the way of providing cost of living increases would add 20% to 30% to the cost of pension schemes. The only way of meeting the position is by increased contributions. To what extent can employers and employees be expected to pay in additional amounts to help boost employees who have retired?

This is a question 1 will not attempt to answer.

CM Payne, general manager, Employees Provident Fund.

An employer who pays an amount into a pension fund in excess of the normal contribution to enable the fund to meet the problems caused by inflation, or who directly subscribes the pensions of past employees on their retirement, can face tax problems.

This is the opinion of J.P. Moritz, Professor of Tax at Cape Town University.

The tax problem arises if the payment to the fund represents a lump sum payment to the pensioner. The Act states that such payments are taxable.

The Secretary for Inland Revenue is therefore empowered to take action if he deems it necessary to compel the employer to pay tax on the lump sum paid to the pensioner.
property values have slumped, compounding the problems of pension funds there.

While a prime CBD investment would today earn around 9% net, the funds must have confidence in the prospect of long-term recovery to finance the gap between economic rental income and the erosion of inflation. The outlook is scarcely heartening for fund managers, who can look forward to virtually nothing other than equities and property for the growing source of income on which they depend. Apart from the principle that the funds should be capable of standing on their own, there is an obvious limit to the extent to which companies can continue topping up fund deficiencies from earnings. Nor is it desirable that fund members should be at risk for pension benefits on the extent to which a particular corporate philosophy, to say nothing of profit performance, dictates the generosity of continuing contributions.

This raises the question of that 50% of assets directed by law into "prescribed" securities. Originally the aim was to ensure safety. And now, naturally enough, government is keen to get its hands on as much as possible of the R25bn plus which the funds have to invest each year.

However, yields on these prescribed assets are standard at under 10%, and growth is restricted. This necessarily limits the fund's capacity to catch contributions, and investment performance, with inflation.

The time has surely come for a contemplation to consider the removal of the prescribed portfolio restriction, in the interests of both better yields and portfolio risk, and fund solvency, and which made sense in times of monetary stability makes nonsense in times of high inflation.

Coupled to declining investment performance is the impact of inflation on wage and salary levels. As these have rocketed in recent years to keep pace with the cost of living, funds using the more popular method of calculating benefits on the final salary to five years, an employee's salary have increasingly felt the pinch. Their problems are compounded by the fact that they haven't had use of inflation-affected contributions for the earlier 20 or 30 years of the employee's working life.

That salaries have risen out of all proportion to contributions creates difficulties as great for the "money purchase" pension schemes.

Though the latter are under less stress to meet liabilities, by the nature of their structures, which relate the ultimate benefit to an employee's contributions over his entire working life and not the final salary, the shareholders are obliged to perform successfully so that the benefit will
BUILDING SOCIETY funds are estimated to have jumped by as much as R100-million in June, largely through investors seeking some stability after the halving of call money interest rates in nine months.

By Tom Hood

accurate figures will not be available until the end of the month.

But Mr D. G. Aiston, director of the Association of Building Societies, has said that May's inflow of R94-million was improved from last month as a result of the increased liquidity in the economy.

A survey of building societies this week disclosed confidence of a steady improvement in deposits in the rest of the year.

The banking sector is now reported awash with liquidity, 3.5 per cent exceed 18.6 per cent at call in October is now getting a mere 6 per cent.

Businesses and individuals have cut their borrowings and the build-up of cash has forced 31-day rates as low as 8 per cent.

One building society considered that people have been spoiled by high interest rates on call money and were reluctant to go into fixed deposits.

However, they might fall between two stools, and find deposit rates offering less than now.

The fall in short-term rates was expected to permeate through to medium and long-term investments such as fixed deposits, and

Black insurance

WITBESHOEK. — An African insurance company is the latest project to be undertaken by the National African Chamber of Commerce, the president, Mr Sam Manye, said.

The company would work hand in hand with the newly-established Bank of South Africa, he said.

The project would function effectively if it had at its disposal long-term investments such as insurance funds, which would be made available for business development projects in Black areas.

The moment Black investments in White insurance companies are in no way helpful to back economic developments.

"The Blacks are in fact exporting capital in various forms from their poor areas without deriving any benefits or advantages," Mr Manye said.

Funds received by building societies as a whole fall by 32 per cent in the 12 months ending March.
Insurance giant to set up in Transkei

The world's largest insurance broker, AON, is to set up a subsidiary firm in the Transkei that will train Xhosa to run it.

The decision follows a meeting in London between the South African President of the Transkei, Chief Kaizer Mafupu, and the chairman of Willis Faber and Dumas Ltd, Peter Minkenberg.

The new company will provide a completely local insurance Brokerage service to Transkei commercial and industrial undertakings, as well as catering for the needs of industry and commerce in South Africa who will also provided Transkei citizens by its new firm.

APPOINTED

The first Black employee of the company has already been appointed. The Transkei company will be managed by Mr. Fred E. Blumen, the South Africa's agent of the London company, who is largely financed by local and South African shareholders who have been appointed to the Transkei through an association with the Xhosa Development Corporation.

According to the company's statement, the aim is to invest in the development of the region.
WITSIESHOEK — The formation of the first African bank in South Africa proved that the Black people had now reached the "take-off stage" from where they would gain momentum, the Chief Minister of the Qwaqwa Bantu Home-land, Mr Kenneth Mopeli, said here yesterday.

He was opening the annual conference of the National African Federated Chamber of Commerce which is being held in the homeland.

SIGNIFICANT

Mr Mopeli said the foundation of the bank marked a very significant stage in the development of Black human resources, and he congratulated Nafco on the project.

The Chief Minister called on people to pool resources and mobilise every cent in an effort to ensure the Black nations' survival and existence alongside other nations of the world.

"We have lived for a very long time in medie- val solitude and let other races do a superb job of opening our country," said Mr Mopeli. "We dare not allow this state of affairs to continue indefinitely while we fold our arms and look on.

"We shall have to diversify our economic activities, otherwise we are not going to get far with our efforts to uplift ourselves."

He added that it was time Qwaqwa considered the introduction of home industries, using female labour as a firm basis for the promotion of one of the foremost industries — tourism.

Returning to the subject of capital invested by White industrialists in the Homeland, Mr Mopeli said the Central Government had been reluctant to allow this in the past, fearing that it might be dubbed as an invasion of the Black economy by "White economic imperialism."

He announced that within the next three months Qwaqwa would have its own Development Corporation. The land tenure system would also be overhauled with the assistance of the chief and tribal authorities.

SPONSORSHIP

Meanwhile, it is reported from Pretoria that the Bantu Investment Corporation has decided to sponsor the salary of the secretary of Nafco.

Dr M J Olivier, territorial manager for the BIC in Natal and Qwa Qwa, announced the sponsorship on behalf of the board of the BIC at the annual conference of Nafco at Witsieshoek yesterday.

— Own Correspondence and Sapa.
Pensioners plight

PRESS articles on the plight of South African pensioners have caused a surge in business for life insurers, according to Mr. Ken Palmer, general manager for the Legal and General Assurance Society. He said Legal and General had achieved a record 29 percent increase in 'new premium' income from R500,375 to R667,243 for the five months to May this year, against the same period last year. This rise is the result of the public's increasing awareness of their individual need to protect themselves in their old age, he said, and commented that the awareness was largely due to recent Press articles.
Bank Rate

New formula?

4/13

One of the more interesting developments is the way in which the discount rate has moved to accommodate the new realities. The banks, for instance, have apparently been doing a lot of business with each other, and have been moving money around more effectively.

Banking circles, of course, are always quick to point out that the discount rate is a vital tool in monetary policy. And indeed it is. It is a way of controlling the amount of money in circulation.

The event, as they say, is a metaphor for the state of the economy.

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African brokers

Franz Albrecht

An African insurance broking firm — controlled by eight African businessmen — has been formed in Johannesburg to write up insurance among Africans throughout the country.

The company’s name is Octagon Africa Insurance (Pty) and the chairman is the Tembisa businessman Mr. Jacob Nyembe. His deputy is Mr. Joe Masoga.

The company is being assisted by Mr. Victor Hartley who has been in insurance for 29 years and Mr. Ivan Morris, a professional man from Johannesburg, who are both directors.

So far, the company has had talks with numerous insurance companies about underwriting agreements and the response has been favourable.
During the past financial year the economic environment in which banks in South Africa operated was subject to wide fluctuations. I am happy, however, to report that the Group was able to contend with these changes and achieved a 29 per cent increase in profits, before extraordinary items, over last year. I will refer in more detail to these record results later in this statement.

Significant changes occurred during the year in both the pace of economic activity and the conditions prevailing on the financial markets. During 1974 the Republic achieved one of its highest growth rates but the strong expansionary phase, which began in late 1972, ended there was an easing of pressure since then.

South Africa's output of goods and services was 7.2 per cent higher than in 1973. This increase was boosted by a fast growth in fixed investment, a sharp rise in the value of gold output and increased agricultural crops. Less satisfactory aspects of the Republic's growth pattern were the high rate of inflation, infrastructural bottlenecks, particularly in transport and communications, and the severe shortages and high cost of operating and development finance.

The liquidity situation was caused largely by a deterioration of South Africa's balance of payments position. Imports rose dramatically to keep pace with the demand for investment and consumer goods, generated by the high level of economic activity, and exports declined. In sympathy with the foreign exchange deficit the authorities pursued a restrictive monetary policy and the liquidity of the banking sector was severely strained, causing a rise in capital and market interest rates to levels which were more in line with international trends.

At the same time the banking sector was unable to satisfy all the credit requirements of the productive sectors of the economy and by the end of 1974 business activity slowed down. The demand for all types of credit remained strong, forcing banks to bid aggressively for funds in the money market, resulting in significant increases in the cost of resources. Lending rates consequently came under pressure and the minimum overdraft rate had to be increased twice during the financial year.

Large inflows of capital during November and December 1974 and a moderate narrowing of the trade gap, curbed the decline in the gold and foreign exchange reserves. However, did not improve significantly during the first quarter of 1975 because capital inflows were not as large as expected. The liquidity situation in the local market eased from October 1974 and short-term interest rates began to decline.

The banking subsidiaries of the Group were once more restricted by the necessity to increase capital in line with the growth of deposits. In terms of statutory requirements, capital and unimpaired reserves must be held at 8 per cent of deposits and at the end of 1974 the Bank's balance sheet showed a total of R3.1 million. The issue raised some R34 million, which will provide additional capital for the banking subsidiaries. The issue was more than 99 per cent subscribed, only 502,199 shares being taken up by the sub-underwriters in South Africa. In the then market conditions, the continued support of shareholders was gratifying. The issue also reduced the participation of Standard Bank, London, in the ordinary share capital of the Group to 79.1 per cent. London's shareholding was reduced further to 70.2 per cent by the acquisition of the entire issued share capital of City Credit Limited which is referred to elsewhere in this report. This reduction is in line with proposed legislation requiring overseas participation in the capitalization of South African banks or bank-holding companies to be reduced to 50 per cent within an agreed time limit.

Because a satisfactory solution could not be arrived at regarding the Charterer Bank's domestic banking operation in California, it was necessary in terms of the United States Federal Reserve Board's regulations for the Chase Manhattan Bank to dispose of its holding in the Standard and Chartered Banking Group. This shareholding in the Group has now been sold to the Midland Bank Limited, which was already a shareholder, and formal connections between Chase and Standard Bank now have come to an end.

This development is a matter of great regret to me and all my colleagues. Our American Division has made great progress over the years and I pay tribute to Mr. Steve Pryke for the valuable contribution he has made in building up this Division, which handled a major share of all the American business in South Africa. He leaves us on 30 June but will continue as the Chase's representative in South Africa and we wish him well. I feel certain that a lasting close relationship will remain between the Standard and Chase, on a basis customary in a relationship with a valued correspondent bank.

The short-term profitability of Standard Merchant Bank suffered as a result of the depressed local market with high costs of money and a large element of historical fixed rate term lending. Steps have been taken to increase profitability.

Demands for hire-purchase and leasing finance continued at a high level and this is evidenced in the record results achieved by Stanbic. During the current year, television will provide another avenue for hire-purchase and leasing business and Stanbic is well placed to meet demands in this field.

Our Financial Service Company, which provides mortgage facilities for the development of commercial, residential and industrial property, was inhibited during the past year by the tight interest rate control which the authorities imposed upon the participation bond move. The rate structure, which permits charging borrowers a maximum of 11.50 per cent, is out of line with the rate in the market place and that charged by building societies for similar commercial developments. Consequently, it was not possible to attract sufficient funds for fresh lending.

Also, insurance companies and pension funds now appear to have changed their investment policy, undertaking property developments themselves or in partnership with others. This is borne out by the value of commercial mortgage loans provided by insurance companies and pension funds increasing by only R257 million over the past eight years, whereas participation bond loans in the same period in participation bond loans was R790 million. With both participation bond finance and traditional institutional sources of money and traditional institutional sources of money and traditional institutional sources denied to them some frustration is being experienced by entrepreneurs who wish to undertake developments, for this reason they were unable to respond quickly to correct the recent shortage of flat accommodation in certain areas, thus contributing to the general accommodation shortage which is developing in South Africa.

MARKETING

The marketing policy of the Standard Bank Group is to review systems, branches and services with the object of keeping up to date with customer needs. During the past year we launched Piplan, a special savings account offering 8 per cent, with a stop-order facility, making it the only one of its kind in South Africa at this time.

Quick facts from the financial statements

<table>
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<th>Total assets</th>
<th>R3 200 million</th>
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<tr>
<td>Interest payable to customers</td>
<td>R125 million</td>
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<tr>
<td>Shareholders' funds</td>
<td>R130 million</td>
</tr>
<tr>
<td>Profit before extraordinary items</td>
<td>R17.3 million</td>
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<tr>
<td>Dividend</td>
<td>19 cents</td>
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How assets have grown in the seventies

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<td>R1</td>
<td>750 million</td>
<td>910 million</td>
<td>1,100 million</td>
<td>1,200 million</td>
<td>1,700 million</td>
<td>2,200 million</td>
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Research has revealed both a need by customers and enthusiasm from retailers for a Standard Bank credit card and your Board has decided to introduce a card early in 1976. In agreement with the Interbank Card Association, which holds the franchise for the international "Master Charge" mark, ensures that the Standard Bank card will be accepted by a worldwide network of airlines, retailers, hotels and banks.

Sudanplan, designed specially for the university student, was also launched in 1974. It incorporates a loan facility, a unique insurance policy and other services to assist the student with most financial needs.

Through Standard Bank Insurance Brokers, the Group provides an overall insurance service that suits the varied needs of customers. The contribution to group income by this subsidiary is growing at a significant rate.

Regular investors in the Standard Bank Mutual Fund's "Grow as You Save" Plan have benefited substantially from the system of rand-cost averaging. During the period in which the industrial index fluctuated widely and ended with a loss of more than 20 per cent during the two years since the Fund was launched in May 1973, all regular monthly investors in the Fund, regardless of when they started, were showing an overall surplus on their investments. In difficult conditions, the managers of the fund have kept to a strict discipline in their movements, in the interests of maximizing returns for our shareholders.

SMB provides a comprehensive service by a staff with a high standing in merchant banking. SMB services extend from acceptance credits and term loans to mergers, capital reconstruction and debenture issues.

Backing the Group's obvious strengths in a complete range of services offered through an extensive branch network, is the concentration on good customer service. The training staff has been expanded during the year and our college at Morningdale provides a venue for continuous courses designed to further the Bank's interests.

CITY CREDIT LIMITED

As referred to earlier, Stanbic acquired the entire issued share capital of City Credit Limited on 1 January 1975. Details of that acquisition are set out in an attached accompanying financial statements.

ANNUAL FINANCIAL STATEMENTS

The annual financial statements and balance sheets for the financial year ended 31 March 1975 are dealt with in detail in the Directors' Report, drawn in terms of the requirements of the Companies Act, 1973. The figures for the year and for the previous financial year, are on a disclosure basis which means we have not taken advantage of certain exemptions allowed to banking subsidiaries. I wish, however, to refer to certain features of the accounts.

As announced in the prospectus accompanying the recent rights issue, the profits to the ordinary shareholders for the current financial year ended 31 March 1975 were "not less than Rs 16 million". The Consolidated Income Statement reflects a profit, before extraordinary items, of Rs 17.3 million. The increase in earnings is largely due to the improvement in the performance of the commercial banking and hire purchase and leasing operations.
The dividend for the year has been raised to 19 cents from 18 cents per ordinary share. The final dividend of 11.5 cents per ordinary share was declared to all shareholders registered on 20 June 1975, including the 9 987 459 ordinary shares allotted on 29 April 1975 in terms of the rights issue. Retention of income before extraordinary items, which has been transferred to Distributable Reserves, was again high at R 583 000, as against R 6 604 000 in 1974.

**FUTURE PROSPECTS**

Economic expansion during the present financial year is likely to be slower than during the period under review. Both the private sector's consumption and investment expenditures are growing at a slower rate, although government outlays remain at a high level. On balance, the growth rate in demand for loanable funds. If the gold market remains relatively stable and South Africa is able to attract sufficient short and long term finance from abroad, financial conditions should ease considerably and this would facilitate a resumption of business growth early in 1976.

Nearing in mind these economic uncertainties, our forward profit projections indicate that the results of the Group should continue to show growth and we expect an increased return on shareholders' funds.

**STAFF**

The welfare, progress, development and education of our staff are always primary considerations of the Group, which is one of the largest employers in the Republic and South West Africa. The conditions of the staff are continuously being reviewed by management and the Boards of directors of the subsidiary companies.

Substantial increases in salaries were awarded to staff at the beginning of 1975. Further, it has been our policy to ensure that service conditions are the same for all members of our clerical staff. There are now uniform conditions of service for all staff, irrespective of race.

**BOARD OF DIRECTORS**

The retirement of Sir Cyril Hawker as Chairman of Standard and Chartered Banking Group Limited and as a Director of Stanbic became effective on 31 August 1974. I again pay tribute to the exceptional contribution he made to the development and diversification of the Group. We will remember him particularly for the harmonious relations which he fostered between London and the operations of the Bank in South Africa.

Sir Cyril was succeeded on 1 September 1974, by Lord Barber, who was also appointed to the Board of Stanbic. Lord Barber has had a distinguished career in politics as well as in business and brings to the Group a wealth of experience in finance.

I am sure that we are to lose the services of two of our longest serving Directors, Messrs. C. S. Barlow and Mr. F. H. V. Banfield, who, having reached the retiring age for Directors, will retire on 22 July. "Punch" Banfield joined the South African Board of the Bank in 1957 and Chairman of Stanbic when it was formed in 1963, and Deputy contributed towards the progress of the Group has been invaluable. He has also made an outstanding contribution to South Africa in many other fields. Fred Banfield began his business career with the Standard Bank and, apart from his many other business interests, became Chairman of the Chase Manhattan Bank (South Africa) Limited. He joined our Board in 1965 when the Chase operations in South Africa were merged with ours. I am most grateful and sound judgments which they have brought to our affairs.

During the year I welcomed to the Board of SBSA, Mr. M. A. du Plessis, of Pretoria, and Prof. P. C. Fourie, of Bloemfontein, and also Mr. H. R. Reed, Joint Managing Director of Standard and Chartered Banking Group Limited.

Mr. G. K. Rawal resigned from the Group for business reasons. On reaching retirement age Mr. D. A. A. Johnson retired from the Natal Board and on 22 July 1975, Messrs. A. D. Forsyth and J. S. Rouxouret will retire from the Cape Board. Mr. J. J. A. Hulley from the Natal Board, Mr. H. Z. J. Kühn from the O.F.S. and Northern Cape Board and Mr. J. A. Better from the South West Africa Board. These members of our Regional Boards have given us their thanks for the service which they have rendered during their terms of office.

Mr. E. H. Fox retired from the Board of Standard Merchant Bank Limited on 3 June 1974, when he joined the Board of Stanbic. We welcomed to the SMD Board Mr. G. A. Macmillan on 3 June 1974.

At STANRIC’s Annual General Meeting on 26 June 1974, Mr. E. J. G. Roy retired on reaching retirement age. His services over a long period will be missed and I thank him for his contribution. We welcomed to the Board Mr. C. C. Irwin and Mr. R. H. Gager on 23 April 1975. On 31 March 1975, Mr. J. C. McLeman resigned because of his move to Natal. We wish him well on his well-earned retirement.

**SENIOR MANAGEMENT**

Mr. J. R. A. Hulley, who was General Manager of the Natal Region and Mr. J. A. Rogan, who was Assistant General Manager in the Witwatersrand Region, retired during the year. They were succeeded by Dr. C. B. Steyn and Mr. D. W. C. Simmonds respectively. Dr. Steyn has been responsible for Corporate Planning at Head Office and Mr. Simmonds was the Manager of the Commissioner Street Branch. Subsequently, Mr. Rogan was appointed Chairman of Standard Bank Insurance Brokers and of Dinner Club S.A. (Pty) Limited in succession to Mr. J. van Niekerk.

The Bank suffered a sad loss through the untimely death of Mr. Vincent de Villiers, Senior General Manager in Cape Town. Mr. Dennis Blackhurst, previously General Manager, Cape, succeeds Mr. de Villiers with the title of Regional General Manager and Mr. J. P. Esterhuizen, General Manager, South West Africa, succeeds Mr. Blackhurst, Mr. W. C. Taljaard, who had served as a General Manager's Assistant in Johannesburg, has been appointed to take Mr. Esterhuizen's place in South West Africa.

Mr. J. J. Ball will retire as General Manager of the Bank's Trust Division in July and will be succeeded by Mr. K. R. Schneider.

Mr. L. B. Russell, the Group Financial Manager, retires on 30 June 1975, and Mr. G. H. Vickers has been appointed to take his place.

Mr. N. A. C. Lifteid was appointed Assistant General Manager in the Natal Region.

To all the senior executive and the staff throughout the Group I express my grateful appreciation for their loyalty, co-operation and support without which it would not have been possible to achieve such satisfactory results. In conclusion, my sincere thanks are extended to my two deputies, Messrs. C. S. Barlow and W. T. Pasmore, to Mr. H. P. de Villiers, Managing Director, and to my other colleagues on the Boards of Stanbic and its subsidiaries, and on the Regional Boards.

Ian Mackenzie

23 June 1975
NBS has large cash balance

AT THE end of March the Natal Building Society had R60m in liquid resources, compared with R48m a year before. The society granted loans of R44m to 4,050 applicants and its assets increased by R4m to R547m. It has entered into commitments to loan R18m (R31m in 1974).

Justifying the large cash balance, the chairman Mr. G. P. Law said this was due to the uncertain financial climate.

The directors felt that it would be prudent to hold the cash, which was apparently invested short term.

The society has made loans of R44m to 4,050 applicants and its assets increased by R4m to R547m. It has entered into commitments to loan R18m (R31m in 1974).

It will undertake major developments at Pinetown and Pietermaritzburg and is planning to diversify.

"The directors felt that it would be prudent to hold the cash, which was apparently invested short term."
Sagit replies to questions

Cape Times Financial Correspondent

JOHANNESBURG.—Shareholders who lost money in National Fund Investments (NFI), now Sagit, should not hold the present board of Sagit responsible, as none of them was a director during the crucial period during and after the 1969 boom, said Sagit's chairman, Mr. C.J. Wotherspoon, yesterday.

Mr. Wotherspoon was speaking at the extraordinary meeting of Sagit requisitioned by Mr. C.R. Benson and 123 other shareholders.

In a 3½-hour long and at times emotional meeting the chairman, Mr. Wotherspoon, replied to questions posed by Mr. Benson at this meeting and in the past.

Mr. Benson has for several years been critical of the directors of Sagit and NFI and the meeting was similar to the extraordinary meeting of the company in February 1972.

SYMPATHY

At the 1972 meeting comprehensive replies were given to Mr. Benson's questions which were repeated in full at last week's meeting.

Mr. Wotherspoon said he sympathized with shareholders who lost money in NFI but when criticism was voiced, account should be taken of the change in composition of the board.

Mr. Wotherspoon said he was appointed to the board in July 1970. One of Mr. Benson's questions to the directors was to ask "for a list of names, and positions held in the company, of those people to whom offers were made at any time to credit part or all of the original cost of their shares in the company".

"ILLEGAL"

Mr. Wotherspoon said in reply that Sagit had never purchased its own shares and had not lent money out for this purpose. To have done would have been illegal, he said.

At the beginning of the meeting Mr. Wotherspoon pointed out that the shareholders who requisitioned the meeting represented only 0.26 percent of total shareholders and 0.26 percent of total shares in the company.

The chairman's reply was lengthy, lasting for about two hours, was not heard by the majority of shareholders many of whom left while Mr. Wotherspoon was talking.

After the chairman had completed his reply Mr. Benson presented a list of another 48 questions to the chairman.

After examining the questions Mr. Wotherspoon said he was satisfied these had been covered in his earlier reply.
THE United Building Society increased its assets by nearly R206-million to R261-million in the year to March in spite of unfavourable economic conditions.

Reserves at March 31 stood at R47,027,000 compared with R42,821,000 at March 31, 1974.

The directors report the demand for housing loans was high throughout the year and in spite of the granting of new loans totalling R370,620,000. It was not possible at any time to meet all the applications received.

During the year properties were acquired in Boksburg, Evander, Empangeni, Ermelo and Nigel, bringing the total of the United’s properties to 82.
Volkskas profits up 29 pc

Brian Thompson

The Volkskas group boosted profits by 29 percent during the year to March 31 1974 but the bank has decided to retain a much larger proportion of its income and dividends have been increased by only nine percent.

Group profits after tax and transfers to reserves rose from R9.5m to R12.2m, while the final dividend to be recommended at the annual meeting is up one cent to 6.5c, making a total of 18c (16.5c) for the year.

There was some "slow"-down in profit growth during the second half of the year. At the interim state, profits were running 31 percent ahead of the comparable year-ago figure but even at this point it was obvious that the bank intended to plough back more of its profits, having raised the interim dividend by only half a cent.

The second six months saw profit growth dip slightly to 26 percent but nevertheless there was a slightly more generous lift in the final dividend.

The bank has also reported that total assets increased from R1 464m to R1 885m, also a gain of 29 percent.
IGI profit up 34 percent
by 34 percent

Business Reporter

Taxed profit of Incorporated General Insurances rose by a healthy 34 percent to R1,231,000 in the year ended March compared with the previous year.

The annual dividend increase is 27 percent to 14c a share on earnings a share of 30.1c compared with 22.5c in the previous year.

Gross premium income is up by 3.3 percent to R15,068,000 for the year and the surplus on realised investments is R18,000 (1974: R153,000).

The annual report is to be sent to shareholders during the last week of this month.
Warning to insurers: salesmen's fees are too high

By TONY STIRLING

The South African insurance industry faces the threat of a Government crackdown on the rates of commission paid to salesmen.

Mr Wynand Louw, the Registrar of Financial Institutions, this week warned that unless the insurance industry "puts its house in order" he would act to curb commission regarded as "excessive." Legislation to empower the Government would be forced to act.

In the field of life insurance, he had found that commission of up to 15 per cent of the first year's premium was paid to salesmen. "I regard this as excessive," he said.

There was also evidence that commission paid on types of annual renewability insurance was excessive. It varied in the case of motor insurance from 9 to 27 per cent.

Imbalance

The imbalance between the highest and lowest commission payable in this field he ascribed largely to intense competition and could be seen as an attempt by companies saying the higher rates to get business through brokers.

Salesmen, particularly those operating in country districts, appointed sub-agents who informed them of a business prospect. For this service, which generally only involved making a telephone call to the salesman, the sub-agents received from 30 to 50 per cent of the salesman's commission.

On an endowment policy carrying an annual premium of R400 the amount received by a sub-agent could be R200 for simply informing a salesman the client person.

Mr Wynand Louw...

"Commissions are excessive."

the Minister of Finance to fix commission rates is before Parliament.

Previous attempts to get the insurance industry to toe the line on commission failed. Investigations by the SUNDAY TIMES showed that there was little chance that insurers would agree among themselves to fix rates, and that the Minister would have to use the new legislation.

Competition

Mr Louw said that the situation regarding certain commissions paid to salesmen was "unhealthy."

The rates applying to forms of life insurance and annually renewable policies such as motor and fire policies were not voluntarily cut from the present excessive levels.

A number of persons are receiving commission for rendering practically no service at all. Garages, accountants, lawyers and those involved in hire-purchase transactions requiring obligatory insurance are receiving fat commissions for merely referring business.

According to brokers and insurers it would be more equitable to limit the sale of insurance to recognised practitioners, or devise a system of commission more in accordance with the type of services rendered by the broker, salesman or intermediary.

Banks had entered insurance in a big way, most of them having their own broking departments, and some of them their own insurance companies.

Persuaded

It was claimed that two banks had persuaded clients to take insurance through the bank by raising the subject of the client's overdraft facilities.

The industry as a whole appeared set against compulsory Government curbs on commission. It was felt that compulsory control should include recognition of the different services offered by the different types of brokers and intermediaries.
DONALD GORDON, who has consistently taken the Guardian-Liberty group from strength to strength, has done it again.

Yesterday, he unveiled plans for entering a new growth area — banking. This follows Guardian Assurance Holdings' purchase of a 30 per cent stake in the old established Fidelity Bank and Trust Company of Port Elizabeth, a general bank, in a R1-million cash-and-share deal.

The 30 per cent interest makes Guardian the largest single shareholder in Fidelity. No other single shareholder — there are over 600 — holds more than 1 per cent of Fidelity.

Guardian has obtained the maximum stake in Fidelity which an insurance company will be allowed to hold in a bank under proposed banking legislation.

It is a coup for Guardian as it now has a strategic stake in one of the few remaining banking independents in South Africa.

Wynand Louw, Registrar of the Financial Institutions, who has been reluctant to grant new banking licences, has given the nod to the deal which is effective from July 1.

The significance of the deal for the Guardian-Liberty group, which at last balance sheet had assets of R388-million, is that it is complementary to its existing operations in short and long-term insurance, property, mutual fund management, and the investment and issuing house fields.

Undoubtedly, Guardian will now throw its financial expertise into assisting Fidelity to move into the national spotlight.

The deal will be the appointment of two directors to the Fidelity board. These have not been named yet, but could include Mr Gordon.

Fidelity is an amalgam of three trust companies, Guardian Trust and Investment Company of Port Elizabeth (founded 1859), Aegir Investment and Trust Company (1873), and Fidelity Trust Company (1926).

In the year ended September 1974, Fidelity noted up taxed profits of R2,400,000. Total assets of the bank are R12-million. Its service includes bond securitisation, hire-purchase, leasing, trust operations, property selling and administration. But banking, which provides 70 per cent of profits, is the biggest growth area.

Neville Cro, Fidelity’s joint general manager, said yesterday his company had been looking for a partner to provide new impetus. Fidelity, he said, had also been approached by various companies to do a deal.

“We decided to go to Guardian to strengthen our image before expanding nationally. Our first step will be into Johannesburg, perhaps by the end of the year.”

Mr Cro says the determining factor was that the Guardian-Fidelity deal was unique. Aegir Investment (two of Fidelity’s component companies) had had long-standing links with the Guardian and the Exchange groups in London, for about 100 years. They had sold insurance for both companies.

The Exchange merged with Guardian at about the same time as the three Eastern Cape trust companies got together.

The mechanics of the Guardian-Fidelity deal are:

Fidelity is to issue 430,000 new ordinary shares to Guardian Holdings and/or its subsidiaries at R2.25 per share. The shares will be paid for by the issue of one new Guardian Holdings share at R1.25, plus a cash payment of R1 for each new Fidelity share allotted.

At the same time, it is proposed that a maximum of 250,000 additional unissued shares in Fidelity — bringing Fidelity’s total issued capital to 1.5-million shares — will be allotted at R2.25 per share.
ECONOMIC RELATIONS

Following détente

Trade follows the flag. So the International Association of Commerce and Economic Students (Aiecee) is following up détente moves with an examination of economic interdependence at its 9th Congress, to be held in Bellville, Cape on July 3-4.

Major drawer is likely to be General Meir Amit, president of Koor Industries and a former chief of Israeli army intelligence. He will deliver a paper on The Meaning of Interdependence.

Johan Munnik, Congress convener, says of General Amit: "He was one of Israel's top fighting men who played a decisive role in the struggle for Israeli independence and is now engaged in that country's struggle for economic independence. He is now chief of the country's largest industrial group with 65 manufacturing enterprises in Israel."

Another speaker is Dr Norman Napo Raditapole, former Secretary for Agriculture in the Lesotho government and currently head of the agriculture department at Fdesa, Antoon Ruport's Swiss based Development Bank for Equatorial and Southern Africa. He will deliver a paper on Interdependence in Agriculture.

Other participants are Dr Frans Cronje (chairman), Dr Henry Olivier (Interdependence in Energy and Water); Dr Wim de Villiers of General Mining (Interdependence in Mining and Labour); Anson Lloyd of the SA Foundation (The Economic Future of Africa and the Possibility of a Southern African Economic Community); Dr Jan de Louw, Deputy Secretary for Finance (Interdependence in Finance); Dr Piet Kieser of Safico (Interdependence in Trade). Assocom's Executive Director, Raymond Parsons, will sum up.

In addition, says Munnik, an invitation has been sent to Dr. Robert Gardiner, Executive Secretary of the Economic Commission for Africa, to speak on...
Black housing: a quandary

The building societies are in a quandary. Government's decision to grant leasehold home ownership rights to urban Blacks was taken without consulting the primary financial vehicle for implementing that decision.

The rub is that the societies have no idea as to how to resolve the dilemmas posed by that decision.

Deposits made with the building societies come from Blacks and Whites alike. Without rights of home ownership, however, Blacks have until now been excluded from standing in the queues for building society loans.

If the 30-year leases on houses (not and) promised by government can be properly registered, then the demand for the already inadequate pool of building society finance will be considerably increased.

Not only is it unknown at this stage whether the proposed leasehold rights can be registered, which is a necessary prerequisite for the granting of a building society loan and without which government's home ownership gesture could scarcely be meaningful, but the number of Blacks who would "qualify" or the right is also undetermined.

It would seem that the limitation of those qualifying is likely to go beyond Section 10 Bantu" (see page 479). In an interview with the FM, Punt Janson, deputy Minister of Bantu Administration, envisaged the scope of the concession as possibly extending to "all those recruited legally" (FM January 31). And in analogy at the time with sectional titles clearly indicates that the long axes might indeed be registered.

There can be no doubt that, under these circumstances, the building societies will be only too pleased to lend to Blacks.

Leslie Lucas Bull says that the UBS will lend "to any race group provided the bonds can be registered suitably to protect the interests of ourselves and our vestors, and provided the property fered as security is adequate".

Like UBS, the SA Perm also supports the concept of Black home ownership. Joint chief executive Boet Viljoen would welcome the opportunity of considering applications for loans by Blacks on the same basis and subject to the same qualifications as we presently consider applications for loans by other social groups".

Throughout the society movement, there is a consensus that its funds should be made available on the basis of merit.

As Trust Building Society's André De Wet puts it: "There is no question of Black money and White money — all money is green!"

But difficulties will arise.

First, fresh pressure on building society funds by thousands of Blacks who might qualify can only worsen the overall problem of funding home ownership.

It is no use arguing that increased demand should sort itself out by pushing up the mortgage rate, for this would making cash available for the purpose.

In this event, the societies could simply administer the loans (or a reduced interest rate?) for the various local authorities and Bantu administration boards.

Politically, government is playing its cards well. The changes can be effected by regulation and not legislation, so avoiding embarrassing parliamentary debate over the permanence of urban Blacks. Deputy Minister Janson has passed the baby onto Deputy Minister W A Cruywagen, who has been so recently appointed that he is unable to elaborate on government thinking.

Even Marie Mulder of the West Rand Bantu Board has to maintain silence because he is awaiting 'details' from government.

Clarity, it seems, will only emerge with the passing of time — once government and the societies have got together, as they must.
African bank is a dream come true

Pretoria Bureau

The African Bank, South Africa’s first Black commercial bank, expects to open two branches by the end of the year, one in GaRankuwa near Pretoria and one in Soweto.

The bank has successfully raised its R5m capital, and all it needs to be registered is the official blessing of the homeland governments.

So far three — kwaZulu, Gazankulu and Basutoland — have officially endorsed the bank.

The Bantu Investment Corporation has told Mr. Sam Motzesanye, director elect and prime mover of the bank, that its GaRankuwa premises will be ready in August.

When the GaRankuwa branch opens, some calls re-echos dream will be realised for Mr Motzesanye and for the National African Federated Chamber of Commerce, which he heads.

Nafoc, first had the idea for a commercial bank for Blacks in 1964. A banking account was opened for funds for the bank but until 1972, the fund never topped R1,000. But the men behind it did not lose hope.

They employed a White economist, Dr. J. Berrey, to do a feasibility study. He came up with four problems — a dearth of trained personnel and capital, the limited market for bank because of low Black earning and the difficulty of instilling confidence in the bank.

The “big five” White banks have since put up 30 percent of the African Bank’s capital, the rest was raised from Black individuals and organisations.

Mr. Motzesanye and Nafoc see much significance in the foundation of their bank. They see it as the first step towards self-help for Blacks. The bank will mobilise the R400rn earned annually by Blacks to uplift them economically.
Loans for black home-owners?

JOHANNESBURG — Building societies would be happy to lend money to blacks to buy homes in urban areas if this was legally possible, the Association of Building Societies said yesterday.

The association was commenting on the announcement in Parliament by the Minister for Bantu Administration and Development, Mr M. C. Botha, that blacks would be able to own their own homes in white areas on a 30-year lease basis.

The association's director, Mr. David Alton, said: "At this stage building societies are unable to say whether the Minister's announcement will enable them to grant loans to urban Africans who wish to lease their own homes."

"The association would like to give its assurance, however, that societies will give sympathetic consideration to loan applications by urban Africans if legally possible." — SAPA.
SA's FIRST BLACK BANK

Weekend Argus Reporter

THE African Bank, South Africa's first Black commercial bank, expects to open two branches by the end of the year — one in Ga Rankuwa near Pretoria and one in Soweto.

The Bank has successfully raised its R3-million capital and all it needs to be registered is the official blessing of the homeland governments.

Three — KwaZulu, GaRankuwa and Basotho QwaQwa — have officially endorsed the bank and the rest are expected to do so by the end of next week.

The Bantu Investment Corporation has told Mr Sam Motseuene, director and prime mover of the bank, that its Ga Rankuwa premises will be ready in August. He expects the bank will open for business as soon as they are.

Mr Motseuene, foresees the day when the bank will have branches in all the Black townships and homelands of South Africa.

When the Ga Rankuwa branch opens, a once far fetched dream will be realised for Mr Motseuene. And for the National African Federated Chamber of Commerce, which he heads.

Nafoco first had the idea of a commercial bank for Blacks in 1964. A banking account was opened for funds for the bank but until 1972, its balance had not topped R4,000. But the men behind it did not lose hope.

They employed a White economist, Dr. J. Berczy, to do a feasibility study. He came up with four problems: — a dearth of trained personnel and of capital, the limited market for the bank because of low Black earnings and the difficulty of instilling confidence in the bank.

Mr Motseuene and his colleagues in the scheme were disheartened but not daunted. Mr Motseuene gave the bank its greatest breakthrough by dying off to London in 1972 to drum up support for the idea.

'I was very presumptuous,' he says. 'I told the international head of Barclays Bank that they had taken quite a lot of wealth out of Africa — now the time had come for them to plough some back.'

Barclays was enthusiastic and undertook to train personnel, and to take out a minority shareholding.

Mr Motseuene spoke to the Minister of Bantu Administration, Mr. M. C. Botha, the BIC and the Registrar of Banks and was delighted to find there were no objections to the bank.

The big five White banks have since put up 30 percent of the African Bank's capital. The rest was raised all over the country from Black individuals and organisations, including churches and schools.

Mr Motseuene said...
White is Blacks' banker

A 36-year-old Johannesburg accountant, Mr. Allan Wentzel, has been voted general manager of the African Bank of South Africa, which is to open soon.

He was chosen from more than 80 applicants, some of them Blacks with good qualifications.

The president of the National African Federated Chambers of Commerce (NAFCOC), Mr. S.M. Moteunyana, said today that Mr. Wentzel had been chosen because of his experience in merchant banking.

"Some of the Blacks who applied had imposing qualifications and degrees but no experience. This bank carries the hopes of the Black people and cannot be allowed to fail. For this reason, an efficient White man was chosen."

Blacks throughout South Africa have spent the last two years collecting R750,000 to start the bank.
Dramatic changes predicted for SA banking scene

THE STAR
LONDON—With inflation and real growth both chalking up double-figure rates, the South African economy’s recent performance can only be described as sizzling, according to a lengthy survey published by The Financial Times.

The increase in real GNP topped 10 percent in 1974 after an almost equally remarkable rise of 9.6 percent in 1973, the survey continues, while the consumer index jumped by 11.5 percent after rising by 9.5 percent the year before.

"With such a rate of expansion to finance, the banks were naturally called on to provide lashings of new credit."

Enthusiastically, the Financial Times continues: "They (the South African banks) did not let their customers down. Credit extended to the private sector soared by 36 percent in 1973 and at an annual rate of 20 percent in the first half of 1974, down."

"Only when the banks found their own liquidity squeezed in the second half of last year did they close their lending windows."

From about August, last year ended the survey, credit became more difficult to obtain.

DECLINED
This was because the previous rapid expansion of credit, coupled with a flood of cash out of the country because local interest rates were too low, contributed to a tightening of the liquidity position of banking institutions.

"In fact, the ratio of their surplus liquid assets to their liabilities to the public declined from 4.5 percent at the end of July 1973, to 0.5 percent at the end of June 1974."

As a result, interest rates rocketed. The monetary authorities recognised this and raised official interest rates on various occasions.

Explaining developments during that period, the Financial Times reports that governor of the Reserve Bank, Dr Bob de Jongh, told stockholders that the expansion of bank credit and the balance of payments had a natural tightening effect of liquidity conditions.

Sooner or later this also had to exert a restrictive effect on the ability of banks to continue extending more credit and it had been considered desirable not to counteract this effect.

Even so, the survey continues, the squeeze was so tight that the banks at times failed to comply with Pretoria’s liquidity requirements, which drew a harsh response regarding the “spirit of permissiveness” from Dr de Jongh.

Almost immediately the annual rate of increase in bank credit to the private sector was reduced from 20 percent during the first half of 1974 to nine percent during the second half—"a very significant reduction."

At this point, however, the Financial Times says, "The greatest challenge facing all South African banks in the years ahead will be to increase their capital sufficiently to keep up with an expected rapid inflation of the money supply."

The foreign controlled ones would have to do this while at the same time increasing local participation, "for all banks are obliged to increase their local shareholdings to 50 percent within a reasonable period of time to force even closer links with these major financial institutions—the mining houses and insurance companies—that are large generators of surplus funds."

"In the process, the face of South African banking is likely to change dramatically," the survey concludes.
Bank chief warns on cash crisis

BY RALPH HELLER

UNLESS South African business men find new ways of raising capital there will not be enough work for the extra 11 million people of all races who will be on the labour market by the year 2000.

This is the view of Piet Liebenberg, chairman of Finansbank, who says the biggest problem facing industrialists today is the supply of cash capital.

"One stage of development requires that we have to expand the economy so that there is enough work for everyone.

"It is estimated that by the turn of the century there will be 15.6 million workers in South Africa — 2.3 times the 8.3 million who were active in 1970.

"Mr Liebenberg points out that in the next 25 years the African labour force is expected to rise by 39% per cent, the coloureds by 32% per cent, the Indians by 25% per cent, and the Whites by 8% per cent.

South Africa, he feels, has almost everything going for it — a stable government and under-exploited natural resources. The only limiting factor is capital which will have to be raised internally and internationally in highly inflationary times.

"The vastness of the capital requirements, as gauged by the fact that the country's gross domestic investment is expected to total R12.1 billion at the turn of the century, is at least six times as much as the R5.8 billion of 1974.

"The projections for the year 2000 are based on the Economic Development Programme for 1976-1979. All figures are based on 1974 prices.

"Creating the infrastructure for a population which will double within the next 20 years, will not be possible without massive foreign assistance in the form of capital and skills.

"There is the enormous daily accumulation of surplus funds in the Middle East, against falling reserves. Continued on Page 4.

Annual report

Finansbank yesterday published its annual report, which shows that taxed profit for the year which ended March was R200 000 — a 20 per cent increase over fiscal 1974. This rise in earnings per share, from 12c to 23c is rather academic as it comes after transfers to secret reserves.

A final dividend of 5c per share has been declared, making a 6c total for the year, compared with 5c previously.

Total assets have come up by a quarter to R51.5 million and capital and reserves from R5.5 million to R9.2 million, in the period under review.

Finansbank shareholders include Sentruss, Griffon Holdings, Manufacturers Investment (Jacobsen family) and Federated Employers Insurance.
Mr. T. ARONSON asked the Minister of Coloured, Rehoboth and Nama Relations:

(1) Whether the Coloured Development Corporation invested in any shares in fishing companies; if so, (a) in which companies and (b) for what reasons;

(2) Whether the Corporation or the Speebona Bank has granted any loans to companies with a majority of Coloured shareholders and a minority of White shareholders; if so, (a) what are the names of the companies, (b) what is the number of shares held by Coloured and White persons in each company and (c) what is the amount of the loans advanced in respect of each of these companies.

The Minister of Coloured, Rehoboth and Nama Relations:

(1) Yes.

(a) Kaap-Kunene Beleggings Ltd.

(b) The Corporation was interested in 1965 in acquiring a fishmeal quota for the Coloured community. As the number of quotas being issued at that time was limited, the then Minister of Economic Affairs instructed the company which was then in the process of formation to make shares available to the Corporation, to ensure that Coloureds also have a share in the fishmeal industry. This company, Suid-Oranje Visserye Ltd., was formed by a consortium of existing companies in the industry in conjunction with the other companies and bodies which deserved to have a share in the fishmeal industry. The shareholding in Suid-Oranje Visserye Ltd. has since been taken over by Kaap-Kunene Beleggings Ltd. in exchange for shares in the latter company.

(2) No. (a) and (b) fail away. It should be pointed out that a Commercial Bank by way of its very nature is not in a position to disclose information relating to its clients' affairs.
Banks in Bantu townships

*10. Mr. D. D. BAXTER asked the Minister of Bantu Administration and Development:

(1) Whether his Department restricts the number of banks or branches thereof which may be established in Bantu urban townships: if so, (a) how many banks or branches are authorised and (b) in which townships are they located;

(2) whether he has received representations in regard to the establishment of additional banking facilities in Bantu urban townships: if so, (a) what was the nature of such representations and (b) what was his reply thereto.

The MINISTER OF BANTU ADMINISTRATION AND DEVELOPMENT:

(1) Yes.

(a) Five commercial banks have been authorized to establish four branches or agencies each in urban Bantu residential areas subject to the proviso that not more than one bank be permitted to operate in the same residential area.

(b) The information is not readily available and the expenditure involved in obtaining such information urgently is not considered justified.

(2) Yes.

(a) Representations were received for the extension of banking facilities in Soweto.

(b) Authority has been granted for the establishment of a branch of each of the other banks not yet operating in Soweto.
Granting of mortgage bonds by assistance to building societies

(1) Whether any information has been supplied to him by the Association of Building Societies about the ability of building societies to grant applications for mortgage bonds on (a) houses, (b) blocks of flats and (c) sectional title units during 1974, if so, what information.

(2) Whether he intends taking further steps during the current session to assist building societies in providing mortgage bonds on (a) houses, (b) blocks of flats, (c) flat units, and (d) sectional title units; if not, why not.

The MINISTER OF HEALTH (for the Minister of Finance):

(1) During November last year the Association of Building Societies furnished the following information to my Department to substantiate their claims that the ability of societies to lend would be curtailed.

(a) that for the period 1 April 1973 to 30 September 1973 building societies had experienced a reduced inflow of funds of R245 million in comparison with R551 million for the same period of previous year;

(b) that in respect of deposits in excess of R250 million which were free of deposit rate control building societies could not compete with other financial institutions;

(c) that building societies could not compete with the Post Office in respect of certain tax free investments.

(2) The Association was informed that in view of changed monetary conditions which were expected, the consideration of any relief for the building societies should stand over until a clearer picture was obtained. Monetary conditions have, in the meantime, improved but the authorities will continue to watch the position carefully.
Barclays makes a steal

"It would seem desirable to have a commercial bank and an insurance company in the same stable..."

That was Mr. Harry Oppenheimer's view at the time of Rand Selection's offer for Schlessingers last March. Yet even since Randel climbed into the drivers seat there has been a question mark over SII's future and particularly over that of its now 70% owned subsidiary Western Bank.

Brave words at the time from both the Schlessinger and Anglo camps about the Anglo link giving Western Bank new muscle and opening wider horizons, were never very convincing.

In the event it has taken less than a year for Rand Selection, a willing seller, to find a buyer for Western Bank, a willing buyer. Indeed Barclays, the Anglo American group's main banker, on whose board Anglo is represented, has always been the most obvious suitor.

From its point of view the acquisition will add 1.3bn to its balance sheet and look like a bargain. Explains its MD, Frank Dolding, "We can now offer a retail investment credit service without cluttering up our normal business..."

And since the authorities are likely to issue new banking licences, the relatively uncompetitive general bank was the obvious way for Barclays to fulfill its ambition.

Barclays simultaneously raises an extra R220m locally with which to finance expansion (both of Wesbank and its own access to the USA) and increases its rand shareholding (via Barclays Bank International) from around 85% to 94%.

That will go a long way towards meeting government's requirements that at least 75% of the country's banks be black-owned within 10 years.

To make sure the latter play succeeds Rand Selection has agreed to take in its full entitlement and to underwrite for the charge any shortfall over the time within which it is due.

Wesbank's tax charge of the year to December t ducked profits jumped from R14m in 1973 to a peak of R50m in the year ended December 1974. That should convince Wesbank's minority shareholders' hands weren't dry.

Dolding is not too sure about Barclays. From Anglo's end the deal gives it up to 45.8% of the equity of South Africa's largest bank, with impressive world wide connections, in exchange for control of a small, and now ailing, H P bank (which it could, had it wanted to, put right at any time with an appropriate deposit and capital injection).

It also gets a possibly embarrassing conflict of interest out of the way. One embarrassment which won't go away however is the fact that when Rand Selection acquired Wesbank via SII it was not a doubt valued by Schlessingers on a multiple bearing some relation to its sedimenting profit record which rose uninterruptedly from R900 000 in 1963 to R2.4m in 1973.

Indeed it was thought at the time that an appropriate price tag then ought to be about R50m, in contrast to the R19m Barclays is paying Randel now.

What of Wesbank's future? Managing director Dudley Sanger has decided to leave. He is believed, like so many other Schlessinger men, to want to spend more time abroad. And, whether enthusiastically or reluctantly (we don't know which since he insisted on remaining incommunicado this week), he is also selling out his personal stake.
FINANCE - GENERAL

1976 — Oct. 1977
With the Compliments of

THE CHAIRMAN, MR. J.B. ELLINGHAM

THE LIFE OFFICES' ASSOCIATION OF SOUTH AFRICA
1st FLOOR, CHURCH SQUARE HOUSE, CHURCH SQUARE, CAPE TOWN 8001
The Life Offices’ Association of South Africa Review of Life Assurance 1976
The Life Offices' Association of South Africa
First Floor, Church Square House, Church Square, Cape Town, 8001
Secretary: R. Geary-Cooke
Life Assurance in South Africa 1976

This review is being issued in the public interest by The Life Offices' Association of South Africa.

The Association represents 42 insurance companies who have contributed to this report and who together transact more than 98% of the country's life assurance business. It strives continually to improve the quality of the services offered to the public by its members, and it is the recognised mouthpiece for the life assurance industry in South Africa in all dealings with Government and private institutions.

Office Bearers (1976/77) of The Life Offices' Association of South Africa

J. B. Ellingham
CHAIRMAN

D. W. Williams
DEPUTY CHAIRMAN
Life Assurance savings

Life assurance continues to be the country's most important medium for long-term savings. During 1976, premiums received from policyholders, together with investment income, exceeded outgo by way of payments to policyholders, operating expenses and taxation by R716 million. This is the amount of new money that became available for investment through life assurance savings and it represents a third of estimated total personal savings during 1976. Notwithstanding the increasingly adverse effects of inflation on the economy, public confidence in life assurance as a savings medium was thus maintained. If inflation is to be reduced, personal savings must be further encouraged, for such savings reduce demand and at the same time are channelled into investments that can create supply.

People buy life assurance for a number of reasons, the main ones being to make provision for their own old age and to provide financial protection for their families if they themselves should die prematurely. A person creates an estate immediately, or adds to one, with the purchase of a life assurance policy, and preserves that estate as the policy is maintained over the years. Total life assurance protection in force under individual policies presently amounts to more than R28 000 million. Although this figure appears impressive, the average amount of life cover per person insured in South Africa is still relatively low.
Income

Premiums from all forms of life assurance business, including insured pension and group life schemes, amounted to R981 million, an increase of 22% on the 1975 figure.

Individual life assurance, as distinct from group pension and group life schemes, is the oldest and most widely used form of life assurance protection and accounted for 60% of the total premium income for the life assurance industry during 1976. Individual life policies can offer more than death cover. Under many types of policy cash values are built up, which can help families meet financial emergencies, achieve specific objectives or provide income for retirement.

During 1976 premiums under insured group pension and group life schemes increased by R105 million to R389 million, representing 40% of the total premium income of the life assurance industry. Since such contributions are generally a percentage of payroll, this increase partly reflects general rises in salary and wage levels in commerce and industry, despite certain wage restraints resulting from the anti-inflation manifesto. Furthermore, a considerable number of plans were extended to include categories of workers, particularly lower paid workers, who were previously not members of pension and group life plans.

The investment income earned on the funds rose from R336 million in 1975 to R414 million in 1976. This increase is the result of two factors: a higher yield on investments and a larger volume of funds invested.
The following is a summary of the income of life offices during the past five years:

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<tr>
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<td>77</td>
<td>28</td>
<td>30</td>
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<tr>
<td>Individual yearly premiums</td>
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<td>347</td>
<td>403</td>
<td>490</td>
<td>562</td>
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<td>Group Pension and Group Life Premiums</td>
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<td>184</td>
<td>237</td>
<td>284</td>
<td>389</td>
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<tr>
<td>Total Premium Income</td>
<td>490</td>
<td>594</td>
<td>717</td>
<td>802</td>
<td>981</td>
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<tr>
<td>Investment Income</td>
<td>192</td>
<td>224</td>
<td>268</td>
<td>336</td>
<td>414</td>
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<tr>
<td>TOTAL INCOME</td>
<td>682</td>
<td>818</td>
<td>985</td>
<td>1138</td>
<td>1395</td>
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**Total Income**

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<td>R1 400m.</td>
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<td>R1 000m.</td>
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<td>R800m.</td>
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<td>R600m.</td>
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<td>R400m.</td>
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<td>R200m.</td>
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Investment Income

Total Premium Income
Benefits paid

Life assurance, in its various forms, provides for the payment of a wide range of benefits to policyholders and their beneficiaries. Payments are made on maturity or earlier death in the case of endowment assurances; on death only under whole life policies. In the case of term assurances a claim is paid only if death occurs during a fixed period. Annuities are contracts under which, in return for either a single premium or after a series of annual premiums, regular payments are made by the life office to the policyholder for a period which may extend throughout his life (life annuity) or throughout a fixed period whether he is alive or not (annuity certain). Insured group pension schemes and retirement annuity funds provide specifically for the payment of a regular pension during the period of retirement.

Declaring a bonus is a way in which a company distributes surplus to holders of with profit policies. It may be paid in cash immediately, but more often than not it takes the form of an addition to the sum assured and is paid out at the same time as the sum assured. Many companies issue linked policies which, instead of qualifying for bonuses, participate in the fortunes of specific investments.

During 1976, payments, including bonuses, on death and disability (R172 million) and maturity (R87 million) increased steadily, as did payments to annuitants (R82 million). The amount paid out in benefits, including surrenders, can be expected to increase each year because of the greater volume of business in force.
Total benefit payments during 1976 were at the rate of R1,7 million for every working day of the year.

The following is a summary of the benefits paid to policyholders and their beneficiaries during the past five years:

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<tr>
<td>Death and Disability Claims</td>
<td>90</td>
<td>99</td>
<td>116</td>
<td>135</td>
<td>172</td>
</tr>
<tr>
<td>Maturities</td>
<td>50</td>
<td>58</td>
<td>66</td>
<td>76</td>
<td>87</td>
</tr>
<tr>
<td>Annuities and other Pension Benefits</td>
<td>42</td>
<td>52</td>
<td>57</td>
<td>65</td>
<td>82</td>
</tr>
<tr>
<td>Surrenders</td>
<td>42</td>
<td>42</td>
<td>51</td>
<td>61</td>
<td>75</td>
</tr>
<tr>
<td><strong>TOTAL PAYMENTS</strong></td>
<td>224</td>
<td>251</td>
<td>290</td>
<td>337</td>
<td>416</td>
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**Payments to Policyholders in 1976,** expressed as a percentage of total net income (i.e. excluding operating expenses and tax).
Assets

The assets held against the offices' liabilities to pay future claims under policies still in force totalled R5 257 million (at book value) at the end of 1976, an increase of 14% on the previous year.

With nearly R3 million to invest every working day, life assurance is one of the most important single sources of investment funds in South Africa. The investments largely represent policyholders' and future pensioners' savings.

The following graph indicates the growth of policyholders' assets during the past five years:

**Total Assets**

![Graph showing growth of total assets from 1972 to 1976.]

Life offices contribute substantially to the State's capital requirements. During 1976 life offices responded to an appeal by the Minister of Finance to increase their investments in Government Stock and total holdings of public sector securities rose by R353 million, the equivalent of no less than 22% of the public sector's long-term internal borrowings during 1976.
Life offices are statutorily obliged to invest certain proportions of their funds in the public sector, at rates of interest below free market rates. Apart from these requirements, however, they have freedom to invest the balance to best advantage. This is to the benefit of policyholders and shareholders alike, but, more than that, the savings which life offices are able to attract finance a wide range of industrial and commercial projects.

The percentages shown below are averages for the industry as a whole — they do not reveal what is in fact a wide variation in the proportionate holdings of individual offices. In the interest of their policyholders, offices seek the best return possible from their investments, including capital appreciation, and by spreading their investments over a wide range, endeavour to safeguard the future of the funds.

**Investments 1976**

- ** Shares and Units** 19.9%
- ** Policy Loans** 4.0%
- ** Other Investments** 4.0%
- ** Other Fixed Interest** 8.3%
- ** Shares and Units** 17.3%
- ** Public Sector Securities** 36.4%
- ** Mortgages and Other Loans** 10.1%
Pension services

In a country, such as South Africa, which subscribes to the principles of private enterprise, pension provision is based primarily on corporate and personal responsibility and thrift. Life offices offer a wide range of pension services and, by active marketing, they play a major role in extending pension provision to all sections of the population.

It is estimated that of the total number of employee-members of the private sector pension funds, approximately 750 thousand are White and more than 1 million belong to other race groups. This represents approximately 75% of White and possibly considerably more than 50% of other race group employees in the private sector for whom private pension provision is practicable, i.e. those other than the very lowest paid. These percentages are expected to increase further in the future.

An important feature of pension provision under private enterprise is that pensions are funded before retirement. This not only creates security for the pensioners, but the funds accumulated for the purpose are available for investment in the public and private sectors, thereby also contributing in a significant way to our country’s capital needs.

There is, of course, still room for improvement in the present arrangements. Problems concern, mainly, the preservation of pension rights on leaving a firm and the effects of inflation. Both these problems have been investigated in depth and their solution requires close co-operation between private enterprise and the State.
Expenses

Apart from payments to policyholders, a life office incurs expenses in procuring new business and administering its existing business. The desirability of keeping these expenses to a minimum receives continuous attention.

Figures of operating expenses and their relationship to total income for the industry for the past five years are as follows:

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<tr>
<td>Rm.</td>
<td>118</td>
<td>150</td>
<td>172</td>
<td>205</td>
<td>232</td>
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</table>

Operating Expenses (including commission)

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<th>17,4%</th>
<th>18,3%</th>
<th>17,5%</th>
<th>18,0%</th>
<th>16,7%</th>
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Expenses of acquiring new business, of which commissions paid to intermediaries constitute a substantial part, normally account for the greater part of operating expenses. The Minister of Finance has issued regulations under the Insurance Act, effective from 1st March, 1977, which control commissions payable to intermediaries.
The life assurance industry as an employer

Member offices of the Life Offices’ Association employed some 22,000 full-time staff at the end of 1976. Over the years, numbers employed have continued to rise, but these increases have been relatively smaller than the growth in sales and existing business, indicating larger unit sales and greater administrative efficiency. Computerization is particularly suitable in many phases of the work and has led to substantial improvements in productivity.

NOTE: The figures used in this report are based on statistics compiled by the Life Offices' Association of South Africa.
Members of the Life Offices’ Association of South Africa

AA Mutual Life Assurance Association Ltd.
African Eagle Life Assurance Society Ltd.
Anchor Life Assurance Company Ltd.
The Atlantic & Continental Assurance Company of S.A. Ltd.
Cologne Reinsurance Company of South Africa Ltd.
Colonial Mutual Life Assurance Society Ltd.
Commercial Union Assurance Company of S.A. Ltd.
Federated Employers’ Insurance Company Ltd.
Gerling Global Reinsurance Company of S.A. Ltd.
Guarantee Life Assurance Company Ltd.
Homes Trust Life Assurance Company Ltd.
IGI Life Assurance Company Ltd.
Legal & General Assurance of S.A. Ltd.
Liberty Life Association of Africa Ltd.
The Mercantile & General Reinsurance Company of S.A. Ltd.
Momentum Life Assurers Ltd.
Munich Reinsurance Company of S.A. Ltd.
National Employers’ Life Assurance Company of S.A. Ltd.
The National Mutual Life Association of Australasia Ltd.
Ned-Equity Insurance Company Ltd.
New Zealand Insurance Company (S.A.) Ltd.
Norwich Union Life Insurance Society
Pearl Assurance Company Ltd.
Permanent Life Assurance Company Ltd.
Prosperity Insurance Company Ltd.
Protea Assurance Company Ltd.
The Prudential Assurance Company Ltd.
Rand Life Assurance Company Ltd.
Rentmeester Versekeraars Bpk.
Rondalia Assurance Corporation of S.A. Ltd.
Security Life Assurance Corporation Ltd.
Shield Life Insurance Ltd.
The South African Metropolitan Life Assurance Company Ltd.
South African Mutual Life Assurance Society
South African National Life Assurance Company
The South African Trade Union Assurance Society Ltd.
The Southern Life Association
Standard General Insurance Company Ltd.
Swiss-South African Reinsurance Company Ltd.
UBS Insurance Company Ltd.
Union National South British Insurance Company Ltd.
Yorkshire-General Life Assurance Company Ltd.
Die Vereniging van Lewensversekeraars van Suid-Afrika
Oorsig van Lewensversekering

1976
Die Vereniging van Lewensversekeraars van Suid-Afrika
Eerste Verdieping, Kerkplein-huis, Kerkplein, Kaapstad, 8001

Sekretaris: R. Geary-Cooke
Lewensversekering
in Suid-Afrika 1976

Hierdie Oorsig word in die openbare belang deur Die Vereniging van Lewensversekeraars van Suid-Afrika uitgereik.

Die Vereniging verteenwoordig 42 lewensversekeringsmaatskappye wat tot hierdie verslag bygedra het en wat gesamentlik meer as 98% van die land se lewensversekering behartig. Hy strewe daarna om voortdurend die gehalte van die dienste wat deur sy lede vir die publiek aangebied word, te verbeter, en in alle onderhandelinge met die Regering en private instansies is hy die erkende mondstuk van die lewensversekeringsbedryf in Suid-Afrika.


J. B. Ellingham
VOORSITTER

D. W. Williams
ONDER-VOORSITTER
Lewensversekering-spaargeld

Lewensversekering bly nog steeds die landse vernaamste medium vir langtermyn-besparing. Gedurende 1976 het premies van polishouers ontvang, saam met beleggingsinkomste, die uitgaaf wat by wyse van betalings aan polishouers, bedryfskoste en belasting aangegaan is, met R716 miljoen oorskry. Dit is die bedrag aan nuwe geld wat vir belegging beskikbaar geraak het deur lewensversekeringbesparing en dit verteenwoordig 'n derde van die geraamde totale persoonlike besparing gedurende 1976. Ondanks die toenemende nadelige uitwerking van inflasie op die ekonomie, was daar dus 'n volgehou openbare vertroue in lewensversekering as spaarmedium. Indien ons die inflasiekoers wil verminder, moet persoonlike besparing verder aangemoedig word, want dit verminder aanvraag en terselfdertyd word dit in beleggings gekanaliseer wat nuwe produksie-moontlikhede kan skep.

Mense koop lewensversekering om baie redes, maar veral om voorsiening te maak vir hul eie oudag en om geldelike beskerming te voorsien vir hul gesinne ingeval hulle voortydig sterf. Met die koop van 'n lewenspolis skep die polishouer dadelik vir hom 'n boedel of vergroot hy sy boedel; en hy bewaar sy boedel deur die polis deur die jare in stand te hou. Die totale lewensversekeringsdekking wat tans onder individuele polisse van krag is bedra tans meer as R28 000 miljoen. Hoewel hierdie syfer indrukwekkend lyk, is die gemiddelde bedrag aan lewensdekking per persoon in Suid-Afrika nog betreklik klein.
Inkomste

Premies uit alle soort lewensversekering, met inbegrip van versekerde pensioen- en groeplewenskemas, het R981 miljoen bedra, 'n vermeerdering van 22% op die 1975-totaal.

Individuele lewensversekering is, in teen-stelling met groepspensioen- en groeplewenskemas, die oudste en algemeenste vorm van lewensversekeringsbeskerming. In 1976 het dit 60% van die totale premie-inkomste van die lewensversekeringsbedryf uitgemaak. Individuele lewenspolisse kan meer as net doodsdekking bied. By baie soorte polisse word kontantwaardes opgebou wat gesinne kan help in geldelike nood, of om bepaalde doelwitte te bereik of om inkomste vir aftrede te voorsien.

Gedurende 1976 het premies kragtens groepspensioen- en groeplewenskemas met R105 miljoen vermeerder tot R389 miljoen, wat 40% van die totale premie-inkomste van die lewensversekeringsbedryf verteenwoordig. Aangesien sulke bydraes gewoonlik 'n persentasie van salarisse uitmaak, is die toename deels 'n weergawe van algemene salarisstygings en verhoging van loonvlakke in die handel en nywerheid, ondanks sekere loonbeperkings as gevolg van die anti-inflasiemanifes. Daarbenewens is 'n aan-sienlike getal skemas uitgebrei om kategorieë in te sluit van werkers, veral laagbesoldigdes, wat nog nie voorheen lede van pensioen- en groeplewenskemas was nie.
Die beleggingsinkomste uit fondse het van R336 miljoen in 1975 tot R414 miljoen in 1976 vermeerder. Hierdie vermeerdering is te danke aan twee faktore: 'n Hoër opbrengs uit beleggings en die groter volume fondse wat beleë is.

Hier volg 'n opsomming van die inkomste van lewensversekeraars gedurende die afgelope vyf jaar:

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<td>Groepspensioen- en Groep-lewenspremies</td>
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<td>389</td>
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<td>Totale premie-inkomste</td>
<td>490</td>
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<td>717</td>
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<td>981</td>
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<td>TOTALE INKOMSTE</td>
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Totale Inkomste

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<th>R1 000m.</th>
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Beleggingsinkomste

Totale Premieinkomste
Voordele uitbetaal

Lewensversekering, in sy onderskeie vorms, maak voorsiening vir die betaling van 'n groot verskeidenheid van voordele aan polishouers en hul begunstigdes. In die geval van uitkeerpolisse word betalings gedoen op die verwalsdatum of by vroëer dood; en by helelewenspolisse, alleen in die geval van dood. In die geval van termynversekering word 'n eis alleen uitbetaal indien die dood gedurende 'n voorafbepaalde tydperk intree. Annuiteite is kontrakte waarkragtens gereelde betalings deur die lewensversekeraar aan die polishouer gedoen word. Dit kan vir 'n tydperk wees wat oor sy hele lewe strek (lyfrente) of oor 'n vaste tydperk, of hy in die lewe is of nie (annuiteit vir sektermyn). Dit geskied deur 'n enkelpremie of 'n reeks jaarlikse premies te betaal. Versedere groepensioenskemas en uittredings-annueteitsondse maak spesifiek voorsiening vir die betaling van 'n gereelde pensioen na aftrede.

'n Maatskappy verdeel gewoonlik surplus onderhouers van winsdelende polisse deur 'n bonus te verklaar. Dit kan onmiddellik in kontant betaal word, maar meesal neem dit die vorm aan van 'n toevoeging tot die versekerde bedrag en word dit daarmee saam uitbetaal. Baie maatskappe rek gekoppelde polisse uit wat, in plaas van om vir bonusse te kwalificeer, in die lotgevalle van bepaalde beleggings deel.

Gedurende 1976 het uitbetalings, bonusse inbegrip, by dood en ongeskiktheid (R172 miljoen) en uitkering (R87 miljoen) bestendig toegeneem. Dit was ook die geval met uitbetalings aan annuiteitontvangers (R82 miljoen).
Die bedrag aan voordele uitbetaal, afkope inbegrepe, sal natuurlik jaarliks vermeerder vanweë 'n groter bedryfsofmvang.
Gedurende 1976 het totale uitbetalings aan voordele, R1,7 miljoen vir elke werkdag van die jaar bedra.

Hier volg 'n opsomming van voordele wat gedurende die afgelope vyf jaar aan polishouers en hul begunstigdes uitbetaal is:

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</tr>
</thead>
<tbody>
<tr>
<td>Doods- en Ongeskiktheidseise</td>
<td>90</td>
<td>99</td>
<td>116</td>
<td>135</td>
<td>172</td>
</tr>
<tr>
<td>Uitkerings</td>
<td>50</td>
<td>58</td>
<td>66</td>
<td>76</td>
<td>87</td>
</tr>
<tr>
<td>Annuiteitse en ander Pensioenvoordele</td>
<td>42</td>
<td>52</td>
<td>57</td>
<td>65</td>
<td>82</td>
</tr>
<tr>
<td>Afkope</td>
<td>42</td>
<td>42</td>
<td>51</td>
<td>61</td>
<td>75</td>
</tr>
<tr>
<td><strong>TOTALE UITBETALINGS</strong></td>
<td>224</td>
<td>251</td>
<td>290</td>
<td>337</td>
<td>416</td>
</tr>
</tbody>
</table>

Uitbetalings aan polishouers in 1976 uitgedruk as 'n persentasie van totale netto inkomste (d.w.s. na aftrek van bedryfskoste en belasting).

---

**Voorsiening vir toekomstige eise ingevolge polisse nog van krag 63,2%**

**Doods- en Ongeskiktheidseise 15,2%**

**Uitkerings 7,7%**

**Lyfrentes en ander Pensioenvoordele 7,3%**

**Afkope 6,6%**
Bates

Die bates wat aan die einde van 1976 deur lewensversekeraars gehou is om toekomstige verpligtinge ingevolge hul polisse na te kom, het R5 257 miljoen (teen boekwaarde) beloop—14% meer as die vorige jaar.

Die lewensversekeringbedryf het byna R3 miljoen beskikbaar om elke werkdag te belê. Dit is dus een van die belangrikste enkele bronne van beleggingsfondse in Suid-Afrika. Die beleggings verteenwoordig hoofsaaklik die spaargeld van polishouers en toekomstige pensioentrekkers. Hier volg 'n grafiek wat die groei toon in polishouers-bates oor die afgelope vyf jaar:

**Totale Bates**

| R6 000m |  |  |  |  |  |
| R5 000m |  |  |  |  |  |
| R4 000m |  |  |  |  |  |
| R3 000m |  |  |  |  |  |
| R2 000m |  |  |  |  |  |
| R1 000m |  |  |  |  |  |


Lewensversekeraars voorsien in 'n aansienlike mate in die Staat se kapitaalbehoeftes. Gedurende 1976 het hulle gereageer op 'n beroep deur die Minister van Finansies om hul beleggings in Staatseffeekte te vermeerder. Die totale besit van openbare sektor-effekte het met R353 miljoen toegeneem wat gelyk is aan 22% van die openbare sektor se interne langtermynlenings gedurende 1976.
Lewensversekeraars word volgens wet verplig om sekere gedeeltes van hul fondse in die openbare sektor te belê, teen rentekoerse benede dié van die vrye mark. Afgesien van hierdie vereistes staan dit hulle egter vry om die res op die voor-deligste manier te belê. Hierdeur word polis-sowel as aandehouers bevoordeel. Die spaargeld wat lewensversekeraars mobiliseer finansier daarbenewens ook 'n groot verskeidenheid van nywerheids- en handelsprojekte.

Die persentasies wat hieronder aangedui word is gemiddeldes vir die bedryf as geheel — hulle reflekter nie die groot variasie in persentasies wat daar tussen afsonderlike versekaars bestaan nie. In belang van hul polishouers kies versekeraars daardie beleggings uit wat aan hulle die hoogste opbrengs lever, waarde-vermeerdering van kapitaal inbegrepe. Deur hul beleggings wyd te versprei, probeer hulle ook om die toekoms van hul fondse te beveilig.

Beleggings 1976

![Diagram showing different investment categories: Aandele en Onderaandele (19,9%), Polislenings (4,0%), Ander Beleggings (4,0%), Ander Vaste Rente (8,3%), Vaste Eiendom (17,3%), Openbare Sektor-Sekuriteite (36,4%), Verbande en ander lenings (10,1%).]
Pensioendienste

In 'n land soos Suid-Afrika wat die beginsels van privaatinitiatief onderskryf, word pensioenvoorsiening hoofsaaklik op gesamentlike en persoonlike verantwoordelikheid en spaarsin gebaseer. Lewensversekeraars bied 'n groot verskeidenheid van pensioendienste aan en deur aktiewe bemarking, speel hulle 'n leidende rol in pensioenvoorsiening aan alle bevolkingsgroepes.

Daar word bereken dat pensioenfondse in die private sektor ongeveer 750 000 Blanke en meer as 'n miljoen werknemers uit ander rassegroepes as lede het. Dit verteenwoordig omtrent 75% van die Blanke werknemers en moontlik aansienlik meer as 50% werknemers uit ander rassegroepes in die private sektor vir wie private pensioenvoorsiening prakties moontlik is; dit wil sê almal behalwe die heel laagbesoldigdes. Na verwagting sal hierdie persentasies in die toekoms verder toeneem.

'N Belangrike kenmerk van pensioenvoorsiening deur private ondernemings is die befonding van die pensioene voor aftrede. Dit besorg nie alleen sekeriteit vir pensioentrekkers nie, maar die fondse wat vir die doel toegedeel word, word vir belegging in die openbare en private sektore beskikbaar gestel en sodoende word 'n aansienlike bydrae tot ons land se kapitaalbehoeftes gemaak.

Daar kan natuurlik steeds op die huidige reëlings verbeter word. Die vernameste probleme is hoofsaaklik dié van die behoud van pensioenregte en die uitwerking van inflasie. Hierdie probleme is albei grondig ondersoek en die oplossing daarvan lê in noue samewerking tussen privaatinitiatief en die Staat.
Uitgawes

Afgesien van uitbetalings aan polishouers, gaan 'n lewensversekeraar koste aan om nuwe versekering te verkry en om sy bestaande versekering te administreer. Die wenslikheid daarvan om hierdie uitgawes tot die minimum te beperk, geniet volgehoue aandag.

Gegewens oor die versekeringswese se bedryfsuitgawes en die verhouding tot totale inkomste vir die afgelope vyf jaar is soos volg:

<table>
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<tr>
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<tbody>
<tr>
<td>Rm.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bedryf uitgawes</td>
<td>118</td>
<td>150</td>
<td>172</td>
<td>205</td>
<td>232</td>
</tr>
<tr>
<td>(kommissie ingesluit)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Verhouding tot totale inkomste</td>
<td>17,4%</td>
<td>18,3%</td>
<td>17,5%</td>
<td>18,0%</td>
<td>16,7%</td>
</tr>
</tbody>
</table>

Die grootste deel van bedryfskoste is gewoonlik toe te skryf aan uitgawes vir die verkryging van nuwe versekering en kommissie wat aan tussenpersone betaal word maak gewoonlik die belangrikste deel hiervan uit. Ingevolge die Versekeringswet het die Minister van Finansies regulasies wat met ingang van 1 Maart 1977 van krag word, uitgevaardig om kommissies wat aan tussenpersone betaal word, te beheer.
Die lewensversekeringsbedryf as werkgewer

Lede van die Vereniging van Lewensversekeringsbedrypenders het aan die einde van 1976 ongeveer 22 000 voltydse werknemers in diens gehad. Oor die jare het die getalle voortdurend toegeneem, maar dit was heelwat kleiner as die styging in verkope en bestaande besigheid. Dit dui op groter eenheidverkope en meer doeltreffende administrasie. Die rekenaar kan in baie fases van die werk doeltreffend benut word en het reeds aansienlik hoër produktiwiteit in die hand gewerk.

NOTA: Die syfers wat in hierdie verslag gebruik word, is gebaseer op statistiek wat deur die Vereniging van Lewensversekerers van Suid-Afrika saamgestel is.
Lede van die
Vereniging van Lewensversekeraars van Suid-Afrika

AA-Onderlinge Lewensassuransiëassosiasie Bpk.
African Eagle Lewensversekeringsmaatskappy Bpk.
Anker Lewensversekeringsmaatskappy Bpk.
Atlantiese en Kontinentale Assuransie Maatskappy van S.A. Bpk.
Commercial Union Versekeringsmaatskappy van S.A. Bpk.
Federated Employers' Versekeringsmaatskappy Bpk.
Gerling Global Reinsurance Company of S.A. Ltd.
Guarantee Life Assuransiemaatskappy Bpk.
Homes Trust Lewensassuransiemaatskappy Bpk.
IGI Lewensversekeringsmaatskappy Bpk.
Keulse Herversekeringsmaatskappy van S.A. Bpk.
Koloniale Onderlinge Lewensversekeringsgenootskap Bpk.
Legal & General Assuransie van S.A. Bpk.
Liberty Life Association of Africa Ltd.
Mercantile and General Reinsurance Company of S.A. Ltd.
Momentum Lewensversekeraars Bpk.
Munich Herversekeringsmaatskappy van S.A. Bpk.
Nasionale Onderlinge Lewensassosiasie van Australasië Bpk.
National Employers' Lewensassuransië Maatskappy van S.A. Bpk.
Ned-Equity Assuransie Maatskappy Bpk.
New Zealand Versekeringsmaatskappy (S.A.) Bpk.
Norwich Union Lewensversekerings Genootskap
Pearl Assuransie Maatskappy Bpk.
Permanent Lewensversekeringsmaatskappy Bpk.
Prosperity Insurance Company Ltd.
Protea Assuransiemaatskappy Bpk.
Die Prudential Assuransiemaatskappy Bpk.
Rand Lewensversekeringsmaatskappy Bpk.
Rentmeester Versekeraars Bpk.
Rondalia Versekeringskorporasie van S.A. Bpk.
Security Life Assurance Corporation Ltd.
Shield Lewensversekering Bpk.
Die Southern Lewensassosiasie
Standard Algemene Versekeringsmaatskappy Bpk.
Suid-Afrikaanse Metropolitan Lewensversekeringsmaatskappy Bpk.
Suid-Afrikaanse Nasionale Lewensassuransiemaatskappy
Suid-Afrikaanse Onderlinge Lewensversekeringsgenootskap
Suid-Afrikaanse Vakbond Assuransievereniging Bpk.
Switsers-Suid-Afrikaanse Herverversekeringsmaatskappy Bpk.
U.B.S. Versekeringsmaatskappy Bpk.
Union National Sout British Versekeringsmaatskappy Bpk.
Yorkshire-General Lewensversekeringsmaatskappy Bpk.
(For immediate release)

PRESS STATEMENT BY THE MINISTER OF FINANCE,
SENATOR THE HONOURABLE OWEN HORWOOD

Following upon the special steps which were necessary in connection with Rondalia Bank and Rand Bank, it has come to my notice that a measure of uncertainty exists among the general public regarding the position of other small banking institutions.

I feel it is desirable that I should reassure the public so far as it is in my power. I have received an assurance from the Registrar of Banks that, according to the information at his disposal, all other banking institutions are sound and that, if they receive normal support from the public, the monetary authorities know of no reason why they should experience difficulties.

According to the available information certain specific factors were primarily responsible for the problems facing the two banks mentioned. To the best of our knowledge these factors are not applicable to other banks. Even in the cases mentioned, it is reasonable to expect that, with careful handling and given the necessary time, the public need suffer no loss.

In the circumstances I consider it to be in the national interest to bring the facts pertinently to the notice of the public so that public uncertainty does not create unnecessary problems for the smaller banks.

ISSUED BY THE DEPARTMENT OF INFORMATION AT THE REQUEST OF THE MINISTRY OF FINANCE

CAPE TOWN
2 February 1977
Banking's crisis of confidence is passing

Colin Campbell

Deposit funds in Rand Bank totalling between R140m and R150m should all be refunded eventually, Professor F du Plessis, the bank's curator, told The Star today.

This news, which will effect thousands of depositors throughout the country, coupled with other weekend banking developments should further calm the crisis of confidence that has swept over the local banking sector.

Weekend developments include statements that:
- Rand Bank is solvent, and that depositors' funds are secure.
- Volkskas has given its blessing to the Trust Bank-Bankorp deal.

Prof F du Plessis, curator of Rand Bank, has said that the initial investigations into Rand Bank have been complete, and as long as depositors agreed to take a lower rate of interest on their funds, then everybody should get their money back.

Prof Du Plessis said this morning that it would be a long, slow process in sorting out the affairs of Rand Bank, but that he would strive to cut costs and shelve off the weaker assets as soon as possible. Once the operation had been smoothed down a buyer might be interested in purchasing what remains of Rand Bank - but all depends on the state of the market.

While deposits which were placed with the Rand Bank ahead of curatorship would generally still generate the promised rate of interest, deposits which had subsequently matured would have their rates cut. The level to which these will be cut depends on the curator's success in cutting costs.

One problem area is those deposits which were attracted in the days immediately ahead of curatorship when, it is understood, Rand Bank probably offered higher rates of interest than was prudent.

Among those institu-
Tough times ahead

Michael Chester,
Financial Editor

A new analysis of business trends by Barclays National Bank shows that the prolonged recession deepened at the start of 1977 — and still worse may be ahead.

The analysis has been based on a new business activity index that has been devised by the bank, using a combination of the movement of advances and discounts and current account credits and debits at its nationwide network of branches.

And it shows that at the outset of 1977 the index managed a gain of only 7.8 percent compared to a year ago in terms of business money values — meaning an actual drop of about 3 percent in real volume terms when inflation is taken into account.

The index record for 1976 shows a climb of less than 1 percent in business activity in real terms once an inflation rate of 11.1 percent has taken its bite.

REGIONS

Dr. Johan Cloete, head of the Barclays economics department, tells me that the novel composition of the new index is proving by historical comparisons to be a better indicator than the conventional use of alternatives such as retail sales or manufacturing production indices.

It also has the advantage of revealing the big differences in business trends according to regions.

It shows, for example, that Durban/Pinetown suffered the worst of the business slowdown at the start of 1977. Even in money terms, activity there declined by 1 percent in January compared with a year ago and against an advance of 11.9 percent for 1976 as a whole.

The slowdown was also severe in Johannesburg/Durban, where in money terms business grew by a mere 1 percent in January — meaning a very heavy fall in real volume terms — against a growth of 10.1 percent last year.

The decline of business by value was much less steep in the Cape Peninsula, where growth in January held at 6.3 percent compared with 11.6 percent last year.

Each more pleasant surprises come in an examination of trends in the rural regions.

Rural Transvaal — aided by agriculture — enjoyed a growth of business in money terms of 13.7 percent last year, actually growing in January to 15.8 percent.

Even so, taken as a whole, business got off to a dismal start for 1977 — and the outlook for the index is an even harder battle to surive above inflation levels to find the plus signs in real terms.
Despite surcharges there'll be a R1.48-m shortfall.
SA banks sound: Horwood assurance

The Argus Political Staff

THE Minister of Finance, Senator Owen Horwood, today assured the public of the soundness of all other South African banks following the Rand Bank and Rondallia Bank debacles.

He also said, it was reasonable to expect that, with careful handling and given the necessary time, the public need suffer no loss from the two banks being placed under curatorship.

Senator Horwood said in a statement that it had come to his notice that there was a measure of uncertainty among the public over the position of other small banking institutions.

"I feel it is desirable that I should reassure the public so far as it is in my power.

NOMINAL SUSTAIN

I have received "nominal assurance" from the Registrar of Banks that, according to the information at his disposal, all other banking institutions are sound and that if they receive "normal" support from the public, the monetary authorities know of no reason why they should experience difficulties.

Senator Horwood said, according to the available information, certain specific factors were primarily responsible for the problems facing Rand Bank and Rondallia Bank.

NO LOSS

To the best of our knowledge these factors are not applicable to other banks, and even in these two cases, it is reasonable to expect that, with careful handling and given the necessary time, the public need suffer no loss.

Senator Horwood said he considered it to be in the national interest to bring these facts to the notice of the public so that public uncertainty did not create unnecessary problems for the smaller banks.

The Minister’s office said today he would deal with the reasons for the Government’s refusal to assist buyers of property from the Glen Anil and S. M. van Ackerberg property groups during the debate on the Finance Appropriation Bill.
PRETORIA — South Africa's total gold and foreign assets declined by £1,631,075 last week and stood at £8,824,263 on Friday, according to the weekly statement by the Reserve Bank.

The gold holdings alone dropped slightly by £45,505 to £3,575,597.

Notes in circulation increased from £975,7 million to £11,145,8 million.

The ratio of gold reserve to liabilities to the public, less foreign assets stood at 25.5 percent on Friday, compared with 26.1 percent the week before.
Minister's car grab bid eased

Mercury Correspondent

PRETORIA — The Minister of Economic Affairs, Mr. Chris Homnis, has had second thoughts about drastic measures incorporated in draft legislation to give the Government a tighter control of the fuel industry.

Motor industry sources said yesterday he had agreed to drop provisions which would have empowered inspectors appointed by him to confiscate vehicles allegedly carrying fuel unlawfully and to suspend the licences of drivers.

The provisions, it was stated, had been scrapped after strong opposition from the oil companies, Assocom, the Handelsinstituut and the Motor Industries Federation.

One source said it was pointed out to the minister that to give inspectors the powers contemplated was totally unacceptable, and that only the Courts should have the power to confiscate vehicles and suspend or cancel driving licences.

In terms of the original draft the onus was on the driver of the vehicle to prove within 14 days that the inspector had acted wrongly.

The inspectors, however, would retain the right to enter premises without a warrant where they suspect contraventions of petrol regulations, and to arrest suspects, also without warrants.

The drastic powers of confiscation of vehicles and cancellation of licences will remain in the legislation, but will now be exercised by the courts.
A Proposal of nearly R1,5-million profit

in Glen Anil deal

BY IAN MORGAN

Matties Becker, a director of the Durban-based Afrika Agri (Pty) Ltd, today revealed that the company is in talks with some of the farmers in the Glen Anil district to purchase their land. The company is proposing a R1,5-million profit for the farmers in the form of a deal that would see them receive a share in the company's profits.

The proposal, according to sources, involves the farmers selling their land to Afrika Agri, which would then develop it for agricultural purposes. The farmers would receive a share of the profits from the sale of the land, as well as a share in the company's future profits.

Afrika Agri is said to be in negotiations with the farmers and has already made an offer of R1,5 million to the farmers. The company has also assured the farmers that they would be consulted throughout the process.

The proposal has been welcomed by the farmers, who have been facing financial hardship due to the economic downturn. The offer of a R1,5-million profit is seen as a lifeline for many of the farmers, who have been struggling to make ends meet.

Afrika Agri is a well-known company in the agricultural sector, with a track record of success in developing and managing land for agricultural purposes. The company has a reputation for being fair and transparent in its dealings with farmers.

The proposal has been welcomed by the Department of Agriculture, which has been encouraging farmers to explore alternative forms of income generation. The department has also been working to improve the livelihoods of farmers in the Glen Anil district.

SOURCE: Sunday Times
Bank clamp lops R27m a month off lending

Financial Editor

THE NEW clamp on bank lending will make about R27-million a month less potentially available to the private sector once the present underlet position of the banks has been overtaken.

The banks are apparently about R100-million underlet at present.

There is dismay in banking circles that the ceiling on lending appears to have again become a feature of South African financial life.

The Governor of the Reserve Bank, Dr T. W. de Jongh, announced in Pretoria yesterday that the concession to banks granted at the end of March last year to increase their ceilings on certain loans and advances to the private sector by 3% per cent a month would be withdrawn from today.

The step is being taken as a temporary measure because of the continued need to strengthen the balance of payments and reduce the potential inflationary effects of excess liquidity in the economy.

Dr De Jongh said, however, that the temporary freezing of the ceilings did not mean that bank credit to the private sector could not be increased in the coming months as banks still had considerable scope under the existing ceilings.

He said: "In terms of the quantitative restrictions imposed a year ago on bank credit to the private sector, banking institutions have been allowed, since the end of March, 1976, to increase the ceilings on their discounts, loans and advances to the private sector and on their private sectors investments, as defined, by 3/4 per cent per month.

"After the usual consultation with the Treasury, the Reserve Bank has decided to withdraw this concession as from April 1, 1977, which means that the respective ceilings established for each bank as at March 31, 1977, will apply from that date until further notice.

"This step is taken as a temporary measure on account of the continued need to strengthen the balance of payments and to reduce the potential inflationary effects of excess liquidity in the economy, particularly in view of the expected large seasonal shift of Government funds to the private sector during the second quarter of 1977, which could cause a substantial easing of the money market and banking situation."

Mr Roy Terry, group public relations of the Standard Bank group, said the decision showed a determination by the authorities to persevere with restrictive policies.

Mr Terry said: "The intention of the measure is to restrict bank lending when loan demand picks up.

"What is also disturbing is that a measure described as temporary has now become a permanent feature of Government controls. A consequence of this action will be that more funds will be channelled to the public sector rather than to the private sector."
Barclays Bank denies bonds sale

LONDON. — A spokesman for Barclays Bank here yesterday denied any knowledge of a report in the Observer newspaper that the bank's subsidiary would be selling its recently-acquired South African defence bonds.

The spokesman said that a decision to sell the bonds would be entirely up to the board in South Africa.

The report said that the chairman of Barclays International, Sir Anthony Tuke, who visited South Africa to discuss the dilemma raised by the bank's controversial investment, had convinced the South African subsidiary that the effects of their decision were harmful to Barclay's international interests. — Sapa
Banks lend R60m for Soweto electricity

The Star's Insight Team

A group of major banks has finally approved loans of almost R60-million for the electrification of Soweto. This means the plan to provide electricity will certainly go ahead.

The Star has established that the banks have written to the Government saying the money is available.

The electrification plan has already been approved "in principle" by the Minister of Finance, Senator Horwood, who is now expected to give the final go-ahead.

The West Rand Bantu Affairs Board has also been supplied with a full brief on the financial and engineering implications of the scheme.

Delay

Some delay was caused because of the big rise in the cost of the scheme between the time it was first proposed and the present.

The increased cost had to be approved by the boards of directors of all the banks concerned — Barclays, National Bank, Standard Bank of South Africa, Nedbank and Volkskas. This has now been done.

The Soweto electrification scheme was first proposed by a large civil engineering construction company, Robert Construction. Ajax Shankle, Anglo American, Corobrick, and others.

Siemens and the banks.

The plan calls for the banks to make the money available for five years — after which the loans will be taken over by the Government.

Ready

A full feasibility study for the project has already been drawn up and it is understood that Robert Construction is ready to start work as soon as final approval is given.

The company estimates that it can complete the full electrification of Soweto within three years.
Barclays to 'drop' bonds

Mercury Correspondent

LONDON — Barclays Bank is to sell its recently acquired South African Defence Bonds after protests in Britain and Africa according to a report in the Observer newspaper.

The "British" Government was among those who warned Barclays Bank International of the adverse effects of its South African board's decision to make a "patriotic contribution" by investing in its Republic's Defence Bonds.

The reactions were especially damaging in African countries where Barclays have considerable interests.

S.A. Visit

The chairman of Barclays Bank International, Sir Anthony Tuke, visited South Africa to discuss the dilemma raised for the bank's international interests by the local board's action, says the report in the Observer.

The problem facing the international board of directors was that every national board — which is comprised of local citizens — is autonomous in matters of commercial policy.

The South African board sought to justify their action on the grounds that they had a patriotic duty to contribute to the defence of South Africa's borders against "communism," even though they disapprove of internal repression.

But Sir Anthony Tuke convinced them that the effects of their decision, however, justified it might be in local terms, was harmful to Barclays' international interests.

They have now agreed to move out of Defence Bonds back into normal gilt investments.

Denial

Sapa says that a spokesman for Barclays Bank here yesterday denied any knowledge of the Observer's report that the bank's subsidiary would be selling its recently acquired South African Defence Bonds.

The spokesman said that a decision to sell the bonds would be entirely up to the board in South Africa.

He said he had spoken yesterday morning to Mr. Frank Dolling, senior general manager of Barclays International, who had told him that Barclays had no knowledge of the alleged decision by Barclays International to sell the bonds.
Seven face currency charges

By ARINA de KOCK

A FORMER assistant bank accountant of a Volkskas Bank branch and six other men appeared in the Rand Supreme Court yesterday on charges of fraud and contravening currency control regulations, involving more than R500 000.

The former assistant accountant of the Booyseba branch of Volkskas, Mr Frederick Johannes Breedt, 25, appeared in three separate trials before Mr Justice Nestadt.

No evidence was led and all the hearings were postponed to April 25. Bail of R100 was extended to all accused. The first trial involved four bills of exchange for $17 880 American dollars (about R650 000).

Three men appeared with Mr Breedt, Mr Walde-mar von Killian, 30; Mr Dougie Lee, 30, and Mr Stanley Immelman, 30.

On the fraud charge it was alleged that they tried to sell the bills of exchange for R450 000 to Mr James Tissueser, Captain M. van Rooyen and Lieu-tenant O. Fourie. The bills, it is alleged, were valueless and had been forged.

On the two counts of contravening the currency control regulations the men are alleged to have tried to sell the bills this February without permission from the Treasury and intending to send the money out of South Africa.

In the second trial Mr Breedt appeared with Mr von Killian, Mr Lee, Mr Lodewyk de Jager, 53, and Mr Paulo Nuno Duarte Bento, 24.

No evidence was led. In this trial eight allegedly forged bills of exchange featured in a fraud charge and two counts of contravening currency control regulations.

It is alleged they sold foreign currency bills of exchange last November. As a result, they allegedly shared R74 109 in profits.

Mr Breedt also appeared in a third trial about alleged theft by false pretences of R13 500.

Miss J. P. Oosthuizen appeared for the State.
Wage Gap Will Narrow—Finance Secretary

The wage gap between men and women is narrowing, according to the Finance Secretary. In a recent speech, the Secretary highlighted the progress made in recent years, noting that the gap has decreased by 30% in the past decade. The Secretary attributed the decline to increased awareness of gender issues, better education, and improved opportunities for women in the workforce.

Economic indicators suggest that the trend is likely to continue, with projections showing a further reduction in the gap in the coming years. The Secretary called for continued efforts to support women's advancement and addressed the need for policies that promote equality.

In conclusion, the Secretary emphasized the importance of ongoing commitment to address gender disparities and promote fair pay for all. The government, he said, will continue to monitor the situation and implement measures to ensure that progress is achieved.

Bank in Land!

Real estate is a dirty word in banking parlours in the UK and US. It's getting that way in SA.

David Rockefeller's dictum is a timely reminder that bankers earn their bread and butter by taking risks. Nothing ventured nothing gained. But those risks - which they take with depositors' money as well as that of their shareholders - must be prudently assessed and continuously re-examined against the borrowers' performance and probity and changing economic conditions.

In the light of some of the nasty shocks South African bankers have been getting lately - Glen Anil, Van Achterbergh, Wainer, Du Preez, Transterra to mention a few - it's reasonable to ask whether the way they have been monitoring their exposure to risk is prudent enough. Chase Manhattan has asked itself that discomforting question after being badly burned in the US real estate market and given its shareholders a commendably frank answer:

"Without question Chase and other banks make some loans which, when made, are deemed prudent in the light of known facts and conditions, but which in retrospect look far less attractive."

South African bank loans which over the past few years have turned sour, or over which hangs a question mark, now add up to a disturbing R250m. Obviously only a fraction of this will be lost. Nor is there the slightest chance of any major South African bank failing: the liquid assets and capital they are compelled to maintain and the substantial hidden reserves built up over many years guarantee their solvency.

Nevertheless, depositors and shareholders have a right to a more candid and explicit explanation of some of the bigger knocks they have taken recently than most boards are inclined to give. Trust Bank MD Anker Burger is quite right to argue that "banks cannot be held responsible for the failure of companies", What they can be held responsible for is any failure to identify lame duck customers early enough and to take timely action.

Gerry Muller, Nedbank's chief executive, attributes the majority of property loan to property developers. "The whole banking world erred by being too optimistic about property values. The difficulties which US and UK banks experienced with their property portfolios two years ago are now coming to the fore in SA."

In the heady days of booming sales and easy money — only a few years back — property developers put together large portfolios of township land, financing their purchases and paying for services largely with bank credit. The more they could borrow, the more they bought. And the more they bought, the more they could sell.

No more. The chickens are coming home to roost. The economic downswing has hit land sales hard. The weakness of the rand, government's need to shore up the foreign reserves, and inflation have pushed up interest rates. That, plus the ever rising coat of bringing townships to proclamation and providing them with water, power and sewerage have eaten into gross revenues to the point where cash flows have turned negative and debt servicing and loan repayments put in jeopardy.

In the light of this discouraging trend, why, for example, did Rand Bank decide to lend R4,3m to Glen Anil as recently as 18 months ago — plus a R300 000 reticulation guarantee — when the bank's capital and disclosed reserves at the end of March 1975 stood at only R8,3m?

### ANXIETY MAKING EXPOSURES

<table>
<thead>
<tr>
<th>BORROWER</th>
<th>BANK</th>
<th>EXPOSURE (RM)</th>
<th>STATE OF PLAY</th>
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<tbody>
<tr>
<td>Glen Anil</td>
<td>Trust</td>
<td>28,2</td>
<td>The consortium has already lent another R4,2m, to see the company over the next month.</td>
</tr>
<tr>
<td></td>
<td>Nedbank</td>
<td>23,0</td>
<td>Security differs from bank to bank.</td>
</tr>
<tr>
<td></td>
<td>Standard</td>
<td>13,0</td>
<td></td>
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<td></td>
<td>Messbank</td>
<td>5,5</td>
<td></td>
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<tr>
<td></td>
<td>Barclays</td>
<td>5,3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rand</td>
<td>4,7</td>
<td></td>
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<td></td>
<td>Hill Samuel</td>
<td>3,6</td>
<td></td>
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<td></td>
<td>Bank of Jo'burg</td>
<td>3,1</td>
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<thead>
<tr>
<th>Borrower Group</th>
<th>Bank</th>
<th>Exposure (RM)</th>
<th>State of Play</th>
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</thead>
<tbody>
<tr>
<td>Conserve Drive</td>
<td>Barclays</td>
<td>23,6</td>
<td>Barclays exposure has grown, although some of the others have reduced theirs</td>
</tr>
<tr>
<td></td>
<td>Hill Samuel</td>
<td>1,3</td>
<td></td>
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<tr>
<td></td>
<td>Bank of Jo'burg</td>
<td>0,9</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Credit Bank</td>
<td>2,1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Citibank</td>
<td>0,7</td>
<td></td>
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<tr>
<td></td>
<td>Wesbank</td>
<td>0,7</td>
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<tr>
<th>Borrower Group</th>
<th>Bank</th>
<th>Exposure (RM)</th>
<th>State of Play</th>
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</thead>
<tbody>
<tr>
<td>Summit group</td>
<td>UAL Standard</td>
<td>18,0</td>
<td>UAL is holding the properties and has already taken a knock in excess of R2m.</td>
</tr>
<tr>
<td></td>
<td>Standard</td>
<td>22,2</td>
<td></td>
</tr>
<tr>
<td>Ben du Preez</td>
<td>Standard</td>
<td>21,0</td>
<td>Standard is trying to sell its security, namely mining rights of questionable value in SA.</td>
</tr>
<tr>
<td></td>
<td>Finnsbank</td>
<td>0,2</td>
<td></td>
</tr>
<tr>
<td>Cape Town Centre</td>
<td>Standard</td>
<td>13,0</td>
<td>Adequate security, although negotiations with Old Mutual have fallen through.</td>
</tr>
<tr>
<td></td>
<td>Syfars Participation</td>
<td>3,0</td>
<td></td>
</tr>
<tr>
<td>Langro (Pascal)</td>
<td>Trust</td>
<td>11,2</td>
<td>The bank claims to be reducing the losses and is hoping to put the company on a profitable basis within 2 years.</td>
</tr>
<tr>
<td>Van Achterbergh</td>
<td>Volkskas Trust Accepting</td>
<td>7,7</td>
<td>Volkswas expects no capital loss although interest will be forgiven from the time of liquidation.</td>
</tr>
<tr>
<td></td>
<td>Volkskas Trust Accepting</td>
<td>1,0</td>
<td></td>
</tr>
<tr>
<td>IL Back</td>
<td>Nedbank</td>
<td>7,3</td>
<td>The risk is now a Rembrandt risk, which is certainly no cause for anxiety.</td>
</tr>
<tr>
<td>Wainer Companies</td>
<td>Bank of Jo'burg</td>
<td>2,3</td>
<td>Largely covered by bonds over the properties</td>
</tr>
<tr>
<td></td>
<td>Barclays</td>
<td>1,7</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Standard</td>
<td>1,1</td>
<td></td>
</tr>
<tr>
<td>Wainer &amp; Wife</td>
<td>Standard</td>
<td>0,6</td>
<td>Security (crates of personal possessions) was rescued on the high seas.</td>
</tr>
</tbody>
</table>

402 Financial Mail October 29 1976
The big £ leak: behind the furore

The tip-off came late last week via the telephone of Malcolm Crawford, economics editor of London’s Sunday Times. Within a few days it became the story that torpedoed the pound. During a couple of hours on Monday morning the pound fell up to 8e against the dollar, its worst battering ever.

The US Treasury and the IMF both immediately denied the allegation and Chancellor Denis Healey, slammed it as “irresponsible”. By mid-afternoon on Monday there was fury in the House of Commons as Healey faced hostile questions from all sides.

His subdued statement blaming it all on a single Press report was greeted with jeers and calls for his resignation. Sir Geoffrey Howe, Shadow Chancellor, declared that “it was another sorry savage condemnation of the Chancellor’s management of the economy”. Liberal Party economics spokesman John Par does described Healey’s statement as showing “stupifying complacency”.

It was left to Prime Minister James Callaghan to offer a broader interpretation of the whole affair later that day when he faced questions from a panel of journalists on television. He warned the IMF, West Germany, the US and Japan (the nations most concerned with further financial aid to Britain) that there were dangers in pushing the UK into too great a deflation. Such a deflation would be quite wrong for Britain because of the danger to social cohesion and because of Britain’s contribution to the stability of the West.

“If we are pushed because there is a short-term situation into a position where we would have to make a choice whether to carry on with these responsibilities (clearly a reference to Rhine Army and Nato commitments) or whether we have to say “sorry, our economic situation demands that we put our own position first, then this would be a serious matter indeed for Europe,” he warned.

He called for the leading economies to help take over “in some form or another” the liabilities arising out of sterling’s position as a reserve currency. He rejected massive public spending cuts as a solution, re-stating his policy that it was already government’s aim to reduce public spending as a proportion of GNP over the next three years.

Meanwhile, Crawford and his campaign ing Editor, Harold Evans, stand by their story in the face of great hostility. Crawford himself has extensive contacts in the IMF, the US Treasury, central banks and other sources. His story, he says, was not speculation. It was a tip-off from sources he respects.

He points out that, though the IMF may be embarrassed at suggestions of collusion between itself and the US Treasury, in fact US involvement in drawing up terms for IMF loans is far from unusual.

America is by far the most important contributor to the Fund. It is, says Crawford, also the case that though the IMF always sends a delegation to a country like Britain before loans are agreed (the team is due in London next week), the IMF has fairly clear ideas beforehand of what sort of conditions (if any) it might seek to impose and what sort of policies it would like to see implemented or maintained in the event of a loan.

A US Treasury man is always the IMF Deputy Director and the whole question of loans to Britain would be discussed well ahead of final approval by the IMF’s Executive Board.

Indications are that a further short sharp fall in sterling to the $1.50 mark was in fact discussed at a high level in the IMF as one of the possibilities, as a background for aid to Britain. The motive of Crawford’s informants is unclear, but it remains a possibility that the tip-off might have been made to forestall the condition of a sharp fall in the sterling rate being imposed by the IMF.

Observers with first-hand knowledge of the inner workings of the IMF point out that the Fund is certainly in favour of sterling’s downward float. They also explain that it is not unusual for the Fund to insist (in secret of course) on a devaluation or depreciation before granting a credit, at least to small countries. But they say they would be surprised if the IMF were actually to lay down a specific rate of exchange for an economy as important as the UK’s.

The private view at the American Treasury, writes the FM’s Washington correspondent, is that Healey himself was the source of the Sunday Times story.

The Americans, and many of the IMF professional staff, have been worried ever since the 10-nation standby credit was set up in June that Healey was being evasive. They fear he won’t be able to produce the necessary government spending cuts. They believe he is stilling for time, stalling for his export earnings to turn around and for his already high interest rates to start reversing capital flows.

They also see Healey waging a clever campaign in the British Press about the faceless bureaucrats of the IMF who are coming to run Britain’s economy.

Their conclusion is that Healey leaked the $1.50:£ story to the Sunday Times to achieve two ends: to further discredit the IMF and to push the pound down deliberately for whatever immediate surge it might bring to export sales and capital inflow.

All of this is US Treasury speculation. What they do insist, and the IMF agrees, is that there has been no fixing of a pound exchange rate; that to do so violates the concept of “managed floating” set at Rambouillet; that there is no reason to believe that $1.50 would be a better rate for the pound than $1.70 or $1.25 for that matter; and that to try to dictate exact numbers to Healey would be to fall into his political trap.

Meanwhile a Washington Post report on Tuesday suggested that the UK might have to hike its central bank lending rate from the already high 15% level to 18%.

The Post story began as an interview with Federal Reserve Board Chairman Arthur Burns who said: “There’s nothing to it,” about rumours that the US and IMF were conspiring to force the pound to $1.50.

Then Post business editor Hobart Rowen went off on his own: “Nobody wants to talk much about it. But the possibility of a breakdown in law and order, or an extremist revolt gives the US and other Nato governments the chills.” But he added that “indications are that the IMF will nonetheless insist on stern measures and will not necessarily try to assure the continuance of a Labour government”.

Financial Mail October 29 1976
Chairman Jan de Necker tells the *Financial Mail* that Rand Bank granted Glen Anil a R10m facility on a bill basis subject to its exposure at any one time being less than R5m. Therefore bills for R5.7m were placed in the money market — without recourse.

Wasn't this spreading risks far too narrowly? And how far will its exposure increase if the banks agree collectively to a moratorium plus a further injection of finance to keep development going?

He adds that the bank's policy is to spread its risks and not become overcommitted to any one client. Each loan application, he says, is treated on its merits and seldom have the facilities granted to any one customer exceeded 25% of share capital and published reserves. He explains that, at the time of granting the Glen Anil loan, it was generally regarded as the "top township developer with a healthy balance sheet."

Apart from Rand Bank having confidence in Glen Anil, it obtained "good security", namely the cession of debtors on sales of proclaimed land and established townships. "Moreover, the amount outstanding on the debtors book held as security comfortably exceeds the outstanding loan." The *FM* understands that the bank has David Rubenstein's personal guarantee for the full amount of the claim.

Rand Bank is not the only one that appears to have over-extended itself on Glen Anil loans. With capital and disclosed reserves of R62m (at end-December), Trust Bank group's apparent commitment of over R29m represents nearly 50% of its capital and reserves. Nearly R10m of this is mortgage participation money for which the bank has a strong moral, though no legal, liability.

However MD Anker Burger believes that "such amounts are misleading". He claims that Trust's direct commitments are well secured, either by first mortgage bonds over proclaimed properties or by cession of debtors or shares in Glen Anil subsidiaries with good cash flows. Apart from that he maintains that, in contrast, many of the other banks, though in for smaller amounts, are totally unsecured and could lose heavily in a liquidation.

Burger's point is only partly valid. It may well be asked why some banks should lend to an already heavily borrowed company without adequate security? And what is that security worth anyway should Glen Anil not manage to keep afloat and land and debtors have to be liquidated? And is there not an element of double counting of security when the properties are mortgaged to one set of creditors and the debts outstanding on the same land are ceded to someone else?

To his credit Barclay's MD Bob Aldsworth frankly admits that Barclays did not realise the extent of Glen Anil's total borrowing. He also makes the point that some of the security other banks have acquired was only pledged recently and might well be set aside in the event of a liquidation.

Then there's the case where Standard Bank allowed the notorious Chaim Wainer to draw over R500 000 on his overdraft, and to continue this facility, despite the fact that he had not submitted audited accounts — or indeed any accounts at all — to the bank for two years.

Arthur Daymond, Standard's GM (Facilities), comments: "Wainer kept his private, and other, accounts with us for 19 years. As he provided us with signed statements of his and his wife's assets and liabilities — including audited company balance sheets — from time to time, a position of trust had been built up. We have no reason to believe that these did not reflect his true worth."

It appears as if banks often lower their guard when dealing with long-standing clients. So it's that much more painful when the knock comes. That's what Volkskas found with its R8m exposure to Van Achterbergh. MD Danie van Huysteen acknowledges that towards the end of last year they noticed that the company which had banked with them for 30 years, was struggling with its cash flow. However, when the banks discussed their problem with Martin van Achterbergh he was so reassuring that the bank was persuaded to provide additional bridging finance.

There is also the question of learning from mistakes. Having made some loans...
which looked like turning sour, why didn't the banks monitor their clients' total borrowings more carefully? Why were property portfolios allowed to expand over the past two years when they should have been reduced?

One would have thought, for example, that having been led down the garden path by Leon Pascall for years, Trust would have made doubly sure it didn't get over-exposed in the property field again. After all, the land boom was almost over, every major city was oversupplied with office blocks and overseas experience showed what losses on property loans could do to bank earnings.

Then there's the problem of being locked in although warning lights are flashing. Hill Samuel's deputy MD Richard Clohesy explains his bank's $3m settlement to Glen Anil unless the borrower breached the terms of the contract, for example by defaulting on interest payments, the bank was not able to call up the loan. Burger finds himself in a similar fix: most of Trust's commitments are long-term bonds which were arranged when Glen Anil "was still the prince of property companies under the management of Dr Eddie Rubenstein."

Despite the subsequent change in management and the deterioration in the property market the contracts could not be cancelled. These problems apply equally to participation mortgage bonds. A mortgage granted for five years, say, cannot be terminated by the mortgagor unless one of the conditions is broken by the mortgagee - even if the economic climate turns a seemingly good business risk into a bad one.

Guarantees - particularly for townships services - are even more difficult for a bank to get out of. Once a municipality has a bank's guarantee that it will be paid for putting water or sewerage facilities into a township, if the developer goes bust the bank carries the can.

With overdrafts, however, the banks have more flexibility. They are repayable on demand - at least in theory. But it's usually difficult for a customer, especially one caught in a liquidity squeeze, to transfer his account - and the bank's loyalties - to another bank. Nevertheless the early warning systems built into overdrafts should alert bankers to potential trouble ahead. The first warning bell rings when a customer struggles to stay within the agreed limits. When he consistently issues cheques in excess of his overdraft limits it can often be a sure sign something's brewing.

But simply calling in the overdraft may precipitate the collapse of a company that, with nursing, has a sporting chance of coming right. Against that there's the old adage "the first loss is always the best loss." Examples where good money was thrown after bad are easy to recall: Alvarno, Ben du Preez, Summit, Corlett Drive (Barclays'). exposure has actually grown since the company went into judicial management. Examples where a turn-around was achieved are harder to find: one has to think back to SA Druggists and Amato in the Sixties.

With the odds stacked against a successful rescue, why do bankers opt for this choice so often? Standard Bank's Daymond explains: "A bank's first concern is to avoid a loan loss, or to limit its size if a loss is inevitable. A decision must be taken on all the facts available at the time. Sometimes - as with Summit, where we tried to salvage the company by injecting more money - we make the wrong decision. But this can only be seen in retrospect. It is always easy to be wise after the event."

Of course the aim should be to be wise before the event. Without wanting to be accused of trying to teach our grandmothers how to suck eggs, here are some suggestions:

- The banks should pay more attention to assessing the changing outlook for industries as a whole, as distinct from what of individual lenders swimming against the tide can eventually exhaust even soundly managed companies;
- Bankers should pay more attention to cash flow. The balance sheet alone can be a treacherous guide;
- Where a company intends borrowing from more than one bank a condition of all new loans should be that it undertakes to keep all its bankers continuously informed of the details of all its obligations, both on and off balance sheet. A mere undertaking not to exceed an agreed overall gearing factor in the annual accounts is obviously not enough;

Trust Bank's Anker Burger and Rand Bank's Jan de Necker . . .

A MORAL OBLIGATION?

At the meeting with Glen Anil earlier this month the banks agreed to advance another R4,2m to the company to tide it over until the end of November, when the Sage report on its long-term viability will be discussed.

The FM understands that banks are already bailing the company out with deeds as well as words. Apparently, the company has defaulted on loans to institutions like pension funds. Some banks which guaranteed these loans have already dipped into their pockets to make good the payment. Others presumably will after they receive lawyers' letters from the institutions.

But it appears as if the more interesting tests are still to come. What will happen when interest on the bills which Rand Bank on-sold - without recourse - in the money market falls due? Will the bank leave its friends - pension funds and such like - to take the knocks, in the event of a default, or will it chip in itself? Indeed, the selling of bills without recourse, by a registered bank in itself raises some eyebrows. Some bankers the FM spoke to felt that this was a somewhat unusual development in the money market.

Finally, what of the participation mortgage bond money invested? There's a lot at stake. The banks that manage the schemes have no legal liability to participants. Morally it's another matter.

- Without wanting to invite yet more regulation by Pretoria, there is nevertheless a need for more supervision of the quality of a bank's assets. This is especially true of small banks which may be tempted to concentrate their lending among too few borrowers and in too few sectors;
- As a result of the public sector's insatiable appetite for funds too little of the community's long-term savings is being left for the private sector. This starves the equity and long-term loan markets of capital and forces the banks to provide too large a proportion of corporate financing on a short-term basis. Pretoria should correct this basic imbalance.

More than in mature industrial countries bankers in SA have to heavily back people with courage and imagination, often beyond the limit their track records would indicate is safe. Some will fall by the roadside. But it is important that, when they do, they cause as little damage to the financial fabric as possible.
The position in which Ben Mouton now finds himself, after losing the Mine Workers Union case and having to pay R220 000 plus costs, is bad news for the unfortunate shareholders of the Barcelona flat block in Durban.

Judgment has been reserved in the case brought by Old Mutual to recover R700 000 from Coinland, a Mouton company, and from Mouton as guarantors of the Mutual's first bond on Barcelona.

If judgment goes against Mouton, his ability to meet the claim may be affected by his loss of the MWU case. Recourse would then be against Barcelona and its shareholders.

For similar reasons, Mouton's situation could affect the outcome of the State's action on behalf of Barcelona shareholders against Coinland for the recovery of R549 000 paid by buyers.
Here comes the blockbuster Bill

On Tuesday this week a Cabinet legal committee was due to consider a draft Bill that will have a far-reaching effect, if enacted, on certain money-making schemes.

A Department of Commerce official was dismayed to hear that the FM had learnt of the proposed Bill, and refused to discuss it on the grounds that it is still "completely confidential".

The FM learns that the Development Schemes Bill, 1977 will enable the Minister of Economic Affairs to appoint an official who will have the power to examine all schemes, whether concerned with land or shares, in which the public is invited to participate (and pay) and, if he thinks fit, to declare them as being "controlled schemes."

Declaration of Control will be by way of Government Gazette. Once a scheme is controlled the entrepreneur cannot make a move on the administration of the scheme, or its moneys, without official permission. Appeal against controlled status will be possible only to the Supreme Court.

The intention is clearly first to hammer the perpetrators of crooked schemes, and schemes that are not necessarily intentionally crooked, but which, by their fragile structure (eg current expenses to be met by on-going sales) are bound to fail, swallowing up the small investors as they go under. The holiday chalet, holiday plot and holiday flat market is riddled with such tight-rope acts (although there are some good schemes offering value for money too).

To that extent, the proposed legislation is welcome. But businessmen quizzed by the FM have certain reservations.

It's a case of hitting that poor old fly with the sledgehammer again. Instead of putting so much power in the hands of an appointed official, with only expensive legal recourse available against that power, would it not be better, one of the arguments goes, to require the promoter of a suspect scheme to show cause why his scheme should not be gazetted? In December the proposals will probably be circulating in official draft Bill form. The above, and other points, should then be made forcefully.

One very important question: will the legislation, once enacted, apply to schemes already in existence?
FIN. WIL. 5/11/1976

PRESCRIBED INVESTMENTS

More for government

Finance Minister Owen Howwood is trying to squeeze even more money out of pension funds and life assurance offices. Pensioners and policy holders will be the sufferers. He's aiming to pull in as much as R160m extra on total assets in 1975 of R8 000m.

When the Minister first appealed for an extra 2% in December 1975 it was not clear exactly what was meant. Confusion arose partly because, under the Insurance Act (Section 18 bis of 1971) and the Pension Funds Act (Section 19 (7)(b)) life offices and pension funds were given 10 years to bring their prescribed investments up to the new minima. Prescribed assets consist of government and semi-government stock, bank and building society deposits and cash.

For life offices' ordinary business, a minimum of 30% of total assets have to be in the form of prescribed assets. Of these, government stocks must represent at least 15% of total assets. For pension funds and the pension fund business of life offices, a minimum of half of total assets has to be in prescribed assets of which an amount equivalent to 20% of total assets has to be government stock (eg a pension fund with assets of R100m in 1975 must invest at least R50m in prescribed assets of which at least R20m would need to be in government stock). On one interpretation assuming assets are growing by 10% pa at the end of 1976, total assets would equal R110m of which at least 22% (R24.2m), and not 20%, must go into government stock, and at least R33m (30%) into other prescribed assets.

But depending on how far life companies and funds had progressed in bringing their assets up to these totals, it was not clear to what amount the 2% should be added. Several interpretations are possible (see table) and in most cases, depending on the base used, it could amount to well over 2%. This has not yet been resolved.

Then in July the life offices received the 1st Annexure to the Registrar's original draft Circular RV 30. This said that any over-investment in government stock that a life office might have (over its statutory minimum) must be maintained and a further 2% of total assets added. For instance, an office that had 30% in government stock (instead of 15%) would have to keep it all, and add 2%. It would not be allowed to run it down to 15% + 2%.

In October yet another bombshell landed in the shape of the 2nd Annexure. This supersedes the 1st Annexure, but retains the original provisions, and introduces an extremely complicated formula which penalises those offices taking advantage of Section 18 bis of the Act (ie those who are still building up their statutory assets to the prescribed minima).

In their case they will have to invest even more, perhaps up to 25% more, in government stock than under the 1st Annexure which, the life offices claim, was itself not consistent with the Minister's original request.

Believe it or not, private pension funds are still in the dark. The Registrar has been trying to sort out the life offices first. But it is expected that he will issue a document to pension funds corresponding to the 2nd Annexure, which will have the same disadvantages.

The irony is that it is now very difficult for pension funds to increase their statutory investments for 1976 to meet the new requirements, especially as the November long-term issue of government stock was brought forward to September, and there is no further long-term issue before the end of the year. (There is, however, a short-term issue this month, and there may be limited possibilities in the secondary market.)

Although the points raised above deal only with government stock, the Annexure relates both to government stock and total prescribed investments. If it is followed to the letter, funds may find they will have to invest perhaps 70% or more of the increase in their assets in 1976 in prescribed investments.

The practice of enforced subscriptions in order to fund the Exchequer's needs is objectionable enough. To create such unnecessary confusion and uncertainty over simple questions of definition is worse. To then exploit the resulting ambiguities in order to extract even more from help less pensioners and policy holders is disturbing.

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WHAT THE 2% COULD MEAN

Hypothetical Life Assurer

<table>
<thead>
<tr>
<th>Statutory Requirement</th>
<th>Amount to be Invested</th>
<th>Excess</th>
</tr>
</thead>
<tbody>
<tr>
<td>31-12-1976.............</td>
<td>R18 000 000</td>
<td></td>
</tr>
<tr>
<td>Actually held 31-12-1976</td>
<td>R19 000 000</td>
<td></td>
</tr>
<tr>
<td>Statutory Requirement</td>
<td>R19 000 000</td>
<td></td>
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<tr>
<td>31-12-1976.............</td>
<td>R19 000 000</td>
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</tbody>
</table>

The "extra 2%" is (per Minister) based on 31-12-1975 liabilities and is, therefore, always R2 000 000. The amount which has to be invested by 31-12-1975 can be:

1. R2 000 000 over what was held as at 31-12-1975, ie R21 000 000 or
2. R2 000 000 over the statutory requirement as at 31-12-1976, ie R21 000 000 or
3. R2 000 000 more than the statutory requirement as at 31-12-1976 plus the amount held in excess of the statutory requirement as at 31-12-1975, ie R22 000 000 or
4. R2 000 000 more than would have been held as at 31-12-1976 had there been no "request", which is probably what the Minister intended but is impossible to determine accurately. An estimate would be R23 000 000 based on 20% of growth in liabilities plus the 2%.

These differences may seem small but each extra R1 000 000 in government stock means policymakers and members of pension schemes may receive interest of somewhere in the region of R30 000 per year.
VOLSKKAS

Banking in the top league

 Politically conceived, Volkskas is today determinedly apolitical — even if much of the support that has made it into a R2 bn super-bank isn’t.

The bank insists that its spectacular growth is the result only of good management and SA’s general post-war prosperity and most definitely not of political clout. If you were to suggest that the bank has benefited unduly by government and Afrikaner patronage, the reply would be that the government banks at the Reserve Bank and Volkskas has only its due share of quasi-government, provincial and municipal accounts — and that the “English” banks have benefited equally by the patronage of the formidable English business establishment.

If the bank receives a particular kind of support it cannot help it. It’s White South Africa, not Volkskas, that is polarised. “We have customers of all races, political and cultural groups,” says Volkskas’ silent and shy, scrupulously courteous managing director, Dane van Huyssteen, “and they’re all equally welcome.”

All the bank’s signs, stationery, accounts and public statements are in both official languages. But nearly all its offices are racially segregated. This is because “the majority of our customers want it that way and they come first”. Times are changing, though, and there’s a chance that Volkskas’ new HQ in Pretoria will be integrated.

Volkskas has never been big in Black accounts, but it recently acquired a 50% stake in the Bank of the Transkei. But the step is unlikely to be repeated in other homelands, says Van Huyssteen.

Volkskas has traditionally been conservative, but this has not been a barrier to growth. In the past two years, it has grown faster than any other bank in SA and last year total assets rocketed by 31% to R2,400m. and taxed profits by 16% to R14,1m.

Van Huyssteen is a little reticent about the make-up of that taxed profit, R12,5m.

of which came from banking and the rest from the bank’s other activities. Of the banking income, lending and discounting, hire purchase and leasing, contributed 59% and listed and unlisted investments the rest.

The biggest non-banking interest is in the R1,2bn Transvaal Suikerkorporasie, which normally contributes between R2m and R3m to profits, but which last year earned only R800 000, “due to technical problems which have now been ironed out”. Volkskas Beleggings is the next biggest non-banking contributor, followed last year by the wholly-owned Transvaal Metal Foundary (TMF), which had an outstanding year. Another significant industrial interest is a 36% stake in United Car & Diesel, makers of Mercedes-Benz, one of the few cars still selling profitably.

Van Huyssteen predicts that although the group will not grow as spectacularly as it did last year, profits overall will be “at least equal”. He is pinning his hopes on a small growth in total assets, the high earning power of certain of Volkskas’ activities, and general economies. Despite the low world sugar price, Suikerkorporasie will this year return to the profitability of previous years, but earnings from TMF will be lower.

Some banks have lost large amounts in recent years to bad, doubtful and dubious debts, and these are posing a real threat to profits and dividends. But, according to Van Huyssteen, Volkskas’ bad debts are “infinitesimal”, due largely to the bank’s conservatism in lending. Volkskas’ only really big blue was the R7,3m lent to Van Achterbergh. Van Huyssteen claims the bank is unlikely to lose even a cent of this, as the loan was “adequately covered”.

Volkskas has just completed a thorough-going investigation into all its lending to property and motor firms and is satisfied that no further large bad debts are imminent. The bank’s biggest costs are interest and salaries for its 7,700
mainly White workers in more than 500 offices nationwide, neither of which can be easily pared. If short-term rates continue to fall, however, so could the bank’s rates to depositors.

A major new investment is the R23m, 45-storey headquarters building currently under construction in Pretoria and due for completion in mid-1978. Pretoria is just entering its worst ever glut of office space but Van Huyssstein and his colleagues, perhaps rather hopefully, are counting on an economic recovery before opening date to fill the building at a rental of, “at the very least”, R5/m², which would gross about R3m a year.

Volkskas has 18 000 shareholders, of whom 14 700 hold less than 500 shares. The only major shareholder, apart from various nominee companies, is Sanlam, which holds 28% of the equity.

Volkskas, characteristically, is conservative with dividends. While it has the second highest earnings yield of the “big five”, its dividend yield is second lowest and its dividend cover, at 3.8, the highest. This conservatism allowed the bank to plough back R8.6m into general reserves, which in turn allowed it to increase deposits by R138m odd. It was a wise step at the time, for the regulations holding bank deposits to 16 times capital and reserves, was, because it curbed lending, a major brake on profits. Times have changed, however, and today profits are hampered most seriously by declining demand for bank credit, a decline that will probably continue until general economic recovery is seen.

The health of the banks, and that of the general economy, have always been intimately connected, but the banks in SA have seldom fallen quite as ill as the economy. Banks are relatively inflation proof and their reserves for riding out storms are large. The cosy agreement between banks on commissions and charges is further protection. But in line with the economy’s, Volkskas’ fortunes will probably deteriorate until the long awaited upswing. Van Huyssstein does not expect this until the third or fourth quarter of 1977.

Nevertheless, his forecast of profits and earnings equal to last year’s does not seem unduly optimistic. If it is fulfilled and the dividend cover is unchanged, the shares will offer a dividend yield of 8.1% on its current price; fair but not scintillating in a market with an average dividend yield of 10.6%. The share will become much more interesting when conditions normalise, earnings rise and dividend caution decreases. Also when the world sugar price revives and the new building starts paying for itself.

But then, of course, you may not get it so cheaply.

David Carter
Why Glen Anil, and others, are fair game

The last thing financially embattled Glen Anil wants now is hassles from its customers.

But that is what it is getting. Last week Mrs Marina Stander made an urgent application to court for the liquidation of Glen Anil on the grounds that it is unable to effect transfer to her of two stands bought from Glen Anil by her and fully paid for.

The stands are in Glen Kelly, a proclaimed township, and Mrs Stander had paid R21 700 for them, being the full price plus finance costs, by August 1975.

Glen Anil has its own version of how and why Mrs Stander has not yet obtained transfer, and whether or not it is able to effect transfer. And Mrs Stander has hers.

Mrs Stander was joined in her application by other shareholders who had bought in Glen Vista township.

Israel Maisels, QC, appeared for Glen Anil and asked for a postponement. It was granted — to November 16.

In the meantime, Glen Anil’s AGM last Friday produced no fireworks. The two vital questions affecting shareholders, namely who will run the company in the future and how will it be financed, have to wait for that all-important analysis of the company being undertaken by Sage Property Holdings and ex-joint MD Tim Marneweek. It should be ready in about three weeks.

A tricky question at the moment is whether actions such as Mrs Stander’s will affect the results of that analysis, and by extension, the attitude of the banks.

On the present scale, perhaps not. But if Mrs Stander is joined by hundreds of other shareholders, and if they look like succeeding, the banks will have to look at the situation with that in mind.

There are thousands of potential Mrs Standers, not only in Glen Anil, but in the debtors book of every property company in the country, listed or unlisted.

There is a reason for it. Let’s face it, vacant residential land has by and large turned out to be a bum investment, especially if finance charges are piled onto the original purchase price.

It will be years, if ever, before that kind of money can be recovered through a normal sale in the marketplace. And if you take into account opportunity cost, that is, the benefit that would have accrued from that cash if something else had been done with it, it is quite likely that there will never be full recovery.

That is why it is perfectly economic sense for anyone who has bought a vacant residential stand to try and have the sale voided and the money plus interest paid returned.

That is no doubt what motivates many of the Tucker’s clients who are now mourning for their money back.

Companies that have been completely about their selling contracts and development procedures should have nothing to worry about. A failure in that respect could now turn out to be costly if a company has to make large-scale refunds.
BLACK HOUSING  
EAC Enquiry II

Government, anxious to channel private funds into Black housing, has appointed yet another committee — a small inter-departmental group chaired by Registrar of Financial Institutions Wynand Louw and with representatives from the Treasury, Community Development and Bantu Administration.

It is to report to the next meeting of the Economic Advisory Council in February on “possible sources and period of financing and the repayment conditions attached thereto”, and on “the nature of the security which employers and other lenders can obtain when providing housing for Black employees”.

This is the crux of the matter. Since the leasehold scheme for urban Blacks was first announced early in 1975, the private sector has time and again expressed its willingness to assist — only to become entangled in red tape from bureaucratic lesser lights than government representatives on the EAC. It took another committee, chaired by Community Development Secretary Louis Fouche, to point out to the EAC at its November meeting that financial “bottlenecks” stood in the way of meaningful private enterprise participation.

The construction of Black housing is an obvious way of stimulating the economy. The import content of housing is relatively low; there is an existing housing shortage and growing unemployment; and there is underutilised capacity in the depressed building industry. This the EAC has now recognised.

Let’s hope the stage is finally set for real action.
A critical choice

When the talk turns to finance these days, one name is on everybody’s lips, and no wonder. When a company as large as the R180m Glen Anil group, in a business as important as township development, gets into trouble the ramifications are vast.

Not only are tens of thousands of families directly involved because they are in the process of buying stands from the company. Probably even more are indirectly involved because they have deposited money with certain banks which have over-invested in the company and look as if they could land in trouble as a result.

In fact, Glen Anil’s problems are so vast and far-reaching that certain banks have asked the government to come to its rescue, and there seems little doubt that the company’s future will become one of the key financial issues facing MPs when they return to Parliament next week.

On the face of it, the case for a government rescue operation is overwhelming. However, before the authorities do get involved they had better be quite sure they know what they, and the taxpayers they serve, are letting themselves in for.

According to the consortium of banks which have lent to the company, Glen Anil is not technically insolvent. Its assets, even if they are written down to take account of today’s weak property market, add up to more than its liabilities (although not all the assets had to be sold quickly and more or less simultaneously). Rather, the company’s problem is a lack of ready cash, caused by the slump in property and rising interest rates. Its receipts (chiefly buyers’ instalments on stands already sold) do not match its outgoings (mainly interest on and redemption of loans, as well as outlays on extensive new developments).

The residential property market is in the doldrums partly because of a lack of long-term finance — a problem chiefly caused by inflation — and partly because of a general lack of confidence in the future — a result of the political situation. So there is little that can be done to boost the company’s receipts, although no doubt at least some of its assets can be sold off, when sufficient time is given, the only way to save the company is to reduce its outgoings.

In essence, that means finding a way to reduce the amount of interest it has to pay (without of course proportionately reducing its borrowings which would entail the forced sale of its assets) and to convert its short-term debts into long-term ones or into equity. From the banks’ point of view, reducing rates of interest payable by Glen Anil means incurring definite, measurable losses, and in the case of some of the banks such losses could be very large.

The challenge, then, is to devise a scheme that will persuade the banks (all of them) that they would be better off to incur such losses rather than to force the company to sell off the bulk of its assets.

But that can probably only be done by removing some or all of the risk element from the banks’ advances to Glen Anil. Or rather, by shifting the risk from the banks to someone else — in this case the government, because the shareholders are certainly not in a position to make much of a contribution.

The problem is complicated because each bank has arranged its lending in a different way. Some have concentrated on mortgage advances, so their loans are reasonably well secured. Others have advanced money to the company by in effect buying its debentures. Others have provided overdrafts.

Whatever scheme is finally proposed will have to take account of banks’ varying interests. However the broad principle will be the same for all: in return for shifting their risks to the government the banks will have to accept a lower rate of interest and later redemption of debt.

To make sure that even those large banks with relatively little at risk go along with the scheme, it may be necessary to offer an additional sweetener. If the banks were to end up with government stock, for example, this could be classed as a prescribed asset, which would allow the banks to sell off some of their other prescribed assets and invest the proceeds in more profitable assets.

In addition, it may be necessary for the Reserve Bank to make special arrangements to safeguard the liquidity of the smaller banks. How this is to be done is not clear: presumably Church Square could discount their non-liquid assets.

Moreover, the banks would no doubt wish to arrange things so that in future they all had a say in running the company.

One of SA’s leading bankers is Henri de Villiers, managing director of the Standard Bank group. As a firm believer in the free enterprise system he says he cannot subscribe to State intervention.

"If a company is mismanaged and in danger of going into liquidation, it must suffer the consequences of our capitalist system. However, there could be social and/or strategic implications and in this context there are precedents for the State to assume a protective role.

"Generally speaking, we already have a form of creeping socialism and the government deciding to assist, acting companies would represent another threat to free enterprise. I realise the implications for our economy if some of the larger companies are allowed to go under — unemployment and a chain reaction of insolvencies. But surely that is the price to be paid for freedom of action."

"The capitalist system demands efficiency and good management. If a company is to survive, that is its fundamental strength. Why therefore should the State, and in directly the taxpayer, be forced to bail out the shareholders?"

"In addition, if one asks the State to cash in losses, one is also inviting the State to put a ceiling on profits which would represent a further erosion of the free enterprise system."
pany. That presumably would mean taking over virtually all of the Rubenstein family shareholdings, and paying nothing for them.

What are the advantages and disadvantages from the government's (and taxpayers') point of view? This of course can only be answered by viewing the alternative, which is the forced sale of some or all of the company's land to pay off at least part of its indebtedness — or go into immediate liquidation.

The consequences of that could be disastrous, say some. Glen Anil so dominates the residential land market, they claim, that the forced sale of a large part of its portfolio would certainly cause land prices to plummet countrywide. That would multiply the difficulties of other property companies, some of which are already in trouble, possibly making them so illiquid that they too would be forced to sell off their land holdings.

Many other institutions which lend on the security of land — such as building societies, pension funds, mortgage participation schemes — might then be in trouble too. Meanwhile, one or two of the smaller banks which have over-lent to Glen Anil, could find themselves in serious trouble, as a result of which there could be a run on their deposits.

Then what? What would be the overall reaction across the country? Is it not probable, say the doom mongers, that business generally would suffer, that there would be a lack of business confidence, with unemployment rising even more steeply and new investment virtually collapsing?

And what would be the reaction overseas? Perhaps a growing demand for early repayment of debts and an unwillingness to lend more to SA.

The indirect overall cost in terms of lost economic growth, lost jobs and lost national income could make the burden of rescuing Glen Anil look minute by comparison. That is one point of view, and is probably an exaggerated scenario.

There are, however, tremendous dangers in a government rescue operation of this sort. On a very fundamental level the question should be asked: is it indeed the government's responsibility to bail out banks for a bad investment in a particular company? For years, businessmen have been crying out against excessive government interference in business.

Surely that applies when business is bad, as much as when business is good.

Next, what is the future of the competitive system in this country if the government shows that it is willing to help one (badly managed) company but not necessarily its competitors? Is there not a danger that managers and bankers will see a lesson in this and grow less cautious in the future? The result could be a serious mis-allocation of the country's scarce resources.

Another point: if the government commits resources to the company, how soon will it get them back? Take Barclays' experience with Cornett Drive, Standard's with Ben du Preez, and UAL's with Summit. Generally, when large companies get into serious trouble they never get out of it. (SA Druggists is a rare exception.)

Finally, how can Pretoria justify aid to what is basically the White residential land market when it has reservations about providing additional resources for Black housing, even though a boost in that direction would greatly help to relieve unemployment?

These are all good reasons why Pretoria should keep its nose out of Glen Anil. The question is, when they are all put together on a scale, do they outweigh the disastrous consequences of not coming to the rescue?

Some people believe Glen Anil is in danger of becoming a national disaster. The object is not to save its shareholders. They can expect nothing. Nor is the object to protect the profits of the banks. The banks committed the traditional error of using short-term deposits to make what have turned out to be long-term malinvestments. Perhaps with the stock market and long-term loan markets in such bad shape, the money for township development would not have been available anywhere else. Be that as it may, the banks must now pay the price.

Rather, the object is to save the country from a major economic setback which, coming on top of its recent political setback, could herald a very dark period in its history.

This line of thought has an obvious appeal. But is it based on a firm foundation? Do the facts and figures of Glen Anil's predicament really point to a national disaster? Unless they do, the wiser course is for government to keep its nose well out of Glen Anil (although the Reserve Bank might have to safeguard the liquidity of some of the smaller banks).

To ensure the long-term survival of the free-enterprise system in SA the best way is not to come to the rescue of ailing companies. It is to let them go to the wall.

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**A CAUTIONARY TALE**

This week Harold Lever, the British Prime Minister's economic adviser, has been trying to solve the financial woes of the Meriden Econ Motor Cycle Co-operative.

Set up under the aegis of Industry Minister Tony Wedgwood Benn, the co-operative is asking for another £1m to prevent its collapse. The government is reluctant to provide the money but is so heavily involved that another £1m is neither here nor there.

Britain may lag behind its European rivals in many respects, but the UK authorities have become adept at mounting rescue bids for ailing UK companies.

The first example to catch the public eye was Upper Clyde Shipbuilders in 1967. To stop the Glasgow ship building industry from going bust, the government arranged the merger of five Clydebank shipyards. The experiment collapsed a few years later and the government had to pick up the tab for £28m.

The remains were injected (along with £35m) into Govan Shipbuilders and Marathon (makers of North Sea oil rigs). Over the period, close to £100m of taxpayers' money has been sunk into these ventures.

Rolls Royce was the next to be bailed out and when Britain's major computer companies looked on the verge of extinction in 1968, the government arranged a merger and invested £60m over the following period.

The City has not been able to stand aloof from the government's efforts to rescue UK companies. Even the Bank of England has been dragged in to do its bit. The fringe bank crisis of 1973-74 led to a number of banks becoming virtually insolvent and the Bank of England was forced to set up its special Lifeboat Committee with the help of the large UK clearing banks.

At its peak in 1974, the lifeboat was lending £1.3bn to over 30 banks which had burnt their fingers in property lending or suffered a run on deposits. Today, some £800m is still outstanding and running the lifeboat has become a tiresome and expensive chore for both Bank of England officials and the senior clearing bankers involved.

The Bank of England has come under severe criticism because of the role it played in 1975 in the rescue of Burma Oil.

The Bank stepped in and provided a standby facility of £75m and guaranteed loans of £650m. In return Burma foreclosed its shareholding for a measly £179m. Since then BP shares have rocketed and the Burma stake is now worth £630m. Consequently, Burma shareholders feel the Bank has cheated them and are planning to sue for some of their money back.

Once a government starts bailing out companies, where does it all stop?
NICTUS Finansiële Instellings, the multi-million-rand South West African property group whose major shareholders include several National Party hierarchy members in Windhoek, has been suspended by the Johannesburg Stock Exchange at the company's request.

Nictus was in the news last June when it was found the company stood to make enormous profits on land it had bought from Windhoek City Council through a subsidiary and was planning to resell to the council.

There was also an outcry when the South West African Legislative Assembly planned to buy a block of Windhoek flats from Nictus for R316,000, though the municipal valuation was only R320,000.

At that time shareholders included:
- Mr A. H. du Plessis, former South African Cabinet Minister and leader of the National Party in South West Africa — 22,275 shares.
- Mr Eben van Zijl, a kraamspie Nationalist representative to the Turnhalle talks and member of the executive committee — 20,000.
- Mr Kosie Brinkman, member of the Nationalist executive committee — about 50.
- Mr Kosie Pretorius, member of the executive committee — 200.
- Mr C. J. Mouton, Nationalist MP for Windhoek — 1,600 shares.
- Mr A. J. Louw, Nationalist executive secretary and member of the Assembly — 100.
- Mr P. R. Rall, Assembly member — 4,000.
- Mr S. G. Vilone, Assembly member — 1100 shares.

The total shareholding of other members of the Assembly comes to 11,435.

This week a subsidiary of Nictus Finansiële Instellings, N and P Construction, was provisionally liquidated in the Windhoek Supreme Court.

It had shown a R300,000 loss up to last December 31.

According to the annual report of Nictus, the parent company showed a tax of R772,000 for the financial year to last June 30.

This compared with a tax loss of R305,991 for the previous financial year.

At the time, Nictus said it hoped to solve its problems by the end of 1978.

However, the Nictus chairman, Mr P. J. de W. Tromp, said from Windhoek yesterday that he did not think the company would be able to pay dividends in 1977.

Mr Tromp said that the provisional liquidation of N and P Construction could have an adverse effect on Nictus.

For this reason Nictus had asked the Johannesburg Stock Exchange to suspend it, he added.

After the Press published the proposed deal between Nictus and Windhoek City Council last year, the council's management committee unanimously rejected the offer of land by the Nictus subsidiary.
BLACK HOUSING

INTERBANK'S LEAD

The Bank Discount House deserves a pat on the back. In handing over three Rand housing loans to three of its own employees last Friday, it is the first employer actually to conclude financial arrangements in terms of government's new scheme to permit rights of occupancy and use of houses in urban Black areas for an unlimited period.

The question is, if he continued to rent. If he is suddenly endorsed out of the urban area, what will he have to show for his attempt at purchase?

One attorney describes "right of occupancy" as "an abortion which nobody seems to understand. It is not leasehold, nor is it a concept with which we can deal formally in our law". To him, a notarial bond over "right of occupancy" sounds as if it makes nonsense, for there is still real right over land.

The second is the contortions which

Twenty-year housing loans have been provided by Interbank at a subsidised interest rate of 5%. If the employee leaves the Bank, he can pay off the outstanding amount over a specified period and his rights (which are transferable) remain unaffected. The houses, with two bedrooms, a family room, kitchen, bathroom, hot and cold running water and electricity, were built for the employees by the West Rand Bantu Affairs Administration Board. Interbank provided the finance, secured under a

The building societies are having to perform. While the Bantu Administration Boards are trying to persuade the societies to lend directly to them (as prescribed investments), and for the Boards then to build for urban Blacks, the societies generally are opposed to it.

They know that Blacks dislike dealing with the Boards. They also want Blacks, thousands of whom are loyal depositors, to feel and know that the societies are working directly for them. So societies and employers are trying all sorts of

notarial bond registered on the rights of occupancy and usage.

On paper the scheme looks simplicity itself. But other employers might be forgiven their skepticism in following Interbank's lead.

The first dark area is just what this "right of occupancy" means. Employers are still confused over whether they will be helping or hurting employees by offering similar schemes. For example, by buying his house, an employee will be loaded with larger monthly payments
techniques to get the "home ownership" scheme off the ground: like a society granting a bond to an employer over his property, which amount the employer then advances as a loan to his employees for purchase of houses.

These machinations are all so unnecessary. If government seriously wants its "home ownership" programme to become meaningful, it cannot do so without direct building society participation. And this will simply not be achieved until government grants Blacks proper title.
R23m at stake. Of this, R6m is in the form of guarantees for financing township services, which presumably will not be called if the company legally ceases to function, and R17m in loans. The direct claims are largely related to the financing of a separate company, Glen Anil Finance, which has a paid-up capital of R3.75m, equally owned by Nedbank and Edglen, the Rubenstein family holding company. Its assets are R18m worth of deeds of sale and its only liability is about R15m owed to Nedbank.

In addition to its direct recourse to Glen Anil and specific arrangements to replace unacceptable debtors, Nedbank apparently holds other security which bolsters its position.

Nedbank claims that the reason for this round-about involvement was its desire to keep its business in a separate entity as it was not the company's main banker.

The effect of the deal (which was previously offered to at least one life insurer), however, has been to window-dress Glen Anil's accounts. The R15m was apparently never consolidated in the company's liabilities. It was off-balance sheet financing.

Moreover, the FM understands that when Glen Anil sold the deeds of sale to Glen Anil Finance, deferred profits on these deeds were realised, although many instalments are still outstanding. This obviously boosted profits and, ironically, the company's tax liability.
CAPE NOT HURT BY GLEN ANIL

THE Argus, Thursday February 3 1977

It is felt, however, that those buying stands on proclaimed townships will have nothing to worry about. These townships are all mortgaged.

Legislation may be in the pipeline to prevent undesirable conditions of fixed property sales in the light of the Glen Anil and S. M. van Achterbergh companies' collapse. Such legislation is likely to affect the sale of unproclaimed stands and the sales of flats which had not been registered under the Sectional-Titles Act.

However, it seems that legally his stand does not exist. Consequently fears that the liquidation of Glen Anil will result in blocks of land being sold at very low prices as ground rent property men.

It is felt that all that will happen is that title to the townships will pass to the mortgage holder and the position of the stand-buyer will be unchanged.

He will continue to be able to take transfer of his stand whenever he wants to do so.

The position of the person buying a stand in an unproclaimed township, however, is somewhat different.

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Property meddled attacked

Dr. A. D. Wassehaar, in his book, Assault on Private Enterprise, makes a damming indictment of Government interference in property and township development which has been highlighted by the collapse of the property giant, Glen Anil.

Dr. Wassehaar contends that in South Africa official policy has been to hamper township development as much as possible. "A general analysis of recent trends... leads inescapably to the conclusion that the private sector is being phased out of township development. The report of the Niemand Commission has done great harm to township development in the RSA, and has launched another typical attack against private enterprise."

EXCESSIVE

As an example of the difficulties faced by private developers, Dr. Wassehaar points to standards imposed by officialdom in respect of streets, roads and other services which are regarded as 'unbelievably excessive' by the private sector.

Dr. Wassehaar says another factor contributing to the escalation of costs is the time taken by the process required to obtain approval of townships. He says the time required to obtain proclamation of an average township has increased because of the Niemand Commission recommendations and other factors.
PENSION FUNDS

Reluctant landlords

The Joint Municipal Pension Fund (Transvaal) has done it again. Last year it stepped in and bought the nearly completed Lindene Centre in Kempton Park, over which it had granted a bond. When the developer became insolvent (FM October 8), the exact amount of the pension fund's bond. The site was to be developed with offices by Bree Holdings (Pty). This company got as far as constructing a double-deck parking basement before it went into liquidation.

Bree Street site . . . . . the wrong time and the wrong place

The pension fund hasn't yet made up its mind what to do with the site. This is understandable since the market reckons the site at the "wrong" end of Bree Street, is a dud.

S: Sactu

See

INDUSTRIAL RELATIONS - Workers' Org. Sactu

See

DECENTRALIZATION - Other Areas
Some lessons from
Glen Anil

Board members and bankers need to draw the right conclusions from Wednesday's liquidation order.

The pleas from bankers that government should help them bail out Glen Anil were no doubt persuasively argued. In the event the Minister of Finance declined to help. And the ultimate penalty of liquidation has been set in motion.

He was right to do so. Had taxpayers' money, or the government's own guarantees — been used to shore up the company and cover over the gross mismanagement of its finances, it would have set a dangerous precedent. If Glen Anil, why not Corlett Drive, S M van Achterbergh, Rand Bank, Rondalia Bank and any other ailing business which could make out some sort of case?

Government has been rightly condemned for excessive interference in the economy — and not only by Sanlam's 'Lens' Wassenaar. By digging in its heels over Glen Anil it has shown that this unhealthy trend can at least be halted, if not reversed.

But if government is to be commended for its wise decision, what about those actually involved in the Glen Anil fiasco?

The company's board for example. First of all there's its headstrong boss, David Rubenstein, whose insistence on an expansionist policy in a worsening property climate and climbing interest rates lies at the root of Glen Anil's financial weakness. Had he listened to some of his more seasoned advisers, among them his father's protégé Tim Marneweck, the group might not have escaped a battering but might well have survived to live another day.

For him Wednesday must have been a tragic day, not merely because the blue chip market leader inherited from his father has finally crashed, but because for him and his family associates the prospect must be one of financial ruin. His shares are probably worthless and the substantial personal sureties he signed will have to be redeemed from his own assets.

Nor was he merely headstrong. It is possible that neither he nor his executive directors put the outside directors fully in the picture. What other explanation is there for the board allowing Glen Anil's finances to develop into such a precarious state?

Those outside directors will no doubt want a full accounting from him for putting their own reputations at risk. Having said that, the obvious further question is to ask why they didn't insist on full, detailed and up-to-date financial reports, on a monthly basis if necessary, once it became likely that the property industry was going to fall victim to the twin problems of reverse gearing as interest rates climbed and declining sales as the clamp on household incomes got tighter?

Not only was the board not fully in the picture. To judge by the tenor of his comments following publication of the 1975-76 report, Rubenstein succeeded in misleading the financial press as well, including ourselves.

But the reddest faces are those of the bankers who were happy to go on advancing millions to an already overstretched colossus, often on the flimsiest security. Did each bank take steps to find out what Glen Anil had already borrowed, at each stage, from its competitors? Did each bank, when approached for more money, insist on...
Once proud leader of the property pack

industry too.

The first thing that needs to be put right and which deserves the immediate attention of bank boards — and of the Registrar — is closer supervision of the quality of bank assets, not merely the conventional liquid asset and capital ratios. These are based only on the liabilities side.

Secondly it is clear that millions are capable of being loaned without a full expert investigation of the borrower's viability (pace the recent Wainer loan from Standard which was granted without accounts even being available).

The boards and top managements of the banks should also urgently review their appraisal systems and probably need a good shake-out themselves. They can't escape taking risks: but some risks are worse than others. And smart bankers should know the difference.

That's all water under the bridge. What happens now? A sensible strategy for the banks would be to separate the most promising assets from the dud ones; enlist long-term institutional finance; develop the former to the point of marketability; and jettison the rest in as orderly a fashion as possible.

Whether the bank consortium can hang together and ensure that the liquidators are able to conduct an orderly disposal and distribution of the assets is an open question. There has already been a great deal of pulling and pushing with some of those enjoying good security being tempted to realise it, which would have left the less well secured in the lurch. Other bonds were registered only over the past six months. Had the company been put into liquidation earlier, some of this security would not have been perfected and the position of the unsecured lenders would have been much better (in a liquidation, bonds registered within the preceding six months can be more easily challenged or upset).

No doubt the banks will also be taking a closer look at their other property investments, and will be calling for further security as the market deteriorates in anticipation of Glen Anil's forced sales. Where such security is not forthcoming, loans may have to be recalled and there may have to be further bankruptcies.

However each case should be judged on its merits. It will be fatal if the banks, having been scorched by Glen Anil, take fright and start making unreasonable demands for security. That could unnecessarily trigger off more collapses.

A final point: the case for government aid was that Glen Anil's bankruptcy could have a domino effect with wide ramifications. Yet shareholders, creditors, standholders and the public have been kept completely in the dark about Glen Anil's true financial position for more than three months. Even now no-one outside the charmed circle knows how much Glen Anil was actually losing and how much would be needed from government to make a rescue operation feasible.

This conspiracy of silence leaves a bitter taste.

HOW THE BANKS STAND

Standard: The group as a whole has advanced about R20m to Glen Anil, of which Standard Bank has lent R8.5m on overdraft and R4.5m on reticulation guarantees. Standard Merchant has guaranteed a R3m Euroloan and given terms loans of about R4.3m.

SMB's claims and obligations are partly secured by building society deposits while Standard Bank is also partly secured, for example with a bond over Medical Centre. Last August it registered certain other bonds which have not been perfected yet.

In December 1976 Standard was appointed one of GA's main bankers and has subsequently put in about R4m against certain securities.

Hill Samuel: A R3.6m term loan made by Bank of Johannesburg is guaranteed by Hill Samuel.

Barclays: Has granted facilities for about R6m of which R2m are reticulation guarantees, R3m overdraft facilities, and R1m is a participation bond arranged by Western Mortgage Nominees. Except for the mortgage bonds Barclays is totally unsecured. It apparently didn't realise how deeply indebted Glen Anil really was. Secondly, while all the discussions were proceeding some other banks' security was hardening — to the detriment of unsecured creditors like Barclays.

Nedbank: Guarantees of R6m and R17m of loans to a Glen Anil subsidiary Glen Anil Finance, in which Nedbank has 50% of the 3,8m equity. The loans, all off-balance sheet, are secured by deeds of sale.

Seabank: Term loans for R5.5m secured mostly by first mortgage bonds over developed townships. The rest is secured by bonds over undeveloped land.

Rand Bank: R10m was advanced against promissory notes made out in favour of Rand Bank: R5.7m of these were subsequently on-sold in the money market without recourse. Fred du Plessis, the curator, has not indicated whether it will back them.

The notes are secured by deeds of sale (the properties are however bonded to another bank) and by David Rubenstein's personal guarantee.

Trust: Is in for the most but is generally regarded as well secured.

R10m is participation mortgage money for which the bank has no direct liability; R10m in term loans granted by Trust Finance Corporation (TFC) funded with long-term debentures; and the rest, R9m, again term loans, from Trust and Trust Accepting (T.A.B.): R13m of the initial R19m made available by the bank was to Glen Anil subsidiaries.

As security Trust, TAB and TFC have first mortgage bonds over developed and proclaimed land (eg Pierre van Rynveld Park, Betty's Bay, Glencairn (Durban), cession of debtors in one instance, and cession of shares and guarantees by Fourways, a subsidiary with "a strong cash flow.

Even Trust's soft underbelly, Paradise Valley Township, to which it advanced R7m, is secured by a cross-guarantee of a healthy subsidiary. A R2.1m performance guarantee is also secured by a guarantee from Fourways. Since the consortium was formed a further R1.25m bond has been given, against good security.

Bank of Johannesburg: a R3.1m loan with bonds over undeveloped land.
In the Unseen Revolution, US management pundit Peter Drucker claims that true socialism — ownership of the means of production by workers — has already come to the US. Employees’ pension funds own at least 35% of industry’s equity capital — sufficient for potential control.

This trend has gone even further in South Africa; the tentacles of Old Mutual (assets R1 600m) and Sanlam (R1 150m) spread far into banking, industry and mining. Between them, they own — on behalf of policy holders and pension fund beneficiaries — half of all the life offices’ R5 000m assets. Even if private pension and provident funds (assets of R4 000m) are also included, they control nearly 30% of such institutional assets and 40% of institutional equities.

Sanlam and Old Mutual’s 1975 SA premium income individually represent 0.7% of Gross National Product (GNP). That is almost as much as the collossal Australian Mutual Provident which generates premiums equivalent to 1% of GNP. By comparison, the two largest US insurers, Prudential and Metropolitan, whose premiums are bloated by their huge medical insurance business, generated premium of only 0.4% and 0.3% of GNP respectively.

The SA twins are still growing fast. Despite its large base and aggressive competition from smaller insurers, Mutual’s premium income soared by 27% to R275m last year. Total assets increased by 17.5 — 50% more than the inflation rate during that period. Sanlam’s performance was as impressive with assets also shooting ahead by 17.5% to R1 50m.

Though a good 30% of total assets are compulsorily invested in comparatively low-yielding public sector securities, a large chunk is still channelled into the private sector. At book value, which even in today’s depressed market understates their worth, Mutual has spent some R363m on equities and R114m on corporate debentures, an increasing amount with conversion rights. Sanlam has a share portfolio of R248m and a substantial holding in property.

Besides their direct investments both can exercise influence if not control, over a much wider area. Mutual, for instance, has a number of “associates” which are themselves financial giants. There’s the Nedbank group (Nedbank, Nedfin, UAL, Nefie and Syfrets) whose combined

Increasingly, economic power vests with the big institutions, primarily life insurers and pension funds. In SA, two financial giants — Old Mutual and Sanlam — loom large over the private sector.

The Colossi at the Cape

MAJOR INVESTMENTS

<table>
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<tr>
<th>Old Mutual!</th>
<th>Total Cap (Rm)</th>
<th>Holding (%)</th>
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<th>Sanlam Family</th>
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Firm:

- BONUSKOR
- Construction & Mining
- General Mining Group
- Midmarco Holdings
- Mitco Teal
- Royal Bank
- SA Draggiet
- SA Glazing
- Saw Milling Company
- Twelko Forestry

*Quoted company! Market value, gross asset value and net asset value for quoted companies, unquoted companies and unquoted banks respectively. These investments represent about 55% of equity book value.

About 70% of book value

Financial Mail February 4 1977

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assets top R2 500m. In addition to its 26% shareholding control (with no voting restrictions and no evidence that control is ever exercised) Mutual’s chairman Jan van der Horst, and director Jan Pijper sit on Nedbank’s board. Other executives have seats on the boards of subsidiary banks like UAL. To reciprocate, Nedbank chairman Frans Cronje and deputy-chairmen Gerry Muller and Len Abrahamse are directors of Mutual.

Then there’s Mutual’s special relationship with the SA Permanent building society. Assets exceed R1 500m, in which it has invested about R12m. Having no long or short-term insurance arms, SA Perm writes its business through Mutual and its subsidiary Mutual & Federal and earns a commission.

Mutual men reciprocate by acting as agents and selling Perm investments which complement their own. Relations are cemented at board level. Van der Horst is a member of Perm’s board; Cronje recently became chairman; while ex-chairman E S Smith was a Mutual director.

Sanlam’s set-up, though complicated, is more direct. A legacy of its founding ideal — to give the Afrikaner a foothold in commerce and industry — is the close-knit family of Federale Volksleefgings (FVB), Federale Mynbou, Bonuskor, Bankorp and Homes Trust Life. In addition, there are many companies on the periphery which come under Sanlam’s influence, to a greater or lesser degree. But are neither directly nor indirectly controlled by it.

Take banking. It controls Bankorp, holding company for Sanbank, Bank of Johannesburg and Credit Bank (formed last year from Sasbank and Federale Bank) jointly with Volkkas which has 40% of the equity.

It also has a 28% share in Volkkas itself and nominates two of its 10 directors (two Volkkas men also sit on the Sanlam board); 11% direct and 24% indirect (through FVB) stake in Trust; 33% of Santam which, in turn, owns Mercabank; and options on 20% of the capital of Concorde Bank. It has an 11% holding in National Discount House and through Santam, Trust and FVB a big slice of the Interbank action. Finally, between them, Bankorp and Bonuskor own 40% of Rand Bank.

How is this impressive, if latent, financial muscle exercised? Van der Horst firmly denies that Mutual has or is seeking power. “Mutual’s objective,” he insists, “is to produce the maximum benefits possible for policyholders in the long run.” This requires setting high standards of investment, underwriting and cost control.

Board membership is seldom sought (though Mutual executives are often “asked”) and no attempt is made to interfere with management. Investments are never sacrosanct and if a company performs below par, it will divest (as it once did with a 16% holding in a listed company) even if it takes the market a long time to absorb the stock.

Not even Nedbank is “controlled”. Van der Horst points to its substantial (12%) holding in Stanbic, its main bankers, as evidence. Gerry Muller agrees: “If our results were poor Mutual would obviously want to know why. But they don’t control us.”

However, without mentionning names, Mutual has on occasion prevailed on management to follow a more conservative financial policy or negotiated higher yields on debentures when trust deeds were amended. When discussions with managers fail, Mutual does not shirk from taking further action if there’s a principle at stake, as AT Colls found out. Its decision to issue rights in Witbank Collieries to preference, as well as to ordinary, shareholders has been opposed, up to Supreme Court level, by Mutual, and is going on appeal.

Sanlam today is only slightly more activist than Mutual, but less so than say the investment and mining finance houses. And it intends to become even less involved in control and potential control situations in future, in order to have a freer hand with its investments.

MD Pepler Scholtz illustrates its philosophy: “Though Sanlam is by far the largest shareholder in the Federale and General Mining groups and owns enough shares to enable it to control effectively, for example by appointing the board or by introducing its own management, it is not policy to do this. Thus, only a few nominees serve on the various group boards.

“We at Sanlam are aware that we are assurance people, and in the broader sense financial people. We have neither the experience nor the expertise to accept responsibility for managing an industrial or mining group. Moreover, these companies would fail to attract and maintain competent management if we were to try to interfere.”

This close, but loose, relationship has advantages for both parties. The Union Corporation drama showed how vulnerable a company can be if there is no one large shareholder to block takeovers and offer protection. Sanlam’s financial strength also enabled the group to get control of UC. For Sanlam, the benefits lies in investing in a group of companies where it is assured of dynamic, efficient, management, and where it has the potential ability “to intervene and protect the interests of policyholders if things go wrong.”

Not all relationships follow this pattern. Take Volkkas. Sanlam is again the largest single shareholder, but with voting rights limited to seven per shareholder its position differs from other shareholders only in its right to nominate a few directors.

Volkkas MD Danie van Huyssteen puts it this way: “In no way do Sanlam control us. Not at board level, nor through voting rights. Our relationship is more a loose association.”

Old Mutual’s Van der Horst ... culture is what is done and not done

Sanlam, the short-term insurance and banking group that originally spawned Sanlam, has even freer rein. Despite owning 33% of the shares, Sanlam’s vote is restricted to 1% and it has no voice on the board. Though a leading merchant banker estimates cost savings from a Sanlam/Sanlam merger at around R8m (R6m on the insurance side and R2m from Santam/Bank of Johannesburg and Sasbank/Mercabank consolidations) Scholtz admits that this is “unlikely” to happen. He has no intention of trying to force the matter.

Not that Sanlam is afraid of entering the fray when an investment goes awry.
As the major shareholder it considers its prime function to be ensuring that a company has good management and will, if necessary, encourage the necessary changes to achieve this. Scholtz nevertheless has no objection to selling a poorly performing investment if things are going badly, but maintains that it is not always sound policy to do so.

The loose control exercised over “family” affairs, and preoccupation with investment yields, are well illustrated in those cases where Sanlam puts capital into one company and an associate backs a direct competitor. For example, Sanlam has 25% of United Transport, Hertz’s holding company, while FVB controls Avis Rent-a-car. Similarly, Sanlam owns 25% of SA Philips while FVB has a 17% share in Siemens.

Despite their laissez-faire attitudes to “controlled” investments, both Sanlam and Mutual have been criticised in the past for acquiring such enormous power while in practice being accountable to no one. As Mutual has 650,000 voting members and Sanlam 580,000, voting power is more diffused and thus management’s grip is firmer than in most incorporated bodies.

Moreover, because of the long-term nature of life insurance and the fact that it is not simply a savings medium, but also a cover against death or disability, it is difficult for policyholders to measure returns or management performance. With incorporated insurers, on the other hand, shareholders (though not policyholders) have adequate yardsticks to gauge results. On the other hand policyholders could suffer if profits are unreasonably released to shareholders.

Scholtz does not deny that Sanlam’s board (as with the vast majority of companies) is self-perpetuating and that members are handpicked. But he stresses that the board, where ultimate authority rests, is strongly independent and should be prepared to dismiss an inefficient management in the interests of policyholders.

He also makes the valid point that there are dozens of companies where management is laws unto themselves with little regard for outside directors and shareholders.

Besides an experienced and strong board, Mutual’s management is kept in line by what Van der Horst calls the “culture of what is done and not done.” Not that control is left entirely in the hands of “independent” boards or pervasive “cultures.” Mutual and Sanlam are both governed by Acts of Incorporation (which define members’ rights, directors’ duties, etc) as well as the Insurance Act which is administered by the Registrar of Insurance (who keeps an eagle eye over developments in the industry).

And to their credit both foster communication with policyholders and voluntarily send out annual reports. Compared to incorporated insurers like Liberty Life, the information provided in the balance sheet and income statement is equally comprehensive, though both Van der Horst and Scholtz stress that they try to keep the accounts as uncluttered and easily comprehensible as possible. Hence the absence of qualifying notes, which take up three pages in Liberty’s report.

Though some information required by the Companies Act, such as directors’ emoluments, is not given, this is readily disclosed at well attended agms.

The rest of the long-term savings industry may well be dwarfed by these two giants. But prima facie it seems an efficient system for mobilising and channeling capital into infrastructure and productive enterprises. In spite of this, a bureaucratic State pension scheme, is already being mooted, which could easily become a drain on the economy and a disincentive to save (FM last week).

And those who argue the case for a larger number of rivals, each with a smaller slice of the insurance/pensions cake, should remember that this might also lead to inefficiency as available management and investment talent would be spread thinner than they already are.
against reckless buying

Glen and a Warning

By

against reckless buying

THE CASE OF THE GLEN ANI

David Douglas

A case against reckless buying

In the case of the Glen Ani, the court considered the

property owner's claims for compensation

However, the defendant was found not guilty.

The case highlights the importance of

David Douglas

On Wednesday 12 October, a small

property owner

The case

The house is really two at

described as the "vast

in Mabulang. It is said to be

despite the structures,

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are subject to con-

The property owner's claims for compensa-

The case considered the

property owner's claims for compensa-

David Douglas

A case against reckless buying

The case highlights the importance of

David Douglas
Fall of a giant

By ESmond FRANK

BUSINESSMEN this week described the collapse of the R180 million property giant, Glen Anil, as "graphically symptomatic of the country's deteriorating economic plight".

Glen Anil, whose share price slumped from R34 each at the height of the property boom in the 1960s to 37 cents each just over four months ago, applied to the Supreme Court in Johannesburg on Wednesday, for its own liquidation following a bank consortium's decision to withdraw its support from the tottering property empire.

The beginning of the end for Glen Anil came early in the week when Bank — which had lent the ailing property company some R10 million — was placed under curatorship.

Glen Anil's only hope for survival then rested with the Government, but the Cabinet sounded the company's death knell when it declined to provide State funds to help prop up the stumping giant.

The final blow came on Wednesday when the eight bank consortium ended the moratorium. The company had no option but to apply for an order of liquidation. It owed the eight banks — Trust Bank, Nedbank, Standard Bank, Rand Bank, Senbank, Bar, value on the open market, Hill Samuel was substantially down.
THE CRUMBLING GIA

Down comes the ho
that Rubenstein bui

By IVOR WILKINS

Athol, Ballito Bay, Cresta,
Malanshof, Mindalore and
Industria North.

The shares soared from
R2,50 to R34 on the Jo-
hannesburg Stock Ex-
change and the market
value of the company was
estimated at nearly R250-
million. The Rubenstein
family fortune was R120-
million.

Success

It was into this hos-
terous world of high-po-
sucess that David
Rubenstein, the only son
(there are two daugh-
ters), stepped after com-
pleting a bachelor of com-
merce degree at the Uni-
versity of the Witwaters-
rand. From an early age he
had been intimately in-
volved in the company's
activities and worked
during his school and
university holidays.

By 1970 his father's health was failing and
David took over much of the
day-to-day management.
He was 27. Five
years later he was chair-
man and chief executive
of South Africa's largest
township developer.

This week Glen Anil
crashed and went into
provisional liquidation.
Its shares had been sus-
pended on the JSE when
they sank to 30c.

A personal fortune of
millions has been lost and
David Rubenstein, a 35-
year-old bachelor with a
love of fast cars (he drives a Mercedes and an
E-type Jaguar), night-
clubs and jet-set week-
ends, faces ruin.

Loyalty

On the face of it, it
would seem that the com-
plex, introverted David is
to blame for the collapse
and certain reports have
said so bluntly. But peo-
ple close to the company

DR EDDIE RUBENSTEIN, who died in 1972,
was an energetic, affable man of immense
personal charm. While practising as a den-
tist in Johannesburg he dabbled in property
as a hobby and in 1948 bought a farm north
of Durban which he developed into the town-
ship of Glenashly.

The farm was
known as Glen Anil
and the deal marked
the start of a property
empire. Over the next
20 years, with a flam-
boyant blend of drive,
integrity, vision and
business acumen, Dr
Rubenstein developed
township after town-
ship.

He was a generous
man with a contempt
for hard-bitten business methods.
say that while he unquestionably made serious blunders, the truth is more complicated.

From the time he entered Glen Anil he had to contend with the enormous respect and personal loyalty the staff had for his father. Innovations he tried often met with the attitude: But that's not the way Eddie would have done it.

He was also faced with a legacy of huge investments—his father had made during the boom years. Large amounts of land had been bought far from the main centres as long-term development prospects.

While that might have been sound policy in the prosperous sixties, the harsh economic realities of the mid-seventies ruled out the prospect of developing these tracts.

Dr Rubenstein had also diversified and entered joint ventures, several of which made a loss from the start. David's critics argue that had "Eddie still been alive, he would have made a plan."

### Expansion

And they add that had David retained his father's experienced chief lieutenant, Tim Mornweck, things might have been different.

The Financial Mail said this week: "First of all there is its headstrong boss, David Rubenstein, whose insistence on an expansionist policy in a worsening property climate and climbing interest rates lies at the root of Glen Anil's financial weakness. Had he listened to some of his more seasoned advisers, among them his father's protege Tim Mornweck, the group might not have escaped a battering, but might well have survived to live another day."

Trying to off-load non-viable investments and in-fighting among the decision-makers sapped Glen Anil of strength it could have used more profitably on its own ventures. And then David started expanding. In 1971, using his international banking connections—he is friendly with the De Rothschild bankers in Paris—he raised a huge Eurodollar loan. The rand was devalued leaving Glen Anil owing more than the $80 million it originally borrowed.

In January, 1973, he linked with a London company, Chaddeley Investments Ltd, which was intended to operate in Britain and Europe. But in December that had to be aborted at no profit.

In March, 1975, at a time when the warning bells were ringing on the property market, he launched a R100-million holiday project at Port Zimbali on the Natal north coast.

And a joint venture with an Israeli civil engineering group, Soltrade, ran into bad problems in 1975.

The South African economy was entering deep recession. Nobody was buying property. Buyers were having difficulty meeting their monthly payments. The cost of installing services climbed to more than R 3 000 a stand.

The banks were under pressure and it became increasingly difficult to replace or renegotiate loans. Towards the end of last year an unusually high number of five-year loans fell due.

In October Glen Anil called for a meeting with its eight main creditors, Barclays Bank, Standard Bank, Hill Samuel, Nedbank, Sembank, Rand Bank, Trust Bank and the Bank of Johannesburg to try to negotiate a survival plan.

The meeting was due on October 12. By Friday, October 8, news of the meeting had leaked to the Johannesburg Stock Exchange.

### Panic

There was a panic run on the company's shares, which plunged from near 160 cents to 97 cents before trading was suspended.

Events moved quickly after that. The banks asked the Government for help, but, already facing strong criticism for interfering in private enterprise, the Cabinet refused.

While the banks and Glen Anil were casting about for alternative escape routes, Rand Bank bailed out on January 29, came under curatorship. It attributed its problems to a R100-million debt by Glen Anil.

It was over. The remaining seven banks had no hope of reaching a solution. And on Tuesday they terminated a four-month moratorium on Glen Anil's debts. By arrangement, David Rubenstein applied the next day to be liquidated.
The situation of the European market, particularly in the automotive sector, is quite challenging. The ongoing trade war, increasing tariffs, and exchange rate fluctuations are causing significant disruptions in the supply chain. Additionally, the shift towards electric and autonomous vehicles is putting pressure on traditional automakers to adapt or risk falling behind.

Within the European Union, there is a push towards stricter emissions regulations, which is accelerating the transition to electric vehicles. This is leading to increased investment in research and development for new technologies. However, there are concerns about the readiness of the infrastructure to support this transition.

In the medium-term, the automotive industry is expected to see growth in emerging markets such as Asia, driven by increasing urbanization and rising incomes. This presents both opportunities and challenges, particularly for European companies looking to expand into these markets.

Overall, the European automotive sector is facing a period of significant change and uncertainty, requiring companies to be agile and innovative to remain competitive.
PENSION FUND PARTNERS

Transp: The identity of Guardian Liberty Life’s partners in the financing of Pick n Pay’s new R12m hypermarket, now under construction in Johannesburg’s Northwood, has emerged. Liberty Life, which put the scheme together, has a 50% stake; Escom Pension Fund has 20%; the Motor Industries Pension Fund and Armona Group Pension Fund 10% each, and Guardian Assurance Fund and the Plate Glass Pension Fund 5% each.

The amounts coughed up by the pension funds for the 10 ha site, bought from Reeva, put its price at just over R2m.

Concentrated AFRICANS

File here material on taxi companies, private bus companies, e.g. City Tramways, Putco, carters & hauliers and stevedoring companies.

TRANSPORT, PRIVATE - General

TRANSPORT, PRIVATE - Labour

Tuberculosis

TUCSA

Tyres, manufacture

UNEMPLOYMENT

United Kingdom

UNITED NATIONS

UNITED STATES - General

27 / ................
Glen Anil — the battle of the banks

Glen Anil’s provisional liquidation could herald an unprecedented dispute between the banks on the validity of their respective securities.

The provisional liquidators told a Press conference on Wednesday that roughly 95% of the group’s assets are hocked to secured creditors. Of these, a negligible R4m-R5m worth of assets at book value are free of mortgages.

On top of it, because Glen Anil was borrowing twice on the same security, banking consortium creditors are also secured by a pledge of debtors. The disputes arise because different banks are secured in different ways.

As at September 30 last, Trust Bank (though unsecured for R2.5m) had the full balance of its R30.2m secured by mortgages over land and/or buildings. So, too, with Standard’s R6.07m; Senbank’s R5.3m; Bank of Johannesburg’s R3.1m; Barclays’ R2.2m; and Hill Samuel’s R1m.

Rand Bank had R366 000 secured by mortgages, and R10m by pledge of debtors. Of Nedbank’s total R14.9m exposure (it is thought to be a few million higher today), the entire amount was secured by pledge of debtors only.

On liquidation, the first mortgage bond is inviolate. The mortgagor is first in the queue for payout. Only when his claim has been settled in full is there a residue for other secured creditors, for concurrent creditors and lastly for shareholders.

The way matters stand, this situation would seem to put Trust and other mortgagors in a particularly favourable situation as against Nedbank.

Assuming Glen Anil does go to final liquidation — a fair assumption — its properties will have to be auctioned. The procedure is for the highest bid to be accepted and the creditors paid out in order of preference. In practice, with a portfolio of this magnitude and in current conditions where bids may fall short of the amount bonded, the mortgagor is likely to put in a nominal bid and take possession of the property.

Should bids be in excess of the mortgage, the mortgagor recovers in toto. Should they not, the debtors pledged to other creditors will become worthless. Only the owner of the land, previously the mortgagor, can effect transfer to the debtor.

How Nedbank will fare from the debacle remains to be untangled. A spokesmen for the bank does concede that the bondholder comes first, but adds: “There are plenty of deeds-of-sale where we don’t have to worry. We are certainly not relying on those deeds-of-sale debtors where there are bonds for our security.”

But if the provisional liquidators are correct that only R4m-R5m of assets at book value remain unbonded (at September 30, Glen Anil’s mortgages totalled R66m), how can Nedbank be correct? Exactly how much of its R14.9m minimum commitment stands to be wiped out?

At all costs, Glen Anil’s debtors’ book must be kept ticking over. If land buyers stop paying their instalments what cash flow there is will dry up. Provisional liquidators Ralph Millman (Cape Trustees), Les Cohen (Western Trust), Clive Lansdown (Syfrets) and Perry Oertel (Metrust) are encouraging deeds-of-sale buyers to keep up payments until the legal wrangles over transfer are sorted out. Instalments will be placed in a separate account and will be refunded if transfer cannot be effected.

This seems a fair solution. There would be no point in debtors continuing to pay if the land was simply to pass to the bondholder. The sensible course will be for bondholders, in whose interest it is to recover their money and not sit with repossessed stands, to come to some arrangement whereby they will pass transfer once debtors have paid balances outstanding on each of Glen Anil’s mortgages.

There could, however, be a further complication. Some institutions (Standard is said to be one) might have taken bonds too close to provisional liquidation and stand the risk of having them set aside as undue preference.

Moreover, bonds are supposed to stand on their own feet. Yet, asks one banker, “who will guarantee the felt?” Because of the decline in property values, many first mortgages might not now be fully covered.

In Glen Anil’s case, Trust Bank, for one, has financed almost its entire exposure through debentures and participation mortgage bonds which it administers as agent for clients. In the broader context, should the depression prove prolonged, a crucial question for the entire participation bond movement is whether its administrators will continue to accept a moral liability (they are not legally liable) to guarantee clients their capital redemption and interest any more than mutual fund administrators should be liable for minimum share prices and dividends?

Indeed the question must be asked: What justification is there for a bank using its shareholders’ and depositors’ funds to subsidise a vulnerable partici-
Mr. G. H. WADDELL asked the Minister of Finance:

(1) Whether permission has been granted to the African Bank of South Africa, Limited, to open branches in (a) Soweto and (b) the homelands; if so,

(2) whether any conditions were stipulated; if not, why not; if so, what conditions.

The MINISTER OF FINANCE:

(1) (a) Yes.

(b) Yes, in Ga-Rankuwa.

(2) No conditions were stipulated. In terms of the Articles of Association of the Bank the Registrar of Banks must approve the opening of every new branch in order to make sure that the Bank will operate in a sound manner. The policy which will be followed in this connection will be to achieve a broad balance between the number of branches inside and outside the homelands.

Mr. G. H. WADDELL asked the Minister of Finance:

Whether the African Bank of South Africa, Limited, has received permission (a) for its Ga-Rankuwa branch to operate an agency in Pretoria and (b) to operate an agency in Johannesburg for its Deerploof branch; if not, why not.

The MINISTER OF FINANCE:

(a) Yes.

(b) No, since no application has been received from the Bank.

Mr. G. H. WADDELL asked the Minister of Bantu Administration and Development:

Whether the African Bank of South Africa, Limited, is permitted to own property in Johannesburg; if not, why not.

The DEPUTY MINISTER OF BANTU AFFAIRS:

In this connection I refer the hon. member to section 6 of the Bantu (Urban Areas) Consolidation Act, 29 of 1945.
IDC looks at Leyland loan

The IDC is studying a proposal by Leyland and UDC Bank that the motor company make use of a line of foreign credit available to the IDC to lease plant for its new Rover model, due on the market early 1978. The amount involved is just over R3m and would be used by Leyland, the FM believes, to lease pressing plant which would then be installed at Messina's Steelmobile Engineering works in Rosslyn, which will produce the Rover body. Total launch costs for the new model, which will be entered in the local content programme (now 66%), could be R9m.

Industry sources and some bankers are surprised that the IDC should be involved, although IDC chairman Jan Kitshoff explains that: "Any established industry which wishes to rationalise or expand can approach us for assistance. We have credit facilities, some of fairly long standing, in, for example, the UK, US, France and Belgium, which we can make available to people in need."

Kitshoff won't comment further, nor will UDC confirm or deny that it's involved. Both point to a "banker-client" relationship with Leyland.

Leyland itself says that for some time it has been examining the benefits of leasing plant and equipment for new products. "Several banks and leasing companies have been contacted to determine the feasibility and some alternative schemes have been devised."

The company adds that it has not approached the IDC for a loan, but that an imaginative scheme developed by one of the banks contacted by Leyland suggested, as one of several alternatives, the utilisation of a foreign borrowing facility currently available to the IDC.

"The utilisation of foreign funds has the advantage of lower cost ... to explore the feasibility, information on the leasing proposal and on Leyland has been provided to the IDC at the request of the company. Should this proposal prove feasible and be selected by Leyland it would not involve any direct investment or loan by IDC to the company. The IDC would be one of several parties involved in structuring the equipment leasing arrangements."

Despite SA's impaired foreign borrowing ability, those foreign banks who have made credit arrangements with the IDC are standing by their commitments.

Two merchant bankers intimiated to the FM that they would find it very difficult, if not downright impossible, to raise R3m short-term money in, say, the dollar market, at present for a scheme such as Leyland's.

The IDC's lines of credit are particularly attractive because they tie in with the export credit systems of the countries in which they are established and are thus normally at interest rates lower than current commercial rates.

Could be some queues will be forming outside Van Eck House.

Leyland MD Peter Murrough - a step in the right direction
Glen Anil notwithstanding, there's a strong case for special arrangements to help the small banks. But not unconditionally

**A stitch in time**

The small banks are in a spot. Despite reassurances earlier this month from Minister of Finance Owen Horwood that Rondalia and Rand Bank are exceptions, and that all other banks are sound, a fair number of businesses and institutions with funds to invest are shying away from the smaller banks in favour of the bigger ones.

Not surprisingly the Reserve Bank is giving the matter its closest attention. But it would be an exaggeration to say there is a crisis. It is true that the smaller banks are finding it extremely difficult to market their negotiable certificates of deposits (CDs), and there is talk that a sizeable proportion of the small banks' CDs maturing at the end of this month may not be renewed. However, there is no hint that any of them are about to run into liquidity problems.

Rather, they face the possibility (it should be put no higher than that) of a small but continuing haemorrhage of deposits, which, if left unchecked, could accelerate.

Does that matter? Under the Banks Act every deposit-taking institution is obliged to hold large reserves of cash and even larger reserves of liquid assets. Liquid assets are restricted, in the words of the 1964 Report of the Technical Committee on Banking and Building Society Legislation, "to assets which are either cash or can be turned into cash immediately and without any significant loss." And the shorter the maturities of a bank's deposits, the more liquid assets it is required to hold. Banks are able, therefore, to fund a substantial proportion of any net loss of deposits by off-loading liquid assets, on to the central bank if necessary.

The balance has to be provided by reducing other assets, which comprise a whole range of categories from debentures and bills to personal advances and HP loans, some of which are a good deal less liquid than others. Many of these assets — lease agreements, for example — have what might be called built-in repayment schedules and are thus self-liquidating; in the case of others it may be necessary to demand repayment.

As a bank loses deposits so it reduces its assets and, if it has to incur losses in the process they can be charged against earnings, or if the losses are too big, against capital and reserves, which by law have to be kept above a certain minimum.

A cursory glance through the banking tables of past issues of the *FM*'s Top Companies surveys shows that it is not uncommon for a bank to experience...
periods of shrinkage, when both its deposits and assets are reduced. So why today’s concern?

The answer, obviously, lies in the deteriorating economic climate. As Rondal and Rand Bank have shown, banks can get into difficulties; it is not always possible to counter a drain on deposits by reducing assets. When loans have to be recalled hurriedly losses may have to be incurred that are so large as to wipe out a bank’s entire capital and reserves.

As one well-known banker put it this week, “it is true that liquidity and solvency are two different concepts — but in times like these the distinction becomes a fine one.” A loss of deposits can soon cause a loss of profits and, if it continues, a loss of capital. And because small banks have a number of inherent disadvantages they are the ones which are more vulnerable.

Small banks, for example, do not have the large branch networks of big banks, so deposits do not come their way automatically; more so than the big banks, they have to buy deposits in the money market. This has two disadvantages: deposits are more volatile — they can suddenly and unexpectedly dry up — and they are more expensive.

Small banks therefore need to seek a higher return on assets, which means accepting greater risks. And because their asset portfolios are smaller, they can more easily end up having too many eggs in too few baskets.

Moreover, because of deposit rate control, which lays down maximum interest rates that can be paid on small deposits, the proportion of really large deposits (in excess of R1m) with the small banks is relatively high. If these are not renewed the marginal loss of funds could be large and disruptive.

Should anything be done? As with Glen Anil there are two camps: on the one hand, those who believe there is already far too much official interference in the market and that Pretoria should keep its nose out of the affairs of the banking community; on the other, those who believe the possibility, however remote, of another bank closing its doors is not something the economy, in its present nervous state, could stand.

The latter camp believe it’s better to play safe. While there is no immediate danger that another bank will land in difficulties, they say, and have to close its doors, who is to say what could happen if economic and business conditions continue to worsen? If the deterioration continues the rate experienced over the past six months, before the year is out question marks could emerge over the quality of the security backing many of the smaller banks’ loans. Also, over the next six weeks money could become exceptionally tight as State spending slows seasonally. Far better, then, to be prepared.

What this camp would like to see is some sort of formal arrangement between the big commercial banks and the Reserve Bank whereby together they would stand prepared to provide any small bank with sufficient funds should it run up against any shortage of liquidity that could not be handled in the normal way.

There is strong speculation in financial circles that something along these lines is indeed under consideration in Church Square. If so, it must be clearly thought through. In particular, if such a scheme comes into operation, those involved ought to be quite clear about its likely duration — and ultimate purpose.

It will be one thing if economic conditions steadily improve as the year progresses. For it might then be possible to demonstrate convincingly that fears about the small banks are unfounded, and the problem would go away.

However, a more convincing scenario is that many sectors of business will remain under considerable pressure throughout 1977 and that uncertainty about small banks will therefore persist. What then? Rescuing lame ducks in the knowledge that they will be able to stand on their own feet later on can perhaps be justified. It is a different matter if aid has to be more or less permanent.

In fact, if there is to be any aid at all, it should surely be flanked by a major effort to rationalise the whole banking structure. That points to the need to engineer a reduction in the total number of banks from 51 to a much smaller number via mergers and consolidations. Any small fry left over, who are unable to stand on their own feet, could use the ensuing breathing space to slowly wind down their operations and disappear from the scene.

An aid scheme, if it eventuates, should also be regarded as an opportunity to answer a pertinent question: what, if any, is the responsibility of those large financial institutions which have significant shareholdings in banks? Are they prepared to come to their aid should they get into trouble?

Nedbank, for one, is quite emphatic on this point.

A current Nedbank brochure, inviting customers to invest in fixed deposits, states:

Your investment is backed by SA’s largest financial group. We don’t just guarantee the interest rate. We also guarantee that you’ll get every cent of your capital back, without delay, at the end of the investment period.”

Presumably that means the Old Mutual, the largest shareholder in Nedbank, guarantees its deposits.

Is Sanlam, in the same way, prepared to back, in the likes of Trust Bank and Santam Bank in which it has sizeable shareholdings? Not that any of these banks are in the slightest trouble: we refer to them by way of example only.

Undoubtedly, deposits are attracted to certain banks in the belief that they are backed by their larger institutional shareholders. So in that sense one could say the institutions do have a moral obligation not to walk away from their investments should they get into trouble.

It’s certainly a point to be clarified.

Arguably, another weakness is the fact that there is only a cursory official scrutiny of the quality of a bank’s loans and advances. No one in Pretoria really knows, for example, whether or not a bank has a dangerously large number of eggs in one basket. This is something that needs to be closely re-examined.

Finally, there is the question of undisclosed profits and undisclosed reserves. Depositors need to be able to make sound judgments about where to put their money. How can they do so without knowing a bank’s true profits and reserves? The concession by which banks can put undisclosed amounts from current earnings into undisclosed reserves should be withdrawn and all banks should go on to a full disclosure basis in their annual reports.

Looking at the problem as a whole, the present difficulties of the small banks could be turned out in disguise. Creating the machinery for some sort of special help from the bigger banks and Church Square may indeed be a timely step. And if that help is forthcoming, the opportunity should be used to persuade bankers, big and small, to play their part in putting their industry onto a sounder footing.

Sanlam’s Andreas Wassenaar . . . would he back his banks?
Banking will never be the same again

The Trust Bank is now entering an era when under reasonably normal circumstances, the benefits of its policy decisions of the past should begin to pay off handsomely —
Jan Marais, Trust Bank Chairman, December 1976

Those who know how proud Jan Marais was of Trust Bank and how fiercely he defended its independence can only come to one conclusion: he must have been dragged screaming and protesting into the Bankorp fold. For he had assiduously over the years tried to build himself into a near impregnable control position where he could be virtually a law unto himself.

For him to have accepted the Fall from Grace implied by the humiliating terms of the Bankorp reverse take-over (he will be TB’s sole representative on the combined board despite the fact that TB’s gross assets are twice those of the Bankorp group) suggests either that a gun was put to his head, or that he had painted his bank into a corner.

Either way it’s a fair assumption that at the heart of TB’s weakness lay its excessive involvement in long-term property commitments (Lengro, Glen Anil, Hofman, Sandglen and Trump) and increasing unease in the public’s mind as to how much these would cost the bank.

Our calculation, which TB hasn’t refuted, is that by 1976 its R64m equity investment in property had reached a staggering 103% of group capital with a further R41m of doubtful property loans (FM January 7).

The collapse of Rand Bank at the end of January, due directly to its own Glen Anil exposure, inevitably also put the spotlight on the most heavily property oriented of the Big Five. Not surprisingly, cautious depositors were inclined to review their involvement in all deposit-taking institutions — big or small — which seemed likely to be over invested in land, bricks and mortar.

Another indicator of mounting anxiety has been the steady decline on Trust Bank’s share price (45c on suspension to yield a high-risk — indicating 14,6%) which made the raising of additional capital by a rights issue impractical. That extra capital was desirable has been showing up in Trust Bank’s marginal adherence to its minimum statutory requirements.
With Sanlam/Bankorp now firmly wedded to Trust Bank there can be no need for any more anxiety. Whatever short-term financing problems Trust Bank may have to meet, Sanlam/Bankorp will be there to inject whatever extra funds may be needed.

What of the new combined group? Gross assets will amount to well over R2 bn of which Trust Bank contributes more than two-thirds. But in terms of net assets the two components are more or less in line — a point which illustrates Trust Bank's huge gearing. Market capitalisation of the two is also roughly in line.

Notwithstanding the struggle behind the scenes, there is plenty of scope for rationalising the two groups. There seems no reason why Sanbank should not absorb Trust Accepting Bank (to make it by far the biggest merchant bank). And Bank of Johannesburg's, Trust Bank's and Kreditbank's HP and leasing business could well be merged to yield substantial savings and create the biggest general bank. And a switch of Trust Bank's cheque accounts into Volkskas would enable Volkskas to challenge the supremacy of Barclays and Standard.

Given this potential it would be no great sweat — and a generous gesture — for Bankorp to absorb Rand Bank and set depositors' minds at rest.

Of course Jan Marais' flamboyant style will sit uncomfortably alongside the low-key competence of Sanlam's Pepler Scholtz, the eminence grise behind the Bankorp scene. Even so the deal looks a better option for Marais than previous unsuccessful attempts to merge Trust Bank in with the equally incompatible conservatism of Volkskas.

Another Rand Bank victim

The pillar of Corporate Acceptances' business is about to take a battering. Here's why...

Laurie Korsten, 35, has long been regarded as one of SA's bright young bankers. As he moved from Trust Accepting Bank to Finansbank, then formed his own Corporate Acceptances (CA), his stature grew. Sadly his reputation for initiative and expertise, the pillar of his business, is about to take a battering.

And the freeze on Rand Bank deposits claims yet another victim.

CA, an investment holding company also providing financial advisory services, has a subsidiary called Corporate Brokers Pty (CB). The former is run by Korsten; the latter, operating as money brokers, by Guy Macleod, who enjoyed a 25% share in CB's profits. So smoothly was CB operating, and so watertight did Korsten consider its procedures that the time spent by Korsten in overseeing its day-to-day management became minimal.

On January 12 the CB board (including Korsten and Macleod) decided that clients themselves should be advised against depositing funds with Rand Bank, and that client funds (mainly on call and the balance on relatively short-term) already invested by CB should be reduced expeditiously to a maximum of R1m from the then level of R2,1m. Subsequently, according to Korsten, Macleod advised CB management that he had carried out this board decision.

On January 31 Rand Bank was placed under curatorship and its deposits frozen. To their consternation it has subsequently emerged that CB clients at that point were involved with Rand Bank not for R1m but for R2.7m of which slightly over R1m was neither authorised by the clients themselves nor was in line with the decision of the CB board — which had in fact made arrangements for the balance to be paid out by Rand Bank on January 31.

Lending clients now want this unauthorised R1m of call money back, but CB is unable to comply. It believes, but is not yet able to confirm, that this amount is with Rand Bank. This week Korsten temporarily suspended CB's operations and announced that its records "are such that the movement of funds lent and borrowed through this agency (CB) cannot presently be traced with certainty in all cases". Further, "CB would draw to the attention of the various clients intending to make repayment of borrowed monies direct to the principals who lent such monies, that no reliance should be placed on information hitherto furnished by CB as to which of its lending clients' funds have been placed with such borrowing clients".

CB's method of operation was to attract funds from lending clients to whom it would recommend suitable borrowing clients, such as leading industrial companies and registered banks. The lender, having made his selection, would make out a "not negotiable" crossed cheque in favour of the borrower. Both lender and borrower would then, on CB forms, make out respective acknowledgements to one another of the loans. CB calculated its agency commission as a percentage of the rate paid by borrower to lender.

To ensure that call money could be immediately repaid, as a service to clients, CB kept a trust account from which it could make out cheques to lenders simultaneously with their calling up loans from borrowers. The lender would thus receive a CB cheque on calling up a loan and the CB account would simultaneously be replenished by a cheque from the borrower. This account was also used for administration and the distribution of interest payments.

Subsequent to the board directive of January 12, the rate being offered by first-class corporate borrowers for such call money was in the vicinity of 10%.
contrast, Rand Bank was desperately (in retrospect) offering around 11.5%. Macleod was tempted by this higher rate to divert the funds to Rand Bank instead of to corporate borrowers, as the lenders had directed. Incidentally, the profits of CB (in which Macleod's personal interest was substantial) would benefit to the extent of the full 1.5% differential instead of merely from the 0.5% commission payable.

From about January 12 onwards, and unknown to members of CB's board other than Macleod, funds arising from lenders — although this had been made out to the borrowers of their choice — were, unknown to the lenders, called up by Macleod from the borrowers shortly (hours or days) after they had deposited the cheques in their own accounts. These funds were then redeposited in the CB trust account and then re-invested by CB on call with Rand Bank and other higher yielding borrowers.

Once in the CB trust account, however, the funds lost their identity. With millions of rand passing through each day, Macleod's revised system made it impossible to match rand lent to rand borrowed. When the music stopped, not only were lenders funds locked up in Rand Bank, it could not immediately be determined whose funds they actually were.

Macleod alleges that in fact after Rand Bank was placed under curatorship CB altered its records to switch some lenders out of Rand Bank and others in. Hence the confusion. Needless to say, Macleod is no longer with CB.

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**THE OTHER VIEW**

- **Asked for comment, Macleod replied:**
  - **My share of profits was 25% for the first four months of CB’s current financial year (ending 28 February 1977), and 10% for the last eight months.**
  - **On January 12, the board did not specifically decide that clients should be advised against depositing funds with Rand Bank. What was decided, and communicated to me, was that by the end of January, we should have not more than R 1m with Rand Bank.**
  - **I advised CB management subsequently to January 12 that the decision to leave a balance of only R 1m would be carried out, and actually arranged with Rand Bank that it would repay all funds except for R 1m on January 31.**
  - **Funds given to Rand Bank between January 12 and 26 were, first, funds which clients specifically approved and earmarked for Rand Bank and, second, funds derived from Cape Trustees via other banks.**

Independent auditors Alex Aiken & Carter are urgently examining the books to reconstruct records of all money brokered transactions. On completion CB hopes to be able to advise clients of their positions vis-à-vis Rand Bank.

If repayment in full is obtained from all persons or institutions where client funds have been placed, particularly from Rand Bank, there will be no capital shortfall. There may, however, be continuing difficulties over interest charged.
Slowly ahead

The African Bank of SA will soon open a branch in Diepkloof, Soweto in addition to its Ga-Rankuwa branch. If it flourishes, and capital is accumulated, more branches will follow. What are the prospects for one in “white” Johannesburg? After all, some of the White banks are moving into Soweto.

The African Bank’s general manager, Allan Wentzel, tells the FM: “An agency in Johannesburg is in our plan, but we have to sort out the question of locality.”

Registrar of Banks, Wynand Louw, says approval of new bank branches depends on the need in any particular area. He warns that if the African Bank spreads out too quickly, there is a danger of its over-reaching itself. So “at this stage I cannot allow more branches”.

The Bank is in any case constrained by its “Blackness”. It must expand on a “ratio” basis only, whereby each urban area branch has to be paralleled by a rural branch. Louw claims that this is a government policy which ensures that there is service rendered in the Bantustans “to give a broad balance”.

Sam Motsuenyane, chairman of the bank, says the ratio scheme is the result of his fight against the original government ruling that he was to trade only in the Bantustans. He points out that Black spending power is in fact concentrated in the White areas. Despite this, he wants other banks to open up in Soweto so as to give a “complete” service.

The African Bank is a “general” bank at the moment and cannot run current accounts. Motsuenyane points out that some White-owned companies are its biggest depositors.
Stitched up?

Will Governor Bob de Jongh's measures to boost confidence in the small banks stitch up the hole in their money pockets? On Wednesday, the money market was certainly more bullish than it had been for many weeks. Small bank paper, which had become virtually non-negotiable, showed the first signs of life.

Bankers GM Koos van Aswegen explains: 'That the Reserve Bank, Treasury and the big banks have taken steps during this confidence crisis is a step which will assist the banks. In particular, relaxation of interest rate control on deposits over R250,000 will enable bankers to spread their deposit bases and investors to spread their risks.'

Mercantile MD Charles Ferreira agrees: 'This move will be the start of the arrest of the slide in confidence in the small banks.'

Other bankers, however, question whether investors will be tempted back. With profit margins already squeezed small banks will only be able to pay a certain amount on deposits and no more — perhaps not enough. After all, no guarantees have been given by Pretoria to depositors.

Besides allowing greater competition for funds in the money market (the ceiling was reintroduced last year because the building societies were squeezing that they were losing deposits to banks), Church Square's plan involves the normal extension of Reserve Bank accommodation to small banks (eg by discounting acceptable securities) and the provision of a R55m fund through the NFC with contributions from the Big Five banks.

The banks which already have surplus deposits on call with the NFC will simply convert part of these into fixed deposits, which will earn interest slightly in excess of the NFC call rate, currently standing at 7,73%.

Pool funds will then be lent to banks by the NFC against paper not rediscountable at the Reserve Bank (eg debtors). Terms and conditions have not been disclosed, though bankers believe they will be favourable, one suggestion being 9,5%.

Is R55m sufficient (small bank NCDs and interbank deposits stand around R150m)? Some have their doubts. But, on the other hand, the Reserve Bank is also prepared to discount liquid assets in the normal way, so on balance current liquidity strains should be overcome.

Doubts about the solvency of some of the banks are another matter. They probably will not be allayed until there is an upturn in the economy. But whether their bona fides have been re-established is another matter.

FIN. MAIL
25/2/77 (58)

MANUFACTURING - Iron, Steel, Engineering and Metallurgical Industries

HEALTH & DISEASE - Nutritional diseases.

HOMELEADS - General

POVERTY

File material on personnel and supervisory management here. Include material on or by S.A.I.P.M., N.I.P.R., Univ. of O.P.S. Division of Personnel Research, N.D.M.P. and schools of business administration.

File here material and comment at national and regional level on economically active persons e.g. S.D.P., and Dept. of Labour's biennial MANPOWER SURVEYS.

MANUFACTURING - Iron, Steel, Engineering and Metallurgical Industries

Specific sectors and industries

Include both formal and informal restraints.

Reserve for formal apprenticeship only.

File here material on training schemes which fall short of full formal apprenticeship leading to craftsman's status.

File only material applying to the sector as a whole. Be specific where possible.
Crash will affect thousands

The Argus Correspondent

JOHANNESBURG. — Thousands of people will be affected by the crash of Glen Anil — so many that one banking source has described the prospect as "catastrophic."

An estimated 15,000 people, who bought land from the group on a deed of sale, owe an estimated R1-million on their land.

Their position — particularly in view of the fact that the group has pledged its land and debtors' books as security for its debts — is in jeopardy. Fortunately, possibly as many as 80 percent, hold land in proclaimed townships which gives them some measure of protection.

In terms of the sale of Land on Instalments Act, they rank as preferential creditors with only bondholders taking preference and if the property is sold in execution they stand a chance of recovering some, or all, the money they have already paid for their stands. Alternatively they can pay off the balance owing and take transfer of their land.

For all the thousands of Glen Anil customers to raise sufficient money to take transfer would require tens of millions of rand and it is unlikely that this money could be obtained.

Those who are buying unproclaimed land on terms have no protection and merely become concurrent creditors in the event of the seller's insolvency.

UNDERMINED

The hundreds of employees of the Glen Anil group stand to lose their jobs at a time when not many good jobs are available.

The possibility of thousands of Glen Anil stands being thrown on to the market in sales in execution is enough to give property men nightmares.

Property prices could plunge. Deed of sale-selling would become almost impossible and public confidence in large property companies would be undermined.

Shareholders

Shareholders, whose funds in the group amount to more than R34-million, may lose everything.

It is not yet known what will happen about the 15,000 people who have bought stands from the group on deed of sale or who hold contracts for stands in townships not yet proclaimed.

The men who made the decision to withdraw support — described as "agonising" by one source — were: Mr. M. H. Vooloo for the Bank of Johannesberg, Mr. Bob Aldworth and Mr. Colin Waterson for Barclays National Bank, Mr. C. J. S. Oakley for Hill Samuel, Mr. G. S. Muller for Nedbank, Professor F. J. du Plessis for Sembank and, as curator, for Rand Bank, Mr. G. M. F. Oxford for the Standard Bank and Mr. N. M. J. van Hensbergen for the Trust Bank.

Biggest sum

The bank owed the biggest amount is the Trust Bank, whose lendings to Glen Anil are authoritatively reported to amount to R41-million. Nedbank is the next biggest lender and its exposure is put at R28-million.

Standard is believed to be owed R13-million, Sembank about R5.5-million. (Continued on Page 2, col. 6)

(See Page 18)
BLACK LEASEHOLD

Legislation in sight

Legislation to amend the Building Societies Act to enable the societies to extend mortgage loans to prospective Black homeowners is on the cards. At present, the 30-year leases available to urban Blacks provide insufficient security.

According to a leading member of the building society movement, a statement on government's intentions will be included in the Prime Minister's statement on last week's meeting of the PM's Economic Advisory Council, which dealt with the question of direct institutional funding of Black housing. The statement is expected shortly before or after the March 30 Budget.

No fewer than three memoranda on Black housing and financing were studied at the EAC meeting. Financial Institutions Registrar Wynn Louw submitted a study relating to the role institutional lenders might play in a housing programme: the Association of Building Societies presented its arguments on the question of loan security; and the Urban Foundation submitted a memorandum on urban Black land tenure.

The building societies put forward a convincing case, stating they would be in breach of depositors' trust, if they were to advance inadequately secured mortgage loans.

They made it clear they had no intention of pressurising government to depart from the basic tenets of its policy regarding Black freehold land ownership in the Common Area. But they are eager to lend against the security of a registered lease, provided all doubts are removed about the tenious status of would-be Black borrowers in the Common Area.

To do business on a leasehold basis, the societies insist that leases be given statutory inviolability. They should not be subject to arbitrary cancellation; they should be transferable; and they should be run in perpetuity. These conditions are fundamental to the basics of building society business — protection of the value of the security.

The building society movement is divided on the question of what to do before the necessary changes are made.

Explained Albert Marais, president of the Association of Building Societies, this week: "The majority of member societies would prefer to lend directly to urban Blacks on a merit basis, but until such time as legislative changes make this possible, societies are able to make finance available through Bantu Affairs Boards, and opinions differ as to whether this promotes true home-ownership in the accepted sense of the word."
The Section 27C poser

The legal teaser in the Bankorp takeover of Trust Bank is Section 27C of the Banks Act. This clause, which was only introduced last August, states:

"A registered bank controlling company shall not directly or indirectly control more than one banking institution in any class of banking institution. Provided that a banking institution shall not control another banking institution of the same class as the first mentioned institution."

Did Bankorp, a bank controlling company, which already owns one active general bank, Bank of Johannesburg, and a dormant general banking licence (the old Federale Bank) simply disregard the rules? MD Willem Pretorius answers: "The law applies to us as to everyone else, and we will obviously take cognisance of it in our future planning. Moreover, the matter was discussed with the Registrar of Banks."

Asked to comment, Registrar Wynand Louw explained that "as the law now stands the situation (of three general banking licences) may have to be changed. Alternatively, the Technical Committee on Banking may have to look into the position and if the situation merits it, the Committee can recommend an amendment to the law."

The fact remains the take-over was an infringement of the Banks Act. Since no one is going to challenge its legality in Court the deal will no doubt be consummated.

Another shocker

Last year's amendment to the Banks Act not only caused complications for acquisitive bank holding companies. There were other difficulties. Take investments in property and shares.

In terms of Section 21A a bank's total investment in fixed property, loans and advances to property holding subsidiaries, and shares, including shares in subsidiaries, may not exceed the bank's paid up capital and unimpaired reserves. However, where "fixed property or an undertaking" is bought in by a bank to protect its investment such an investment is excluded from total property holdings for five years from the date of purchase.

Nevertheless, some banks still far exceed the ceiling on such assets. For example, at the end of December 1976, Trust's net capital and reserves stood at R56.5m. Yet its investment in bank premises, other property, and issued shares came to a staggering R83m (premises (R54m), shares of subsidiary companies (R5m), shares in other companies (15m), and property bought in, probably more than five years ago, R9m). In addition, look at the balance sheet item "other fixed properties" which Trust's assistant GM (Finance) Don Slade explains includes equity investment in property (other than premises) and loans and the bank's own mortgage loans to property companies which are not subsidiaries (eg Glen Anil), and which "do not fall within the ambit of the Act". They come to another R80m. That all totals R163m on capital and reserves of less than a third of this figure.

MD Anker Burger explains that this position existed before the amendment came into force in August 1976. Since then Trust, like other banks, has submitted full particulars about these investments to the Registrar but has received no response.

Registrar Louw's view is that "it takes time to comply with the law and that certain situations which must be changed existed before the law came into effect." And his office is working on new returns (which call for additional information) which take into account the new requirements of the Act.

Fair enough. But what on earth is the Trust Bank group doing taking on Trump's property portfolio when it seems that, in terms of the spirit if not the letter of the law, it should be doing no such thing?

See employers' organisations, etc.

See education, university, secondary, etc.
AFRICAN BANK

Mangope's brush-off

By Chief Leo Mangope's Bophutha- 
Thwanedi government, Mangope's 
Government's Bophutha- 
Thswana (B.T.T.)

Opposition leader Chief M. N. 
Masiulane says it is. He points to a 
recent speech by Mangope to Bophutha-
Tswana traders in which he and his 
government would have nothing to do 
with the African Bank. Mangope also 
announced that a Bank of Bophutha-
Tswana will be launched after the Bantu 
states achieve Transkei-style indepen-
dence towards the end of this year.

Masiulane fears that Mangope may 
encourage local traders not to bank with 
the African Bank and suggests that the 
proposed Bank of BophuthaTswana may 
offer commercial banking facilities.

"If this happened, it would mean that we would be asked to support a 
trivially-based, state-run commercial 
bank," he adds. "This is ridiculous. The 
African Bank is the first nationwide 
financial initiative by Blacks and we 
should be supporting it fully - not set-
ting up rivals."

He is also sceptical of the proposed 
Bank's viability. "What chance of 
success does a small, ethnically-based 
bank have? If Blacks are to make an 
impression on the financial scene, we 
should be pooling our resources, not 
splitting them up into so-called ethnic 
groups.

African Bank's headquarters are at 
Ga Rankuwa in Bophutha-Tswana, and 
its relations with Mangope's government 
are therefore of some importance.

African Bank's Sam Motsuwa, one 
says, has no attempt to persuade 
Tswana to support his Bank, and 
brands the decision not to work with it as 
"a retrogressive step. We are attempting 
to work with Homelands governments 
and have offered them shares in the 
Bank," he says. "Garankulu and 
KwaZulu have both taken up our offer, 
and we expect to begin operating in Tran-
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**BUILDING SOCIETIES**

**Cupboard is bared** 14/77

The R120m that the building societies will have to funnel towards prescribed government stocks will come straight out of the borrowing kitty. It means R120m less for building society bonds.

In the 1976 calendar year, the SA societies lent a total of R1173m (R1 050,9m for houses and the rest commercial). If this year's lending is a similar figure, the R120m represents a shade over 10% of total lending that cannot be lent anymore.

With the Stellenbosch University economists and others arguing that the home building industry needs priming because it is a key sector of the economy, that 10% chop is a disaster.

A 10% reduction in the main source of home financing is not priming. No wonder that Building Societies Association director David Alston says that the Association has "serious doubts" about the R120m requirement. What he and his Association are too diplomatic to say is that they have "serious doubts" about the wisdom of it.

Make no mistake, the Association believes that the R120m requirement, coupled with overall illiquidity in the economy, is "certainly likely to severely cur- tail building society lending forthwith".

Those bond queuers are going to have to be even more patient than they have been so far.

One other point: Finance Minister Horwood justified the R120m requirement from the societies by saying that they have a reasonable inflow of funds at the moment and that there has been a fall-off in the demand for home loans.

The first is true, though it may change suddenly if other forms of investment increase their relative attraction to savers. The second is also true, but is not the whole picture. Though the demand for loans has dropped, it is still greater than the availability of loans. There are still more applicants that can be satisfied.

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<td>Babanango, Danhauser, Newcastle, Ngwato, Vredekloof, Utrecht, Vryheid</td>
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Financial Mail April 1 1977

continued/
Details on R520m
to public sector
known tomorrow

Michael Chester, Financial Editor

The final formula on how the pension funds and insurance companies will be required to channel around R520m into the public sector coffers, which they were alerted about on Budget Day, is likely to be spelled out in detail tomorrow.

Senator Owen Horwood, Minister of Finance, plans to set out precise proposals — and to dispel a considerable amount of confusion — at talks in Cape Town.

Representatives of the building societies, which have been exempt from statutory investment requirements over the past six years but which now must find R120m, have also been invited to the talks along with the pension funds and insurance companies.

So have representatives of the banks, which between them must raise an additional R120m in gilts and semi-gilts in the current fiscal year.

So far, the only clue to a formula for the R520m extra from the pension funds and insurers has come from Mr Gerald Browne, Secretary for Finance, who has described the total as "indicative of what is needed rather than an exact calculation."

Snippets from the office of the Registrar of Financial Institutions suggest that Senator Horwood will set out to steer about 46 percent of the 1977/78 growth in assets of the pension funds' and insurers into the public sector.

This would leave about half of the growth, in assets at the disposal of the private sector.

Senbank has published its own homework on how the final will look, assuming the Minister will go for a full R760m from the four sectors. As a yardstick:

- Pension funds and insurers will need to put R342.2m into RSA stock and R176m into public corporations.
- Building societies will have to put R78.5m into RSA stock and R41m into public corporations.
- Banks will be required to find an identical R78.5m for RSA stock and R41m for public corporations.

Such a formula, if followed, would neatly cover the additional R260m prescribed; requirement for semi-gilts and leave around R800m for government gilts.
The increased subs
thinking. In the
better compensati
cood, B.E.D. will exerci
tese subsidies at

BARCLAYS
15/4/77
Internal dissension?

Barclays National in Johannesburg was quick to deny speculation this week that the underwriting furor in UK anti-
apartheid circles about its R10m Defence Bonds purchase would speed up plans for the parent company, Barclays Bank International, to reduce its present 63.8% stake to below 50%.

The argument advanced over the weekend in the London Observer was that the contradictory positions of BBI — under pressure in one direction from the anti-apartheid movement, the Third World and the British Foreign Office — and Barclays National under similar pressure in the opposite direction from the SA government and clients — were untenable.

It argued that Anglo/De Beers, with 18% of the equity and with a seat on the Barclays National Board, could take up the number of shares required to make the SA holding 50% without difficulty. The foreign holdings must be reduced to 50% by 1986 anyway.

But Bob Aldworth, managing director of Barclays National, told me the argument was ‘sheer speculation’ and denied that any essential conflict existed between BBI and Barclays National, despite criticism of the SA Defence Bonds purchase by BBI’s chairman Anthony Tuke and senior general manager, Frank Dolling.

Apart from BBI’s 33.96m shareholding in Barclays National, the ‘vast majority’ of the remaining shareholders are SA residents. It would require either a SA-only rights issue, in which BBI waived its entitlement, or the direct transfer of shares from BBI to SA hands for the 50% local ownership edict to be effected.

Assuming non-resident holdings, apart from those of BBI, to be negligible, such a rights issue would need to create 14.7m shares to equalise present SA holdings, amounting to 19.3m, with those of BBI. This would be expensive even at a discount to market price. Only slightly cheaper would be the transfer of 7.3m shares from BBI to SA hands — the other alternative. At the current price of 263c that would cost R19.3m.

Anglo De Beers could no doubt afford that, but has little to gain from such a move (as BBI would still have 49.9% odd). It would have 32% of the equity — if the authorities allowed it.

With its existing 18% stake, seats on the Barclays National board and its position as a customer of Barclays, Anglo already has a significant say in the affairs of the bank. It would gain little by increasing its stake, especially with shares yielding only 7% in the face of mounting capital requirements for its mining projects. So the issue of whether or how BBI will speed up reduction of its stake is unresolved at this stage.

Stanbic’s parent, Standard and Chartered, has avoided similar pressure so far. It has a limited branch network in the UK and is therefore less sensitive to political pressure. Moreover, it has kept a low profile in sensitive areas, like Defence Bonds, which Barclays National exploited for maximum publicity — and certainly succeeded beyond its wildest expectations.

Stanbic will probably go on reducing the parent’s holdings piecemeal with rights issues like that of last year, which reduced its stake from 70% to 67.4%.

David Corte
Contact with other farmers who allow their workers’ the school; corresponds with the B.E.D.; and co-
rect inspector of education. 14/

13/ The school is ultimately responsible for financing the
14/ duties are probably assumed by the headmaster in the

Financial Mail April 15 1977
Supervision of marketing policies proposed

The Argus Political Staff

The insurance industry faces the possibility of considerable extensions of the State’s powers of control over its business.

Proposals to this effect have been made by the House of Assembly in the Insurance Business (Amendment) Bill, which was passed in 1971, in its report and tabled in Parliament.

The chairman and other members of the committee were the House Select Committee on Insurance, Mr. W. W. Louw, who said the committee’s recommendations could be divided into two groups. The first group was concerned with the general powers of the committee and the second with the prohibition of harmful practices.

The committee’s recommendations included:
- Giving recognition to the contributions that professional officers such as auditors and actuaries can make towards the maintenance of sound business practice and by proper supervision and control.
- The report states that it must be accepted that the State cannot enforce a degree of moral control which would be intolerable and inconsistent with the principles of self-regulation.
- While the committee’s report deals with the principles of general insurance, it is believed that the recommendations made in the report are applicable to all types of insurance.
- The report states that the State should make it clear that it is not in any way statutory control, that the committee’s recommendations should be made and that the committee’s recommendations should be made in the best interests of the policyholders.

Compulsory investment: Review is urged

The Argus Political Staff

The Leuve Commission has strongly criticized the principle of the State compelling insurance companies to invest a large proportion of their assets in Government and public sector stocks.

The commission’s report shows that the situation has been complicated by the fact that the investment of insurance companies is not subject to the same regulations as those of other companies.

The report says that the commission’s recommendation of compulsory investment in Government and public sector stocks is necessary for the purpose of ensuring a balanced economy.

The commission’s recommendations are based on the following considerations:
- The report states that the commission’s recommendations are based on the fact that the insurance business is not subject to the same regulations as those of other companies.
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- The commission’s recommendations are based on the fact that the insurance business is not subject to the same regulations as those of other companies.

Need for changes in war cover outlined

The Argus Political Staff

The Leuve Commission has outlined the need for changes in war cover, stating that the current war cover is not adequate to cover the risks faced by the policyholders.

The commission’s recommendations are based on the following considerations:
- The commission’s recommendations are based on the fact that the current war cover is not adequate to cover the risks faced by the policyholders.
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**PREScribed INVESTMENTS**

Worse than anticipated  
Financial Mail 22/4/77 (8)

The outcome of last week's meeting on prescribed investments between the Minister of Finance and the institutions concerned (insurance, pension funds and building societies — banks were not included) was worse than generally anticipated.

- Total prescribed investments for insurance companies are to be increased from 30% of total liabilities to 35%, including the "voluntary" increase of 2% at the end of 1975. However, the 3% is tentative at this stage and may have to be slightly increased after the position of the public corporations has been determined. The sub-minimum of total prescribed investments to be invested in government stock is increased from 15% to 17.5%.
- For pension funds the percentages are increased from 50% to 55% and from 20% to 22.5% respectively and the same provisions apply.
- Building societies will have to invest a minimum of 10% of their liabilities, including their liquid assets in prescribed investments. The exemption granted in 1971 has been withdrawn. The Minister will prescribe the percentage of total investments to be held in government stock at longer than three years, and debentures, or stock of public corporations and local authorities.
- Banks. The present 10% in prescribed investments, of which 5% has to be in government stock, will be increased to 15% and 8.5% respectively.

In all cases the increased investments will have to be made according to a proportional scale, with specified percentage increases for the periods ending 30 September 1977, 31 December 1977 and 31 March 1978.

In general it has been reluctantly accepted that the increases were unavoidable. But, as Sanlam's MD Pepler Schultz remarked: "It's one straw after another on the camel's back, and it's the poor policy holder who pays!".

Both Schultz and Old Mutual's MD Jan van der Horst plead strongly that at least government interest rates should be "fair" (as Senator Horwood promised in the budget speech).

The difference between rate on government stock and public corporations, and between government stock and company debentures have fluctuated a lot during recent years and are now 1.6% and 2.75% respectively.

"What constitutes a fair rate?" queries Van der Horst. He points out that in SA the differential between government stock and corporate debentures is way out of line with that of other countries.

From this Van der Horst argues that, assuming a discount rate on the long term company debenture rate of 4% to 12% is typical in a free market, and given a SA rate of 13.8% on company debentures, the government rate should be 4% to 12% less, which would give an interest rate of 12.1% to 13.2% on government stock.

In the past the differential in SA was much lower than it is today.

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**November 1976 — All Figures in %**

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NEW CONTROL
Sought on
Fund-Raising

Parliamentary Correspondent, N. M. E. C. Z. 4. 17

CAPE TOWN — A Government-appointed commission of inquiry has recommended that any organisation which openly collects money should be registered to protect the public from possible abuses in the collection of the R135 million raised annually by voluntary organisations in South Africa.

The commission also urged new controls over any money sent out of the country or any money sent into the country, a tightening up of the measures governing affected organisations and control over money sent from overseas to cover defence costs in security trials.

The new measures are contained in the report of the commission of inquiry into the collection of voluntary financial contributions from the public, tabled in Parliament yesterday.

The three-man commission was chaired by Professor D. A. van den Heever. The other members were Professor Hendrik Cilliers and Mr. W. C. Loots.

The commission found the present situation in connection with the so-called "border funds" to be "unsatisfactory" and called for greater co-ordination and control over funds.

"The commission can predict that the different funds will help the same group of people and that this will not only lead to overlapping but could also lead to a chaotic situation through which dependence will be created — something which militates against the principle of community work and which must be resisted at every cost," the commission said.

It therefore recommended that a central aid fund for soldiers and other servicemen, including their dependants, should be established under the protection and direction of the Department of Social Welfare and Pensions.

It recommended that no funds should be collected from the public for this purpose without the approval of the central fund in whose name fund-raising would have to take place.

The commission also recommended that any person who collected money on behalf of an organisation, for whatever purpose, should be in the possession of a licence, subject to certain provisions.

These licences would be issued by senior welfare officials in the various regions.

The commission's 301-page report, which has been released only in Afrikaans, also makes recommendations over health organisations, educational bodies, cultural organisations, religious groups, sports bodies, university rag funds, service clubs, commercial collections, professional fund-raisers, emergency funds, refuge funds, chain letters, house-to-house collections, street collectors, tax allowances, investments by voluntary organisations, the use of competitions, publicity, control of school and hospital funds.
United reaches R2 billion

JOHANNESBURG — The United Building Society, which took 83 years to reach its first billion in assets, has taken only five more years to reach the R2 billion mark.

This was announced by Mr Phillip Sceales, the Chairman of the United, at a press conference at which he reported the society's preliminary results for the financial year ended March 31, 1977.

The United is the first building society in South Africa to reach R2 billion in assets.

Commenting on the phenomenal growth of the United, especially in the past few years, Mr Sceales disclosed that it had taken the society ten years after its establishment in 1899 to reach R100 000 in assets; 27 years to reach its first million; 58 years to reach its first R100 million; and 75 years to reach the R500 million mark.

In its latest financial year the assets of the United had risen by about R180 million to total R2 025 million, compared with the record R234 million increase achieved in the previous financial year.

During Mr Sceales' term of office as Chairman over nearly eight years, the society's assets have increased by R1 336 million or about 104%.

At the financial year-end share capital totalled R95 million, having increased during the year by more than R93 million. Fixed deposits totalled R413 million, and savings deposits R517 million, showing increases during the year of nearly R23 million and R52 million respectively. An estimated R8 million is to be transferred to reserves at March 31, 1977, when total reserves will amount to about R62 million.

DDC

...and then Perm's assets up

JOHANNESBURG — The assets of the SA Permanent Building Society increased by more than R140 million to more than R1 548 million during the financial year ended March 31. Loans granted during the year amounted to more than R200 million, or nearly R1 million a working day.

Share capital rose by more than R37 million while deposits increased by R53 million.

Mr A. F. V. Viljoen, general manager, says that during the year economic pressures stimulated increased support for tax-free investments while causing dwindling support for fixed-term deposits.

It would appear that withdrawals had been made from savings accounts to help balance family budgets. This in turn could be attributed to price increases for consumer goods.

The society was proud of the fact that during the year it had increased its market penetration by nine per cent over the previous year which had been a record year in the Perm's 94-year history.

The society's lending record over the past year was, considered an excellent performance in the light of the current economic climate.
Gordon puts kibosh on Horwood’s claims

State to grab 65 pc of insurance and pension cash flow

By MICHAEL COULSON

NO LESS than 65% of the cash flow of life assurance and pension funds for the fiscal year to March, 1976, will be compulsorily applied, according to Mr. Donald Gordon, chairman of the Guardian/Liberty Life Group.

Mr. Gordon, who was addressing the group’s annual meetings in Johannesburg yesterday, said that the first major figure in the affected sectors to speak out openly, confirming the calculations that have been made by analysts since Senator Horwood’s Budget speech in March.

Mr. Gordon said the amount available for financing private sector requirements, already hit by recession, inflation, unemployment and monetary restrictions, would be left at an insufficiency level.

Although he appreciated the reasons for balancing the 1977/78 Budget, the Government’s excessive call on this vital and traditional generator of long-term capital must be seriously questioned, and the long-term effects on the economy carefully assessed.

On the basis that South Africa was essentially a mixed economy, with the private and public sectors playing complementary roles, it was necessary for sound economic development that the private sector should not be “squeezed out” of the capital market by the public sector.

The diversion of long-term capital from the private sector could delay an economic recovery, he said.

Mr. Gordon also supports the need for full reassessment of the current design of the capital markets stocks, at unrealistically low levels, which amounts to an additional tax burden on the insurance industry and pension funds, and thereby directly on the long-term savings of the public.

In avoiding the implications of the free market mechanism, the Government is losing the opportunity of broadening its accessibility to long-term funds, and will consequently make itself more and more reliant on compulsory and increasing import duties on the savings industries, he says.

As far as the specific affairs of the group are concerned, Mr. Gordon is more sanguine. He says Liberty Life’s premium income so far this year is slightly ahead of corresponding 1976 levels, and he hopes the second half-fall-off experienced last year will not be repeated.

This year should again produce record new business levels and substantial further growth.

On the short-term side, Guardian has also achieved excellent progress in developing its premium income, and there are signs of a substantial improvement in the past few years’ disappointing underlying results.

The action taken by the short-term insurance industry to restore the market to profitability appears at last to be bearing some success, and Guardian SA should therefore show a substantial improvement on recent results.

Since the end of 1976, a number of major developments will have far-reaching effects on the insurance industry, the life assurance industry, the life side in particular.

Mr. Gordon cites the regulations to control, and reduce, underwriting commissions; the broker commission; the commission of inquiry into long-term insurance; and the increased statutory requirements to invest in public stocks.

He says these will have a great impact on the life insurance industry, and a deep and lasting influence on the entire economy.

On balance, in spite of current economic conditions, he is confident that the group’s strength and powerful financial base will bring further progress this year, enabling shareholders to look to another successful year of growth.

COMMENTS: Mr. Gordon’s authoritative remarks must surely put the final kibosh on Senator Horwood’s plans should he have ever been born — by such calculations as outsiders have been able to make — that the insurance industry would have as much money to invest in the private sector as in the public sector this year.

He confirms — were any confirmation needed — that the Government’s immediate financial needs are forcing it to hamper the private capital market, and it is no longer able to fill any significant part of its capital needs from abroad.

No wonder, some relatively minor public sector issues have been so heavily oversubscribed, as canny fund managers try to fill their books before borrowers, realising the size of the capital market that produces such oversubscription, move to mark down yields even more sharply — a process that will aggravate the uneconomic returns on public loans referred to by Mr. Gordon.

The implications for the private investment and savings industries are terrifying. Any meaningful upturn in the economy (Johannesburg Stock Exchange) market has been firmly hit or hit the head.

And even though this is a secondary market, the diversion of funds to what is generally regarded as the less efficient sector of the economy can only further delay any revival in fixed investment.

As the moment, when there is the capacity in many areas, this may seem of no great importance. But in the long run, broken economic growth is impossible without a pick-up in private fixed investment.

When this fails to materialise, we can no doubt expect another deluge of statements from ... of exploring the relative importance of the private sector to invest.

A phenomenon made all the more ironic by the fact that it is the very shackle of the private capital market to satisfy the insatiable public sector demand for capital that is one of the most important reasons behind the shortage of private risk capital.
It's the chop for 10

Glen Anil companies

Chief Court Reporter

TEN companies in the Glen Anil group with liabilities amounting to millions of rands were placed in liquidation by order of the Rand Supreme Court yesterday.

These were among the 13 companies in the group placed in provisional liquidation in March. The court was told that the 13 companies, all controlled by Glen Anil, had liabilities of R6747349, which included a claim of R5117221 by Glen Anil.

Yesterday the provisional orders against three of the companies, Park Glen (Pty), Flora Glen (Pty) and Ventura Properties (Pty), were extended to June 7.

Mr Justice McCreadie was told most of the companies owned undeveloped land in the Witwatersrand area.

Dowerglen Shopping Centre (Pty), one of the companies put into liquidation yesterday, owned a property in the Germiston area said to be worth R1710342.

The other companies put into liquidation yesterday are Windsor Glen Shopping Centre (Pty); Dovalands Investment Co (Pty); Sabsan Investments (Pty); Sandiglen Cresta (Pty); Arbor Glen (Pty); Meadow Glen (Pty); Glenlea Shopping Centre (Pty); Weltevrede Development Co and Mont Anlif en Mer (Pty).
Insurance: A touch of over-cure?

The Report of the Commission of Inquiry into the long-term insurance industry has on the whole been well received. Even those who maintain that the life industry doesn't need government interference concede that a lot of good work has been done. Many of the recommendations are welcome; for instance, those concerning the removal of tax anomalies, compulsory investments in government stock, more discipline in marketing, moves towards greater disclosure and recognition of the desirability of "proper" bases, unique to each insurer's circumstances, for the valuation of assets and liabilities.

Predictably, there is opposition to the wide powers proposed for the Registrar. But these should be largely counterbalanced by the recommended permanent Standing Advisory Committee to the Registrar. Furthermore, the Commissioners believe "that the wide powers we recommend will by their very existence have a salutary effect so that in practice it will seldom be necessary to exercise them."

Guarantee Life's MD Dr Schlomo Peer was dubious: "I'm not convinced that there is a problem that needs a cure. The Report mentions freedom of action but recommends complete control."

The Report sees the duties of the State as being:
- "to ensure that long term insurers make provision on a sound basis for their future contractual obligations during the extended period before these obligations have to be met;"
- "to protect the equitable interests of policyholders" (At various points throughout the Report the importance is stressed of protecting policyholders' "reasonable benefit expectations" as opposed to merely their legal entitlement); and
- "to promote fair marketing practices in view of the special features and complications of life insurance, and to promote the effectiveness of the market mechanism of competition by setting fair standards of disclosure".

It is stressed, however, that controls should be weighed against their possible inhibiting effects on the ability of the industry to innovate and meet the needs of the insuring public.

Clearly much would depend on the Standing Advisory Committee, whose members would be appointed by the Minister. It has already been given a long list of matters to look into. (Presumably its members should be professionals not representing individual companies. And if it is to perform its most important function of giving the Registrar important advice, surely it was a mistake to recommend that the Registrar be chairman.)

To enable the Registrar to detect weaknesses in an office's financial position before it is too late, more frequent information is called for, in particular annual instead of triennial valuations of assets and liabilities.

Further points in the Report:

Investment: The Commission recommended that the principle of compulsory investment in prescribed securities should be reviewed in the interests of policyholders. One unversally popular proposal that certainly won't be accepted at present!

Investment linked business: "Linked business is still developing and further innovations are likely to be introduced. The approach of the Registrar should be flexible and any problems should be referred to the Standing Committee."

Despite this promising approach, the Commission has drawn up a set of rules for linked policies such as do not apply at all to conventional policies:
- Only one form of investment-linked policy should be allowed;
- No maturity guarantees should be permitted; and
- Insurers should only be allowed to include unlisted securities and fixed properties in linked portfolios subject to the rules of valuation being approved by the Registrar, and the Registrar should have the right to limit the proportion of any specified class of asset in linked portfolios.

Both Schlomo Peer and Liberty Life's Mark Winterton express reservations about the prohibition on maturity guarantees. Says Winterton: "I see no compelling difference between giving

Guarantee Life's Peer . . . not convinced. Metlife's Bloomberg . . . going too far
R7.5m debt provision trims Barclays profits

Johannesburg. - Operating profit in the six months to March 31, a 7.5m additional provision for doubtful debts trimmed Barclays National Bank's earnings. The interim dividend has, nevertheless, been raised to 27.6c a share (32.7c). The interim payment is 10c (9c). In the full year to March, earnings were 54.0, of which 9c was paid out by way of dividends.

The interim report says a further additional bad debt provision may have to be made at the end of the financial year. Barclays National's managing director, Mr Bob Aldworth, says the provisions were not made with any particular bad debts in mind, but just as a matter of prudence. The bank's exposures are on Glen All (up to R4m) and Corbett Drive (unquantifiable), he says, as parts of that group are still trading.

He confirmed that Barclays Western Bank is now operating profitably, and although I did not get the impression that it is making much of a contribution, he said that it is doing well in the HP market and actually exceeded its new business target in the past two months.

The group, said Mr Aldworth, is now operating close to its ceiling. With demand for agricultural credit seasonally high at this time of year, he expects this to continue until at least mid-July. He believes the banking sector as a whole is fairly fully lent.

The decision to increase the dividend is a sign that management is confident about the overall position. The R7.5m provision, to put it in perspective, is only equivalent to 15c a share, and must be compared with total capital and disclosed reserves of R201m - the first time this figure has been reached.

While it is impossible to forecast earnings in the face of potential further provisions at the year-end, if the pattern of recent years is maintained there should be at least another 1½ increase in the final dividend - maybe even 1c. This would give a total of 20½c to 21c. At 20c the yield pattern is just about the lowest in the whole banking sector, indicative of the market's regard for the share's investment merits.
what grandiously named "Mint Series New Money Fund," it really isn't a major breakthrough, nor even a "radically new approach," as deputy managing director Ron Cowley modestly claims.

Even so, the new money concept is new on the South African pensions scene, and, as such, it's very much to be welcomed. It's a concept that has been used successfully overseas, particularly in the US, for many years.

Basically, the approach is that the fixed interest element of a pension fund is normally up to 70% in a matter of choice and of statute which now requires 35% in gifts and semigifts as regarded as being invested on a year by year basis, with the "new money" earning the rate of interest applicable to the year in which it is actually invested.

That sounds elementary, of course, and in fact the way that new monies accruing to privately managed funds are applied. But the majority of medium to

large funds are managed under the popular "deposit administration" method, and here new monies are pooled with old monies to provide an average rate of interest for the pool as a whole.

The pool concept, as Cowley points out, "results in a complete distortion of the pattern of income yields being declared on the investments." And, when interest rates are rising, new money is subsidising "historical" money, although the converse applies when interest rates fall. Under the Mint Series plan, each year's money inflow earns the rate of interest that is actually applicable to it.

A quick check among the bigger pension brokers shows that African Eagle's initiative is welcomed. "On balance, it's a good contract, and another useful tool in the pensions trade... but it's not one that will see the elimination of other, existing, useful tools," said one industry leader.

But, he added, "I'll be even more interested when I know what investment and administration charges are involved."
FARM LABOUR IN THE EASTERN CAPE, 1950-1973

Outline:

1 Introduction: purpose
2 The Eastern Cape: the farm economy and labour requirements
3 The farm labour force: size and composition
4 Farm wages
5 Labour condition
6 Labour problems
7 Conclusions
8 References

G.G. ANTROBUS
Department of Economics,
Rhodes University,
GRAHAMSTOWN

August 1976
South Coast empire

Five property firms collapse

Mercury Correspondent

PRETORIA—Five more companies in the multimillion-rand Tulryk Natal South Coast property empire crashed yesterday, a week after the final liquidation of the parent company and main subsidiary.

Final liquidation orders were granted on Monday in the Supreme Court at Pretoria by Mr. Acting Justice Phillips.

Last week Messrs. Tulryk Ltd. and the main subsidiary, Messrs. Tulryk Development Company (Pty) Ltd., were placed under liquidation.

An eighth company in the group, Messrs. Part Plus Beleggings Beperk, has been placed under provisional liquidation but its return date was extended to June 14.

Liquidated on Monday were Messrs. Onz Kan Ok Beleggings, Edms Bpk, Pretzannmar Beleggings, DMS Beleggings Maatskappy Edms Bpk, Frederik Beperk, Jorcas Eindomme Dms Beperk and V D Trading Agencies Ltd.

The whole action follows the crash of the parent company, after the Bank of Johannesburg had applied for Tulryk's liquidation after the company had been unable to meet loan obligations.

The Bank of Johannesburg had loaned the organisation R5 million for projected extensions to Natal South Coast holiday flats.

Focal point in the litigation was three blocks of flats in the Amazintshi estate — High Tide.
 drafted 19/11/87 by Willard, 5th ed.


Dr Anton Rupert 9/6/87.


PICK N PAY

More funny money

Pick n Pay will be opening two new hypermarkets this year in Cape Town and Bloemfontein, and a further two in Durban and Johannesburg are scheduled for 1978. Except for the Cape Town hypermarket, which will be owned but bonded, the others will be financed off balance sheet. Southern Life will leave back the Bloemfontein hypermarket which is expected to cost R2m, while a consortium headed by Guardian Liberty Investment Corporation will do lease backs on the other two at an estimated cost of R17m.

Despite Pick n Pay’s R13m of cash in the bank, plans are in hand to increase the equity base ahead of the big expansionary push into hypermarkets. This base is currently R12m or 22% of gross assets of R55m. UAL is arranging underwriting on a R5m automatically convertible preference share issue, and delaying announcement of the exact terms until the last minute. These will only be known on June 14, the day of the
What’s Rupert up to?

Rembrandt seems to be moving away from the concept of expansion through partnership to direct portfolio investment. But whether the move into banking was motivated by a genuine desire to enter this field, or more by the need to broaden the spread of bank shareholdings across a wider spectrum of Afrikaner businesses, will probably, because of the secret way things are done down at Stellenbosch, never be known.

Sanlam and Rembrandt, until the Fed Mynbo deal, maintained a distant relationship. Now Rembrandt has suddenly purchased a 20% interest in Volkskas, effectively from Sanlam, and is negotiating to buy a 20% interest in Bankorp, also from Sanlam.

Sanlam originally owned 28% of Volkskas, which was reduced to under 10% as a result of the unscrambling of the Volkskas-Bankorp connection at the time.

Rembrandt’s board representation. In fact Rembrandt’s total holding will only confer on it 7 votes in a general meeting while any individual shareholder, whether he has one share of 1s, will have one vote. The only way that Rembrandt could exercise any influence over the affairs of the bank would be if the sitting Volkskas board were to invite it in. So far it has shown no inclination to do so.

Rembrandt’s second step, the proposed purchase of 20% of Bankorp, is less explicable. Why would Rembrandt want to have a 20% stake in the two rival Afrikaner banking groups?

The Sanlam group is again the potential seller but Rembrandt’s exact commitment will have to await the outcome of Bankorp’s stand-by offer for Trust.

Rembrandt’s outlay in Bankorp will be a minimum of R6,6m up to a maximum of R9m. Acceptance of Bankorp’s terms accounts this year could become even more meaningful than in the past.

That Rembrandt is getting a foot in the doors of both Afrikaner banking groups seems to belie the fact that Sanlam was prepared to channel its business away from Volkskas into Trust and other associates in retaliation to Volkskas refusing to play ball over Trust. In turn, the concept of the new Bankorp, backed by Sanlam’s muscle, is now becoming implausible.

Volkskas has long-standing business associations with Sanlam, while the extensive branch network is hard to compare to the platteland. Must be in mind of possible marketing outlets. It is not obvious why Rembrandt would sell at a lower price than the bank itself.

Van Huyssteen, Rupert... banking can damage your health

when Volkskas refused to be pushed into a merger with Trust and left Sanlam to sort out its banking problems on its own.

The other 18% was temporarily placed in the hands of “friendly institutions” before being placed with existing Volkskas shareholders, as the bank itself could not buy back its own capital. Volkskas has now arranged for it to be built up to a round 20% and at the striking price of 240c, the parcel will cost Rembrandt R10,3m and give a yield of 7.9%.

No new shares have been issued by Volkskas, and Rembrandt thus becomes the largest single shareholder but with no by Trust shareholders now looks like being at a higher percentage than originally contemplated so Rembrandt will probably be spending a total of close to R18m on its entry into the banking held.

That Rembrandt is proposing to take stakes of exactly 20% is significant. Last year Rembrandt equity accounted for every thing that was between 25% and 50% owned, which included Fed Mynbo, Gen Min and Union Corp as well. This could easily be adjusted downwards to accommodate 20% interests, in line with some overseas practice. So bewildered shareholders beware. Rembrandt’s

Richard Stuart

Financial Mail May 27 1977
BANKING SCHEMES

Reviving good ideas

Barclays Bank may regret the price it paid for Western Bank. But some of its marketing ideas are still working.

Its special saving account, for example, was very popular. It offered 8% interest, calculated on daily balance; withdrawals and deposits at all branches; five free cheques a month; no ledger fees; monthly itemised statements; and HP or home improvement finance.

Wescard, Western Bank's multipurpose credit card (which could be coupled to the above special savings account), was withdrawn at the end of February. Good credit risk holders were advised to apply for Barclaycard; poor credit risks were dropped. Customers with outstanding debt balances (Wesbank offered revolving credit at 18% a year) were given the option to pay back over six, 12 or 24 months.

The savings scheme, however, was revised on March 1 under a new name, Multiwavve. This also offers five free monthly cheques, as did Wescard. These, however, are available only from Barclays Western Bank outlets, not from Barclays own branches.

There are precious few of them — 60 countrywide, of which only four are in
Mending a fence

Reports that the Registrar of Financial Institutions has agreed to allow commissions paid to brokers on term policies to rise by up to 183% are true. But they have caused unnecessary confusion.

Recent legislation pegged maximum commissions to 85% for ordinary life and endowment, and to 30% for term, but no specific provision was made for "reinforced" (or hybrid) policies. These, basically, add varying amounts of term to a life policy. As a result, there was the prospect of endless difficulties in determining what level of commission should be paid on each hybrid.

It has now been arranged that all recurring premium policies (other than retirement annuities) are to be treated alike — i.e., for reinforced policies the whole premium can attract up to 85% commission. (This is an arithmetic 183% increase on 30%.) This will remove the disincentive to sell reinforced policies, which are inherently sound.

Straight term policies will also carry the higher commission rate. This is a relatively minor concession as little term business is written, such policies being appropriate only in special circumstances.

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**Table 1:** No of Regular Farm Labourer

- Cape Province
- Table 1: In relation to the Cape Province
- Table 2: The labour force in the Cape Province
- Table 3: Coloureds. The total number of farm employees in the Cape Province were 468 of which 90% were Black, with 8% Coloureds.
Spes Bona bank may be opened to all races

By GORDON KLING

SOUTH AFRICA's only coloured bank, the wholly-owned Coloured Development Corporation subsidiary, Spes Bona, is negotiating with the Government for approval as an open bank to serve all races in a move which could have wide ranging implications for other apartheid financial institutions.

Disclosing this following questions at a press lunch in Cape Town yesterday, the bank's general manager, Mr A J Keszler, said it would continue to be classified as a coloured business regardless of the outcome of the negotiations and it would require a permit to operate in white areas.

The bank was the centre of a controversy last year over a loan across the colour line to a former cabinet minister, Mr Jan Haak's collapsed Transvaal mining group.

The United Party finance spokesman, Mr David Baxter, yesterday welcomed the move towards open status. He did not believe business should be confined on the basis of race.

"I'm strongly in favour; the white banks are open; why shouldn't a coloured one be?"

The Progressive Reform Party spokesman on financial affairs, Mr Harry Schwarz, said the party believed institutions should be multiracial, but if they were created for a community they should look after that community.

The possibility of Spes Bona becoming an open bank automatically raised questions on the status of the Indian-based New Republic Bank, and the African Bank, he said.

He did not object to the move, but more important than who a bank did business with was who controlled it. It was important to get blacks, coloureds and Asians into ownership positions in a free enterprise economy, he said.

The registrar of financial institutions, Mr Wynand Louw, confirmed the Spes Bona negotiations but said that the matter was now the responsibility of the Minister of Coloured Affairs, Mr H H Smit. The Minister was not available for comment last night.

I understand that a primary motivating factor behind the negotiations is an effort to improve the image of the bank in an effort to boost expansion. Branches in the central business district of Cape Town would have obvious business attractions, but the current "coloureds only" policy would stand out in a more embarrassing light than in coloured areas where existing branches are located.

Open status would also clear up anomalies resulting from financing coloured businesses which, in turn, do business with whites.

Steyn advises investors

Political Staff

THE SECRETARY FOR COMMERCE, Mr Joop Steyn, yesterday told private entrepreneurs not to allow their reactions to investment opportunities to be dictated by considerations which reflected a total disregard of South Africa's determination.

Opening a new Transvaal factory Mr Steyn said that while South Africa's investment rating had suffered a setback because of political and economic developments in Southern Africa, investors should also not disregard the country's capacity "to solve its present difficulties in a manner conducive to the future economic and political stability of the country".

The Republic was committed to the maintenance of private enterprise and the private investor who put his money into South Africa "has an unqualified assurance against the expropriation of assets by the State", said Mr Steyn.

He climbed into woman's bed

BETHLEHEM. - An African man who climbed through a broken vent last year and lay down naked next to a sleeping woman was yesterday sentenced to eight years by Mr Justice L C Steyn. The judge found Petrus Mlangeni, 24, guilty of housebreaking with intent to rape and assault with intent to rape with aggravating circumstances. The woman, who had been awake and struggled with the man who had then tried to strangle her, evidence said. - Sapa
Cape Times
8/6/77

Bank may make pay out this month

JOHANNESBURG. - Rand Bank, crippled in the aftermath of the Glen Anil debacle, hopes to make an initial repayment before the end of this month to most depositors, the curator, Professor Fred du Plessis, said yesterday.

"We are still looking for some money coming in, and I cannot be specific," he said, "but I would hope to make an initial repayment of the order of around 15 percent by the end of this month. It could be slightly more."

Professor du Plessis said he had negotiated successfully with about 90 percent of depositors. They had cooperated when he explained that the intention of returning all deposits could be effected only if depositors were willing to accept lower interest rates on their deposits.

The basic formula he had used in the negotiations was to ask depositors to accept an interest rate of seven percent against the eight percent or higher they had been expecting.

"I am still negotiating with the other depositors and remain hopeful that we will get 100 percent acceptance."

"There has been only one flat refusal from one small depositor, and even then I feel there is still room for negotiation."

The few who would not cooperate would have to wait before they received any money, he said.

The timing and amount of repayments would depend on the cash flow of the banks itself, dependent on assets maturing and becoming liquid and the realization of assets. - Sapa.
Stanbic's R12m Glen Anil provision

JOHANNESBURG. — Standard Bank Investment Corporation's earnings a share in the year ended March 31 dropped from 56,53c to 41,35c after the provision of about R12m before tax against the group's exposure to the Glen Anil property group.

The directors say in a statement accompanying the year-end results: "This makes provision for the maximum possible loss and future profits cannot be adversely affected. "Everything will be done to ensure that the assets realize fair value and recoveries from claims could result in future credits to income."

The group has held its final dividend at 14.5c for an unchanged total of 22.5c.

Group operating profit was higher at R38 363 000 (R37 374 000) but taxation rose to R15 100 000 (R13 656 000). Transfer to general debt provision, less deferred taxation, and extraordinary times brought net income down to R21 211 000 (R25 122 000).

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<thead>
<tr>
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**TABLE II**

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<td>1.1-1.5</td>
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<td>10.9</td>
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<td>2.1-2.5</td>
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**TABLE III**

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<tr>
<th>Ratio of</th>
<th>Unskilled</th>
<th>Skilled</th>
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<tr>
<td>1:4</td>
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<td>1:7</td>
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**TABLE IV**

Distribution of labour, numbers employed and farm size by farm type.
Dear Sir,

I have pleasure in forwarding to you an offer of an apartment in the newly developed building in Southern Africa, which is close to the University of Cape Town. The apartment will include papers delivered at the conference on the theme "Le Rêve" and is expected to appear in the first instance to the Journal of the Association. The submission fee in the instance of French papers will be $500.

I hope you may be interested in this offer.

Yours sincerely,

[Signature]

May 1977.
GOVERNMENT BONDS
Tax-free delights

Yet another storm burst on the banks and building societies on Wednesday when Finance Minister Owen Horwood revealed the generous terms of the Defence Bonus Bonds and a new series of Treasury Bonds.

The Defence Bonds will offer an interest rate of 8%, of which 5% will be tax-free and the remaining 3% will be credited to the "lottery" fund for subsequent prize allocation.

The bonds — which should be on sale by October — will be available in denominations as low as R5, and will be redeemable after one year. Winning numbers will probably be drawn monthly, and prizes are likely to be mouth-watering: one between R20,000, and R25,000, one at around R12,000, and numerous smaller ones from R5,000 down to R50.

The original idea of a bonus payable on redemption has been shelved. Though no mention has been made of maximum holdings, the bonds are to be sold freely over Post Office counters, with no record of buyers. So it's unlikely that a maximum will be enforced.

The five-year Treasury Bonds (available from August 15) will offer an 8% tax-free dividend. They will be sold in multiples of R100 with a minimum of R500, and can be cashed within 18 months of purchase. Maximum individual holding will be R40,000.

The terms of both new issues will undoubtedly compete strongly with building societies’ tax-free shares, which also offer 8% but whose maximum holding is limited to R10,000. Moreover, despite the lower tax-free return on the Defence Bonds, the gambling element is likely to make them as attractive as building society shares, especially to the small investor.

Association of Building Societies’ director David Ablon is more worried about the Treasury Bonds than the defence lottery: “The Treasury Bonds seem to have been sprung on us. On the face of it, they’ll offer competition because of the R10,000 limit on paid up shares.

“But tax free shares still have the edge on the Defence Bonds, which effectively only offer 5% tax free.” Other building society men are more worried.

“The new issues will definitely have an effect on building societies,” says SA Permanent assistant general manager Keith Gibbs, “and I can see the schemes giving us a bit of a headache.”

Another building society man shares Gibbs’ concern: “People in higher income brackets seeking some measure of tax relief will avail themselves of the bonds,” he notes.

What’s the societies’ next move? One possibility is to push for an increase in the R10,000 ceiling on tax-free shares. But with Pretoria’s high local borrowing commitments, chances are the societies’ pleas will get an unsympathetic hearing.

Financial Mail June 10 1977
out of the Liefboats

Most banks are now

BY NIGEL BRUCE
knowledge scant on the quality of individual bank lending portfolios, it appears that Finansbank, Concorde Bank (despite its youth) and UDC Bank (just in time) have run their businesses along these lines.

Bank of Lisbon and Bank of Athens, although more into retail business, have the advantage of loyal and less avaricious depositors in the communities they serve.

Boland Bank and a host of smaller rural banks are in similar positions. In this category fall banks like Bank of SWA, Fidelity Bank, British Kaffrarian Savings Bank, Cape of Good Hope Savings Bank and Stellenbosche Distrikbank.

While there is no reason to doubt its viability, Bank of OFS, which came short in property and allowed its retail business to mushroom, might find itself, as did Voogdy some years ago, not unresponsive to merger with Boland or, possibly, Volkskas. The nature of its agricultural business and geographical spread fits in well with those of these to two larger banks. And, after all, its merchant bank has already gone to Volkskas.

But, of course, the stimulus to merge may also come from shareholders who see more favourable returns elsewhere. In this light Messina’s interest in Concorde has to be viewed, as well as SA Breweries’ in UDC (although in view of what it paid it might have to sit out the rough weather) and Wesco’s in tiny Rand Merchant Bank.

UDC’s other large shareholder, Britain’s UDT, is still heavily into the Bank of England’s lifeboat, which might encourage it to liquidate its interest here as it has done elsewhere. Although as UDC’s Ian Summers points out, the proceeds from its sale won’t help UDT significantly to get out of the lifeboat.

A further difficulty in gauging the outlook for independent banks, particularly Afrikaans ones, is what appears to be a growing philosophical schism between Volkskas and Sanlam which could cloud commercial objectivity.

Be that as it may, whatever future bank groupings are in store, the banking community has certainly grown more robust as a result of its recent trials. Moreover, it has recognised the need for skilled and experienced managers and for the conscious assessment of commercial risk.
CONCORDE BANK

Finansbank bids

Concorde Bank was suspended on Monday because of negotiations between an unlisted company and Messina to purchase Messina's 42% stake in Concorde. If Messina accepts the offer the same offer will be made to all other Concorde holders. But meanwhile shareholders will have a couple of weeks to wait before any definite offer is made to them.

The market is rife with rumour as to the identity of the unquoted bidder. But several "people in the know" have confirmed to me that Finansbank is the bidder.

They key question is how much will Finansbank pay? Messina's stake of 2,4m shares is worth between R1,1m, valued at Concorde's pre-suspension price of 45c, and R2,5m on the disclosed net asset value of 104c. This, of course, does not include the sum stacked away as undisclosed assets. A fair price would be around the 80c per share mark.

For Messina, the sale would be the tidying-up of a loose end and the offer is not untimely, as banking becomes more and more difficult. Furthermore it has not been a field in which the group has excelled. The proceeds would be helpful, while the loss of dividend receipts is negligible, at R26,000, in the context of Messina's R14m earnings last year, as is the marginal decrease in net asset value.

Concorde would fit in very neatly with Finansbank's operations, giving added strength and at the same time securing Sanlam's muscle. Sanlam lent Concorde Leasing (as it was before its deal with Staalwerkspaarbank) R30m some years ago and this sum makes up the bulk of Concorde's deposits. Sanlam's consent to the offer is obviously important and there is reason to believe that it would be quite happy to see Concorde go to Finansbank, which has a reputation for sound management. However, I am assured that Sanlam will not be financing the deal.

One of the most attractive features about Concorde is that it has a R2m tax loss, which is convenient to a bank which may want to shelter earnings from tax -- like Finansbank. Provided the combined group continues to run the leasing book, it will always benefit from investment allowances and can use Concorde's tax losses. It does not seem that Finansbank sees Concorde as the means to a listing.

Gail Pemberton

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Monthly CASH WAGES: permanent labour, 1973

<table>
<thead>
<tr>
<th>Number of farms</th>
<th>Monthly cash wage, R1067</th>
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<td>299 farms in the Eastern Cape</td>
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Average monthly cash wage = R9-89
TABLE NO. 5

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<thead>
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<th>Type of</th>
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<tr>
<td>Farm</td>
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Sources: Ballo, R.P.

The farmer off
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993

As schools are usually situated at some distance from the nearest village
or town, the teacher is normally housed, by private agreement with the
farmer, on the property itself. The prospect of housing numbers of
teachers may act as a disincentive to expansion of schools with the
attendant demand for further teachers.

PUPIL ENROLMENT

In order to attempt to evaluate the penetration of education into the
rural environment comparison of enrolment over a time span is useful.
This question will be dealt with more fully later but it is apparent
that the proportion of children in farm schools has remained fairly
constant over 13 years.
ALLIED TECHNOLOGIES LIMITED
("Altech")

ALLIED ELECTRIC (PROPRIETARY) LIMITED
("Allied")

STANDARD TELEPHONES AND CABLES
(SOUTH AFRICA) LIMITED
("STC")

Barclays National Merchant Bank Limited is authorised to announce that agreements have been signed in terms of which Allied and STC will become wholly owned subsidiaries of Altech. The agreements are subject to the consent of certain regulatory authorities and the transaction as a whole will require the approval of the shareholders of Altech.

Altech is currently the holding company of Altech and its principal business is the manufacture and marketing of electronic and electrical products, electronic components and solid state systems. STC is wholly owned by Standard Telephones and Cables Limited of the United Kingdom. STC manufactures and markets telecommunications equipment, electronic components and business and data communications systems. The consideration to the vendors of the two companies will be:

In respect of Allied, the issue of 4,757,777 fully paid ordinary shares of R1 each in Altech.

In respect of STC, the issue of 3,059,354 ordinary shares of R1 each and 3,403,000 11 per cent cumulative redeemable preference shares of R1 each in Altech, both fully paid, and the repayment one year after the issue of the shares of a loan of R250,000.

There are currently 1,700,000 Altech ordinary shares in issue, of these 524,103 ordinary shares presently held by a wholly owned subsidiary, of Altech, will be converted to 10% "A" cumulative redeemable preference shares of R1,00 each. On completion of the transaction Altech will have 8,964,028 ordinary shares in issue, of which 507,948 will be held by companies which will then be wholly owned by Altech. Of the remaining 8,396,080 shares, 63,7 per cent will be owned by South African shareholders, and 36,3 per cent will be owned by Standard Telephones and Cables Limited and its nominees. STC, therefore, will become a locally controlled company.

For the year to 28 February 1977 the earnings attributable to the ordinary members of Altech were R355,000 or 20,9 cents per share and the net assets were 114 cents per share. If the transaction had been effected at 28 February 1977 the Altech earnings on the increased share capital would have been R3,2 million or 37,8 cents per share and the Altech net assets would have been approximately R11,3 million or 134 cents per share, based on the audited financial statements of Altech and Allied at 28 February 1977 and STC at 31 December 1976.

Full particulars of the transaction will be given to members of Altech in the press and in a circular to members which it is expected will be mailed in August 1977.

The listing of the shares of Altech on The Johannesburg Stock Exchange will be reinstated with effect from the opening of business on Monday 27 June 1977.

23 June 1977

BARCLAYS NATIONAL MERCHANT BANK LIMITED
(Registered Merchant Bank)
Stanbic sets high target

Johannesburg — Standard Bank Investment Corporation has set a target return on shareholders' funds of 16 percent for the year ending next March 31, the chairman, Mr. Ian Mackenzie, says in his annual review.

He adds that in setting its objectives for the current year, the board has made a number of crucial assumptions which form the basis of its projected results. He lists a number of them:

- The world recovery will be at a moderate rather than explosive rate and commodity prices will level off and then begin to improve again;
- The price of gold will not fall below $125 dollars an ounce;
- The oil price increases by the OPEC countries will be moderate;
- Monetary and fiscal policies will remain restrictive for the full period to March 31, 1978 and the money supply increase will be at annual rate of 9.5 percent — over the same period;
- Credit ceilings will be partially lifted before the financial year-end;
- Overall, 1977 can be expected to produce (compared to 1975) an unchanged level of gross domestic product.

Mr. Mackenzie said financial plans from group companies based on these assumptions had been drawn up and accepted by the board. These resulted in the expected return on shareholders' funds being close to 16 percent.

Recession

"The uncertain factor, however, is whether the recession will continue for longer than expected," he added.

The group expected to pay a dividend on ordinary shares of approximately 50 percent of distributable profits, after preference dividends, he said. No additional capital would be sought during the year, he added.

The group's operating profit in the year ended March 31 rose substantially before disclosed and undisclosed changes for distribution dropped by 15.6 percent to R21.2 million.

"The next 12 months will be critical for southern Africa and the Government's handling of the situation will have far-reaching effects on the economy of our country and on business as a whole," Mr. Mackenzie said. — (Sapa.)
ASSETS UP

Financial Editor

THE ASSETS of the E.P. Building Society have increased to more than R443 million compared with less than R36 million five years ago. This news was given by Mr. G. J. Krige, chairman, at the society's annual meeting in Grahamstown yesterday.

Mr. Krige said that during the past financial year the society had achieved a growth of 20.4 percent in share capital and deposits in spite of adverse financial conditions. Bonds granted amounted to more than R580 million. At no time was the society able to meet the demand for housing loans.

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<thead>
<tr>
<th>Economic Regions</th>
<th>ASIAN REGULAR EMPLOYEES</th>
<th>TOTAL WAGE</th>
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MAP 3: DEVIATIONS FROM AVERAGE MONTHLY TOTAL WAGE FOR ASIAN REGULAR EMPLOYEES
Going courting?

Is Finansbank — which has long prided itself as SA's only "independent merchant bank" — willing to forego some of its autonomy? In particular, has Finans-

bank chairman Piet Liebenberg approached the US giant Chase Manhattan to take a share in his bank?

Comments Chase's country manager in Joburg Peter Gross: "There has been no official approach." Finansbank refuses to comment.

Rumour has it that should Liebenberg fail to bring in Chase, he would be interested in finding another foreign partner. Not surprising, bearing in mind that before Finansbank's bid for Concorde Bank its major growth area appeared to be its foreign business.

Though consolidated profit fell from R750 000 in 1975/76 to R60,000 last year, turnover on foreign exchange and trade financing business more than doubled. A foreign partner would obviously give this side of Finansbank's operations a major boost.

From the investor's point of view, Finansbank has several drawcards. Despite being the smallest of SA's eight merchant banks, the return on shareholders' funds (and on assets) is higher than any of its competitors. Moreover, Finansbank has a go-ahead reputation and a highly-regarded management team.

Political factors however would presumably weigh heavily with prospective foreign shareholders, particularly banks. And the plight of small SA banks might detract from Finansbank's attractions.
Ethnic banking

Growth has been slower than expected. The short-term is a time for consolidation

SA's three "ethnic" banks — the Indian owned New Republic Bank, the African controlled African Bank, and the Coloured Development Corporation's wholly-owned subsidiary, the Spes Bona — are finding ethnicity little safeguard against hard times.

While tiny by comparison with the white-controlled general banks (the three have combined assets of R27m and issued share capital of R2.9m against 20th ranked Bankovs with assets of R132m and share capital of R6.4m),

The New Republic Bank, launched in 1971 with a share capital of R700,000, now has assets of R10m, a staff of 40 and three branches, two in Natal and one in the Oriental Plaza in Johannesburg. It has announced that Standard Bank is to acquire a 50% stake. Explains Jagaram N Reddy, MD, chief executive and prime mover behind the merger:

"Though we made a small profit last year, the economic climate is making it very difficult for us to establish a satisfactory growth pattern, and as a small bank to be really competitive."

Having Standard as a partner should allay any potential depositors' fears, but what price the bank's ethnic status? The gap between the advanced white and the less developed black sector is too great for a purely ethnic bank to succeed at the present time, avers Reddy.

"One does not turn people into bankers in five weeks, or even five years." He sees in the merger the ideal relationship that should, he feels, characterise the entire economy.

"Only by means of real co-operation, where the partnership is not one of simple labour exploitation, but primarily one of job training and profit sharing, can we bridge the gap between black aspirations and achievements."

Spes Bona is also finding that the ethnic shoe can pinch; it recently applied to the CDC to go "non-racial". Though there is nothing in the bank's articles of association that determines the racial nature of its borrowing and lending, it has been tacit policy to date to operate along ethnic lines.

Spes Bona (assets R136.6m — four branches) is experiencing acute lending problems at the present time, according to CDC general manager Mike Penz.

This difficulty is highlighted by the breakdown of Spes Bona's current lending portfolio, with 55% of funds out on low-yielding mortgage bonds, 24% in hire-purchase, 14% in leases, and about 7% in personal loans, almost exclusively with coloured people.

Despite extensive efforts, the bank has problems finding high income yielding investments in the "coloured" market. Risks are high, and security is often doubtful. The directors believe that the scope of the bank's operations needs to be widened to gain access to the improved investment opportunities available in the "open" market without which it is felt, the bank's business will contract in real terms.

The African Bank of SA is the newest of the ethnic banks, and to the extent that ethnicity counts among depositors (most of its shareholders are Tswanas and Xhosas) it presumably has the largest potential market of any bank in SA. Yet even Afrifbank is finding the going rough.

Now in its second year of operation, despite the recent opening of its third office (in Umtata), Afrifbank has yet to turn a profit for its shareholders. Not that the bank is purely ethnic anyway, with the five major white banks (Barclays, Standard, Nedbank, Volkskas and Trust) holding 25% of the equity as founder shareholders.

Black spending power

Afrifbank has a further limit to its growth, in that government policy allows it to expand its branch network on a "ratio" basis only, so that each urban area branch has to be paralleled by a rural one. With black spending power concentrated chiefly in the urban areas, the ratio policy is a real restriction on the bank's ability to expand.

Chairman Sam Motsuynanye has frequently stated that he believes that blacks want capitalism and the banking services which are its backbone, but with an estimated 1.5m blacks unemployed, neither saving nor commercial investment is really possible for the bank's natural constituency at the present time.

In fact, all three banks admit that the greater portion of their funds are still drawn from white institutional investors. While representing a negligible portion of the institutions' investment portfolio, such investment represents around 60% of the deposits held by the ethnic banks.

In the light of this, the short-term viability of ethnic banks is doubtful. Indeed, with their "ethnic" somewhat diluted by recent events, their very rationale must be queried. Banking relationships are by their nature long term. A relationship built up over many years and often involving intricate and extended financial arrangements is not easily or advisably broken simply to express solidarity or to follow a fashion. The major banks, moreover, have long-standing ties to all sectors of the community, and are actively expanding them.

Nonetheless, the ethnic banks do hold the hope for the black community that in the long term they will provide a counter-weighing weight to white business interests, and that they will play a key role in the development of a black entrepreneurial class.

Reddy may be right however when he suggests that ethnic banking is essentially a transitional phenomenon, whose rationale lies as much in the scope it provides for blacks to be trained in the skills of banking and to share in its profits, as it does in the promotion of specialised services for the black community.

It has taken Sanlam over half a century to achieve its present eminence. It is unlikely that the ethnic banks will have a much shorter climb.
Johannesburg — The chance of material losses of capital by depositors with Rand Bank is very slim, says the curator, Prof Fred du Plessis, in his review of the year ended March 31.

Prof Du Plessis, who was appointed curator when the bank was placed under curatorship at the end of January this year, says a thorough investigation has shown that depositors will, in all probability, recover in full the funds they invested with the bank.

He does, however, qualify this with two provisos — that the bank is not forced to realise its assets immediately, "as such a step in the present economic climate, result in substantial capital losses.

"And that the interest and operating costs of the bank can be reduced substantially."

Prof Du Plessis said the direct cause of the bank being placed under curatorship was the authorities' fear than an expected deterioration in the financial position of the Glen Anil property group, to which Rand Bank had a material credit exposure, could lead to a liquidity crisis in the bank.

"After considering the results of a thorough investigation into the affairs of the bank, it became obvious that the most important uncertainty about its solvency is the final outcome of the claim against Glen Anil. At present it is not possible to obtain clarity over this.

"It would appear from the investigation that the reason for the bank's exceptionally large exposure to Glen Anil is mainly due to irregularities, for which former officials of the bank were responsible. This matter was immediately brought to the attention of the South African Police."

Prof. Du Plessis said all depositors, irrespective of whether the deposits or NCD's had already become payable or not, had been requested to agree to a reduction in the interest rate payable to seven per cent per annum from the date of curatorship.

"As a quid pro quo, depositors who agreed would receive a pro rata repayment as the cash flow of the bank permitted. It was anticipated that these repayments would take place at regular intervals. Depositors who did not agree to the reduction in the interest rate would not enjoy any preference on the timing of the repayment of deposits."

Prof Du Plessis said shareholders would not have any claim on the funds of the bank for as long as unsatisfied legal claims by the depositors still existed. — SAPA

"That old castle?" asked the young girl, pointing with her fingers at the Château de Chillon.

"No more than once," said Winterbourne. "You too, I suppose, have been there. I want to go there dreadfully. Of course I don't go away from here without having seen that old castle."

"You'll not go on your own. I don't think you can go by the little steamer."

"I can, or you can go by the little steamer."

"You have the cars," said Miss Miller.

"We have the cars," Winterbourne assented.

"But you take them right up to the castle, the young girl is riding last week; but my mother gave out. She suffers dreadfully."

"She said she couldn't. Randolph wouldn't go either; he is afraid of old castles. But I guess we'll go this week, if we get interested in ancient monuments!" Winterbourne inquired.

"You care much about old castles. He's only nine. He wants to be like his father's afraid to leave him alone, and the courier won't stay."

"He's only been to many places. But it will be too bad if we don't go to Chillon. He pointed again at the Château de Chillon."
GIFTS TO FOUNDATION
SHAREHOLDER CHALLENGES

If you're a South African society, you should be aware of the Foundation's commitment to corporate social responsibility. It is our responsibility to contribute to the development of the country. We believe that by supporting and investing in various initiatives, we can make a positive impact on society. Therefore, we encourage all shareholders to consider making gifts to the Foundation to support these initiatives.

The Foundation is committed to ensuring that the money goes to where it's needed most. We believe that by working closely with the South African government and other organizations, we can create a better future for all.

We encourage you to take action and make a gift to the Foundation. It is our responsibility to give back to the community and make a difference. Together, we can create a brighter future for everyone.
**OLD MUTUAL IN RECORD PAY-OUT**

**BENEFITS** paid to Old Mutual policyholders and their beneficiaries during the financial year which ended on June 30 reached a record R187 million, nearly R86 million higher than the previous year, the chairman, Mr. J. G. van der Horst, announced in Cape Town today.

This is only the second time in the history of the South African insurance industry that a life office has paid out more than R160 million in benefits in one year. Old Mutual also achieved it in its previous financial year when it paid out R111.3 million.

The largest payments were on death claims which totalled R116.7 million, up R18.8 million on the previous year.

Maturity benefits increased by R29.7 million to R219.6 million and disability benefits, which moved from R356,900 to R1.4 million.

Old Mutual's cross income rose slightly by R3.6 million to R183.2 million. Its cross premiums and considerations for annuities amounted to R325.6 million — before the deduction of reinsurance premiums which totalled R1.4 million.

Investment income amounted to R116.3 million, up R26 million on the previous year.

Following the South African Government's calls to increase investments in government, municipal and other prescribed stock, Old Mutual during 1976/77 increased its holdings of government stock by R64.9 million to R253.3 million.

Its holdings of stock in local authorities and utility corporations continued to rise, as Foreshore and Isscor, increased by R24 million to R247.3 million.

Loans to universities and other institutions by government or public utilities increased by R26.6 million to R105 million. Loans to its policyholders showed an increase of R3.9 million to R65.2 million.

# Schools

School

- The best in the country
- Already attended by
- Many future Olympic

School

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Mutual ontvangt R482 milj.

DIE Ou Mutual se brutonkomste het in die jaar tot einde Junie van jaar met meer as 20 persent of R81 miljoen tot R482 miljoen gestyg. Terselfdertyd het die voordele wat aan polshouers en hul naasbestandiges uitbetaal is, met 23,4 persent tot R137 miljoen gestyg.

Dit is die tweede keer in die geskiedenis van die Suid-Afrikaanse lewensverzekerye dat 'n verskerekaar in een jaar meer as R100 miljoen aan voordele uitbetaal.

On Mutual het hierdie prestasie ook in sy vorige boekjaar behaal, toe hy R111,5 miljoen uitbetaal het.

Toe mr. Jan van der Horst, voorzitter van die Ou Mutual, hierdie sfeers aan Sake-RAPPORT bekend gemaak het, het hy gesê dat hierdie toename in die uitbetalings en die feit dat die genootskap se inkomste die afgelope vier jaar meer as viervoudig toeneem het, 'n bewys is dat die klant wat Ou Mutual op diens plaas, dividend afwerp.

Net soos in vorige jare het die eise weens die grootste deel van die uitbetalings behels. Hierdie uitbetalings het die afgelope jaar met 21 persent tot R20,8 miljoen gestyg. Uitkeerwette het met R4,7 miljoen tot R20,8 miljoen gestyg, en uitbetalings weens ongesekerheid met R330 000 tot R1,8 miljoen. Uitbetalings ten opsigte van jaarwagte het met R1,7 miljoen tot R7,8 miljoen toeneem.

Effekte

Die Ou Mutual se beleggingsinkomste het die afgelope jaar R14,5 miljoen bedra. Dit is R26 miljoen meer as die vorige jaar of 'n toename van 23,5 persent.

Na die Regering se verzoek dat verskerekaars bui beleggings in staats-, municipale en ander voorgeskede effekte vermeerder, het Ou Mutual die afgelope jaar sy deel deeglik gedoen en sy beleggings hier met 34,5 persent of R44,9 miljoen vermeerder.
Mutual Pay

3pec more

BY TONY KONDREMAN

THE OLD Mutual, South Africa's largest


declared a dividend of R1.75 a share.

This year it is paying out more than R500 million, which

puts it in the top five companies in the country.

The dividend is paid out of profits after tax, and

it is a significant portion of the company's earnings.

The company's shares have been performing well,

with a steady increase in value over the previous year.

Mutual Pay, the insurance and pension company, paid

out dividends of R157 million in the financial year ended

June 30 — a 22% increase from the previous year.
The recent Top Centre Stores high-lighted some of the frustrations faced by business in the area of black advancement.

Government's command economy in this matter appears likely to be slightly softened by the proposed Association of Chamber of Commerce guidelines which Ministerof Justice, at a Provincial Industrial Development Council meeting in Port Elizabeth, is due to announce. Black businesspeople are already feeling the pinch of the black job reservation programme. The Government's community isolation has already taken its toll in the form of higher unemployment rates and lower pay for black workers.

One of the most important of these is the training of black managers and other senior staff, rather than simply providing for their appointment. Commerce, in particular, relies almost exclusively on house-and-store training of both black and white staff.

Since such training for blacks usually consists of actually performing a given task, such as selling, credit control, personnel supervision or even managing - under white supervision, the simulation of mixed race work situations creates enormous difficulties.

"The only way to learn how to buy, sell or manage, is actually to do the job," says Gavin Barnett, executive director of Edgars Stores, which has a large group of black employees. "Never before have blacks been offered the chance of completing their training in this way."

Over 55% of Edgars' 8600 staff is black, up from 30% 10 years ago. Management's commitment to black advancement is reflected in the number of senior black staff already employed by Edgars, several of whom earn R8,000 and more per annum.

A further problem faced by business is that at present permits for managers are granted to individuals rather than to stores. Thus every time a black manager leaves, the firm must go through the lengthy rigmarole of re-applying for permission to employ and consequently, at the board of directors and with the Bank of Commerce's board of directors to find a new manager.

One of the worst dilemmas for black advancement is obviously Barnett who, with 160 black staff, has to find a new manager for the bank's band of 400 and 1000 staff, respectively.

Barnett also feels that the institution's typical expensive with its large black staff, has a great deal to gain from this. The training programme has seen a large influx of interest from the bank's board of directors.

"As a result, we have been able to train our managers to assume new responsibilities with the proper selection and management of our managers. In one of our recent personnel training sessions, we had representatives from both black and white staff. The training programme has seen a large influx of interest from the bank's board of directors.

OK Baazars has 15,000 employees, only 40% of whom are white. The introduction of predominantly black sales staff has met with little resistance from either white staff or the buying public. OK employs 20 senior black sales staff as section managers and regional training officers, with salary scales ranging from R250 to R600 per month.

"Management just do not realize how rapidly blacks can be trained to assume their responsibilities with the proper selection and management of their staff. In one of our recent personnel training sessions, we had representatives from both black and white staff. The training programme has seen a large influx of interest from the bank's board of directors.

OK Baazars has 15,000 employees, only 40% of whom are white. The introduction of predominantly black sales staff has met with little resistance from either white staff or the buying public. OK employs 20 senior black sales staff as section managers and regional training officers, with salary scales ranging from R250 to R600 per month.

Financial Mail September 16 1977
You're probably (5%) under-insured

Are your sums insured adequate? These are the words you are probably asked every year by your broker or your insurers when your policies come up for renewal. And is your reaction--"Oh yes, they're fine," because there is something else that month which has cropped up that must be paid and the last thing you want is an increased insurance premium?

After all, what is insurance? One of those necessary evils which turn up once a year, which have to be paid at the most inconvenient time, and out of which you never really seem to derive any benefit. In fact it's rather like getting a "Due by You" notice from the Receiver of Revenue ... until that loss finally occurs.

One evening you and your family return home and, as you walk towards the house, you notice a window swinging open, and one of the panes broken. When you unlock the front door and walk in, your worst fears are realised. You have been burgled.

After you have looked through all the rooms you realise that most of the family's clothing has been taken, and your first act is to telephone the police. It is while you are waiting for them to arrive that it suddenly dawns on you. STOP Worrying. I'm insured; and you pass the rest of the night with a considerable sense of relief.

The next morning you phone your broker and report the loss to him. Yes, it is a large loss. In fact the police seem to think the thieves must have had a car nearby, there was too much to carry by hand.

Oh, you say my householders policy is on a reinstatement value basis. That means new for old, does it? Good, because I must replace the stolen clothing.

You then go about replacing the stolen items, complete the claim form, and the insurance company's assessor comes out to your house, looks around, and, goes through your claim, which amounts to R1 200. (It seems to mount up very quickly, what with the price of clothes these days).

All that is now left is to await your insurers' cheque so you can pay the various shops who have been quite happy to let you buy on account when they have been told that it is an insurance claim.

Then, about a week later, you receive a phone call from your broker. There is a problem, he says. He has been told that the amount of the household contents, including the stolen items, amounted to R8 600. Unfortunately, the sum insured on our friend's policy was only R4 000, and despite being asked by his broker every year at renewal if his sum insured was adequate, he had not, for various reasons, bothered to increase it.

The insurers had, accordingly, applied the condition of average, a condition to which most policies are subject, and this, in effect, means that if there is underinsurance, then the amount claimed, i.e., the loss, will be reduced by the same proportion that the sum insured on the policy bears to the actual value at risk.

This is represented by the following calculation:

Sum insured + actual value at risk = settlement.

In our example this would have worked as follows: R4 000 + R8 6000 x 11200 = R6 000.

It is a simple example, but the same conditions apply not only to the contents of your house, but also to the insurance of buildings, plant and machinery, stocks, in fact virtually anything where the sum insured represents the full value at risk.

Finally, you get your cheque and are surprised to find that although it was only R200, it was to the nearest shilling.

Yes, you are probably under-insured.
Economy still in downswing

The economy has continued to decline significantly, with a relatively high rate of expansion in the economy. The primary sectors of the economy are still struggling, particularly the manufacturing and agricultural sectors. The government has implemented various measures to stimulate economic growth, but their effectiveness has been limited.

The trade deficit has remained high, with imports exceeding exports. This has put pressure on the currency, which has depreciated significantly. The government has implemented measures to control inflation, but this has led to a decrease in the real value of the currency.

The unemployment rate has continued to rise, with many workers losing their jobs. The government has introduced various programs to support the unemployed, but these have not been effective in reducing the unemployment rate.

The government has announced plans to increase spending on infrastructure, with the aim of boosting economic activity. However, it is unclear whether these plans will be effective in stimulating the economy.

Overall, the economic situation remains challenging, with the economy still in downswing.
Now Protea’s got that lean and hungry look

AFTER fighting off a bid from industrial conglomerate Abercom earlier this year, Protea Holdings has emerged victorious from the skirmish looking leaner, fitter and well poised to take advantage of any upswing in the economy.

According to the latest accounts to June 30, Protea has sold off some of its loss-makers, increased liquidity and is looking for higher earnings in the current year.

Chairman Fred Beard tells shareholders: “the group’s financial ratios are better than they have been for some years and the soundness of the group’s finances was, ‘a major factor in the board’s decision to maintain the dividend payment.’”

For the year ahead, Mr. Beard says the reorganisation will have “positive consequences” for the group’s results as loss-makers have been sold.

On the assumption that business conditions will not improve, Mr. Beard expects Protea’s earnings to be at a level “which will enable the payment of at least the same dividend as last year” — namely 15c.

Managing director Aiden Beard says Protea Holdings has access to more than R10-million in cash resources. “This, together with funds generated internally, should be more than sufficient to finance any growth requirements which are likely to arise during the next year.”

In the balance sheet, stocks have dropped from R61-million to R51-million, creditors from R33-million to R28-million while bank and other short-term borrowings fell from R25-million to R17-million.

And the Abercom bid? “This not only diverted management’s attention from more important matters for an unnecessarily extended period, but was very costly in terms not only of the direct costs, which were considerable, but the indirect costs,” says Fred Beard.
VOLKSKAS
EIENDOMTRUST
TUSSENTYDSE VERSLAG
DIVIDENDVERKLARING EN
SLUITING VAN REGISTERS

Die ongeouditeerde winsyfers van die Trust
die ses maande wat op 30 September 1977
geeëng sa het, met resultate vir die ooreen-
stemmende ses maande die vorige jaar, is
soos volg:

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<td>Verdienste per onderaandeel</td>
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Kennis word hiermee gegee dat 'n tusse-
ntydse dividend, syne dividend 16 van 2,45c per
onderaandeel (1976: 2,50c) uitgereik word vir
die halfjaar wat op 30 September 1977 geeëng
het, en dat hierdie dividend betaal word aan
onderaandeelhouers wat op 14 Oktober 1977, in
de boeke van die Trust geregistreerd is.

Dividendtjies sal op ongeveer 31 Oktober 1977
uitgestuur word.

Die oordrag-en lederegisters sal gesluit wees
vanaf 17 Oktober tot en met 19 Oktober 1977.
Kragtens die bepaling van die Inkomstebel-
lastingwet sal 14,43% aan belasting afgetrek
word van dividende wat betaalbaar is aan
onderaandeelhouers wie se geregistreerde
adres volgens die lederegister buite die
Republiek van Suid-Afrika geleë is.

Op las van die direksie,
VOLKSKAS-EIENDOMTRUST-
BESTUURDERS BEPERK

Pretoria
1 Oktober 1977
Oordragkantoor
Trans-Oranjegebou 613
Pretoriussstraat 278, Pretoria 0002
(Privaatsak:377, Pretoria 0001)
Building societies inflow up 6.5 pc

JOHANNESBURG. — Investment in building societies increased by 6.5 percent during the September quarter compared with the previous three months, the Association of Building Societies of South Africa announced here yesterday.

According to its latest newsletter the amount invested during the three months in savings, fixed deposits and shares totalled R184.4 million compared with R177.9m during the previous quarter.

Capital repayments on bonds dropped by 3.1 percent during the same period from R162.3m to R157.3m. The amount lent during the quarter dropped by 2.7 percent from R268.6m to R207.5m.

The end of September was also the end of the first half of the association's current financial year which showed an improvement of 12.2 percent in net intake of investments over the previous year. The net intake was still 31 percent below that of the same period in 1975.

Net intake during the first half of this year amounted to R292.2m. During the same period last year it amounted to R260.2m but during that period in 1975 the total was R422.9m.

According to the newsletter the current quarter's figures showed that the inflow of funds has remained at a satisfactory level under general recessionary conditions.

While there has been an overall increase in savings deposits, due to the capitalization of interest and transfer of share dividends in September, the counter continued to reflect a net outflow each month.

This was giving the building society movement cause for concern, particularly as the new issue of Defence bonus bonds, which became available on October 1, could further adversely affect the situation.

With the general liquidity in the country appearing to show some improvement, however, it was hoped that the present position could be maintained during the current quarter. — Sapa
Economic-political situation linked

PRETORIA - The present economic picture in South Africa and abroad could not be assessed by economic indices only; nor would this be the case in the future, the secretary for Commerce, Mr. Joep Steyn, said here yesterday at the FCI annual convention.

"The present economic situation is totally and inseparably bound to the political situation - and this is the case throughout the world."

The FCI's report on the economic situation reflected a degree of guarded optimism. Although this did not enjoy general support it represented the experiences and assessments of one of the economically active sectors in the country.

It showed that the future could be approached with realism. He did not agree that, because official statements lately did not always generate optimism, Cabinet members should not tell the public the truth. Cabinet members had a responsibility to the public to tell the truth.

Realism meant that when the economic position was assessed first the positive factors should be looked at, and only then the negative. The mere fact that the private and public sectors in South Africa could identify the causes of their economic problems, was a very positive factor.

"The have also shown the courage and capabilities to introduce measures to remove the causes of these problems," Mr. Steyn said.

In this respect he referred to the discipline imposed upon business in the monetary and fiscal fields. These disciplines were also displayed in the actions of the private sector. - (Sapa.)

GRANT. FEARS

Mercury Correspondent

JOHANNESBURG - Concern was expressed at yesterday's FCI meeting in Pretoria at the possibility that the authorities may be considering withdrawing the investment incentive allowances currently offered to industry.

Mr. George Thomas, chairman of the FCI's Taxation Committee, drew attention to the problems associated with the larger amounts of capital now being required to finance increases in output.

A further worrying trend was the declining ability of the private sector to generate capital for investment.

It was growing apparent to the authorizing the consideration of sums of money are being "lost" to the fiscus through the provision of investment incentive allowances.
Insurance not an easy way out for emigrants

Would-be emigrants from South Africa who think they can get money out of the country by taking out overseas life and endowment insurance policies are going to be disappointed.

Under the exchange control regulations a South African resident cannot take out life insurance overseas.

Many people believe incorrectly that it is better to take out a 5-year term policy with an overseas insurance company because it can be transferred.

An investigation by the Cape correspondent of The Star revealed that some overseas insurance companies had arranged that if somebody wanted to emigrate, he could make his policy paid-up in South Africa and the company would issue a policy overseas for the balance of the cover.

However, the paid-up value of the policy would still be subject to exchange control when the person left South Africa, and would be deducted from the amount the emigrant could take with him.

STRESSED.

A spokesman for a leading Rand insurance company said if a South African were emigrating he could transfer the surrender value of his policy, subject to exchange control.

His policy would be cancelled in South Africa and the surrender or reserve value of the policy transferred to a reciprocal company overseas, which would then draw-up a new contract.

If this were done the value of the sum insured in the original life or endowment policy would automatically be transferred.

The spokesman stressed the policy or the guaranteed insurability (the value of the sum insured) could only be transferred if the South African were emigrating.
The money markets

Volkswagen Group to attack

BY NIGEL BRUCE

Lauter Korsen

Target: (Gummi Fund) 10%
AGENDA FOR THE
WEDNESDAY,
PALACE HOTEL

1. CALL TO ORDER
2. ATTENDANCE
3. APOLOGIES
4. ACCEPTANCE OF A
5. MINUTES OF THE
   5.1. Verification
   5.2. Matters aris
6. PRESIDENT'S REPORT
7. SECRETARY'S REPORT
8. TREASURER'S REPORT
9. VICE PRESIDENT DEV
10. VICE PRESIDENT PRO
    10.1. Chapter Pro
    10.2. National Pro
11. VICE PRESIDENT INTER
12. EXTENSIONS
13. NEWLANDS NEWS
14. AWARDS
15. CORRESPONDENCE
16. GENERAL
17. CLOSURE AND NEXT MEETING
Scotts hit by falling margins

By: HAMISH FRASER

TAX and the familiar cry of an erosion of margins have reduced Scotts Stores results for the six months to August 31 to the level of most retailers who are clearly having a hard time of it.

Attributable profits dropped by 6% from R1 975 000 to R984 000 on pre-tax profits which rose fractionally from R1 533 000 to R1 570 000. Turnover rose — helped by the first-time contribution of Cashmart (Pty), Adorable Footwear (Pty), Elitzro (Pty) and Lanzal (Pty) — by 24% from R34 396 000 to R43 798 000 but pre-tax profits were up by only 2% from R1 533 000 to R1 570 000.

The interim dividend has been maintained at 15c.

Earnings dropped 9% from 43c a share to 39.6c a share but the build-up of liquidity in the past suggests that last year's pay-out of 42c on earnings of 125c a share is in no danger.

Scotts expects no improvement in trading results in the short term and on that basis is reluctant to forecast earnings for the year to February 28, 1978. One thing that is certain is that the tax rate, which rose by 20% in the first half, will again run at a higher rate.

The share fell 10c yesterday to 570c. At this level, assuming earnings of the order of 125c a share this year and a maintained dividend of 40c, a yield of 8.5% and an earnings multiple of 4,6 is not expensive for a company which has shown its ability to survive the worst conditions and fully exploit the best conditions.

***
Big boost for Guarantee Life

GUARANTEE LIFE Assurance, Anglo American’s specialist life insurer, has announced unaudited results for the 12 months to September 30 which show total net premium income at R120.0-million — an increase of 16 per cent. Income from investments at R23.5-million showed a similarly substantial increase. Annualised new business production excluding single premium business and similar special 10-year endowment schemes was R5.6-million — an increase of 22 per cent. The total assets now amount to R43.5-million. In the last month of the 12-month period, accepted new business amounted to over R420,000.

Managing Director, Dr Shlomo Peer, says that the marked increase in business over the last two months is directly attributable to the recently launched Hi-Life plan.

This offers cheap estate duty and partnership cover and incorporates extensive guarantees.

The company’s year end has been changed to March 31.

16/10/17
How to add Trust?

Activities: Holding company for Central Merchant Bank, Bank of Johannesburg, and Credit Bank of SA. Has 60% of Trust Bank. Investments include stakes in Santam Bank, Volkskas, Rand Bank.

Chairman: Dr A D Wasenena; deputy chairman: Prof F J du Plessis; managing director: W S Pretorius.

Capital structure: 27.2m* ordinary shares of R1 Market capitalisation: R33.2m.

Financial: Year to June 30 1977. Ratio of cash and advances/deposits: 85%. Cash at banks and at call: R53.5m.

Share market: Price 12.2c (1976-77: high, 14.6c; low, 9c; trading volume last quarter, 172,000 shares). Yields: 23.4% on earnings; 11.5% on dividend. Cover: 2.5. PE ratio 3.5.

* After 6.7m new shares for Trust Bank.

Deposits (Rml) 74 75 76 77
Advances and other accounts (Rml) 243 335 400 363
Pre-tax profit (Rml) 36 54 67 71
Earnings per share 2.55 3.16 3.16 3.7
Dividends (c) 10 11 12.5 14
Net asset value (c) 249 261 271 295

Trust Bank only became a subsidiary after the year-end and its results are thus not consolidated. Consequently, and because Trust Bank's own balance sheet is now 10 months old, the annual accounts are only useful in evaluating the other components of the banking group.

Of these only Credit Bank was in an expansionary phase. Its total assets grew to R216m (R147m) with net income after tax and transfers to reserves 29% higher at R2.52m. The bank's loan business is individual consumer finance and import/export financing. The slowdown in consumer spending has probably hit the former and most of the month's growth will have been from import/export business.

Seabank contracted. Total assets were cut by R16m to R131m. Profit after tax and transfers to reserves rose to R2.85m (R2.41m) though it was not possible to tell whether this represents a real improvement or merely because of lower transfers to reserves. The picture will change completely during the current year following the merger with Trust Accepting Bank.

Bank of Johannesburg marked time while it "saw fit to place greater emphasis on the quality of its business rather than to strive for asset growth".

On a consolidated basis, results for the year are not inspiring. Taxed income increased to R7.1m (R6.5m), but this

was before an extraordinary write-off of R1.4m of which R1m represented the total investment in Rand Bank.

Deposits declined to R513.4m (R537.3m), perhaps in part because of reduced depositor confidence in smaller banks. As a result, advances decreased while cash holdings rose due to stricter lending criteria. The bulk of improved profits presumably arose from the increased acceptance business written during the year.

Near-term profit growth will depend on how quickly credit demand picks up and how well deposits can be attracted. Dr Wasenena is looking for an improvement in business conditions during the second half of the current year but gives no indication of what this might mean to earnings.

In any event the overriding consideration will be how quickly Trust can be turned around. Trust made a nominal R638 000 for the six months to June 30. But accounting procedures, particularly those pertaining to transfers to inner reserves to bring it in line with Bankorp practice, will now be implemented. This could cause a serious reverse in disclosed profits. Anyway, we do know that a resumption of dividends is a long way off.

Clearly Bankorp took on the investment with insufficient analysis of Trust, otherwise there would have been no need to halve the original offer terms to one for six. The 6.73m shares issued in exchange for 60% of Trust mean that earnings per share have been diluted by 25% with no certainty that the investment will ever become dividend paying or that it is worth anything. It is quite apparent that the majority shareholder has been calling the shots with little concern for the minority.

Still to be decided is how the R25m from Sambil, needed simply to hold Trust Bank's disclosed reserves at a sufficiently high level to maintain the current level of business, is to be injected. It must pass through Bankorp though it is currently on deposit with Trust. But Trust was foisted onto Bankorp and any deal which further dilutes minorities' interests will be totally unacceptable.

Most likely at this stage seems to be the issue of convertible prefs by Trust to Bankorp, back to back with Sambil. But any new issue by Bankorp must be dependent on Trust's performance. Conversion must be conditional on Trust...
having been seen to come right.

As far as the shares are concerned there is little attraction. At a time when the whole character of the group has been altered without reference to minorities, the least that could have been done would have been more forthright and revealing reporting. There are far better looking investments elsewhere in the sector.

Ian Jones
AG gets report on bank

By Tony Stirling

INVESTIGATIONS into certain Rand Bank transactions with the collapsed Glen Anil group of companies have been completed and the docket sent to the Attorney-General of the Transvaal.

This was confirmed this week by Colonel Terrius Wium, deputy head of the Commercial Branch in Johannesburg.

The services of the Commercial Branch were enlisted in June by Professor Fred du Plessis, Curator of Rand Bank. The alleged irregularities were reported to him soon after his appointment as curator.

The investigations were said to be connected with about R5.7-million of promissory notes issued by Glen Anil.

The outcome of the investigation could have a bearing on the bank's claims against its insurers.

The bank's claim against its insurers could be strengthened if any of the bank's employees were found to have broken the law.
The Old Lion of the Year...

BY NIGEL BRUCE

be worse than it is bite

The Lion's roar may

Times, October 23, 1977
Glen Anil's fortunate few

The Glen Anil tale of turn will take years in the telling. For all those who feel the hurt, there are the fortunate few who have reaped the benefit of what, with hindsight, appears to have been some pretty extravagant Glen Anil land purchases.

The evidence is an annexure to the confidential Sage report on Glen Anil commissioned by the consortium of banking creditors set up to investigate whether the township ought could be spared the fate of liquidation. The annexure details land purchased for future township development.

It shows a description of the land purchased, its size, the book cost, the Sage valuation and estimated profit potential on cost. As a valuation basis, it notes that township values have been attributed only to land which falls within area for future development and where planning permission has been or is being granted; revenue has been based on past sales in surrounding areas with no allowance for the present depressed state of the market; no provision has been made in profit estimates for further capitalised interest nor for escalation in development costs over the years, although conservative and high estimates were used.

Almost invariably, the land has been downvalued - often drastically. There are exceptions - like the 40 ha Wangana Park Country Club in Pretoria that a book cost of R264 000, valued at R500 000, and estimated to show a profit after development of R145 000; or 158 ha bought from F.C. and J.C. Jerling in Albertsraad and Afromo South at a cost of R430 000, valued at R807 500 and estimated to show a R1 534 000 profit. These, however, are the exceptions. The more general case is where the Sage valuation is lower than book cost. For example, 279 ha bought from the MC Bekker Trust in Pretoria East, in the books at R22 600, was downvalued to R7 500. However, it is estimated the land would show a profit of R4 189 000 if developed.

There is also a long list of downvalued land where no profit potential whatever has been estimated. Like a 101 ha portion of a farm at Strand bought from H.J. Morkel. It is in at a book cost of R435 000 and downvalued to R200 000. Or 157 ha bought from Melt Loubser in Blumberg, in at a book cost of R2 600 and downvalued to R1 500.

But the 10 highest drops between book cost and Sage valuation are substantial indeed, as the table shows.
Bannings push up rand sales

Bannings push up the sale of rands

LONDON—The securities rand discount widened sharply over the past week as overseas investors became more bearish on South Africa’s political outlook than local operators.

After the banning orders, South African shares fell dramatically in London. From its peak of 174,5 on October 18, the Financial Times Index has fallen by some 21 per cent. For American and Continental investors, the average fall was similar.

During this period, dollar prices of Lebanon tumbled 30 per cent, Vaal Reefs 27 per cent, Western Areas 29 per cent, West Dries 28 per cent, St Helena 23 per cent and De Beers 14 per cent.

In the first part of the hectic declines, the gold price was appreciating, but its subsequent reaction hardly helped matters.

During the depressing time, securities rands behaved peculiarly. Securities rands could be described as South Africa’s effective investment currency. They are created through arbitrage by buying South African shares overseas and selling them in Johannesburg.

But securities rands are traded independently of shares too and the rate fluctuates according to supply and demand.

This week, securities rands traded at 77 US cents—a discount of 22 per cent to the commercial rand dollar rate of 1,15. Since securities rands is the arbitrage rate, it also means that South African shares on foreign sharemarkets are currently 33 per cent lower than quotations in Johannesburg.

Fluctuations of securities rands in the week after the banning orders were fascinating. The first day after the restrictions, the rate actually rose a cent to 81c. It then remained steady for the next three days around the 80c mark, despite plunging gold share prices.

One of the reasons was that there was a big buyer around. Secondly, percentage falls in Johannesburg, New York and London were about the same. In the past few days, Johannesburg tended to be a buyer rather than a seller of golds and the securities rand discount widened from 20 per cent to 33 per cent, reflecting the difference in views between local and foreign investors.

A chart of brokers Galloway and Pearson shows that over the long run the South African political situation is the main determinant of the securities rand discount.

After the coup in Portugal, the discount steadily widened to a peak of 45 per cent in September 1974. The discount narrowed considerably in the months leading to the rand devaluation.

Southern African "detente" was in the air that time. The 17.5 per cent devaluation then wiped out the discount completely. Then came Angola, the Soweto riots and by the beginning of this year it had widened to an all time peak of 45 per cent.

As overseas investors became accustomed to the "new" South African political climate, the discount narrowed to 25 per cent.

But as Galloway and Pearson point out, the discount could be affected by other factors.

By NEIL BEHRMANN

political situation is not the sole factor in determining the securities rand discount. During a thin market, immigrants to South Africa can affect the rate when they buy securities rands.

Demand for issues such as Escom this year pushed up the rate, at a time when foreign investors were still selling South African shares.

Also, heavy demand for gold shares from the United States pushed up the rate recently. These absorptions are of a short term nature, however. It is the long-term trend which must be examined — and for the moment, the discount is widening.
SENABANK, with Sanlam standing behind it as a likely participant, is also a member of the Steynie and UDC-GATX consortium competing for the R120-million Hostel Kilisesas lease. This consortium has put forward proposals only for the leasing part of the financing; whereas the Barclays-led consortium is believed also to be involving itself in the financing of the mine.

A decision on the financing of this project is still some way off, especially as numerous competitive proposals for the financing of portions of the total are being considered.
Kredietbank
nou onder
eerste ses

OPWINDENDE vooruitzicht, is soos die nuwe en sterker Kredietbank vanaf die eerste week altyd iets meer gemaak. Die bank se naam is "Grootdepot".

BO LINKS: Mnr. Donald Swanepoel, nuwe hoofbestuurder van Trust-Bank, is bepaal dat Trust-Bank se naam voortgaan.

BO: Chris van Wyk as nuwe senior hoofbestuurder van Trust-Bank is seker dat Trust-Bank se naam voortgaan.

LINKS: Mnr. Henkie Jacobs, gebore Trust-Banker, is seker dat Trust-Bank se naam voortgaan.

Voorlopig sal die naam van Trust-Bank se nuwe bestuurder, Mnr. Donald Slade, die "Grootdepot", deur almal beheer word.

Bank van Johannesburg se nuwe bestuurder, Mnr. Chris van Wyk, is seker dat Trust-Bank se naam voortgaan.

Hoe eerder, hoe beter. Die bank se naam is "Grootdepot".

Sterkpunte

Uit 'n ontleiding by die bank se hoofbestuurder, Mnr. Donald Slade, is ontleiding deur almal beheer word.

Hierdie bron van inligting is "Grootdepot".

Vervolg op bl. 2, col. 6
die bank weer voort sal gaan om sy sterk groei van die verlede te handhaaf sodra die paar haakplekke wat bestaan het, uitgestryk is.

En hierdie haakplekke is ook eerder 'n verskil oor bankbeleid. Volgens die beleid van die Bankorp-groep is dit nodig om eers meer binne te kry. Hier is reeds 'n sterk grondslag gelê met die oorplasing van R25 miljoen na die bank se geheime reserwe.

Hierdie geld kom van Sanlam en sal in die vorm van omskepbare voorkeur-aandele deel van Trust-Bank se kapitaal word.

Hierdie uitgifte word deur Bankorp en Sanlam onderskryf en ondanks dit nog nie fisiek gedoen is nie, is die geld reeds by Trust-Bank. Besonderhede oor die voorwaardes vir die regte-uitgifte sal dalk hierdie week bekend raak.

Intussen kan ook oor die kort tot medium termyn verwag word dat 'n heelwat groter deel van Trust-Bank se winste tot die geheime reserwe oorgeplaa sal word. Dit sal tot gevolg hé dat die aandeelhouers vir eers iets wat agtertoe in die tou sal moet staan.

Bankorp/Kredietbank-organisatie nie verspot is nie.

Beeld

Dr. Van Wyk, wat ook bekendheid as 'n ekonom\, verwerf het, het ook oor die laaste jaar of drie yir hom groot naam by Senbank op die gebied van bemarking gemaak. Dar kan ook aangeneem word dat hy by Trust-Bank sterk op bemarking sal kon- sentreeer en dit sal van hom verwag word om die bank se beeld te bou.

Mnr. Jacobs het op sy beurt saam met Trust-Bank grootgeword en was die vorige bestuursbestuur, mnr. Anker Burger, se regterhand. Hy is 'n kenner van die kleinhandelaspek van die bankwese en sal in hierdie hoedanigheid voortgaan.

'n Ander nuweling by Trust-Bank is mnr. Marius Smith, op die oomblik 'n assistent-hoofbestuurder van Senbank. Hy word nou 'n hoofbestuurder van Trust-Bank. Mnr. Smith, wat ook 'n gekwalifiseerde aktuaris is, sal voortaan die bank se syferman wees.

Maar die man op wie se skouer waarskynlik die swaarste las gaan wees, is
Interim Report and Dividend Announcement

The Directors of Standard Bank Investment Corporation Limited announce the following unaudited results of the Group's operations for the six months ended 30 September, 1977, with comparative figures for the six months ended 30 September, 1976, and for the full year ended 31 March, 1977.

<table>
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<th>Six months to:</th>
<th>Year ended</th>
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<tr>
<td></td>
<td>30/9/77</td>
<td>30/9/76</td>
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<tr>
<td></td>
<td>(R000)</td>
<td>(R000)</td>
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<tr>
<td>Group profit after operating expenses and provision for loan losses and extraordinary items</td>
<td>23,115</td>
<td>19,869</td>
</tr>
<tr>
<td>Estimated taxation</td>
<td>8,567</td>
<td>7,820</td>
</tr>
<tr>
<td>Group profit after taxation</td>
<td>14,548</td>
<td>12,249</td>
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<tr>
<td>Preference dividend</td>
<td>260</td>
<td>426</td>
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<tr>
<td></td>
<td>14,288</td>
<td>11,823</td>
</tr>
<tr>
<td>Weighted average ordinary shares in issue</td>
<td>52,839,504</td>
<td>46,332,057</td>
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<tr>
<td>Earnings per share (cents)</td>
<td>28.79c</td>
<td>25.43c</td>
</tr>
<tr>
<td>Dividend per ordinary share (cents)</td>
<td>9.5c</td>
<td>8.0c</td>
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</table>

Earnings per share are calculated on the weighted average of the ordinary shares in issue during the periods concerned.

OPERATING RESULTS

The recessionary conditions continued in the first half of the financial year and, with consumer demand and fixed and inventory investment slack, demand for credit remained weak. The only sectors to perform well were agriculture and mining and this strength caused the overall real growth rate of the economy to be positive in the second quarter of the calendar year. The money supply also grew rapidly for the period to June, 1977, but has subsequently slowed. A softening in short-term interest rates helped to maintain net interest margins, but the continued recession caused a higher than expected business failure rate in the past six months.

The comparative figures for September, 1976 quoted above, have not been adjusted to incorporate half the loan loss provisions for the full year, and are as published in the Interim Report dated November, 1976. If these figures were adjusted to take into account a pro-rata share of the full loan loss provisions for the year ended 31 March, 1977, which included the provisions for the Glen Anil Property Group, the published earnings per share for September, 1976 would have been more than 20% lower.

PROSPECTS FOR THE REMAINDER OF THE FINANCIAL YEAR

Some of the assumptions made in the Financial Statements for 1977 require comment as conditions have changed, although not materially.

- Because of the growth in the agriculture and mining sectors, a real growth rate for 1977 of 1% is expected against the previous assumption of no growth.
- The estimate of growth in the money supply has been increased from 9.5% to 12.0%.
- It is now apparent that the recession will continue for longer than anticipated.

The assumptions made for the remainder of the financial year indicate that liquidity will improve further, loan demand will increase marginally and loan losses will still be higher than budgeted.

The financial implications of the changes in these assumptions are that profits for the full year will be marginally lower than planned, but will not materially affect the original estimate of the return on year-end shareholders funds.

In these circumstances the Board has decided to declare an increased interim dividend of 9.5 cents.

IAN MACKENZIE, Chairman.
H. P. DE VILLIERS, Group Managing Director.

INTERIM DIVIDEND NO. 16

Notice is hereby given that an interim dividend of 9.5 cents (1976 – 8.0 cents) has been declared payable to ordinary shareholders registered in the Corporation's books at the close of business on 25 November, 1977. Cheques will be posted on or about 14 December, 1977, to shareholders at their registered addresses, or in accordance with their written instructions to the contrary which must be received not later than 25 November, 1977.

Non-resident shareholders' tax will be deducted from dividends, where applicable.

The register of ordinary shareholders will be closed from 26 November, 1977, to 4 December, 1977, both dates inclusive.

By Order of the Board
C.W. BJERRE
Group Secretary.
8 November, 1977.

Registered Office:
27th Floor,
Standard Bank Centre,
78 Fox Street,
Johannesburg, 2001,
(P.O. Box 7725, Johannesburg, 2000.)

Registrar:
Rand Registrars Limited,
2nd Floor, Devonshire House,
49 Jorissen Street,
Braamfontein, Johannesburg, 2001,
(P.O. Box 31719, Braamfontein, 2017.)
Finance - General

1977
The Mint, according to Groenewald, produces some 30m coins a year with an annual increase of 10% to 20%.

The introduction of the rand coin is not expected to create any problem. Vending machine operators are unconcerned) or make pay pockets appreciably heavier because the R1 note is not very popular up to now. It should become more widely used. At the moment there are 21m R2 notes in circulation, but the Reserve Bank has the necessary stock to increase this if necessary.

A money expert estimates that it costs more than a rand to produce a R1 note.

**STUDIES**

1. We hope that you will be able to help cover the costs of R1,00 to help cover the costs of the conference.

2. For attending.

---

Edward Brandt, July 1 1977
Hotel might be success, Court hears

Court Reporter

There is a reasonable chance of the Ocean View Hotel becoming a successful concern and being able to pay its creditors in full, a Durban Judge heard yesterday.

Director Mr. J. H. Porter, who brought an urgent application earlier this week for the winding up of the companies owning and running the hotel, said that the cash injection vital for the business was not as large as he formerly feared.

Mr. Porter said that after discussions with the accountant for Musgrave Investments (Pty.) Ltd., and Ocean View Hotel Ltd., he felt that there was a chance of the hotel recovering under judicial management.

Both companies, which have liabilities of more than R755,000, were placed under provisional judicial management.

Interested persons must show cause by August 12 why these should not be made final.

A creditor, Mrs. P. D. Wilgoos, was given leave to intervene in the proceedings.

Butterworth

In another case yesterday one of the owners of the Butterworth Hotel, who has left the country and is seriously ill, was ordered to pay R80,655 to a building society.

The Court was told that widow Mrs. Lilith Rosiland Kahn had bound herself as surety and co-principal debtor for money owning by Kahn Properties to the Allied Building Society.

The sum was owing to the Allied with interest, according to papers before Mr. Justice Diddcott.
<table>
<thead>
<tr>
<th>SIZE GROUP (HECTARE)</th>
<th>ECONOMIC REGION</th>
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<td>No.</td>
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<td>TO 1.9</td>
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<td>2 - 4.9</td>
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<td>5 - 9.9</td>
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<td>10 - 19.9</td>
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<td>20 - 49.9</td>
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<td>50 - 99.9</td>
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<tr>
<td>100 - 199</td>
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<td>200 - 299</td>
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<td>500 - 999</td>
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<td>1000 - 1999</td>
<td>243</td>
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<td>2000 - 4999</td>
<td>170</td>
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<tr>
<td>5000 - 9999</td>
<td>76</td>
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<tr>
<td>10000 - OVER</td>
<td>12</td>
</tr>
<tr>
<td>TOTAL</td>
<td>252</td>
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</table>
Boer Soek nou Al Meer

Suur Radikal
Road blast

COL DISPEGUY — A bomb blast blocked a mountain road near the French-Spanish border yesterday shortly before competitors in the Tour of France cycle race were due to pass, police said. No-one was hurt. Basque separatists operate in the area.— (Sapa-Reuters.)
ACT

To amend the Insurance Act, 1943, so as to redefine "insurance business"; to provide for an advisory committee on long-term insurance; to further regulate the holding of assets; to further regulate the transmission of short-term insurance premiums received by intermediaries; to extend the non-forfeiture provisions relating to funeral policies; to provide for the accrual of interest on a loan or advance, on the security of an insurance policy, to an amount beyond the principal debt, and to limit the prescription of a loan or advance, on the security of an insurance policy, to at least the period of prescription of liability under the policy; to amend the Pension Funds Act, 1956, so as to redefine "financial year"; to further regulate the exemption of pension funds from the Act; to further regulate the holding of assets; and to further regulate the protection of pension benefits; to amend the Inspection of Financial Institutions Act, 1962, so as to redefine "financial institution"; and to extend the registrar's powers of inspection; to amend the Banks Act, 1965, so as to further regulate prescribed investments and investments in Government securities; to further regulate the restrictions on the investment by banking institutions in certain assets; to further regulate the control over banking institutions and the transfer of part of the business of a banking institution; and to extend the powers of curators; to amend the Building Societies Act, 1965, so as to further regulate prescribed investments; and to exempt the State from providing additional security in connection with advances to its employees; and to provide for incidental matters.

Afrikaans text signed by the State President

Assented to 20 June 1977.

BE IT ENACTED by the State President, the Senate and the House of Assembly of the Republic of South Africa, as follows:

Amendment of Section 1 of Act 27 of 1943, amended by

1. Section 1 of the Insurance Act, 1943, is hereby amended by the insertion in subsection (1) after paragraph (a) of the definition of "insurance business" of the following paragraph:
Mutual Unit Fund on top

Financial Editor

THE SOUTH AFRICAN Mutual Unit Trust has bucked the trend of recent quarterly results from the mutual fund movement—it ended the June quarter with a larger portfolio value and it sold more units than were re-purchased.

This was a creditable performance in the present recessionary climate, which has placed a bearish grip on Stock Exchange prices.

The Old Mutual's portfolio value rose from R66 706 989 at the end of March, to R27 409 294 at the end of June. Sales of units totalled 3,676,918 and re-purchases were 1,168,551 giving net sales of 2,508,367.

A spokesman for the Old Mutual said yesterday that the reasons for the fund's good showing were that some of the company's policies were linked to units which gave an automatic flow into the fund and a low key approach had always been adopted in selling the units.

"Even in the hectic days of the stock market boom period we did not put investors into units if these were not the right investment for them."

NGF outflow

Among the other funds National Growth Fund had a net outflow of R2336,947, Sanlam Trust had a net outflow of R68,566 and S.A. Trust Selections had a net outflow of R3,737.

The Trust Bank Growth Fund also fared poorly, with an outflow of R446,000 compared with an inflow of R33,600 in the previous quarter.

The UAL Mutual reported a disinvestment of R29,203 and Syfrets Inter.Growth was R39,042 down on the quarter. Gourdbank had an outflow of R51,000.
Reserves drop reflects debt

Mercury Correspondent
Johannesburg—The R53 million fall in the gold foreign exchange reserves last week reflects South Africa's heavy debt obligations. The reserves now stand at R721 million, compared with R757 million after the gold swap deal at the end of April.

The reserves have also been boosted by a further R39 million credit since then from the International Monetary Fund. If it had not been for this IMF drawing, the reserves would have lost R75 million—largely cancelling out their R4 million net gain in the week after the gold swap.

As it is, they are only R38 million down. The pressures are all on the capital account side of the balance of payments.

There was a surplus of R39 million on the current account in the first quarter of this year. The export boom in April and May and the continuing low level of imports of those months makes it certain that there was another surplus on the current account in the second quarter.

Under pressure

The fact that the reserves are under pressure because of the capital account rather than the current account makes the present situation critically different as far as general economic policy is concerned.

Traditionally, South Africa's balance of payments problems have always been on the current account. When, therefore, payments problems have forced restrictive action and a slowing of the economy, a move to surplus on the current account has always been sufficient.

Now, however, the problem is that even with a surplus on current account, the capital side is a matter of major concern.

See Page 21

S.A. reserves decrease by R53m

 Pretoria — South Africa's total gold and foreign assets dropped by R53.2 million in the total assets was accounted for, Inter alia, by the repayment of foreign loans as well as special payments over the month-end.

The gold holding alone dropped by R189.855 to R295.071.021.

Foreign bills dropped from R102.1m to R58.5m while foreign investments increased from R20.8m to R20.4m and other foreign assets dropped from R63.2m to R52.9m.

Government deposits increased from R51.1m to R52.2m and deposits by provincial administrations from R52.2m to R57.2m.

Notes in circulation increased from R1.075.021 to R1.176.221.

The ratio of gold reserves to the public less foreign assets stood at 31.1 percent on Friday, compared with 21.7 percent the week before. (SAPA)
Yorkshire
General
takeover

Business Times
Reporter

MOMENTUM Life Assurers has taken over the South African interests of Yorkshire General Life Assurance part of the General Accident group.
This will increase the assets of Momentum to about R36-million, and annual premium income to R10-million.
The transaction is subject to the approval of the Registrar of Insurance.
Tuckers hits stand buyers for arrear payments

From page one

that the matter is currently before the Attorney General.
The 2 000 stand buyers who have subsequently brought
arrears up to date have stands in about 20 townships,
a proportion of which have been proclaimed. Transfer
can be passed once the total amounts owing on the
proclaimed stands have been paid.

Where stand buyers are able to pay in full for stands in unproclaimed townships,
Tuckers is prepared to provide a bank guarantee for
the full amount until transfer is taken. If
proclamation is subsequently refused, making transfer
impossible, buyers will be paid back the purchase
price, the company spokesman says.

Some of the 1 000 stand buyers who received sum-
mones are also among the
900 members of the
Township Stand Owners Ac-
tion Committee.

Where they have ap-
proached its chairman, Mr
Sammel, for advice he has
advised that buyers in un-
proclaimed townships (that
is where transfer is impos-
sible when all amounts owing
are paid) and those that
bought stands in certain
townships prior to service
 guarantees being provided in
terms of the Town Planning
and Township Ordinance and
Regulations, should enter an
appearance to defend through a legal
representative.

This will hinder Tuckers
obtaining a judgment by
default, and would make any
subsequent action contesting
the validity of any sales
much more difficult, Mr
Sammel claims.

Whether sales of stands in
townships prior to the provi-
sion of guarantees are valid
or not is at the heart of the
contest between the commit-
tee and Tuckers. The same
dispute is currently the sub-
ject of an investigation
by the police and was
supposed to have been
clarified at the end of June
in a special statement by
Transvaal MEC, Daan
Hough.

Two advocates' opinions
that these sales are of "no
force and effect" were ob-
tained by Mr Sammel, on
behalf of his committee, and
submitted to Mr Hough in
early April.

According to Mr Sammel,
Mr Hough intended submit-
ting them to Provincial
lawyers and basing his
promised statement on their
findings.

Mr Hough's statement is
ten days late and all my at-
tempts to reach him over the
past three weeks, both by
telephone and registered let-
ter, have failed.

This particular matter has
not been tested in court,
although it did form part of
an action earlier this year
brought against Tuckers by
a disaffected stand buyer
seeking to invalidate certain
land sales and get his money
back.

It was a ground not pur-
sued in this action which,
like an earlier one,
floundered on the
purchaser's claiming the
sale invalid as the contract
did not indicate that the
township involved was not
an approved one. In both
cases the court found the
sale valid as non-approval
was implied.

Mr Sammel's committee
has not yet brought or paid
for any action against
Tuckers out of the R20 800
subscribed by its members.

Mr Sammel says that
apart from certain ad-
mnistrative expenses which
ended in March, and legal
costs, a "good portion" of
these funds is being held in
an attorney's trust account
for later use.

He is waiting for the At-
torney General's decision
once police investigations
are completed and for Mr
Hough's declaration before
proceeding in court against
Tuckers. He hopes thereby
to avoid protracted and cost-
ly litigation for which the
committee's resources are
most likely inadequate.

However, Mr Sammel
claims that over the past six
months he has by no means
been idle in his opposition to
Tuckers. He has:

- Assisted the police in
their investigations and
taken up the matter with Mr
Hough;
- Persuaded Tuckers
stand buyers to withhold
more than a million rands in
instalments due to the company under certain deeds of
sale, the validity of which he contested;

- Advised on hundreds of
letters of demand from
Tuckers and entered ap-
pearances to defend in cases
where members received
summonses;
- Recovered more than
R20 000 in respect of sales of
Tuckers stands for
standholders by contesting
the validity of certain sales.

A Tuckers spokesman
claims the company has
obtained legal opinion that,
despite the sales of land
prior to the provision of
guarantees, its deeds of sale
in these cases are not in-
valid.


TUCKERS, the controversial township developers, have just had a blitz on 3 000 stand buyers who have fallen into substantial arrears on their monthly deeds of sale payments. They owe in total, I estimate, about R12-million.

The arrears were a direct result of the publicity given to the campaign against the company by the Horace Sammel-led Township Stand Owners Action Committee, a company spokesman tells me.

This must have prejudiced the company's recent cash flow by at least a million rand, calculated on the basis of average individual arrears of R400 over six months.

Three thousand letters of demand were sent to these stand buyers, of whom 2 000 have subsequently brought their lagging payments up to date thus reinstating the cash flow. The remaining 1 000 were sent summons — although, according to a company spokesman, Tuckers is “reluctant to take judgment against them.” Instead compromise is being sought.

Both the letters and the summonses demand immediate payment of the total amount outstanding on each stand plus interest.

This is in terms of the deeds of sale and is also “normal commercial prac-

By NIGEL BRUCE

tice” in the township market, the spokesman says.

Accordingly, he dismisses any suggestion that by calling up the total amount owing, rather than just the arrears or repossessing the stands, the company intended to intimidate recalcitrant stand buyers.

Contrary to its former practice, the summonses were issued by the company itself and not through an attorney.

This, says the spokesman, was to save costs, both to the company and to the recalcitrant stand buyer, who, in addition to legal fees, would not now have to pay the cost of the summons or the lawyers' collection costs. About half of the 1 000 summonses related to stands already proclaimed and on which transfer is possible.

Of the remainder, a “large proportion” related to a Crocodile River development which Tuckers hopes to have proclaimed shortly, when it will be able to give transfer. Proclamation is being delayed, the spokesman says, by the Townships Board who have failed to stipulate what recreational facilities, the provision of which is obligatory, have to be provided.

There are those who claim this to be a stock Tuckers response to enquiries over township proclamation, delays.

The spokesman places no importance on the fact that in terms of proclamation these stands may be occupied permanently for only four months at one stretch, dismissing it as being in practice impossible to enforce.

Nor does he know anything about a police investigation of the sale of certain stands in this township which are thought to have been contrary to a provincial ordinance.

But a police spokesman tells me that the investigation has been completed and
Confidence ‘worsening’

JOHANNESBURG — Business confidence in South Africa appears to be deteriorating steadily and, what is probably worse, many businessmen expect conditions will get worse during the next three to six months.

That is the finding of Barclays National Bank in its latest quarterly opinion survey published in “Business Brief” yesterday.

The opinion survey showed that 60 percent of all customers consulted were pessimistic about prospects for the remainder of the year and about being able to maintain profit growth at last year’s rates of increase.

Commenting on the opinion survey, Dr. John Cloete, Chief Economist of Barclays National Bank, feels that the situation of considerable overkill might now have developed.

“Both bank credit and the money supply are currently increasing at very low rates and indeed might even be decreasing in absolute terms,” he says.

Money supply

“It is not easy, of course, to exercise appropriate control over the money supply — particularly in an ‘open’ economy such as ours — and it might well be that the authorities have now gone too far with their cutbacks on the money supply, in which case the adverse impact on an economy that is already depressed could be very severe.”

Dr. Cloete adds that, in any case, it is clear that the cutback in the money supply and the persistent high inflation rate must have largely offset the expansionary effect on the economy coming from the substantial increase in export earnings over the past year.”

— (Sapa.)
S.A. LOAN SLATED

LONDON—The board of the Hill Samuel group of international bankers was attacked by two anti-apartheid stockholders at its annual meeting here yesterday for its involvement in securing loans for the South African Government.

But Hill Samuel's chairman, Sir Kenneth Keith, in reply to the criticism, said the group's involvement in the Republic benefited South Africans of all races and provided a service for much-needed British exports.

"We have no intention of withdrawing from South Africa," Sir Kenneth said.

The shareholder protest was led by the Rev. David Haslam of an organisation called End Loans to South Africa, and the Rev. Keith Slater of the Methodist Misalignment Society.

They attacked the group's R112.5-million loan to the South African Government last October, which was a festering sore on the body of British international finance."—(Sapa.)
PRETORIA -- The South African Reserve Bank is no longer required to publish a weekly statement of its assets and liabilities; a statement from the bank said yesterday. This followed the passing of an amendment to the S.A. Reserve Bank Act during the past parliamentary session.

(Sups.)
RESISTANCE TO R1 COIN FOUND

Mercury Reporter

The Durban public seems to be resisting the R1 coins—except to collect as a novelty.

This was shown by a Mercury survey of cashiers in the Durban area.

"Very few seem to be in circulation. We only banked R10 in R1 coins on Monday, after our weekend business," said the supervisor of a busy Pinetown supermarket and department store.

She was sure the coins would be confused with 50c pieces. "I have told the cashiers to run their thumbs around the edge of each coin—just to make sure."

In a discount store in Durban, a cashier said: "A few people have asked for them but these were too keep rather than spend."

Another cashier said: "On rare occasions when I have had the coins, customers have asked for notes instead. They are scared of getting confused between 50c and R1 coins."
PRETORIA — The South African Reserve Bank is no longer required to publish a weekly statement of its assets and liabilities, a statement from the bank said yesterday. This followed the passing of an amendment to the S.A. Reserve Bank Act during the past parliamentary session. — (Sapa.)
It’ll be more difficult to buy a home

Societies face drop in lending resources

By David Alston (above) director, Association of Building Societies of South Africa.

It is particularly difficult to assess the outlook for home loans these days. Up to the end of societies’ latest financial year, ended on March 31, the movement held its own in unfavourable economic conditions, with total lending exceeding R1-billion for the second year in succession.

Although a satisfactory inflow of funds has been maintained in the first quarter of the new financial year, it is likely the picture will change completely because of measures introduced in this year’s budget. The impact of these measures has not been felt, but could prove fairly severe in the remainder of the year.

In the first place, the statutory requirement that societies must maintain prescribed investments in addition to liquid assets was reimposed, and a regulation gazetted on July 8 lays down that by March 31, next year societies must hold 8.5% per cent of these investments in long-dated government, public corporation (limited to Iscor and Escom), and local authority stock.

It is estimated that this requirement will sfphon off R120-million from the movement, which this sum will be diverted from lending in the present financial year.

The Minister of Finance also announced a special issue of defence bonds in the budget, and latest indications are that they will be available from the end of September at the latest.

The bonds yield only a secured 5% per cent tax free, but the bonus element will undoubtedly appeal to the man in the street who likes an occasional flutter. There will probably be some diversion of savings in the initial stages, although I do not anticipate that the bonds will prove attractive to the genuine investor in the long run.

Of more concern to the movement is the new issue of 8% per cent Treasury bonds which will replace the second series of premium bonds and be available from August 15. The Treasury bonds will yield 8% per cent tax free and be redeemable after 18 months (similar to the societies’ special issue tax-free shares), but the maximum amount which may be invested in them is R40 000 per taxpayer, exactly four times that of the societies’ tax-free shares.

Bearing in mind today’s tax levels, these bonds will undoubtedly prove attractive to the higher-income group and societies expect them to provide strong competition.

A fourth bearish factor affecting building societies is the increasing competition from the banking sector for savings money. In particular two subsidiaries of commercial banks are marketing special savings on a basis with which the societies cannot compete without radically increasing their cost structure.

Were societies to match the terms offered by the banks for this kind of money, a rise in the levels of lending rates, which the movement is anxious to avoid, would undoubtedly follow.

All these aspects — coupled with the Government’s intention of restricting fiscal and monetary policy until the economy is brought under tighter control and until the balance of payments on capital account recovers — mean it is likely that the money available for investment with all financial institutions will continue to diminish.

On the face of it, therefore, the outlook for the potential home-owner and others dependent on building societies for finance is indeed bleak in the short-term.

Although in some areas there has been a marked fall-off in loan applications, the demand for bonds, in general, still exceeds available money. This means a substantial backlog could build up by 1978 if the inflow of funds deteriorates rapidly over the rest of the year.

Obviously, in present economic conditions, it would be irresponsible for the movement to grow-oriented, and the association appreciates that while housing is not a Government priority.

However, it is essential that societies maintain prudent levels of liquidity, and should they find themselves in a position whereby they cannot even meet reasonable loan demands, it may be necessary to approach the authorities for help.

Another factor which could substantially affect housing, and the societies’ role as main financiers thereof, are recommendations contained in the report of the Building Societies Commission into Housing Matters, tabled in Parliament three weeks ago.

The report will be discussed by the association’s council soon, but a preliminary scanning indicates that our recommendations to the commission have been received with sympathetic interest.

In particular, the movement is hopeful that the Cabinet will accept the important recommendation by the commission that the so-called “R18 000 limit” be abolished and that the system of differential rates (or some refinement thereof), be utilised as the “breakeven” point to prevent too much building society funds being channelled into the more expensive type of home.

This discipline, with the statutory requirement that loans of more than R20 000 must be repaid within 20 years, and the building

To page 2
Home-loan outlook gloomy

From page 1

societies' "House rule" that
bond instalments should not
exceed 25 per cent of in-
come, could regulate the
societies' lending activities
far more realistically than
arbitrary ratios.
The R18 000 limit not only
distorts prudent lending, but
also penalises genuine home-
owners who have been
forced into the second bond
market with its exorbitant
raising fees and rates of in-
terest.
I am convinced that the
abolition of the limit will
enable societies to lend
equitably in all centres of
the Republic.
No article on the outlook
for home loans would be
complete without a
reference to the vexed ques-
tion of lending to urban
blacks. I know the matter is
receiving the attention of the
authorities and the Urban
Foundation, but I must reaf-
firm that most societies
want to lend directly to
urban blacks on a merit
basis, provided some form
of acceptable and in-
alienable basis of tenure can
be worked out to give ade-
quate security. However, it
must be understood that
societies are not responsible
for financing sub-economic
black housing, which re-
main the responsibility of
the State.

In general, one cannot be
optimistic about the outlook
for home loans for at least
the rest of 1977, pending the
long awaited general revival
of the economy.
However, considering that
building societies enjoyed a
reasonable inflow of invest-
ment money last year, when
the country was already in a
recession, I am hopeful that
this situation might con-
tinue, albeit on a reduced
scale. I say this because
societies still offer the best
"package" for the genuine
investor who is concerned
about the security of his
money and is looking for a
reasonable return, plus easy
accessibility to funds.

Obviously, lending this
year will have to be cur-
tailed, but if the recession
results in a more realistic
approach to housing stan-
dards, it will have at least
one welcome side-effect.
Banking in the 70s is a tough selling operation

NOT ALL that long ago customers used to seek out the banks. Today, it's the other way round with the banks going all out to market their services. Their marketing is vigorous and the approach varies from bank to bank.

Common to all their marketing approaches has been the development of conditional business within the context of one-stop banking.

This has been a controversial subject. It is felt, for example, in some quarters that loans should not be conditional on the client also buying an insurance policy which earns the bank commission as an agent.

At branch level bank managers are encouraged to act as "contact" men — not necessarily being all-round experts in personal finance themselves, but having the resources of the bank to call upon when faced with a problem.

They can often provide the "link" to more specialised guidance. According to one banker, only a few people ever avail themselves fully of the free advice which can be obtained from these sources.

For any bank manager to act entirely in his client's best interest it is necessary for him to have an overall knowledge of the client's financial situation. This means that when advising his client he can take full account of, for instance, his tax and estate duty position.

This advice can, of course, be provided from many other sources. The advantage of the commercial banker is that he is able to call on the expertise available from his specialist departments.

In modern banking it pays to get to know one's bank manager.

Personal contact will help bankers to help their clients. An overall knowledge of a client's financial affairs enables the bank to give more constructive advice and, of course, to measure its own risk.

Banks claim today to look after customers from cradle to grave. And if your account is large enough, the manager might even ask you out to lunch.
Savings accounts
Dramatic Swings to
BANK CUSTOMERS
EARN 7.0% (OR MORE)
TODAY'S BANK
SUNDAY TIMES, YOUR MONEY, JULY 17, 1977
Student loans a loss leader for the banks

STUDENT LOANS were introduced in South Africa by Nedbank and are today offered by several major banks. In effect, the banks offer cheap financial aid to students in the hope that after graduation into a professional or other career, the student will continue to do business with them.

Typically, a student whose family cannot afford to finance education will approach a bank with an application for a student loan. These loans are offered at low interest rates and are repayable only after graduation when the student starts to earn an income.

For example, a student might borrow up to R1 500. He will pay interest of 5.5 per cent compared with normal rates of 14 per cent. He will not have to pay interest or capital instalments until after graduation. Should he fail to graduate, or leave the university, he becomes immediately liable for the repayments plus interest.

Banks lose interest on student loans, but take a long-term view that future business flowing from them will at least enable the cost of subsidisation to be recouped and that other more lucrative business could eventually follow.

Nedbank's lead appears to have stimulated more and more cheaper facilities being offered by its rivals to students. The snowballing of this loss leader in a competitive market could mean that some banks are drawn in sufficiently deeply to have some regrets.

But are student loans really so advantageous in the long-term? The interest charged is minimal, but R1 500 a year accumulating interest over three or four years is a hefty sum of money to repay. If one made use of the maximum R1 500 a year, it may be a nominal sum to a successful professional. But to the BA student, just out of school, "with no experience," it could mean a crippling load of debt year after year.

The banks appear to be understanding on this point and, indicate that they would be prepared to make suitable arrangements with the particular individual concerned.

"There is a specially designed policy called the 'Graduator Policy' which can form the basis of a very sound insurance portfolio because of the many options open to the student when he graduates." As with Barclays, the interest rate remains constant at 5.5 per cent for the repayment period thereafter. Yet the Standard Bank are a little more sophisticated in their marketing technique. Accompanying the loans is a current account (a cheque book), which is the first part of a financial package called "The Student-Plan." It consists of five other services which the student may use in full or part.

These include a Student-Savings Account, The Stanza Special Students' Life Policy, Flexirand Investment certificates, Plus-Plan Account and a free Standard Bank Monthly Economic Review.

Students' loans, carefully handled, can obviously be of great assistance in launching a young career. An association with a bank could also assist a young person better to understand and plan his or her personal finances.

Nedbank will lend students up to R600 a year — but only after the first year of study because of the high dropout rate. The interest charged is 5.5 per cent for the period of study only. However, after the course has been completed, the interest rate charged will rise to the normal commercial rate.

Nedbank offers R600 to the applicant on a yearly basis, at 5.5 per cent for the duration of the course and the repayment period thereafter. Nedbank does not insist upon insurance security. However, if the loan is substantial and the conditions deem it necessary, they will request a guarantee either from the parent or guardian.

The bank encourages the student or parent to take out some sort of insurance cover, to avoid the family being saddled with a large debt burden in the event of death or disability.

Barclays and Standard both grant loans of up to R1 500 on a yearly basis. Explains a Barclays spokesman: "It is a first-year student we require a guarantee from parents because of the high drop-out rate. We also require a 'level-term' assurance policy, which is where the sum assured remains constant over the life of the policy."
Bank vir Tswanas

Die Regering van Bophuthatswana en die Standard Bank-beleggingssyndroom Bophuthatswana het besluit om 'n nuwe bank te stig. Die bank sal die totale nettoy van al die bedryfsgentakke van die Standard Bank-groep in Bophuthatswana op 'n bepaalde datum verkry. Daar is nóg Standard Bank-gentakke in Bophuthatswana. Die kapitaal van die nuwe bank sal die personeel van die ambulantes wat aan die Bophuthatswana-regering, aan die Standard Bank-groep of aan enige ander aandelehier uitses sal word, en volgens wederwoordsame voordele sal ontvang word.

In die tussentyd sal die Standard Bank-groep onafhanklikheidswydings in 'n bankrek extra met die personeel van Bophuthatswana voorsien en by die onderneem om personeel en kleinskaamhede in Bophuthatswana te help met sy opleiding. Die Standard Bank-groep het ook besluit om opgeleide bronne wat die bankbank te help met die bankbank.
VERSEKERING
ONDER 1 DAK

Deur DAVID MEADES
DIE Bank van die
Oranje-Vrystaat (Bank-
kovs) het sy
makelaarsbedrywighede
op die gebied van
kottermyn-versekering
in 'n nuwe maatskappy
saamgesnoer en ter-
selfdertyd met —
Federale en Volkskas-
makelaars 'n samewer-
kingsoorneemks aange-
gaan.

Die nuwe maatskappy sal
bekend wees as Bankovs-
Versekeringsmakelaars;
—Die maatskappy sal geheef
en al deur Federale en
Volkskasmakelaars be-
stuur word.

Daar kan aangeneem word dat hierdie
samewerking tussen Ban-
kovs en Federale en Vol-
kskasmakelaars 'n verdere
stap in die nower sfakeling
met die Volkskas-groep is.

Voordele
Volkskas het 'n maand of
wat gelede 'n belang van 80
persent in Bankovs-
Aksepbank verkry en die
naam in Volkskas-
Aksepbank verander. Groot
dinge word van hierdie
aksepbank verwag, wat
ongetwyfeld groot voordele
vir Bankovs sal inhou.

Bankovs kan nog as 'n
onafhankelike bank beskou
word, met Rentmeester met
'n belang van 25 persent in
hom die grootste enkele
aandeelhouer. Maar die
bande tussen Rentmeester
en Volkskas is ook heel
sterk, wat die samewerking
tussen Bankovs en Volks-
kas logies maak.

Wat die ooreenkoms tus-
sen Bankovs en Federale
en Volkskasmakelaars be-
tref, is dit duidelik dat die
beeld van Bankovs in die
Vrystaat veral 'n groot rol
gespel het.

As die grootste suwier
Suid-Afrikaanse verse-
keringsmakelaar is
Federale en Volkskas-
makelaars in 'n posisie om
'n diens aan Bankovs-
Versekeringsmakelaars te
bied wat baie moeilik oor-
tref sal word.

Bankovs is sedert 1974
aktief as makelaar-
bedrywig en die ooreenkoms
met Federale en Volkskas-
makelaars moet nou groter
strokag aan Bankovs se
versekeringsdienste tot
gevolg hê.
A quiet year for insurance—or was it?

By NIGEL BRUCE

THE PAST year has been a tumultuous one for the country's life insurance industry, but you would never think so from the report of the industry's official body. It has seen the authorities dramatically slash commissions that life offices may pay to independent brokers, and the Commission of Inquiry into Long-term Insurance presented its report which, although by and large giving the industry a clean sheet, also contained some controversial recommendations.

In addition to that, Government raided further the nation's savings to pay for its own extravagance to the detriment of future life insurance policy holders and pensioners.

But one would hardly get the impression that one of the largest and most powerful industries in the country, with total assets of about R5 000-million, had been through a tumultuous year from the annual report of the Life Offices Association of South Africa for the year ended June 30, 1977.

It makes fleeting reference to the government's raid on the nation's savings and devotes only one sentence to a matter as complicated and controversial as the control of commissions paid to intermediaries.

It is clear from the report of the Commission of Inquiry into the Long-term Insurance Industry which was in wide circulation by April of this year, however, that any forecast made by this powerful body, which has 42 members, about the problems likely to be faced by the industry in a year during which the pace of economic activity—and consequently personal incomes—could decline still further.

Nor are the statistics in the report particularly helpful. For instance, payments to policy-holders expressed as a percentage of total income for the review year have no comparable figures for the previous year.

What is interesting, however, is that the report's statistics show a declining ratio of operating expenses to total income—from 18.3 per cent in 1973 to 16.7 per cent in 1976. As brokers' commissions are an important component of operating expenses, one wonders why the authorities, in view of that trend, felt constrained to cut forcibly commissions as they did.
Concordia Falls through

By NIGEL BRUCE

Finswapsbank's 85 cents a share bid for-

Finansbank's, as announced on Monday, was a

The deal arose from a series of

Weasus' debt is in Natural,

Leasing Copart's first aerial fire-tower.

Strands of a 42 per cent of Concorda Bank has

SUNDAY TIMES BUSINESS TIMES, JULY 17, 1977
Insurance policy covers terrorism

By IAN MORGAN

A JOHANNESBURG firm of insurance brokers' Multimerit, is offering what it claims to be the only personal accident policy that provides cover against injury or death from incidents of terrorism. It costs about the same as conventional policies without this cover.

The policy is included in a package deal covering comprehensive motor, householders and all-risks insurance.

According to the company's managing director, Dave Kok, he first devised the scheme about 18 months ago and approached a number of insurance companies to underwrite the policy. Only two were interested: the US-based American International Insurance Co and the local President Insurance Co.

Since then other companies, some of which he had approached unsuccessfully before, have begun to show interest.

A spokesman for a large short-term insurer says that while cover against urban terrorism is not normally part of group packages, this cover could be obtained by extending existing policies and by paying an additional premium.
Business confidence in SA deteriorating

JOHANNESBURG — Business confidence in South Africa appears to be deteriorating steadily and, what is probably worse, many businessmen expect conditions will get worse during the next three to six months.

That is the finding of Barclays National Bank in its latest quarterly opinion survey published in Business Brief.

And, commenting on the opinion survey, Dr Johan Cloete, chief economist of Barclays National Bank, feels a situation of considerable overkill might now have developed.

"Both bank credit and the money supply are currently increasing at very low rates and, indeed, might even be decreasing in absolute terms," he says. "It is not easy, of course, to exercise appropriate control over the money supply — particularly in an "open" economy such as ours — and it might well be the authorities have now gone too far with their cutbacks on the money supply, in which case the adverse impact on an economy that is already depressed could be very severe."

Dr Cloete adds that, in any case, it is clear the cutback in the money supply and the persistent high inflation rate must have largely offset the expansionary effect on the economy coming from the substantial increase in export earnings over the past year.

"Moreover, any stimulatory effects emanating from increased export earnings will continue to be inhibited as long as this positive impact is offset by cutbacks in the domestically generated money supply — whether it is money created by the banks for the Government or for the private sector — and by continued double digit inflation," he says.

"Exports also make their impact on the economy by increasing the domestic money supply, and in this respect there is no difference between a stimulation of the economy through increased export earnings or through additional money created by the banking system for the Government or for the private sector."

Turning to Barclays' opinion survey itself, 40 per cent of all customers consulted were pessimistic about prospects for the remainder of the year, and about being able to maintain profit growth at last year's rates of increase.

Most retail and wholesale customers reported that business during the second quarter of this year had been worse or much worse than in the corresponding quarter last year.

About 40 per cent said second quarter sales had been on a par with levels attained in the corresponding period of 1978, while 14 per cent said results had been better.

Retailers in foodstuffs and non-durable consumer goods fared satisfactorily, with 71 per cent reporting that business in the second quarter had been on much the same level as in the same quarter of 1978.

By contrast, 59 per cent of traders in clothing, footwear and other semi-durable goods, and 62 per cent in furniture and household appliances, reported that sales had been down on or appreciably lower than in the second quarter of last year.

Firms in the manufacturing industries apparently experienced better conditions in the second quarter than commerce. Some 38 per cent of all manufacturers consulted reported that production and sales levels had been lower, or appreciably lower, than in the second quarter of last year.

About 46 per cent, however, said business had been about the same, and 22 per cent said business had been better.
Drop in profits for Saan

JOHANNESBURG—South African Associated Newspapers has declared an unchanged interim dividend of 80c per share for the year ending December 31.

Net trading profit attributable to Saan amounted to R440 000 (R478 000). Earnings per share dropped from 54.7c to 25.7c.

The trading results did not include the surplus of approximately R30 000 realised on the disposal of the entire issued shareholding in George and Knyasa Herald, formerly held by Eastern Province Newspapers. The proportion of the surplus attributable to the company is approximately R12 000.

A depressed economy, aggravated to some extent by evidence of advertising budgets being diverted to meet commercial television commitments in 1978, resulted in a sharp decline in demand for advertising space in the first half of 1978. Although tariffs were increased, advertisement revenue also fell behind the level achieved in the corresponding period of 1978.

Circulation revenue was above that earned for the first half of 1978 due, principally, to the higher average cover price of Sunday papers following the five cent increase at the beginning of February 1978.

Unfortunately this benefit was insufficient to offset the very substantial increase in distribution costs, with the result that net circulation revenue was below that earned in 1976.

Savings were achieved in operating costs, including newsprint, but this was due only to decreased consumption as a consequence of the lower volume of advertising space sold. At a time when other costs were being tightly controlled, the effect of the large increase in the price of newsprint on the company’s ability to maintain profits was very severe.

The results of Cape Times were much improved, but the profit earned by Eastern Province Newspapers Limited was well below that earned in 1978. The profit of the Financial Mail was much the same as that achieved last year.

While trading conditions were not expected to improve greatly during the second half of 1978, results for the full year should be assisted by the recently announced increased cover prices of all group newspapers. In the circumstances, it was considered the interim dividend should remain unchanged at eight cents. — SAPA.
Grahamstown — The Grahamstown Building Society held its 100th annual meeting yesterday. It is the oldest building society in South Africa.

Mr K. Stone, who has been a member of the board of directors for 42 years, chaired the meeting for the 31st time.

Originally, it started as a terminating society to assist members in buying, building or adding to dwellings.

The society became permanent in 1833 and at its first annual meeting assets totalled R10111 and profits R433.

Present assets exceed R37 million. Last year the society had a profit of over R1.6 million.

Mr Stone said the society's head office would remain in Grahamstown and any amalgamation with other societies would be avoided. — DDC.
ID-GELD
Staan reg vir oplewing

DIE methode van finansiering wat deur Suid-Afrika se nywerheidsmaatskappe gevolg is tydens die recessie wat in 1974 begin het, was oor die algemene gesond. Trouens, die huidige stand van hierdie maatskappe se geldlike situasie in 'n gesonde posisie om 'n oplewing in die ekonomie ten volle te benut.

Anders as die algemene verwagting het die likwiteit nie juis verneem nie, terwyl daar ook nie buitengewone kort geld gebruik gemaak is om lang of fase bates mee aan te koop nie. Die belangrikheid van enaankapitaal tot totale kapitaal aangewend, is ook nog binne die veilige grense.

Dit is van die belangrikste gevolgtrekings wat toe dr. Ronnie Reynolds, deurvoerende direkteur van die Gelderse Kamer van Nywerhede, in 'n publikasie vir die Bureau vir Finansiële Analise van die Universiteit van Pretoria, kom. Die publikasie is 'n omvattende studie oor nywerheidfinansiering, sy huidige probleme en vooruitgade in die Republiek.

**Voorraadvlekke**

Die publikasie toon onder meer die volgende:

- Die omsetsmelkheid van voorraad het in die agLOOR, agtien maande van die recessie toegeneem. Die ge- middelde omsetsmelkheid sedert 1970 was in die omgewing van 5 keer per jaar en dit het gedaal tot net meer as 4 keer aan die einde van 1974 en daarna weer verbeter tot die middel van die vorige grootseis in 1973.

*Ondersteande tabel toon dat geleende geld wel oor die tydperk tussen 1970 en 1976 as persentasie van totale kapitaal aangewend het.

<table>
<thead>
<tr>
<th>JAAR</th>
<th>KREDITE</th>
<th>KREDITE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>27,9%</td>
<td>9,6%</td>
</tr>
<tr>
<td>1971</td>
<td>26,4%</td>
<td>10,4%</td>
</tr>
<tr>
<td>1972</td>
<td>29,3%</td>
<td>10,6%</td>
</tr>
<tr>
<td>1973</td>
<td>33,8%</td>
<td>10,3%</td>
</tr>
<tr>
<td>1974</td>
<td>30,5%</td>
<td>14,3%</td>
</tr>
<tr>
<td>1975</td>
<td>27,8%</td>
<td>16,2%</td>
</tr>
</tbody>
</table>

*Gestig het, maar dit nog steeds binne die aanvaarbare terme is.

*Die BFA se sigte:

- Die omsetsmelkheid van die omsetsmelkheid van voorraad het ook 'n merkbare verbetering getoon en werklik die recessie van 1974.

*Met die likwiteit van die nywerheidsmaatskappe het dit ook besonder goed gegaan. Die standaard van diens阒 versterking het hier die eind van 1974 en die begin van 1975 ge- daal tot onder die aanvaar- de leer limiet van 1,8, maar het intussen weer verbeter tot byna 2 tot 1. Die verra- ders het ook byna konstante verkoop opgenem in die omgewing van 1,25 tot 1.

- Die kontantverkoop toon egter 'n merkbare verbetering sedert die begin van 1975. Kontant plus kwaal-kontant dek tans meer as 17 persent van die kort kredite vergeleke met slegs 8 persent in die begin van 1975.
Só het eienaars gefinansier

Vervolg: van bladag 1

Die stigting in totale vreemde kapitaal en 'n belangrike rol kan spesiaal in die finansiering van hierdie ondernemings. Die mark vir die uittreksel van nuwe aandeelhouders op die bydrae van mense wat moneer, sodat die stigting in eie naaikapitaal hoofsaaklik van selffonds kom van onuitgekeerde wins.

Onderstaande tabel toon die verloop van dié duidelik:

<table>
<thead>
<tr>
<th>Jaar</th>
<th>Gewone</th>
<th>Gevonne aandeelhouders</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>30,5%</td>
<td>40,0%</td>
</tr>
<tr>
<td>1971</td>
<td>30,7%</td>
<td>40,6%</td>
</tr>
<tr>
<td>1972</td>
<td>30,8%</td>
<td>40,5%</td>
</tr>
<tr>
<td>1973</td>
<td>29,1%</td>
<td>40,5%</td>
</tr>
<tr>
<td>1974</td>
<td>25,0%</td>
<td>40,4%</td>
</tr>
<tr>
<td>1975</td>
<td>22,0%</td>
<td>40,0%</td>
</tr>
<tr>
<td>1976</td>
<td>19,4%</td>
<td>35,4%</td>
</tr>
</tbody>
</table>

Seuls aan die einde van 1976 was die rentelast dus nog meer as ses keer gedek deur die wins. Omdat die totale dividend slegs 24,6% van die wins uitgemaak het, moet die voorkeurdividende ook goed gedek gewees het.

Dit is ook interessant om daarop te let dat die gemiddelde belastingkoers van die nywerheidsmaatskaplike gedaal het. Dit kan toegeskryf word aan die groei in belastingbasis wat betaal word op nuwe kapitaalinvestering.

Oor die langer termyn voel dr. Reynders ook tuinlik gelif. Hy wys op die land se ryk fisiese hulpbronne en menskragte, sy ondernemingsvaardigheid en nywerheidsdiscipline en sy gesondse instigatiese raamwerk om dit alles te onderkrag. Die kontrak van eiekapitaal is daar in die private sfeer as die nywerheids sektor reeds allerlei stappe gedoen om aan die structurele en ander knelpunte aandag te gee.

Dr. Reynders sluit af deur te stel: "Wat die kort- en 'n mindertermyn betref is die nywerheid met sy huidige finansiële structuur en met die huidige kapitaalvisie in 'n goeie positie om die verwagte oplewing, alens uit 'n finansiële boppunt, met verseveld te loop. Dit sou verstandig wees om 'n konserwatiewe finansieringsbeleid te by voor en hierby die rentenlast, veral op die kort termyn, onderwerp om 'n hulboring en menskragte te lok.

Dr. Reynders herhaal mense-aanwyk om 19,30 uur die verdeling in die Grootsaal van die C.G.W. Schumanngebou op Stellenbosch.
I DO NOT know what the proper, or right, value of the rand is. And neither does anyone else. Most of us know that it is fixed at $1.15 but that figure reflects the decision of fallible men in Pretoria and not of the marketplace.

There is a market for what are called security rands, previously more descriptively called blocked rands. These are rands owned by foreigners which have been realised through the sale of assets in South Africa. These rands trade at around $0.75, which indicates that $1.15 might overstate the market value of ordinary rands.

That is beside the point. What is interesting is that, because the rand is fixed to the falling dollar, it is now declining in value against currencies such as the German mark and the Japanese yen. And this process has no connection whatever with South African decisions (except the one to remain pegged to the dollar), circumstances or needs.

The Americans have chosen to allow the free market to determine the price of the dollar which therefore reflects conditions (principally a soaring deficit on its current account) within the United States. Movements in the value of the rand must also reflect circumstances in the United States and not in South Africa (where we have a very healthy and rare surplus on our current account). If the rand were floating freely at, say, $0.85, it could now be rising against the dollar instead of illogically falling with it. The rand's current weakness could be right, but for the wrong reasons.

At first glance one would assume that fixed, controlled rates are more stable than free, floating rates. But experience has proven that this is not the case.

The other side of the fixed rate coin is exchange control. This was invented in the thirties by Iljalmar Schacht, Hitler's brilliant economic adviser. The aim of exchange control was to depose the Jews of Germany. It was, and is, a totally unwarranted intrusion on the freedom of a man to do what he wishes with his own funds.

It has since been adopted by many nations, and always to their cost. Those who have eschewed it, such as America, West Germany, Japan and Switzerland have benefited thereby.

In South Africa it has bred a new class of criminals, employed the time, talent and energy, which could have been more productively spent elsewhere, of numbers of civil servants, Reserve Bank officials and policemen.

It has also given rise to the utterly false notion that because a man makes money in South Africa, he therefore owes it to the country to keep his money here. Nobody will recompense him if he sells De Beers shares to buy Barlows. But if he wants to sell rands to buy marks, pounds or yen he is a traitor.

Exchange controls, in addition to being an arbitrary and unreasonable interference in personal liberties, are also economically damaging — and, furthermore, like all such controls, do not even work very well. And, coupled with a fixed rate that is too high, they mean that those who manage to get permission to move money out (or sell rands for other currencies) are paid a premium by the rest of us who are forced to keep our assets in rands. Those who are determined to sell rands do so through unofficial, illegal channels at discounts. Those who buy such 'hot' rands at a discount get them back into circulation at the official rate; exchange control thus encourages illegal action and rewards it.

There is no better market in existence in the world than the market in foreign exchange. It is heavily populated and extremely active. South Africa should be a beneficiary of this highly efficient market.

The rand should be set free to float and exchange controls abolished. Perhaps the rand would fall sharply. All this would mean was that there were more sellers than buyers of rands. The sellers would get hurt and the buyers would get a good deal. And at a certain price there would be roughly just as many rands on offer as there were for sale. There is a price which clears markets.

These arguments are often dismissed as impractical theory. The opposite, on the evidence, is the case: these countries without fixed rates or exchange controls prosper relative to those which employ them.
Exchange fluctuations hamper planning
R7m leverage lease for paper tissue plant

By NIGEL BRUCE

and a similar amount for Iscor, both arranged by NIU, and R5,4-million for Pietermaritzburg, arranged by UDC Bank/GATX and Magnum Leasing.

In theory, a leverage lease is one in which about 70 per cent of the cost of capital equipment is provided by institutional investors (at about 13-14 per cent a year) for a lessor or equity consortium, which itself provides the remaining balance.

The equity consortium, which purchased the equipment to be leased, is able to benefit as the owner from investment allowances which are tax deductible. Hence it is able to lease the equipment on very favourable terms.

In the case of the latest Stanger Pulp lease, the company.

The low cost of the lease to Stanger Pulp suggests that the equity consortium passed on all of the investment tax allowances to the company. Even so, I would guess the consortium's return to be more than 20 per cent on capital employed partly because of judicious timing.

The entire finance for this leverage lease was provided from within the Nedbank group, as it was with the Iscor lease.

As with all large leasing propositions, Stanger Pulp's was offered to a few institutions in the leasing market. Because of the Nedbank group's existing involvement, the deal finally concluded probably had special attractions for the bank.

The largest leverage lease written so far in this country, a R7,166-million six-year contract with Stanger Pulp and Paper, was concluded in April by Nedfin Bank's leasing arm.

This is only the sixth time that a large leverage lease — which usually offers returns of between 20 and 30 per cent to those participating in the equity consortium — has been written in this country.

It is the second one written by a Nedfin Lease Underwriting (in which US Leasing has a 20 per cent stake) with Stanger Pulp. The first was for R781 000 to finance the acquisition of process control equipment. Other large leverage leases were R5-million for a large industrial company.

R7-million leverage lease

pany is paying only roughly half of the cost of an overdraft or debenture issue. Leasing as it has a tissue making plant was particularly attractive.

Stanger Pulp's profit position prevents it at present from benefiting from investment allowances had it borrowed money some other way and purchased the equipment outright.

From Page 1

p

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As with all large leasing propositions, Stanger Pulp's was offered to a few institutions in the leasing market. Because of the Nedbank group's existing involvement, the deal finally concluded probably had special attractions for the bank.
For the information of the Faculty Office

A full minute of the due course.

5 August 1977

Pessimism dims recovery light

A GRADUAL recovery in the economy may be expected early next year, but most businessmen are still very pessimistic about prevailing business conditions.

And from their recent experiences, one can understand why.

According to the latest opinion survey from the Bureau of Economic Research at Stellenbosch University we learn that a net 76% of manufacturers believe that conditions had been worse last quarter than a year ago.

And an even larger number, 82%, described business conditions as "unsatisfactory".

The survey highlights the reasons for their continued pessimism. "Not only has the volume of sales (4%) and production (-38%) been worse during the second quarter... but the value of orders received (-12%) shows a decline over the corresponding period."

And these are manufacturers who are sitting with productive facilities which are only 78% utilised.

It is also worrying that the decrease in the value of orders received is stronger than the value of sales so the ratio of orders not executed to sales dropped sharply.

But all is not gloomy for it seems from the survey that many manufacturers are pinning their hopes on a slow recovery next year and that they are less pessimistic about future demand.

A.E. PAAP
Dean; Faculty of Arts
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<td>Growth of Non-Farm</td>
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<td>Pretoria — The Minister of Finance, Sen</td>
<td>16</td>
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<td>Horwood, announced yesterday that the senior</td>
<td></td>
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<tr>
<td>deputy governor of the South African Reserve Bank, Dr G. de Kock will shortly assume duty as his special economic adviser.</td>
<td></td>
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<tr>
<td>He also announced the appointment of a commis-</td>
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<td>sion of inquiry into South Africa's monetary system and monetary policy, with Dr De Kock as chairman.</td>
<td></td>
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<tr>
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<td>23</td>
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<td>40</td>
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<td>Culture</td>
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**Note:** The table contains some abbreviations and unclear references that might require further context to interpret accurately.
Indian bank gets broader mandate

Mr J. K. Reddy

The New Republic Bank, South Africa's only Indian bank, is set to drop its "Indian citizens only" clause from its constitution. New Republic managing director J. K. Reddy confirmed this week and said that this had to be done in line with the Standard Bank's acquisition of 50 percent of the shares in New Republic Bank.

"Also," he added, "it is right that it should be done in the present climate. The restriction is no longer needed."

According to Reddy the bank, in line with moves towards open shareholding for some time, and the fact that Standard's shareholding has been cleared by the Registrar of Banks indicates that no official opposition is likely to be made to the move.

The bank's original constitution, he said, led to include the "Indian only" limitation in order to get a licence. The clause is likely to be voted officially at a meeting on Thursday.
Bank charges probe may benefit man in the street

THE COMMERCIAL banks are studying the possibility of a major re-allocation of bank charges among certain categories of customers. This move would ultimately lead to large corporate customers paying much more, in percentage terms, and possibly the man in the street paying less.

A special committee, comprising officials from the commercial banks, has been deliberating over these changes for the past eight months. And this week its members reported back to their respective managing directors.

However, the commercial banks are far from unanimous over what changes should take place and how soon they should be implemented.

Broadly speaking, however, they agreed that the inequities and irregularities of a system under which the small customer in effect subsidises the larger one should be removed.

The problem is how to achieve this in view of the widely differing branch networks structures and different stages of computerisation among the banks.

While significant changes in the apportionment of bank charges are ultimately bound to occur, the formalised banks cartel, the Register of co-operation, is nonetheless unlikely to disappear.

Instead this agreement, which prescribes minimum charges for all bank services, is more likely to be revised.

In past years this cartel has given the larger commercial banks monopolistic powers, enabling them to keep small competitors in their traditional fields at arm's length.

However, it has also, to some extent, protected small banks which have difficulty in competing with the lower average cost of deposits enjoyed by the large banks.

In more recent years, however, moves to break this stranglehold have intensified. With the example of the British clearing banks, which dismantled their cartel some years ago, the Reserve Bank has begun to agitate for a more competitive clearing system.

More recently, the penetration by the large commercial bank groups of the instalment credit market, which had previously sustained newcomers, and the subsequent reduction in the number of effectively competing banks, has increased pressures for a more rational charges disposition in the commercial banking market.

The threat of a Post Office-influenced giro clearing system and competition from building societies payments clearing systems has highlighted the need for the commercial banks to look to their laurels.

Apart from the physical difficulties of achieving this and the need to avoid disruptive piecemeal changes, there are directors in at least one traditional commercial bank who do not understand that greater competition will be in the interests of their own banks, as well as the public.

In view of this and the divergence of disciplines represented on some banks boards, this confusion is understandable even if unacceptable.
JOHANNESBURG — The Minister of Finance, Sen Horwood, said yesterday the general impression he brought back from Europe was that the political factors inhibiting foreign investment were beginning to lose their effect.

Speaking at the opening of a firm in Kempton Park, Sen Horwood said South Africa might begin to look for an increased inflow of foreign capital in the not too distant future.

"Clearly, however, while political uncertainties in Southern Africa persist, or are thought to persist, it would be realistic to plan on the assumption that foreign capital investment will in the immediate future be at a somewhat lower level than in the past.

"We shall, therefore, have to continue to look to domestic saving for the financing of the major part of our capital investment and we shall have to ensure that our internally-generated capital resources are applied in the best possible way," he said.

"A few weeks ago I visited most of the principal financial centres in Europe and spoke to a large number of prominent bankers and financial leaders," Sen Horwood said.

"Without exception they were all impressed by the dramatic improvement in our balance of payments over the past 18 months.

"Although the balance of payments was helped by some improvement in our terms of trade, there is no doubt the financial discipline which the monetary authorities have imposed (in other words our strict fiscal and monetary policy) has been a major factor and I can say this has created an extremely favourable impression in overseas financial circles."

At the same time, it was only realistic to recognise that political factors were still playing a part in restricting the flow of foreign capital to the Republic, he added.

Because these fears were based on uncertainties rather than on facts, they were not easy to remove, Sen Horwood said. — SAPA.
Building society hits at black home loan snag

JOHANNESBURG. — A leading building society has expressed doubts about its home loan policy for Africans in the Southern Transvaal because it believes blacks do not like dealing with the West Rand Bantu Administration Board (WRAB).

In a strong call last night for a new deal for black home owners the deputy chairman of the Natal Building Society, Mr. Gordon Chapman, announced that the NBS had already granted R1 750 000 to the Vaal Triangle Bantu Administration Board and WRAB.

No secret

Speaking at the opening of the society’s new headquarters, Mr. Chapman said he made no secret of the fact that the society collected savings from blacks.

"We want to channel these funds into homes for blacks," he said.

Unfortunately this cannot be done in the traditional manner because in the black townships in white areas they do not enjoy freehold title," he said.

To overcome the obstacle, loans were granted to Bantu administration boards on the understanding that the money would be used to build better types of houses. In many cases these were for nominated employees of companies which invested funds with the society.

"Unfortunately I am not sure that we are doing the right thing, especially in Soweto, because our feedback is that the blacks do not want to deal with WRAB.

"We do take comfort from the fact that the families living in these houses are very grateful indeed that they have a roof over their heads. But how much more satisfying it would be for all concerned if proper title could be given so that they could deal directly with us as home-owners should," Mr. Chapman said.

"The home building industry was in for a lean time, and with an oversupply of offices and shops the whole industry looked like being under-employed for some time to come."

"Yet it need not be. The tragedy of our country is that while whites are over-housed all three non-white groups of our population, blacks, Indians and coloureds are crying out for homes."

"Surely we should feel ashamed that this situation has been allowed to develop," he said.

Cover of your book

1. Either mark

(a) The value of the object is R1000.

(b) The object is not valuable.

(c) We should give it to charity.

(d) We should not touch it.

2. Answer the questions:

(a) What is the purpose of the object?
(b) Who is the object intended for?
(c) What is the object made of?
(d) How long has the object been in use?

3. Ride into its morphemes the word "sentence"

sentence

4. Diagram for the sentence: We drove to the beach.

We drove to the beach.

5. In terms of first immediate-constituent division, explain the grammar of "l'année civile 1971.

l'année civile 1971

6. Je suis étudiant inscrit à l'Université de ......... (6 marks)

en vue de diplôme de .......... et joins ma cotisation de R2,50 valable pour l'année civile 1971... (Il est à noter que seuls les étudiants n'ayant pas encore dépassé le niveau du B.A. Honours pourront bénéficier de cette réduction.)

Total: 50 marks

Rayer la mention inutile.

PRIERE D'AJOUTER AU DOS DU CHEQUE OU DU MANDAT POSTAL LA MENTION "COTISATION AFSSA" SUIVIE DU NUMERO DE L'ANNEE POUR LAQUELLE EST EFFECTUE LE VERSEMENT (PAR EXEMPLE: "COTISATION AFSSA 1977"). MERCI.

DATE: .......... SIGNATURE: ..........

O58
Loan shark threat

Indaba reporter
EAST LONDON - Interest of up to 1200 per cent a year is being charged by loan "sharks" in Port Elizabeth's African townships, according to a spokesman for the Cape Midlands Bantu Affairs Administration Board (BABB).

Police warned that to charge more than 14 per cent allowed by the Limitation and Disclosure of Finance Charges Act was a criminal offence which carried a fine of R1 000, or two years or both.

The authorities warned that people using loan "sharks" to pay urgent debts could get into serious difficulties if they were unable to pay the interest or repay loans.

Police said they had had a number of complaints from people who had been assaulted by others who claimed they owed them money.

People also find themselves getting into deeper financial difficulties trying to meet the exorbitant interest demands.

A BABB spokesman said it had for years been trying to stamp out loan sharks, but their victims covered up for them.

The people turned to loan "sharks" in emergencies and were exploited because of their situations.

The amounts borrowed were seldom as high as R100 - usually R10 to R20 - but whatever the amount, the borrower had to repay double at the end of the month.

The money was borrowed for a number of reasons, including arrear rents or hire purchase instalments, and medical fees, the spokesman said.

In which areas do you think research at UCT should be concentrated?

What did you think of the Workshop?
DIE minister van Finansies, sen. Owen Horwood, het vandag gesê dat elke maatskappy die 90 persent stimulerings van die ekonomie binnekort aangeneem sal word. In die borg hierlangs vertel elke selskap van al die probleme en gevaar verbonde aan so'n stimulerings. Ons kan nie anders nie, dit is die bank en voorbereiding saam in sterwe nie.

Ons se...

Bank stel probleme

DIE merkwaardige verbetering in Suid-Afrika se handelsbalans is net 'n skrale troos. Daar is geen rede om te glo dat ons betalingsbalans se probleme opgelos is nie. Dit wil trouwens voorkom of sake nog verder kan verskil en die volghehou daling in ons reserver by die groeiprobleem.

Dit is hoe Bill Sampson se skuldigheid in volle staat op was. Die bank stel die dilemma waarin die Minister van Finansies, sen. Owen Horwood, verhoor het.

"Dit is nie van doen dat ek die bank en voorbereiding saam in sterwe nie. Maar hierdie probleme is net 'n skrale troos. Daar is geen rede om te glo dat ons betalingsbalans se probleme opgelos is nie. Dit wil trouwens voorkom of sake nog verder kan verskil en die volghehou daling in ons reserver by die groeiprobleem.

Kante

• Aan die ander kant het die bank en voorbereiding saam in sterwe nie. Maar hierdie probleme is net 'n skrale troos. Daar is geen rede om te glo dat ons betalingsbalans se probleme opgelos is nie. Dit wil trouwens voorkom of sake nog verder kan verskil en die volghehou daling in ons reserver by die groeiprobleem.

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Aanwyers toon die gly aan

DIE meeste ekonomiese aanwyers toon nog 'n duidelike afwarying van daardie se beter bedrywighede in ander ekonomiese sektor. Dit is nie verhoog nie.

Deur VIC DE KLERK

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BOSTANDE grafiek toon hoe paa die land se ekonomiese werklikheid is. Al die handelsaandeekse aanwyers maak nie die duidelike dinge buite lig nie. Dit was donker ook in die herfigrafiengesprek, sa is al die dinge buite lig nie. Dit was donker alsook in die herfigrafiengesprek, sa is al die dinge buite lig nie.

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Ook die waarde van die aanwyers is nie dus nie so sterflik nie as die ander se waarde van die aanwyers. Dit is nie van doen dat die bank en voorbereiding saam in sterwe nie. Maar hierdie probleme is net 'n skrale troos. Daar is geen rede om te glo dat ons betalingsbalans se probleme opgelos is nie. Dit wil trouwens voorkom of sake nog verder kan verskil en die volghehou daling in ons reserver by die groeiprobleem.

Die daling in die buitenhandel se reserver, groefie, konome, ongewenste en gewenste verkoop deur panameer wisselmeesters begin geleugenes. Dit was dus nie verhoog nie. Maar hierdie probleme is net 'n skrale troos. Daar is geen rede om te glo dat ons betalingsbalans se probleme opgelos is nie. Dit wil trouwens voorkom of sake nog verder kan verskil en die volghehou daling in ons reserver by die groeiprobleem.

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Higher inflow of capital expected

JOHANNESBURG – The Minister of Finance, Senator Owen Horwood, said yesterday the general impression he brought back from Europe was that the political factors inhibiting foreign investment were beginning to lose their effect.

Speaking at the opening of a power products firm in Kempton Park, Sen. Horwood said South Africa may begin to look for an increased inflow of foreign capital in the not too distant future.

"Clearly, however, while political uncertainties in southern Africa persist, or are thought to persist, it would be realistic to plan on the assumption that foreign capital investment will, in the immediate future, be at a somewhat lower level than in the past.

"We shall, therefore, have to continue to look to domestic saving for the financing of the major part of our capital investment and we shall have to ensure that our internally-generated capital resources are applied in the best possible way," he said. – (Sapa.)
Putting the squeeze on liquidity

Special Finance Correspondent

LONDON: A squeeze on the Treasury bill rate, which has been a comparatively low 3 per cent for a considerable period of time, now seems to be growing, and is now considered a significant factor in the movement of the discount rate, which has been rapidly advanced in recent weeks. The discount rate, which is now at the level of about 5 per cent, is expected to rise further in the near future.

The increased demand on the part of bond buyers in the market may be traced back to two causes. A high degree of confidence has been given, and a substantial buying interest in bonds, particularly in those of the government, has been observed.

At the same time, each security has been presented as a source of liquidity, but its movements reflect a new trend in the market, indicating a shift of capital from other bonds to government securities. This is believed to be the cause of the increase in the discount rate, which is expected to continue.

The recent increase in the discount rate may be attributed to the government's policy of maintaining a tight currency, which has resulted in a decrease in the supply of money. This is believed to be the primary cause of the recent increase in the discount rate.

A total of £2,000 million left the market as a result of the recent discount rate increase. This amount is believed to have been reduced from £1,500 million of the previous week.

The discount rate is now expected to increase further, and may reach a level of 6 per cent in the near future. This is believed to be the result of the government's policy of maintaining a tight currency, which has resulted in a decrease in the supply of money.
Light Relief due from Dr De Jongh

BY NIGEL BRUCE

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J.H. Minet aims to expand SA operation

J.H. MINET and Company, the local subsidiary of the large international insurance broking concern, is looking for local acquisitions to expand its business in this country.

This follows merger talks between one of its large competitors, Price Forbes, and Federales Makelaren, the brokering company owned by Federales Volksbeleggings and Volkskas.

Minet already has an interest in a local Afrikaans broking operation, having 33 per cent of Sentrale Makelaren, the other owners of which are Bonaskor and Perskor, which are connected with Price Forbes's hoped-for partner.

The impetus behind Minet's search for other acquisitions here comes partly from the gearing up of its international parent to service multi-national clients in their various countries of operation.

To this end, 10 regional directors of the holding company, Minet James International, met in Johannesburg this week to plan international marketing strategy.

But, of course, there is another reason and presumably it approximates the rationale behind the Price Forbes-Federales Makelaren get-together.

The local market is overcrowded (there are in fact 28 major insurance brokers here) some of whom are finding the going tough in the present recessionary business climate.

Coupled with that, official regulations this year have forcibly reduced commission earnings and effectively doubled guarantees, which in turn has pushed up costs.

The obvious reaction to this is for the larger brokers to absorb the smaller, especially where they are going cheap, or to merge with others to step up turnover and thus, to some degree, compensate for lower earnings and higher costs.

Minet's local MD, Kit Keey, tells me that any local acquisitions would most likely be paid for partly by the company's international parent increasing its investment in this country — welcome news in view of the state of the capital account of the balance of payments.
PF se ding deur

Deur DAVID MEADES

Dit sal die totstandkoming van 'n reuse-makelaarsgroep tot gevolg hé wat minstens drie keer so groot as sy naaste mededingers sal wees. Volkskas en Federale Volksbeleggings sal die beheerende belang in die gesamentlike groep hé, 'n belang wat oor die volgende drie jaar tot byna 67 persent sal toeneem.

Aan die minderheidsaandeelhouders van Price Forbes sal 'n kontantebod van 200c per aandeel gebied word, wat vergelyk met die 100c waarop die aandeel voor sy opskorting geskaak het. Aanvanklik sal ook gedaan word dat PF van meer af weer genoteer word.

Die sameelsing is nog onderworpe aan die goedkeuring van die Britse owerheid, ofskoon dit net as 'n formaliteit beskou kan word.

In die nuwe groep sal Price Forbes Sedwick van Brittanje aanvanklik 'n belang van 60 persent en die Volkskas Federale Volksbeleggingsgroep 'n belang van 60 persent hou. Maar dit is deel van die ooreenkoms dat die Britse aandeelhouding oor die volgende drie jaar tot 35,3 persent verminder word en die S.A. aandeelhouding tot 66,6 persent geneem word.

Hoewel daar 'n mate van rationalisering tussen die bedrywighede van die twee groepe sal wees, sal hul bedrywighede afsonderlik bly. Hulle sal egter mettertyd onder een bestuur geplaas word.

Nadere besonderhede sal mettertyd in die aanbodgedeelte vir die minderheidsaandeelhouders bekend gemaak word.
Mutual Man urges better use of capital
Spells it out

Mutual man

of capital

Call for better use

BY NIGEL BRUCE

South Africa's capital formation is to be better used to create a more prosperous and equitable society. The country's capital is crucial for the development of its economy and the betterment of its citizens. It is important that this capital is invested wisely and used effectively to promote growth and development.

The need for a more effective use of capital is highlighted in the article, which draws attention to the current underutilization of capital resources. The author calls for a more strategic approach to capital formation, advocating for a closer alignment between investment decisions and the needs of the economy.

Readers are encouraged to consider the implications of the author's arguments and to engage in discussions about how capital can be best used to drive economic progress and improve the standard of living for all South Africans.
R25m injection of capital

Jan Marais

leaves

Trust Bank

By GORDON KLING

THE CHAIRMAN of Trust Bank, Dr Jan S Marais, and its managing director, Mr Ankier Burger, resigned yesterday. The bank is to receive a massive capital injection to help it with its problems.

And the bank’s private shareholders have been hit by a substantially reduced offer for their share.

Both Dr Marais and Mr Burger have taken early retirement on pension.

The surprise developments follow a probe by Bank Holding Corporation of South Africa (Bankorp) into the affairs of Trust Bank which was founded by Dr Marais 23 years ago and was the fourth-largest bank in South Africa. Bankorp gained control of Trust in a controversial share swap earlier this year.

Bankorp’s parent company, Swedien, is to inject R25 million into Trust to strengthen its contingency reserves.

The deputy chairman of Bankorp, Dr Fred du Plessis, who has been elected executive chairman of Trust, yesterday told a press conference in Johannesburg that the investigation revealed that Trust had made insufficient provision against doubtful debts and write-offs in terms of the standards which Bankorp had set for its subsidiaries. He emphasized that there were no liquidity problems at the Cape Town-based bank.

Dr Marais declined to comment on the developments at the bank or the state of its asset base. His wife, said in Cape Town last night that he was considering his position and might be willing to discuss the matter in a few days.

The new chairman, Dr Du Plessis, said it was essential that the deficiency regarding bad debts be corrected. The capital injection would assist Trust in a position to maintain and strengthen its capital base with a view to continued sound growth in the future.

The move, meant that there is no prospect of Trust paying any dividends “until such time as the contingency reserves have again been increased to a level that complies with Bankorp’s requirements” which Dr Du Plessis said could take a considerable number of years.

He also announced that Bankorp is to go for the 40 percent of Trust shares still held by the public, but at a reduced offer of one Bankorp share for every six Trust shares. This compares with an offer of one for one made in March this year which resulted in considerable shareholder opposition because Johannesburg Stock Exchange prices indicated a two-for-one agreement.

On the new terms Trust’s "Continued on page 2."
Trust Bank offer a shock for Trust Bank

Trust Bank has no liquidity problems, says Trust Bank's chairman, Dr. A.D. Bankorp.

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Trust Bank has no liquidity problems, says Trust Bank's chairman, Dr. A.D. Bankorp.
T-BANK GESOND

Vervolg van bl. 1

serwatief bereken, moet die markwaarde van hierdie effakte 5% percent minder wees, of 'n bedrag van R10 miljoen, wat eintlik afgeskryf moes word.

Aankoopprys

Ook in sy handtering van die waarde van ander genoteerde beleggings verskil die benadering van Trust-Bank en Bankorp aansienlik. Trust-Bank het byvoorbeeld nie hierdie beleggings van hom afgeskryf indien die markwaarde laer as die aankoopprys was nie.

Volgens die groep se jongste balansstaat was sy belegging in genoteerde aandele R23 737 000. Dit het 'n markwaarde van R16 408 000 gehad. Volgens die bank se jaarverslag is daar geen voorsiening gemaak vir hierdie boekwer- lles van R7 329 000 nie.

Dan is daar natuurlik nog die waarde van ongenoteerde beleggings en eiendomsbeleggings waarop die direksie 'n waardering plaas. So 'n direkteuwaardering val natuurlik nou saam met die direksie se siening oor 'n sekere sektor.

Volgens die jongste bankstaat (BW 9) het Trust-Bank die volgende beleggings gehad met wie se waardering die direksie van Bankorp nie noodwendig sou saamstel nie:

- Bankpersele: R55 miljoen;
- Vasta eiendom behalwe bankpersele: Ingekoop, R10 762 151 en Ander, R88 006 837.

Dit is dus 'n eiendomsportefeuille van meer as R150 miljoen. In ooreenstemming met die bank se algemene beleid om hom nie te steur aan markprysie nie, is die waarde van hierdie belegging volgens 'n konservatiewe waardering waarskynlik heelwat minder.

As op al bogenoemde behoorlike afskrywings ge-
doen word, is dit duidelik dat 'n bedrag van R25 miljoen, of 'n bedrag gelyk aan die nuwe fundy wat Sanlam deur Bankorp in Trust-Bank gaan stort, maklik moontlik is.
Deur David Meades:

DIE jongste plan van Sanlam en Federale Voksbeleggings om die aanbied van Bankorp vir Trust-Bank terugwerkend te aanvaar, is vir Federale 'n verdere gevoelige slag.

Hy sal nou by sy 11 273 147 aandele in Trust-Bank: 1 876 778 aandele in Bankorp kry. En teen die prys van Bankorp 1 540 000, of totale waarde van R2 348 225, wat dit met die markwaarde van R1 675 686 vergelyk, nóg minder as die eind van Federale se boekjaar in 1976. Die totale markwaarde van sy genoteerde beleggings het toe op byna R200 miljoen gestaan.

Aan die inkomst- en vergelykingskant gaan Federale 'n flink geleg verloor. In die vorige jaar het hy nog 'n dividend van R789 120 uit sy belang in Trust-Bank gekry. Gegrond op die jongste verhoogde dividend van Bankorp sal Federale se inkomste uit die vergrote Bankorp R2 000 000 wees — 'n verskil van meer as R500 000.

**Rupert**

Met 'n belang van byna 27 persent was Federale die grootste enkloie aandeelhouer in Trust-Bank. Sy belang in die vergrote Bankorp sal nou sowat 6 persent wees. En nou kan 'n mens nog verder gaan. As daar gewerk word van die vorende aandeelhouder het sy belang in Trust-Bank gemiddeld 76c stuk belaai, en hy-hy nu Dwarsfietse, in Trust-Bank teen 'n histowiese prys van 420c per aandeel.

Hy se sook ook in die Bankorp, gekry af tot die derde ook, Dr. Anton Rupert, se "Rembrandt". In sy belang van 20 persent in Bankorp, gekry teen sowat 120c per aandeel, wat in die vergrote Bankorp 'n belang van sowat 13 persent sal verteenwoordig.

**Bankwet**

Aan die ander kant kom Sanlam goed uit die transaksie en gaan sy uiteindelike belang in Bankorp nou baie nader aan die maksimum-perk wees, wat deur die Bankwet voorgekryt word.

As daar aangeneem word dat al die oorheuwende minderheidsaandeelhouders in Trust-Bank nie in aanbod aanvaar, sal Bankorp sy totale uitgerekte aandeelstok به 4 miljoen.
Sterns is cleared in US inquiry

BY JIM SRODES
WASHINGTON, US
Government investigators have closed their inquiry into possible tax-fraud links between Zale Corp., the world’s largest jewellery store chain, and the Sterns Diamond Organisation of Johannesburg. The South African firm has been cleared of all suspicions.

Earlier this week, Zale officials settled its dispute with the government by agreeing to revamp its audit procedures, appoint new directors and now face a probable back-taxes bill that may amount to $50-million.

Zale owns about 20 per cent of the issued capital of Sterns. The shares are held indirectly by Mr Donald Zale, the president of Zales, who is also a director of Sterns.

An official of the Securities and Exchange Commission told Business Times:

“Zale has signed a consent decree that will require it to elect three new directors from outside the firm within the next 90 days and to reorganise its auditing committee so that these new directors constitute a majority.

“We found no evidence to connect the Sterns stores, although the charges against Zale involved substantial overseas dealings.”

The consent decree signed by Zale officials enjoins the firm from violating the anti-fraud, periodic reporting and proxy provisions of American securities laws.

When business men sign the decree, they are neither admitting nor denying guilt, but merely promising not to continue the activities that led to the charges.

Sterns, which has a 14 per cent sales increase to $877.8 million in the fiscal year ended in March, has almost 1,700 stores across the United States that not only specialise in jewellery, but also offer lines of shoes and clothing.

The SEC had charged that for nearly 20 years, the family-owned conglomerate had maintained a cash account in Antwerp, which ostensibly contained funds to trade in diamonds nearly all from South Africa.

The complaint was that this unaudited account generated at least $210,000 in yearly profits from 1973 to 1978 that the money was given to Sterns directors and employees in Belgium, Israel and Britain as additional compensation “in possible violation of the tax laws of those nations.”

There was no evidence of such transactions involving Sterns employees who may have done business in South Africa, the SEC stated. Much of the money went to senior officials of the Texas-based company, the charges alleged.

In addition, the government charged that these same officials “devised a scheme for manipulating” the company’s financial reports for the purpose of evading US taxes.

Sterns officials have already said publicly that added tax liabilities for the 1973-7 period of the investigation will be at least $10-million.

A “preliminary analysis” has also indicated that the final tax bill to the US Government “could be as much as $50-million.”
FINANCIAL Planning Services (FPS), 'n maatskappy in die Nedbank/Sage-grup wat hoofsaaklik sape doen op die gebied van persoonlike finansiële beplanning, het klaarblyklik omdanks die insinking in die ekonomiese steeds 'n groot vraag na sy dienste.

Hy het sy pragtige groei-rekord sedert sy toetsing in die voorjaar gelede in 'n paar jaar gelee in die eerste derde maande van die jaar, gehandhaaf en daardeur sy posisie as 'n weselike mag in die lewensversekerings-, pensioen- en finansiële beplanningsbedryf nog verdere verstevig.

Volgens FPS se besturende direkteur, num. Danie Kaplan, het die groei van die nuwe gewone jaarlike premie-inkomste in die eerste helfte van 1976 met 33,8 persent tot die rekordbe- drag van R2 848 000 toege- neem, teenoor die R2 210 154 van die ooreindige tydperk vorige jaar.

Die nuwe premie-inkomste uit lewensversekering vir die hele 1976 bedra R4 050 000. Die nuwe premie-inkomste wat gedurende die eerste helfte van 1976 deur FPS se filiale, FPS Pension Consultants, bygekry is, het die R1 miljoen-korf oorskry en is reeds byna gelyk aan die totaal vir die hele 1976.

In die eerste helfte van 1977 het FPS ook R9 900 000 namses sy klante in finansiële instellings soos bankë, bouverenigings, deelnemingsverbandmaatskappye en onderlinge be- leggingsmaatskappye belê. In 1976 het altesame R17 miljoen in hierdie instel- lings belê.
End uranium boom may be near

BY NEIL BERMANN

The world's uranium supply will soon be too plentiful for the market. The price of uranium is expected to fall as the world's atomic energy needs decrease.

The world's uranium production is expected to increase by 10% per year, while the demand for uranium is expected to decrease by 5% per year. The surplus of uranium will put downward pressure on the price of uranium.

The price of uranium is currently at $25 per pound, but it is expected to fall to $10 per pound within the next five years. This is a dramatic decline, but it is expected to continue as the world's atomic energy needs decrease.

The decline in uranium demand is expected to be driven by a number of factors, including the increase in renewable energy sources, such as solar and wind power, and the decrease in nuclear power generation.

The decline in uranium demand will also be affected by the rise in uranium mining costs. The cost of mining uranium has increased in recent years, which has reduced the profitability of uranium mining.

As the price of uranium falls, some uranium miners will be forced to shut down their operations. This will further reduce the supply of uranium, which will put upward pressure on the price of uranium.

However, the decline in uranium demand is expected to be more than enough to offset the rise in uranium mining costs. This is expected to result in a long-term decline in the price of uranium.

The decline in uranium demand is expected to be a major factor in the decline in the price of uranium. This is expected to have a significant impact on the uranium mining industry, as well as on the countries that depend on uranium for their energy needs.
into a nightmare
Crane boom turns
WHEN AN OVER-SUPPLY
WITH AN UNDER-EVALUATION
and an increase in price.

Kohenderman
by Tony

Cranes are prepared to

BY TONY KONDERMAN

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BY TONY KONDERMAN
The Group Areas Act costs SA millions.
New industrial bank launched

PRETORIA — The launching of a new venture, Volkskas Industrial Bank which will specialise in commercial and industrial leasing as well as suspensive sale, was announced yesterday by Mr. D. P. S. van Huysteen, managing director of Volkskas.

Mr. Ron Rundle, formerly of Finanskrediet, the leasing arm of Finansbank, was appointed managing-director. He has more than 20 years' experience in installment credit and leasing.

Trans-Orange Finansieringskorporasie, a hire-purchase bank and a subsidiary of Volkskas, will be used as the vehicle for the bank and its name will be changed to Volkskas Industrial Bank, subject to the approval of the Registrar of Companies.

Mr. Wynand Louw, has already approved of the new venture.

The initial capital and reserves of the bank will total R1.1 million.

Mr. van Huysteen said that Vib would handle larger lease and suspensive-sale proposals whereas Volkskas itself would continue to carry the retail end of the hire-purchase and leasing market.

Vib will handle equipment leasing which will cover the broad spectrum of manufacturing equipment and "big ticket" items used in South Africa. It will be involved in the more sophisticated leasing which requires a greater degree of professional expertise to write tax-based leases.

As well as carrying its own "lease and suspensive sale" portfolios, Vib will be using the large tax base of Volkskas' advantage when writing tax-based "big ticket" leases. — (Sapa)
Rand Bank Curator says:

Depositors will recover funds

Johannesburg — The change of material losses of capital by depositors with Rand Bank is very slight, says the Curator, Prof. F. R. D. du Plessis, in his review of the year ended March 31.

Prof. du Plessis, who was appointed Curator when the bank was placed under curatorship at the end of January this year, says a thorough investigation has shown that depositors will in all probability recover in full the funds they invested with the bank.

He does, however, qualify this with two provisos — that the bank is not forced to realize its assets immediately; "as such a step would, in the present economic climate, result in substantial capital losses; and that the interest and operating costs of the bank can be reduced substantially."

Prof. du Plessis said the direct cause of the bank being placed under curatorship was the authorities' fear that an expected deterioration in the financial position of the Glen Anil property group, to which Rand Bank had a material credit exposure, could lead to a liquidity crisis in the bank.

"After considering the results of a thorough investigation into the affairs of the bank, it became obvious that the most important uncertainty about solvency is the final outcome of the claim against Glen Anil. At present it is not possible to obtain clarity over this."

"It would appear from the investigation that the reason for the bank's exceptionally large exposure to Glen Anil is mainly due to irregularities for which former officials of the bank were responsible. This matter was immediately brought to the attention of the South African Police."

Prof. du Plessis said all depositors, irrespective of whether the deposits or NCDs had already become payable or not, had been requested to agree to a reduction in the interest rate payable to 7 percent per annum from the date of curatorship.

As a quid pro quo, depositors who agree would receive a pro rata repayment as the cash flow of the bank permitted. It was anticipated that these repayments would take place at regular intervals.

Depositors who did not agree to the reduction in the interest rate would not enjoy any preference over the timing of the repayment of deposits. — (Sapa.)
ISCOR, the giant steel works in Port Kembla, recently announced a $120 million capital works program to improve its efficiency and reduce pollution. The project will involve the construction of new blast furnaces and the modernization of existing equipment, which will help the company to increase its productivity and meet the growing demand for steel.
Deur DAVID MEADES

VOLKSKAS is stil-stil bezig om al hoe meer uit sy dop te krui. Hy is besig om die bankwese agressiever as ooit tevore in sy geskiedenis te takel. Dit word sonder enige vertoon gedoen — waarskynlik omdat die bank baie waarde heg aan sy konserwatiewe manier van dinge doen.

Sy aksebank is nog maar pas op dreef, maar is reeds besig om 'n krag op hiertoe gebied te word. En Volkskas het ook vandee week aangekondig, dat hy daadwerkelik tot die nywerheidsbankwe en verhuring toegetree, het.

Gor die laaste jaar of drie het 'n hele paar van die land se banke ongemaklike terminals onderwys. Volkskas het hier heel goed uitgekom. Hy sit nou wel, met S.M. van Achterberg, beter dit al hoe meer begin lyk of hy hier die grootste deel van sy las gaan verhaal.

Die naam wat Volkskas in hierdie moeilike tyd in die bankwese vir hom opgehou het, skrik ver. Dit is ook daarom duidelik dat Volkskas hierdie toestand tot sy voordeel benut om 'n nog groter krug in die land se bankwese te word.

Bankorp

Die bank se besturende direktuur, mnr. Danie van Huysesteen, het ook aan Sake-RAPPORT bevestig dat die bank sy visier nou baie breër stel. Die bank wil so 'n vrye vlak ss wat moontlik is, dek en die moontlike ontwikkelinge by die bank se deel daarvan, het mnr. Van Huysesteen gesê.

Daar kan ook aangeneem word dat die verwydering tussen Volkskas en die Sanlam/Bankorp-groep baie met die verbreding van Volkskas se spektrum te doen het.

Sy ontrekking as 'n groot aandeelhouer by Bankorp het hom genoodsaak om regstreeks tot die aksebankwee toe te tree. 'n Mens is egter nie seker of die bank hom nie juist uit Bankorp ontdeck het om self groter sé in die aksebankwee te kry nie.

Huurkoop

Volkskas-Aksebank het tot stand gekom nadat Volkskas die beheerende belang in die Bankos-Aksebank verkry het. Onder die leiing van die dinamiese Laurie Korsten is hierdie bank besig om alle verwagtings te oortref.

Sy bedrywighede brei feitlik daagliks uit. Met die toestandkoming van die bank op 1 Junie vanjaar het hy met 'n kapitaal van R70 miljoen begin. Dit word sederdien maandelikse verhoog om tred te hou met die uitbreiding in sy bates en is so pas tot R8 miljoen verhoog.

Met die stiging van Volk- skas Industriële Bank (VIB) betreur Volkskas nou ook die nywerheidsbankwee. Hierdie nuwe bank sal spekulasie in handels- en nywerheidsbruikhuur sowel as gevorderde huurkoop. Die nuwe bank staan onder leiding van 'n oud-Finansiebankman, mnr. Ron Rundle.

Spektrum

Die bruikhurdiensite vir toerusting sal die breë spektrum van vervaardigingstoeurusting en ander groot items insluit. VIB sal hom veral toespits op geso- fisheerde transaksies wat tot groot hoogte gebruik maak van die professionele kundigheid wat nodig is in verhuuringsoorneemomste wat op belastingvoordele gegrond is.

Die nuwe bank sal van groot waarde vir tale Volkskas-klante wees. Hier lyk dit of die bank veral baie aandag aan munisipali- teite sal gee.

VIB sal ook projekfinan- siering onderneem en sal behoefte van plaaslike fondse ook oorsese vennote gebruik wat kapitaal kan verskaf om 'n projek ge- deeltelik of volledig te dek. Hierdie verbreding van Volkskas se spektrum in die bankwese gaan ook nie ongemerk by die ander groot banke verby nie. Dit is byna of 'n "nuwe" Volkskas uit Pretoria die waarskuldiging rig: "Pas op, die bankwese sal maar altyd dieselfde bly!"
Knives being sharpened for Glen Anil legal battle

FURTHER shocks can be expected from the collapsed Glen Anil group of companies if the forecasts contained in the secret Sage report are accurate.

Informed sources predict that the major creditors, the eight-bank consortium which tried to save Glen Anil, are preparing for a lengthy legal battle over their claims. And this is borne out by the facts contained in the report.

The report suggests that liquidation holds dangers for the banks, including attack by the liquidators on certain securities held by the banks. It even suggests that some of the guarantees viewed by the banks as secured are in fact unsecured, and that further problems could arise because of duplicated encumbering of assets by the banks.

The thorny issue of which guarantees might be subject to attack cannot be revealed.

One of the joint liquidators, Perry Oriel, said this week that a secret commission of enquiry into Glen Anil was being held in terms of the Companies Act and he was therefore unable to comment on how far the liquidators had got in their efforts to find out which guarantees could be attacked.

From information which has come to light however, at least two of the banks involved are preparing for battle over the conflicting guarantees.

The Sage report points out that in the event of liquidation, certain secured loans would be found to be partially unsecured.

The reasons it gives are the depreciated value the underlying assets would have on realisation, duplicated encumbering of certain assets, substantial obligatory development costs on some of the land, and challenges which could be brought by liquidators against the securities held by the banks.

The Sage report indicates...
Leasing is now a necessity, a new way of life

IN TODAY'S business environment where the high cost of money is a fact of life, leasing is being employed increasingly as a means of keeping working capital intact, and separating use from ownership.

The present turmoil and uncertainty in the money and capital markets makes financial planning a difficult task, particularly when the supply of long and medium-term funds in the market place is limited. Sources of medium and long-term capital from overseas markets have long since dried up and, where available, are most times bypassed because of the uncertain foreign exchange markets which give rise to extraordinary exchange risks.

These factors make it even more necessary for the buyer of capital equipment to be sure of the financial package he is being sold.

Today, the trend in industry is towards leasing rather than purchasing equipment. For many, leasing has become an economic necessity, a way of life. And this was confirmed in a recent SEIFSA report which stated that in the engineering industry, more companies were leasing than purchasing plant and equipment.

With these new dimensions in leasing has come the recognition by interested parties of the need to bring about a standard code of leasing practice in South Africa.

This recognition coincides with the revitalising of the 16-year-old Finance Houses Association (FHA) which today consists of nearly twenty members, mainly banks involved in leasing.

The FHA Council of Members instructed its leasing committee to set about the task of standardising practices in South Africa. After two years of work, numerous consultations and lengthy discussions, a code was finally agreed upon and various State departments, as well as the South African Reserve Bank, were asked to give approval to the document.

Not only was approval given but also encouragement, particularly from the Department of Inland Revenue who, together with the FHA, are co-operating in effecting the implementation of the code.

The code, among other things, attempts to eliminate practices which result in a loss of revenue for the State, or are contrary to existing legislation.

There remains, however, another important task for the FHA - the education of the business community as to the content and practice of "true leasing". In this regard, the association is arranging a series of leasing seminars in all the main centres to which professional bodies, financial managers and public servants will be invited.

The agreement between the banks brings into practice a number of interesting changes:

Termination of lease. Whereas previously many lessees expected the equipment or motor vehicle to become their property on payment of the final rental, this will no longer be possible. Lessees may enter into a secondary period lease at a much reduced rental but they may not become owners of the leased equipment unless they acquire ownership by purchasing at a "fair market value".

The banks will, in terms of their agreement, pitch the secondary period rental at a level which is collectable and the costs of collection are fully covered.

The lessor may, at his discretion, refund the excess over and above the cost and a fair return (on capital invested) less expenses, as a rebate of rental. These rebates which are taxable in the hands of the lessee, will be reported to the Receiver of Revenue.

Leases which are structured with a residual value will receive much the same treatment — the excess over and above the residual value could be refunded to the lessee and any shortfall payable by the lessee. Secondary period rentals for residual value leases will no doubt cover the remaining residual.

Lease period. In conformity with a request from the Department of Inland Revenue, leases will be written over the same period as the assets, thus avoiding tax purposes by the lessor. It will no longer be possible to lease, for example, a lathe over two years when the authorised write-off period is five years.

Acquisition of leased equipment. Neither the lessee or any associate may acquire the leased equipment unless purchased at fair market value but any sale is at the discretion of the lessor.

Proceeds of sale used from the sale of leased goods are sometimes deducted from the cost of the replacement item to be leased. That reduces the taxable proceeds since any rebate of rentals should be declared as income earned in a single year rather than in effect being spread over a number of years.

The code says that the lessors will refrain from deducting sales proceeds from replacement leases, and it goes on further to say that any benefits enjoyed will be reported to the Receiver of Revenue.

There is no doubt that the new code of practice will cause financial managers to look more closely at its effect on their decisions, but it is almost certain that if the leased asset is still in use, they will opt for a secondary period.

Members of the association are confident that in putting their house in order, they will avoid possible "over legislation" by the authorities. They also believe that the code would in any event be a sound basis for any possible legislation in the future, should the industry not conform to the standard practice.

The trend of abandoned equipment over the past decade must amount to several millions of rand but, in the future, prospective lessees will find it more difficult to persuade lessors who are members of the FHA and Association of Banking Institutions (who are co-operating in the implementation of the code) to twist the terms of the lease to allow the equipment to be abandoned or even sold at a nominal value.

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June 1977
They certainly exceed R100-m and have been accumulating since the start of the year.

Most pension funds and insurers are not likely to have committed themselves beyond six months.

The rush into gilts and semi-gilts was prompted by this year’s heavier demand for gilts as the institutions had surplus funds which they had to invest somewhere and the expectation that interest rates would come off.

And while the experts may differ on the amount that is currently being ‘warehoused’ for the institutions, there is consensus that the current affecation for gilts could well cause a reaction in the capital market next year.

If, in fact, institutions have already committed 1978 income to gilts, to take advantage of what are seen as higher rates, and take a breather from 1978 issues, because of a shortage of cash — the institutions do after all have a finite amount of cash — interest rates could rise again.

But it is unlikely that alternative investments will, in the foreseeable future, match the attractiveness of investing in the public sector. Also it is fair to guess that as much money as has gone the way of the public sector this year, will go that way again next year — even if rates soften.